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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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Purport cards for Decimal File material after 1949 remain under classification and are therefore unavailable. The researcher is referred instead to the *Guide to the SR Microfilm Edition of the Records of the U.S. Department of State Relating to Internal Affairs of Brazil, 1960-1963*, immediately following.

ACKNOWLEDGMENT

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NUMERICAL-SUBJECT LISTING OF DOCUMENTS
IN CLASSES 7, 8, AND 9

CLASS 7

INTERNAL POLITICAL AND NATIONAL DEFENSE AFFAIRS

- | | | | |
|-----|--------|--|---|
| 7** | .00 | Political affairs and conditions, Elections, Political parties and groups, Political refugees, Defectors, Amnesty, Revolutions, riots, disturbances, Civil war | |
| | .001 | Communism, Bolshevism | { For espionage, and
subversive activities,
see 7** .52## |
| | .002 | Fascism, Nazism | |
| | .003 | Socialism | |
| | .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, | |
| | .0221 | 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 6** .##26
 .5614 Small arms, bombs, grenades, rifles
 .5615 Helium
 .562 Ships, vessels and aircraft (including construction, etc.)
 .5621 Battleships, cruisers, destroyers, other naval vessels (all types) (includes construction, purchase and sale, accidents etc.) For international negotiations, treaties, etc., in limitation of armaments, see 6** .##12
 .5622 Aircraft, bombers, fighters, gliders, jet-propelled aircraft, all types of military or naval aircraft (includes construction, purchase, sale, accidents, etc.)
 .563 Bases and posts
 .563## Country in which located ## (includes air, land, and sea bases, landing fields, fueling stations of any type, navy yards, drydocks, etc.)
 .564 Uniforms, Clothing, Insignia
 .564## Exchange of uniforms with country ##, smaller country number
 .5641 Unauthorized wearing of uniforms of country **

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

 .58 Missions (** country in which located)
 .58## Visits, etc., of military, naval, or air force personnel and/or equipment of country ** to country ##. For admission of foreigners to study in or visit military, naval and air force schools and 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**.#131
	.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**.#54
	.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	{ For processing or manufacturing of food, etc., see 8**31
.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
	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, <i>edible</i>
.32	Animal and vegetable products, <i>inedible</i>
.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, <i>inedible</i> . For medicinal oils, see 8**3971
.3251	Tung oil, Palm oil
.326	Miscellaneous animal products, <i>inedible</i>
.327	Miscellaneous vegetable products, <i>inedible</i>
.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
 - .3932 Fuels and petroleum products, Refinery products. For oil, wells, oil-drilling, etc., see 8**2553
 - .394 Metal manufactures not otherwise classifiable, Aluminum, Copper, Brass, Bronze, Lead, Tin, Zinc. For manufacture of iron and steel, see 8**331

8**395 Beautician and barber equipment and supplies
 Toilet preparations, Cosmetics
 .396 Scientific and professional instruments and equipment (surgical, dental, optical,
 etc.)
 .397 Chemicals and dyes, Industrial alcohol
 .3971 Medicinal and pharmaceutical preparations, Drugs, Disinfectants. For illicit
 traffic in narcotics, see 8**53
 .3972 Fertilizers
 .3973 Explosives (non-military) (see also 8**36)
 .3974 Paints and varnishes, Stains, Enamels
 .3975 Soap, Cleaning compounds, Polishes
 .3976 Chemical specialties, Plastics, Celluloids, Cellulose, Cellophane, Resins
 .398 Notions and novelties, Flags, Pennants, Emblems, Badges, Pins
 .399 Morticians' supplies and equipment

 8**40 Social matters, Conditions (general)
 .401 Population, Statistics, Census

 .41 People
 .411 Race problems, Disturbances, Massacres, Pogroms, Displaced persons, Refugees.
 For political refugees, see 7**00
 .412 Language, Literature
 .413 Religion, Church. For protection of religious missions, see 2**##
 .414 Manners and customs, Dress, Mode of life
 .4141 Marriage, Divorce
 .4142 Welfare of mother and child. For child labor, see 8**063

 .42 History
 .421 Historical relics, Manuscripts
 .422 Monuments, statues, memorials
 .423 Public records
 .424 Commemorative celebrations
 .425 Holidays

 .43 Education
 .43A Advisers
 .431 Elementary education, Primary schools, High schools
 .432 Advanced education, Universities, Colleges, etc.
 .433 Technical, Commercial, Agricultural
 .434 Education of the blind, physically handicapped
 .435 Vocational
 .436## Reciprocal recognition of diplomas
 .437 Libraries (see also 5**##1)

 .44 Fine arts
 .441 Painting, Drawing
 .442 Sculpture
 .443 Architecture
 .444 Engraving
 .445 Photography
 .446 Music

- 8**45 Amusements, Sports, Recreation
 - .451 Theaters, Stage, Operas, Museums, Carnivals, Concerts
 - .452 Motion pictures
 - .453 Sports, Athletics, Indoor amusements
 - .4531 Olympic Games
- .46 Societies (including social organizations)
 - .461 Better citizenship organizations
 - .4611 YMCA, YWCA
 - .4612 Boy Scouts, Girl Scouts, Camp Fire Girls
 - .4613 Military and veterans organizations
- .47 Etiquette
 - .471 Ceremonials
 - .472 Precedence
 - .473 Salutes
 - .474## Ceremonial communications, New Year's greetings, Felicitation on national anniversaries, ## country sending felicitations
- .48 Entertainment in country **
 - .481 By the country or its officials
 - .482 Audience with the chief executive or sovereign
 - .483 Presentation at Court
 - .484 By private persons and societies
 - .485 By resident officers of the United States
 - .486## By resident officers of other foreign countries, ## nationality
- .49 Calamities, Disasters, Earthquakes, Tornadoes, Cyclones, Typhoons, Famines, Fire, Relief measures (see also 8**03)
- 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**, ##4)
.401 Concessions, Contracts
.402 Laws and regulations
.403 Censorship

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

.42 Amateurs ("ham" operators)

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

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

9** .60 Public press
.61 Newspapers, Clippings, Items
.62 Newsgathering agencies (including news broadcasting), Commentators
.62## Newsgathering agencies (** nationality of newspaper or magazine and ## country or area of operations)
.63 Magazines, Periodicals, Books, Book publishing
.64 Censorship of newspapers, books, and other printed material

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

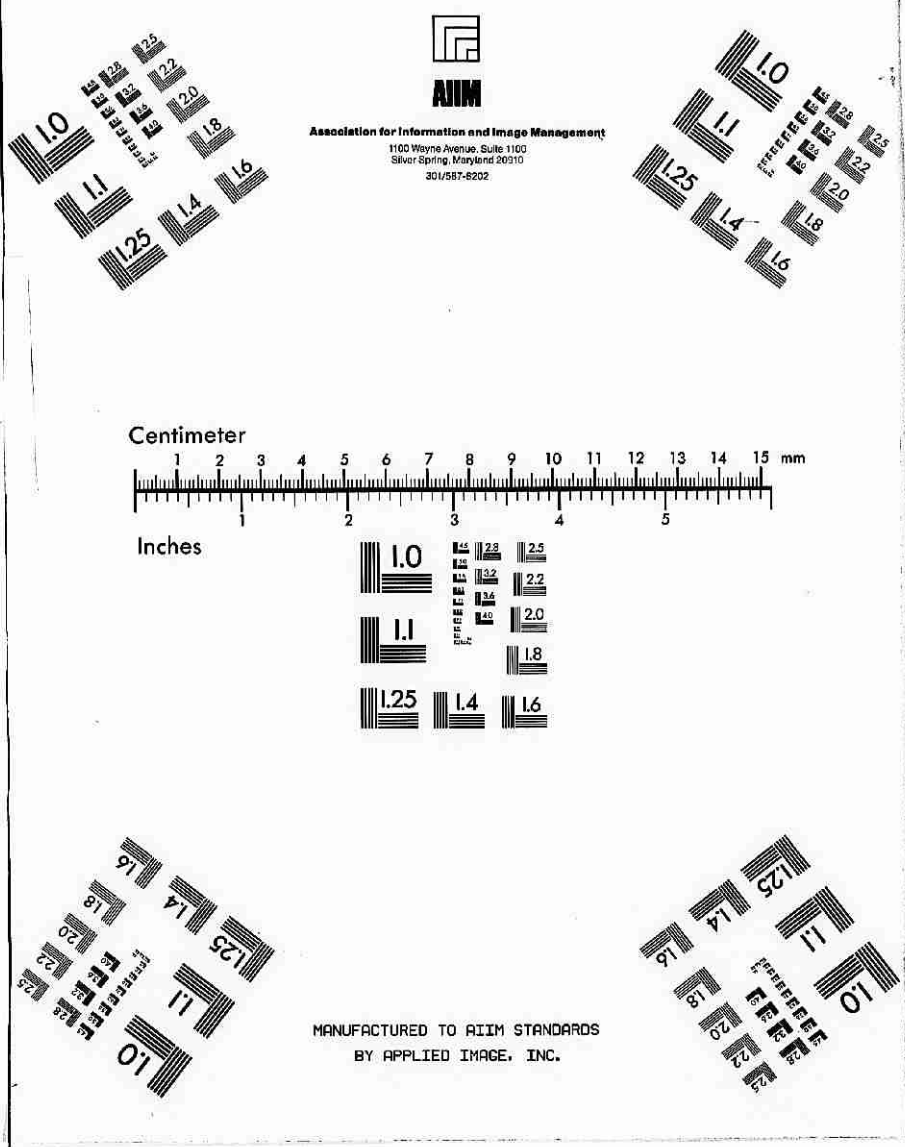
.71 Land transportation
.71## Land transportation between country or area ** and country or area ##. Use smaller number for **
.711 Laws and regulations
.712 Railroad, Railways, Rates, Demurrage, Accidents
.712## Rail transportation between country or area ** and country or area ##. Use smaller number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

.72 Air transportation (all types, non-military aircraft). For air transportation reservations, see 9** .72-RES
.72## Air transportation between country or area ** and country or area ## (smaller country number for **) (includes regularly established airlines and non-scheduled flights, private flights [non-commercial], permission for flights). For movements of military aircraft, see 7** .58##
.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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CONTINUED
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FROM : RIO DE JANEIRO *no action* *310*

TO : THE DEPARTMENT OF STATE, WASHINGTON *11-30-61*

DATE: October 13, 1961

REF : *B/FAC-5 S/AE-4 AC DA-70 S/A-2 USG-7-3*

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			AGR 10	COM 10	CIA 3	NAVY 7	OSD 8	OCB 2	USIA 3	DO 4	STATE 2	DEF 1	HEW 1	NSA 2	IA 1
			AIR 6	ARMY 4	CIA 11	NAVY 4	OSD 5	OCB 10	USIA 4	DO 4	STATE 10	DEF 2	HEW 3	NSA 5	IA 4

SUBJECT: Brazilian Cabinet's Program of Action

Enclosed is a translation of the "Programa do Governo" presented to Congress by Prime Minister Tancredo Neves on September 28, laying down the general principles and plans which his cabinet intends to follow.

The "Program" was approved by the Chamber of Deputies in a motion which said, however, that ~~xxx~~ owing to the "extremely analytical nature" of the "Program" the approval really referred only to the "overall policy of the Government," and that Congress, "as was appropriate in a Parliamentary system," reserved the right to "appraise the program as it was developed."

Comments on certain sections of the Plan are being sent by separate messages.

The chapters referring to the armed forces will be forwarded in a separate despatch.

For the Chargé d'Affaires, a.i.

John Krizay
John Krizay
Second Secretary of Embassy

WEPaxson:lw

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DEC-4 1961

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CHAMBER OF DEPUTIES
COUNCIL OF MINISTERS
PROGRAM OF GOVERNMENT BASES
ANALYSIS OF THE ECONOMIC AND
SOCIAL SITUATION OF BRAZIL

Introduction

"Your Excellencies, members of the National Congress:

"The crisis of the Executive power, which obliged the Brazilian Parliament to assume the government of the country, lends special significance to this moment, when the members of the Council of Ministers, in the fulfillment of their constitutional obligation, submit to the high consideration of Your Excellencies their program of administrative action.

"They do it conscious of their responsibility--unprecedented in the Republic--but animated by the result of the experience of one of those rare opportunities in which a nation puts its effective unity to the test. A result which is an expression of and a testament to the maturity of the Brazilian people, through the constitution of a government of true national union, in benefit of a greater commitment to development, order and social peace.

"The comprehension of history will identify in the process of this development, already very complex, the impact of multiple social tensions, moved by rich and varied energies, the deep cause of the recent crisis. Going beyond the framework of a unipersonal direction, Brazilian development has shown the inadequacy of presidentialism as an instrument of political decision in the present stage of our evolution. Economic and social pluralism, the pledge of our progress, will necessarily have, in Cabinet Government, a more apt and flexible form for the collective distribution of responsibilities for the conduct of national policy.

"The program here presented expands systematically the necessities and the objectives of Brazilian development, and the policies which the Cabinet of Ministers understands as most adequate for the fulfillment of the mandate received from Your Excellencies.

"We cannot fail to enunciate, immediately, however, some preconditions on which depend both the action of the Cabinet and the very continuity of that process, and which demand a deep agreement by our community.

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"It will not be possible to think of development without social and political stability. On emerging from a serious crisis, we can perceive, in its entirety, the price of instability, which subjects us to sudden retrocessions in the conquests painfully achieved by slow and continuous collective effort. It will be indispensable for us to vote--all Brazilians--for the containment of inconformities and intransigencies, and to accept always the humility of the democratic dialogue, instead of attempting to impose individual points of view, in an exacerbation of spirits which is to the interest only of the enemies of our country.

"The understanding of social dynamism reveals, meanwhile, that stability is a function of the constant adjustment of the institutional framework to the new forms of a society in transition. In this step, the Cabinet considers that parliamentarism has created a more able instrument--and the urgent obligation of its full utilization--to make concrete the basic reforms which the country craves, and the neglect of which has been repeatedly imputed, unjustly, to the National Congress. For these reforms the Cabinet hopes, with the support of the Parliament, to exploit all the potentials of the new regime.

"It is also imperative, in a system in which the necessary close relationship between the State and private initiative in the economic field finds badly-defined limits, to demonstrate areas of competence and create safe conditions and predictability of economic calculation. The private sector ought to bring to national development the contribution which is demanded of it, and which in so many sectors has shown itself highly useful. The stage which the national economy has already attained no longer is compatible with a regime of indefiniteness which drugs initiative, creates immobility and contributes to shading the clearness of political and juridical concepts which comprise our constitutional structure. The State is not in need of additional tasks, but the means to execute those which already overload it.

"The last of the preconditions to point out is that which will convey, fully, the meaning of historic responsibility and the desire of the group to opt for development: austerity, as much for the government as for the people.

"The demonstration of national unity, of the patience of the Brazilian people, and of the political wisdom of their representatives, into which the recent crisis converted itself, has made evident, in all their vigor, the civic reserves which the nation has available. Mobilized for the constructive work of development, it will be easy to find forces to support the sacrifices for which /development/ calls in passing, and to make of the benefits, which can already be foreseen, the fruit of an ever

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From: RIO DE JANEIRO
Page 3.

more collective decision by the Brazilian people.

"The program of government which we offer for the appreciation of the National Congress represents an effort to equate the great problems with which the nation is confronted and to indicate the measures which will put them on the road to solution, within the periods foreseen, as soon as human and financial resources mobilized by the public powers permit. In it stands out, as the maximum expression of national maturity, the courage to focus and define the conditions of penury and ignorance in which such a great many Brazilians live, along with the resolution to face them. The greatest indication that Brazil is moving toward development is this stricken consciousness of its problems and this inconformity. For each goal attained on the road to development, newer and even greater tasks unveil themselves, challenging the energies of the nation.

"This critical conscience and inconformity with backwardness and misery are what guarantee to Brazilians the right of being today an optimistic people. Everyone knows that tomorrow will be better than today because of our capacity to mobilize--for work, study and research--the never-ending patrimony of which we are heirs, in order to place it at the service of the well-being of our people."

Brasilia
September, 1961

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PART I

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From: RIO DE JANEIRO

CHAPTER I

ANALYSIS OF THE SITUATION

1. Recent Growth of Brazilian Economy

In the past thirteen years the Brazilian Gross National Product increased at the annual cumulative rate of 5.2% (at constant prices, according to data from the Getúlio Vargas Foundation). At the present rhythm of demographic expansion, which has reached 2.7% per year, the annual increase of per capita income is around 2.5% per year. (3.0%)

2. Insufficient Rate of Growth

That rate of increase is insufficient in two major aspects:

- a) It does not allow the decrease in the disparity of income in relation to more developed countries, and
- b) It does not ensure productive employment to a fast growing population.

Available data on the increase of total and per capita Gross National Product of some highly industrialized countries show that these countries have obtained a rate of growth higher than ours in the past ten years. That the gap that separates us from them is widening is demonstrated in the following table:

	<u>Annual rate of increase of Gross National Product</u>	
	<u>Total</u>	<u>Per Capita</u>
Japan	10.3%	8.7%
West Germany	10.4%	8.3%
France	9.0%	8.2%
United States	6.5%	4.3%
Australia	6.7%	4.1%
Brazil	5.2%	2.5%

It should be stressed that such countries have attained the results shown within democratic forms and institutions, and have demonstrated the possibility of achieving an accelerated economic development without sacrificing their political liberties under any form of totalitarianism. Our inadequate rate

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of increase is further evidenced by the fact that, if present trends were to continue, it would take us no less than 36 years to attain a per capita income of 600 dollars; level from which, based on present values, one could say that Brazil would be surpassing its underdevelopment stage.

The provision of productive employment for the national labor force requires an ambitious rate of increase as a result of two factors. First, the rate of population increase is high, and everything indicates that it will continue to grow for some time because of more rapid decline in the mortality rate than in the birth rate. Our population today is 66 million inhabitants and it will reach 79 million at the end of 1961/65 period. It is reasonable to estimate that we shall pass the 83 million mark by 1970 and the 115 million mark by 1980. Secondly, owing to the high proportion of idle people among the population, the probable rate of absorption of additional manpower into the labor market will exceed the rate of population growth itself. In 1959 the working population in Brazil accounted for only 34% of its total, as contrasted with 40% in the United States and 46% in Western Europe. Economic development inevitably implies an "activation process" through which persons from the idle group are transferred to the working group, and it should be assumed that by 1980 the percentage of our population which is active will be comparable to that of the United States of today. Obviously this will occur only if real job opportunities are created for this potential labor force. In absolute numbers this labor force should increase from 23.5 million in 1961 to 27 million by 1965 and reach about 32 million by 1970. Any objective evaluation of the Brazilian economic development problem cannot ignore the need for providing no less than 2.6 million productive jobs in agriculture, industry and services, between 1961 and 1965 and substantial investments will be required for merely absorbing this increase in working population.

3. Determinants of the Rate of Growth

Our insufficient rate of growth derives from: a) The inadequacy of total investment and, b) Defects in the investment structure. The major stimulus to a country's economic growth is, obviously, the total investment in fixed capital and in education, scientific research and in technology, the latter serving to enhance human capital. The average annual investment coefficient in Brazil during the last six years has been approximately 14% in terms of gross investments in fixed assets (excluding inventories). In view of the high rate of population increase investments equivalent to no less than 12% of the GNP would be required annually just to avoid a drop in the per capita income. Although the present small margin above that minimum level enables us to employ the active population at the present levels of productivity of Brazilian workers, it is not sufficient to absorb the underemployed population of the country.

With reference to investments in other activities which contribute to further economic development, it is necessary to point out that the correlation between economic growth and education and research investments is closer than

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that which exists between fixed capital investments and economic development. Fast developing countries usually spend between 6 and 8% of their GNP in education, and in addition from 1,5% to 2% in technological research and uses. Such investment is essential to increase the yield of production factors, making more economic use of capital by the improvement of the capital-output ratio.

The investment structure has also been jeopardized by distortions and waste resulting from the artificial nature of economy during the last few years. Inflation has caused funds to be diverted to real state investments of a low social value and low economic output, and has discouraged their utilization in agricultural and export activities, - two critical sectors for economic stabilization. On agriculture depends the supply of food and raw materials; on exports depend the foreign exchange for imports of scarce goods and services - which will make the economy more flexible and correct unbalanced growth, cyclical variations and poor planning and permit the constant internal adjustments of a growing economy.

4. Development Imbalances

4.1 The high rate of inflation and its negative aspects

The overall price level in Brazil (deflated) starting from a base of 100 in 1947, reached an index of 739 by 1960. This sharp inflation had its foreseeable consequences, in that it discouraged personal savings, impaired large long-term investments, caused an imbalance in the balance of payments, diverted funds to non-productive activities. Worst of all, it gave rise to social disturbances because, while a small group of persons got richer, the inflation caused painful difficulties for the great mass of the Brazilian population, especially those in the lower income brackets, whose wages and salaries, were daily eaten away by rising prices. Judging by the experience of other countries, no positive correlation between inflation and development can be proven, since both the investment level and the rate of growth varied a great deal more as a function of improvements in trade relations or from the flow of foreign funds than from the inflationary rhythm, and it does not appear that the mechanism of forced savings has resulted in a real increment in the level of investments. In reality, some of the major investment projects, after countless cost changes and numerous additional loans obtained both inside and outside the country, are today experiencing serious difficulties in their completion, postponing the day when they will add to the supply of goods and services, and consequently prolonging the inflationary impact.

4.2 Imbalance in the balance of payments.

Contrary to the trend of expansion of world trade by 4.5% a year, the curve of Brazilian exports from 1945 to 1959 revealed a trend declining at the

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rate of 1.6% per annum, while imports grew by 3.8% per annum, thus causing a sharp imbalance in our external accounts. Taking 1948 as the base year (100) the index of the quantum of imports was 94 in 1945 and 146 in 1959. This happened despite the intensive substitution of imported products by domestically produced industrial products and in spite of the pressure to reduce imports which, for lack of foreign exchange, has been applied through the "Agio" system and now through the requirement for deposits by importers, deposits which are superimposed on the high exchange cost of those imports.

The list of imports can be compressed little more today, if we are to maintain the present rate of development, since it is composed largely of fuel, raw materials, and semi-finished goods essential to the functioning of the existing capital plant. Over the 1947 - 1948 period there was a systematic increase in imports of raw materials and parts, and a decline in the imports of consumer goods. In turn, semi-finished goods and capital goods compete for the meager supplies of foreign exchange. To the extent that the capitalization effort based on imported goods stepped up, the entry of semi-finished goods decreases, and vice-versa (as is shown in table I); also, the long term trend points to a gradual reduction in the proportion of imported capital goods. This proportion was 38% in 1948 and has steadily declined ever since; nevertheless, it was still 28% as of 1958.

Even though the continued effort of import substitution be maintained, the acceleration of economic development will cause a substantial increase, in absolute terms, in the volume and value of imports of semi-finished and capital goods. It is estimated, for instance, that, given the existing capital-output ratio, and assuming the continuance of the substitution of locally produced goods for imported items (in three sectors: capital goods, semi-finished and consumer goods), a rate of production growth of 5.4% per annum (2.7% in terms of per capita income) would require total imports amounting to US\$2.5 billion by 1965 and nearly US\$3 billion by 1970. To increase the rate of growth to 6.5% per annum would require imports of around US\$3.2 billion by 1965 and of about US\$4 billion by 1970.

TABLE I

Estimate of import levels compatible with an annual growth rate of 6.5% of the GNP and continuation of present trends in import substitutions.

(In millions of dollars)				
	Capital goods	Raw materials and Semi-finished goods	Consumer goods	Total imports
1961	911	1.623	258	2.792
1963	914	1.827	249	2.980
1965	919	2.053	239	3.211
1970	931	2.762	216	3.909

It must be concluded from this that the present level of Brazilian foreign trade is not compatible with a rapid improvement of our investment and economic development rates. A strenuous and dramatic export effort is required whether through traditional markets or through new markets in the socialist world, for even if we succeeded in securing a substantial increase in the net inflow of long-term capital on the order of US\$800 million per annum under the Alliance for Progress Program, it would be necessary to program for 1965 an increase in exports of about US\$1 billion over the present level.

The following table contains the major parameters which show the economic situation of various Brazilian regions:

TABLE II

(In cruzeiros until 1959)

		North	Northeast	East	South	Central West
Regional Income						
(from State contributions)						
TOTAL	millions	31,000	134,700	530,600	756,200	41,856
Primary sector	millions		56,500	126,500	275,200	29,756
Secondary & Tertiary sector	millions		79,500	397,400	481,200	11,721
Per capita-regional	Cz\$	15,946	8,766	23,814	34,322	17,696
Primary sector	Cz\$	7,701	5,235	10,203	23,471	17,260
Secondary & Tertiary sector	Cz\$	29,818	17,256	38,825	46,680	18,285
Coefficient of Liquid Investment						
			1,5	16,13	14,47	13,69
FIXED CAPITAL AVAILABILITIES	MILLIONS	42,637	109,809	1,605,2	2,118,9	63,400
PRODUCT/CAPITAL RELATIONSHIP		1.49	0.902	4.765	3.159	1.554

The regional income, total and per capita reflects the discrepancies in distribution of national wealth. While the per capita income in the South is much higher than the Brazilian average of Cr\$23,000 income, that of the East corresponds practically to that average, thanks to the influence of the State of Guanabara index. All the rest of the country shows levels of per capita income which are much lower, that of the Northeast being four times smaller than that of the Southern Region.

The present situation is aggravated by the difference in the dynamism of the behaviour of that income: in view of the rapid population expansion, coupled with the low rate of income growth, it is in order to forecast in the near future a decline in the per capita income of the North and Northeast Region, and of some States of the East Region, as well as a small increase in the Central-West Region.

As a feature of their stage of underdevelopment both the North and the Northeast show sharp differences between their per capita income in the secondary and tertiary sectors (urban populations) on the one hand and the primary sector on the other. This relationship is 3.87 in the North and East, and 3.30 in the Northeast while in the South the relation is only 1.99. The Central-West Region, whose wealth is concentrated in livestock, constitutes an exception because of the small difference between urban and rural income.

An evaluation of the trends of behaviour of urban and rural incomes in the different parts of the country reveals throughout the prospect of the serious social problem that will arise from an increase in urban underemployment. In the North, while rural per capita income tends to rise, even though at a reduced rate, urban incomes show a sharp tendency to drop. In the Northeast the prospect is for a fall in all sectors, although at a faster rate in the cities. In the South, in spite of industrial concentration and of the substantial investments channelled to that region, the trend of per capita income both in urban and suburban areas is to drop. The same tendency is forecast for the Central-West region.

This fact, while seemingly paradoxical from certain aspects, evidently results from the accelerated process of urban development in practically all parts of the country. The migratory movements under way lead to the formation of a large mass of underemployed labor in the outskirts of the cities. In spite of the absolute increase of urban income in the more developed parts of the country that overpopulation tends to depress the average per capita income.

It must be emphasized that suburban population is largely made up of unskilled and mostly illiterate laborers. While the promising growth of a

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skilled and trained labor class is noted, whose living standards are rapidly improving, that class is steadily being diluted in the mass, constantly fed by the inflow of unqualified manpower that comes from the rural zones and from other regions.

With respect to investment, the North presents very low co-efficients, about 1% of the region's income. In the Northeast the situation is most lamentable. The very low incomes do not make savings possible and numerous states during recent years have been using up a part of the supply of capital accumulated during more favorable periods. This is the case, for example, in Piauí, Ceará, Rio Grande do Norte, and Paraíba, which are in the process of "liquid disinvestment". The average rate of 1.6% for the entire Northeast is largely determined by the co-efficient of 3.04% for the State of Pernambuco. In Eastern Brazil this co-efficient is 16.03%, which is attributable almost entirely to the State of Guanabara, since in the rest of this region the rate is only 5.46%. In the South and in the Central-West, as contrasted with the rest of the country except for the State of Guanabara, the investment co-efficients are 14.47% and 13.69%, respectively.

Differences in capital supply are also marked. The North and the Northeast have a very low supply of liquid capital, which in general is non-productive or is being used up through incapacity to save, while the greater portion of national capital is concentrated in the South and in the East (in the latter region, chiefly in the State of Guanabara).

The low capital-output ratio, observed in the less developed regions of the country, results from the use of cheap, abundant labor and contributes to raising the productivity of the reduced capital supply.

4.4 The increase of under-employment

The analysis of regional disequilibrium clearly demonstrates that throughout Brazil there exists a gradual increase of under-employment or of disguised unemployment. This under-employment, whose social consequence is the growth of favelas in the South-Central region and the spread of "mocambos" in the Northeast, results from a combination of various circumstances:

- a) the very low standard of living of the Brazilian agricultural worker, which stems from low agricultural productivity, in contrast to the relatively high incomes in the cities, which constitute a powerful incentive for migration to urban areas;
- b) the structure of industrial investments, having a large amount of capital per worker, but with a low capacity for employment of laborers; machinery imported to build up our industrial plant in almost all instances comes from

countries concerned primarily with reducing labor costs; and machinery produced in Brazil for the most part is produced according to imported designs and patents;

e) social legislation heedless of the objectives of economic productivity, which results in high labor costs in relation to capital and which speeds up, consequently, the installation of machinery which can be substituted for labor.

Certain considerations will present a quantitative picture of the problem. Capital investment per person active in agriculture in Brazil is approximately 108,000 cruzeiros; in services the amount reaches 241,500 cruzeiros; and in industry, 422,900 cruzeiros. With this relatively high level of capital investment per economically active person, we have only been able to put to work, in industry, about 3,980,000 people, while 7,280,000 are employed in services, and 10,720,000 in agriculture. The enormous capital investment required to create jobs for the rural population which migrates to the cities is the great impediment to full utilization of the masses of unskilled workers that move annually to urban areas.

The rate of urbanization in Brazil - understood as the margin by which the increase in urban population exceeds the average increase of total national population - is about 1.5% per year. Prospects for the coming years are that the rural population will remain relatively stable, numerically, while the cities will absorb almost all of the increase in national population. This means that the population which must be actively employed in the cities will increase from 9,340,000 in 1960 to 12,640,000 in 1965. This is an increase over four years of 3,300,000 people to be employed - or about 800,000 per year. Since it is capital investment per active person to 305,800 cruzeiros (the average of capital investment per person in the sectors of services and industry) it can be estimated that, simply to avoid a falling off of per capita income in the cities, what will be required is a liquid average annual investment corresponding to 9.14% of the Gross National Product.

On the other hand, this same population shift (which to provide useful employment for the migrants will require the percentage increase of Gross National Product cited above) point up the simultaneous need for massive investment in agriculture to make possible the rise of productivity and of production by the rural population which is relatively smaller, on a scale sufficient to provide food and raw materials needed by the urban populations. Using as a base the capital-output ratio presently obtaining in agriculture, the necessary annual total of liquid investment required to increase agricultural production to this level will be about 4.85% of the product.

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These calculations permit us to determine that the sum of gross investment in fixed capital which is needed solely to prevent worsening of the present state of under-employment in Brazil, is 19% of annual product. This investment will lead to an increase of per capita product of about 3% per year, but still would not be sufficient to take care of the population group which is presently under-employed. Hence the necessity of increasing the ratio of increase of per capita product beyond this level of 3% annually, to bring us near the rhythm of growth that has been reached by the Western European countries and by Japan.

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PART I

CHAPTER II

OBJECTIVES OF A DEVELOPMENT POLICY

A development policy in Brazil must not overlook the following objectives:

- To increase the rate of growth of the gross national product to 7.5% per year;
- To productively absorb underemployed labor;
- To diminish, and eventually eliminate, the tensions created by social disequilibrium, reducing the inequality in income distribution and providing minimum conditions of housing and sanitation;
- To achieve a reasonable stability of prices;
- To reduce, and if possible to eliminate, disequilibrium in the balance of payments.
- To lessen regional unbalances;
- To correct "structural deformities", by strengthening and adjusting the industrial sector to the employment situation that is necessary and by substantially augmenting agricultural productivity;

These objectives are not here presented in order of priority; in a sense, they are not all fully compatible one with another. For example, the lessening of regional unbalances may in its initial phase retard the achievement of a high rate of growth of the gross national product, which has been discussed above. However, over the long run these objectives can become integrated into a single, self-activating organic whole.

1. Increase in Rate of Growth of Gross National Product from 5.2% to 7.5% Per year.

Having calculated the necessary conditions to provide work for the entire population and having verified that the minimal increase sufficient to prevent an aggravation of the under-employment situation would entail investment leading to an annual increase of 3% in per capita product, it remains obviously for us to select a rate of increase which would be the minimum compatible with social-economic stability and with the goals of

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security and prosperity. As stated above, the Gross National Product in some of the principal countries, is increasing at rates which approach and even exceed 10% per capita per year. Brazil, of necessity, must aim for similar results but will not be able to achieve them in the near future. Accordingly, although bearing in mind that the final stage of growth will envision lessening the differences in prosperity which separate Brazil from the principal industrialized countries, for the present we must limit ourselves to a rate which is more compatible with the actual state of our resources. The increase in the Gross National Product of 7.5% per year does not appear to be unattainable, given our possibilities for savings, added to the potentialities for mobilizing foreign resources which will complement our own, both within and without the structure of the "Alliance for Progress".

This growth would require, in fixed capital alone, an annual net investment on the order of 18.75% (23.75% of gross investments) as contrasted with the 9% annual net investment in fixed capital (14% of gross investment) made during recent years in Brazil. This goal requires however, an increase of almost 70% in gross investments, to be accomplished in part through better mobilization of national investment and in part through absorption of external resources.

2. Productive Utilization of Under-employed Labor

The rate of investment envisioned above (18.75% net capital) would make possible an increase of 4.8% per year in per capita income, in addition, that is, to the 3% required to maintain the current level of employment in the country. This growth would be of such a pattern as not only to fully absorb the increase in the labor force, but to an equal extent allow for the better utilization of the present economically active population. To increase capital investment per employed person and to augment productivity in all sectors would tend to reduce and eventually to eliminate the present number of under-employed, integrating them into the productivity equation of the country. Numerical calculations indicate that this productivity equation would annually increase by almost Cr\$5,000, at present prices, the capital available per economically active person in Brazil, the greater number of these are to be found in agricultural areas.

3. Reduction of Inequalities in the Distribution of Income and Provision of Minimal Conditions of Housing and Sanitation, to Alleviate Tensions Created by Social Disequilibrium.

Although the coveted increases in income and the creation of productive employment for the entire population of agricultural and urban areas represent the basic solution of Brazilian social problems, this process may take a long time; what is needed forthwith is a series of measures which will minimize the problems of the population. This being the case, the fiscal,

monetary, agrarian, exchange and other policies should be formulated in such a manner that, in addition to promoting the process of development and employment, they contribute simultaneously to the better distribution of income, and above all, to raising income, as is expected. Within the system of international cooperation established as "Alliance for Progress" there should promptly be initiated programs to attenuate the distressing housing conditions of the country. The solution of this problem will involve not only the utilization of financial resources on a large scale, the adoption of new plans for residential housing, the installation of a truly "rational" industry for the construction of popular houses at low cost, and the dissemination of self-help techniques.

4. Reasonable Stability of Prices.

The necessity of achieving a reasonable equilibrium of prices is linked to the dual consideration that (1) an accelerated development cannot be sought in the context of the strong disequilibrating inflationary forces of the last years, and (2) inflation represents for the poor classes a process of being pillaged. Thus the struggle against inflation represents, simultaneously, a social goal and an economic "means" for arriving at other basic objectives, which cannot be achieved within the inflationary condition that has prevailed. In Brazil there has been a common acceptance of inflation as justifiable up to a certain point, so long as it does not assume alarming proportions. This acquiescence is not justified, however, when the loss of the purchasing power of money assumes the proportions that it has now reached in Brazil, imposing upon the people and the Government of this country the duty of preventing the scourge of a galloping inflation that devastated so many countries after the last war from breaking loose upon us. The government believes that absolute priority in the economic sector should be given to a policy of containment of inflation; this is an undertaking which cannot be accomplished without the vigorous cooperation of all Brazilians.

5. Reduction of the Unbalance with the External Sector

The minimum needs for Brazil's importation are such - and these needs will increase proportionately to the accelerating rate of development - that an enormous effort to increase exports should be made in the coming year. An import capacity on the order of 3.2 million dollars is foreseen as necessary for 1965; of this amount, a minimum of \$1 billion must be obtained through increasing exports.

6. Lessening Regional Unbalances

Regional unbalances demonstrate the tremendous urgency of attacking this problem with the magnitude of resources and the boldness of the methods that are required.

Clearly it is not a question of entirely eliminating regional differences, for these emerge from the very geography of the country. It is rather a matter of eliminating economic differences which have developed or been multiplied through the workings of historical and institutional forces, in order that opportunities may be created for all Brazilians, wherever they may happen to be born. Once the artificial differences between the regions will have been done away with, the integration of the whole country into a single national market will give to all the opportunity to move about readily and to settle wherever seems more advantageous to them, which will permit a better interplay of economic forces and greater equilibrium between the regions.

7. Remedying Structural Inadequacies: Increase of Agricultural Productivity

The problem of the investment necessary in urban and rural sectors to provide employment to the increasing population of Brazil has been considered above. It is, in short, a matter of creating a volume of capital sufficient to make jobs for workers in industry and in services in the cities, which will tend to absorb the annual increase of the economically active population of the country; and, simultaneously, to enable an active rural population, whose numbers are relatively stable, to supply the rest of the country with raw materials and with food. To accomplish this, it is necessary that rural investment reach approximately the equivalent of 52% of urban investment. This will enable the harmonious development of the principal sectors of the economy, without a shortage of food products and without inflationary pressures stemming from low agricultural production.

CHAPTER III

INSTRUMENTS OF A DEVELOPMENT POLICY

The instruments which the government will employ to attain the development objectives are the following:

1. Increase of the rate of investment

The basic tool for accelerating development will be the increase of the national rate of investment. Economic development is the non-transferable responsibility of our people; the decisive part of the effort devolves upon us. The increase of the rate of investment will be achieved through a series of measures, discussed in detail in various chapters of this presentation, among which should be emphasized those which have as their goal:

- To reform income and sales taxes, in order to:
 - a) stimulate business to retain and to reinvest profits;
 - b) encourage private individuals to save and to invest in priority sectors;
 - c) correct the fictitious profitability arising from the inflationary process and to encourage the formation of real reserves to cover depreciation;
 - d) discourage, through heavy taxes, remission of profits by foreign business concerns, giving incentives for reinvestment within the country;
 - e) maintain the real value, or to increase specific applications of the sales tax on luxury items;
 - f) correct laws and regulations which lead to tax evasion.
- To obtain additional resources for financing of electric power development, through:
 - a) change of the single tax on electric energy to an ad valorem tax;
 - b) adoption of a realistic tariff policy;
 - c) installation of a system of compulsory investment by the consumer;
- To obtain new resources for railroad programs through revising the single tax on liquid fuels, through taxes on properties adjacent to railroad lines which are benefited by railroad works, and through increasing the sales tax on vehicles and tires.
- Reduction of the deficit resulting from the expenditures of public enterprises, in order to free resources for investment.

2. Improve the Pattern of Investments

In addition to quantitative increases in investment, it is necessary to insure potential productive use of savings through improving the structure of investments. The investment policy should:

- A. Be governed by precise priority criteria, such as:

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- (1) to eliminate ways in which the growth of the infrastructure is being choked off at some points;
- (2) to correct structural imbalance between industry and agriculture;
- (3) to increase import capabilities by increasing exports;
- (4) to augment the degree of autonomy of the productive sector, through promoting basic and capital goods industries;
- (5) to advance social development and development of human capital through greater investments in education and technology and through improvement of conditions of housing and hygiene.

B. to stop squandering of public investments arising from:

- (1) lack of coordination among the investments of various federal, state and municipal agencies;
- (2) duplication of competitive investments;
- (3) scattering of resources in investments of little economic significance, without priority, or in investments that require excessive periods of time to mature;
- (4) initiating and carrying out works without adequate planning.
- (5) surplus productive capacity.

C. Ample utilization of fiscal powers and other institutions in general to direct private investments according to the principles listed above.

3. Development Planning

The techniques of programming and planning are an important instrument for the policy of development. The growth of the nation cannot be handed over to its vegetative tendencies, (since the observed rate of increase has not been sufficient) nor to an uncoordinated and erratic governmental intervention.

Planning must be interpreted as a simple rationalization of governmental action in the social and political field, not presupposing the "statization" of the economy, but first encouraging the coexistence between the public

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sector, rationally planned, and a competitive sector, which should be directed principally by indirect methods, with the intention of reconciling the pursuit of profits with the social goals of development.

Among the considerations which make planning particularly useful are:

- a) it reduces the social costs of the structural changes brought about through development, so as to reconcile the objectives of the acceleration of development with monetary stability and equilibrium in the balance of payments;
- b) it corrects the exaggerated tendency to industrial concentration of the nation, with the resulting regional disparities in the distribution of income;
- c) it facilitates the mobilization of international resources.

Planning, a long and continuous task, must be carried out on 3 levels: the Perspective (Long range) plan; the Five Year plan; and the Emergency Plan.

A. Long range plan

The distance which separates us from the final goal of development which we are seeking requires that each plan be considered from a broader perspective, purely in the sense of putting in order certain shorter-term decisions.

It will therefore be necessary to draw up what one might call a "Perspective Plan", with a duration of 20 years, in which will be delineated, without great detail, the quantitative and structural evolution of the economy. Within this general framework, and for the immediate period, there will be formulated the program of the efforts to be carried out in the immediate future.

B. Five Year Plan

In order to give continuity to administrative action it is necessary to work out a medium-term plan. Having in mind the time needed for studies and execution of projects in basic sectors, it is desirable that this plan cover a period of five years.

Each year this plan will be verified and brought up to date, and

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extended for another year, so that the administration will always have a plan of action for the succeeding five years.

Its execution will be oriented by detailed annual plans laid out principally in the governmental budgets, and in the complex of incentives and disincentives which are to guide the action of the private sector and of other political units in the country.

For the formulation of the Five Year Plan, the Commission for the National Plan should be activated and given adequate technical and financial resources, also mobilizing, to this end, international technical assistance.

C. Emergency Plan

Regarding the Emergency Plan, the Government must carry out the existing projects, for some of which international cooperation has already been assured, through the IDB and several financial agencies of the American Government.

4. Mobilization of External Resources

Given the necessity for a dramatic increase in the level of investments, which, in order to assure a reasonable rise in per capita income and permit the productive absorption of the country's labor force, ought to be increased by 70%, it will be necessary to have ample recourse to international financial cooperation, because even an energetic effort to increase internal savings will not succeed in covering the deficit of resources in the immediate future.

External assistance can be of three kinds: public and private loans, direct investments, and technical assistance.

For better utilization of technical assistance, whether bilateral or from international organizations, it will be necessary to create a National Institution of Technical Assistance, which will centralize all foreign contacts and serve as the coordinating organ for these activities.

The problem of the treatment of foreign investments will be discussed later.

Regarding international loans for the execution of plans and programs of development, the following observations are pertinent:

a) Within the structure of international assistance, one can count in the next ten years on foreign assistance corresponding, more or less, to

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about 20% of the national effort of each country. It will be possible, and also desirable, that in the initial phase the external aid will be a little more than this proportion, gradually diminishing in the future, to the extent that it will be possible to channel a growing fraction of the increased income into new investments, making more autonomous the effort for the growth of the country. Supposing that this external support can reach a maximum of 30% of the national effort in the first phase, falling gradually up to its virtual elimination, this would signify:

i) that the external contribution could rise to about 200 billion cruzeiros annually (in the first phase), or about 660 million dollars; ✓

ii) that the national savings effort would have to rise from the actual level of about 10% of the national product to about 17%, i.e. an increase of about 70% (also in the first phase), later increasing to the extent that the process of economic expansion becomes automatic and that the contribution from foreign savings is being reduced.

b) The above scheme requires the most perfect coordination of monetary, fiscal, foreign exchange and price policies, in a form to get the country to realize the savings effort described above.

c) Inasmuch as the external resources will be of different types, running from soft loans, with the generation of cruzeiro resources for social projects, up to conventional banking loans, of long-medium of short terms, as well as direct investments and suppliers' credits, there must be delineated a sure policy which will permit us to take full advantage of all the available sources of international credit. This policy, if it is well formulated will ensure that the credits obtained from each institution will increase the capacity of Brazil to get new loans, rather than reduce it. At the present moment there are the following sources of foreign assistance:

1) For soft loans

AID Agency for International Development

Food for Peace Program

IDA International Development Association

IDB Interamerican Development Bank, which covers two sectors in the field of soft loans:

a) The Special Fund, of the bank itself

b) The Inter American Social Development Fund (Bogotá Funds)

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ii) For regular loans

Export Import Bank

International Bank for Reconstruction and Development

International Finance Corporation

Interamerican Development, for the use of its regular resources

iii) Suppliers' credits

Regular suppliers' credits, which can be extended on a medium-term basis in the case of certain capital goods.

Credits obtainable for intermediate periods for the import of capital goods from socialist countries, through inter-bank agreements.

iv) Private investments

Direct investments of different types in undertakings in Brazil, within the established national regulations.

Financial "portfolio" investments, which can be stimulated to the extent to which the growth of the economy increases international confidence in the regulation and, equally, by various national and international plans for guaranty and insurance of private transactions of this type.

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PART II

FINANCIAL POLICY FOR DEVELOPMENT
WITH STABILITY

CHAPTER I

Monetary and Banking Policy

1. General Objectives:

The monetary and banking policy is a part of a group of steps of an economic orientation which seeks to promote harmony in the development of the national economy and the general elevation of the standards of living in the population within a climate of price stability.

Using the legal instruments at its disposal, the Government will carry out its program in a way that money and credit policy will have an important influence on the economic life of the country as a flexible instrument for payments and for the mobilization of resources. To this end the monetary authorities will (a) strive for liquidity and solvency of the banking system, (b) act in a manner so that the total quantity of money and credit at the disposition of economy remains in proportion with real economic necessities, avoiding inflationary or deflationary disequilibrium of a monetary origin, and (c) promote the distribution of bank credit to correspond to the real interests of the national economy giving special attention to the rural sector whose present level of credit supply is insufficient.

Nature of Steps:

The Government's program of action in the field of money and credit will consist of steps of two kinds: emergency steps and institutional reform. Certain problems, because of their special gravity, will be attacked immediately, utilizing instruments available. Others will only be able to be solved completely and definitely if the public administration has at its disposal means of greater perfection and if it can count on a more adequate institutional structure.

The Government is fully conscious of the limitations of money and banking policy. It is not always possible to promote, simultaneously, price stability and full employment of productive capacity of the country strictly through monetary controls. Thus, in order to combat the inflationary trend, the Government will act in a firm and harmonious manner in all sectors of economic and

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social policy, particularly in the area of public finance and wage policy. The policy of monetary stabilization requires sacrifices in all sectors. To combat inflation means, in its simplest terms, to produce more and consume less so as to eliminate the persistent excess of demand over supply of goods and services which translates itself in the continuing increase of prices which characterizes and defines inflationary processes.

2. Emergency Action

The emergency program will include: (a) a global quantitative control of money and credit, and (b) selective controls.

2.1 Quantitative Global Control

Global quantitative control, of decisive importance in combating inflation, will be brought about in the last quarter of this year by means of a monetary budget. This will consist of a program of the direct operations of the Bank of Brazil and of the other monetary authorities and, in an indirect sense, the regulation of the volume of means of payment and credit through the private financial system with a view to containing expansion within the limits of the real requirements of productive activities, reducing increases in means of payments insofar as possible to the rhythm of the growth of the national product.

Emergency action in this sense is of particular importance in view of the tremendous issuance of paper money which took place during the recent political crisis. Two means of control should assure the return of these exceptional issuances with the necessary rapidity and without having inflationary effects on the national economy: (a) the obligation established by SUMOC Instruction 212, that Banks return to SUMOC 80 percent of increases in their deposits over deposit levels existing on 31st of July last; (b) the determination contained in SUMOC Instruction 214 that banks which requested rediscounts during the crisis should not raise the level of their loans until they have liquidated such rediscounts and returned to their legal reserve positions.

2.2 Selective Control

Selective controls will not only seek to avoid undesirable effects of over-all quantitative control in determining the sectors of the national economy but will also, and without adversely affecting the general control, plug the most serious gaps in the existing credit distribution system.

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3. Institutional Reforms

We must promote the perfection of the financial structure of the national economy so as to implement the greatest capacity and efficiency of the payment mechanism and the mobilization of savings and to place at the disposition of the Administration the most efficient instruments for the exercise of monetary and banking control. One of the conditions necessary for the achievement of this objective is the correction of gaps and imperfections in current legislation concerning money and banking and other financial institutions.

With respect to the structure of the administrative sector which has the responsibility of formulating and applying the norms of money and banking policies, experience in Brazil, over a long period of time, demonstrates the need for a basic reform.

3.1 Creation of a Central Bank

It is evident that there is a need for the creation of a central bank on a national basis, putting an end to the current dispersion of central bank functions among various governments agencies, at the same time carrying out non-central bank activities.

This situation has given rise in no small way to the noticeable shortcomings in the monetary system. In view of the nature of its functions, the central bank should be a public entity, that is to say, a state organization, organized, however, in the form of an autarchia so that it could have the necessary flexibility and administrative independence.

The central bank should have a Monetary Council aside from its Executive Director which will establish the general norms of banking and monetary policy.

It is advisable that the issuing authority given to the central bank is not of absolute character but that it is contained within certain limits, among which should be the necessity for the express authorization of the Parliament for new issuances of paper money.

3.2 Agricultural Credit

Besides having its typical banking functions alleviated, the Bank of Brazil will also provide the basis for the Banco Rural for the establishment of which there should be provided the resources presently transacted through the Agricultural and Industrial Credit Department, as well as the respective services, employees and installations, including a certain number of agencies in the Bank. The Bank of Brazil would continue to be an official bank for

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projects, specializing in commercial and industrial credit operations of types not usually engaged in by other official banks and private banks.

3.3 Financing of Exports

The Foreign Commerce Credit Department of the Bank of Brazil will commence immediately to finance exports, in accordance with procedures that will be published by the SUMOC Council. If justified by the volume of these operations, the Government will propose its transformation into an Export Bank.

3.4 General Banking Law

The Brazilian legislation concerning banks in general is characterized by a lack of organic quality and consists of certain legal texts emerging in different periods beginning the second decade of this century. It is evidently necessary to promote a general banking law wherein the principal types of banking establishments will be defined, specifying the type of operations for each organization.

Another aspect important to note is the desirability of making obligatory, by law, minimum requirements for certain value relationships such as the proportion of cash to deposits and deposits to capital as well as providing an instrument for general credit control through the monetary authority which, as such, should have the power to modify these requirements within certain limits. There should be revised also the provisions which regulate banks' access to rediscounts.

Also required is a better regulation of the Federal Savings Bank and Credit Cooperative which should be subordinated to policies of the monetary authorities.

3.5 Legislative Measures for the Encouragement of a Capital Market

The Council of Ministers proposes the adoption of a series of related measures in the field of legislation pertaining to corporations and the legislation of stock exchanges, as well as investment companies, to wit: (i) the establishment of nominative shares transferable by endorsement, not only to facilitate in a general sense the circulation of shares, but to permit the small stockholder to avoid in this way the excessive brokerage costs of bearer shares, without losing the flexibility of the issue. (ii) The institution of a system of administrative penalties, aside from general ones applying to cases of fraud, to give force to the provisions of corporate law which oblige corporations to provide complete and correct information when offering public subscription. (iii) Creation of a system of audit inspections to

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be carried through the intermediary of a corps of external auditors officially recognized, which will take the place of the inefficient system of the Council of Inspectors, with the objective of protecting minority share holders. These audits will not be obligatory for those corporations which prove to have shareholders of less than a determined minimum. (iv) Provision of legislation pertaining to stock exchanges with a view to clarifying the differentiation between issues of frequent negotiation and those whose quotation is merely nominal. (v) The creation of a Commission for Defense of Stock Shares with a view to verifying the accuracy of information of enterprises which issue shares on the market through the intermediary of the stock exchange and to avoid speculative abuses in the manipulation of shares. (vi) Modification of the law pertaining to bearers which regulates credit finance and investment institutions with a view to giving greater security to these institutions. Current regulations will be revised in substance to make the position of participants more secure, particularly limiting the concentration of loans in shares of the same issuer.

CHAPTER II - PUBLIC FINANCIAL POLICY

The Council of Ministers considers of major importance that the federal government adopt a rational public financial policy formulated in the framework of the norms and steps established as necessary for the economic and social development of the country.

Public financial policy, aside from furnishing the means for elementary administrative functions of the state, should provide an important influence on the national savings effort by capturing the resources of the state for carrying out basic investments as well as public works or priority financing in the private sector. Important influence should also be used over the volume and direction of private investments and with respect to consumer behavior as well as selected taxation. It will be, therefore, an effective instrument for the elimination of the most serious disparities in the economy.

I. The Problem of Financial Disequilibrium

It has already become common in this country to have financial deficits in excess of 25% of the total budget. This fact is especially serious, not only because of the magnitude of this percentage but because:

- a) these deficits are not financed by issuance of public securities on the capital market but through issuance of paper money;
- b) part of these deficits consists of the squandering of public funds through unjustifiable expenditures and disbursements

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of resources in investments of low priority or through bad programming.

The political and administrative difficulties which oppose the rationalization of public expenditures, especially those related to personnel, have confronted the federal administration with a false dilemma: to sacrifice financial equilibrium in favor of a program of ample basic investment or to prejudice, partially, this program in favor of equilibrium. This represents a serious problem since efforts of stabilization, if carried out by partial sacrifice of development goals will not reach its real objective. On the other hand, the justified desire to carry out basic work (aside from wasting resources) can result in accentuated financial disequilibrium.

An attempt to preserve basic investments through institutional means, is expressed in the legal provisions concerning the tying of public funds to certain types of public works, or funds for the financing of private investments. On the other hand, these tied expenditures increase concurrently the rigidity of expenditures, making the achievement of desirable flexibility in budgetary execution more difficult.

All of these facts point out the high amount of irrationality of the Brazilian public financial policy, emphasizing the necessity for courageous and patriotic action to reduce to the minimum the squandering and disorganized use of the national financial resources which flow through the public sector.

II. Correction of Disequilibrium

The correction of financial disequilibrium in the public sector requires decided action in the following basic sectors;

- (a) expand revenues through improving the collection processes of the tax structure;
- (b) reduction of expenditures;
- (c) reduction of investment expenditures through careful programming avoiding the dispersion of resources;
- (d) reduction of deficit of government enterprises through expansion of receipts and reduction of costs;

The program of the Council includes;

- (a) emergency action for the solution of emergency problems and the reduction of financial disequilibrium;
- (b) programming of public investments;
- (c) institutional reforms.

2.1 Emergency Action

The execution of the federal fiscal program showed, at the end of August, a cash deficit of Cr\$50 billion. Notwithstanding

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the behavior of receipts which are exceeding collections in 1960 by 40%, there will take place a tremendous deficit in the last quarter of the budget year if energetic steps towards reduction of treasury expenditures are not taken. The prospective is all the more serious because of the fact that there will accumulate, in this period, strong expansionary pressures arising out of other sectors, such as bank credits, foreign exchange operations and the purchase of coffee.

The Council will act in a way to equilibrate the financial situation of the treasury in the last quarter of the current fiscal year. To that end it will continue to carry out the economy plan put into effect by Decree 50761 of July 9, 1961, and this will even be complemented by additional steps to reduce expenditures. The greatest priority will be given to the problem of reducing the operating deficits of government enterprises.

2.2 Fiscal Year 1962

The prospects are also dark with respect to the financial disequilibrium in the coming year.

The budget proposal for 1962 now being considered by the Congress provides for expenditures of Cr\$477 billion and estimate a receipt of Cr\$350.9 billion, thus showing a deficit of Cr\$126.3 billion.

As can be best estimated now receipts may increase by Cr\$30 billion over the figure in the budgetary estimate. On the other hand, various expense items are underestimated, in an amount exceeding Cr\$10 billion and the liquidation of operations of obligations of previous budgets plus extra ordinary expenses not included in the estimate, according to accounting practices now in force, will not be less than Cr\$30 billion.

To meet these problems of financial deficit in the order of Cr\$140 billion which threatens fiscal year 1962, it will be necessary to consider a tax revision in the current fiscal year, to reduce expenditures and to reduce the deficit of government enterprises. Even though it will be difficult to eliminate entirely a total cash deficit of the National Treasury of 1962, it should be the firm objective to limit it to proportions which may be financed without being inflationary.

3. Programming Public Investments

The broadening of economic development program is not only joined to the annual budget but requires multi-annual forecasts of receipts, particularly the collection of certain receipts tied to investments. The Council intends to execute this multi-annual

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program so that the government's effort of promoting economic development will produce the effects aimed at.

4. Administrative Reform

Administrative reform in the public fiscal sector is a condition fundamental for the effort to reduce expenditures and increase receipts.

The collecting agencies must be better equipped, the methods of collection perfected and bureaucratic process simplified. The Council intends to request of the Congress legislative delegation to expedite projects in connection with reform of the National Accounting Code and concerning the process of broadening execution and control of the Federal budget which is now being considered by the Chamber of Deputies and which is in keeping with the methods of finance administration.

The Government intends to make effective the constitutional concept of a single budget ending the current dispersion of this basic instrument of federal administration by steps which would subordinate federal public resources to a single financial budget.

5. Tax Reform

A tax system must be adopted to the exigencies of economic and social development of the country. Notwithstanding certain projects introduced in recent years the federal tax structure still requires important modifications and the basis of calculations of certain tax rates must be made current.

A. Technical Economic Criteria

It is necessary: (a) that the movement already started, for putting the indirect tax on an ad valorem basis to permit receipts to adapt themselves to general price evolution, be completed; (b) that the consumption tax rates be made compatible with import tax rates in order to avoid excessive encouragement of national production of luxury goods; (c) to facilitate the tax mechanism concerning additional values eliminating the requirements of Article 149 of current legislation which does not permit the deduction of tax paid on primary goods destined for resale or applied to the production of products exempt or not taxable.

B. Criteria for Social Equity

It is no less necessary that: (a) the grave injustices of regressive tax be corrected establishing a proper progressive scale for income tax as well as indirect taxes; (b) to make the tax a function of essentiality of goods and services by raising

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taxes on indispensable consumer goods with a view toward improving the distribution of the tax load.

C. Criteria for Encouraging Real Savings

The encouragement of real savings is corollary of the program of raising the level of gross investments in fixed capital from the present level of 14 to 23.75 percent in the next five years.

To this and the following steps are suggested:

a) Concerning physical persons:

(i) Encouraging the use of private savings in priority investments permitting the deduction of amounts (or part of those amounts) used in subscribing to new shares of enterprises designated as priority enterprises from gross income.

(ii) To increase the system of withholding taxes protecting tax collections against inflationary depreciation and facilitating tax payments.

b) Concerning juridical persons:

(i) To eliminate taxes on fictitious gain resulting from inflation which blur the real picture as to the yield of enterprises and discourages the formation of adequate depreciation reserves through the following means;

-- Eliminating the ten percent tax on the monetary correction of assets calculated in conformity with indices published by the National Economic Council;

-- Permitting that depreciation be calculated on the basis of current assets and put on historic assets as now done;

-- Permitting the deduction from gross profits of a forecasted amount to cover inflationary effects on rotating capital which will be calculated by multiplying the gross capital financed from the firms on resources, that is, the total of capital plus reserves, less immobilized assets and less shares in other enterprises, by a coefficient representing the general increase in prices in the fiscal year to which the declaration refers.

(ii) Differentiate in the taxation of profits distributed and not distributed in a manner to encourage reinvestment. In the same way, the actual additional tax of 4% on reserves and profits suspended and not distributed (Law 2973, article 1) should be converted into a supertax on the taxation which affects distributed

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profits.

(iii) In order to tax high incomes in an equitable manner, the system of taxation of bearer shares should be revised, so as to provide that corporations pay dividends on bearer shares only against a receipt from the shareholder and a consequent communication to the Income Tax Division; these dividends will be subject to the progressive tax, less any amount withheld at the source.

The Council of Ministers intends to take the initiative on these fiscal reforms with the utmost urgency. Some should enter into force this year, in order to contribute to the reduction of the budgetary deficit forecast for 1962.

Some changes in the tax structure require constitutional changes.

It would be convenient if the tax laws referring to federal taxes could enter into force immediately, even before their entry into the budget, in order that they can be used as opportune and effective instruments of general economic policy.

With regard to the export duties, in view of the important role which they can play as an instrument of economic policy, it would be convenient that they be collected by the Federal Government, in order also to make possible their utilization as an anticyclone weapon. The amounts collected would be redistributed in an equitable manner among the units of the Federation, so as to compensate the loss of receipts from this tax reform.

CHAPTER III

EXCHANGE POLICY AND FOREIGN TRADE

Foreign economic relations play an important and strategic role in the process of national economic development, since the nation needs to import raw materials, fuel, and food not produced in the country, as well as machinery and equipment and parts for replacement and expansion of national capital. These imports and other foreign expenditures must be paid with the country's exchange earnings, which derive principally from export of Brazilian products, but also foreign capital in the form of financing or direct investments. Exports are also important for the contribution they represent in terms of income and employment, especially in certain parts of the country.

1. Foreign Exchange Policy

In the foreign exchange sector, the Government's policy will

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be to rationalize the exchange system, through (a) unification of exchange rates; (b) setting the general exchange rate at a realistic level; (c) eliminating the complexities and incongruities of the system, which have produced exchange disequilibrium and generated distortions in the national economy.

It is indispensable that the exchange mechanism assure adequate earnings from exports, without which a disequilibrium in the balance of payments and depression in the sectors which produce for export will be inevitable. To do so, the exchange mechanism will have the necessary flexibility to adequately adjust the earnings from exports in inflationary periods in which the costs of production have risen, tending to reduce the competitive position of our products abroad. Maintenance of the exchange rate at an adequate level will, on the other hand, avoid an artificial stimulus to the exodus of capital, to importation, and to other expenditures abroad.

Until the Customs Tariff went into effect, the exchange system had to resort at times to duties, with multiple categories and exchange rates. After the new tariff became effective, four years ago, providing for a range of "aliquotes" of import duties from 10% to 150% ad valorem, the multiple exchange rates were no longer of any importance. As to the "special category" of imports, which is considered below, it was ~~considered~~ appropriate that this be administered outside of the exchange system, which was recently provided for.

On the other side, nevertheless, special consideration is given to coffee, in view of the need to preserve the country's exchange earnings, through support of the international prices, and to obtain resources for the orderly acquisition of production surpluses and for financing of other means of protecting the coffee economy. In keeping with the policy of maintaining a rational exchange system, bilateral payments agreements will be entered into only when there is no better solution for problems of trade with certain countries having inconvertible currency or where there are strong state controls on trade.

2. Foreign Trade Policy

Through appropriate policy instruments, the Government will take action to promote the balanced expansion of Brazil's foreign trade, protecting, on the other hand, the legitimate interests of national industry in the face of foreign competition.

In Latin America, the government will firmly support the goal of progressively broadening the free Trade Area, established through the Treaty of Montevideo.

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The possibilities of Brazilian commercial expansion into other areas, wherever they may be, will not be neglected, following the criteria of safeguards that really protect the national interests.

With respect to exports, the Government will act forcefully to promote expansion and diversification of sale of national products abroad, through the following of special instruments and measures: (a) diverse incentives, including financial, for investment in production of exportable items, where capital expansion is shown to be necessary; (b) means directed toward organizing an internal market to finance production of items destined for export; (c) elimination of bureaucratic controls over exports; (d) financing the export, on credit, of national machinery and equipment, initially through the Foreign Trade Section of the Bank of Brazil and later, through an Export Bank.

On the international scene, the Brazilian Government will continue to support agreements between coffee producers, and will support agreements to defend prices and regularize the international market in basic products of national interest.

The customs tariff, a fundamental instrument for the protection of national industry and the selection of imports, shall be brought up to date and perfected in the desired manner. The policy of customs duty exemption, to be consolidated in proper legal text, will accentuate the importance of considerations of economic policy over narrowly fiscal factors, especially insofar as it affects the taxation of capital outlay through import of machinery and equipment (not available domestically) which are to be utilized in a manner contributing to the economic development of the nation.

In view of the difficulties in the balance of payments, quantitative control will be maintained over the special category of imports, as an instrument to restrain superfluous expenditures abroad, although it is recognized that this type of control will induce certain distortions in internal investment. Only a tax reform which will weigh heavily on less essential goods can simultaneously meet the two objectives of (a) reducing the demand for such foreign goods and (b) avoiding excessive stimulation to the production of these goods in the country.

3. Policy on Foreign Capital

3.1 Profit Remittances:

The prolonged debate on the discipline of foreign capital has created a condition of uncertainty, unfavorable in two aspects: (a) because of the apprehension of restrictive legislation, there is created an artificial stimulation to an accelerated remission of profits, exactly that which it is desired to avoid; and (b)

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investment plans, some in sectors of great interest for the national economy, are retarded or cancelled through the uncertainty of the investor with regard to the system under which he will have to operate.

The discouragement of the transfer of earnings may be achieved through two types of measures: negative measures, such as quantitative limitation of remittances to a determined percentage of foreign capital; and positive measures, intended to encourage the reinvestment of profits within the country.

The disadvantages of the first of these methods are various, and are too long to enumerate.

The method of stimulating reinvestments through fiscal measures, taxing remittances with progressive levies, seems simpler and more effective. This can be attained through the transformation into a progressive tax of the present fixed tax on transfer of profits (25%), tying the level of tax incidence to the coefficient of reinvestment of firms, in such manner as bear most heavily on those which distribute a high percentage of their profits and to encourage, through tax reduction, those which reapply them within the country.

The Council of Ministers endorses, in its general lines, the draft legislation on this subject which the previous government sent to Congress on August 3, 1961. This project, besides disciplining the remittance of earnings by the second of the methods described above, contains useful provisions to stimulate the formation of savings, by two methods: (a) discrimination in the taxation on profits on firms, by the increase to 30% of the tax on distributed profits and the reduction, from 20% to 10%, of the tax on profits reinvested in the same firm, or used for other investments defined by the Government as priority; (b) permitting the deduction from the gross income of physical persons, in the calculation of the progressive complementary tax, of an amount up to 30%, if it is destined to be invested in new stock of companies of priority importance for economic development; (c) conceding, with the intention of encouraging the opening of foreign enterprises to Brazilian stockholders and facilitating their gradual nationalization, a reduction of 15% of the actual level of incidence, when at least one third of the capital, in the form of nominal shares, are in the hands of residents of the national territory, as long as the number of such shareholders is not less than 100.

In view of the urgency of ending this indecision about the treatment of foreign capital, which is prejudicial to investment in Brazil at a moment in which it is necessary to mobilize all possible resources, national or foreign, to raise the global level of investments, so that we can achieve an annual increase of 7.5%

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in GNP, the Council of Ministers will request "legislative delegation" to publish as law the bill submitted to Congress on August 3, 1961, with the alterations deemed advisable.

3.2 Other Aspects of the Policy on Foreign Capital

Besides the disciplining of remittances, it is also necessary to avoid the concession of favors or privileges which can place the domestic firm in a position of disadvantage. Certain deformations of the exchange system which, in specific cases, favor some foreign enterprises, such as the registration of financing at the "custo de cambio" or the entry of equipment without exchange cover (at the same time that some domestic enterprises were obliged to buy exchange and deposit agios for the import of equipment) were automatically eliminated with the unification of the exchange rates by Instruction 208, and with the elimination of the requirement of prior deposits for the import of equipment financed on time.

It is important to maintain the present exchange system which prevents any discrimination or privilege and, through raising the rate in the free market, automatically discourages unreasonable remittance of profits.

Another important aspect of the problem is the restriction of monopolistic practices, whether on the part of foreign or domestic firms. Congress is, at this moment, engaged in the examination of this subject, on the basis of bills of its own initiative, since the pioneer project of Agamenon Magalhães; from the clear-sighted wisdom of Congress we expect a law which will permit the effective correction of monopolistic practices, manipulations of the market and practices of underhanded competition.

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Part III - Economic Development by Sectors and Regions
Chapter I -- Power

1. Electric Power

The electric power sector, both in its institutional and financial aspects, presents problems of great importance for the economic development of the country.

The present status of Brazilian electrification may be summarized as follows:

1.1- Rate of Growth - Electric power generating capacity rose during the decade 1950-1960 from 1,880,800 Kw in 1950 to 4,550,000 Kw in 1960, which represents a cumulative rate of growth of 9% per annum. This rate of growth compares favorably to that of highly developed countries such as the United States and West Germany and, during the same period, was greater than that of France, England and Italy.

On a per capita basis, however, this rate of growth did not alter in any significant way the low level of electrification in Brazil (36 watts per capita in 1950 to about 70 watts per capita in 1960), especially when compared with other South American countries, e.g. Argentina, Chile and Uruguay, with over 100 watts per capita, or with highly industrialized nations, with 800 to 1,000 watts per capita.

On the other hand, it is well known that even this considerable effort has not corresponded to power needs and that, for various reasons, many of the expansion programs foreseen in the past are behind schedule.

1.2- Need to raise the rate of growth - In order to recover time lost on previous programs and simultaneously to allow for a rise in the growth rate of the national product to 7.5% per year, it will be necessary to raise the country's rate of growth in power generating capacity to 12% per annum. At that rate, generating capacity should reach 8,000,000 Kws by the end of 1965 and 14,000,000 Kws in 1970.

There is now programmed an important nation-wide network of power stations both planned and under construction, construction of which is under the aegis of the Federal Government, the States and private enterprises. It will be necessary both to continue this program and to supplement it with additional programs in order to reach the desired production figures and to supply areas not sufficiently benefited by presently planned projects.

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1.3. - Regional Discrepancies in Electrification - Distribution of electric power throughout the various states shows marked regional discrepancies:

	Watts per capita
Amazonas, Pará, Maranhão, Piauí, Território de Rondonia, Acre, Rio Branco and Amapá	3 to 20
Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe and Bahia	25
Minas Gerais, Rio de Janeiro, Guanabara and São Paulo	120
Rio Grande do Sul, Santa Catarina and Paraná	30 to 50
Goiás and Mato Grosso	15 to 30

The elimination of these regional distortions will require, over a long period of time, proportionately greater investments in the low consumption areas, even though they be of an experimental nature and/or operated at a loss.

1.4- Investment Disequilibrium - For various reasons, during some years past all emphasis has been placed on the construction of generating and transmitting plants, while construction of secondary transmission and distribution lines has been relegated to second place. Large urban centers as well as small and medium-sized cities in the interior have been subject to deficiencies in transmission and distribution which, in financial terms, constitutes one of the most serious problems in the electric power field in Brazil. Thus, the Government intends to pay special attention to the development of complementary programs of generating stations and adequate transmission and distribution networks, both urban and rural, in order to insure that people all over the country may be able to utilize power produced by the major power stations.

1.5- Institutional Division of Services Between Private and Governmental Enterprises - The responsibility for electric services is presently divided between private companies, which are responsible for over 50% of the production and over 70% of the distribution of consumed electric power in the more industrialized areas, and public Federal, State and Municipal enterprises, whose participation in the production and distribution of electric power is growing at such a rate that in the near future production of public power will be greater than production of private power.

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Private companies have been operating for many years with limited investment capacities, so that they are being transformed into distributing companies, notwithstanding the fact that they are concessionaries of services of power production. Hence it has become more and more the responsibility of government to provide funds for electric services, either through taxation or through state bank credits. These funds, however, have hardly been sufficient even for the adequate expansion of those services within the areas of governmental responsibility.

The economic and financial system at present in effect in the electric power industry must be adapted to the realities of our economic situation in order to provide public and private companies with sufficient capital.

1.6* Imbalance Between Financial Resources and Needs - Studies recently made by various agencies and commissions reveal that for the five year period 1961-1965 alone the total cost of expansion of electric power services in the country (including generation, transmission, secondary transmission, and distribution) will require an expenditure of 400 million cruzeiros or an average of 80 billion per year.

The total amount of Government and private resources available during these five years for investment in the sector of electric power amounts to scarcely Cr\$160 billion, divided as follows:

1) Federal	Billions of Cruzeiros
a) Federal Electrification Fund	
Sole Tax	5.0
Consumption Tax	31.0
Administrative Expenses Tax	4.0
	40.0
b) Budget Appropriations	10.0
c) National Economic Development Bank Loans	40.0
2) State	
a) Sole Tax	7.0
b) State Electrification Taxes, etc.	43.0
3) Private Companies	
Reinvestments	20.0
TOTAL -	160.0

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There is, therefore, a large deficit of resources for the period 1961-1965, amounting to Cr\$240 billion, i. e., almost Cr\$50 billion per year, whose effect has already been felt in the notorious delays in various projects now under construction.

It should be noted that the above estimate of resources is optimistic since past experience shows that not all Federal and State funds earmarked for electrification are actually spent for that purpose. On the other hand, in the private sector, the effective availability of estimated amounts, even though modest, is intimately related to policy to be adopted concerning the economic and financial regime for electricity services in the country.

The mobilization of additional resources to cover this large deficit in so important a sector constitutes one of the most immediate and urgent national economic problems which must be solved if electricity services are not to become a negative and hindering factor in our economic development.

1.7- Methods for Obtaining Additional Resources - This mobilization will have to be made in both the public and private sectors. Recourse must be had at the same time to tax and tariff measures to increase the availability of public funds for electricity services, to effect investment from the resources of the consumers of electricity, and to stimulate investment of private savings in this field.

These measures should embrace:

A. Increasing receipts of the Federal Electrification Fund through:

- a) Changing the Sole Tax on electric power from specific to ad valorem
- b) Incorporation into the Fund of new sources of revenue to be studied.

It should be noted that the Sole Tax on electric power constitutes today a small portion of the Fund, and represents little more than 3% of total investments in electric power. Its increase, therefore, even to a considerable extent, would mean little for the solution of the problem. Increasing the other components of the Fund and creating new taxes are, therefore, necessary complementary measures.

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B. Establishing a mechanism of compulsory purchase by consumers of shares in the producing companies, both State and private, in order to provide those companies with new resources for investment and, at the same time, to democratize their capital. In the case of foreign companies, this process should insure the progressive transfer of control to the Brazilian public, but without prejudice to continuity and expansion of services.

C. Readaptation of the economic and financial regime of the electricity industry to the realities of our economic situation and adoption of a rate policy which would stimulate investment of private capital in this sector, require consumers to pay the real cost of service instead of transferring it to other sectors of the economy (a transfer justifiable only in exceptional circumstances) and allow public companies to maintain the characteristics and efficiency of an industry in their operations.

1.8- Exchange Requirements and Mobilization of External Resources Convertible into National Currency - In view of the growing participation of national industry in the supply of equipment for the electric power industry, exchange requirements for the expansion of our electricity services in recent years have been considerably reduced. At present they amount to less than 15% of total investment requirements for generation, transmission, and distribution, except in exceptional and isolated cases for large projects.

The total of equipment to be acquired abroad for the period 1961-1965 is estimated at US\$160 million, corresponding to nearly Cr\$50 billion.

Obtaining foreign credits merely to cover exchange needs will not contribute very much to reduce the deficit of resources needed. A policy of obtaining foreign financing for electric power, therefore, must be oriented towards obtaining credits convertible into national currency in order to be used for expenses in this country.

1.9- General Considerations - The expansion of electricity services in the country both in territorial extension and number of concessionaires, has made the governmental organization for applying the Water Resources Code and for supervising and controlling these services outmoded. In the present restructuring of the Ministry of Mines and Energy the reorganization of these agencies should be included in order to adapt them to their present responsibilities.

On the other hand, the growing need for Federal efforts to build power generating stations and to participate directly in electricity services

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in the country has given rise to a large number of Federal agencies responsible for various local programs in several parts of the country. Control of the industrial activities of these agencies today requires a centralizing body. The creation of Eletrobrás, according to legislation recently passed by the National Congress, will be an instrument suitable for the efficient control of Federal agencies and their plans for construction and investment, within wholesome economic principles preserving the entrepreneurial spirit in order to maintain the efficiency and profitability which are the characteristics of good administration.

The development of services, the large number of projects to be carried out, and the need to mobilize, both within the country and abroad, vast financial resources for investing in electric power, will require coordinated planning of both State and private projects. This will be necessary not only for them to be rationally integrated into existing electricity systems, but also in order to determine priorities and construction schedules for each project.

Finally, it is necessary to formulate long term national electric power policy, having in view the rational and balanced utilization of the hydroelectric, thermoelectric, and atomic potential of the country for the production of electric energy. This policy will take into account the applicability of atomic reactors for producing electric power, at the same time being aware of the principle that such energy production should be technically and economically competitive with conventional hydroelectric and thermoelectric means.

Chapter II -- Petroleum

2. Petroleum Policy

2.1 - Estimated Consumption - National consumption of petroleum derivatives, in terms of crude oil, will reach this year an average of 275,000 barrels per day. This is equivalent to an expenditure of US\$450 million. The importation of petroleum and derivatives, should reach this year approximately US\$250 million. Internal productive activities will contribute approximately US\$200 million of the total value.

It is estimated that in 1966, consumption will rise to an expenditure equivalent to US\$620 million at an estimate of 390,000 barrels per day. To avoid pressure on the balance of payments of the country, though the demands for additional imports of liquid fuels, it will be

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necessary for national industry to contribute US\$370 million in that year. In other words, assuming self-sufficiency of the national refinery industry, production of crude petroleum in the country should be around 155,000 barrels per day.

For 1970, estimated consumption, based on an annual growth of 7.2% indicates an average of approximately 510,000 barrels daily, which will require an expenditure of US\$720 million. Following the same reasoning, i.e., if exchange expenses for fuels are maintained at present levels of US\$250 million and if the expansion of national refineries assures self-sufficiency in derivatives, we would need to attain crude production of slightly over 400,000 barrels per day.

2.2 - Production of Petroleum - Brazilian production of crude petroleum is presently restricted to the oil-bearing territory of Recôncavo Baiano and reaches 95,000 barrels per day. Although possibilities of further production in that territory may exist, a level of production of around 100,000 barrels per day, that is, 1/3 of actual consumption, cannot be indefinitely maintained.

Increasing production in the coming five years to a minimum of 150,000 barrels per day will only be possible if we can count on a contribution from other areas. The outlook for production in the coming years is uncertain and depends on the success of research.

2.3 - Research Program (Exploration) - In the coming years, the search for new sources of supply of crude petroleum shall be based on:

a) the expansion of research work in the various sedimentary basins of the country, with special emphasis on the basin of Paraná, of Tucano (Bahia), of the submarine Continental Platform on the East Coast of the country and Sergipe-Alagoas;

b) the initiation of Brazilian international activities in connection with exploitation of petroleum concessions, through association of Petrobras with other national and foreign Companies, or through private Brazilian enterprises, by means of conditions to be established. In this respect, there should be immediately created a special technical Commission to propose a plan to be adopted by the governmental entities and by Petrobras.

There should be more aggressiveness in the research plans and experiments for the use of oil shale, with special emphasis on the

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São Mateus deposits in the south of the country; advantage should be taken of the interest demonstrated by American authorities and those of socialist countries in the potentialities of the oil shale deposits of the country, to obtain international financial assistance for these programs, on bases of special financial aid and technical assistance.

2.4- Refining Plan - The country's refining capacity must be continuously amplified so as to ensure always auto-sufficiency in the domestic supply of nationally refined products. For this purpose the following steps should be taken:

- a) installing during the next five years an additional capacity of 120,000 barrels per day of operation;
- b) giving priority and immediately beginning construction of two refineries, each with a nominal capacity of 25,000 barrels per day, located one in Porto Alegre, Rio Grande do Sul, and another in Belo Horizonte, Minas Gerais;
- c) studying, as soon as possible, the remaining capacity to be installed, so that beginning of construction will take place early in 1963;
- d) taking immediate steps towards duplicating the capacity of domestic production of lubricating oils, so as to make better use of the technical specifications of Bahia petroleum and ensure auto-sufficiency in the domestic supply of these products;
- e) maintaining the domestic production of asphalt so as to fully meet the road paving needs of Federal, State and Municipal Governments. For this purpose there should be installed in the Northeast two asphalt factories, one in Bahia and the other in Fortaleza, Ceará, each one with an annual capacity of 80,000 tons. In the south of the country the current production capacity of 20,000 tons per annum should be increased.

2.5- Maritime Transport - The tonnage of the National Petroleum Fleet must be increased, so as to guarantee all coastal transport and ensure at least half of the long distance transport of imports.

At the same time, it is necessary to take steps to replace old vessels, the operation of which has become uneconomical.

2.6- Pipelines and terminals - The incipient national system of commercial pipelines will be the object of planning, so as to provide more economical transportation for crude petroleum and petroleum

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products on a large scale over areas where density of traffic warrants. Initially, two projects should deserve priority study, to determine their economic justification:

- a) a pipeline for the transportation of crude petroleum and petroleum products from Rio to Belo Horizonte;
- b) a pipeline for petroleum products, from São Paulo to Campinas.

Specialized petroleum port equipment will be amplified through the construction of modern maritime terminals which will make more economical the present movement of petroleum and petroleum products on the coast. Among the priority projects there is the São Sebastião Terminal, on the São Paulo sea coast.

2.7- Petrochemical industries - The development of the petrochemical industries in the country will be encouraged, Petrobrás concentrating itself on the extraction of basic raw materials contained in residual gases from national refineries, while it will correspond to national private industries to elaborate these raw materials and manufacture them into consumer products.

For the development of the essential intermediary petrochemical products, the association of Petrobrás, through subsidiary enterprises, with national private capital will be allowed.

2.8- Basic Measures in Relation to Petrobrás - In the forthcoming years, Petrobrás should carry out a five-year plan which involves projects the total cost of which reaches Cr\$300 billions. The definitive formulation of this plan will be the object, through the end of this year, of a critical analysis and study of the details necessary for programming executive activities. For the purpose of assuring full and efficient implementation of this plan, two basic measures will be required:

- a) Assuring the present operation of a profit of undertakings in the petroleum sector; and
- b) Taking steps for the reorganization of Petrobrás.

By the end of the current year, Law No. 2.975, of November 1956, which provides for the sole tax on fuels and lubricants, must be revised. Such revision should provide tax revenue based upon the parity of import prices even though in different terms, at levels equivalent to

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those of the present law, so as to guarantee operation at a profit in the petroleum industry. Present provisions which exempt Petrobrás and its subsidiaries from income tax and require compulsory reinvestment of dividends on shares owned by the Federal Union should be extended.

The reorganization of Petrobrás by formation of large subsidiary companies covering the principal segments of the industry is urgent. Petrobrás would thus become a consortium of petroleum enterprises, similar to other state petroleum companies.

Only in this manner can the five-year plan under preparation be carried out efficiently and dynamically. On the other hand, the flexibility conferred upon the consortium will bring about means to accomplish the planned associations with private capital for its development and expansion.

Chapter III -- Coal

3. Coal

The general directives of the national coal policy are given in Public Law 3,860, of December 24, 1960. The coal industry of the Nation has as its program the production of the quantity of metallurgical coal (coke) that could be economically absorbed by the national iron and steel industry and the mining of coal destined to attend to the demand for electrical energy in certain parts of the country.

It is not possible to produce coking coal without simultaneously processing the recovery of a certain quantity of steam coal. With the progressive reduction of the market for railroad coal it was necessary to take measures to build a thermoelectric plant in Santa Catarina as an outlet for at least part of such coal. Notwithstanding, this plant with 100,000 kw capacity will not suffice to consume all the (steam) coal available in 1965, since the production of coking coal will continue to expand to meet demand on the basis of the current ratio of steam to coking coal mined today. Without the guarantee of use in more thermoelectric plants, the accumulation of stocks of steam coal will make it impossible to produce the coking coal required by the iron and steel industry.

It will be necessary at the same time to take measures to expand the beneficiation facilities in Santa Catarina as well as financing coal companies.

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In Rio Grande do Sul measures destined to regulate the situation of companies in arrears to social security institutes are necessary to remedy their severely-affected economy resulting from loss of market. The merger of private companies with those of the State resulting in the creation of single organization is being studied.

Favorable conditions exist in Rio Grande do Sul for the installation of thermoelectric plants destined to attend to the needs of electric energy for a considerable part of the State. These should have at least a 200,000 kw capacity, and would use local coal. It will be necessary to finance the producing organization.

As for Paraná, in whose coal zone a thermoelectric plant will begin operations in the first quarter of 1962, it will be necessary to provide financing for the coal companies with the purpose of assuring a supply of coal for the plant. This will permit export of Paraná fuel if the Government fosters the construction of a local coal washing plant.

Existing legislation, - Law 3,860 - provides for all the measures cited. Perhaps it will be necessary to obtain advances on appropriations from Government credit institutions in the form prescribed by that law.

Chapter IV -- Atomic Energy

4. Atomic Energy

The problems of nuclear energy throughout the world have now reached a significance which cannot leave Brazil indifferent. The prospects that, in the not too remote future, nuclear (power) reactors will become one of the principal sources of the production of energy, imposes on the country the obligation to prepare itself technologically to benefit, at the opportune moment, from this technique.

Therefore, the incentive to obtain atomic minerals from our reserves and the establishment of an atomic industry become imperative.

The policy on atomic minerals established by the past Government as a result of studies conducted by a Parliamentary Commission of Inquiry should be maintained since its general objectives support the national interest.

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The research of these minerals is open to all; their exploration is supervised by the Nuclear Energy Commission and their commerce, under existing law, may only be established from Government to Government, according to the interests of national security and the requirements of industrialization.

Some of these minerals which are scarce in the world are found here in deposits of high value which, because of this, should be carefully subjected to state control so that they do not serve purely pecuniary interests of local and foreign groups.

Some of these have applications in modern technology which require alloys of exceptional properties and are, as a result, of very great usefulness; they are rare and are important to national security but may not be listed as "producers of foreign exchange" because of the small quantities involved.

The training of technicians and the fitting of our industry for production of materials and equipment necessary to the establishment of a nuclear industry of a high degree of nationalization will be the theme of the Government program.

Likewise, there is an obligation to construct one or two reactors of experimental type, for the production of electrical energy, planned in accordance with the new possibilities, both internal and external, of mobilizing financial support for the nuclear sector. The nuclear power reactors should be located where they may best serve experimental and educational objectives, and may be duly allied and integrated in regional electrical systems. In addition, full incentive should be given to the production and utilization of radio isotopes as applied to medicine, biology, agriculture and industry, as well as the establishment of a policy for the exportation of radio isotopes in excess of national requirements.

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CHAPTER II - TRANSPORTATION

1. General Transportation Policy.

1.1 - Estimated demand and necessary investments -

The growth of the Brazilian economy at the rate of 7.5% will require from the national transportation system, by 1966, a workload superior to 70% of that of the current year.

The adequacy of the system to the estimated demand will mean in investments, during the next five years, around 1.160 billion cruzeiros (including automobiles), of actual currency.

1.2 - Actual Financial Problems -

The financial problems of the transport sector are the most serious with which the Union is faced.

- a. The operating deficit will reach 62 billion cruzeiros this year, absorbing more than 20% of federal tax income. Its break-down is as follows:

Railroads	45.0	billions
Ports & Navigation	16.0	"
Airlines	1.0	"

Total 62.0 billions

- b. All means of transportation contribute to the instability of the federal budget through exaggerated dependence upon general resources for its investments. This year, the following are the principal authorizations for federal disbursements in this sector:

Billions of Cruzeiros:

	General Budget:	Funds & Taxes:	
Railroads	6.84	8.60	
Highways	29.01 (1)	10.20	
Navigation & Ports ...	9.65	5.82	
Airlines	1.70	-	
Totals	47.20	24.62	71.82

(1) (Inclusive of special credits)

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1.3 = Necessity for Definition of a Transportation Policy -

Only by strict observance of a rational transportation policy based on experience, planned expansion according to Brazilian peculiarities and continued effort to cope with the political difficulties in personnel relationships, adjusting the State's action to its real spending power within the most urgent requirements of the country's transportation system, will it be able to attain the solution to old problems - mainly those of navigation and railroads - greatly aggravated in the last three or four years, thus eliminating waste in investments in transportation. It is therefore indispensable to have a definition of general policy which may be observed by all authorities in the various transportation fields, coordinating their actions towards clearly defined objectives.

2. Data for the Formulation of a Transportation Policy

Data on which the proposed policy may be based are as follows:

- a. The transport sector has been receiving, for gross expenditures, around 5.6% of the national product and 45% of gross investment in fixed capital (including automobiles, or 38.5% excluding these). To speed up national development it will be absolutely necessary to search for the best application of that substantial part of our reserves.

It is urged, therefore, that there be established rational norms of utilization in the transportation field, giving each system the necessary conditions to its adequate functioning within its possibilities and limitations.

- b. Highways, which in 1950 realized 40% of Brazilian inland transportation, carried in 1960 around 60% of it, absorbing 75% of the labor increase occurring in the last ten years. Maintaining conditions observed up to now, it is estimated that by 1970 highways will account for more than 80% of Brazilian transportation. This index demonstrates the seriousness of the problem, taking into consideration principally the impropriety of using highways for the transport of cargo of low intrinsic value for large distances within the country.
- c. The maritime fleet and ports have been receiving insufficient investments. This circumstance, together with decreasing productivity because of obsolete institutional staff and labor regulations not related to production purposes, virtually doubled (in actual figures) the cost

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of navigation and port services in the last five years. Despite the fact that the move of Brazilian economy to the interior of Brazil, reflecting necessarily the relative loss in the importance of coastal shipping, it is imperative not to make this process worse, because among all the means of transportation of cargo, it is the cheapest. On the other hand, the inefficient port operations contribute by increasing the cost of international freight to depreciate Brazilian exports and to increase imports. Jointly, with a policy of renovation and re-equipping of the National Merchant Marine, it is necessary to establish basic conditions for the actual and efficient operation of Brazilian port services in order to eliminate the existing unfavorable conditions which jeopardize the utilization of the maritime transport system.

- d. The technical characteristics of the railroad system which was built in the past, as well as the changes in the economic structure of the country and the process of occupation of new regions, contributed to the present situation of the railroads. Such conditions today become unfavorable to railroads in competition with highways, even though it is feasible to plan a system which may re-establish that means of transport as the most economic in carrying large quantities great distances. A country with the dimensions we have cannot do without railroad systems which link the source of production to the distribution and consumption centers.
- e. Tackling with caution, firmness and determination the problem of transportation in Brazil, removing the troubles stemming from the continued absence of sound planning and lack of coordination between the various means of transport, each one will eventually be appropriately utilized, affording those who use them the option in the light of their actual intrinsic characteristics, which is an essential requirement for their maintenance and expansion in line with the prevalent.

3. Recommendations on Transportation Policy

- a) As to institutional conditions: option, in case of alternative means, must remain with those who use them - the only ones who know in each case all costs, direct and indirect, of the movement of commodities and people. The conditions which must be established so that option may be based on true facts as to the economy, flexibility and speed, are as follows:

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- i = the elimination of regulatory or bureaucratic obstacles which reduce the competitive capacity of railroads and navigation;
- ii = to face realistically the costs and prices of each means of transport, causing them to actually represent to the user, the economic value which may guide his choice;
- b) As to the distribution of services among the various means of transport, except special local conditions, the following orientation should be adopted:
 - i = in long haul transportation navigation should be utilized as much as possible whether by sea, rivers or lakes;
 - ii = highway transportation must be encouraged, especially by paving, which reduces by half the cost of transport;
 - iii = there should be reserved to railroads the transportation of large volumes great distances (like minerals) or those which can be concentrated in determined localities. The transportation of passengers in the interior must be revised as much as possible in accordance with economic possibilities and substituted, where advisable, by other means of transport;
 - iv = the transportation of passengers for great distances should be done principally by air;
 - v = suburban railroad transportation must be improved and its use in towns that are growing must be also foreseen.
- c) As to investments: public investments will follow a long-range global plan of gradual evolution which will consider the transport system in its functional unity guided by estimates of the demands in each region and available means of transport, and by well defined priorities in order to avoid waste in duplication, over-planning or delays in the elimination of excessive capacities. Options for sound projects must be based on objective studies of costs and benefits. With this in mind, there must be established in the Ministry of Transportation a high-level technical body devoted exclusively to economic and technical studies of the country's transport and to the planning of investments. That body will maintain the National Transport Plan constantly up to date and its programming on short, medium or long-term, of all investments in transports.

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Special priority must be given to the paving of highways and to the construction or paving of these highways destined to substitute for uneconomic railroads. Investments in new railroads construction must be subject to strict selection, preferably concentrating on the renovating of old permanent ways and in the rectification of lines and even in the construction of branch lines where there is heavy traffic density. The reequipment of ports and the renovation and expansion of the Merchant Marine must also have careful attention from the Public Powers.

- d) As to traffic, except in cases of pioneer investments, and always in a temporary manner, the users of services must pay in full the costs thereof without subsidies or subventions, direct or otherwise. They must, besides, contribute through revenues tied to investments generated in each sector for the needs of the capitalization necessary to the expansion of the system.

4. Highway Transportation

4.1 - Exploitation

The reasons for the success of highway transportation in Brazil are obvious. Its users find in the system flexibility, security and speed. It is imperative, therefore, that subsidies that are given by the State be avoided, in the form of construction and maintenance of highways, as they aggravate the conditions of competition with other forms of transport whose deficits are supported by the State itself.

Ways

Special attention must be given to the maintenance of the highway system, increasing the sources of income which must be linked to corresponding expenses. This is even more necessary inasmuch as the paved parts will be, at the conclusion of the P.Q.O.R., more than double the existing system. Capital used for paving must be used sparingly.

D.N.E.R.

The administrative and technical capacity of DNER is considered to be reasonable, in spite of the amplitude of the established program for the next five years, inasmuch as it may be amplified, depending on the delegation of work to the State highway agencies and to the Directorate of Military Transport. Also, the highway construction industry was considered to be capable of realizing the plan, taking into consideration the level of development it has reached.

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4.2 - Investments

The highest priority must be given to projects established in the Five-Year Highway Plan (PQOR) and in the Plan of highways to Substitute for Railroads which are Uneconomic. Particular attention must be given to the connection between industrial centers (States of São Paulo, Minas Gerais, Guanabara and Rio de Janeiro), to the South, North, Northeast and Middle West of the country, by linking the trunk lines already established. (BR-2, BR-4-13-22, BR-5-11, BR-14, BR-35 and BR-4).

The execution of such plans depends nevertheless, on the immediate revision and fulfillment of its financing plans. Such financial schemes are based mainly on budgetary allotments, and the National Highway Fund will contribute with a small portion of it.

The study of new sources of income for the maintenance of the P.Q.O.R. must be "speeded up" in order to amplify the resources toward that end, either by revision of the single tax and the law providing for contributions towards improvements or by the creation of a paving tax.

For the rational application of the resources destined to highway works, according to the P.Q.O.R., it is imperative that a perfect coordination exists between the various agencies participating in the development of the national budget in order that the resources may not be wasted or taken away from the priority program.

5. Ports and Navigation

The Brazilian merchant marine utilizing coastal and overseas shipping is composed of 430 units of various sizes with a total of approximately 1,287,000 gross tons; for the most part over 25 years old and, therefore, being difficult and expensive to operate and maintain.

Considering not only the great length of the Brazilian coast - 8,000 kms. - along which the most populous centers are located -, but also the utilization of thousands of kms. of river and lakes and the increasing needs of our external commerce, the national fleet seems to be, as a whole, insufficient for the demands of transport by water.

In order to cover the needs of overseas service, Lloyd Brasileiro and the Fronape during 1960 utilized 155 foreign ships totaling 2,777,458 D.W. tons, indicating the extent of our shortages and scarcities in the maritime transport sector.

The average age of ships being extremely old, the lack of

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maintenance either periodic or regular, their intensive use aggravated by a great lack of port services which are always slow and highly expensive, have transformed Brazilian commercial navigation into a system which contributes to the worsening of the national economy.

Generally speaking, the negative and restrictive factors which have great influence on the profits of the Brazilian merchant marine are the following:

1. Navigation:

- a. problems of an operational order
- b. problems of a material order.

2. Auxiliary services:

Problems of organization, income and operational costs of:

- a. lighterage personnel
- b. repairmen and inspectors
- c. port watchmen.

3. Port services:

- a. work systems
- b. mechanization of ports
- c. movement of bulk cargo and use of containers
- d. port tariffs
- e. storage regulations
- f. docking priorities
- g. shortages and damages.

Therefore it is necessary that a policy be established for the merchant marine which can result in its progressive recovery, thus transforming it into a worthwhile element contributing effectively to the economic development of the country.

Such policy must consider mainly:

A - The economic-financial recovery of navigational enterprises, giving them the indispensable means by which they can satisfactorily perform their activities for just payments for the right services in order to permit the replacement and progressive expansion of their fleets.

B - Investment and Financing of the Merchant Marine Fund:

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- a. Financing the construction of new ships by the marine industry now being established in the country which deserves the most decisive and unrestricted support;
 - b. purchase of new vessels abroad (including I.B.O.'s intervention but only as complimentary units and without prejudice for the full utilization of the capacity of the marine industry of the country;
 - c. financing the improvement of dry docks and shipyards of official agencies.
- C - Investments in the port sector:
- a. Studies, projects, construction, improvements, expansion and/or equipping port installations and navigable waters, special attention being given to ports serving special needs, namely, Imbituba for charcoal, Rio de Janeiro, Vitória, and Angra dos Reis for iron ore; Ilhéus and Campinho for cocoa; Recife and Aracaju for sugar; Santos and Paranaguá for coffee; Macau and Areia Branca for salt; Rio Grande for meat, rice and wheat; Itaquí for babaçu; Mucuripe and Cabedelo for cotton and Luís Correia for carnaúba.
 - b. dredging of ports and navigable waters of major importance.
- D - Rationalizing of work systems and remuneration of maritime personnel including laborers, port clerks, and related personnel, adjusting crews to the true needs of each type of vessel in order to obtain the maximum use of the general services covering the movement of cargo.

Besides these provisions of a general order, it is necessary to accelerate the works and provisions directed toward the unification of the Lloyd Brasileiro and the Companhia de Navegação Costeira, with the division by departments, of the services of coastal and overseas shipping and of shipyards.

6. Railroads

6.1 - Operations

Great attention should be given to the reduction in a short time of the deficit in operating costs and changing prevailing conditions responsible for it. With this in mind, the following provisions will become necessary as a reinforcement to the existing policy of RFFSA, which deserves all and every support:

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- a. Selective criteria for inland traffic of passengers transferring, where advisable, to buses whose cost is about one third of that of railroads. The number of passenger trains must be reduced and adjusted to an indispensable minimum for passenger traffic in those regions where there is an efficient highway system. Where there is no such highway system, one must be created in order to allow the reduction in the number of passenger trains.
- b. Passenger tariffs must be brought up to date on realistic bases in order to avoid the continuance of economic absurdities, as the following indicates: while in 1945 there was charged (per kilometer) a value equivalent to 2.68 minutes of labor at the basic minimum salary in Guanabara, in 1959 there was charged on the base of scarcely 0.41 minutes (six times less).
- c. Suburban services must be improved, the problems being tackled in order to establish autonomous agencies so there may be permitted a centralization of effort and resources for their solution, considering that they are social services.
- d. The program of modernizing traction power must be given all necessary attention, the utilization of Diesels being considered necessary for immediate result.
- e. It is imperative to absorb excessive personnel now in the railroad services, transferring them to other federal services.
- f. It is urged that operational and administrative methods be modernized which depends on the improvement and renewal of personnel, mainly in the choice of administrators, and also on the neutralization of political pressures.

The success of the railroad policy will depend, nevertheless, on the increase of traffic by the fomenting and recuperation of transport, re-conquering markets lost to trucks. This way, new horizons will arise for the fulfillment of the main objective of the RFFSA, with measures which may include among others the following:

- a. Bulk transport of minerals in general, particularly iron ore;
- b. additional acquisition of cars for certain railways in order to improve their services;
- c. to promote agreements with federal, state, municipal and semi-governmental agencies, autarchies, industrial, agricultural,

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commercial entities, etc., in order to obtain just tariffs, preference for the transportation of steel products, petroleum and by-products, charcoal, minerals, cement, wood, coffee, sugar, cereals, etc.;

- d. readjustment of tariffs on charcoal in order to cover the costs of its transportation;
- e. to improve and intensify the inter-change among railroads (mutual traffic, "track-rights" conventions, adoption of a standard bill of lading, etc.), and also among these and other means of transport;
- f. to study carefully the various legal and juridical aspects concerning personnel working for railroads, in order to correct and make uniform their functional position by a "Railroad Personnel Statute";
- g. to provide means of selection and training of personnel with the objective of increasing productivity and making possible their full utilization and adaptation to equipment and work methods;
- h. to intensify steps to improve hygienic conditions and work safety.

6.2 - Investment of Funds

- a. The existing system must follow a basic criteria of extensive trunk lines, except branches and secondary lines which may be considered absolutely necessary;
- b. Investment in new construction must be rigorously selected, those works being permitted only when imperative, nation-wide, (Main Southern Trunk, Estrada do Trigo, Bridge over the San Francisco, between Propria and Colégio, branches from mineral sources, etc.) with a view to end the present situation, because there have been already over 20 billion cruzelros applied in such construction without economic justification; besides 55 billion in lines holding second priority whose annual allocation is so unproportionate to the total cost of the works that its termination is unpredictable;
- c. available resources must be concentrated in the renovation of the railroads in places with the heaviest traffic, and in the improvement of the design of the major trunk lines which should remain;

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- d. investments destined to substitute new paved highways for non-economic stretches of railroads must have priority.

7. Airlines

In relation to air transportation, government action will be guided by the following principles and objectives:

7.1 - Operations

- a. To give incentive to the consolidation of enterprises and the unification of auxiliary services;
- b. to increase the rate of utilization of available transport;
- c. to substitute the indirect methods of subvention and subsidies by direct help to lines incurring deficits which should be maintained;
- d. to stimulate the formation of consortium operations on international airlines, thus avoiding unnecessary competition and allowing the utilization of common services;
- e. to encourage the reduction of excessive diversification of equipment.

7.2 - Investment of Funds

- a. Priority should be given to infra-structure investments especially the modernization of installations and equipment for flight safety;
- b. to intensify the manufacture in this country of spare parts and additional equipment for airplanes in a wide use by units of FAB (Brazilian Air Force) and which may be utilized by commercial aviation in order to decrease exchange expenses.

* CHAPTER III *

COMMUNICATIONS

Keeping in mind the aims and conditions for execution of the plan of the Department of Posts & Telegraphs, this entity should

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have a typical industrial-type organization, free from any political influence, in order that it can exercise to the fullest, its high-level functions in the sole interest of the public.

Nevertheless, such a guideline, tried so many times, but to date not consolidated, has been influencing in a harmful way the quality of services rendered to the public either by lack of rational planning or by maladjustment of institutional conditions caused by inadequate or insufficient investment.

On the other hand, the lack of a broader view in the planning of the solution of the problems involving the means of transport and also the lack of interest as to rational methods of exploitation have kept the DCT from the policy of reducing operational costs which should be done in an industrial-type organization.

The state communications agency is not following the growth of the country and communication services constitute today a serious strangulation point in our development.

The present Government intends to give special attention to this problem, implementing a rational orientation to the questions at hand.

The revision of the telecommunications statute is still under study by the National Congress, and the definition and details of administrative provisions to be adopted will depend to a great extent on the policy to be established by Parliament as well as on the powers which it will give to the public administration.

I * POSTAL System

The postal system in Brazil never had any organization planned or based on studies coordinated among the communications and transport media.

The creation of postal services without coordination and with the use of obsolete means of transport, do not meet the needs of progress.

The growth of the highway system and the technical improvements of such services have not been properly utilized.

On the other hand, the possibilities and tendencies of the development of the country have not been considered as would be desired, when considering the structure of the postal system.

The social aspects of the growth of such a system, taking civilization to the farthest corners of the country, imposes heavy expenses on the State.

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That nevertheless, does not mean that the State, even though considering the social aspects of the question, should not be interested in a just return on the capital invested, either by the adoption of a realistic system of tariffs which have a view to the self-sufficiency of the postal system or proceeding to the rational articulation and coordination of postal agencies and mail transportation lines.

Parallel and as necessary provision to be adopted for the improvement of the postal system, steps should be taken to modernize the installations of post offices and for the purchase and use, in large scale, of modern mechanical and technical equipment bearing in mind that which is utilized in the most developed countries nowadays and in those with similar conditions to Brazil.

II - Telecommunications System

2.1 - The Present Situation

The actual situation of the national system of telecommunications is really precarious. The rapid industrial development of the country in the last few years, with the increasing demand for communication facilities has considerably contributed to aggravate this problem. The change of the Federal Capital to the Interior has made telecommunications emerge as a means of extraordinary importance in a country with the distances that Brazil has.

On the political side, the existence of an efficient system of telecommunications is imperative to the exercising of the federal authority. On the social side, it constitutes a Government obligation as regards the regions distant from the center. On the economic side, it becomes a powerful means of progress through facilities which aid the expansion of wealth.

2.2 - The coordination of systems

In addition to being deficient, the actual system of telecommunications does not have the necessary coordination within itself, there existing in some cases a waste of means and in others difficulties in internal connections.

The development of techniques has brought closer together the telephone and telegraph system with more savings and more efficiency. Still faithful to past techniques, these systems have independent development in Brazil. The most recent implementation of the microwave system between Rio and Brasilia has proved the efficiency of a telephonic and telegraphic system which is operated by the Government (NOVACAP) under conditions of reasonable safety though built

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during a time of urgency. It has become imperative to amplify such a system and construct others throughout the country.

It is necessary, in the development of the telecommunications media to give emphasis to the standardization of services with a view to perfecting the coordination and inter-connection within the existing system, both Government and private.

2.3 - The systems with great capacity

The policy to be followed in the expansion of communications media must be the establishment, to the possible extent, of systems of great capacity and with possibilities of expansion. The micro-wave system is the most advisable one in the most developed regions. It permits the transmission of an extraordinarily large number of telephonic channels or rather, of simultaneous telephone connections with the advantage of being able to be connected or disconnected by intermediate stations. Cutting through a zone under development, they allow towns to be connected with the network where economic considerations warrant.

In addition, being previously specified, this type of equipment permits its own expansion thus making possible the multiplying of telephone channels with additional equipment without prejudice to the original installations. In this connection, the existing micro-wave system Rio-Brasilia must be expanded: Brasilia must be immediately connected with São Paulo thus bringing great benefit to the Minas Gerais' Triangle served by such a system. There must be installed a micro-wave system which leaving from Rio, extends down to the extreme Southern part of the country, thus serving the regions most in need.

This telephonic system is appropriate to the utilization of simultaneous telegraphy with the use of multiplex equipment permitting the expansion of a large number of telegraphic circuits out of a single telephonic channel. Thus, the use of teletypes in these circuits would considerably amplify the existing system.

2.4 - The systems with lesser capacity

For a long time it will not be possible to bring high capacity systems to the North and Northeast parts of the country. However, it is imperative that these regions be served by efficient and secure means which must be rapidly set up. Appropriate short-wave and radio equipment should be purchased with greater use of frequency spectrum available (as those with independent double phase bands) and with assurance of more secure functioning. Some of these have already been purchased: they should be set up.

Similarly, some voice channels will be reserved for the multiple

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use of teletypes.

It must be emphasized that a very important goal is the connection between Brasilia and the State capitals and the most important cities of the country, thus realizing the inter-communication of that system with local telephonic networks which have sufficiently good standards of efficiency.

2.5 - The Telex Service

The implementation of this system which will have Brasilia as its headquarters must give special importance to the establishment of connections by telex. This system permits direct telegraphic connection by teletype machine between subscribers connected by centrals from one point to another in the national territory. Extremely important for Government use, the telex system will allow a fuller industrial and economic development of the country through facilities offered to commercial enterprises.

As surely as the national telex system is expanded with safety the various existing radio-telegraphic systems of the several government agencies will be abolished progressively. Such event is highly desirable for the control of telegraphic traffic within the country; additionally, there will be the liberation of frequencies that are inadequately utilized nowadays thus permitting a more rational use consistent with the congested short-wave frequency range.

2.6 - Profitability and Financing

Fortunately, if the establishment of a sound telecommunications system requires substantial investment at the same time it insures a high profitability. An example of this is the existing system of micro-waves Rio-Brasilia. Both the telephonic and telex channels are extraordinarily attractive from an economic standpoint. The income collected by the Government will be applied in the establishment of smaller systems economically sound, which is the responsibility of the Government to assure.

2.7 - Development of the Industry

The telecommunications and electronic industry in Brasil is still at a low level, not having participated in the development reached by other fields in the recent years. The small number of modern installations now existing in the country does not encourage industrialists to make substantial investments in the manufacture of equipment.

Only with the establishment of a sound program on a medium-term basis will there be provided the indispensable conditions for the

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establishment of correlative industrial park. This field is of extraordinary importance to the National Security and for the development of scientific research in the country.

2.8 - The reorganization of Government agencies

Simultaneously with the development of the system, there must be a reorganization of Government agencies responsible for its operation. It is necessary to give the D.C.T. an industrial efficiency. The recruitment and training of personnel, technical and skilled, merits the highest priority. The organization and operational methods of the various systems must be reviewed. As for the training of personnel, the development of the installations itself will furnish the means and encouragement which is so necessary.

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CHAPTER IV

Correction of Adverse Natural Conditions

1. Works against droughts

Article 198 of the Federal Constitution provides for the application of resources tied to tax receipts with the special objective of "defense against the droughts of the Northeast."

This imperative of our Magna Carta will be carried out by the Government with particular and special interest, not only to fulfill the legal requirement, but particularly because of the feeling of the Government toward the gravity of the social and economic problem, which is projected from the so-called Poligono das Secas toward the entire nation.

In accordance with the general principles of the Plano Diretor of SUDENE and in terms of the provisions of the current budget law, the Government will increase its executive action with the intention of carrying out, among other works:

- a) rational utilization of excess water in the storage reservoirs, to irrigate cultivable lands and for the production of electrical energy (valleys of Acarau, Jaguaribe, Agu, etc.)
- b) utilization of the big canyons (dam at Boa Esperança, in the middle Paraiaba, Brumado, Banabuiú, etc.)
- c) intensification of drilling of artesian wells and the exploration of aquifers (water-bearing formations) in the area of the Poligono das Secas;
- d) Water supply in the principal cities of the area;
- e) incentives to small and medium size dams
- f) Utilization of hydroelectric potential of the falls in the mountains and plateaus of the Northeast (Lontras, etc.)

These projects must be coordinated with the reform of the agrarian structure in the areas affected, so as to take full advantage of the public capital and to produce the maximum benefit.

2. Sanitation

By presidential message 231/61 there was submitted for the consideration of Congress a bill creating an "autarquia" for Sanitation Works and, at the same time, a National Fund for Sanitation works.

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This autarquia will orient, superintend, plan, and study subjects relative to water and sanitary projects in rural and urban areas, as well as numerous other projects which, after being put in order, will form part of the five year plan for sanitation works.

The Five Year Plan foresees investments on the order of 92.8 billion cruzeiros for the period 1962 to 1966.

In the program or works to be carried out, mention should be made of works for defense against floods, for water supply, control of pollution of streams, construction of dams for stream control and hydroelectric supply, restoration of land and utilization of the so-called humid valleys, etc.

The government intends to review this plan, integrating it with the global planning of federal investments, reserving for this sector that portion of national savings compatible with its importance and the necessities of our development. The priority projects must be preceded by accurate planning and must receive resources in a rhythm which will permit their completion in the least possible time, avoiding the dispersion of funds in the execution of a large number of projects over a long period of time.

CHAPTER V - MINERAL RESOURCES

The mineral resources must be mobilized to the benefit of the country, for instance, as an instrument of its industrial development and as an element that can help towards its enrichment, through the improvement of living conditions of its people and through exports to produce foreign exchange.

Consequently, in order to establish a good policy of utilization of mineral resources wealth, we must enumerate the quality, the quantity and the national or universal utility of each mineral resource, and evaluate these data in the light of the national interest.

If we have a large amount of mineral resources, as in the case of iron, the exploitation of which is enough to supply the maximum needs of our steel industry and still permit an intense exportation for many years, it is necessary to discipline this exportation so that it leaves the country with a maximum of benefits, not only in direct contributory advantages, but also in indirect advantages, as employment, good wages, assistance to workers, etc.

In this policy, the preparation of which is about to be completed, there are essential facts to be considered:

a) to meet the requirements of our steel industry, which must depend upon free and large production of iron ore. This industry is still in its initial stages and for its development both national and foreign capital must be stimulated.

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b) the exportation must be operated in a way which not only produces foreign exchange but also gives the country advantages and profits to justify the exportation.

Of equal importance, the producing regions and their populations must be considered in the benefit of exportation, in order to fully compensate the depletion of a local wealth, the mobilization of which only finds justification in the benefits which it might bring;

c) the exportation of these minerals must be done, preferably, by specialized railroads, such as Estrada de Ferro do Vale do Rio Doce and Estrada de Ferro Macapa;

d) the large companies, which propose to export minerals, must be self-sufficient, without onus to the government, and must not destroy the small producers, nor use transportation that will prejudice the normal traffic of goods and products in the producing areas, as well as their natural capacity for expansion;

e) moreover any solution must not prejudice the international market of the Companhia Vale do Rio Doce.

The government company Companhia Vale do Rio Doce has been improving its operations and strengthening its exporting position by expansion which may assure it, in a short time, a position as exporter of twenty million tons (per year).

At present, with the improvement of the conditions of the port of Vitória, open for ships of large tonnage, the C.V.R.D. will be able to export ten million tons annually with the normal utilization of its installations.

With complementary development work, including the creation of its own fleet of ships with assured revenues, railway connections, as the one from Itabira to Belo Horizonte, and other measures, this company will be able to export large tonnages, not only its own production but also that of other producers of the Vale do Paraopeba.

As for the Rede Ferroviária Federal, particularly the Estrada de Ferro Central do Brasil, means are being studied to utilize its idle capacity of traffic, without prejudice to the normal transportation of goods in the zone it serves, as well as a better program to equip itself for this goal.

Without doubt, the specialized railway line is the ideal solution for the transportation of mineral ore and other bulk freight especially when compensatory revenues can be assured.

Moreover the railways must be coordinated with port installations for the economic exportation of large volumes.

All these problems are being studied with the objective of protecting the national interest.

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It is true that mining represents a small part of the gross national income - about 2% - a very low figure for a country as large as Brazil.

This deficiency is the consequence of the present system of concessions which leaves to the owner of the land the choice of the Concessionaire of the mining claim, due to a right of preference to grant the claim; it would be far more just if this right were transformed into a reasonable share of the profits of exploitation.

The subsurface should serve the Union more directly so that its reserves could be used according to the national interest.

As for manganese, its larger exploitation is being carried out by joint national and foreign capital in the two largest mines - Amapá and Urucum.

The Lafayette exploitation which has been going for several years, does not offer the proportions of the other two and the mine is about to become exhausted; the more optimistic estimate its present capacity at about three million tons.

The nickel deposits of Goiás are large and the exploitation is about to be started and the zinc deposits of Bazante have just started to be exploited.

At an appropriate opportunity, the Minister of Mines and Energy will present to Congress the results of studies on mineral resources which are being done in that Ministry, and will present the policy of mineral exploitation which the Government should adopt, when such studies are completed.

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CHAPTER VI

AGRICULTURAL POLICY DIRECTIVES

1. Necessity to define an Agricultural Policy

In face of the accentuated unbalance existing between agriculture and other economic activities, especially industry, the Government considers it imperative and pressing to have defined a forceful agricultural policy, integrated with the whole of the measures that make up the planning and governmental action for the balanced development of the country.

Agriculture is a fundamental part of the economic structure and prime mover in its advancement.

In fact, true national progress, through which are harmonized at the same time collective prosperity and happiness, will only be authentic when its concept includes rural activities.

It is the important duty of the Government, therefore, to provide resources oriented by science and technology, capable of rendering profitable agriculture and livestock enterprises, which are fundamental determinants of the welfare of the community.

The Ministry of Agriculture, the agency responsible for carrying out that policy has the undeniable responsibility to act decisively at this moment when the Brazilian people yearn for better living conditions.

The present Brazilian situation warns us that we are going through a decisive phase for our future. The intelligent exploitation of our wealth, in all its abundance, offers encouraging prospects for national economic liberation, a fundamental aim of the extraordinary efforts we have made since the second world war. The process of industrial development is a great reality and constitutes undoubtedly, the most solid propelling lever of our progress. Nevertheless, the development of a nation on solid bases can only be achieved when its agriculture is strengthened. The Government sensitive to the problems of development and their social and human implications, considers one of its main goals to be the giving of a strong impulse to rational and balanced exploration of the land's riches.

Of the 847,000,000 hectares, a little more than 24,000,000 are used for farming and 120,000,000 are used for various forms of pastures.

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The greater part of the remaining land is made up of uncultivated, grassy marshes, inaccessible forests, semi-desert bush country and mountainous lands difficult to cultivate profitably.

The cultivated land corresponds to 2.5 hectares per person which is about 10 times less than in other countries. This insignificant index is showing some progress; in 1940 it was 1.31 hectares per person and 1.80 in 1950. It has been noted that the agricultural expansion percentage is on the whole, less than the general development of the country.

This is due, particularly, to the slow improvement of rural activities, slow and uneven distribution of specific technical assistance, unreliable income, and the time consuming and expensive changes in farm labor systems including those that arise from the introduction of technological processes. Moreover, the population increase is pressing ever more heavily on agricultural production.

This fact, the universal phenomenon called population explosion, imposes on us the immediate use of technical correctives and changes in depth in the understructure.

The Government always seeking to alleviate the growing demands of and pressures on the people, must act more quickly in taking measures tending to bring about an increase in production, reducing prices, keeping always in view the general conditions of the market.

For this purpose, the Government should be able to place within reach of the farmer, and at the right time, basic production goods, credit, seeds, fertilizers, preservatives, machinery, implements, spare parts, barbed and plain wire and technical assistance. Towards the same end, the Government will at the same time promote the establishment of warehouses, silos, cold storage and disinfecting chambers in proximity to the centers of production.

It is also the duty of the Ministry of Agriculture to work together with the other secretariats of State in the financing, warehousing, transportation and marketing of products.

The objective of the measures indicated is to raise the per capita income levels, which are 3 to 4 times less than those obtained in other sections.

It should be clearly understood that the solution of farm and livestock problems require the establishment of a rigorous priority scale. The farmer as well as the land he cultivates shall have adequate treatment, imposed by the social character and by the economic bases of rural life, observing the scientific and technical recommendations applicable to them.

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These are the purposes that can be summed up in two fundamental objectives:

Increase in productivity and "humanization" of the man on the farm

This is the equation on which the Government's agricultural policy focuses, the performance of which, in this important sector of the national economy, will always be guided towards gaining the indispensable confidence of the rural people, stimulating them to take active part in the process of their final integration in the national economic life.

2. Programs and Measures

2.1 Increase in productivity - To reach the general objectives set forth in the agricultural policy, the Government intends to concentrate its efforts in a group of programs and measures, responsive to the more important requirements of the various sectors of rural production which will be oriented toward the achievement of concrete results, expressed in higher productivity indexes.

An analysis of the characteristics of the Brazilian agricultural economy permits the conclusion that its principal point of strangulation is precisely in its low indices of productivity. The position of Brazil in particular, if compared with other countries, presents truly alarming aspects, mainly in relation to subsistence products.

Below is an example of our production, in 100 kg. to the hectare, as compared with other countries:

Rice - Brazil 15,6; Japan 46,2; Paraguay 22,9; world average, 21,7.

Beans - Brazil 6,4; Argentina 9,4; Paraguay 8,1; Holland 26; world average 14,5.

Corn - Brazil 12,7; Argentina 20,9; Israel 47,2; Egypt 21,4; world average 20,6.

Potatoes - Brazil 53,0; Argentina 74,0; Chile 70,0; Holland 276,0; Germany 214,0; world average 122,0.

Onions - Brazil 47,0; Argentina 185,0; Chile 258,0; Israel 109,0; world average 118,0.

Tomatoes - Brazil 125,0; Argentina 141,0; Israel 268,0; Holland 763,0; world average 169,0.

Wheat - Brazil 4,1; Argentina 12,8; Peru 9,7; Mexico 15,7; Poland 15,8; world average 12,8.

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Similar situation occurs in relation to products of animal origin.

Cattle -

a) annual yield: Brazil 11%; Argentina 19%; USA 28%.

b) yield per carcass: Brazil 164 kg; Argentina 207 kg.; Paraguay 171 kg.; USA 249 kg.

Average annual milk production (liters per cow): Brazil 484; Israel 3,469; Holland 3,750; USA 2,428.

Among the causes of such low productivity the following stand out:

a) limited use, by the farmers, of resources and information available through research and experimentation such as, good seeds, fertilizers and additives, varieties of plants of high yield, good standard breeds of animals, good feeding of animals, veterinary and plant disease control products, good land and pasture cultivation, soil and water conservation and other renewable natural resources;

b) reduced use of farm machinery and implements due to their high cost, difficulties in purchasing them and lack of skills on the part of the farmer;

c) insufficient availability of rural credit together with the narrow scope of its applicability;

d) lack of technical assistance supported by more intensive research and experimentation and more widespread information on their results, an essential basis on which to raise the technical level of the official extension and development services;

e) anomalies in the agrarian system, mainly with regard to the distribution and size of rural properties, together with the lack of sufficient knowledge of farm management;

f) lack of stimulus due to the precarious marketing and minimum price guaranty systems, aggravated by insufficient warehousing capacity and improper storage facilities for the products.

2.2 Agricultural Productivity Goals - The Government's activity is not limited to the simple outline of general measures. Its effort will, above all, be to indicate specific goals to be reached particularly with regard to agricultural activities of high economic importance.

As a point of departure from which to orient and carry out farm services at different levels, the Government, based on the results obtained

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In official agencies, private farms, extension and development services, now sets forth the following objectives for the next five years:

- Rice - Increase by 20% the average yield per unit of area, mainly by means of fertilizers and irrigation as well as by using better varieties and good seeds.
- Corn - Increase by 30% the average yield, by introducing hybrid or selected seed, fertilizers and adequate spacing.
- Beans - Increase the yield by 25%, by introducing more productive varieties and fertilizers.
- Wheat - Increase by 30% the productivity index by means of selected disease resistant varieties, certified seeds and fertilizers.
- Potatoes - Increase by 80% the production per hectare of potatoes by means of certified seed, fertilizers and disease control.
- Soybean - Increase by 20% the average productivity and expand the cultivated areas, using selected seed, fertilizers and inoculation of seed for planting in new areas.
- Cotton - Increase by 100% the yield of herbaceous cotton cultivation and by 50% and 30% that of arboreal cotton in the Northeast and Southern parts of the country respectively, by means of selected seed, fertilizers, varieties adapted to the respective areas of cultivation and disease control.
- Beef cattle - Increase by 30% the yield of the herds, trying to reduce the slaughtering age and calf mortality, promoting sanitary improvements by combating foot and mouth disease, brucellosis and rabies through adequate feeding.
- Dairy cattle - Increase by 30% the annual milk production by means of milk control and selection of cows, planting of grass for grazing, adequate management of the herds, artificial insemination and construction of watering ponds.
- Swine - Increase by 50% the yield and reduce the slaughtering age to 6 to 12 months, using better feed, adequate breeds and types, good sanitation practices and rational installations.
- Poultry raising - Increase the average production of eggs and reduce the slaughtering age by using better feed, adequate installations and good sanitation practices.

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The objectives indicated as productivity goals apply to areas that receive directly technical and financial aid from the government, through its specialized services. As soon as the new policy is introduced and the respective studies are completed, the Government will consider on a priority basis, objectives for other farm and livestock activities also of great importance, such as those pertaining to sugar cane, cacao, coffee, tobacco, peanuts, sisal, fruits, oils and jute. The planning will be flexible, adjusted to the conveniences and requirements of internal consumption and export.

2.3 Instruments of the Agricultural Policy - When the general and specific objectives of production are established, the Government will put into use, as essential components to carry out the policy that has been adopted, the group of programs and measures that follow:

A. Economic and Financial Assistance

a) Minimum price guarantee: Assure a firm and sound minimum price policy, announcing the minimum for enough in advance in order to stimulate new crops, reviewing them from time to time in relation to production costs. Present price levels shall be maintained for rice, beans, corn, peanuts, soybeans, cotton and jute, so long as their revision is not justified, and other products will be assisted when convenient.

b) Credit: Capital formation in agriculture is slow just as the biologic processes on which productivity depends are slow. By their very nature, crop and livestock activities do not present favorable conditions for private investments in substantial proportions. Hence, the necessity of supplementary action on the part of Government for the purpose of channeling to rural areas public and private capital.

It can therefore be seen that the measures for mobilizing financial resources to meet the requirements of agriculture cannot be limited to a strictly banking program.

The mobilization of resources may be done by using existing credit sources and by offering incentives for the diversification of a reasonable amount of credit available for urban loans.

The "Caixas Economicas" for instance, like all agencies which gather in financial resources, should have an effective obligation to direct a part of their resources to strengthen the available resources of rural and agricultural credit establishments, especially the agencies which specialize in this type of operation. These agricultural financial establishments must have their resources strengthened beyond those funds available to them by virtue of regulations and statutes.

With reference to the banking system, the funds used for financing agriculture should be exempt from reserve requirements, once the rules

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established by the proper agency of the Ministry of Agriculture are complied with.

The total of 55 billion cruzeiros used by official banks in 1960 in rural loans in the form of financial assistance following traditional patterns, is still inadequate and unimpressive. It reached only 7% of the 2 million farms and 19% of the Brazilian municipalities. Moreover, the banking system lacks adequate programming throughout the country.

The Government feels that it is necessary, as a point of departure for carrying out an objective policy in this sector, to apply standards and to take measures that will help the greatest number of farmers, so as to supply them with sufficient financial resources when needed and on favorable terms. For this reason it is necessary to assure the immediate mobilization of resources destined to farm credit and to promote the full and flexible use of such resources. In the next five agricultural years, loans should be maintained on a level corresponding to that of 1961, plus at least 20%, in order to maintain the real value of the volume of credit granted and to cover rising costs. An additional 20% annually will be mobilized for new beneficiaries of public assistance institutions.

Concerning the banking network, the establishment of branches of official banks will be continued. Assistance will be given for the opening of private banks in rural areas still without assistance. Also the work of "mobile units" will be continued. Existing cooperatives will be used intensively and in the more remote areas in which the opening of a branch bank is not advisable, a Rural Credit Agent will be appointed.

Therefore, in the next five years, 1962-1966, at least 500 Brazilian municipalities will benefit from rural credit.

Other measures will be indispensable for the execution of this policy, with particular reference to the Bank of Brazil and the other Official Banks. They should expand the use of supervised credit, in cooperation with services giving technical assistance to farmers. Revision of the legislation and regulations which govern credit will permit the elimination of red tape and simplification of procedures. It is also necessary to coordinate the various financial agencies and establish an intensive training program for personnel responsible for the direction and administration of rural credit.

c) Warehouses and silos: To consolidate the national system of warehouses and silos through a coordinating agency, so as to articulate the various regional systems already existing and under development, by adopting measures for financing the expansion of facilities and by concentrating government efforts in areas which need them most. In the period 1962-1966 an additional 4,800,000 tons of warehouse capacity and 550,000 tons of silo

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capacity should be installed. The installation of small storage units on farms and the increase of cold storage facilities will also be stimulated.

d) Markets: To take measures to renovate the system of standardization and classification of products, including products destined for exportation and for internal consumption. To establish an information service on market conditions and trends, and prices of agricultural products. To encourage farmers to process and trade their products through cooperatives or through other types of associations. To support the installation of producer markets.

e) Production transport: To take measures necessary to coordinate and give priority in the use of transport facilities in order to assure regularity in supplying consumer centers, thus avoiding production losses and great fluctuations of consumer prices.

f) Crop insurance: To support and promote the expansion of crop insurance by modernizing and re-equipping the "Companhia Nacional de Seguro Agrícola" and by setting up a fund which will permit the expansion and diversification of operations, and including other agricultural activities up to now unassisted.

B. Material Assistance to Production

The Government believes that an indispensable factor for the increase of production and productivity is provision to Brazilian farmer of material and equipment such as machinery and tools, fertilizers and supplements, improved seeds and seedlings, insecticides and veterinary products, feeds, barbed wire, etc. Incentives will be given to Brazilian industry producing these goods and facilities will be provided for their acquisition at reasonable prices, so as to permit their general use. Private initiative, semi-governmental agencies and cooperatives will play an important role in the execution of these programs.

C. Technical and Educational Assistance.

Great efforts are required to place agricultural activities on solid technical basis. To this end the Government believes the following instruments are essential:

a) Research and experimentation: To take measures for improving and expanding the national system of research and experimentation, taking into consideration the need for an careful selection of research projects which will produce a strong economic impact on rural areas.

To introduce and adapt vegetable species of economic value; to determine their behaviour in the different areas of the country and under

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various types of treatment; to conduct experiments to increase yields to establish early maturing, resistant and productive strains; to study measures for preventing soil erosion; to intensify genetic studies on useful vegetables; to select cattle breeds to increase meat and milk production; to improve yield of carcasses; to conduct research in problems connected with fertility, and the introduction and expansion of forage plants.

b) Rural Extension: To support the Extension System composed of the Credit and Rural Assistance Associations affiliated to AECAR and, in particular, its Five-Year Plan which, in the year 1965 will be assisting 800 municipalities, through an equal number of Offices, in which 2,000 technicians will be working. It is therefore imperative to institutionalize the System, thereby supplying it with permanent resources.

c) Livestock Development: To reformulate principles and methods and to expand and improve the network of livestock development and health stations. To undertake pioneering or additional services for the purpose of introducing new techniques and to create conditions which will stimulate private concerns to provide such services. To cooperate, in the various sectors, with private concerns, supporting and encouraging them in all ways.

d) Conservation of natural resources: To develop a vigorous program of national scope to encourage the rational use of soil and water and to protect plants and animals, through education and incentives for the adoption of conservation methods and practices. To support and encourage reforestation projects which will supply raw material for industrial purposes. To establish a national agency specialized in the conservation of renewable natural resources.

e) Fish: To intensify the study of the fishing situation along the coast, in rivers and public reservoirs; to prepare fishing charts; to rationalize fishing on the coast and in the interior; to promote fish processing by construction of cold storage facilities; to improve schools for training fishermen; to organize a fishing fleet; to intensify the industrialization of fish products and by-products; to reorganize in general the technical fishing services; to install fishing research centers at different points on the Brazilian coast.

f) Cooperative systems: It is necessary to systematize and promote the cooperative mentality through increasing the number of units which administer credit resources, especially those of the Banco Nacional de Crédito Cooperativo, whose prospects for the future are greater by virtue of the operations planned through the Inter American Development Bank. Besides increasing the number of such units, the modernization of the work system of the Service of Rural Economy will be undertaken, and this Service will be coordinated with the existing Departments of Assistance to Cooperatives.

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g) Colonization, recolonization and settlement: To modernize and revise the programming standards of INIC, to bring its procedures into harmony with those of other entities such as the Colonization Department, of the Banco do Brasil, the Commission for Settlement along Highways; regional bodies such as SPVEA, Fronteira do Sudoeste, SUDENE, etc. To step up internal migratory movements through providing facilities for transportation, shelter, readaptation, and employment services; to establish screening centers; to undertake colonization and recolonization of areas near large population centers and near highway networks.

h) Development of Wheat Production on Economic Bases: To expand wheat production in appropriate areas; to promote progressive research and experimentation, seeking the development of early or late maturing but highly productive and disease resistant varieties; to improve certified seed services; to study the application of fertilizer to correct and increase soil fertility; to stimulate wheat production by supporting it through credit facilities and supplying machines and fertilizers; to support and expand a network of wheat cooperatives.

i) Forestry: To take the final steps necessary for approval of the Forestry Code; to develop the National School of Forestry; to maintain parks, forests and national reserves; to develop intensively the work of forest inventories in areas of major economic importance, such as the pine, paroba and mahogany areas; to increase the reforestation services throughout the country; to intensify forestry work in the Northeast and ecological forestry research in different areas.

j) Rubber Production: To intensify rubber production in the areas of the Amazon Basin, Bahia and São Paulo, following the basic plan approved by the Study Group for Increasing Rubber Production; to create and multiply highly productive clones; to continue the search for native varieties of rubber trees and the establishment of model plantations; to stimulate training of rubber tappers in the most efficient techniques.

k) Agricultural mechanization, irrigation and sale of agricultural equipment: To equip Brazilian agriculture with tractors, implements, spare parts and other materials or goods essential to production by putting them within the reach of farmers.

Without retarding the development of the new tractor industry of the country, it is urgently necessary to provide Brazilian agriculture with essential machinery to promptly increase productivity.

Thought is being given to vigorous importation of properly equipped tracked or wheeled farm vehicles in order to alleviate the known shortages of machinery for agricultural development.

At the same time, it is indispensable to act to recuperate the enormous proportion of tractors not in operation because of lack of spare

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pants. Intensive planning and implementation of an irrigation program will be a function of the Ministry of Agriculture. Through its research and development organs or through agreements, particularly with SUDENE, the Ministry of Agriculture will try to make the use of water for irrigation more widespread and constant. Both large and small storage dams will deserve special attention, with a view to better utilization of their waters, thus providing farmers a new and valuable means to increase their productivity.

The activation of the operations of the Permanent Commission for the Resale of Agricultural Material is also a goal to be achieved. The Government will offer to farmers, for demonstrative or supplemental purposes, goods such as tools, agricultural implements, wire, fertilizers, and machines for irrigation and mechanization.

1) Education: The Government considers it important to provide higher professional status to specialists who dedicate themselves zealously to work in the various sectors of agriculture.

Through measures giving incentives to all those who prove capable of doing their jobs in this important sector of the national economy, we will be affording the indispensable recognition of merit and fair compensation for work. In this sense, the college curricula will be revised at all levels, and colleges reequipped in line with progress achieved in the agricultural sciences.

D. Reorganization of the Agrarian Structure

Having set forth the broad outlines the aspects which most clearly demonstrate the grave problems of the national agricultural economy, the Government considers it unfeasible to undertake measures indicated unless the conditions which bar its development are modified. The Government also believes that all the measures to be taken by the Ministry of Agriculture seeking an increase in productivity and improvement of the living conditions of the rural people, would be seriously affected if the negative factors that characterize the present agrarian structure remain, unchanged.

The Government recognizes, therefore, the immediate need for measures which, by correcting the defects of the country's present agrarian structure would create favorable conditions for access to land and for its rational exploitation, would regulate rural working conditions and promote the orderly settlement of pioneer areas or those close to large consuming centers. These should be the objectives of a broad agrarian reform. To formulate this reshaping of the agrarian structure, the Government considers it necessary to make systematic and objective use of the information contained in the studies already made including those of the National Congress, in order to draft a bill which sets forth the procedures for the modification of the present agrarian structure, considering the following principles, which are offered for the consideration of the Parliament:

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a) Concept - The agrarian reform should never be considered as a simple redistribution of land; in some cases, the most simple and efficient means of access to land would be the occupation of public lands and the opening of colonization fronts in new areas. In other cases, the objectives of facilitating access to land can be achieved by fiscal reforms destined to punish unproductive landholdings. The agrarian reform should be conceived as a broad process, envisaging the revision of the complex of legal and economic relations between those who work and those who own rural property, by establishing new conditions for ownership and use of land. It is modification of the rural social structure, making it possible for a greater number of people to own land for rational and economic exploitation. It is raising the technological level of agriculture and of credit facilities. This whole program should be fundamentally oriented toward further improving the productivity levels already reached by the agriculture units, independently of their size, and its final objective should be the betterment of the social, economic and cultural conditions of rural life.

b) Conditions for Re-distribution of Lands - Land re-distribution - (when this is the most efficient method of agrarian reform) - should be controlled by law, in general terms, but the necessary flexibility of rules and regulations for its adaptation to the economic, ecological and social characterist must be preserved in order to permit adaptation to the various regions.

Consideration must be given to the customs, ways of exploitation and types of production in each region; under utilization of land; levels of production on the large estates, and excessive subdivision of land into uneconomic units. The objective of land re-distribution is to establish the optimum type of holding corresponding to the production needs of each region and the work capacity of the farmer and his family. Obviously, the size of these units will vary from region to region according to the population density, means of transportation, type of activity engaged in by the farmer, and the suitability of the soil to intensive farming or to livestock raising.

c) Steps for Agrarian Reform: - The agrarian reform will involve legislative, administrative and financial procedures:

I - Judicial Procedures -

Legal agrarian reform instructions shall be understood as a complex of judicial rules relative to the following basic points:

- 1) Land expropriation in accordance with social interest already regulated in Art. 141, Paragraph 16 of our Constitution.
- 2) Orientation of the fiscal system in accordance with the objectives of agrarian reform.

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- 3) Regulation of the landlord-tenant relationship to assure the renewal of lease contracts, establishment of longer term leases and a reasonable basis for land rental.
- 4) Legalizing titles on land occupied by small homesteaders;
- 5) Making contracts for rural workers;
- 6) Granting of government-owned lands;
- 7) Appropriation by the Federal Government, of abandoned lands (Art. 589 of the Civil Code).

The above provisions, whether or not consolidated into one Agrarian Reform Law, should be planned as a function of a national policy development and expansion of the different sectors of production.

In the code of agrarian reform regulations, those which regulate the constitutional precepts of expropriation for social interest are of maximum importance. Preliminary orientation shall be established for the following fundamental steps:

- 1) Definition of the concept of a just indemnification of cases of expropriation in the social interest, as distinct from those applying in cases of public interest or public necessity.

- 2) Definition of expropriation in cases of social interest.

Following the tendency of the studies now being discussed in the National Congress, as well as those of the technicians in the Study Group on land legislation, last April, the Government program proposes that the following basic criteria be adopted in connection with the two items cited above:

- a) Just indemnification: a system of obligatory evaluation would be instituted by the National Institute of Agrarian Reform. In this case, just indemnification would take into consideration the value attributed to the land in the last land tax appraisal, and improvements added, excluding the appreciation of land value directly attributed to public works.

- b) Concerning expropriation in the social interest: lands which are found to be in the following conditions would be subject to expropriation in the social interest:

- I - Lands which offer conditions for permanent exploitation but which are nevertheless uncultivated;

- II - Lands used in a predatory manner or those on which public irrigation resources are being obviously wasted;

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III - Lands whose value has appreciated as a consequence of large public works and those which - being "latifundios" benefitting almost exclusively from such works - are suitable for economically viable colonization projects.

IV - Lands near urban centers - the cultivation of which is necessary to supply them.

Concerning rural workers, the Government believes it highly important to establish a system which provides to rural people the indispensable protection of modern social legislation, adapted to the peculiarities of the situation, and which contributes towards the dignity of the rural worker. As a matter of fact, the Chamber of Deputies has already passed a bill on this subject and sent it to the Senate.

Equally important is the need for effective means of organizing rural life. The instruments by which the man in the field will develop a spirit of mutual collaboration are the cooperative and associative movements, which will be stimulated. The Government will give all its support to activities connected with the organization and development of the rural community. To this end, it will orient the activities of the Rural Social Service (Serviço Social Rural) through well planned and implemented projects and programs.

II - Administrative and Financial Measures -

The administrative and financial measures should be part of a broad system which brings together agencies and services of social, technical and financial assistance and which ensures coordinated operations in the regions or areas benefitted by agrarian reform. To do this, there must be articulation - in cooperation with the states and the counties - of the National Institute of Immigration and Colonization, the Rural Social Service, the ABCAR system, the National Bank of Cooperative Credit, the Agricultural Economics Service, the Colonization Section and the Agricultural and Industrial Credit Department of the Bank of Brazil and other agricultural development or rural assistance services. Without prejudice to their administrative autonomy, such services must make the changes which are indispensable to balanced functioning of the system, each adapting itself to programs, previously prepared under the direction of a special agency yet to be established. This entity - which will promote the nation's agrarian reform and which must be linked to the Ministry of Agriculture - would have special responsibility for orientation, planning, studies, training of specialized technicians and supervision of the project operations widely decentralized.

As a major instrument for achieving the objectives of the proposed reform, colonization should be an integral part of the unified and coordinated planning for re-organization of the agrarian structure.

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In formulating and carrying out agrarian reform broad use must be made of fiscal and credit instruments and the reform must be supported by a National Agrarian Fund large enough to assure the continuity and the success of the proposed program.

Institutional Reform and Reequipment of Services

No activity, although based on adequate planning deriving from agricultural policy will have the desired effectiveness in its execution unless basic institutional reforms are made in the principal agencies and services responsible for assistance to the rural population.

All evidence shows that, while the government plan is being evolved, it will be necessary to give real organic efficiency and precise functional dynamism (sic) to the Ministry of Agriculture. It is urgent to give a new form to the structure of the Ministry, modernizing it through the reequipment of the services and departments, giving it the capability of reaching farther into the interior, strengthening it in its basic tasks of education, research, experimentation, demonstration and rural extension.

It will not suffice merely to provide the Ministry of Agriculture with financial resources through the regular budget. It is urgent to give it an accessible and flexible source of financing, without which the success being sought will not be possible.

At the same time, it is necessary to consider a bill to provide resources to the Ministry through a rotating Development Fund. This type of reserve will provide the promotional impact and unleash the dynamic and necessary process of Ministry of Agriculture operations through actions inherent in its objectives, such as those of setting standards and planning programs, coordination and supervision, technical assistance, and economic and financial operations.

The complexity of the structure of rural Brazil, characterized by widely varying levels of technology in the same geographical areas, presses on the Ministry of Agriculture with an enormous weight, and it is not equipped to move out to orient, remedy, or recuperate.

It is imperative that, through the immediate rationalization of its various services, the Ministry of Agriculture be oriented by new principles and methods which implies a fundamental change in attitudes, thus permitting the Ministry to play the important role reserved to it in the national economy.

The prime objective of this reform is to assure to producers the technical assistance that they need. The Reform will embody the following measures:

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- a) Decentralization of rural services through agreements with the states, counties, autonomous agencies, regional services, specialized organizations, etc.;
- b) Closer and more effective relationships among research, education, extension, credit and marketing systems;
- c) The adoption of rational and permanent standards of long and short term programming;
- d) The achievement of greater flexibility in personnel management and utilization of financial resources.

The Government considers indispensable the execution of this reform in order to carry out the agricultural policy that has been outlined. It therefore holds to its purpose of submitting for the consideration of the National Parliament a bill that envisages the institutionalization of the proposed measures.

Training of technical personnel at vocational, medium and superior levels.

Special efforts will be made to intensify the training of technicians at several levels and in various professions which are essential for the execution of the government's agricultural policy.

To reach these objectives the following measures will be taken:

- a) fuller use of the present surplus enrollment capacity of the agricultural colleges in order to increase from 579 to 1700 the number of agronomists, veterinarians, social workers and home economists, now being graduated annually.

The present deficit of agronomists and veterinarians, alone is more than 3,000 and 1,400 respectively.

- b) to stimulate interest in these professions, through the establishment of a scholarship fund and a campaign to publicize the possibilities in these fields.

- c) re-equipment of schools at several levels: To increase the number of vocational, medium and superior home economics schools; strengthen training centers and post graduate courses; revision of curricula and teaching methodology.

5. Financial resources necessary to carry out the agricultural policy

Due to the importance that the execution of the agricultural policy assumes in the development of the country the Government intends to

mobilize a large amount of financial resources in order to assure efficiency and continuity of the program. For this purpose it will use the most convenient ways of financing, making more effective use of the resources of the federal budget, of cooperative agreements with states and counties, and of international sources.

6. International Technical Assistance

The rather ambitious agricultural policy that the Government intends to undertake must be able to count on the valuable technical assistance from specialized international agencies and foreign countries that are in a position to give us the benefit of experience that they have already achieved in rural activities, especially with regard to technological and social progress. Measures for coordination will be taken in order to expand the technical assistance to the different departments in the Ministry of Agriculture, including cooperation in planning and carrying out their programs and activities. The Government will seek technical aid from: the Organization of American States (OAS) and its agencies; the Inter American Institute of Agricultural Sciences (IIAC); the United Nations (UN) and its agencies, mainly Food and Agricultural Organization (FAO) and CEPAL; and from the International Cooperation Administration (ICA) and Foundations and Universities for bi-lateral agreements, and cooperative programs.

7. Activities for an Emergency Program.

In addition to the long range measures previously announced - such as the fundamentals of the agrarian policy to be applied in the country - and especially taking into account the need for a more immediate attention to certain sectors of the rural economy, it is imperative to undertake an "Emergency Program" which comprehends, particularly, some of the following sectors: Production of basic foods to supply consuming centers; fulfillment of the first stage of the five year warehouse construction program; and implementation of the rural credit policy through immediate adoption of measures that have already been studied.

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CHAPTER VII - BASIC INDUSTRIES

1. Growth Rate and Substitution of Imports

In real terms, Brazilian Industrial production grew in the last five years at the rate of 10% per year. It is the intention of the Government to maintain this rate of industrialization, creating conditions that will insure its continued growth automatically after 1965.

The first guide line for the industrialization process should continue to be, as has been the case heretofore, the substitution of imports. The rate of growth which is being sought for the Brazilian economy in the coming years will cause profound changes in demand which cannot be met by imports even if, as is being attempted, our capacity to import is increased by a substantial growth of exports. Change in the economic structure, in the sense of increasing the degree of industrialization, is a fundamental condition for accelerating our development.

With the substitution of imports, it will also be our task to increase production of industrial goods for export. Brazilian industry has reached a level of maturity which permits several of its sectors to enter the foreign market.

As heretofore, the industrial development of Brazil ought, fundamentally, to be carried out by private initiative. The State's role will be that of a supplementary investor in those sectors in which the participation of the private sector might be insufficient or inadvisable, and it will also orient investment by a proper combination of tax, commercial and credit incentives.

2. Goals for the Various Sectors

Basic industries will be the object of special attention by the Government which will take steps necessary to insure the accomplishment of a minimum program of goals as follows:

2.1 Iron and Steel Industry - Production of iron and steel in 1960 exceeded 2,200,000 tons of ingots. With the entry into operations of new plants such as USIMINAS, COSIPA, Ferro e Aço de Vitória, the Siderúrgica Rio Grandense, and COSINOR, and expansion of the Companhia Siderúrgica Nacional and other plants already in existence, annual production capacity for ingots should reach 4 million tons in 1965. The Gov-

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ernment will create the incentives necessary for the full achievement of these programs within the time limits set and will also insure the continuation of plans for expansion for the following five year period. Thus annual production capacity of our iron and steel industry should reach 6 million tons of ingots in 1970.

In particular, the production of special and high quality steels should be programmed to reach 400 thousand tons in 1965, with an expansion to 800 thousand tons foreseen for 1970.

2.2 Aluminum - I) Consumption - The use of aluminum in Brazil has been greatly increased. The following table shows the development of consumption of aluminum over recent years (imports plus national production):

<u>Year</u>	<u>Consumption (tons)</u>
1945	5,120
1950	11,177
1951	20,319
1952	12,707
1953	14,986
1954	21,240
1955	10,964
1956	23,685
1957	27,527
1958	28,484
1959	29,633
1960	35,700

Studies made by the National Economic Development Bank on the characteristics of consumption reveal a growth rate on the order of 11.5% per year. Correcting excessive fluctuations in the series, a cumulative growth rate of 13.2% appears evident.

Based upon data for 1960, the following projection of consumption can be foreseen:

<u>Year</u>	<u>Probable Consumption (tons)</u>	
	<u>Growth at 11.5% p.a.</u>	<u>Growth at 13.2% p.a.</u>
1960	35,700	35,700
1961	39,806	40,412
1962	44,384	45,746
1963	49,488	51,784
1964	55,179	58,619
1965	61,525	66,357

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II) The National Aluminum Industry - National production of aluminum comes from two plants, with a nominal capacity, to be attained in 1963, of 36,500 tons:

a) Aluminio Minas Gerais S.A. - With an annual capacity for producing 7,050 tons, it is at present being expanded. The firm estimates that the final expansion project will be completed in 1963. With completion of this project, the plant's capacity will rise to 16,500 tons per year.

b) Cia. Brasileira de Alumindo - This firm's program, as presently conceived, sets completion in three stages: the first, to 10,000 tons per year, is already completed and in production; the second, now in progress, will increase the capacity of the company to 20,000 tons per year, completion being foreseen for next year; the third stage will raise capacity to 50,000 tons per year. All stages of this program are based on the firm's own production of electric power and utilization from three power stations of the electric power potential of the Juguá River in the Municipality of Sorocaba.

III) Remainder of the Market and Recommendations - It must be admitted that in 1965 national needs for aluminum will exceed 60,000 tons in terms of ingots. Assured national supply as of 1963 will be 36,500 tons. The deficit to be supplied with imports will amount to 23,500 tons, corresponding to a cost of US\$1.5 million at average prices CIF in effect in 1960 if further expansion is not carried out or new programs started.

The large reserves of bauxite at Poços de Caldas, which are of excellent quality, and well located in relation to the principal hydroelectric facilities of the country as well as to the consuming market, make advisable the adoption of a policy leading to self-sufficiency in aluminum. Given these exceptionally favorable conditions, in addition to freeing foreign exchange by substituting imports, development of production for export in competitive conditions in the foreign market can be foreseen.

2.3 Cement - The cement industry in Brazil has reached maturity, with production in 1960 having amounted to approximately 4,500,000 tons. The Government will insure, through indirect incentives, the continued expansion of this industry in order that by 1965 its production can reach 7 million tons.

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2.4 Automobile Industry - No Brazilian industry has grown as much in recent years as the manufacture of automobiles. In 1957 we had scarcely begun the production of trucks and jeeps. In 1960 we produced some 130,000 vehicles with a high percentage of nationalization. This expansion attests to the effectiveness of indirect Government action carried out through a proper combination of incentives to private initiative.

The automobile industry has now reached the stage at which private initiative can continue to develop it. It can be foreseen that national production of vehicles will double in the next five years. It will be the responsibility of the Government to encourage this growth by increasing facilities for financing sales through stimulating (a) the application of private capital in medium term credit operations, and (b) supplementing private capital with resources from official credit institutions in the case of financing for exports.

2.5 Naval Construction - As has been the case with the automobile industry, the naval construction industry has grown in Brazil through the combination of private initiative with Government incentives. In 1965 annual production capacity should reach 150,000 tons deadweight. Nevertheless, in order to attain this goal, the Government must give special attention to this industry, by assuring continued orders to absorb idle capacity and increasing financial assistance by strengthening the Merchant Marine Fund.

2.6 Capital Goods Industry - Our capital goods industries, the machinery industry, heavy electrical equipment, railroad equipment and others have been developing in recent years thanks almost exclusively to the effort of private initiative.

The Government seeks to give to these industries an impulse comparable to that acquired by the automobile industry in the last five years. To accomplish this incentives necessary for accelerating the development of the capital goods industry will be put into operation. In particular the Government will give attention to the problem of financing sales by expanding the area of operation of credit and financing companies so that they can meet the needs of this industry.

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2.7 Fertilizer Industry - The fertilizer industry comprehends production of the three following fundamental types:

a) Phosphated Fertilizers - National production of phosphated fertilizers has grown substantially in recent years due principally to the beginning of production of the plant that is exploiting deposits of phosphorite in the Northeast. In 1958 Brazilian production of P_2O_5 was 55,100 tons and in 1960 it rose to 90,700 tons. Apparent consumption of this type of fertilizer for these years in terms of P_2O_5 was, in 1958, 139,000 tons and in 1960, 128,000 tons. There was, therefore, a small reduction which can be attributed to exchange fluctuations. The above data indicate that imports still constitute about 30% of national consumption.

Known Brazilian reserves of phosphated minerals are quite large and in a condition which permits satisfactory exploitation by private initiative.

The forecast of consumption of phosphated fertilizers indicates for 1965 the total of 230,000 to 260,000 tons. Thus, based on the production for 1960 given above, expansion by 140,000 tons of P_2O_5 is needed to attain self-sufficiency in this sector.

b) Nitrogenated Fertilizers - Two companies only, both mixed economy companies (Petrobrás and Cia. Siderúrgica Nacional) are responsible for national production of nitrogenated fertilizers. Production in terms of nitrogen rose from 2,642 tons in 1958 to 13,586 tons in 1960. Apparent consumption of this type of fertilizer in 1958 was 43,900 tons of nitrogen and 65,000 tons in 1960, amounting therefore to an increase of 51%. Simply to supply existing demand production capacity must be increased by about 370%. For this purpose the country has two main possibilities: utilization of residual gases from petroleum refineries and the recovery of ammonia by steel mills. The program of refinery construction now in progress by Petrobrás as well as the installation of two more steel mills in the country indicate the possibility of increasing production of nitrogenated fertilizers. These sources of supply are receiving heavy assistance from the Government through its own companies and financial agencies. This policy will be maintained and accelerated as needs require.

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g) Potassic Fertilizers - At present there is no production in the country of these fertilizers. All demand is being met by imports, totals for which in the last three years were:

1958	68,891 tons
1959	58,740 "
1960	108,623 "

There are certain plans of private groups for utilizing waters of salt beds in the Northeast for extracting potassium. As yet, these plans are not complete.

d) Program of the Government - In developing the sector of fertilizer production it is necessary to consider the apparent conflict between the interests of the farmer and those of the fertilizer industry. The incentive of high prices for the producer cannot be given at the expense of the farmer. A policy of granting tax exemptions and reduction of freight charges for fertilizers has been considered, with the purpose of benefiting the farmer. This would involve two consequences: an increase in the losses of transportation companies and an obstacle to construction of additional capacity for producing fertilizers. If there were no conditions in the country for this type of production, such a policy could be admitted. Therefore, a solution must be sought which takes into consideration both interests concerned.

In view of the conditions outlined above, the Government's program is to provide scope for private enterprise so as to make possible a marked increase of production of fertilizers of the three basic types. Conditions for this include:

a) Financial assistance by the National Economic Development Bank to specific projects intended to increase national production sufficiently to supply the internal market;

b) Granting of tax concessions for the import of equipment necessary for the production of fertilizers, provided there is no national similar;

c) Ending of tax subsidies for imports of fertilizers, with Government assistance to agriculture being made directly to the farmer instead of creating an industrial structure based on tax favors. This more wholesome policy will allow to producers of fertilizers the returns which the market determines without the need for subsidies which have hitherto been precariously devised

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in order to prevent the shut-down of existing plants. The farmer will be given facilities for purchasing fertilizer by a system of financing and minimum prices.

2.8 Rubber - I) Consumption - Consumption of rubber has grown so fast in recent years that confirmed consumption in 1939 (3,092 tons) represents less than 5% of present consumption.

In accordance with studies made by the Executive Commission for the Defense of Rubber, the so-called heavy industry - in which manufacture of tires and other articles used in automotive vehicles predominates - absorbs at present on the average 87% of the rubber consumed in the country. Given the nature of consumption, the adequate supply of raw material assumes special importance, particularly in view of the present stage of the Brazilian automobile industry.

The following table reproduces the forecast of the above mentioned Commission for the Defense of Rubber on probable demand for this product in the five year period 1961-1965:

Year	Estimated Consumption (tons)		
	Natural	Synthetic	Total
1960	46,000	16,000	62,000
1961	43,900	25,600	69,500
1962	48,400	28,600	77,000
1963	39,700	43,800	83,500
1964	37,300	54,700	92,000
1965	34,000	65,000	99,000

II) The Supply of Rubber - The forecast of consumption presented above reveals the progressive substitution of the natural for the synthetic product. This is explained by:

a) The difficulties of increasing production internally of wild rubber, the volume of which tends to stabilize itself at around 20,000 tons (dry basis).

b) The relatively incipient stage of rubber tree culture combined with the slow maturing of the plantations likewise does not offer possibilities of a rapid increase of production. The Commission admits that the maximum supply in 1965 of rubber from planta-

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tions already begun in the Amazon area and on the coasts of Bahia and São Paulo States will not exceed 5,800 tons, also on a dry basis. In 1970, if the present rate of planting is maintained, production would be slightly in excess of 13,000 tons.

At the present time there exist two plans for manufacture of synthetic rubber in the country which can be carried out in the five year period 1961-1965. These are:

a) The project of Petrobrás to use waste gases from the Duque de Caxias refinery. This rubber will be of SE-R type, suitable for substitution of the natural product for light uses, including tires for automobiles and other light vehicles. Ultimate production capacity for which the unit is planned will be 40,000 tons annually. By 1965 it is hoped production will be 31,500 tons.

b) Companhia Pernambucana de Borracha Sintetica - COPERBO.

The project calls for construction of a synthetic rubber plant of the polybutadiene type, specially recommended as a substitute for natural rubber in the heavy tire industry. Basic raw material will be alcohol and final production capacity is planned to be of 27,000 tons/year. The estimated effective production for 1965 is 22,000 tons which will be achieved if the construction programs are carried out as planned. The plant will be built in the municipality of Cabo, State of Pernambuco.

On comparing estimates for consumption and production of natural and synthetic rubber in 1965 we reach the following results:

a - Consumption	99,000 tons
b - National Production	
1 - Natural (planted and wild	25,800 "
2 - Synthetic (SBR and Polybutadiene)	53,000 "
Total	79,300 "
c - Imports (a-b)	19,700 "

III) - Recommendations - The recommended policy for the 1961-1965 period should include:

a) Priority treatment to the COPERBO project;

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b) Special incentives to the cultivation of rubber trees, such as full technical assistance to planters through specialized agencies of the Ministry of Agriculture and financial assistance through the CREA on terms adequate for the rubber plantation industry.

2.9 Paper and Cellulose Industry - Domestic paper production during the past few years has reached a considerable volume and our self-sufficiency is practically assured in all types of paper except newsprint and printing paper. For these two types, however, imports are still considerable and account for a large burden on our balance of payments. The deficit is particularly acute in regard to newsprint which is consumed at an average of 215 thousand tons per year and only approximately 1/3 of the consumption is supplied by the domestic industry. It is the government's intention to expand, mainly through credit incentives granted to private enterprise, the national production of newsprint and printing paper, so as to eliminate one more pressure factor on our balance of payments. It is not necessarily intended to reach complete self-sufficiency - which in the case of newsprint would require a yearly production of 350,000 tons in 1965, but at least increase substantially the participation of the domestic industry in the total consumption so as to reach 2/3 of consumption by 1965.

Considering the unresponsive reaction of private enterprise to the facilities which were already offered by the Government, the establishing of a goal for 1965 should be made on a conservative basis. Thus we believe that one might incentivate the installation of one more plant to begin production before 1965.

The goal to be reached would then be as follows:

Production in 1960	66,000 tons
Expansion under way	80,000 "
New plant with daily capacity of 200 tons ...	60,000 "
Goal	200,000 "

Should the private sector not take the initiative of installing such a plant within the next 12 months, it is the Government's intention to delegate powers to the BNDE to carry out an exceptional action in this field.

In accordance with the apparent consumption estimates for 1965, after the attainment of the established goal it will still be necessary to import approximately 145,000 tons.

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2.10 Alkali - The domestic supply of alkali needed by Brazilian industry is being solved by the combined efforts of private and Government initiative. Government action has been practically limited to the production of soda-ash at the Fábrica Nacional de Alcalis, which will also have an installed capacity to produce approximately 20,000 tons caustic soda per year. Concerning caustic soda, this product is mostly manufactured by private enterprises and generally for the consumption of the producers themselves.

The present position of the production and consuming market may be expressed by the following approximate values:

Product	Production Capacity	Consumption	Import.
Soda-ash	100,000 t/year	90,000	-
Caustic Soda	107,000 "	183,000	76,000

In regard to the possibilities of developing the caustic soda industry, the available figures lead us to believe that the deficit will continue for some time, since it may be assumed that although domestic production may increase to 180,000 tons in the next four years, consumption will have reached 240,000 tons even if we consider an increase rate for consumption of only 7% per year.

The steps which the Government intends to take in this field are limited to assuring conditions for the expansion of private industries for production of Caustic Soda and to strengthening the Companhia Nacional de Alcalis by solving within a short time financial and technical problems which that company is facing; these steps are already being taken by the Ministry of Industry and Commerce.

3. Industrial Export Policy

With the development of the Latin-American free trade associations and their possible transformation into an expanded common market, the possibilities of export of our industrial products have increased considerably. It will be the Government's responsibility to stimulate these exports so as, on one hand, to increase the number of exportable items and, on the other hand, to increase the value of the exported product by incorporating domestic labor and components. Brazil already has a certain tradition in the exportation of consumer goods such as textiles, pharmaceuticals and electric materials, sales of which must be encouraged. It is also

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our responsibility to promote the sale of capital goods thereby making full use of the unused capacity already existing in some of our industrial fields such as machines, railroad materials, tools, electric equipment, automotive vehicles (jeeps, trucks and buses) for which the markets of Latin America will expand with the expected increase of their rate of development.

Among steps necessary for encouraging such exports we may cite the following:

a) An appeal from the Federal Government to the State Governments for the reduction or elimination of the sales tax on industrial products intended for exportation, similar to what already takes place in industrialized countries which are traditional exporters and which grant full tax exemptions on exported products.

b) Through official credit agencies to aid the financing of sales of such industrial products which would not attract the preference of foreign buyers without the concession of payment terms; this applies specifically to the machine and tool industries, heavy automotive vehicles, and railroad materials.

c) To render the Customs requirements on "draw-back" more flexible and make them rapidly and efficiently applicable so as to facilitate the temporary duty free importation of raw materials, parts and components intended for transformation in Brazil and later exportation.

d) Assisting private enterprise in the revision of their licensing contracts with foreign manufacturers, patent, or trade name holders, in order to eliminate any restrictions to the exportation of products manufactured in Brazil, especially in regard to exportations to the Latin American Free Trade Area.

4. Coffee Policy

Our most important objective is the expansion of the coffee trade through increasing exports and opening new consuming markets. The Ministries of Agriculture, Finance, and Trade and Industry, in a joint effort together with the cooperation of Coffee Associations, will start regaining the Brazilian coffee position in the world market. The stabilization of coffee policy through as high a level of exports as possible has been guided by the premise that Brazil's ability to progress economically depends on the volume and value

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of its exports, on expanding and increasing receipts from them and on the relation between its exports and the manufactured goods and services acquired from the world market. Coffee policy is mainly aimed at two fundamental objectives: to limit, in the short and medium run, the variations in price and quantities available on the world market and to check, in the long run, the apparent deterioration in the relation between coffee prices and prices of imported goods.

The 1961/62 coffee marketing policy has been established through Brazilian Coffee Institute resolutions No. 172, 188 and 190 including SUMOC's instructions No. 205 and 206.

The following principles have guided the formulation of coffee policy:

- a) The Government's willingness to consider the distressed situation of coffee growers.
- b) The gradual and constant loss of the producer's purchasing power.
- c) The conquest of new markets as a natural result of rational production and improving coffee quality.
- d) More aggressive marketing, since of 36 million bags of exportable coffee, only 19 million bags have been offered for export.
- e) The gaining of one more step toward exchange liberation through increasing receipts from sale of fine quality coffees.
- f) To give attention to production and marketing peculiarities in each producing region, and putting coffee growers and the coffee trade on the same level.
- g) Setting a limit on stocks in ports.
- h) Short and long term correction of present defects bearing in mind the increase of productivity and quality improvement.
- i) Support prices and abundant credit as a means of price stabilization.
- j) To simplify the classification nomenclature and give objective characteristics to different coffee types.

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The Government should be praised for establishing support prices for exportable coffees to be purchased starting March 1st, 1962, at G\$ 420.00 to G\$ 1,177.20 per 10 kilos, to be readjusted in accordance with the average international quotations occurring during the first quarter of 1962.

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VIII Regional Development

The disparity in income levels among the various regions of the country, notably between the Northeast and the Center-South, a disparity which the economic development has been increasing, rather than reducing, is a grave problem to face.

The Government is seriously preoccupied with the problem of regional disequilibrium and will do everything to achieve its solution.

With this in mind, the Government is backing and will give unlimited support to the Plan for the Development of the Northeast and the operation of SUDENE and other regional organs of development - SPVEA, the Commission for the São Francisco valley, the Commission for the Development of the Southwestern Frontier, CODESUL and CODECO.

In order to orient the action of the Government it is indispensable that, along the lines of that which SUDENE did for the Northeast, the other regions of the country have well-elaborated master plans, which will put in order the public investments in infrastructure and permit the coordination of adequate incentives from the Public Power to private initiative. The Government will assist technically the elaboration of these regional plans and will arrange their integration into a national development program, to harmonize the initiatives of the Federal and state governments, with the intention of obtaining the maximum return from the resources applied in behalf of regional and national development. These plans must be integrated in the global planning of the development of the country, which must be set out on both a sectoral and regional basis. On the other hand, the Government will take care that the resources required for the execution of the regional development plans will not be lacking.

With respect to the Northeast, the five year plan of SUDENE, for the period 1961/1965, includes a series of projects which may be grouped as follows:

- a) the creation of an economic infrastructure as prerequisite for development;
- b) transformation of the agrarian structure so as to open new horizons for the immense majority of the population which lives in the fields;
- c) Simultaneous execution of a group of projects of the social type, with the intention of making possible a perceptible change in the living conditions of the urban population, in a relatively short time;

d) Intensification of industrial investments, with the intention of transforming permanently the structure of employment with a general raising of productivity; and

e) formation of technical cadres indispensable for the development of the region.

The execution of these projects will require investments in the region which will amount to 238.2 billions (of cruzeiros) in the next five years. Of this figure, 55.8 billions are for electrical energy, 89.4 billions for roads, 9.6 billions for health and education, 43.3 billions for agriculture and colonization, 2.3 billions for fisheries, 3.7 billions for warehouses, 28.5 billions for basic urban conveniences, and 5.7 billions for the textile industry. The major part of these investments will be covered by resources from the federal budget.

The government will also continue to try to get international resources to finance the deficit of resources of the Plano Diretor of the Northeast, in the amount of 222 million dollars. For this we hope to get loans from the Inter-American Bank, the Food for Peace Program, and from the funds of the Aliança para o Progresso. In this respect we already have promises, in principle, from the financing institutions.

It should be emphasized that, even though the development of the Northeast depends, principally in the initial period, on the amount and the degree of efficiency achieved by public investments - which represent the major part of the formation of capital and play a pioneer role in the modification of the economic structure of the region - the Government recognizes that stimulation of private initiative constitutes an essential part of the policy of development. For this reason, the administration of the incentives indispensable to mobilize, for the progress of the region, the dynamic force of private initiative.

Supporting equally the other organs engaged in planning and execution of works and services of development of the Amazon, the valley of the São Francisco, the Southwestern Frontier and the Central West, the Government pledges with firmness, decision, and continuity that the resources destined for each region will really reduce the economic and social inequality in which they find themselves with relation to the rest of the country, and that they will effectively contribute to an improvement in the living conditions of the populations living there.

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IV SOCIAL DEVELOPMENT

CHAPTER I

EDUCATION AND CULTURE

Education demands a very special effort for its integration in the global objectives of National development.

The present situation is characterized by maladjustment between the types of educational training offered to our youth and Brazil's needs and by the low enrollment in all fields and levels of education.

1. Present Situation

1.1 Elementary Education - The network of Brazilian elementary education does not provide schooling for 60% of school-age children, i.e., 12 million children between 7 and 14 years of age. This condition is aggravated by the fact that only 18% of the children enrolled in the 1st grade reach the 4th grade, and 2/3 of these do not pass the two first grades. Furthermore, a third part of these enrollments are concentrated in rural schools of such precarious condition that they scarcely manage to make the students literate.

It is astounding that the Nation can live and progress on such a poor educational diet. The explanation is that in the more prosperous areas of the country there exists a regular education system of 4 grades that enrolls more than 90% of the school-age population, of which 1/4 finish the elementary course.

With an elementary school system of only 4 grades (from 7 to 11 years of age) the Nation should, as its very minimal educational responsibility, ensure the enrollment of 8.3 million children in this age group to comply with the Constitutional mandate of compulsory education. However, not even this minimum is being complied with, as only 4.9 million children of that age group are attending school; 3.4 million, representing the absolute educational deficit, are not in school. As, in reality, many children begin their studies after 7 years of age, and due to poor educational conditions repeat the same grade, more than once, thus remaining in elementary school up to 14 or 15 years of age, the deficit actually reaches 5.3 million in relation to the 12 million in the 7 - 14 year age group.

In view of the pressure to promptly cover this deficit and simultaneously to improve our schools, we should face up to the necessity of extending the elementary course to 6 grades in accordance with the terms of the Inter-American agreement of Punta del Este, and to attend to the minimum

educational requirements of urban areas in the process of industrialization.

Elementary education, as a basic factor of development, is a condition of national survival. Illiterates who move to urban centers no longer attain living conditions compatible with a minimum of human dignity and frequently are unable to provide for their own subsistence, as recent studies demonstrate, and according to which adult migrants from the Northeast, who succeed in the more prosperous regions of the country, are 85% literate, while the remaining 15% learn to read and write within the two first years of their stay in the more prosperous regions. More than 90% of those who fail and return to their homes of remain in a marginal social-economic situation, are illiterates.

The extension of education to all Brazilian children and bringing literacy to millions of adults who may still be guided to emergency courses is no longer just a civic task but has become an economic and social imperative for the recovery of Brazilians who by remaining illiterate will be lost to the Nation and will become marginal to society.

1.2 Medium Level Education - The inadaptability of the present system of education to the country's development needs is more manifest at this level of education than at any other. Of the total enrollment in medium level courses, more than 70% are concentrated in curriculums of academic type, that do not provide any practical training; instead, they are a mere means of access to a system of higher education which is incapable of absorbing them and which very few may enter, since less than 15% of the students ever finish the medium level courses.

This situation could not be corrected by the expansion of special agricultural, industrial and commercial schools, which at present enroll a reduced number of students, as opposed to the schools with the academic curriculum. Indeed, the whole framework of medium level education should be freed from this dual concept of a supposedly humanistic education for the elite and a supposedly technical specialized education for the common people, typical of cultural conditions of the XIXth century. According to this philosophy, secondary education was intended to provide so-called general culture that, in our time, with the contemporary development of knowledge, can no longer be provided at this level but only through higher education or through specialized technical training which today also demands a longer period of education.

Characteristic of our century is a general trend at the secondary level to prolong the period of elementary education, with a view towards the proportional redistribution of the working population in the areas of commerce, public affairs, and industry. It is obvious that this modern school, although extremely diversified, does not require specifically professional

curricula nor on the other hand, the so-called "general culture" curriculum.

As the existing school does not meet these new conditions, the technical professional courses continue to be little sought after, in spite of the enormous investment they entail, while the majority of the students seek the so-called academic courses that offer them the promise of admittance to the universities through selection according to established intellectual criteria. From that selective point of view, however, the condition of medium level education may be explained in terms of the results of the college entrance examinations: of 60,000 candidates in 1960, only 30% passed. Therefore it is indispensable to reorganize our medium-level educational system, so as to render it more Brazilian and better adjusted to the conditions of modern life.

1.3 Higher Education - The situation with respect to higher education is not any better as a country that is becoming industrialized, requiring an ever-increasing number of highly skilled technicians for the multiple tasks of a modern society, we continue maintaining an obsolete university system, of high cost and low returns, besides being wholly insufficient in terms of numbers of students.

The most urgent problem is to increase enrollment. In 1960, 14,000 young people competed for the 1,800 openings in the medical schools. In engineering, there were only 2,800 openings for 12,000 candidates. In 1957, while the United States had 1,773 students in college out of every 100,000 inhabitants, and Japan had 690, France 410, Argentina 383, Chile 237 and India 212, Brazil had only 130. This condition is aggravated by the distribution of university students among types of education that reveals the survival of an economic and social framework that has long been outlived. According to 1959 data, of the total of only 16,000 university graduates, 21% were from law courses and 29% from courses of "Faculdades de Filosofia". Medical schools graduated in that same year about 1,500 medical doctors, a figure which in relation to a population of nearly 70 million inhabitants, explains Brazil's being condemned to sicknesses and plagues. More serious still is the picture in the engineering field, for the total of new engineers only 1,400 with a marked predominance of civil engineering over the other specialized branches.

What best typifies Brazilian higher education is, on the one hand, the great increase in the number of institutions that are not equipped to provide university level education, and on the other hand, the timidity of older schools, which are staffed with more experienced professors and have better teaching materials, to enlarge their courses and enrollment. We have today more than 400 institutions of higher education, but only 40 of them

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accept more than 500 students. This paradoxical situation is exemplified by the fact that the increase of enrollment in medical courses is taking place almost exclusively through the establishment of new schools since the older schools have frozen, when they have not progressively reduced, the number of openings filled by examination to a fourth of what they used to offer twenty years ago.

Another deficiency of the Brazilian higher education system is the uniformity and rigidity of the curriculum which restricts to 24 the types of college programs (thus limiting the studies to the traditional careers), when scientific and technological development demand more flexible and diversified approaches that may uncover new talents and send them forth to all branches of knowledge and to all the activities required by modern living.

2. Governmental Program

2.1 - A substantial alteration of the above picture through adaptation of the Brazilian educational system to the quantitative and qualitative requirements of our development, demands the adoption of certain principles, true prerequisites for the attainment of the desired objectives.

a) The principle of planning - Like other economic and social activities, education needs to be guided within the framework of a well conceived plan that comprises a clear determination of objectives and aims, the measure of the actual technical and financial resources necessary for their attainment, and the choice of the means and methods for its operation.

b) The principle that education is investment, i.e., productive application of capital. Studies carried out in other countries indicate that investments in the educational field yield higher returns than investments in directly productive activities. What the individual consumes to pay for his education (cost of studies), he repays at least double, within ten years at most, in terms of the salary he earns, which forms a part of the national income;

c) As a corollary to this principle, the concern over the cost of education. The sacrifices that the Nation must make to ensure a minimum of education necessary to the country's growth, demand the adoption of methods that will assure the best possible relation between the cost and the benefits of education, so as to obtain the complete utilization of the resources invested.

2.2 - National Education Plan - We can only maintain the pace of progress already attained by the country, and promote its acceleration, in the measure of our ability to mobilize every human, technical and financial resource in the Municipal, State and Federal areas, so as to promptly

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establish a broad educational system spread throughout the national territory and capable of ensuring within a foreseeable period:

1) for every Brazilian child between 7 and 14 years of age, opportunity to enroll in good elementary schools to complete an elementary course of 4 grades, which is to be progressively complemented in the urban centers by a 5th and 6th grade, equivalent to the 1st and 2nd years of medium-level courses;

2) for every Brazilian youth who displays technical or intellectual ability, conditions for the continuance of his studies at medium-level schools, thus preparing him for skilled work in productive tasks and services, or to enter college;

3) to widen the opportunities for superior education offered to Brazilian youth, by improving education and diversifying the means of technological, scientific and professional training, in order to adapt them to the exigencies of the country's economic, social and cultural development.

Simultaneously with this effort of expansion and improvement of the elementary school network, an extraordinary campaign should be launched throughout the country to enable Brazilians above 15 years of age who are entirely or partly illiterate, to acquire the elementary skills of reading, arithmetic and the understanding of the citizen's rights and duties, with a view to rehabilitating them for Brazil, in the economic, cultural, and civic sense.

These two objectives can only be attained within a short and foreseeable period of time through a National Education Plan which would allow for:

a) ensuring to the States and Municipalities necessary conditions for the extension and improvement of their respective networks of elementary and medium-level schools, in such manner as to satisfy the demands of all sectors of the population, for more and better education;

b) mobilization of all Brazilians who had the privilege of education, for a national effort to check the progressive growth of the mass of illiterate adults in our population;

c) guarantee to the already existing hundreds of higher level institutions - the majority of which operate under the most precarious conditions - encouragement and necessary means for the improvement of their teaching and to quality of their instructors through advanced training courses in the best educational and research centers in the country and abroad.

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The great task which presents itself to the Ministry of Education and Culture is that of formulating the National Education Plan, which shall determine the educational goals to be attained during the next five years and which shall establish the resources and the procedures by means of which they shall be attained, in such manner as to guarantee to each sector of the Brazilian population certain educational services, defined as the minimum education to which every Brazilian shall be entitled, whatever his economic, cultural and social condition and independent of the stage of development of the region where he lives,

3. Immediate Action

3.1 General Guidance - The Government intends to undertake the necessary reforms and by means of specific projects, to determine overall goals in the educational field. To this end, in the first instance, the approval of the Law of Directives and Bases of National Education is greatly to be desired.

The rigidity of present legislation limits the reorganization of curricula and courses and impedes the improvement of the Brazilian educational system to the extent required. During the recent meeting of the Inter-American Economic and Social Council of the Organization of American States, at Punta del Este, Brazil pledged to seek objectives in the educational field common to those of the other Latin American countries. The fulfillment of these commitments will demand a great effort, whose aims are bound up with the goals of our own national development.

As a general administrative policy, the Government intends to attain the highest possible degree of administrative decentralization, by limiting the scope of its activities to national planning in the educational field, while encouraging the states and municipalities to assume the leadership in carrying out these programs with financial and technical aid from the federal government.

To enable the country to attain to an educational level consonant with the requirements of a near future, it will be mandatory to more than double the rate of investment in education during recent years, which has been less than 3% of the nation's gross national product, a percentage which is larger even in highly developed countries with a more stable population growth where the educational burden is not so heavy as in Brazil. In addition to raising the percentage of national income to the limit, which the economists consider possible given the present state of Brazil's economic development, it is necessary to have recourse to credit and to invest a part of annual income in a plan to finance the educational plant rather than for the government to limit itself each year to what can be done with the annual budget.

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3.2 Elementary Education - The Government intends to create conditions to attain and, if possible, to surpass the goals established at Punta del Este, to wipe out illiteracy in the hemisphere and by about 1970 to ensure for every school-age child a minimum of 6 years of education.

The effort in elementary education should be along these lines:

a) to immediately provide schools for all Brazilian children between 7 and 11 years of age, in such manner as to definitely halt the cumulative growth of the number of illiterates.

b) to promote, at least in the urban centers, the extension of schooling to six years of studies, by adding a complementary two-year course to the 4-year elementary program;

c) to launch a national campaign for the next 5 years to promote literacy and civic rehabilitation of the million youths who annually join the 14 to 18 year age group and are still illiterate. This is to be done through control of professional and military service certificates, and through all means of mobilizing public opinion to identify them and direct them to night-schools. This project envisions the total elimination within 5 years of illiteracy among Brazilians under 23 years of age, who can study;

d) to establish training centers for rural and urban elementary teachers at normal schools and Educational Institutes in order to raise the standards of professional qualification of the existing teachers, and to train the new teachers essential for expanding education and adult literacy.

3.3 Medium Level Education - The foremost requirement in medium level education, is to adjust courses and apportion enrollment according to our development needs, through reorganizing secondary education to prepare students for economic, social and civic life. The approval of the Law of Directives and Bases of National Education will help to abolish the gap between courses by establishing measures that have proven successful in other countries, such as a preliminary period of guidance and observation of the students' capabilities, in order to direct them later to fields of study better suited to their aptitudes and to the nation's needs.

Experience has proven that public authorities must give more assistance to medium level education, as well as the necessity to speed up the expansion of education at this level, in such manner as to provide this type of education in all urban centers. More than 1,300 municipalities presently lack facilities for offering medium-level education.

To cope with this situation, the Government shall establish agreements with the States and municipalities for the following purposes:

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1) to establish 2-year "complementary courses" equivalent to the 1st and 2nd year of the medium level course, at schools in urban centers. The objective is to promptly increase educational opportunities and to extend elementary education to 6 grades, for children of families of the lowest economic level, up to 14 years of age.

2) to establish in every part of the nation a network of "Modern High Schools" adapted to regional needs and conditions. These schools will begin with 1st grade only in 1962, with grade by grade added progressively until there is a full six-grade course. This new model of education which is authorized under provisions of the law governing industrial education, will have a curriculum consisting of 5 required subjects together with optional subjects that provide training of a utilitarian character having in view these objectives that any student who may have to quit school in any grade will be trained for a job and that those who complete the course, and want to go on to college will be suitably prepared.

3) to encourage action on the part of public and private institutions of medium level education that may wish to adopt the new, more simple and efficient educational pattern.

4) to reorganize the system of awarding scholarships, by setting up criteria to locate young talent in the less favored levels of the population and to ensure educational opportunities.

3.4 Higher Education - The Ministry must assume its responsibilities in drafting and carrying out a general organic policy for the expansion of higher education, in order to avoid being compelled by force of circumstance to take action sporadically.

When the Law of Directives and Bases of Education (which is intended to establish the autonomy of the universities) now in Congress, is passed, the function of the Ministry shall be mainly that of coordination and guidance.

This function shall be exerted in the following ways:

a) to establish a corrective policy aiming, within its jurisdiction, at eliminating abuses arising as much from the disorderly growth of higher education as from taking advantage of certain privileges through a purely formal compliance with the law. This policy is intended to revitalize higher education, within its present framework of norms and regulations.

b) to cooperate with the universities in undertaking necessary structural reforms particularly with respect to course contents teaching methods, relations between professors and students, research budget, advanced training of professors and contributing to Brazilian culture.

The Ministry's immediate activity in the field of higher education will envision:

- 1) an immediate increase in the number of initial openings offered by all the Federal institutions of higher education, especially in scientific and technical fields, in order to reduce the annual cost per student; to mobilize teaching materials which are not fully utilized, and to attend to the national demand for doctors needed in the interior, and for engineers and technicians who can make contributions to national development;
- 2) establishment of a cooperative program among the universities, in such manner as to ensure them effective autonomy in the drafting of their respective budgets and to stimulate the older institutions which have more resources, to aid the newer universities in staffing and training their faculties;
- 3) increasing facilities for the training of higher education professors both within the country and abroad, and obtaining more international cooperation to provide our universities with teaching and research equipment and to build up our university libraries;
- 4) review of construction plans for "university cities", to ensure better utilization of resources and to avoid waste through unnecessary duplication of laboratories, equipment and research materials;
- 5) the concentration of federal efforts on expanding schools of higher education through the enlargement of existing universities including the University of Brasilia (enabling legislation awaits approval by the Senate) and of technical or labor universities, which are to be sufficiently flexible to provide training of high-level specialists in the variety of fields required by the diverse sectors of the national economy.

The reorganization of higher education shall also be a means of definitively establishing scientific research in the universities. The new Brazilian university should become a creative center which, in addition to accelerating the country's material progress, should contribute to reduce the onus of importing foreign technology.

It shall also be incumbent upon the university to collaborate in disseminating and elevating Brazilian popular culture, through the expansion of its extension services and above all through a new policy to assure free access to its courses and activities.

3.5 Culture - The governmental program in this field shall endeavor above all to make the benefits of culture accessible to all and everyone, and to encourage the artistic, intellectual and scientific creativeness of the Brazilian people. Books, moving pictures, theater, museums, radio and

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television should become accessible and abundant instruments for the diffusion and extension of culture in all its aspects, thus contributing to increase the nation's common conscience and its spiritual enrichment.

The National Council of Culture shall receive full support to make it the moving force in this ample cultural diffusion and for the defense and encouragement of special aspects of Brazilian culture.

With regard to libraries and books, it is the intention of the Government to undertake a program for installing libraries in all municipios (counties) to serve as the infra-structure for the country's school system, through valuable collections of texts books on national culture, in addition to the normal basic cultural materials found in all libraries.

It is also imperative to coordinate the activities of the Ministry's various services which are concerned with cultural matters, including the selection and preparation of school books and teaching materials, to truly make accessible to the schools, teachers, students and the populace in general, the elements essential to the improvement of educational activities in terms of both formal study and the lofty and refined pleasures of culture.

All this should be carried out within a framework of planning and continuous, progressive action, in such a way as to coordinate the many cultural services and expansion projects, encouraging activities for the preservation of the national historical and artistic patrimony and enlarging, modernizing and improving libraries, museums, motion pictures, radio, and the theatre. One of the basic concerns of the Government shall be to encourage literary, musical and plastic arts by extending support to the artist, to the end that the material progress that has been achieved may be reflected, as is already being done in the growth of the nobler forms of the spiritual expression of our people and of our land.

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CHAPTER II

HEALTH

1. General lines of action of the Ministry of Health

The health policy which the Government plans for the Ministry of Health will be based on the following principles:

- a) to promote programs which at the lowest cost can benefit the most people, by resolving problems of public health;
- b) to utilize to the maximum the conquests of science and of technology - insecticides with residual action and antibiotics - so as to lower mortality in Brazil to the level of countries with similar economic conditions;
- c) to make public health an effective instrument to contribute to economic development, at the same time avoiding the waste of resources on activities which, because of their specialization and cost, do not yield satisfactory returns;
- d) to establish a policy of studies and research on the so-called problems of colonial medicine; since these are common to the underdeveloped countries, solutions must be found by the scientists of these countries;
- e) to develop a policy for recruitment and training of personnel, so that public authorities can have available qualified professional people;
- f) to promote the strengthening and improvement of the pharmaceutical industry, attempting to avoid its progressive "denationalization", and to encourage the chemical industry to produce items necessary for hygiene and for control of the diseases prevalent in the country, and to study the possibilities of installing, if necessary, government-owned factories to manufacture these prophylactic chemical agents.

2. Emergency action

In the current year, bearing in mind the status of the work underway in the Ministry, the Government intends to continue the activities which, owing to their importance to the health of the Brazilian people, should be given a high priority.

Specific programs

- a) Malaria - Up to 1950, this was one of the serious endemic diseases afflicting the Brazilian people. Malariologists calculated that,

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annually, over 8 million persons were stricken by this disease. With widespread use of residual action insecticides, the disease was brought under control, the incidence being reduced by over 95%. Suspension of DDT spraying of dwellings (although recommended in 1961, with only 10% of the work programmed) resulted in various outbreaks. Therefore, it is necessary to undertake, over a short period of time, a complete cycle of DDT spraying to prevent the occurrence of serious epidemics. This will be the priority program of the Ministry during the last months of this year.

The Ministry will also attempt to carry out the agreement signed by Brazil with Point IV, with the participation of various bordering countries, for eradication of malaria.

b) Plague - Kept under control for some years past plague has reappeared in some regions of the country during the last months, making it necessary to take steps to eliminate active sources.

c) Smallpox - Although smallpox has been eradicated in various countries of the Americas, Brazil still has periodic outbreaks, such as those which recently occurred in Rio de Janeiro and in Brasilia.

Anti-smallpox vaccination will have to be carried out in accordance with the plan for immunizing at least 80% of the population during a period of 4-5 years.

d) Yellow Fever - The campaign against yellow fever will have as its goal complete eradication, through vigilance at sea and river ports and international airports, as well as through vaccination of the population exposed to the jungle species of this infection.

e) Chagas' Disease - The fight against Chagas' disease will aim at reducing the incidence of triatoma within dwelling places to minimum levels, so as to eliminate transmission of this disease.

f) Schistosomiasis - The objective of this campaign is to promote improvement of sanitary conditions in endemic areas, bringing contagion under control in specified areas and through medical care.

g) Trachoma - Activities are designed to control this endemic disease by mass treatment of patients in the contagious phase, of this disease, as well as those with contagious conjunctivitis.

h) Yaws - Activities to eliminate yaws have as their objective control through mass treatment of patients and their contacts.

i) Other endemic diseases - Ancylostomiasis, endemic goiter, filariasis, leishmaniasis, brucellosis, and hydatidosis will be controlled by prophylactic and medicinal measures.

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j) Poliomyelitis - The vaccination plan will be carried out by the States with the support and supervision of the Ministry.

k) Tuberculosis - The campaign against tuberculosis, which affects 500,000 Brazilians according to the most recent estimates, will combine utilization of chemotherapy and ambulatory services in large and small centers of the country, with integrated hospital services to reactivate the campaign begun in 1946.

l) Leprosy - for control of leprosy, efforts will be concentrated in research by the Ministry and other agencies in order to broaden the scientific bases of anti-leprosy activities.

m) Maternal and child care - The expanding activities of the National Campaign for Maternal and Child Care must not be interrupted, especially with respect to technical and financial encouragement of private initiative which is truly the foundation of this type of health service.

n) Health and hospital care - Integrated health plans - Measures will be taken to: I) increase medical care in general and especially public and private hospitalization; II) strengthen federal responsibility of the Ministry of Health for coordinating medical-sanitary-social policies of the country; III) centralizing in the Ministry of Health all the information relating to institutions for giving medical-social assistance in the country.

The construction of specialized hospitals will be avoided whenever possible, giving preference instead to organizations which are installing "mixed" health units or district hospitals; this policy is intended to integrate regional health programs.

Integrated health programs constitute a measure which is recommended as being capable of solving health problems and at the same time improving socio-economic conditions of the regions in question. This policy is part of a broader plan under which parallel and identical measures will be adopted simultaneously in education and productivity.

These programs are designed to make efficient use of already existing budgetary resources, with emphasis on the collaboration of international health agencies in matters relating to equipment and specialized technical personnel.

CHAPTER III

HOUSING AND WATER SUPPLY

1. Housing policy of the Government

1.1 Government initiative and use of private capital - The housing

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policy of the past Government, outlined in the message sent to Congress with the Project of Law which requests the creation of the "Brazilian Institute of Housing" repeats the same error which rendered the "Foundation for Popular Housing" (Fundação da Casa Popular) inoperative, that is, it tries to solve the problem of housing by means of resources obtained from taxation instead of also resorting to measures to encourage private savings which is the only possible means of assuring the success achieved in the democratic countries for the solution of this problem.

Private enterprise should undertake the construction of houses, and the State - which should not try to do everything - should assume the function of stimulating, regulating, orienting and coordinating home construction. The participation of private enterprise does not mean merely the activities of businessmen, but also of each family and each group interested in solving their individual problems. The State should provide to all, at an adequate level, the legal, technical and credit facilities necessary, and should coordinate activities in order to accomplish the objectives of the national housing policy.

In many cases the housing problem can not be solved by the interested parties; even with technical assistance and credit facilities, private initiative can not do everything which is necessary.

Many sectors of the population do not have the capacity to pay even the minimum required on their part, or do not have the opportunity to employ their own efforts to construct adequate housing, through self-help techniques.

Only the State can take the initiative required to meet these needs. Owing to insufficient resources, the number of houses will always be insufficient.

The continental size of Brazil, its federal structure, with state and municipal governments freely elected by the people, makes it possible to strengthen the feeling of responsibility of the community to solve problems which are predominantly local in nature, especially those concerned with social and family life.

1.2 The housing deficit - According to estimates of the "Fundação da Casa Popular" based on data and projections off the 1940 and 1950 census, the actual housing deficit for an urban and suburban population of 27,000,000 is on the order of at least 2 million homes, close to 3 million if we consider that of this population about 33% live in unhygienic conditions.

Incomplete numerical data obtained through direct surveys reveal the existence of the following number of "barracos" (shacks) and "favelas" (slums):

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	<u>No. of shacks</u>	<u>Percentage of the population</u>
Rio de Janeiro	200,000	38%
Recife	100,000	50%
São Paulo	50,000	7%
Porto Alegre	20,000	17%
Belo Horizonte	15,000	12%

Considering that the Brazilian population increases at the rate of 2.7% per year, we can estimate at 260,000 the annual housing deficit; 70% of the deficit represents families of low or average income.

It is necessary therefore, that Brazil undertake a housing policy similar to that of more advanced countries, along the lines adopted, with the corresponding adaptation, in Peru, Argentina, Chile, Guatemala, and Venezuela; that is to say, along with government action, it is necessary to mobilize private initiative in all forms.

1.3 Program of action - This policy will be based on the creation of institutions which will make it possible to mobilize private savings, the formation of cooperative savings funds for housing and a complete financial superstructure to which the "Loan Associations for Housing", the Cooperatives etc. will have access to obtain resources.

The fundamental points of this policy are well defined in the message (to the Congress) referred to above, which may be summarized as follows:

- 1) priority for housing "of social interest", considered to be that which is not too burdensome for families of very limited economic resources;
- 2) resources to build housing "of social interest" will be concentrated in the Brazilian Housing Institute, which will apply them according to established plans, on the basis of studies and research on the housing problem in its urban and rural aspects, and its relation to regional and city planning;
- 3) increase of housing "of social interest" will be stimulated on the part of private enterprise in all its aspects through financing and technical assistance;
- 4) in providing housing "of social interest", the Brazilian Housing Institute (IBH) should complement construction with Social Service to promote better use of the dwelling and improvement of life in the home and in the community;
- 5) the State should provide conditions to stimulate investment of capital in housing "of social interest" and in related activities, including reduction or exemption from taxes, with general guidance from the IBH;

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Instead of assisting isolated institutions, each with its purely financial resources, the Administration will carry out an integrated long range program, coordinating the activities of existing agencies and complementing them with new, basic activities at the service of private initiative.

In face of the urgency of the problem, the Counsel of Ministers, requests legislative authority to issue a special law, with the following objectives:

- 1) re-structure the Brazilian Housing Institute, which should establish standards and plans of the national housing policy;
- 2) make available to the IBH other sources of funds which do not have the restrictions of those provided for in the proposed bill now in the Chamber of Deputies;
- 3) give new powers to the Foundation for Popular Housing, which should be the executive agency for the housing projects of the Federal Government, and the instrument for cooperation with the state and municipal governments for the respective local projects;
- 4) create a financial superstructure consisting of a Federal Real Estate Bank or Federal Savings and Loan Associations for Housing to assure loans for real estate, by means of second mortgages, or by refinancing in accordance with occasional needs;
- 5) establish procedures to set up Cooperative Savings Funds, destined to encourage individual savings to buy homes;
- 6) provide the means to insure deposits and mortgages;
- 7) establish a national Technical Assistance Service for housing, charged with:
 - a) assistance in drawing up projects;
 - b) similar assistance for programs of self-help;
 - c) obtaining international technical assistance;
 - d) cooperating in local or regional plans to rehabilitate slums and to replace or improve inadequate housing;
 - e) developing and making public technical processes for lowering the cost of construction of popular houses.

1.4 International financial assistance for the housing program

Until recently the problem of popular housing was almost incapable of

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international financing since, especially in countries like Brazil with an already developed construction materials industry, it did not involve any imported materials.

Recently, however, with the greater emphasis given by the Government of the United States and international financial organizations to programs of social development, favorable perspectives are opening up for financing on a substantial scale, provided that housing programs are formulated with emphasis on self-help and low-cost housing, and that administrative and financial organizations of the type mentioned above are created.

Possible sources of financing are the following:

- a) The Inter-American Bank, through its Fund for Social Development which totals US\$394 million, of which US\$100 million will probably be destined for financing of programs of popular housing;
- b) new funds, voted by the North American Congress for the Program of "Alliance for Progress";
- c) Resources of the "Development Loan Fund" which will hereafter be combined with the new funds of the "Alliance for Peace", into one central organization, the Agency for International Development;
- d) resources of IDA - International Development Association - a subsidiary agency of the International Bank, for long-term financing of projects which do not qualify as commercial banking operations, and which involve a high proportion local costs.

In negotiations parallel to the Conference of Punta del Este, understandings were reached with the Inter-American Development Bank for US\$40 million financing of programs of popular housing.

2. Water Supply

2.1 Seriousness of the problem - The deficiency of water supply services constitutes one of our most serious social and health problems. There is practically not one single city in the country which has a satisfactory water supply, not even the large capitals such as Rio de Janeiro and São Paulo.

Studies undertaken by the SESP Foundation, between 1955 and 1960, showed that only 420 cities had water supplies including some with only partial and unsatisfactory services from the health aspect. In accordance with the latest available data, SESP lists water supply projects as follows:

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<u>Projects</u>	<u>Amount</u>
In the planning stages	141
Plans completed	316
Under construction	131
Already constructed	45
Total ...	633

Causes of deficiencies are those common to all other public services:

- 1) taxes which are inadequate for meeting expenses, maintaining and expanding the systems;
- 2) although insignificant in themselves, the water taxes which are collected are combined with other taxes and frequently diverted for other purposes;
- 3) high initial installation costs, beyond the reach of the average municipal budget. Federal allotments for this purpose are fragmented into small annual portions, in successive fiscal years, thus hindering conclusion of the works, which are often dragged out for several years;
- 4) lack of adequate national sources of financing, the possibility of external financing having only recently appeared;

2.2 Need for administrative coordination - In the federal sphere, the efforts of the Government to solve this problem have been undertaken by a multiplicity of agencies, among them the following:

National Department of Works and Sanitation
National Department of Works to Combat Drought
National Department of Mineral Production
National Department of Rural Endemic Diseases
National Department of Health
SESP Foundation
São Francisco Valley Commission
Superintendency for Economic Development of the Amazon Region
Superintendency for Development of the Northeast
Frontier Zone Commission

2.3 Program of action - It is necessary to invest in one federal agency the responsibility for standardizing services, fixing minimum requirements for engineering projects, setting up tax systems and collection and establishing standard administrative agencies.

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Because of its long tradition of good services rendered and because of its experience acquired in this field, the SEEP Foundation has the prerequisites to assume this responsibility, provided that its material and human resources are increased.

The work of installing the services would necessarily have to be decentralized and entrusted, under adequate supervision, to regional entities, departments of the federal government, commissions, and state and municipal Governments.

The creation of state and municipal semi-autonomous agencies, with technical assistance and supervision from the central planning agency, through formal agreements, would make it possible to realize the objectives envisaged including control of the means of obtaining finances, both national and international, such as the Fund for Social Progress and the resources of "Alliance for Peace".

In addition to construction of new services and expansion and modernization of those in existence, rational utilization of water supply systems should be ensured with attention not only to operation, maintenance, upkeep and repairs, but also to amortization of the capital invested and to establishing reserves for future expansion.

The first effective step to accomplish this program, together with the creation of the recommended semi-autonomous agencies, will be to fix adequate taxes, varying according to region, which are to be scheduled as a percentage of minimum wages. According to the most recent calculations 4% of the minimum wage corresponding to 1.25 work days per 150 liters used daily per person, would be sufficient to pay for a minimum of 15 cubic meters of water per home connection.

Another step to be taken is to charge adequate tax per connection, which really corresponds to the initial cost of installation.

In the districts where the level of individual income, or poor housing conditions, do not make it possible to pay even the minimum tax, public fountains should be installed.

In view of the magnitude of the problems and the lack of resources to solve them in a short time, and in order to benefit the greatest number of persons, the first projects to be undertaken should be those of communities with over 9,000 inhabitants and which meet these minimum requirements:

- a) completed engineering studies;
- b) capacity to mobilize individual resources to finance the greater part of the investment;

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c) economic capacity to fulfill the financing obligations, or sufficient revenue or adequate budget allocations;

d) organization of autonomous agencies with the necessary administrative and financial degree of independence;

e) a need which is desperate or may be categorized as a public calamity, as in the case of communities included in the Sudene Plan or located in extremely underdeveloped regions.

One or more federal banking agencies will be designated as national financing or holding entities for external loans for water supply services. Financing will be provided after approval of the project by the coordinating federal agency (SUSP), and verification of the other requirements, described above, as well as others which may be legislated in the future.

About nine billion cruzeiros is estimated as the investment in water supply projects in the capitals of the territories and states, excluding those located in Sudene's jurisdiction.

For known projects of cities with over 9,000 inhabitants, about six billion cruzeiros will be necessary to finance investments in the respective services.

Under the "Alliance for Peace" Program, new possibilities are opened for international financial assistance, in support of national programs for improvements of basic commodities. This financing may come from the Fund for Social Development of the Interamerican Development Bank, from the new North American Agency - AID - as well as from the Association for International Development, a subsidiary of the International Bank. The minimum objectives determined at Punta del Este for the Latin American countries as a whole include providing water supplies for at least 70% of the urban populations and 50% of the rural localities, over a 10 year period; Brazilian planning should be oriented to attain this goal, and if possible, surpass it.

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CHAPTER IV - Labor and Social Security Policies

I. Wage Policy

It is necessary to define and establish a wage policy which, without losing sight of the limitations of the national economy and of the development needs of the country, but rather of stimulating them adequately, nevertheless takes care of the recognized needs of the working class in general, within the most rigorous demands of justice.

Such a policy cannot be carried out without a revision of the levels of minimum wages, which have been fundamentally damaged by the sharp increases of prices, nor can it await the establishment of the family salary, as required by the Constitution of 1946, which is one of the notable achievements of the Constitution but which has not yet been legally implemented.

The Government intends to intensify its harmonizing ^{As} between labor and management/ responsibility of adjusting salaries through the revision of collective contracts and the rapid solution of labor conflicts. It will also continue to apply all of its strength to this effort, conscious of the importance of the matter and of the clear need of achieving, without agitation or unrest, permanent, basic and equitable solutions.

II. Union Liberty

This policy will be executed with invariable respect for union liberty, Constitutional provisions and the democratic framework, whose observance must permanently affect the relation of the Government with the representative organizations of the various professional and economical groups.

Studies are being made of the convenience and desirability of examining the legislation regarding collective contracts, with a view to making them more flexible and to facilitate the widespread adoption of contracts between workers unions and companies as an effective means of promoting conciliation and social tranquility.

III. Cost of Living

It is necessary to get away from the vicious circle of, increasing wages and increasing cost-of-living. The measures already mentioned will have no real significance if, at the same time, we do not develop efforts and adopt stringent means through which we may develop the collaboration of all factors of public administration and of private activity in a national program to combat inflation. These measures

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include the improvement of public services, the elimination of the spoils system, the stimulation of production, and the elimination of abuses of economic power.

IV. Reorganization of the Ministry of Labor and Social Security

The Ministry of Labor is already in a position of having its structure in a great part outmoded by the development of the country's population and the extraordinary progress of Brazil during the last three decades. It is therefore urgent to conclude the studies which are now being conducted regarding the reorganization of the Ministry, to improve its functioning and to restore its efficiency, giving it an organizational structure adequate for the multiplicity of the problems which it faces and the ability to confront the national development through an adoption of modern, technical administrative practices, with a dynamism adequate to its needs.

V. Social Security

The Brazilian social security legislation, with the approval last year of the Organic Law of Social Security, achieved an advanced state of development long anxiously desired and requested by the beneficiary groups.

Its regulations must be thoroughly enforced, particularly those relating to the complete implementation of its plan of benefits and services, the immediate redemption of federal debts, payment of the Government's debts to the system consolidated August 26, 1960, on the date of the promulgation of Law No. 3,807. The prompt payment of contributions due from the Government is necessary so that the payments due the protected workers may be made regularly and so that the financial situation of the Social Security Institutes may be established in a form which permits them to discharge all of their regular duties to the insured.

The gradual installation of community medical services will make possible, together with the improved services and the reduction of administrative tasks, the rapid expansion of medical assistance on behalf of the unattended workers of the interior. This is another task which is urgently required for complete enforcement of the New Organic Law.

V. Private Housing

Another point of fundamental importance in the social field is the development of an effective policy of low-cost housing, through the coordinating and utilization, not only of public funds coming from the Social Security System and the Low Cost Housing Fund, but also on an important scale, of funds provided by foreign aid and private enterprises, in a program to stimulate and create credit facilities for the acquisition of private homes.

PART IV - Foreign Policy

(1) Principles and Objectives

The definition of a foreign policy program in a Parliamentary government ought to respond simultaneously to a preoccupation for continuity and to a formulation of immediate objectives.

Not only in this, but in any regime, continuity is an indispensable requisite for all foreign policy, for if the inconveniences resulting from the rapid liquidation of an experiment or from a change from an adopted direction are smaller in relation to the administrative problems of the country, in relation to foreign policy it is essential that the projection of the conduct of the State in the midst of the international society reveal a high degree of stability and assure credit to the commitments assumed.

The foreign policy of Brazil has responded to this necessity of coherence in time. Although the immediate objectives transform themselves under the action of the historic evolution in which we participate, the international conduct of Brazil has been that of a State conscious of its own ends, thanks to the administrative position of which the Brazilian chancellery has become the depository, a tradition which has validated for us a just reputation in international circles.

(2) Position of Independence

Leaving aside previous evolution, we can say that the international position of our country, on which depends our orientation with respect to the concrete questions which present themselves to us, has evolved constantly to an attitude of independence in relation to politico-military blocs, which can not be confused with other attitudes commonly designated as neutralism or third position, and which does not disengage us from the democratic Christian principles, in which our political formation was molded.

This position of independence allows us to seek, when confronted by each international problem or question, the line of conduct most consistent with the objectives at which we aim, without the previous disengagement from blocs of nations or commitments of joint action, reservations or regional commitments contained in the charter of the OAS and the Treaty of Rio de Janeiro, and also without systematic warning in relation to any others, of a different political formation or ideology.

(3) Preservation of Peace and Development

The objectives which we pursue, and as a function of which we

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take our attitudes, are: first, the preservation of world peace, today the common and supreme end of the international action of all peoples, but in relation to which our political vocation got an early start, inspired since the dawn of our nationality by pacific ideas and by the formal repudiation of war as a means of international action; second, the promotion of economic development, or rather of the rapid elimination of economic inequality between peoples, an objective which we relate not merely to the primary obligation of the promotion of a higher level of well-being for humanity, but also to the preservation of democratic order and free institutions, for it does not appear that political liberty can exist, in a modern nation, if it is not supplemented by social justice and economic equality.

In the search for these prime objectives Brazil will be led, thanks to the independent position in which it places itself, to take attitudes and participate in endeavors, which at times will bring it close to determined States, and at other times will align it with States of a different orientation. In no case will these attitudes result from an engagement or dependence in relation to States or groups of States, but exclusively from seeking the national interest and the best way of attaining the desired objectives.

(4) Relations with American States

To the Fundamental objectives we should add those which are like an extension of them into the present social and political scene. Brazil has been maintaining, since the first years of its independent life, the most intimate and cordial cooperation with all the American States, and has lent its support and collaboration to the development of the regional organization in which they are integrated: the Organization of American States. This position constitutes one of the constants of our foreign policy, and the new government desires to remain faithful to this tradition, trying to introduce into the system the perfections which it demands so that it can attain a higher degree of efficiency. Thus is it that Pan-Americanism runs the risk of losing the progressive feeling which animated it since the first inter-American Conferences, if it does not become a fighting instrument for the economic and social emancipation of the nations of this hemisphere.

The first phase of Pan-Americanism was essentially juridical and political. The phase, through which we now pass must be predominantly economic and social, for the American nations need to stimulate and institutionalize their reciprocal collaboration to conquer the problems of the structure of their economy and the problems of the raising of the level of life and culture of their populations, without intervening, however, in questions of the internal order of nations, nor impose limits to the self-determination of peoples.

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International cooperation for economic development can be considered a creation of the foreign policy subsequent to the Second World War. In that which concerns Latin America, this cooperation characterized itself, in its first phase, by a notorious timidity in the appropriation of resources destined for underdeveloped areas of the hemisphere by fully developed countries, above all by the United States. In this phase, the idea prevailed that the Latin-American countries did not have the technical maturity, the general capacity and the formation of internal capital on a scale sufficient to absorb economic aid of greater volume, and attentions were concentrated on the problems of technical assistance and on small bank loans, with a marked propensity for aid to private enterprise. From this phase we passed to another, which was characterized by the search for economic aid of greater magnitude, by bilateral negotiations through the banking system and international financial agencies. It was the phase in which, in our country, the work of the mixed Brazil-U.S. Commission (1951-53) was developed, and the financing through the BNDE was made a reality.

A third phase was marked by the substitution of the bilateral claims by multilateral ones, motivated by the idea that the Latin American nations, instead of seeking an isolated solution for their internal structural problems, ought to promote a united action which permitted attention to the problems of the area. It was the phase of Operation Pan Americana. With this initiative of President Juscelino Kubitschek de Oliveira, it was intended to substitute multilateralism for bilateralism, keeping, however, the objectives circumscribed to the financing of projects of an essentially economic nature, through specialized financial agencies.

Finally, a fourth stage, materialized in the "Alliance for Progress" and in the Charter of Punta del Este, which favors not merely the financing of projects of a technical and economic character, but also those of social programs, transferring to the underdeveloped countries resources formed in the developed ones and accelerating in this way the general process of economic expansion and social development.

The programs of international cooperation in which our country participates ought to correspond to the social and political principles which orient the government. This Government believes that economic development can not be viewed merely in terms of an increase of the overall social income, but that it is indispensable to supplement this increase through reforms of the social order, which lead to better distribution of wealth. From this is derived the close interrelation between the social and the economic in the policy of development. If the social structure is not modified so that the people retain the benefits of the enrichment, its effects can be negative for several generations, who will see the benefits accumulate only in limited sectors of society.

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The policy of cooperation of the new government will envision, therefore, not merely projects of a technical and economic nature, but programs of a social and economic nature.

In relations with the other American states, the government will remain faithful to the tradition of Brazilian foreign policy, which is opposed to blocs, to discrimination and to preferences, and will adopt a policy that simultaneously offers understanding and cooperation with all the countries of this hemisphere, on the basis of absolute equality. Our particular attention will be directed to the betterment of our relations with the Argentine Republic, in the spirit of collaboration, support and affection, which may lead us, in the interest of all the other nations of this hemisphere, to a continuing integration of an economic and cultural order. An equal sentiment and concern binds us to Mexico, Uruguay, Chile, Peru, Colombia, Ecuador, Venezuela, Bolivia, Paraguay, and to the countries of Central America and the Antilles.

As concerns Cuba, the Brazilian Government will maintain an attitude of intransigent defense of the principle of non-intervention, because it considers improper the interference of any other State, under any pretext whatsoever, in Cuba's internal affairs. Faithful to the democratic principles set forth in the Charter of Bogotá, which constitute the essential basis of the inter-American system, Brazil desires to see the revolutionary government of Cuba evolve, within the shortest possible time, to the fullness of democratic life, including the process of free elections and the effective guarantee of individual rights. This evolution depends exclusively, however, on the self-determination of the Cuban people and cannot be substituted, nor accelerated, by any form of pressure or interference coming from abroad.

Furthermore, Brazil cannot forget the profound causes of the Cuban revolution and the social and political disadjustments to which it gives witness. The instability of the democratic institutions in the hemisphere, the intermittent reappearance of dictatorial regimes, have their origin in economic underdevelopment, in social inequalities, and in the self-interest of a certain type of enterprises of international scope, which interfere with the normal functioning of governments and, many times, feed insurrections. If we wish to warn American democracy of the political risks which threaten it, our attention will have to be concentrated on means of promoting development and economic and social emancipation, which are the only courses of action capable of strengthening the political structure of these countries.

The government trusts in the establishment of a Free Trade Zone in Latin America, under the terms of the Treaty of Montevideo and with orientation from the Latin American Association of Free Trade. The economic integration of the countries of this hemisphere is indispensable

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in order to create, on behalf of their industries, a stronger market structure and to make possible the improvement, on behalf of their populations, of the general conditions of productivity. The government intends to complement agreements relating to the Free Trade Zone with measures which safeguard, within the framework of the new regime, the authority of the Legislative power and to devise, in cooperation with the other participating countries, means of protecting the national economies, in face of competing businesses which can represent a threat to the process of industrialization which has been realized in these countries.

(5) Colonialism

For some time now, Brazil has been affirming its position of growing solidarity with the peoples who aspire to economic and political independence. This position is founded on two lines of reasoning: in the first place, the moral solidarity which unites us to the destiny of peoples oppressed by the colonial yoke and prevented from receiving a just share of the national earnings because of subjection to the interests, not always coincident, of the mother country; in the second place, since the colonial peoples are producers of raw materials which we also produce, it is essential to eliminate the working conditions and manipulation of the economy that places them in an artificially competitive position in the international market.

To these arguments it must be added that the elimination of colonialism has become indispensable to the preservation of peace, a factor which has joined together almost all independent states with the peoples who struggle for their own emancipation.

Thus, it has become a duty of the States which administer non-autonomous territories to prepare them for independence, as they committed themselves to do upon signing the Charter of the United Nations, on the one hand avoiding delays which are prejudicial to populations still submitted to tutelage, and on the other hand, refraining from launching into the international community peoples who are still unprepared for the responsibilities inherent in independent life.

The fulfillment of this task ought to be inspired by the conviction that no people achieve the fullness of cultural maturity and economic development before obtaining their political independence, which demands that this independence be fostered by the respective (colonial) countries without unnecessary delays and within the spirit which inspired the deliberations at San Francisco.

(6) United Nations

Brazil has maintained, in the heart of the United Nations, a line of constant defense of the underdeveloped peoples, and has enlarged

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the area of its own political responsibility, taking its own decisions on problems which concern the cause of peace and world security.

The government will maintain its position of independence in relation to the diverse blocs into which the member states are divided, and in each instance will cast its vote with a view towards the permanent objectives of our international policy and the defense of the interests of Brazil.

In that which touches on the themes which become focal points of international tension, our action will never be guided by considerations of reinforcing positions but by the sincere desire to contribute to conciliating and overcoming antagonisms. Thus, as concerns the German problem, our action will favor all those measures which attempt to create an atmosphere propitious to negotiation and mutual adjustment between the states directly concerned, a policy which attempts to find solutions to establish an equilibrium acceptable to the interested parties.

With respect to China and the structural organization of the Secretariat, we will have to support that position which best expresses the reality of contemporary international life, thanks to the conviction which this government holds, that any artifice sustained by force or by inertia cannot lastingly contribute to the maintenance of peace.

The multilateral policy of disarmament will count upon our decided support and active collaboration. We will strive for the immediate suspension of tests of nuclear and thermo-nuclear weapons, we will defend the principle limitation and inspection of the production of weapons of indiscriminate destruction, and we will favor all measures of gradual disarmament which meet the prerequisite of being in fact workable.

(7) Socialist Countries

Powerful reasons militate in favor of establishing normal commercial and diplomatic relations between Brazil and all states, including those of the so-called Socialist bloc.

In the first place, we cannot forget that the perspectives of economic development of our country in the next years are going to demand a considerable increase in the volume of our imports; to this end, we must have a parallel growth in our exports, which obliges us to aggressively seek to place our products in all foreign markets. Any limitation or renunciation of this policy would be untenable and would redound, sooner or later, in prejudicing the process of our economic emancipation.

In the second place, our position in the community of nations, especially among the member States of the United Nations Organization, does not permit of limitations and obstacles to our international action,

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which are imposed by the absence of normal relations with other member-States of the same organization; this establishment of normal relations with other Countries does not have any ideological significance whatsoever, nor does it imply sympathy, or even tolerance, to regimes which are inspired by principles differing from those of the representative democratic system we practice. In the same manner we have at our disposal means of maintaining internal order which are perfectly effective to prevent, within the shadow of commercial or diplomatic relations with these countries, a strengthening of movements of political infiltration or propaganda contrary to the natural disposition of our government and the principles of our civilization;

(8) Western Countries

The traditional basis of our policy towards the United States and the other Western powers, will not undergo any changes, and we shall hew to the line of absolute independence, by which the decisions of the government in the field of bilateral or multilateral policy are regulated.

The Brazilian government appreciates the effort being made by the Government of the United States to give expression to and produce practical results from its policy of international economic cooperation, notably in its most recent formulation, the "Alliance for Progress", which represents, as stated above, a more evolved stage of Pan-Americanism.

It is indispensable, however, that the mechanism through which the cooperative measures are carried out, possess the necessary simplicity and promptness of action, and that the interests of private organizations - whose interests are opposed to those of the underdeveloped countries, and whose influence may misrepresent the proposals enunciated by the Government of the United States, in this manner frustrating the very objectives of the United States in its international activities - do not intrude themselves into the policy of economic cooperation.

The countries of Western Europe which have already participated, through agreements and special credits, in the system of economic cooperation with this hemisphere, will certainly play a role of growing importance in our commercial relations. The government intends to expand these relations, as well as those of a cultural and political nature, and to carry on such relations with all European countries.

(9) Administrative Restructuring of the Foreign Service

To attend to the growing complexity of the field of diplomatic action which is developing in the relations between governments and international organizations and conferences, the Ministry of Foreign Relations

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has been demanding a reorganization of its various services.

This has been made possible by Law No. 3917 of July 15, 1961, which reorganized the Ministry itself, the personnel staffing pattern, and the promotion system. This very flexible law allows the government to introduce the necessary regulations to make of Itamaraty the directing force, adjusted to the necessities of Brazilian diplomacy.

This reorganization will constitute one of the first and most important tasks of the Government.

The Government will also take charge, through an adequate plan, of the transfer to Brasilia of the Ministry of Foreign Relations and the Diplomatic Corps accredited to the Brazilian Government, in such manner as to accomplish this within a specific period of time, reducing to the minimum the difficulties which this presently entails, whether for the Ministry or for the Chiefs of Mission.

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FOREIGN SERVICE DESPATCH

FROM : RIO DE JANEIRO 318

TO : THE DEPARTMENT OF STATE, WASHINGTON. October 17, 1961

REF : Embassy Despatch 310 OCT 19 1961

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			AIR 6	ARMY 4	CIA 11	NAVY 4	OSD 5	OCB 10	NSA 4	PRA 5	CAB 6

REC'D
10-24-61

SUBJECT: Brazilian Cabinet's Program of Action

A translation of Part V of Prime Minister Tancredo Neves' "Programa do Governo", dealing with the Armed Forces is enclosed as enclosure 1. The balance of the "Program" was submitted with the reference despatch; a table of contents of this despatch follows as enclosure 2.

For the Ambassador:

John Krizay
John Krizay
Second Secretary of Embassy
BUREAU OF
INTER-AMERICAN AFFAIRS
OCT 27 1961

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PART V

ARMED FORCES

CHAPTER I - ARMY

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From: Rio de Janeiro

The Army desires to become a more functionally objective branch. It is true that such objectiveness demands great effort, both from its own cadres and, financially, from the country, as a whole. The previous administrations, having the responsibility of organizing and reviving the army, put their efforts towards this end.

In preparation for the defense of the country and in view of international commitments assumed, living in an era of cooperative efforts, we must follow the development of technology. To attain this objective it is necessary to insure that the indispensable (technical) knowledge taught in our schools and military organizations be maintained at as modern a standard as possible. In this respect, particularly, training methods, vocational selection and maintenance of goals are matters that deserve special study.

On the other hand, there is a mission of internal security to be performed in defense of order and Brazilian institutions. This vital mission requires preparation based, without doubt, on means currently available to or within our reach in a short period of time, and, above all, based upon our democratic and Christian convictions.

Equal efforts should be made in both aspects in order to attain the desired objectiveness, and both merit the attention of the authorities.

In the plan of commitments assumed by Brazil, we should lean towards achieving greater efficiency in the operation of military organizations located in the North East and a possible centralization of means which will bring more efficiency through regular professional contact and military training of large units.

However, the major problems now facing us are those of mechanization or simply motorization, which is now under progress but whose present precarious state constitute a great hindrance to the mobility of our operational units. The solution of this problem should be reached by making maximum utilization of available national equipment. We have already conducted studies and recommended solutions which are solely dependent upon the granting of the necessary funds. On these funds - always insufficient - also depends the efficiency of our equipment, particularly that of the infantry. The acquisition of such equipment for supply to present units, is an imperative and urgent need. But this does not mean that we cannot attempt the manufacture of such equipment in our country.

It is also indispensable to solve the problems related to storage of Army ammunition, which were complicated by explosions which occurred some time ago.

We cannot put aside the subject of modern communications equipment, a basic need for command action and efficiency in the utilization of military units.

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In order to meet the most elementary needs of those who dedicate their entire life to the Army, it is necessary to achieve an improvement in the service of assistance to military personnel and their families, and in this field there is an outstanding need to furnish medical-hospitalization assistance. This assistance should be efficient and meet the desires of military personnel, permitting them to dedicate themselves unconditionally to their professional duties.

With a view to higher productivity, as reflected in full absorption in professional duties, it is necessary to eliminate or greatly reduce the normal preoccupation of officers and graduates regarding personnel and family problems, by assuring them a minimum of well-being, the education of their children and attending to the needs of a modest but dignified life.

Another subject that deserves attention is the Army's collaboration with other sectors indispensable to the country's progress, but without prejudice to the military training of Army personnel or to the purpose of the Army's formation. The best example that we could give regarding this subject is the participation of engineering units in the great task of the recovery of the North-east or in the construction of railways and highways, as is the case of the "TSP" now being completed, which will connect the center of the country with the south.

The task is a great one and must be continued. The planning of an Army, evermore worthy of its traditions and assuring the tranquility of our people, cannot rest upon isolated ideas, but in studies conducted by responsible agencies in a combination of efforts desired by all which can furnish us the proper result. To reach this goal, in addition to continued efforts, the assurance of financing for successive undertakings by the Army is needed. This will be possible only through the creation of the "Army Fund", similar to those which already exist for the Navy and Air Force.

Continuous effort is more economical than partial administrative efforts, which are, without doubt, made with good intentions, but are hindered by restricted financial support and compartmentalization of budgetary appropriations.

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From: Rio de Janeiro

CHAPTER II - NAVY

1. GENERAL VIEW

The economic-financial situation of a country has great influence on the Armed Forces. In the Brazilian situation, the undeniable development that has taken place in the economy has contrasted notoriously with the undermining of monetary values resulting from marked inflation.

Then it happens, that if on the one hand the country gets stronger and its increased wealth needs more protection, on the other hand, the inflationary process and certain connected distortions caused by the development itself, reduce the resources needed to maintain adequate military power capable of integrating the national power compatible with the necessities of security.

Nevertheless, the responsibilities of the Navy are divided between those that come from its co-participation in the military power of the nation and those which result from international obligations to which we are solemnly bound in the continental community.

The activities of the Navy will have to be subjected fundamentally to:

- attaining reasonable standards of efficiency;
- effective cooperation with the economic-financial interests of the government;

According to this basic orientation, general rules of action will be adopted as follows:

- a) adoption of firm priorities for enterprises and activities;
- b) postponement of the execution of new projects, except those which circumstances indicate to be absolutely indispensable;
- c) improvement of the technique of budget preparation by coordinating plans of the several naval sections, so that the budget can include a synthesis of the whole planning of the Navy;
- d) elimination of show and low priority items

2. SECTIONAL DEVELOPMENT

The period of marked technological progress which we are going through at the moment, could not pass without influencing -- as in fact is happening -- the structure of the armed forces. And, in relation to the navy, such progress has not led -- as sometimes is made to believe -- to the weakening of that branch, but instead transformed it into an element of extraordinary power and extreme versatility.

The Brazilian Navy, in trying to follow the general line of development resulting from lessons learned during the last war, got rid of two battleship which were considered obsolete, and is trying to reorganize its naval power around aircraft-carriers which are destined, in our case, to constitute, together with other units, the principal and indispensable element for defense against submarines and for training personnel.

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From: ~~XXXXXXXXXX~~
Rio de Janeiro

Such training will be effected:

- within the Brazilian Naval Forces;
- together with other Naval forces of the continent in the so-called "Operation Unitas" accomplished with marked success last year and to be repeated periodically.

3. BASIC CONSIDERATIONS

The lack of resources, the policy of austerity which will have to be maintained and consequently the scale of priority which will have to govern investments, point to concentration of efforts on the Bases of VAL-DE-CAES (Belem), TACARUNA (Recife) and ARATU (Salvador) because:

- a) they serve the international political strategic situation better;
- b) they will make a contribution for obtaining revenues and will create greater facilities to the navigation along the coast by the possibilities of docking and repairs, and thus have a favorable effect on the economy by cheapening freight rates and maritime insurance.

Besides, it is necessary to add, construction of large bases is not what is intended, but rather naval repair centers, with a flexible and functional organization. These will avoid the inconvenience of a large concentration of facilities in restricted areas and particularly will attend to the necessities of the navy and merchant marine.

The navy wants to promote the training of skilled labor so scarce in the various regions of the Brazilian north and northeast, as part of the work of naval repair centers.

4. ACQUISITIONS

Always within the policy of supporting our naval forces and cooperating in the economic-financial effort of the Government, the Navy intends to complete the acquisition of mobile Bases equipment composed of:

- a repair ship
- a floating dock with 3,500 tons capacity

5. ECONOMIC-MILITARY ACTIVITIES

One of the basic aspects of navy policy is effective cooperation with the economic-financial effort of the Government.

Use of the industrial facilities of the Navy, without any loss to naval needs for handling requests from the outside, constitutes an important part of this purpose.

This matter, entrusted to a high level commission needs, however, careful study with consideration of the availability of:

- a) qualified labor, in sufficient quantity, to attend to expansion of the industrial establishments of the navy in several regions of the country without prejudice to local economic activities but, on the contrary, supporting them;
- b) appropriate equipment; UNCLASSIFIED

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- c) adequate organization and legislation;
- d) self-financing operation;

Nevertheless, certain establishments, such as the Naval Arsenal of Rio de Janeiro, can attend with ~~success~~ as they are already doing, requests from the outside.

In Aratu (Bahia) there is cooperation between Petrobras and the Navy, the former contributing part of the funds (a Cr\$100 million credit already approved by the Board) necessary for the enterprise, with the navy engaging to provide service to the above mentioned enterprise which comprises the docking of 16 to 21 ships per year during the next few years.

Decree No. 50,656 of 20 May 1961, in addition, authorizes "the Minister of the Navy to contract, in name of the National Treasury, with the B.N.D.E., operations of credit on the guarantee of the Naval Fund, for the carrying out of services and construction connected with the establishment naval repair centers linked to the development of Transport Services in the country".

The Hydrography and Navigation Bureau equipped with two modern specialized ships, will proceed in its work of surveying the Brazilian coast, supplying modern navigational charts which will make possible safe and fast navigation in national waters. This project, combined with the provision of resources for docking and repairs along the coast, will be favorably reflected in maritime insurance rates.

In the prevention of contraband the contribution of the navy has been and will continue to be effectively carried out:

- through better equipment at frontier bases;
- by increasing the activities of the Coast Guard;
- by close cooperation of naval authorities with port authorities.

Besides this, oceanographic surveys will continue as will studies in cooperation with the Ministry of Agriculture for the development of fisheries in our waters. Results of the latter activity can already be seen in the Northeast.

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From: Rio de Janeiro

CHAPTER III - AIR FORCE

1. Reorganization of the Air Ministry

The Air Ministry will undergo a reorganization, which can be summarized as follows:

- a) Revision of the Air Ministry's organizational structure, in such a manner as to correspond to aeronautical progress at large and particularly to the development and modernization of Brazilian commercial aviation.
- b) The Directorate of Civil Aeronautics, in particular, needs to undergo a reorganization in order to perform more efficiently the functions related to operations, traffic, and administration of airports. The departments that are responsible for land support need to be coordinated, technically and administratively at a high level, immediately under the authority of the Air Minister, in order to attain greater efficiency in services and to economize resources.

2. Infra-structure

- a) The Flying Protection Service, unified in its double aspect - civil and military - should have improved technical facilities.
- b) The following services with a double purpose which are required by the Constitution, by international agreements, and by the needs of economic development, will be strengthened and improved:
 - "Correio Aereo Nacional" (Military Air Transportation Service)
 - Search and Rescue Service
 - Air Photography Service
- b) It is important to keep close coordination among the following departments:
 - Flying Protection Service
 - Aeronautical Engineering and
 - Civil Aeronautics.

3. Brazilian Air Force

a) Training

To provide the necessary means for strengthening training schools and improving training methods; to study the possibility of training personnel for our commercial aviation in military schools (perhaps through the issuance of subsidized ~~scholar~~ scholar-ships).

Priority for matters related to training, with emphasis on what regards the operation of the Aeronautical Technical Center, the AF Command and Staff School and the Aeronautical School;

Special efforts towards completing the transfer of the Aeronautical School's air activities from "Campo dos Afonsos" to "Pirassununga", in Sao Paulo.

b) Air units

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~~To organize the Air Force, based on force commands, limiting the action~~

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To organize the Air Force, based on force commands, limiting the action of ground commands to problems related to infrastructure and logistics;

To provide the combat units with better resources of personnel and material, reducing the number of personnel and improving quality while regarding the needs of national security and international commitments for mutual defense;

To organize a missile unit, even if on an experimental basis;

To reduce operations of air bases which do not have air base units and detachments to maintenance and installation purposes when this measure does not interfere with their normal utilization.

4. Sport Aviation

To provide technical guidance and give necessary support to private amateur aviation activities all over the country.

5. Aeronautical Industry

To support the "GEIMA" (Executive Group for the Aeronautical Industry) and, through this agency, encourage by all available means the aeronautical industry in Brazil. The program is for initial manufacture of aircraft and parts that are largely used in transportation units of the Brazilian Air Force and which may be used by Brazilian airlines in their domestic routes.

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From: Rio de Janeiro

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(Despatch 310)

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FROM :	American Consulate, CURITIBA	29	NO.	OCT 17 1961												
TO :	THE DEPARTMENT OF STATE, WASHINGTON.			October 17, 1961	AP											
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SUBJECT: ECONOMIC SUMMARY FOR SEPTEMBER 1961

I SUMMARY

The high cost of living came into the spotlight once more as Curitibaanos gave up trying to figure out what "parlamentarismo" means. New minimum wages were decreed and unions turned the heat on employers with demands for substantially higher wage scales. Prices continued the upward march.

Credit was extremely tight with the banks putting severe restrictions on loans and suffering the consequences of a greatly increased number of "titulos protestados".

Coffee exports were again high, but in coffee, as in the rest of the economy, the absence of credit facilities is being felt.

II AGRICULTURE

Coffee

Shipments were high, with 505,000 bags leaving Parana. Of these, 238,262 bags went to the United States, 66,796 to other countries and 201,000 to other Brazilian ports.

Although shipments were good, financing was not, as the tight credit situation continued. Coffee growers in northern Parana continue to send appeals to the Bank of Brazil to loosen up its financing policies, especially as regards the purchase of coffee currently in warehouses.

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From AmConsulate, Curitiba

Heavy flowering of coffee trees is reported, making a very large crop likely. (see Curitiba's D-18 of Sep. 19, 1961).

SOURCES: "Estado do Paraná", September 12, 1961
"Diário do Paraná", September 27, 30, 1961
"Última Hora", September 30, 1961

III Minerals:

The long-discussed and long-delayed oil shale pilot plant in São Mateus do Sul may finally come into existence. It was reported that Petrobras is shipping equipment to São Mateus do Sul and that approximately 800 workers would be employed in the plant. The potential economic significance of this project was discussed in our despatch n° 70 of June 16, 1961.

SOURCES: "Estado do Paraná" - September 28, 1961
"Última Hora" - September 29, 1961

IV - INDUSTRY

Tax Exemption For New Industries

In an attempt to attract new industries, the city of Curitiba is now offering 5 years municipal tax exemption for any "pioneer industry". Despite the city's precipitate population increase there has been little growth in industrialization. However, the opening of BR-2 is expected to widen the possibilities for industrial expansion in the Curitiba area.

SOURCES: "Gazeta do Povo" - September 22, 1961.

V - LABOR

1. Wage Increases

Demands for higher wages, strikes and strike threats dominated the labor scene during the month. The long-expected increase in the minimum wage was finally granted, the new minimum being 10,080 cruzeiros per month effective October 16. (The old minimum was 7,200)

The Metal Workers Union has been demanding a 55% increase and the Bankers Union wants increases of from 25 to 60% depending on present salaries and seniority. Wage increases in Brazil are usually "across the boards" with no reference to seniority, the increase in the cost of living being the sole determining factor. The result is that the newly hired worker and the veteran of fifteen years earn the same salary. To eliminate this inequity the bank workers are demanding that an extra 500 cruzeiros be given for every year of service so that the accountant with 15 years service would earn 7,500 a month more than the trainee.

2. Strike

When their employers refused to grant a 70% increase Curitiba

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carpentry, sawmill and furniture workers went out on strike (Sep.30). Since Curitiba is a wood and furniture center the results of the strike were widely felt.

3. Cost of living

At the request of the Paraná Bank Workers Union the "Departamento Intersindical de Estudos Socio-Econômicos de São Paulo" (DIESE) is said to have made a study of living costs in Paraná and discovered that the cost of living increased by 75% between October 1960 and August 1961. Whether the statistics are accurate or not, labor unions in Curitiba are basing their demands on the DIESE study. It is noteworthy that few unions have demanded anything less than 50%. Meanwhile leftist "Última Hora" claims that living costs increased 25% during the two-week political crisis in August/September. This figure is somewhat questionable.

SOURCES: "Diário do Paraná", Sept. 15, 1961
"Estado do Paraná", Sept. 13, 1961
"Última Hora", Sept. 13, 14, 1961

VI FINANCE

Bank holidays during the political crisis had the predictable effect on commerce in Curitiba -movement was hardly noticeable. When the banks opened, they found it difficult to satisfy customer demands. The local branch of the Banco da Lavoura de Minas Gerais had a 50 million cruzeiro day, nearly three times ordinary transactions. The First National City Bank also reported large withdrawals.

Money is now tighter than ever. The Banco da Lavoura is limiting signature loans to 30,000 cruzeiros and other banks are doing likewise.

There has been a noticeable upturn in department and food store business with the announcement of new minimum wages. The activity is accountable to expected price increases following on the heels of higher minimum salaries.

SOURCES: Personal observations and conversations.

VII TRANSPORTATION AND COMMUNICATIONS:

1. Telephones

The city of Curitiba is now attempting to pass the telephone problem along to the state, thereby giving the state the responsibility of paying indemnities to the company and creating a mixed state-private enterprise corporation. Since the city is afflicted with chronic penury the reasons behind the buck-passing are not hard to find. The state, however, is also bankrupt and it is not likely to receive the issue with open arms. Thus far, meetings between city and state officials have resulted in "plena identidade de pensamento" (full identity of thought) which is another way of saying that little progress has been made.

Meanwhile, the company and a state government commission are continuing

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their studies to determine the value of the company for purposes of indemnification.

SOURCES: Conversations and
"Diário do Paraná" - Sep. 24, 1961
"Estado do Paraná" - Sep. 21, 1961
"Última Hora" - Sep. 28, 1961

2. Electricity

Transmission lines between Londrina and Apucarana in northern Paraná were completed during September and inaugurated by Governor Ney Braga. While the state government is taking credit for the increase in power the opposition is pointing out that it is São Paulo which is furnishing northern Paraná with most of its electricity.

SOURCE: "Gazeta do Povo" - Sep. 21, 1961.

3. Ports:

The government of Santa Catarina is elaborating plans for the development of the port of Laguna which is located south of Florianópolis. Laguna, if properly developed, could become Santa Catarina's leading port. It appears to have a large, easily accessible harbor and could serve as shipping point for coal produced in southern Santa Catarina.

SOURCE: "Estado", Florianópolis, Sep. 12, 1961

VIII DOMESTIC TRADE AND COMMERCIAL POLICY

A threatened wheat shortage in Curitiba failed to develop despite press articles to the contrary. The press soon changed its tune, claiming that wheat distributors were withholding the precious grain in the hope of receiving a new price increase. Ships carrying PL-480 and Argentine wheat continued to arrive in Paranaguá dispelling the "shortage" scare.

SOURCES: "Diário do Paraná" - Sept. 27, 1961
"Última Hora" - Sep. 26, 1961

Hugh E. Kessler
Hugh E. Kessler
American Consul

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FOREIGN SERVICE DESPATCH **832.00/10-2061**

FROM : **Amoengen São Paulo** **133**

TO : **THE DEPARTMENT OF STATE, WASHINGTON.** **October 20, 1961**

REF : **CERP, C-3.**

20 For Dept. Use Only	ARR-5	IN 10	REP 1	AP 10	ARA 12	EUR 3	FE 7	NEA 8	CU 2	INR 3	E 4	P 7	IO 1	ICA 11
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SUBJECT: **Biweekly Economic Review, October 6 - 19, 1961.**

INDEX	CERP Reference	Reporter
1. Electric Power - Increase in Electricity Rates Protested at State Legislature	D-16	A. D. Ventura
2. Transportation - Municipal Transport Company to Get 1.2 Billion Cruzeiros For New Equipment	D-16	A. D. Ventura
3. Business-Unfavorable Repercussions to US Firm's Petition for Preventive Creditors' Agreement	D-13, D-14	A. D. Ventura S. C. Lyon
4. Trade - Piauí Wants to Expand Trade with São Paulo	D-14	A. D. Ventura
5. Transportation - State-Controlled Railroad Companies Raise Fares 40 Percent	D-16	A. D. Ventura
6. Agriculture - Drought May Be Terminated	D-10, D-14	W. G. Thorburn

1. Electric Power - Increase in Electricity Rates Protested At State Legislature

Left-wing State Deputy Jethero de Faria CARDOSO, of the Brazilian Socialist Party (PSB) protested, at a meeting of the

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DEPT. OF STATE
BUREAU OF AMERICAN AFFAIRS
20 OCT 1961

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Disp. No. 133

From Amcogen São Paulo

São Paulo State Legislature on October 11, the recent increase in electricity rates in the city of São Paulo (see item 6, despatch 117 of October 6). Deputy Cardoso collected signatures of 61 leftist and other deputies to a telegram addressed to the Federal Minister of Mines and Electric Power requesting that a survey be taken of the exact increase in operating costs of power companies--especially the Canadian-controlled São Paulo Light S. A. and the American Bond and Share's Companhia Paulista de Força e Luz--with a view to reducing electricity rates.

Comment: The October 1 increase in electricity rates is attributed mainly 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 exchange for the purchase of fuel oil abroad rose from 200 cruzeiros to 260 cruzeiros per US dollar between May and October 1961.

2. Transportation - Municipal Transport Company to Get 1.2 Billion Cruzeiros For New Equipment

The Federal and São Paulo State Governments have promised to subscribe 600 million cruzeiros each to an increase in the capital of the São Paulo Municipal Transport Company CMTC. These funds will be used exclusively to purchase buses and trolleys, and repair existing equipment.

Comment: Ever since he took office in January 1961, the Mayor of São Paulo has been trying to reorganize CMTC which, due to inept and reportedly corrupt administration, had steadily been losing money for several years. Most of the company's operating equipment is antiquated since CMTC had been unable to put new buses and trolleys into operation due to its precarious financial situation. The São Paulo Mayor recently warned that he would be forced to declare the company a "public calamity" unless it received substantial assistance from both the Federal and São Paulo State Governments. The pledge of 1.2 billion cruzeiros will, therefore, go a long way toward normalizing CMTC's activities.

3. Business - Unfavorable Repercussions to US Firm's Petition for Preventive Creditors' Agreement

Bates do Brasil S. A. of São Paulo, an important manufacturer of heavy-duty paper bags, submitted to the local courts a petition for a preventive creditors' agreement for the total cash payment of its bills outstanding. Bates, whose head offices are located in Wilmington, Delaware, is a subsidiary of the St. Regis Paper Company of New York.

Comment: Bates' petition for a creditors' agreement has had unfavorable repercussions in the local press and business community. Some press editorials have hinted that this move aims to drive into bankruptcy Companhia Industrias Brasileiras Portela, a Pernambuco paper

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From Amstrong São Paulo

company, in which Bates is an important minority shareholder, so that Bates can acquire control of the firm. Bates, in newspaper advertisements, has defended its action, stating that it intends to pay promptly and fully its obligations arising from promissory notes and acceptances, and that its petition for a creditors' agreement has the sole objective of providing for the orderly liquidation of such obligations.

It is reported in the press that the Governor of the State of Pernambuco, in an effort to prevent the collapse of the Portela company, will request the intervention of the Federal authorities.

4. Trade - Piauí Wants to Expand Trade with São Paulo

A party of businessmen and farmers from the State of Piauí is in São Paulo since October 12 to study means of developing trade between the two states. Following meetings with the Secretaries of Finance and Agriculture, and representatives of the Federation of Industries (FIESP), the party indicated its interest in purchasing machinery for the industrialization of babassu nuts and the ginning of cotton, and the extraction of vegetable oils; large quantities of barbed wire and cotton seeds; and a substantial number of stud bulls, cows, and hogs. Short and medium term financing covering the sale of these and additional equipment, consumer goods, agricultural products, and livestock is now being studied by the São Paulo State Government, the Bank of Brazil, and FIESP. Active participation of local banking and credit establishments is being considered.

Comment: The willingness of the São Paulo State Government to assist States in Northeast Brazil to develop their economy through the purchase of locally financed São Paulo equipment, consumer goods, and farm products was expressed by the Secretary of Finance at a luncheon at the São Paulo Swiss Chamber of Commerce on October 10. This confirms previous announcements to that effect (see item 3, despatch 47 of August 11, 1961). The local business community has, likewise, indicated that it is interested in developing trade with this potentially important market. As a first step in that direction, FIESP is setting up a department to coordinate exports of São Paulo goods to other Brazilian states.

5. Transportation - State-Controlled Railroad Companies Raise Fares 40 Percent.

The Governor of the State of São Paulo signed decrees on October 10 raising fares of the State-controlled Mogiana, Sorocabana, Araraquara, and Paulista railways by approximately 40 percent.

Comment: Fares were raised because the new minimum wage levels which went into force on October 15 increased operating costs of the railroads.

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From: Amoenon SMO Paulo

6. Agriculture - Drought May Be Terminated

The drought in the State of SMO Paulo has greatly affected agricultural production directly and indirectly. As a result milk deliveries in the City of SMO Paulo have been reduced by about 35 percent during the past two weeks, and plantings of peanuts throughout the producing area were delayed.

Rains started to fall last Saturday over most of the drought stricken area. It has not as yet been ascertained whether the rainfall so far is adequate to change the situation considerably, but it is said that the ground in many areas is now being prepared for the planting of the 1961-62 peanut crop.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

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FROM :	Amcongen, São Paulo		143		
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		November 3, 1961		
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			INTER-AMERICAN AFFAIRS		

SUBJECT: Biweekly Economic Review, October 20 - November 2, 1961

INDEX	CERP Reference	Reporter
1. Communications - Tender for São Paulo Telephone Service	D-16	A. D. Ventura
2. Electric Power - Swiss Groups Want to Finance Sale of Equipment for Urubupungá Power Plant	D-16	A. D. Ventura
3. Export Trade - Brazilian Railway Cars for Uruguay	D-13, 14	A. D. Ventura
4. Yugoslav Industrial Exhibit	D-13	A. D. Ventura
5. Plan of Action - State Government to Expand 600 Million Cruzeiros for Schools	D-10, 17	A. E. Ventura
6. State Government - Proposed Salary Increases for Government Workers to Slow Down Development Projects	D-12, 17	A. D. Ventura
7. Transportation - State-Controlled Railroad Company Raises Fares	D-16	A. D. Ventura
8. Inflation - Prices Continue to Rise	D-10	A. D. Ventura
9. Labor - Bank of Brazil Clerks go on Strike	D-10, 17	A. D. Ventura
10. Labor - Metalworkers Reach Agreement	D-17	A. D. Ventura
11. Soviet Trade - Soviet Oil for Petrobras Refinery	D-11	A. D. Ventura

1. Communications - Tender for São Paulo Telephone Service

The call for tenders to operate the telephone service of the city of São Paulo was closed on October 20. The sole proposal was that of Companhia Telefônica

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Disp. No. 143
From Ammungen, São Paulo

Telefônica Brasileira CTB, the present city telephone concessionaire. The proposal will be studied by a special commission and submitted to the Mayor of São Paulo within thirty days. Sixty days later the Mayor will announce whether or not the proposal has been accepted.

Comment: City Hall officials were surprised that no other proposals were submitted. It will be remembered that announcements of the tender were published in newspapers in major cities abroad (see item 3, despatch 409 of May 5, and item 4, despatch 33 of July 28, 1961). It is assumed that the heavy initial outlay — the new concessionaire would be required to buy out CTB, whose assets are over 3 billion cruzeiros^{1/} in addition to spending an estimated 2 billion cruzeiros in new installations and equipment — and the relatively moderate return on the investment (not more than 12 percent per annum) discouraged bidding from other telephone companies. CTB is still operating the city telephone service despite the fact that its contract with the Prefecture has not been renewed for several years.

2. Electric Power - Swiss Groups Want to Finance Sale of Equipment for Urubupunga Power Plant.

A group of Swiss businessmen have indicated an interest in extending financing in the value of US\$100 million toward the construction and equipment of the giant Urubupunga power plant (see item 4, despatch 98 of September 22). A detailed proposal will be submitted to Centrais Elétricas de Urubupunga (CELUSA).

Comment: In August 1961, CELUSA had solicited foreign financing from firms abroad in connection with private bids for the supply of equipment for Urubupunga (see item 2, despatch 47 of August 11). So far, companies from the United States, the European Common Market, Japan, Canada, and Czechoslovakia have indicated intent to submit bids. The proposals must be submitted to CELUSA before December 5, 1961.

3. Export Trade - Brazilian Railway Cars for Uruguay

Two São Paulo firms, Fábrica Nacional de Vagões and Companhia Brasileira de Material Ferroviário ODEBRETE, were awarded, together with Companhia Industrial Santa Matilde of Minas Gerais, a joint contract for the delivery of 150 railway cars to the Administración de Ferrocarriles del Estado, of Montevideo, Uruguay. The value of the transaction is approximately US\$1.5 million. Payment will be 5 percent on sight, and the balance over a period of six and a half years, starting eighteen months after delivery, with a 7 percent annual rate of interest. An additional 400 cars will be delivered if adequate export financing can be obtained from the Inter-American Development Bank.

Comment: The Brazilian companies bid against 19 companies from Great Britain, France, Belgium, West Germany, Holland, Italy, Spain, Rumania, Yugoslavia, Poland, and Japan. They were awarded the contract mainly because of their ability to deliver the equipment overland and within ten months from the date of the contract. Other

^{1/} Current rate exchange for financial transactions is approximately \$35.00 cruzeiros to US\$1.00 bidders

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bidders offered substantially longer delivery terms.

4. Yugoslav Industrial Exhibit

A Yugoslav Industrial Exhibit opened October 30 in São Paulo's Ibirapuera Park. Products displayed include industrial machinery and equipment, small agricultural equipment, chemical materials and pharmaceutical products, and scale models of electric power plants and ships. The exhibit will remain open through November 30.

Comment: Aside from the initial announcement of opening, the exhibit -- which is relatively small -- has received little press comment. Nor is there any indication that it is arousing much public attendance.

5. Plan of Action - State Government to Expand 600 Million Cruzeiros for Schools

The Governor of the State of São Paulo authorized the construction of 21 schools in the city and State of São Paulo. This program will cost an estimated 622 million cruzeiros and will be carried out under the Government Plan of Action. The new schools will accommodate 18,600 pupils.

Comment: Plan of Action activities, which had slowed down in August and September of this year, are now picking up again, but are, nevertheless, well behind schedule.

6. State Government - Proposed Salary Increases for Government Workers to Slow Down Development Projects.

The Governor of the State of São Paulo submitted on October 30 a bill to the State Legislature covering a 30 percent across-the-board increase in the salaries of State employees, to become effective January 1, 1962. The bill also proposes a number of fringe benefits.

Comment: In view of the sharp upturn in the cost of living (up 6 percent in September alone), and the generally high wage and salary increases demanded by workers and employees in industry and commerce, the Governor's bill is considered to be very moderate. Thus, it will probably be immediately approved by the Legislature. The increased salaries, however, will cost the State Government an additional estimated 30 billion cruzeiros in 1962, and will further delay work on the Government Plan of Action and other public work projects.

7. Transportation - State-Controlled Railroad Company Raises Fares

The Governor of the State of São Paulo signed a decree on October 20 raising fares and freight tariffs of the State-controlled Estrada de Ferro Bragantina by approximately 40 percent.

Comment: The new tariffs align the Bragantina railway with the rates of other State-controlled railroads, which were raised by decree earlier in October

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(See item 5, despatch 133 of October 20).

8. Inflation - Prices Continue to Rise

Prices of foodstuffs, services, and manufactured goods continued to rise during the month of October. Rice, beans, corn, and wheat are up 5 to 10 percent as compared with September (see item 6, despatch 117 of October 6). Prices of construction materials have gone up by approximately 8 percent. Shoes cost 10 to 20 percent more than in September. Real estate values have risen by an estimated 2 percent in the past month. Rentals under new leases have gone up 5 to 10 percent.

Comment: Most of these price rises are due in part to the new minimum wage levels decreed on October 15, which triggered salary and wage increases in nearly all São Paulo industries. Increasing concern at the rapidly rising prices of essential goods is being expressed by the business community and the local press.

9. Labor: Bank of Brazil Clerks go on Strike

Over one thousand employees of the São Paulo branch of the Bank of Brazil went on strike on October 27. Like their colleagues in Rio de Janeiro and Santos, the bank clerks demanded a 50 percent salary increase. On November 3, they returned to work after the Regional Labor Courts awarded them an increase averaging 42 percent.

Comment: The Bank of Brazil strike movement in São Paulo did not spread to other banking organizations mainly because employees quickly granted substantial salary increases. The strike, however, was detrimental to business as import, export, and rediscounting activities were practically paralyzed for a week. Representatives of the local business community blamed the Federal Ministry of Labor for ineptness in dealing with the strike.

10. Labor: Metalworkers Reach Agreement

Following an intervention of the Federal Minister of Labor, the São Paulo Federation of Metalworkers and employers of metal, machine, and electrical appliances workers reached an agreement, on October 31, providing a 45 percent increase in wages.

Comment: The 45 percent wage increase is somewhat deceptive as the settlement has provisions stipulating maximum increases and cut-offs. This will result in highly skilled workers receiving an increase of only 30 to 35 percent, while unskilled workers -- whose minimum wages were increased 40 percent on October 15 -- will probably be entitled to not more than 5 or 10 percent.

11. Soviet Trade - Soviet Oil for Petrobras' Refinery

The Soviet tanker "GURZUF", carrying a cargo of 23,600 metric tons of Soviet oil destined to Petrobras' President Bernardes refinery at Cubatão, docked at Santos, coming from Odessa.

Comment

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Comment: This is the first substantial shipment of Soviet oil to Santos in two months, and the only appreciable movement of Soviet cargo during the fortnight under review.

Scott Lyon
Scott G. Lyon
Consul

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period September 23 - October 6, 1961) - AMERICAN AFFAIRS

1. Coffee Exports
2. Government's Program Submitted to Congress
3. Monetary and Fiscal Policy
4. Mineral Resources
5. Industry
6. SUMOC Instructions 215 and 216
7. Anti-Trust Draft Bill Approved in the Chamber
8. Cost of Living in Guanabara State
9. Tractor Parts Exempted from Customs Duties
10. Consolidation of Brazilian Debts to Germany
11. Varig Caravelle Crashes
12. Panair do Brasil Purchase Completed

Coffee exports during the month of September 1961 were 1,601,877 bags compared to 1,609,019 bags exported during the same month of last year.

Total coffee exports during the current coffee market year (July 1, through September 30, 1961) were 5,046,426 bags compared to 5,036,725 bags exported during the same period last year.

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From RIO DE JANEIRO

2. Government's Program Submitted to Congress:
Monetary and Fiscal Policy
Mineral Resources
Industry

Monetary and Fiscal Policy

The Monetary and Fiscal policy outlined by Prime Minister Tancredo Neves in submitting the Government's Program to the Congress on September 29, stresses financial stability as a central requirement for sound economic development, and promises to limit credit expansion to the needs of economic growth and to take steps to reduce the Federal cash deficit. The Program calls for a number of institutional changes in banking structure, tax laws, and laws governing the capital market.

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Comment: The prospect that the Government, because of the recent change to a parliamentary system, may be able to push through some of the institutional reforms suggested, such as the creation of a central bank and an agricultural bank, a scheme for financing of exports, the adoption of a general bank law and adoption of certain measures designed to encourage development of a capital market and to use these instruments to carry out its monetary and fiscal policies is one of the bright spots of the Government's program.

On the other hand, no specific measures have been proposed to increase revenues, reduce expenditures and reduce deficits of government enterprises. Further, there is no indication that the Government intends to encourage converting coffee acreage to other crops or otherwise discouraging coffee output.

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Mineral Resources

In outlining the government's policy on mineral resources, the Prime Minister indicated that with regard to the large mineral resources -- the development of which is enough to supply the maximum needs of Brazilian industry and still permit exportation -- it will be necessary to regulate exports so that the country is left with a maximum of benefits, not only in direct contributory advantages, but indirect ones such as employment, good wages, assistance to workers, etc.

As an example, emphasis was placed on the iron ore-producing industry, with very little comment being made concerning other minerals. The Prime Minister indicated that a policy of mineral exploitation to be adopted by the Government would be presented at a later date.

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Comment: A stated 20-million ton iron-ore export goal for the Government-owned Companhia Val de Rio Doce (CVRD) would appear to be unrealistic relative to any near-future date.

Although the report states that mineral resources must be mobilized to the benefit of the country by several means, including exports to produce foreign exchange, the implementation of this policy would be made difficult by the obvious and understandable desire to protect Government-owned enterprises, and as the report states, all these problems are being studied with the objective of protecting the national interest.

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Industry

The Government's program in the field of industry represents little change from previous policies. The Government proposes maintaining for the next five year period the 10% per year growth rate of the last five years. Basic guide lines for industry will continue to be the substitution of imports, with industrial development fundamentally in the hands of private enterprise while the Government orients investment through tax and credit incentives. Production goals for the next five years for the various sectors of basic industry are, on the whole, projections of presently planned expansion. Little in the way of new projects is proposed. A new feature in the program, however, is an emphasis on increasing exports of industrial goods, particularly to Latin America, in fields in which excessive productive capacity already exists. Government credit agencies will assist in financing such exports.

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Note: A translation of the Government's Program was transmitted with Embdas 310 of October 13, 1961.

3. Sumoc Instructions 215 and 216

These Instructions, issued on September 25, establish means for the financing of exports of capital and durable consumer goods, as well as provide the bases for financing the production and sale of nationally produced equipment. The financing of exports will be processed through CACEX (The Foreign Trade Department of the Bank of Brasil) and the financing of the production and sale of nationally produced equipment, through the National Development Bank. The Instructions provide for the sale of "Financing Certificates" on the open market. (See Embdas 346, October 24, 1961)

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Comment: According to the Director of CACEX, the Instructions will lay the foundation for the National Export Bank and will facilitate an aggressive sales promotion policy, which should expand the volume and the value of Brazilian exports. The Instructions are based on the assumption that it will be possible to sell the "Financing Certificates" in foreign and domestic capital markets, thereby averting or at least diminishing the inflationary impact which would otherwise arise from these extensions of credit. The financial assistance to exporters is to be made in such a way as to give them competitive advantage in foreign markets.

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CACEX will also attempt to eliminate existing bureaucratic obstacles and red tape which at present hamper exports.

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4c. Anti-Trust Draft Bill Approved in the Chamber

On September 29, the Chamber of Deputies approved the Substitute Anti-Trust bill submitted by the Committee on Finance. It was moved that the matter be reopened for discussion, but Deputy Sergio Magalhães strongly opposed the motion which was rejected. The floor approved the bill, which was immediately sent to the Senate.

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Comment: As anticipated, the draft bill as redrafted by the Committee on Finance was easily approved by the Chamber this time, considering that it incorporated all the substantive amendments of the Plenary. The original draft bill of the Committee on Finance when first discussed by the floor was amended 52 times before being sent back to the Committee for redrafting.

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5. Cost of Living in Guanabara State

The cost of living for Guanabara State during the month of September shows an increase of 4.7 per cent according to the Getulio Vargas Foundation index. The largest increases in the various sectors were the following: public services: 8.1%; furniture: 6.4%; foodstuffs: 6.0%. The sector with the least increase was pharmaceutical, with an 0.2% increase.

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Comment: According to/index, public services prices increased by 8.1%, a factor which has provided further impetus for wage readjustments. Foodstuff prices increased 6.0% in September as compared with 4.5% in the previous month. From January through September 1961, foodstuffs increased by 26.2% as compared with 24.8% for the general cost of living index. (comparable figures for the first nine months of 1960 were 6.2% and 12.7% respectively)

(UNCLASSIFIED)

6. Tractor Parts Exempted from Customs Duties

Decree 3,903 of September 20, 1961, effective through June 30, 1962, exempts from customs duties and consumption tax, importation of industrial equipment, spare parts and tools intended for the manufacture of agricultural tractors in Brazil; the exemption is applicable also to the complementary parts imported in accordance with the industrial projects approved by the Executive Group for the Automotive Industry (GEIA) of the Development Council. (See Embdes 240 of September 27, 1961).

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7. Consolidation of Brazilian Debts to Germany

An agreement for the consolidation of Brazil's commercial debts with West Germany, amounting to DM 568 million, was signed by the two countries on September 23. In addition, the West German government will grant Brazil long term credits at a low interest rate amounting to DM 200 million to be used for development projects, and will facilitate expanded credits in the same amount to be used for financing imports of capital goods.

(UNCLASSIFIED)

8. Varig Caravelle Crashes

A Varig Caravelle, carrying 63 passengers including Governor Leonel Brizola of Rio Grande do Sul, the Federal Ministers of Health and Mines and other members of Congress and the Administration, crashed and burned upon landing at Brasilia on September 22nd. Miraculously, everyone was able to escape from the plane which became a total loss. There were some minor injuries and a few people suffered burns.

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Comment: The accident appeared to have been caused by pilot failure; at the same time it pointed out the ineffective fire fighting equipment at the Brasilia airport.

(UNCLASSIFIED)

9. Panair do Brasil Purchase Completed

On September 28, the final act in the purchase by Panir do Brasil of the remaining 30% stock ownership of that line held by Pan American World Airways was consummated in New York with the transfer of funds from the former to the latter Company. The purchase was financed by the powerful São Paulo industrial group Rocha Miranda-Mario Simonsen.

Announcement has been made of a Panair order for four Caravelles with an option to purchase two more. These planes would be used in Europe and South America as a change of gauge in connection with Panair's international jet services.

(UNCLASSIFIED)

For the Ambassador

Edward J. Nash
Edward J. Nash
Commercial Attaché

Contributors:

- Item 1 - LYallous
- Item 2 - ALRansome/SEWeaver/WBlomeyer
- Items 3, 4, 5 - WBlomeyer
- Items 6 - 7 - RAGoldstein
- Items 8 - 9 - SGanderson

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PORTO ALEGRE 26

TO : THE DEPARTMENT OF STATE, WASHINGTON. November 3, 1961

REF : CERP, C-4 NOV - 7 1961

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

SUMMARY:

Damage to wheat and delay in planting of new rice crop have been reported due to heavy and continued rains in October. A slightly larger wool production is expected this year compared with previous clip. Good retail sales were reported in October. However, the industry is being increasingly pinched by slow collections. Minimum wage in Rio Grande do Sul has been increased by 40 percent. The foreign exchange value of the cruzeiro weakened during the month. Few new loans being granted by local banks due to cash drains and SUMOC deposit requirements. A \$4 billion deficit is estimated for 1962 State budget. Local banks continue to increase capital. Additional United States PL-480 wheat shipments arrived during the month. The local Rice Institute signed a contract for sale of Rio Grande do Sul rice to Formosa. American investment reported in association with local manufacturers. Banco do Brasil employees struck for an increase in salary.

1. AGRICULTURAL DEVELOPMENTS:

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From PORTO ALEGRE

a. Floods - For the past six weeks the state of Rio Grande do Sul has been inundated with rains, causing floods, landslides and transportation problems. Some districts in the South western part of the State have been hit particularly hard. The planting of the new rice crop has been retarded due to heavy rains, and the wheat crop apparently has been considerably damaged.

b. Rice - It is reported that IRGA (Rio Grande do Sul Rice Institute) has taken up, thus far, 2 million bags from the current rice crop, and has availed itself of \$3,500 million of an approved total of \$5 billion in Federal financing. Although hampered somewhat by shortage of transportation, private dealers are moving rice to northern domestic markets in good quantities, and the rising free dollar rate continues to improve the attractiveness of selling this commodity to international markets.

c. Wool - The annual Rio Grande do Sul wool clip, which begins in October, is proceeding normally, and forecasts are for a yield of 26,000 metric tons of raw wool, compared with the previous year's yield of 25,000 metric tons, and at a price of \$5,000.00 per arroba, or 15 kilos of top grade wool. The local PECOLAN (Federation of Wool Cooperatives) is presently negotiating for Banco do Brasil financing of over \$2 billion for this year's clip.

d. Wheat - Due to damage by pests such as septoria, gibberella, rust, etc., in addition to heavy rains, it is expected that this year's wheat crop will again fail to reach expectations, and probably will be less than last year's total of 270,000 metric tons. Wheat planters are becoming worried and have appealed to Federal authorities for financial aid. Unless measures are taken to improve the quality of seeds, future wheat crops will continue to be disappointing, according to growers.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Salary payments to State government employees have been brought up to date, and this, together with the announcement of the new minimum wage, have contributed toward good retail sales. It is reported that the industry, while apparently satisfied with the volume of orders received, is being increasingly pinched by slow collections.

Comparative figures of total sales for September 1961 (latest figure available) and August 1961, and September 1960, are as follows:

(In thousands of cruzeiros)

September 1961	August 1961	September 1960
29,587,280	27,241,794	22,000,582

Source: Budget Bureau, State Treasury.

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Protest of trade bills for September 1961 (latest figure available) amounted to \$8,293,048, as compared with \$17,538,319 for August 1961, and \$8,158,737 for September 1960. The lower figure for September 1961 resulted from the political crisis during which no protests were accepted by the local authorities.

A decree was signed in Brasilia, effective as of October 16, 1961, increasing the present minimum wages in Brazil by 40 percent. In Rio Grande do Sul the minimum wage was increased from \$8,000.00 to \$11,200.00 per month. Commerce leaders in Rio Grande do Sul issued a manifesto, expressing their apprehension about the Federal government's growing tendency to intervene in private economic matters. This, they stated, will finally bring about the adoption of totalitarian methods.

3. FOREIGN TRADE:

a. Rice - On October 25, 1961 the local Rice Institute and Mr. Sherman Wang, the latter representing the Formosa government, signed a contract for the purchase of 10,000 metric tons of "Blue-Rose" rice from Rio Grande do Sul's 1960-61 crop. It was stated that this shipment will earn about US\$1.5 million.

b. Wheat - About 14,000 metric tons of wheat arrived here from the United States (PL-480) during the month of October. The discharge of this wheat was routine, with only a small amount of water spoilage reported.

c. Montevideo Treaty - Negotiations are underway among signatories of the Montevideo Treaty in connection with the exchange of commodities selected and pertinent tariff concessions. Local industry and commerce leaders have been cautious in their public statements about the ultimate success of the Latin American Free Trade Zone.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

a. New Plant - SAMESUL S.A. Indústria e Comércio was set up in Rio Grande do Sul through the association of Dana Corporation of Toledo, Ohio, in collaboration with two of the largest industries in this State, Albarus S.A. and Cypriano Micheletto S.A. The Company with an initial capital of \$33 million will construct a motor vehicle spare-part plant in Porto Alegre principally for the manufacture of clutch discs.

5. TRANSPORTATION AND COMMUNICATIONS:

According to IBGE (Brazilian Geography and Statistics Institute) there are presently 26,000 telephones in use, including extension lines, or 14,000 actual subscribers in Porto Alegre, which gives the low ration of 1 telephone for 45 people. In 1958, the entire State had 21,941 subscribers, or a total of 36,465

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telephones installed. The State's population is now estimated at 5,400,000 people, and no major improvement has been forthcoming to alleviate the telephone problem.

6. FINANCE:

a. Exchange - During the month of October the foreign exchange value of the cruzeiro weakened, fluctuating from a high of \$295.50 to a low of \$329.00 per dollar. The average rate was \$314.52 as against \$297.38 in September 1961.

The amount of 14,200 special category dollars was sold at import auctions during the month. Agios reached an average of \$676.92 per dollar. No agreement dollars were offered for sale.

b. Money Conditions - It is reported by a reliable source that local banks have recovered from last month's political crisis sufficiently to replace maturing discounts for regular clients. However, it is stated that due to cash drains resulting from reinstatement of higher SUMOC (Superintendency of Money and Credit) deposit requirements and from final income tax payments, new loaning operations are being avoided. Exchange turnover rose during the month in a highly erratic market, according to a local banking source.

c. 1962 State Budget - A deficit of about \$4 billion is expected for the 1962 Rio Grande do Sul budget. (See Consulate's despatch no 19, October 10, 1961.)

d. Porto Alegre Budget - The 1962 budget for Porto Alegre was recently submitted by the mayor to the local Council Chamber for discussion and approval. Receipts were estimated at \$3,013,419,000, and expenditures at \$3,167,991,572, leaving a deficit of \$154,572,572.

e. Banks Increase Capital - The Banco do Estado do Rio Grande do Sul (official state bank), and the Banco Industrial e Comercial do Sul, two well-known and respectable institutions, have each decided to increase their capital from \$500 million to \$1 billion.

7. LABOR:

Late in October, the local employees of the Banco do Brasil struck for a 50 percent increase in salary, with a minimum increase of \$10,000 per month. This strike was started by Banco do Brasil employees in Guanabara state, followed by other branches throughout the country. Strikers' demands were met with a 40 percent increase and a minimum of \$7,000.00 per month, effective as of September 1, 1961, with an additional increase of 20 percent

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to be effective as of March 1, 1962.

It is believed that the new minimum wage recently put into effect will cause the discharge of unskilled labor in order to reduce operation costs.

Early in November, commercial bank employees in Rio Grande do Sul will start collective bargaining with employers for another annual increase in salary, taking into consideration increased living costs. Employees are demanding 50 percent increase.

Percy Warner
Percy Warner
American Consul

cc.: Amembassy RIO

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(Drafting Office and Officer)

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DEPARTMENT OF STATE

Memorandum of Conversation

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DATE: November 7, 1961

SUBJECT: Brazil's Financial Problems

PARTICIPANTS: Ambassador Dias Carneiro, Head of Economic Section of
Brazilian Foreign Office
Ambassador Roberto Campos, Brazilian Embassy
Mr. Marcilio Moreira, Third Secretary, Brazilian Embassy

ARA - Mr. Barall EST/B - Mr. Crane
EST/B - Mr. Wilson AID/OIA - Mr. Dawson

COPIES TO:

ARA - Mr. Barall - 2 OF - Mr. Palmer
EST - Mr. Wellman CSD - Mr. Gabbert
EST/B - Mr. Wilson - 2 RA - Mr. Fessenden
REA - Mrs. Mulliken OT - Mr. Weiss
AID/OIA - Mr. Dawson Embassy Rio de Janeiro

NOV 22 1961

After the meeting with Mr. Woodward (see separate Memorandum of Conversation), the participants went to Mr. Barall's office where Ambassador Campos joined the group.

Ambassador Dias Carneiro explained the purpose of his visit along very much the same lines as he had earlier.

Mr. Barall expressed considerable interest in Ambassador Dias Carneiro's remarks about the effects of the European Common Market on Brazil's exports. He said that the United States Government is also concerned over the problem, especially with regard to our agricultural exports. Mr. Barall informed Dias Carneiro that the Department would see what action could be taken to support Brazil's position on this issue. He added that he had recently mentioned the question of Germany's high taxes on coffee to a West German Government official, who had indicated he expected the tax would be reduced substantially in the near future, but doubted whether there would be a marked increase in coffee consumption as a result. Ambassador Dias Carneiro seemed pleased with the prospect of a tax reduction and commented that "Brazil would be happy to take the risk of increasing coffee sales if the tax were lowered."

Mr. Barall then mentioned our concern over Brazil's failure to comply with the commitments made at the time of the financial negotiations between Dillon and Mariani. He referred in particular to SUMOC 219 which reinstituted a multiple exchange rate system in contradiction to Brazil's announced intentions and, in fact, is a retrogression from SUMOC 208 which established a unitary

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exchange rate. Mr. Barall expressed satisfaction with Dias Carneiro's explanation that SUMOC 219 should be considered as a temporary measure. Dias Carneiro stated that the action was taken to stave off pressure from the Brazilian Congress to take steps to stabilize the exchange market. Members of Congress were agitating for the enactment of laws which would have established strict import controls and other undesirable financial measures. He said it was essential to take some immediate action to prevent such steps and while he did not personally favor the multiple rate system, it had succeeded in stalling Congressional action.

Ambassador Campos commented that he had just completed a telephone conversation with Finance Minister Moreira Salles on the subject. The latter had indicated that if the IMF would release \$40 million and Export-Import Bank would agree to release the last \$84 million of its commitment, SUMOC 219 could be rescinded immediately.

The new PL 480 agreement was discussed along the same lines as in the earlier meeting with Mr. Woodward. Dias Carneiro stated that a decision was taken at a Cabinet meeting recently that wheat and sugar should be treated as two separate problems and no attempt should be made to barter sugar for wheat. Mr. Barall responded that this was welcome news, as the barter proposal had presented serious problems for us.

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TO: THE DEPARTMENT OF STATE, WASHINGTON.		DATE: November 9, 1961	
REF: CERP C-3		MC	

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS

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5. Petrobras Plans to Enter Distribution of Petroleum Products
6. Creation of COPEG, Companhia Progresso do Estado da Guanabara
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9. Government Decrees Simplify Export Procedure
10. Japanese Economic Mission Visits Brazil

1. Coffee Exports
Coffee exports during the month of October through the 19th were 875,602 bags compared to 835,819 bags exported during the same period of last year.

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2. SUMOC Instruction 217

On October 4, SUMOC issued Instruction 217, permitting foreign exchange proceeds arising from exports of cacao beans or paste to be negotiated at the rate prevailing in the free market. A contribution quota of fifteen percent of the foreign exchange must be remitted to the Superintendency of Money and Credit, the funds to be used for protection of cacao producers. Exports of cacao by-products were also placed on the free market. The same Instruction reduced by two dollars the contribution quota relating to the exportation of the 1960/61 coffee crop (July 1, 1960-June 30, 1961) and previous coffee crops. (See Emb-despatch 334, October 20, 1961) (UNCLASSIFIED)

Comment: Previously, exporters of cacao products were paid at the fixed rate of CR\$210.00 per dollar. The measure is another step in the direction of bringing all exports and imports into the free market. (UNCLASSIFIED)

3. Civil Servants Demand 50% Wage Increase

Leaders of the Confederation of Civil Servants of Brazil had an interview with President Joao Goulart during which they demanded a 50% salary increase in view of the increased cost of living and the new minimum wage for workers.

Aside from the increase, several other benefits were demanded among which were exemption of income tax for civil servants and one month's salary as Christmas bonus. (UNCLASSIFIED)

Comment: The outcome of the Civil Service wage issue is a matter of great significance to the Government's efforts at monetary stabilization. A wage hike seems inevitable, particularly in light of indications that the major part of credit expansion in the past six months can be attributed to deficit spending in the public sector. But with the total federal wage bill (military and civil) constituting some 40% of the total Federal budget, it will make a great difference whether such a wage hike is effective December 1 or if it is made retroactive to July 1 as in the case of some of the salary increase bills passed last year. (OFFICIAL USE ONLY)

4. Forty Percent Increase In The Minimum Wage Level

In a meeting with the President of the Republic, the Federal Cabinet decided on a forty percent increase in the minimum wage levels throughout the country, in accordance with a decree to be effective as of October 16, 1961. (UNCLASSIFIED)

Comment: It is noteworthy that the minimum wage level readjustments have been out of line with the cost of living index increases. Between December

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1958 and October 16, 1961, the legal minimum wage in Rio went up from Cr\$3,800 to Cr\$13,440, by means of three adjustments made in January 1959 (57%), October 1960 (60%), and October 1961 (40%). During the same period (December 1958-October 1961) the cost of living index of the Getulio Vargas Foundation in the State of Guanabara increased by 106%.

(UNCLASSIFIED)

5. Petrobrás Plans to Enter Distribution of Petroleum Products

The National Petroleum Council at its session of July 18, 1961, as reported in the Diario Oficial of August 1, 1961, granted Petrobrás' request of February 12, 1960 for authorization to enter into distribution of refined petroleum products by setting up service stations near its refineries. The authorization is still subject to certain formalities. Sources in Petrobrás state that the company at present plans only to install retail service stations at the entrance to its refineries at Cubatão, Mataripe, and Duque de Caxias, mainly as propaganda or a symbol. At present Petrobrás' only retail service station is in Brasília. Work is now going ahead to build a station at the Cubatão refinery on the São Paulo - Santos highway.

(UNCLASSIFIED)

Comment: Petrobrás sources have stated that apart from setting up a few symbolic retail stations, the company has no plans for entering distribution in the near future, although eventually it will undoubtedly enter this field. This source pointed out that the profitable areas are already served by existing distributors, and that for Petrobrás, which was granted no monopoly for distribution, to enter this field would probably involve acquiring an existing distributing company.

(OFFICIAL USE ONLY)

6. Creation of CEPEG, Companhia Progresso do Estado da Guanabara

On October 23, 1961, a law creating the Companhia Progresso do Estado da Guanabara was signed by the acting Governor of the State. The State Government is to control at least 51% of the voting shares and the Governor is authorized to open credits up to Cr\$600 million for expenses of establishing the company. CEPEG is to be an autonomous State controlled corporation to promote investment in industrial enterprises in the State of Guanabara. More specifically, it plans to set up industrial zones on Government-owned land in the State for light and medium industry where it will build facilities for sale or rent, guarantee telephone and power service, and finance installation of new industries. The company also hopes to provide technical services for prospective investors. The project is intended to be similar to that carried out in Puerto Rico by the Industrial Development Company.

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Comment: COPEG's statutes are now being prepared and the former Secretary of Agriculture, Industry and Commerce of the State of Guanabara has been appointed President of the corporation. It is understood that in addition to State funds the organization is interested in obtaining assistance from international lending organizations.

(UNCLASSIFIED)

7. Rio de Janeiro Bus Fares Increased

On October 16 bus fares for Rio de Janeiro were increased by 40 percent as a result of negotiations arising from the strike of drivers and other workers in the urban bus system.

Comment: The strike for higher wages, which started on the 11th and continued through the remainder of the week was supported by all elements of the workers and immobilized some 4,500 vehicles in the city. Street cars, which had previously raised their rates, labored under the increased burden placed upon them.

(UNCLASSIFIED)

8. Aviation Notes

It was announced that VARIG would inaugurate in November a line from Rio de Janeiro to Los Angeles via São Paulo, Lima, Bogotá and Mexico city. This service, which would use Boeing 707s would compete with Braniff a long part of the route. Upon receipt of Convair 990s early next year VARIG will be in a position to offer jet flights to Tokyo.

According to reports the Uruguayan Air Force has initiated military transport service with C-47s from Uruguay to Porto Alegre-São Paulo-Rio de Janeiro for the purpose of transporting VIPs in the diplomatic, cultural and sports worlds.

(UNCLASSIFIED)

Comment: This service is similar to that provided by the Brazilian Air Force (FAB) to several South American countries.

(UNCLASSIFIED)

9. Government Decrees Simplify Export Procedure

The President of the Council of Ministers signed on October 20, five decrees providing for the adoption of measures designed to increase Brazilian exports through "cutting down on bureaucracy".

The principal measures adopted by the government include:

1. Abolition of registration of exporters with the Rural Economy Register;
2. Unification of working hours of government agencies responsible for the inspection of export commodities;

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3. Establishment of a minimum time limit of three days before shipment for exporters to request classification of commodities from the Rural Economy Service of the Ministry of Agriculture;

4. Abolition of visas on licenses or commercial invoices covering export commodities, with the exception of those relating to: a) commodities which are prohibited by law from exportation; b) arms, ammunition, narcotics, strategic materials, minerals, objects of artistic, cultural or historic value;

5. Exemption from export license or shipment forms of remittances of samples and parcel post packages of small value and in reduced quantities. This provision does not apply to commodities which are dutiable in the country of destination when shipped by parcel post. Shipment of coffee samples will be regulated by the Brazilian Coffee Institute.
(See Embden 589 of November 8, 1961)

(UNCLASSIFIED)

Comment: The decrees were based upon the recommendations of one of four sub-groups into which the Commission for the Encouragement of Exports was divided. The sub-group, charged with simplifying export regulations, was headed by the Director of CACEX, Antonio Gomes Faveira, and included representatives of producers, governmental agencies directly connected with exports, and CACEX specialists. Although the specific task assigned to the sub-group has been accomplished, the group will continue its activities in relation to new problems which arose during its considerations; upon completion of its deliberations, the group plans to make an additional report to the Ministry of Industry and Commerce.

(UNCLASSIFIED)

10. Japanese Economic Mission Visits Brazil

A Japanese Economic Mission, headed by Makoto Watanabe, Secretary-General of Japan's Commission on Raw Materials, and including representatives of various Japanese industries, visited Brazil to examine possibilities of increased trade. The mission reportedly entered into negotiations with representatives of the Companhia do Vale do Rio Doce for the purchase of 10 million tons of iron ore and also undertook studies of the Brazilian port and railroad systems, with a view toward recommending to Brazilian authorities certain improvements that might be undertaken to facilitate the shipment of the ore.

For the Ambassador

Edward J. Bash
Edward J. Bash
Commercial Attaché

Contributors:

SGAnderson - WBlomeyer
RAGoldstein - JKrisay
SHWeaver - JWiegerinck - LYallouz

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FOREIGN SERVICE DESPATCH

FROM : Amcogen São Paulo 148

TO : THE DEPARTMENT OF STATE, WASHINGTON. November 17, 1961

REF : CERP, C-3

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REC'D 11/23/61

SUBJECT: Biweekly Economic Review, November 3 - 16, 1961

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1. Trade - Business Community Requests Elimination of Bank of Brazil Notes and Easing of Credit Restrictions
The Commercial Association of the State of São Paulo sent a...

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From

telegram on November 7 to the Federal Minister of Finance requesting the revocation of SUMOC instruction 218, the gradual elimination of the Bank of Brazil import and export notes, and the easing of credit restrictions.

Comment: Importers are having increasing difficulties in raising funds to cover the purchase of 150-day Bank of Brazil notes which they are obliged to buy under SUMOC instructions 204 and 218 in a cruzeiro amount equivalent to one and a half times the foreign exchange they purchase. Inasmuch as the Bank of Brazil notes are discounted at about 10 percent below face value, dependent upon date of maturity, they yield to the buyer the equivalent of approximately 30-32 percent a year. As a result, trading in stocks, shares, and acceptances has declined sharply, and quotations have fallen.

The local business community is generally uneasy at the recent stopgap measures (SUMOC instruction 219) and suggestions (creation of a "script" or "strong" cruzeiro of Cr\$200 to US \$1.00) which are believed to reflect the indecision and uncertainty of the Federal Government in dealing with the country's financial problems.

2. Budget - State Legislature Approves São Paulo Budget for 1962

The bill covering the 1962 budget of the State of São Paulo (see item 2, despatch 98 of September 22) was approved by the State Legislature on November 7. The bill called for a balanced budget with revenue and expenditures each placed at Cr\$160,646,250,000. However, the assembly also approved amendments which increased expenditures by approximately Cr\$1 billion. The budget will be unbalanced by an additional Cr\$2.7 billion to cover increases in the salaries of government-employed school teachers, and by another Cr\$23.4 billion if the 30 percent increase in government salaries, now under consideration by the Legislature, goes into effect on January 1, 1962.

Comment: The increase in current deficit of Cr\$1 billion was occasioned largely by one amendment which raised allocations to each of the State Deputies for distribution to charitable organizations of his choice. The probable additional deficit of Cr\$26.1 billion would be covered through credit operations and the postponement of some public works.

3. Labor - Strikes and Settlement in São Paulo

The sharp rise in food prices and the cost-of-living, combined with reported left-wing agitation, resulted in some labor unrest in São Paulo. A partial strike at General Motors do Brasil S. A. was

1/ Approximate rate of exchange is currently: Cr\$335 equal US\$1.00.

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declared illegal by the Regional Labor Court, but it was several days before workers returned to work. Bank clerks of all banking organizations, (in the city of São Paulo, other than the local offices of the Bank of Brazil, went out on a two-day strike. After having accepted a fortnight ago salary increases proposed by employers, they reopened the matter by demanding the same levels as those subsequently negotiated by their colleagues in Rio de Janeiro. Bank activities returned to normal after the clerks accepted a settlement averaging a 40 percent increase with a clause foreseeing an additional 20 percent in March 1962.

State employees are dissatisfied with the 30 percent across-the-board salary increases proposed by the Governor of the State of São Paulo and now under study by the Legislature (see item 6, despatch 143 of November 3).

Following the intervention of the Federal Minister of Labor, agreements were reached with workers of the printing, weaving and spinning, paper and paperboard, and glass industries. The workers were granted wage increases ranging from 40 to 45 percent. The settlements, however, have provisions stipulating maximum cruzeiro increases and cutoffs, which limit raises in many cases.

4. Industry - São Paulo Manufacturers to Produce Diesel Marine Engines for Ocean-Going Vessels

Two manufacturers in São Paulo, and another in Rio de Janeiro, were authorized by the Executive Group of the Naval Industry (GEIN) to manufacture diesel marine engines and heavy equipment for ocean-going vessels. Over 3.8 billion cruzeiros will be invested in the three manufacturing programs.

MAN Fábrica de Máquinas e Motores Diesel S. A. of Osasco, S.P., will put up facilities to manufacture marine engines to total 75,000 BHP annually. It will receive financing in the amount of 18 million West German marks from MAN-Maschinenfabrik Augsburg AG, of Nuremberg, Germany. Industrias Villares S. A. of São Bernardo do Campo, S. P., will invest, together with Burmeyer & Wain of Denmark, a total of 800,000 dollars to produce motors at an annual capacity of 50,000 BHP annually. The third company, Ishikawajima do Brasil Estaleiros S. A. of Rio de Janeiro, will produce diesel motors with the technical and financial assistance of Sulzer Frères S. A. of Switzerland.

Comment: GEIN is taking a number of measures to ensure the gradual nationalization of the incipient Brazilian naval industry. The local manufacture of medium-sized diesel marine engines for ocean-going vessels is a step forward in that direction.

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5. Electric Power - Last Generator Group Starts to Operate at Cubatão Power Plant

The sixth and last group of generators, to develop 65,000 kilowatts, was installed at the giant Cubatão hydroelectric power plant. The group is now under experimental operation. The six new generators were supplied by the Canadian subsidiaries of Westinghouse Corporation and General Electric Company. The plant's overall capacity is now 390,000 kilowatts.

Comment: The Cubatão hydroelectric plant is at present the largest in South America, and the second largest underground plant in the world. The plant is run by the Canadian-controlled São Paulo Light S. A. Serviços de Eletricidade.

6. Foreign Trade - Three Trade Missions in São Paulo

Three trade missions visited São Paulo during the period under review. A Mexican Industrial Mission, composed of leading businessmen, was in São Paulo November 3 to 5 to study the possibility of importing Brazilian manufactured goods, including railway and electrical equipment, lathes, motors, textiles, and plastics, and to study the reduction of customs tariffs between member states of the Inter-American Free Trade Association.

Thirteen members of Sweden's Gothenburg Chamber of Commerce were in São Paulo November 9 - 15. The party discussed, with members of the Commercial Association of the State of São Paulo, possible means of developing trade between Sweden and Brazil, now mainly limited to the export of Brazilian coffee in exchange for paper pulp and chemical raw materials.

The first New Zealand trade mission to visit Brazil arrived in São Paulo November 14. During its three day stay, the mission will meet with officers of the Federation of Industries and visit a number of local industries, with a view to determining the type of trade that can be developed between Brazil and New Zealand.

Comment: The substantial number of foreign trade missions that visited São Paulo in 1961 indicates an awareness abroad of the advisability of expanding trading activities with Brazil.

7. Mining - Goiás Wants Federal Assistance to Extract Nickel

The Governor of the State of Goiás sent a memorandum to the Prime Minister of Brazil outlining the advantages that can be derived by Brazil if facilities to mine and process nickel and other minerals were set up in the municipality of Niquelandia, Goiás. A project to put up a metallurgical plant to process nickel and

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allied minerals at the rate of 10,000 metric tons per year was approved at a meeting, earlier this year, of Brazil's state governors at Goiabá, Mato Grosso.

Comment: According to the Goiás State Governor, should this project be implemented, Niquelandia's production would meet the country's entire nickel requirements. Substantial financing from the Bank of Brazil would, however, be required.

Scott C. Lyon
Scott C. Lyon
Consul

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GPO 902867

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FOREIGN SERVICE DESPATCH					
FROM	Ambassy, Rio de Janeiro		412		NO.
TO	THE DEPARTMENT OF STATE, WASHINGTON.		November 17, 1961		DATE
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SUBJECT: MONTHLY ECONOMIC SUMMARY - OCTOBER, 1961.

Introduction:

The economic situation during the month continued to be unsettled due to uncertainty about Government policy and increasing inflationary pressures. There was speculation in the exchange market and the cruzeiro continued to decline. The Government took steps to discourage exchange market speculation culminating in issuance of SUMOC Instruction 219 setting up separate exchange markets for commercial and financial transactions. Interpretation of this instruction created problems in banking circles and led to the development of a substantial black market in foreign exchange. In the labor field, the Government-decreed 40% increase in the minimum wage went into effect on October 16. In addition, strikes by bank workers in Rio, São Paulo and other cities resulted in immediate wage increases of 40% with further increases to follow within six months. Bus drivers in Rio also received a 40% increase in wages after a four day strike. The cost of living increased 4.7% in Rio during the month, which was the same as the increase for September. Since the first of the year the cost of living had increased by 27.3% as compared to 15.8% for the same period of 1960.

Long-term investments, particularly foreign investments, were being held up until Government economic and financial policy became clearer. Immediate business conditions, however, were good as sales increased during the year-end season. Increased sales were also apparently due to wage increases and a desire of purchasers to hedge on future inflation. Industrial production appeared to have increased slightly.

See attached Summary A-387

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Finance:

Financial developments in the month of October centered around uncertainty as to government financial policy and confusion and speculation in the exchange market. Several steps were taken to discourage exchange market speculation culminating in the issuance of SUMOC Instruction 219, the interpretation of which created problems in banking circles and led to the development of a substantial black market in foreign exchange.

On October 9, SUMOC issued Instruction 218 requiring importers to deposit in the Bank of Brazil against the delivery of 5 months, 6% import letters, the equivalent of 15% of the exchange contract value of the importation. Previously, only 100% was required pursuant to Instruction 204 (as reported in a previous monthly report, import letters are generally sold on the open market by the importer at a substantial discount. The yield on such discounted letters which had rather steadily been about 2.8 to 3.0% increased during the month to slightly over 3% reflecting the accelerated pace of inflation).

By Instruction 219, issued on October 26, SUMOC established that export earnings could only be sold for general category imports leaving invisible earnings as the only legitimate source of foreign exchange for financial transactions. In addition, the Instruction provided that for all sales of foreign exchange for financial transactions banks must deposit with the Bank of Brazil for 180 days without interest 50% of the cruzeiro countervalue of the sale. This instruction has had the effect of establishing two major foreign exchange markets in addition to the black market and numerous minor markets. The press reaction to Instruction 219 has been generally unfavorable. However, the Brazilian Government has taken the position that the measure is a temporary one designed to discourage capital flight and speculation to which the Government has attributed the weakening of the cruzeiro.

The SUMOC Council, on October 4, 1961, recommended that the Bank of Brazil and the National Development Bank examine the advantage of the acceptance of shares (over and above the usual guarantees) in cases involving financing arrangements for re-equipment, renewal of facilities or the purchase of machinery, thereby implementing law 2,300 which provides for the issuance of shares for bank loan guarantees. The purpose of the law is to convert loan capital into risk capital in order to release funds to be used for other loans. The National Development Bank has already begun operations pursuant to the SUMOC Council's recommendations.

Also during October the General Assembly of the Bank of Brazil approved a decentralized set-up for the Agricultural Credit Department, as follows: the Industrial Credit Department was established as a separate department with one director having country-wide jurisdiction; and the Agricultural Credit Department was split into three areas of jurisdiction (South, Center and North) with one director each.

Deputy Daniel Faraco, Chairman of the Economic Committee of the Federal

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Chamber of Deputies, submitted a long report on the problem of remittance of profits abroad, suggesting some modification in the "Remittance of Profits" bill submitted by Ex-President Quadros on August 3. (see Emdeas 98, August 9). The report did not change the basic philosophy of the Quadros bill which was designed to encourage investments of profits and discourage distribution of profits whether of foreign or national companies. This would be done through the mechanism of tax incentives (the tax reform bill submitted to the Congress late in November by Prime Minister Neves contained provisions for the taxation of distributed profits somewhat along the same lines).

A message approved by the Council of Ministers was sent to Congress covering the constitutional precept establishing the payment of a family wage to workers. This wage would be established at 9% of the regional minimum wage for each child of the wage earner below 14 years of age, to be paid by the employers to the respective social security institute.

During October, paper money issued did not increase, remaining unchanged at Cr\$288.9 billion as at the end of September last. Cr\$15 billion of this amount, representing a portion of crisis issued currency which had flowed back to the monetary authorities, was committed to a separate, sterilized SUMOC account.

The customs tariff conversion rate (fiscal dollar) was set at Cr\$285.56 for the month of October, substantially up from the September rate of Cr\$282.42. The fiscal dollar rate is based on the average free market rate for the past three months.

The cost of living index of the Getulio Vargas Foundation for the State of Guanabara (Rio de Janeiro) indicated an increase of 4.7% for October which compares with an equal figure for September last. For the comparable months of 1960, the corresponding figures were respectively 3.6% and 3.9%. The cumulative increase in the cost of living index by the end of October of this year amounted to 27.3% as compared to 15.8% for the same period last year. The average check buying rate in the free market for October was Cr\$308.00 to \$1.00 which compares with Cr\$289.00 to \$1.00 in the previous month. For the comparable months of 1960, the corresponding figures were respectively Cr\$189.09 and Cr\$187.47. Due to a prolonged bank strike, there were no free market quotations during several days of the month. The cruzeiro started off at Cr\$288.00 to \$1.00 (check buying) on October 2, then steadily deteriorated to Cr\$320.00 to \$1.00 on the 18th with the cambio rate closing at month's end at Cr\$340.00 to the dollar.

Due to SUMOC Instruction 219, however, the exchange rate picture was a confused one. The Bank of Brazil which, as a result of 219, now controlled most of the foreign exchange, quoted its own rate of 300-307 to the dollar ~~and~~ ~~for both import exchange and financial transactions, selling the latter, however, only on a case-by-case basis.~~ Outside the Bank of Brazil commercial rates and financial rates varied somewhat from bank to bank with the financial rate, contrary to the government's intent,

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being lower than the commercial rate during most of the month. A further confusing factor involved the sale of traveller's checks which, in amounts up to \$250 per person per month, were permitted without the necessity for depositing 50% of the cruzeiro counter-value. During October, the traveller's check rate fluctuated around Cr\$350 (selling), (declining substantially in November after issuance of the requirement that purchases be recorded in the purchaser's passport).

According to the daily average compiled by the Bolsa de Valores, the cruzeiro on the Rio de Janeiro free exchange market started the month at Cr\$294.64 to the dollar, then deteriorated steadily to Cr\$312.48 on October 28, to close at Cr\$307.90 at the end of the month. The monthly average was Cr\$305.28.

Trade and Industry:

Uncertainty about the future has continued to hold back new investment, foreign and domestic, through projects under way by established firms were going ahead. Business generally was good during the month. Sales volume was up from the previous month due to increased purchasing power resulting from wage increases and a tendency to buy now as a hedge against anticipated price rises, as well as to a seasonal increase at the end of the year.

It was reported that the Minister of Mines and Energy has appointed a work group to examine revision of the Eletrobrás law enacted in April of this year but not yet implemented. Particular attention apparently will be given to study of the advisability of establishing a uniform price for electric power throughout the country. The Government was also reported to be considering ways of assuring continued revenues to Petrobrás, since Petrobrás' share in the present sole tax on fuels is due to end on December 31, 1961. Petrobrás is also studying the possibility of forming subsidiaries to facilitate association with private capital in certain sectors, particularly the petrochemical industry. For this purpose Petrobrás officials have been visiting Italy to study the Italian State Petroleum Company which operates under a similar system.

During the month of September production began on schedule at the Petrobrás Duque de Caxias refinery near Rio. Production of gasoline and certain other refined products is now totalling about 75,000 barrels per day, varying according to demand. Present capacity of the refinery is 90,000 barrels per day.

Import statistics for the first half of 1961 indicate that imports of machinery, parts and accessories were up 31% over the same period of last year, and now constitute the largest single category of imports (26% of total imports against 20.9% last year) with a value of \$184.8 million. Percentages of other imports of the total of \$711.9 million (vs. \$673.1 million for Jan-June, 1960) were as follows: fuels, lubricants, oils, etc. 18%, chemical and pharmaceutical products 5%, metal manufactures 8.9%, vehicles, parts and accessories 9.4%.

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wheat 8.3%, newsprint 2.3%, copper ingots 1.8%, cellulose 1.1%, others 19.3%.

On October 23 a law creating COFEG, Companhia Progresso do Estado da Guanabara was signed creating an autonomous corporation controlled by the State of Guanabara for promoting investment in industrial enterprises in the State, particularly light and medium industry. Plans are for the company to set up industrial zones on Government-owned lands where buildings and other facilities would be constructed for sale or rent to industrial firms. Financial assistance would also be extended to interested firms. The plan for the company is sometimes compared with that of the Puerto Rico Industrial Development Company.

A notable development during the month was the launching on October 27 in the presence of President Goulart of the 10,500 ton cargo ship Henrique Lage which is claimed to be the largest ship yet built in Brazil or Latin America. The ship was produced for the National Merchant Marine by Estaleiros Verolme, controlled by the Verolme group of The Netherlands, at the Jacuacanga yards near Angra dos Reis in the State of Rio de Janeiro. Announcement was also made that Petrobrás has ordered three 23,900 ton tankers at a total cost of \$6.2 million from Japan for transport of liquified petroleum gas.

Among new investments announced during the month, Du Pont do Brasil informed that it intends to build a plant for manufacturing diphenylamine, a chemical raw material used for production of agricultural chemicals and in the rubber industry. The new facilities would supply all national requirements for this product and would be located along with present Du Pont installations at Barra Mansa, State of Rio de Janeiro. Announcement of this expansion follows by a few weeks the news that the company would install a titanium dioxide plant in Brazil.

Produtos Químico Dares Ltda of São Paulo obtained authorization for an investment of foreign capital in the form of machinery valued at \$115,000 imported from the W. R. Grace and Company, Overseas Chemical Division, of New York.

Announcement was made of an Interamerican Development Bank loan of \$615,00 for Brasquip (Industria Brasileira de Equipamentos S. A.) for installation in Bahia of a plant to manufacture petroleum drilling equipment under license from the Hughes Tool Company of Houston, Texas.

Labor:

Rio de Janeiro and its surrounding area was hit by a 100% strike of bus and lotação drivers from October 10 to October 13. The employers concentrated on obtaining fare increases which would compensate for increased wages. The strike was ended by an agreement to raise fares by 40% immediately and approximately 30% more within 90 days to cover similar increases in wages.

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From RIO DE JANEIRO

and operational costs. There was virtually no violence, despite widespread public inconveniences.

On October 18, 30,000 bank workers went on strike in the State of Guanabara, presenting the following demands: (1) a general wage increase of 50% with a minimum Cr\$10,000 raise; (2) a monthly bonus of Cr\$200 for each year of service; (3) a "professional minimum salary" somewhat higher than the minimum wage; and (4) no punishment or withheld pay for the strike. On the same day a wildcat bank workers strike broke out in the State of Rio de Janeiro and on October 19, Belo Horizonte, Recife and scattered cities in Paraná were added to the list; São Paulo bank unions were expected to vote the next day on the strike issue. The demands varied from city to city, as does the minimum wage.

On October 26, the nine-day strike of bank workers in the states of Guanabara, Rio de Janeiro and several others (excluding São Paulo) was settled with a wage increase of 40% to be followed by an additional 20% within six months, in addition to miscellaneous provisions such as the traditional pay for time on strike. The workers of the Bank of Brazil and the SUMOC, the national monetary authority (which uses personnel loaned by the Bank of Brazil), participated fully in the strike.

Communications:

The new Director of the Department of Posts And Telegraphs, Lt. Col. Dagoberto Rodrigues, was sworn in on October 20. Lt. Col. Rodrigues comes from the Army where he was a specialist in telecommunications.

During a press interview, Lt. Col. Rodrigues stated that the program to be implemented during his administration would include a Telex system connecting 21 more cities, which would bring an annual revenue of around 1 billion cruzeiros to the Department of Posts And Telegraphs. He also declared that the mechanization of the stamping of mail was absolutely necessary. In addition, the Director said that he was in favor of the creation of a Communications Ministry in order to permit a greater flexibility in the operations of the Department of Posts And Telegraphs, in the accomplishment of its services.

On December 25 the Telex system between Rio, São Paulo and Belo Horizonte is to be inaugurated; and a "Carri" system comprising multiple telegraphic channels is to be installed between Rio and São Paulo.

Transportation:

On October 16 bus fares for Rio de Janeiro were increased by 40 per cent as a result of negotiations arising from the strike of drivers and other workers in the urban bus system. The strike for higher wages, which started on the 11th and continued through the remainder of the week was supported by all categories of workers and immobilized some 4,500 vehicles in the city.

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Street cars, which had previously raised their fares, labored under the increased burden thrust upon them.

Two Brazilian firms won an international bid to supply Uruguay with 150 railroad cars, in a transaction amounting to \$1,500,000. It is reported that Uruguay needs a total of 550 units. Should these companies obtain the order for the additional number, it would provide foreign exchange earnings of \$5,000,000.

Maritime:

The new president of the Merchant Marine Commission, Admiral Paulo Antonio Telles Bardi, took office on October 31, 1961.

During the recent strike of bank employees, transportation personnel also threatened to go out on strike, affecting about 610,000 hands including not only port workers and lighterage personnel, but also those on railroads and highways as well as airlines' workers. They all claimed a 60% increase in salaries plus a Christmas bonus of at least Cr\$2,000.

The Minister of Transportation And Public Works created a new Commission to conduct studies and formulate policies relating to ports and harbors in Brazil, designating Bento Santos de Almeida as its president. The Minister also gave instructions for the Commission to start working as soon as possible and to present a report within 60 days.

Aviation:

On October 30 there was installed within the Directorate of Civil Aeronautics the new Permanent Commission for Technical Studies. This group will investigate such matters as the composition of crews, maximum limits of flight of various types of equipment, cooperate with authorities in the determination of technical procedures concerning air safety, participate in investigations of accidents and, finally, study and propose solutions to problems concerning the aeronautical professions.

Minerals:

During October, according to press reports, interest in the field of minerals continued to center around iron ore. The Technical Consultant of Cia. Vale do Rio Doce, stated that Brazil must supply iron ore of a higher quality to meet purchasers' requirements. He also stated that present conditions demand an aggressive sales policy and that Brazil's iron ore customers, including the United States, may not be able to resist for long, offers made by competitors should there be strong reaction to Brazil's policy with respect to iron ore exports.

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Much publicity was given to the arrival of Japanese Economic and Technical Port Missions for the purpose of conducting studies of facilities (port, rail, and mine) for exporting 5 - 10 million tons of iron ore annually to Japan.

The Minister of Transportation signed a contract for construction of a port at Campinho, south of Bahia, for shipment of iron ore from that area. The port reportedly will have a 150-meter landing (dock) extent at a 12-meter depth. The first stage of work will be completed in two years.

With regard to mineral policy, the Minister of Mines stated, according to press reports, that his program consisted of three items, two of which related directly to minerals, namely: (a) in ore-extracting activity he wished CVRD to become the guiding center of government policy so that it may be able to encompass the entire system in developments in that field, and (b) to expand PETROBRAS operations and the Brazilian petrochemical industry.

The cement company, Cia. de Cimento Portland Camé, of Belo Horizonte, is taking steps to import machinery and equipment to expand its cement plant. To effect this program foreign financing, reportedly of 1.8 million dollars, has been approved by SUMOC (Superintendency of Currency and Credit) of the Bank of Brazil.

Agriculture:

There were two important developments in Brazilian agriculture during the month: a statement of the new administrations' agricultural policy (actually presented to the Congress on September 29) and the continuing drought in the States of São Paulo and southern Minas Gerais.

Although the statement of agricultural policy in general contains little or nothing that is new or different - e. g., the Government will encourage cooperatives, promote the expansion of agricultural insurance, expand the production of wheat, intensify the cultivation of rubber, etc. - it did set some interesting goals for increases in productivity for a number of crops. During the next five years it is the Government's aim to increase productivity of rice by 20%, corn by 30%, pork production by 50% and potatoes by 80%, to mention a few of the commodities covered. The importance of this statement of policy lies principally in the fact that the new administration, with all the other problems facing it, was able to formulate it within 30 days of assuming office, and this, we believe, speaks well of the administrations concern with that sector of the economy.

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From RIO DE JANEIRO

The drought, which hit hardest in São Paulo, caused significant damage to the 1962/63 Coffee crop, reducing anticipated production in some regions by 70%. As the drought continued to the end of October, farmers shifted from peanuts to cotton (which will affect the size of the 1962 crop) which can be planted later. The size of this shift was limited, however, by shortage of cottonseed.

For the Ambassador

Edward J. Bash
Edward J. Bash
Commercial Attaché

Contributors:

EJBash, SGAnderson,
WBlomeyer, JTFishburn,
ALRansome, SEWeaver, JMKuhl.

Enclosure *OK* Economic Indicators. *all in m.*

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Encl. No. 1
Desp. No. 412
From Rio, Brazil

ECONOMIC INDICATORS:

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

1960	Food	Cloth- ing	Rent	Furni- ture	Hygi- ens	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
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
Sept.	859	554	664	590	732	734	961	772	3.6
Oct.	900	580	674	606	744	766	996	802	3.9
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.	1 047	759	732	682	871	1 014	1 030	930	4.4
May	1 058	775	741	690	886	1 014	1 061	943	1.4
Jun.	1 064	785	752	699	920	1 014	1 076	953	1.1
Jul.	1 091	793	763	706	926	1 014	1 076	968	1.6
Aug.	1 140	811	773	732	958	1 150	1 153	1 012	4.5
Sept.	1 209	831	781*	780	959	1 185	1 246	1 059	4.7
Oct.	1 293	863	790	792	993	1 185	1 390	1 110	4.8

* Revised

Source: Getulio Vargas Foundation.

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Disp. No.
From Rio, Brazil

Brazil's Foreign Trade (US\$1,000,000)
1961

<u>Imports</u>	<u>June</u>	<u>July</u>	<u>Jan/July</u>	<u>June</u>	<u>July</u>	<u>Jan/July</u>
Total	130.6	125.	836.9	100%	100%	100%
USA	47.2	48.3	291.4	31.1	38.6	34.8
Western Europe	44.4	37.3	275.7	34.	29.8	32.9
Middle East	5.	4.9	39.7	3.8	3.9	4.7
C.B. *)	7.6	6.1	35.8	5.8	4.9	4.3
<u>Exports</u>						
Total	107.1	128.2	749.9	100%	100%	100%
USA	41.7	47.2	300.1	38.9	36.8	40.
Western Europe	40.1	47.7	278.1	37.4	37.2	37.1
Middle East	4.	1.5	5.	3.4	1.2	.7
C.B. *)	6. *	11.3	40.4	5.6 *	8.8	5.4

* Revised.

*) C.B. refers to Communist Bloc, including Czechoslovakia, Poland, Hungary, East Germany, Comm. China, Rumania, USSR, Albania and Bulgaria.

Source: Economic and Financial Statistical Service,
Ministry of Finance.

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Department of State

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PAGE 1 OF 1 PAGES

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FRB-2 LAB-8 TR-5

Bibdespatch 412 of November 17, 1961

A correction should be made in Bibdespatch 412 of November 17, 1961, Monthly Economic Summary for October 1961. In the third line of the second paragraph on page 2 under the heading FINANCE, the figure 15% should be changed to 150%. The sentence will then read "On October 9, SUICC issued Instruction 218 requiring importers to deposit in the Bank of Brazil against delivery of 3 month, 6% import letters, the equivalent of 150% of the exchange contract value of the importation."

GORDON

ECOT:SEWaver:mbg
December 22, 1961

ECOT - R. Bakema

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NOV 21 1961

November 21, 1961

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SUBJECT: ECONOMIC SUMMARY FOR NOVEMBER 1961.

I SUMMARY

Coffee and mate exports were high and, in both sectors, new measures were announced which it is presumed will have a beneficial effect on production ... Curitiba will soon have 1000 new telephones installed if all goes according to plan (it rarely does) and if enough people with 73,000 cruzeiros to spare can be found.

Credit remained tight and bank collections were slow. Commercial movement was dull and local department stores do not expect this year's Christmas sales to be high.

II AGRICULTURE

1. Coffee:

Although coffee producers were finding it difficult to sell their coffee, would-be purchasers having exhausted the credit facilities currently offered by the Bank of Brazil, exports continued at a high level. More than 560,000 bags were shipped through Paranaqua, 301,000 representing exports, the rest cabotage. The export price for Paranaqua coffee was recently reduced by US\$ 0.01 below the Santos price and this is expected to stimulate shipments.

Source: All newspapers.

GMScanlan:bb

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Dep. No. 34
From: Am Consulate, Curitiba2. Mate:

Mate producers welcomed the news of an increase in the price paid for their product. The price per arroba went up from 180 to 350 cruzeiros. This measure, in conjunction with the recent reinstatement of quotas, will help production.

Even without the new price the mate industry is not doing badly. Over 4,000,000 kilos were traded during October and, of these, 3,000,000 were exported.

Sources: Instituto Nacional do Mate.

3. Notes:

Hermínio TISSIANI, a Santa Catarina lumber producer, has succeeded Paulo BORNHAUSEN as President of the Instituto Nacional do Pinho. The appointment was well received in Paraná and Santa Catarina lumber circles.

The first shipment of Paraná beans for Cuba (500 tons) left Paranaguá at the end of September. The deal was arranged by the Quadros administration. Shipment was handled by Loide Brasileiro.

Another "first" was recorded when the first shipment of Paraná corn (200 tons destined for Chile) left the same port in early October.

Sources: "Diário do Paraná" - Oct. 28, 1961
"Folha do Comercio" - Oct. 2, 1961

III INDUSTRY

An American firm, St. Helen's Wood Products Co., is in the process of concluding an agreement with a Paraná lumber firm (Caboracy, Ltda.) for the export of about \$15,000 - \$18,000 worth of broom handles per month to the United States. The price for Paraná pine, even including shipping costs, is said to make agreements of this type advantageous.

... Americans are also said to be interested in setting up a refinery for vegetable oils, especially peanut oil, near Foz de Iguaçu in West Paraná. According to press reports the area offers favorable conditions for peanut cultivation.

COMMENT: The announcement was made by the president of the Fundação Paranaense de Colonização, and the Consulate is currently attempting to find out who the "Americans" are.

IV MINERALS

The slow, but presumably sure, progress on the development of a pilot oil shale plant in São Mateus do Sul continued as the state of Paraná and

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From AmConsulate, Curitiba

Petrobras reached the following agreement: Petrobras will (1) pay a minimum of 25% of the cost for paving the Curitiba-São Mateus do Sul road (2) build an airfield large enough to accommodate DC-3's and (3) aid in the construction of a hospital and water works and in the installation of telephone lines.

Sources: "Diário do Paraná" - Oct. 31, 1961
"Estado do Paraná" - Oct. 31, 1961

V LABOR:

1. Minimum Wage and Bank Strike

The increase in the minimum wage and the bank strike were the headline events on the labor scene.

The minimums were increased from 7,200 cruzeiros per month to 10,080 in both Paraná and Santa Catarina. Workers showed guarded satisfaction. They are aware that higher wages are the prelude to higher prices, and confirmation of their suspicions was not long in coming as milk (from 27 to 32 cruzeiros per liter), eggs (from 60 to 80 a dozen), beans (from 22 to 28 a kilo) and other necessities were increased.

When bank workers' demands for a 60% increase were not met a strike was called. On October 19 all banks in Curitiba were closed. Bankers were quick to blame it all on the well-known Communist element in the bank workers union. A more rational explanation could have been found in the miserable wages the workers receive. There was no indication of any Communist influence during the strike, and every indication that the strike had the full support of all the employees. A commission of state deputies acting in behalf of the employees reached an accord with the bankers on October 25 which calls for 40% increases on monthly salaries of up to 20,000 and a 35% increase for higher salaried workers. An extra 250 cruzeiros per month for every year of service was also conceded.

COMMENT: Before the strike, wages of 10,000-11,000 cruzeiros a month for college graduates occupying responsible positions were common in Curitiba banks. The profits these banks have been making and the ostentatious lives lead by their presidents were amply, and justly, publicized by the strikers.

Sources: All newspapers.
Personal Observation
Strikers Literature

2. Carpentry Workers:

The wood-working industry in Curitiba was paralyzed by a strike from October 3 to October 12. Furniture factories and other wood-consuming industries were affected. Governor Braga, an ardent champion of the laboring class, made known his support for the strikers, and the dispute was brought to conciliation and

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From AmConsulate, Curitiba

the strike concluded in short order. Increases ranging from 40 to 53% were granted.

Sources: "Diário do Paraná" - Oct. 3, 8, 13, 1961
"Estado do Paraná" - Oct. 6, 11, 1961
"Gazeta do Povo" - Oct. 13, 1961
"Ultima Hora" - Oct. 4, 5, 1961

3. Labor Notes

a. Demands for wage increase were heard from the following quarters during October:

Paraná school teachers	- 93% increases
Employees of Cia. Força e Luz do Paraná	- 55% "
Movie and theatre workers	- 80% "
Chemical Workers	- 60% "
Construction Workers	- 70% "

b. Collective wage contracts were negotiated (1) by the Metal Workers Union and employers, the new agreement calling for a 46% increase, and (2) by the printing workers union and employers, agreeing to a 55% increase.

Source: All newspapers.

VI Transportation and Communications:

1. Telephones:

Curitiba will be getting 1,000 additional telephone lines, the city government and the company (I.T.&T subsidiary) having reached an agreement whereby each installation will cost 75,000 cruzeiros (in debentures). The mayor, in making the announcement, said that the agreement "does not absolve the company from its obligation to install new lines at its own expense". Curitiba could use about 15,000 new lines.

Along the same "do unto others" line, the company reminded the state government that it had promised to grant the telephone company an increase at the time the company's employees received a wage increase (July). So far the state has kept silent.

Sources: "Diário do Paraná" - Oct. 8, 1961
"Estado do Paraná" - Oct. 20, 1961
"Gazeta do Povo" - Oct. 21, 1961

2. Railway Rate Increases

As of November 1, passenger fares on the Rede de Viação Paraná-Santa Catarina were upped 35%, and freight rates 30%. The new rates were brought about by wage increases recently granted railroad workers.

Sources: "Diário do Paraná" - Oct. 27, 1961
"Estado do Paraná" - Oct. 28, 1961

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From EmConsulate, Curitiba

3. Telegraph:

The Federal decree authorizing the Western Union Company to extend its cable to Paranaguá expired in October. The Paraná Commercial Association asked the state and federal governments to renew the concession.

Sources: "Estado do Paraná" - Oct. 21, 1961

4. More On ER-2

A recent trip to São Paulo on the new Curitiba-São Paulo highway revealed the following: (1) 50 kilometers remain unpaved, but in good condition during dry weather (2) with one day's hard rain this section becomes very muddy and virtually impassable to passenger cars (3) two other small sections of the road are being rebuilt and, in a number of places earth slides have covered one of the road's two lanes. (4) Traffic signs, kilometer markings and gasoline stations are virtually nonexistent. (5) The road is longer than advertised. Claims are that it is 403 kilometers from downtown Curitiba to downtown São Paulo. The reporting officer's kiloespeedometer registered 422 kilometers from the outskirts of Curitiba (about 6 km. from downtown) to the outskirts of São Paulo (about 10 km. from downtown). (6) The Road will be completed in about one year.

Source: Personal Observation.

VII FINANCE

1. State Tax Increase

Commercial circles in Paraná reacted sharply to a proposal for a 20% increase in state sales taxes. The proposal was made by a number of Northern Paraná mayors. At a meeting of the Paraná Commercial Association (which the American Consul and Vice Consul had the opportunity of observing, while on other business) the tax increase was the object of universal and impassioned condemnation.

Governor Braga is said to favor the increase.

Sources: Personal observation and
"Diário do Paraná" - Oct. 8, 1961
"Gazeta do Povo" - Oct. 14, 1961

2. Money:

SUMOC Instruction 219 paralyzed the exchange market in Curitiba and elsewhere. The effects were probably felt harder in Curitiba however, because, unlike São Paulo and Rio, "cambio" houses and travel bureaus which do exchange business are nonexistent.

With slow collections the banks were holding back on credit but the somewhat "improved" political situation (at least there is a President)

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From AmConsulate, Curitiba

may cause a loosening in the credit market.

Hugh D. Wessler
Hugh D. Wessler
American Consul

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SENT TO: AMONGAL, SALVADOR, SANTA
FROM: COMENGE

Early reply to our A-3 of October 27 will be appreciated.

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(initials)

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H. Bingham, Acting Director
Bureau of Consular Affairs, Department of State

0197

-AIR POUCH HANDLING INDICATOR FOREIGN SERVICE DESPATCH Embassy, Rio de Janeiro 422 NO.	For Department Use Only 832.00/11-2261 November 22, 1961 DATE NOV 25 1961 REF : CERF C-3
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TO : THE DEPARTMENT OF STATE, WASHINGTON.

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SUBJECT: **BIWEEKLY ECONOMIC REVIEW (Period October 21 - November 3, 1961)**

INDEX

Coffee exports during the month of October 1961 were 1,438,998 bags compared to 1,161,476 bags exported during the same month of last year.

ECON:BAGoldstein/lsc

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Disp. No. 422
From RIO DE JANEIRO

2. Brazil's Balance Of Payments In First Semester 1961

Brazil's balance of payments in the first half of 1961 presented an overall deficit of \$70 million compared with \$204 million for the same period last year. The merchandise account registered a \$46 million surplus, which compares with a surplus of only \$11 million in the corresponding period of 1960. The greatest improvement appeared in the "services" item which in Brazil's balance of payments is traditionally in deficit, the deficit for the first 6 months this year being estimated at \$186 million as against \$226 million in the first semester of 1960.

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Comment: A surplus of \$70 million in capital movements which compares with a capital movements surplus of \$5 million in the like period of 1960 was the major cause of the improved situation with respect to the services item. This estimated capital movements surplus of \$70 million was due largely to the postponement of Brazil's matured payments abroad pursuant to agreements negotiated last May with the US, IMF and certain European countries.

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3. Brazilian Exports During The First Semester Of 1961

According to figures furnished by the Serviço de Estatística Econômico Financeiro do Ministério da Fazenda, Brazilian exports during the first semester of this year amounted to 6,021,450 tons valued at \$621,749,000. These figures show a 20.3 percent and 2.7 percent increase, respectively, over the volume exported and the dollar value for the corresponding period of 1960. Exports which increased most over the 1960 period were: live animals, chemical and pharmaceutical products, machinery and vehicles and various manufactured articles.

(UNCLASSIFIED)

4. Deputy Sergio Magalhães Submits Draft Law For Remittance Of Funds Abroad

Deputy Sergio Magalhães submitted to the Chamber of Deputies a draft bill for the regulation of remittance of funds abroad. The bill is drafted on the theory that balances kept abroad by companies and individuals are large and should be registered with the Bank of Brazil. In addition the draft bill stipulates that remittance of funds should only be permitted when related to goods in the process of importation, to services duly performed for the country or when destined to support relatives of the remitting party. Remittance of funds would be made only through the Bank of Brazil.

(UNCLASSIFIED)

Comment: The chances of passage of this Magalhães bill are not very likely. In any case, the bill is not a practical one in that policing of the proposed measures would require the cooperation of foreign governments and foreign banks most of which maintain names of account holders confidential.

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From RIO DE JANEIRO

5. Government Freezes Fuel Prices

At the October 27 meeting, the Council of Ministers authorized freezing of fuel prices at their present level. This step was taken notwithstanding the fact that the import rate for petroleum products was increased from Cr\$274 per dollar to Cr\$301 per dollar for the last quarter.

(UNCLASSIFIED)

Comment: The Government is presently exploring methods of compensating the oil companies for the increased import costs plus the recent 40% increase in minimum wages. A temporary solution calls for the application of single tax on fuels based on an import rate below the real import rate (see Embdes 379 Nov. 6, 1961). A longer range solution being considered would give the Government broad authority to adjust the single tax rate.

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6. SUMOC Instruction 218 Increases By 50% The Deposits Against Import Letters.

On October 9, SUMOC issued Instruction 218 requiring importers to deposit in the Bank of Brazil against the delivery of import letters, the equivalent of 150% of the exchange contract value of the importation. Previously, only 100% was required pursuant to Instruction 204.

(UNCLASSIFIED)

Comment: This move was an effort to slow down the rate of depreciation of the cruzeiro which had declined on the free market from about Cr\$270 per \$1 before the crisis to over Cr\$300 per \$1 when this instruction was issued. A second purpose of the instruction was to soak up more cruzeiros from the money supply which had begun to expand rapidly as the Bank of Brazil began relending currency issued during the crisis instead of returning it as had been contemplated (see Item 2 of BWER, Embdes 210 of September 15, 1961).

(OFFICIAL USE ONLY)

7. Operations Deficit Of State Run Enterprises

The Minister of Transportation and Public Works announced an operating deficit of Cr\$62 billion in the current fiscal year for the transportation sector (railroads, ports, steamship companies and airline companies). The Minister states that a rate adjustment is unescapable in order to reduce that tremendous deficit.

(UNCLASSIFIED)

Comment: The deficits of the Government operated enterprises have been a constant headache to this and preceding Administrations, constituting a major part of the total federal cash deficit. In the current fiscal year, the estimated Cr\$62 billion deficit represents some 20% of total Federal tax revenue. With no other source of finance available these deficits are met by currency issues, constituting thereby a major source of inflation. Though the Minister of Transport deplores these deficits publicly and speaks of the need for rate increases with the exception of certain freight rate increases designed to cover new minimum wage costs, there is no indication that the Government will undertake rate hikes at the present time.

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Disp. No.
From RIO DE JANEIRO

8. "Henrique Lage" Launched

A Lóide Brasileiro vessel, the "Henrique Lage", built in the Verolme shipyards at Angra dos Reis, was launched on October 27, 1961, with the President and Minister of Navy and Transportation and Public Works in attendance. The 10,500 ton ship, having a speed of 20 knots, is said to be one of the largest built in Latin America; it is scheduled to start operating in March or April, 1962.

(UNCLASSIFIED)

9. Telecommunication Developments

The new Director General of the Department of Posts and Telegraphs, Lt. Col. Dagoberto Rodrigues, stated during a press interview that the program to be implemented during his administration would include a Telex system connecting 21 more cities, which would bring an annual revenue of around 1 billion cruzeiros to his Department. The Colonel also said that he was in favor of the creation of a Communications Ministry in order to permit a greater flexibility in the operations of the Department of Posts and Telegraphs in the accomplishment of its services.

On December 25 the Telex system between Rio, São Paulo and Belo Horizonte is to be inaugurated; also the "Carri" system comprising multiple telegraphic channels is to be installed between Rio and São Paulo.

(UNCLASSIFIED)

10. Mexican Industrial Mission Visits São Paulo

A Mexican Industrial Mission visited São Paulo for the purpose of establishing contacts with Brazilian industrialists to consider possibilities of purchases from Brazil and to discuss matters related to the reduction of tariffs in the Latin America Free Trade Area. Headed by Plácido García Reynoso, President of the Latin America Free Trade Area Interministerial Commission and Mexican Deputy Secretary of Industry and Commerce, the Mission included Octaviano Campos Sales, Executive Secretary of the Latin American Free Trade Area Commission and Manager of the Central Bank of Mexico; Manuel Fernandez Landero, President of the National Confederation of Industries; Ramiro Alatorre, member of the Council of the National Confederation of Industries; Ramiro García Sains, President of the National Confederation of Importers; José Gomez Gordoa, representing the textile industry; and Gumersindo Quesada Bravo, representing the steel industry.

According to the press, Plácido García Reynoso praised the possibilities for increased trade made available by the newly created Latin American Free Trade Area and the opportunities it offers for greater economic integration of the principal countries of the continent; in this connection, he made specific reference to a recent Mexican purchase of Brazilian lathes which, he said, aroused considerable interest in Mexico "because of their excellent technical characteristics and international prestige".

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From RIO DE JANEIRO

For the Ambassador

Edward J. Bash
Edward J. Bash
Commercial Attaché

Contributors:

WBlomeyer
BAGoldstein
JKrizay
LYellouz

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TO : THE DEPARTMENT OF STATE, WASHINGTON.				November 24, 1961	
REF : CERP C-3				DATE DEC 14 1961	
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				NAVY 2	OSD 2
				EUR 5	FE 4
				LAB 7	YAR 2
				NEA 4	XMB 4
				CU 10	INR 6
				USA 10	USA 4

SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period November 4 - 17, 1961)

INDEX

- Coffee Exports
- SUMOC Instruction 219: Return of Multiple Exchange Rates
- Changes in Bank of Brazil Organization
- Implementation of Law 2,300 Providing for Issuance of Shares for Bank Loan Guarantee
- Brazil-Israeli Technical Agreement
- Polish Offer of Equipment to Rio Grande do Norte

1. Coffee Exports

Coffee exports during the month of November 1961 through the 17 were 795,572 bags compared to 743,216 bags exported during the same period of last year.

Total Coffee exports during the current coffee marketing year (July 1, through November 17, 1961) were 7,280,996 bags compared to 6,941,417 bags exported during the same period last year.

2. SUMOC Instruction 219: Return of Multiple Exchange Rates

October 26, SUMOC issued Instruction 219, providing that export earnings could only be sold for general category imports leaving invisible earnings as the only legitimate source of foreign exchange for financial transactions. In addition, the instruction provides that for all sales of foreign exchange for financial transactions banks must deposit with the Bank of Brazil for 180 days without interest, 50% of the cruzeiro counter-value of the sale.

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Supplementary FIBAN Instructions permit the sale of traveler's checks in amounts up to \$250 per person per month per bank without the necessity for 50% deposit to individuals who can show evidence of intent to travel abroad. These FIBAN Instructions also provide that all foreign exchange derived from coffee and cacao exports must be remitted to the Bank of Brazil and that banks are limited to \$25,000 "bought" position overnight (i. e. the difference between foreign exchange purchased and sold).

(UNCLASSIFIED)

Comment: The Instruction has had the effect of establishing two major foreign exchange markets in addition to the black market and numerous minor markets. The intention of the instruction was to assure a lower exchange rate for imports on the theory that capital flights had been the cause of the steady depreciation of the cruzeiro on the free market since the crisis. However, because of the limitations on private banks' "bought" position and the requirements that cacao and coffee dollars must be remitted to the Bank of Brazil, import exchange became quite scarce so that the commercial rate in private banks is actually higher than financial rate. The Bank of Brazil maintains its own rate for imports and is selling exchange for financial transactions on a negotiated basis. In recent days, the Bank of Brazil indicated that it would sell exchange to commercial banks which would then sell at the Bank of Brazil rate. Presumably, the Bank of Brazil, by this means, will attempt to keep the spread between the commercial and import rates to a minimum to avoid driving even more funds into the black market. (See Exdes 375 of November 3, 1961)

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3. Changes in Bank of Brazil Organization

The General Assembly of the Bank of Brazil decided on November 6 to approve a decentralized organization for the Agricultural and Industrial Credit Department, as follows: the Industrial Credit Department was made a separate department with one director having country-wide jurisdiction; and the Agricultural Credit Department was split into three areas of jurisdiction (South, Center and North), with one director each.

(UNCLASSIFIED)

Comment: The Agricultural and Industrial Department was the first Bureau of the Bank of Brazil to have decentralized operations. It was reorganized since the magnitude of the transactions (some \$300 million) and the peculiarities of the financing of the various regions could no longer be fitted into general rules of financing.

(UNCLASSIFIED)

4. Implementation of Law 2,300 Providing For Issuance Of Shares For Bank Loan Guarantees.

The Council of SUMOC on October 4, 1961, decided to recommend that

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the Bank of Brazil and the National Development Bank examine the advantage of the acceptance of shares (over and above the usual guarantees) in cases involving financing arrangements for re-equipment, renewal of facilities, or the purchases of machinery.

(UNCLASSIFIED)

Comment: The purpose of Law 2,500 is to convert loan capital into risk capital in order to release funds to be used for other loans. In addition to this, the law tries to increase the number of shareholders of companies. Therefore, there is the double purpose of giving a greater number of loans within the available limits of the bank and of achieving democratization of the capital belonging to the companies, by spreading it among a greater number of shareholders.

The BNDE whose loan capital is extremely scarce, has already begun such operations, requiring that recipients set up reserve funds for the re-purchase of shares when and if the BNDE decides to sell.

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5. Brazil-Israeli Technical Agreement

There are reports of the signing of a technical-scientific agreement between Brazil and Israel, directed toward the solution of problems of development of arid regions, especially those of the Northeast.

The agreement was the result of a visit to Brazil by Israeli Deputy Minister of Agriculture, Isaac Levy, who considered with Brazilian authorities various aspects of mutual assistance and the application of technical "know-how" to problems of irrigation.

(UNCLASSIFIED)

6. Polish Offer of Equipment to Rio Grande do Norte

According to sources close to Aluisio Alves, Governor of the state of Rio Grande do Norte, Poland has offered to that state equipment and industrial installations to be paid under Polish long-term financing; Poland has also offered technicians to assist and direct the assembling of the installations.

Press reports indicate that the Governor of Rio Grande do Norte is interested in the importation of hospital equipment, agricultural machinery, road-building machinery (especially excavators), helicopters, airplanes for agricultural purposes, various types of diesel motors, diesel and steam generators, wheel and caterpillar tractors, equipment for dairy plants, drilling machines and pumps for water wells.

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With regard to the importation of complete industrial installations, the Governor is reported to have drawn up a priority list, including factories for processing tungsten, freezers, facilities for freezing fish, fishing vessels, and factories for the production of caustic soda, fertilizers, pre-fabricated houses with the use of cellular cement, and for the processing of aluminum.

(UNCLASSIFIED)

For the Chargé d'Affaires a. i.

Edward J. Bash
Edward J. Bash
Commercial Attaché

Contributors:

W. Lowmeyer - J. Krissay
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TO: Secretary of State

NO: 1280, November 24, 6 p.m. (SECTION ONE OF TWO)

PRIORITY

PASS CIRCARE FOR INFORMATION

Re Woodward letter November 15 enclosing letter from Deputy Assistant Secretary Defense for International Security Affairs. Embassy greatly disturbed at evident breakdown in communications among agencies US Government implicit in Williams' letter. Embassy has prepared number of reports based on best information available to it notably Embassy telegram 1053 and related communications which have apparently not been brought to Defense attention. Following is intended as comment on principal points Williams' letter. Ambassador who approved this telegram in draft hopes to supplement in oral consultation with appropriate officials Defense as well as other departments during current visit to Washington.

(1) It should by way of introduction be made clear that Embassy is fully aware of increased Communist infiltration and potential for serious trouble in Brazil. It is also aware of deep suspicion of certain aspects of present regime held by many Brazilians, many of them responsible, others not. Embassy equally concerned on number scores (as made clear in recent reports) such as opportunity for Communist infiltration and activity under present still inadequately defined division of powers between President and Cabinet and inflationary economic situation. Also a serious factor is armed forces loss of prestige with general populace as well as many of elite who considered constitutionality aspects of recent crisis more important than possible increase Communist

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832.00/11-2761

DEPARTMENT OF STATE

Memorandum of Conversation

XR 811.00321
832.10

DATE: November 27, 1961

SUBJECT: Meeting on Brazilian Financial Problems

PARTICIPANTS: Ambassador Gordon
USOM Director Saccio
AID-L/A - Ambassador Moscoso
AID-L/A - Mr. Dawson
Treasury - Mr. May
Eximbank - President Linder
Eximbank - Mr. Sauer, V.P.
Eximbank - Mr. Pollack
US/IMF - Mr. Southard
E - Deputy Ass't. Secretary Kerr
OFD - Mr. Frank
FN - Mr. Weismann
FN - Mr. Palmer
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ARA - Mr. Wilson
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ARA - Mr. Crane
Ambassy RIO DE JANEIRO - 2
AID - Ambassador Moscoso - 2
Treasury - Mr. May
Eximbank - Mr. Linder - 3
US/IMF - Mr. Southard

Ambassador Gordon initiated the meeting by undertaking a brief summary of the political situation since the resignation of President Quadros. As a consequence of the compromise arrangement arising out of the resignation and strong military objection to the assumption of the presidency by the vice president, the Brazilian form of government was altered from one similar to the U. S. system to a Parliamentary type of government. The Ambassador indicated that Prime Minister Neves and his cabinet represented perhaps the most satisfactory government, from the U. S. point of view, which has existed for many years. It has, however, been handicapped very considerably by the fact that the present members of congress had in effect been repudiated at the time of the over-whelming Quadros victory and the government was, therefore, in a weak position which could not be improved until after the congressional elections in October of 1962.

The Ambassador expressed the opinion that the present government would undertake more effective measures in the economic field than had been the case under the Quadros administration which had achieved real progress only in the field of foreign exchange. Nevertheless, inflation had continued and was continuing, credit controls had been inadequate, and there was strong social unrest as a consequence of the impact of inflation at an annual rate of between 30% and 40%, with the result that pressures for wage increases had proved irresistible. President Goulart was quite naturally completely sympathetic to labor demands.

On the other hand, the popular dissatisfaction with the ever rising prices was such that the government could have strong support for stabilization measures

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which the Minister of Finance might propose. The latter was described as a highly qualified official, perhaps a little less strong than would be desirable. Ambassador Gordon felt that we had much to gain by aiding the present Prime Minister and his cabinet, "particularly if we could strengthen their supporters prior to the congressional elections." President Goulart had a strong following but limited powers and the balance of power was shifting towards the Cabinet, although its strength and continuity would be dependent on the outcome of the elections. It was the Ambassador's opinion that the Cabinet should be encouraged to assert itself more than in the past, and he cited as a hopeful sign the recent speech of the Prime Minister to Congress. It would also be highly desirable to encourage the stabilization efforts of the government and to urge it to come to grips with the most urgent social and economic problems.

Ambassador Gordon expressed particular concern regarding the fact that, in all likelihood, no new tax legislation would be enacted prior to the November 30 deadline for the approval of the budget by Congress. Under Brazilian law, tax legislation must be enacted prior to approval of the budget if it is to become effective during the period covered by the budget. Ambassador Gordon thought that even without the November 30 deadline, the passage of tax legislation applicable to consumption items was very doubtful, although the revised income tax and the new stamp taxes stood a good chance of passage. The new consumption taxes would produce from 30 to 35 billion cruzeiros.

The foregoing prefatory remarks were followed by a discussion of the various measures in the fiscal and monetary field which were under consideration or which might appropriately be taken. In examining the possible sources of additional funds from abroad, reference was made to a recent statement of Ambassador Roberto Campos to Ambassador Gordon to the effect that the Europeans were committed to make additional advances to Brazil in January. Ambassador Campos had stated such advances were not contingent upon the performance under the Brazilian stabilization agreement with the IMF. Mr. Linder, supported by Mr. May, categorically stated that this was not the case and assured the group that no advances would be forthcoming from the European creditors unless the Brazilians were implementing the agreement reached with the IMF. It appeared from the ensuing discussion that Ambassador Campos had based his opinion on the fact that the IMF suspension of drawings by Brazil had been worked out on an informal basis rather than on a formal basis. Mr. Southard assured the group that if the Brazilians were to press the Europeans, the latter would instruct their Directors in the Fund to insist upon "formalizing" the suspension.

Ambassador Gordon stated that he did not consider the situation in Brazil hopeless and that if it was felt that this was the case, he would have real misgivings as to the possibility of serving effectively in Brazil. He pointed out that in considering the manner of release of the second half of the \$338 million package, we were not in a position to start all over, but, of necessity, were following up on an agreement negotiated last Spring with the previous regime in Brazil. He felt that Brazil, as perhaps the most important nation in Latin America, might be compared with France during the decades preceding General DeGaulle's accession to power. Certainly the results in the case of France justified the great cost and continuing efforts to help in the face of fiscal

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irresponsibility and recurring government crises. As against the possible gains which we can realize, there is the danger of having the present governments succeeded either by a "Fidelista" or at least Nasser or Tito type government. There is, of course, the danger of a right wing coup d'etat.

It was mentioned that the Brazilians have conveyed their feeling that failure to release the balance of the credit package would be tantamount to reneging on an agreement entered into freely. Mr. Linder vehemently represented the majority opinion that this was not the case, but that the failure of the Brazilians to live up to the stabilization agreement or even renegotiate with the IMF had generated the difficulties. He pointed out that, with a bona fide agreement in effect, there would have been no difficulties and that concurrently, without a stabilization program, funds poured into Brazil would be wasted to no effect.

Ambassador Gordon was asked for his recommendation and in reply suggested that the balance of the Export Import Bank credit be made available to Brazil on the condition that an IMF mission be invited promptly. The Ambassador also envisioned that the AID \$50 million and the resources available at the IMF would not be released at this time. The release of the AID \$50 million would depend on U.S. appraisal of the arrangements made with the IMF, not contingent upon an IMF evaluation, but on U.S. judgment of Brazilian performance.

Mr. Linder replied to the Ambassador's remarks, pointing out that the Export Import Bank had been most helpful, that it had established a new credit line of \$168 million and stretched out maturity dates of over \$300 million of other Brazilian obligations which resulted, inter alia, in a two-year moratorium on maturing obligations totalling over \$200 million. He pointed out that in the first meeting of the Brazil Task Force, it had been his clearly stated position that a consortium approach should be utilized. In view of this, Mr. Linder felt that the Export Import Bank should not be the only source of funds and mentioned that AID was committed to a softer loan policy than the Export Import Bank. Mr. Linder pointed out that, with approval of the Department of State and the Bureau of the Budget, he was expected to go before Congress to ask for additional \$3 billion financing authorization and that his efforts would be prejudiced, as would, of course, the Bank and the U.S. in the final analysis, if the Export Import Bank followed a softer policy than AID. Nevertheless, the Bank would be prepared to go along as suggested by Ambassador Gordon to the extent of a further 12 1/2% (\$21 million) of its credit but only if it did so jointly with AID and Treasury. He established as a *conditio sine qua non* that the Secretary of State, perhaps with the Secretary of Treasury, determine that the additional loan of approximately \$40 million is necessary in the national interest.

Ambassador Gordon was not opposed to Mr. Linder's suggestion and stated that he had merely selected the Export Import Bank as the most logical to effect the release since the proceeds were being utilized to settle commercial arrears. Mr. Linder understood this approach, but since part of the funds would be used to liquidate New York bank loans, he was not too enthusiastic since these banks should also continue in the financing picture.

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Although Ambassador Gordon indicated that he would be prepared to explore with the Brazilians the possibility of their inviting a Fund Mission to come to Brazil for Consultation, in response to a specific question from Mr. May he stated that he could not be completely sure that the proposal to send a Mission on the basis under consideration would be acceptable to the Brazilian authorities. Mr. May indicated that he could not state the Treasury position with respect to joint approach proposed by Mr. Linder, but said that he would recommend it favorably to Secretary Dillon. Mr. Dawson, Ambassador Moscoso having left the meeting, stated that he would have to discuss the AID position before expressing any opinion.

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STANFORD RESEARCH INSTITUTE

SOUTHERN CALIFORNIA LABORATORIES
220 MISSION STREET, SOUTH PASADENA, CALIFORNIA

November 28, 1961

*Robert A. Sigafos EST/A:
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file*

Mr. Richard M. Goodwin
Deputy Assistant Secretary of State
for Inter-American Affairs
U. S. Department of State
Washington 25, D. C.

Dear Mr. Goodwin:

I thought you might be interested in seeing this article which I have just completed on Argentina's economic development.

When I returned from a visit there a few weeks ago, I decided to put some of my observations down for the benefit of some of my staff associates who are involved in the development field. Argentina seemed to be a riddle to me; and a nation in strange contrast to other Latin American areas I have visited this past year. The thesis I've developed is that if Argentina can't make it, then the chances are pretty slim for any other Latin area.

This article is still in draft form, and I am looking around for a journal to publish it. I would appreciate any comments you might have.

Sincerely yours,

Robert A. Sigafos

Robert A. Sigafos, Head
Urban Development Research

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12/20/61

Dear Mr. Sigafos:

Thank you very much for sending me your article on Argentine economic development. Your observations on the Argentine situation were of interest to me and to those in the Bureau of Inter-American Affairs who are directly concerned with Argentina.

While I cannot suggest a journal which might publish your article, I greatly appreciate your efforts in preparing this study and in sending it to me.

Sincerely yours,

Richard M. Goodwin
Deputy Assistant Secretary

Mr. Robert A. Sigafos, Head,
Urban Development Research,
Stanford Research Institute,
820 Mission Street,
South Pasadena, California.

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FOREIGN SERVICE DESPATCH

FROM : Embassy Buenos Aires

DESP. NO. 69

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE November 29, 1961

REF : CERP D-10

NOV 30 1961

ACTION For Dept. Use Only	REC'D	DEPT.	IN	OTHER
	1/4	ARMY-2	NAVY-7	REP-1
		TRA-3	FAB-3	ARMY-4
		COM-10	TRA-3	ARMY-4
		ARMY-4	ARMY-4	ARMY-4

SUBJECT: General Economic - President Frondizi Statement on Patagonian Development

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In a statement made for broadcasting at the inaugural Nov. 25, 1961 of a new radio station in Esquel, Chubut Province, President Frondizi declared that the present generation must accomplish the task of consolidating the economic development of "vast and fabulously rich Patagonia." He said his greatest aspiration is to be remembered by his countrymen as the President who was successful in crowning the efforts of such illustrious Argentines as General Roca, General Mosconi, Moreno and Rosas, whose names are associated with Patagonian history.

Patagonia, declared the President, possesses more than half the country's oil reserves, almost all the coal deposits, and very large resources of iron ore and other minerals. Additionally there are untapped sources of fishing wealth off the coast of Patagonia, where the continental shelf is the largest in the world. El Chocón hydroelectric and irrigation development would contribute greatly to Patagonia's growth, he suggested. The dam when completed, he said, will be one of the biggest undertakings in the world. Valuable contributions for the purpose will be forthcoming from the world's most powerful nations, he stated.

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The President's statement on Patagonian development is routine, but it merits notice in view of Frondizi's absorption in the El Chocón project as a top priority of his Government's politico economic program. There is probably a good idea of self-revelation in his declaration that he aspires to go down in history as the President who crowned the efforts of Argentine patriots linked with the promotion of Patagonia. Just as with his emphasis on fostering of basic industry Frondizi would like to have his name recorded as a landmark in the development of Argentina's steel industry, so too, does he hope to have El Chocón as a monument to his administration. As the Department is aware, during his talks in Washington last September, President Frondizi pushed hard for the support of President Kennedy for El Chocón.

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From Buenos Aires

development. Economy Minister Alemann is currently abroad seeking, inter alia, financial assistance from Western Europe for El Chocón. The Argentine Government has formally notified the Embassy that Alemann intends to pursue the subject of El Chocón financing in conversations with U.S. Government officials when he arrives in Washington early in December.

For the Chargé d'Affaires ad interim:

John B. Grune
John B. Grune
Second Secretary

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 Despatch No. Amcoengen São Paulo
 From

agreement between Brazil and Czechoslovakia. Mr. Hruza indicated that his country was interested in participating in the construction and equipment of the Urubupunga power plant. Among the Brazilian products that Czechoslovakia wishes to import are food products including vegetable oils, rice, soya and corn, iron ore, manganese, and manufactured goods. Czechoslovakia can supply tractors and other agricultural machinery, power plant equipment, automatic lathes, complete cement and food processing plants.

Comment: The ambassador's offer of Czech products was met with some reservations by FIESP officers. It was pointed out that Brazil's incipient tractor industry will meet the country's requirements within three to five years, and that the servicing of imported tractors has been inadequate so far; that a São Paulo firm is manufacturing and exporting many types of automatic lathes; and that several companies are already producing locally small and medium-sized power plant generators and turbines.

2. Industry--Producers of Coffee Oil, Caffein, and Meal Protest IBC Burning of Sacrifice Quota Coffee

The Federation of Industries of the State of São Paulo FIESP and the Association of the Vegetable Oil Industry of the State of São Paulo telegraphed their concern to the Federal Minister of Industry and Trade over reports that the Brazilian Coffee Institute (IBC) is burning sacrifice quota (expurgo) coffee instead of selling it, as heretofore, to companies that process the commodity into coffee oil, soap fats, caffein, glycerin, and fertilizer cakes and meal. According to FIESP, these companies--especially Indústrias Reunidas F. Matarazzo S. A.--have been forced to stop production for lack of raw material.

Comment: An official of the Brazilian Coffee Institute, contacted by the reporter, claimed that the telegram is slanted. According to him, the processors have so far consistently refused to assume the cost of storing the large quantities of sacrifice quota coffee allocated to them by the IBC, preferring to draw on IBC warehouses in limited quantities as required for industrialization. The cost to IBC of large scale storage of sacrifice quota coffee is higher than the revenue from its sales to processors, and IBC resorted to burning excess stocks.

3. Finance--Alagoas Wants to Receive Financial Assistance from São Paulo.

The Secretaries of Agriculture and Public Works of the State of Alagoas are in São Paulo since November 15 to study means of obtaining financing for the development of agriculture in Alagoas. They have held conversations with Governor Carvalho Pinto and the São Paulo Secretaries of Finance and Agriculture, officers of

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From Amcogen São Paulo

the Federation of Industries (FIESP), and directors of private banks.

Comment: Although no specific program has been established to date, the São Paulo State Government has expressed in recent weeks its willingness to assist states in Northeast Brazil to develop their economies through the purchase of São Paulo equipment, consumer goods, and farm products, to be financed in São Paulo (see item 3, despatch 47 of August 11, and item 4 of despatch 133 of October 20). Such an assistance program, however, may be undermined to some extent by an expected drop in São Paulo State tax collections due to the transfer of the collection of property and inheritance taxes from the State Government to local municipal governments.

4. Finance--São Paulo Municipal Budget for 1962

On November 23, the Municipal Council voted the bill submitted at the end of September by the Mayor of São Paulo covering the 1962 Municipal Budget. However, a series of amendments raised revenue to Cr\$22,710,967,800 and expenditures to Cr\$31,025,844,400 leaving a deficit of Cr\$8,314,876,600. The budget will be unbalanced by an additional Cr\$2,734 million to cover a 40 percent increase in the salaries of government employees.

Comment: The increase in the deficit was mainly occasioned by amendments which provide larger allocations to public works. Part of the deficit will be covered by credit operations. A new law which transfers collection of the property transfer tax from the State Government to the Municipal Government is expected to provide an additional revenue of approximately Cr\$5 billion in 1962.

5. Trade Fair--Automobile Show Opens in São Paulo

The Second Brazilian Automobile Show opened at São Paulo's Iberapuera Park on November 24. The eleven companies that manufacture motor vehicles in Brazil (ten of which are located in the State of São Paulo) exhibited their latest models of trucks, buses, jeeps and other utility vehicles, and passenger cars. One hundred and twenty parts manufacturers also exhibited their products.

Comment: The Automobile Show is well organized, and products are attractively displayed. Attendance, so far, is high and is expected to exceed five hundred thousand persons by the time the show closes on December 10. The star exhibit is a Dauphine-Gordini sport car with a fiber glass and polystyrene body which Willys Overland do Brasil S. A. Indústria e Comércio plans to manufacture starting January 1962.

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From

6. Agriculture--Non-Productive Coffee Plantations to be Eradicated in São Paulo

The Executive Group for the Rationalization of Coffee Culture (GERCA) announced a program for the eradication throughout Brazil of low-yield coffee plantations. Within the next three years GERCA plans to eradicate some 600 million trees in the State of São Paulo alone. The old trees will be replaced by 200 million high-yield top-grade trees to be planted according to the most recent techniques.

Comment: The program is expected to start in São Paulo during 1962 when approximately 200 million trees will be rooted out and replaced at a reported cost of nearly 12 billion cruzeiros.^{1/} The national eradication campaign will be carried out in the states of Paraná, Minas Gerais, and Espírito Santo, in addition to São Paulo.

7. Agriculture--Cotton Production Expected to Increase

Cotton production in this Consular District for the crop year ending July 31, 1961, is estimated at 220,000 metric tons. Of this amount 205,000 metric tons were produced in the State of São Paulo.

Plantings in October and November 1961 for the 1962 harvest have been completed. If weather is favorable and insect damage is no more than normal, we can expect 1962 production in the District to be about 240,000 metric tons, São Paulo's production being about 220,000 metric tons.

Scott C. Lyon
Scott C. Lyon
Consul

1/ Approximate free market rate of exchange: 350 cruzeiros equal US\$1.00.

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FOREIGN SERVICE DESPATCH

FROM : **Embassy, RIO DE JANEIRO** **458** **NO.**

TO : **THE DEPARTMENT OF STATE, WASHINGTON.** **December 4, 1961** **DATE**

REF : **CERP C-3**

20 For Dept. Use Only	ARR-5	IN T O	RM/R 2	REP 1	AF 1	EUR 5	FE	NEA	CU	INR 10	E 7	P	IO 18
			ACR 10	COM 12	PRB 3	INT 1	LAB 3	TAR 3	XMB 4				
			AIR 30	ARMY 16	CIA 20	NAVY 2	OSD 10	OCB 4	USIA 2	NSA 4	NSC 2		

RECD
12-14-61

SUBJECT: **BIWEEKLY ECONOMIC REVIEW (Period November 18 - December 1, 1961)**

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2. SUMOC Instruction Changes Coffee Policy
3. Chamber of Deputies Passes Strict Profit Remittance Bill
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6. Fiscal Operations of the Federal Government
7. Constitution Amended Giving More Federal, State Taxes to Municipalities
8. Government to Reduce Postal and Telegraph Rates
9. Press Reveals that Drawings on IMF Stand-by Suspended
10. Admiral Lucio Meira New Head of Companhia Siderurgica Nacional
11. New Zealand Trade Mission Visits Brazil
12. Brazil Threatens to Withdraw From GATT

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Est/13
1/9/62
J W Sullivan*

1. Coffee Exports

Coffee exports during the month of November 1961 were 1,504,297 bags compared to 1,315,361 bags exported during the same period last year.

Total coffee exports during the current coffee marketing year (July 1, through November 30, 1961) were 7,989,721 bags compared to 7,513,362 bags exported during the same period of the last coffee marketing year.

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4-61 FS-439

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U.S. GOVERNMENT PRINTING OFFICE: 1954 O-512215 (17)

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From RIO DE JANEIRO

2. SUMOC Instruction Changes Coffee Policy

According to SUMOC Instruction 220, exchange earnings from the sale abroad of the 1961-62 coffee crop and all previous crops shall be negotiated with the Bank of Brazil at the free market rate with the retention quota per bag of 60 kilos of raw coffee or 48 kilos of roasted or ground coffee being unified and set at \$22.00 or its equivalent in other currencies.

(UNCLASSIFIED)

Comment: Under Instruction 205 (see Embdes 1023 of May 16, 1961) the retention quota was set at \$24-26 per bag on the 1960-61 crop (later changed to \$22-24) and to \$22 per bag on the 61-62 crop. In either case, under Instruction 205, provision was made for the readjustment of the retention quota when the exchange rate fell below Cr\$265 or rose above Cr\$295 per-dollar. Under the new Instruction, earnings will be converted at the Bank of Brazil free rate (currently Cr\$300 to \$1) while the retention quota will be held firm. The monetary impact of Instruction 220 for this fiscal year will not be substantial in terms of the anticipated total Treasury deficit. It is estimated that 2,000,000 bags will be exported between November 18 and the end of the year. Exporters' earnings from these 2,000,000 bags will amount to approximately \$45 million. Prior to Instruction 220 the Bank of Brazil had already permitted the conversion of coffee earnings at Cr\$280.00 per \$1.00. The free market rate being applied pursuant to the new Instruction is the buying rate presently being quoted by the Bank of Brazil which is Cr\$300 per \$1.00. The increase of Cr\$20.00 per dollar in the rate at which coffee earnings are negotiated will result in exporters receiving an additional Cr\$900 million this year.

(UNCLASSIFIED)

3. Chamber of Deputies Passes Strict Profit Remittance Bill

The Chamber of Deputies on November 29, passed by a vote of 151 to 60, a profit remittance bill along the lines of a bill earlier proposed by nationalist leader Sergio Magalhães. The bill which was passed, was sponsored by Deputy Celso Brandt (PTB) and carries all the provisions of the Magalhães bill, plugging up, in addition, many of that bill's obvious loopholes. According to the Brandt bill, profit remittances and capital repatriation would be limited to annual rates of 10 to 20% respectively of registered cruzeiro value of the firm. The cruzeiro value would be calculated on the basis of an exchange rate determined by a Council on foreign investments, based on the rate at the time of capital registration. Reinvestment of profits, according to the bill, would add to the capital value of the firm but not to the profits remittance base.

(UNCLASSIFIED)

Comment: The requirement that registered capital of firms be calculated in terms of cruzeiros is perhaps the most onerous provision of the proposed bill. Since the law would not permit adding reinvested profits to the profits remittance base, the percentage of profits that firms could remit in dollar-terms would steadily diminish as inflation proceeded.

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The passage of the bill by the Chamber has caused near panic in foreign business circles and a furor in general. Of particular concern was the lopsided nature of the vote and the fact that so many moderates (such as Mendes de Moraes) voted in favor. The Chamber action has not been well received, however, giving hope that the measure may be rejected by the Senate. The responsible press has stated its opposition in strongest terms and several leading figures, including former Finance Minister Mariani, have issued public statements condemning the measure.

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4. Supreme Court Rules New Taxes Must Pass Before Budget

The Supreme Court has ruled that a tax passed in 1958 after passage of the budget law is unconstitutional. The Constitution provides that no tax except customs taxes may be increased or enacted without previous budgetary provision. Prior to the Supreme Court decision the Constitution had been interpreted in some quarters as meaning that new taxes or tax increases had to be passed before the beginning of the budget year.

(UNCLASSIFIED)

Comment: The Supreme Court ruling is of particular importance with respect to the recently proposed government tax reform bill designed to increase fiscal year 1962 revenues by Cr\$60 billion. This bill was not passed before the budget law as the administration anticipated would be the case. It had, however, hoped to secure passage of the bill before the end of the Congressional session (Dec. 15) and still have considered effective for the coming fiscal year. In spite of the ruling, Finance Ministry officials are confident that a tax increase will pass and that there are still ways around the Supreme Court interpretation of the Constitution.

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5. Congress Passes Budget with Cr\$135 Billion Deficit

Congress completed action on the Federal Budget one day before the November 30 constitutional deadline, passing the budget law with an estimated Cr\$135 billion deficit. The budget authorizes a record Cr\$573.5 billion in expenditures, with the largest single appropriation as usual going to the Ministry of Roads and Public Works (Cr\$165.6 billion - roughly twice the 1961 authorization). Other large increases were granted to Agriculture, Health and Education Ministries, the total of these three amounting to Cr\$85 billion as compared with Cr\$56 billion authorized for the current fiscal year.

(UNCLASSIFIED)

Comment: The budget law as passed apparently makes no provision for federal pay raises which will certainly be approved. The President, in fact, has promised Civil Service workers an increase by Christmas. (There are reports that military pay raises will not be adopted until February, however - see item 6 below). An average federal wage increase of 40% (same as minimum wage increase) would probably add an additional Cr\$50-60 billion to the

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expenditures. This difference would be offset, however, if the Congress passes the Neves tax reform proposal and can find a formula for retroactively including it in the budget law. Constitutionally, no tax can be collected during the fiscal year that has not been included in the budget law.

It is not clear whether the estimate of receipts takes into account the recent Constitutional Amendment allocating an additional Cr\$20 billion of Federal revenues to municipalities.

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6. Fiscal Operations of The Federal Government

From January through August 21 of fiscal year 1961, the Brazilian Government incurred a financial deficit of some Cr\$69.4 billion. This financial deficit represents the excess of total government obligations over government revenue derived from sources provided for in the budget law. The cash deficit representing the difference between actual expenditures and revenues (for budgetary purposes) for the same period was Cr\$46.5 billion. For the comparable period in 1960, the financial deficit was Cr\$15.9 billion and the cash deficit Cr\$10.4 billion. The cash deficit of Cr\$46.5 billion for January-August 1961 compares with a total cash deficit of Cr\$77.6 billion for 1960 and Cr\$91.6 billion for 1959.

(UNCLASSIFIED)

Comment: Although collections through August have already exceeded estimates by Cr\$21 billion with the larger part of income taxes yet to be collected, the final cash deficit will probably be even higher as the end of the year always shows a stepped-up rate of expenditures. This year, the Finance Ministry, in an effort to cut down on these end-of-year expenditures, has instructed all ministries to limit purchases in December to those "absolutely unavoidable". The Ministry admits, however, that this instruction cannot be expected to curtail December expenditures to any great extent since most have already been committed. Another factor which would affect the size of the deficit is a pending civil service pay raise, which the President promised "before Christmas". The military, it is understood, has agreed to wait until February for a pay raise.

(UNCLASSIFIED)

7. Constitution Amended Giving More Federal, State Taxes To Municipalities

On November 21, a new constitutional amendment was promulgated giving the Municipalities a greater share of taxes previously set aside for Federal and State governments. According to the amendment, 10% of federal consumption taxes and 15% of Federal income taxes as well as all revenues from state rural land tax and the real estate conveyance tax, will now go to Municipalities. Previously, the Municipalities received 10% of Federal income taxes but none of the consumption tax, and the rural land tax and real estate conveyance tax.

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were reserved entirely for the state. The amendment is expected to cost the Federal Government Cr\$20 billion and the States Cr\$10 billion in revenues in 1962.

(UNCLASSIFIED)

Comment: Since the Federal Government heavily subsidizes Municipalities through its budget, it could theoretically compensate for at least a part of this revenue loss by reducing municipal subsidies. To do this, however, would mean loss of political influence at the Municipal level, something the Federal Government may not wish to risk. The States, on the other hand, have no way of compensating for this loss of revenue except by a further amendment of the Constitution giving additional federal revenues to the States. Such a measure has, in fact, already been introduced and the chances of adoption are considerably high.

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8. Government To Reduce Postal And Telegraph Rates

It has been reported in the press that postal and telegraph rates will be reduced before the end of the year. The Committee established to study a new rate revision was urged to present its conclusions as early as possible. This decision to consider rate reduction was considered necessary, according to the new Director of the Postal and Telegraph Department, since the rate increase effected by Quadros was an "arbitrary" one. Also, it has been found that use of the services has dropped since the rate increase so that revenues have actually increased very little. The Director has stated that international postal and telegraph rates will remain unchanged for the time being, since these rates are set by international agreements.

(UNCLASSIFIED)

Comment: It will be recalled (see Embdes 125, August 18, 1961) that the increase of postal and telegraph rates made on last July 17 was intended to reduce the operational deficit (Cr\$8 billion in 1961 and Cr\$11.2 billion in 1962) and to provide resources for capital expenditures in connection with modernization and improvement of postal and telegraph services. Very likely pressure from business groups was instrumental in persuading the Postal and Telegraph Department to consider rate reductions. Certainly the excuse that use of the services has dropped off since the rate increase is not very convincing. A drop in usage was always anticipated on the basis of past experiences which showed that after a brief drop, usage and revenues rise very rapidly.

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9. Press Reveals That Drawings On IMF Stand-By Suspended

The trade journal "Boletim Cambial", in a special edition, reported the IMF had suspended Brazil's drawings on stand-by credits negotiated last May. The article pointed out that the IMF action took place before the resignation of Quadros and attributed it to Brazil's failure to stay within the credit expansion and money supply limits provided for Brazil's agreement with the Fund.

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Later in the week, former Finance Minister Mariani confirmed that drawings on IMF stand-by have been suspended pointing out, however, that the step was taken as a result of Brazil's having exceeded the cash deficit limitations agreed upon in May. Mariani added, however, that while it had not been possible to limit federal expenditures to the extent previously anticipated, compensatory steps in the form of credit restrictions had been taken. He pointed out further that the Fund had been reasonable and that, had it been possible to send high level financial officials to Vienna in August, the situation by now would have been resolved. SUMOC Director Bulhões issued a statement along similar lines.

(UNCLASSIFIED)

Comment: The "Boletim Cambial" revelation was backed up by only a few newspapers and in general was getting much less publicity than one would have expected. Such comments as were made by the press in this regard were friendly to IMF and expressed confidence that the issue could be resolved through consultation.

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10- Admiral Lucio Meira New Head of Companhia Siderurgica Nacional

On November 17, Admiral Lucio Meira was appointed president of the Companhia Siderurgica Nacional by President Goulart to replace Engineer Paulo de Lima Vieira. Admiral Meira is a former head of the National Economic Development Bank, and is presently president of GEIA (Executive Group for the Automotive Industry), GEIMAPE (Executive Group for the Heavy Equipment Industry), GELMAR (Agriculture, Road Building Machinery), and GEICON (Shipbuilding). He will retain these positions. Upon assuming his duties Admiral Meira announced construction of a third blast furnace at the Company's mill at Volta Redonda which would bring its annual production to 2 1/2 million tons by 1967. Estimated 1961 production is 1,000,000 tons. The production goal for 1963 is 1,400,000 tons.

Comment: The presidency of Federal Government-controlled Companhia Siderurgica Nacional is a political appointment which changes with administrations. Admiral Meira possesses an excellent reputation as an administrator and economic planner.

(UNCLASSIFIED)

11- New Zealand Trade Mission Visits Brazil

The first "official" New Zealand trade mission to tour South America visited São Paulo, Rio de Janeiro and Brasília from November 14 to the 25th.

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The mission, headed by John L. Fenaughty, New Zealand Consul in New York, included Brian C. Hickey of the New Zealand Department of Trade and Commerce, Hamish Buchanan of the Bank of New Zealand, and George Anderson of the Meat Producers Association.

Although there is already trade between the two countries, it is of a limited nature. Brazilian exports to New Zealand include Pará nuts, carnauba wax, coffee, cotton textiles, tobacco, chemical products and semi-precious stones, amounting to an annual value of \$220 thousand. New Zealand's exports to Brazil, on the other hand, have been virtually nil, with a transaction in 1957 in the value of \$120 thousand, representing an export of pure-blooded sheep for breeding purposes.

The mission emphasized that New Zealand's exports to Brazil could be increased, to include pasture seed, certain types of agricultural implements, newsprint (whose production during the current year is expected to reach 150 thousand tons), and milk products, especially powdered milk. A potential increase in Brazilian exports to New Zealand could include coffee, along with the initiation of trade in tea, which New Zealand at present imports from Ceylon and India; raw cotton could also find a market in New Zealand.

The mission noted that the main obstacle at this time to an increase in trade between the two countries, results from the precariousness of maritime freight facilities from Brazil to Asia. In the interests of finding a solution to this problem, the mission held meetings with the Commercial Associations and Federations of Industry of Rio and of São Paulo, authorities of the Foreign Ministry and of the Ministry of Agriculture, and with the president of Loide Brasileiro.

(UNCLASSIFIED)

12- Brazil Threatens to Withdraw From GATT

Extensive press coverage has been given to Brazil's participation in the XIX session of GATT, and the role it has assumed of "spokesman for the less developed nations". The Brazilian delegation reflected the concern of Brazilian industry and trade groups and exporters, who consider that the European Common Market poses a direct threat to Latin America -- and particularly Brazil -- by establishing specific customs concessions for African products to the detriment of the same products of South American origin, such as coffee, cacao, vegetable oils, cotton, woods, fruits, etc. Brazil believes that agricultural products, which in their totality represent approximately 80% of Brazil's foreign exchange earnings, will lose their competitive status in the European Common Market; in addition, it is felt

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that the adoption of a single customs tariff for European Common Market countries will make these tariffs more rigid and more difficult to modify, and in the case of Brazil, will be lower for products which Brazil sells in small amounts and higher for products which up to the present have been sold in larger quantities to these countries.

(UNCLASSIFIED)

Comment: The importance attached to Brazil's role in the XIX session of GATT was evident in the wide coverage given the meetings by the Brazilian press, which drew special attention to the fact that the delegation was headed by a Minister -- Ulisses Guimarães, Minister of Industry and Commerce, and also to the fact that prior to his departure, Guimarães had been granted full powers by the Council of Ministers, even including authorization to decide to withdraw from GATT if he considered to be inadequate whatever guarantees might be offered to protect Brazilian products against discriminatory treatment.

(UNCLASSIFIED)

For the Ambassador

Robert Eakens

Robert Eakens
Counselor of Embassy
For Economic Affairs

Contributors:

WBlomeyer
BAGoldstein
JKrizay
SHWeaver
LYallouz

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DEC 6 1961

FOREIGN SERVICE DESPATCH

FROM : Amcogen, Recife

120
DESP. NO.

December 5, 1961
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF :

20 For Dept. Use Only	ACTION	DEPT.	INTER-AMERICAN AFFAIRS
	REC'D	IN F OTHER	
	12-11-61	CIA-11 USIA-10 COM-10 NSA-4 ARMY-4 NAVY-4 AIR-6	

SUBJECT: Reaction and Possible Repercussions in Northeast of Senate Amendments to
SUDENE Master Plan

No doubt with the calculated design of Celso Furtado (see 9-115), a swell of public indignation over the senate's emasculation of the SUDENE master plan has grown steadily in the Northeast since news of the amendments was first announced on December 1. Whereas prior to December 1 Furtado and SUDENE had been consistently criticized in Recife's press, since that time the press has spoken out bitterly against the senate action and at least for the moment has fallen in rather solidly behind SUDENE. Writing in *Jornal do Comercio* on December 3, for example, editorialist Amyr Borges Fortes described the senate action as "an obvious sabotage attempt against the initiative which, finally, was beginning to awaken new hope among the Northeasterners.... This is an obvious conspiracy against the people of the Northeast." Ernani Fagis, writing in the December 2 edition of *Diario da Noite* declared: "That which Senator Argenore Figueiredo had not expected is now taking place: Public opinion in the Northeast is mobilizing in defense of the SUDENE master plan. The campaign, initiated in Recife, is now spreading to all the states of the region." *Diario da Noite* itself published an editorial in the same edition stating that: "The press reaction against the amendments of Senator Argenore Figueiredo just approved by the senate is an indication that the senator from Paraiba, though perhaps well intentioned, has not walked the 'just line' of the economics conceived by Celso Furtado.... Meanwhile, the drought continues, finding us, as always, at the zero mark." Socrates de Carvalho, also writing in *Diario da Noite*, referred to the call for a mass rally in Recife and declared: "And it is THIS THAT Northeasterners are going to do next Wednesday: show that the cycle of thievery developed at the cost of hunger for millions of people in the Northeast is definitely at an end.... Recife will close down completely, as a warning to bastard interests who want to impede the development of the Northeast."

The federal senate's action was also criticized severely in the State Legislative Assembly. Speaking before the assembly on December 1, PRT Deputy Sergio Varile bitterly attacked Argenore Figueiredo, calling him "one of the industrialists of the drought" (industrialista da seca). He called on all walks of life in the Northeast to "close ranks in defense of SUDENE against certain well known politicians who always sabotage the solutions to the problems of the Northeast." PRT Deputy Almaro Sampaio issued an appeal to the Federal Chamber of Deputies to reject the amendments imposed upon the SUDENE plan by the senate. And on December 4 the Governor of Pernambuco, Raul Sampaio, sent telegrams to all federal deputies requesting that they vote against the amendments and for the original SUDENE plan. In the past Sampaio has been one of SUDENE's severest critics. His action in sending telegrams in favor of SUDENE was clearly prompted by the realization that any public figure in the Northeast who identifies himself in any way with the senate amendments is, in effect, committing political

WSSM/10Kilday/2ws
REPORTER

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suicide. He may also be concerned over the serious social and political repercussions which it is now apparent could follow the emasculation of SUDAM.

Taking full advantage of the public dismay occasioned by the senate's amendments, Recife's leftist mayor, Miguel Arraes, hastened to "champion the cause of the people." He called on all citizens to protest the senate's action. "We know that the SUDAM master plan will not solve all our problems," he said, "but it is at least a beginning." Calling for a general strike, the mayor declared: "We must protest SUDAM, paralyzing all of Recife for an hour as a demonstration that the Northeast will protest in even more vigorous form if its needs are not attended to!"

A proclamation calling on the people of the area to stage a general strike at 5 p.m. on December 3 and to hold a mass rally in downtown Recife was signed not only by such leftists as the mayor, Vice-Mayor Arthur Mota Cordeiro, Vice-Governor Pelopidas Silveira, but also by moderates such as Paulo Guerra, the President of the State Legislature and even by conservative businessmen such as Renato Bezerra de Azevedo, the President of the Federation of Industries of Pernambuco. Such unity of left with right is most exceptional.

Students, labor unions, civic groups and private individuals have joined the demand for a brief general strike and for firmer measures if necessary if the "treachery of the senate" is allowed to stand. The mayors of various other municipalities have already voiced their support for Arraes' "call to arms".

Comment: The socio-political structure of Northeast Brazil, already weakening under the stress of unemployment in the urban centers, a drought in certain rural areas, a dangerous inflationary spiral and traditional social inequities, would not likely be able to bear long the political strain that could be imposed by the defeat or emasculation of the SUDAM plan. As things now stand, the plan is an element of hope in the promise of a brighter future. SUDAM has become the symbol of this hope. To destroy or to cripple SUDAM would serve to reduce that hope and would re-present evidence that solutions to the chronic problems of the Northeast cannot be expected within the present social and governmental framework.

The communists and other extreme leftist factions have recognized the opportunity that is presented to them by the legislative amendments. If the legislature turns out a bill that departs in any significant respect from the original plan, the way will be open for the leftist elements in the Northeast to proclaim, and proclaim loudly, that SUDAM was defeated by corrupt politicians within a corrupt political system.

Sad but true

Wayne S. Smith
per Albert A. Rebide

American Consul

cc: Embassy, Rio de Janeiro

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HANDLING INDICATOR				832.04/2-561													
FOREIGN SERVICE DESPATCH				DEC - 7 1961													
FROM :	Amconsulate PORTO ALEGRE	34	NO.														
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		December 5, 1961														
REF :	CERP, C-4																
55 For Dept. Use Only		AC	INFO	DEPT	HM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	ICA
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12/11		6	6	11	4	5	10	4	4	5	6	4	5	6	4	5	6

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - November 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 November was reported favorable to agriculture. The 1961-62 rice crop is being planted. Forecasts on the current wheat harvest are pessimistic as regards quality and quantity. Bank of Brazil is financing the wool crop. Planned agrarian reform in Rio Grande do Sul has met with opposition from farmers. Artificial insemination is expanding here. Due to recent salary increases and pre-Christmas activity good retail sales were reported. The foreign exchange value of the cruzeiro weakened during the month. The local money market tightened considerably. Additional PL-480 wheat shipments arrived here. It is reported that a considerable amount of jerked beef has been sold to Cuban buyers. Private bank employees' demands for salary increases were met.

1. AGRICULTURAL DEVELOPMENTS:

a. Rice - It is reported that the local Rice Institute (IRGA) expects to absorb up to 1,000,000 additional bags of rice, to bring the total taken up this year to 3,000,000 bags.

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From PORTO ALEGRE

firmer prices reported in Rio de Janeiro and São Paulo, the domestic market for this commodity remains favorable.

b. Wheat - Early forecasts on the wheat harvest, now under way, are pessimistic as regards both quality and quantity, excessive rains being cited as the main cause of those poor results. Production is now expected to be between 130,000 tons and 160,000 tons, representing a drop of between 30 percent and 50 percent under last year's crop, and grain samples have reportedly revealed a high percentage of husk. Prospects are that the entire harvest will be released and the minimum price will be set around \$1,570.00 per 60 kilos in bulk.

c. Wool - A loan of \$2 billion has been granted by the Bank of Brazil to finance the 1961-62 wool crop of Rio Grande do Sul. A State law has been approved by Governor Brizola exempting wool tops and wool processing equipment from the current sales and consignment tax amounting to 6 percent.

d. Weather Conditions - During the month of November weather conditions were reported favorable to agriculture. Farming activities were reported normal after heavy and damaging rainfalls in previous month.

e. New Secretary of Agriculture - Due to the recent resignation of Mr. Alberto Hoffman (PRP party) as Secretary of Agriculture, Governor Brizola has appointed Mr. João Caruso (PTB party) as Acting Secretary of Agriculture. Mr. Caruso is also Secretary of Public Works.

f. Agrarian Reform - Governor Brizola signed a law on November 14, 1961 creating the "Instituto Gaúcho de Reforma Agrária (IGRA)" (Agrarian Reform Institute) to set up plans and take steps toward improving farmers' social and economical conditions. As reported in the press, most of Rio Grande do Sul cattle farmers protested against this law. In a statement the farmers affirmed their right to property, and that the problem should not be solved by pure confiscation of private property.

g. Frozen Semen - A consignment of 11,700 vials of frozen semen shipped by the American Breeders Service of Chicago, Illinois, arrived here recently via air. This is believed to be the largest shipment of frozen semen to be exported from the United States to any country. The material was air freighted in a cylinder refrigerated by liquid nitrogen. This semen was purchased by the Rio Grande do Sul Secretariat of Agriculture for the use of individual ranchers who will pay moderate fees for it. The local artificial insemination project was started by the State Government in cooperation with the U.S. Point IV program and has now turned to a form of free enterprise as regards the sale of semen. However,

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the local Government and Point IV technicians continue to give assistance to an expanding number of organizations, cooperatives and individuals who desire to use the semen. Great increases in the use of this product are predicted for the next three or four months.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

As a result of recent general salary increases and pre-Christmas activity, retailers have been reporting good sales, while industry continues to suffer from slow collections.

Comparative figures of total sales for October 1961 (latest figure available) and September 1961, and October 1960, are as follows:

(In thousands of cruzeiros)

<u>October 1961</u>	<u>September 1961</u>	<u>October 1960</u>
34,221,890	29,587,280	21,358,351

Source: Budget Bureau, State Treasury

It is reported that larger shipments in October 1961 from Rio Grande do Sul to other domestic markets increased the total sales for that month.

Protest of trade bills for October 1961 (latest figure available) amounted to \$34,612,850, as compared with \$28,297,048 for September 1961, and \$19,821,480 for October 1960. One of the important local wholesale firms ran into financial trouble recently and was compelled to negotiate a payment's agreement with creditors.

3. FOREIGN TRADE:

a. Although SUMOC (Federal Superintendency of Money and Credit) instruction 219 has brought rates for export exchange down to about \$300.00 per dollar, this figure is reported now to be high enough to make rice exports attractive.

b. Wheat - Additional PL 480 wheat shipments arrived in Rio Grande do Sul during the month under review. Approximately 100 metric tons of wheat were reported lost from the SS. Antares which recently collided with another ship at the port of Rio Grande.

c. Jerked Beef for Cuba - In a press report it was stated that the Cooperativa Santanense de Carnes e Derivados Ltda. of Santana do Livramento, R.G.S., sold a considerable amount of jerked beef to Cuba. Cuban buyers are required to pay \$250.00 cash per kilo of unclassified jerked beef, and are also responsible for the packaging

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and shipping of the beef. Cattle raisers believe this to be a good business transaction, representing \$70.00 per kilo liveweight of steer.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

a. Steel Plant - (Ref. Consulate's despatch No. 34, January 10, 1961). On November 25, the first meeting was held, presided over by the State Secretary of Finance, for the formation and subscription of capital of the mixed corporation Acos Fines Piratini S.A. This steel plant is planning a year-round production of 60,000 metric tons of sponge iron, 60,000 tons of basic steel, and between 40,000 and 45,000 tons of finished products.

b. New Industry (Automation) - The local manufacturers INGAFORO claim to have for marketing a new product in the form of steel or brass nuts manufactured on an automatic lathe devised by the firm. They claim a production of 30 nuts per minute and state that these nuts are for use in the electronics, metal, automotive and machine industries. This new industry is supervised by German technicians, but no German investment is reported.

5. TRANSPORTATION AND COMMUNICATIONS:

a. Boeing 707s - Varig Airlines has started the operation of weekly flights, every Friday, using Boeing 707s from Porto Alegre to Buenos Aires, and from Porto Alegre to São Paulo, Rio de Janeiro and New York.

b. ILS Equipment - At the Porto Alegre airport, Salgado Filho, ILS equipment has recently been installed. This is a U.S. Point IV cooperation project with Brazil, and American technicians helped install the equipment.

c. State Railroad - It is reported that the local railroad system will receive an additional 60 Diesel engines from the Federal government, and that, by the end of 1962 this railroad will replace all its steam engines with Diesel units.

d. Port of Rio Grande - Dredging operations are underway at the port entrance of Rio Grande. The Federal Department of Ports, Rivers and Channels reported that the draft for Rio Grande will be deepened to 35 feet, against the previous draft of 27 feet. This will facilitate the entrance of bigger ships, particularly tankers.

e. Fares - Bus fares in Porto Alegre were recently increased an average of 32.4 percent, and street-car fares were increased 20 percent.

6. FINANCE:

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a. Exchange - During the month of November the free market foreign exchange value of the cruzeiro weakened again, fluctuating from a high of \$335.00 to a low of \$365.00 per dollar, compared to \$329.50 and \$329.00 respectively, in October 1961.

Agios at the special category dollar auctions reached an average of \$662.60 per dollar. The amount sold was reported to be 8,500 dollars. No Iron Bloc agreement dollars were offered for sale.

b. Money Conditions - A reliable source reported that deposit draining, resulting largely from heavy transfers which followed Rio and Sao Paulo bank strike settlements, have tightened the local money market considerably, and banks have practically suspended loaning operations. A local branch of an important foreign bank reported that exchange turnover dropped sharply in an irregular market.

c. New Bank - The first branch in Rio Grande do Sul of the Banco de Intercambio Mercantil Cooperativo Ltda. of Rio de Janeiro has been opened here, located in the business center of town.

7. LABOR:

After threatening to go on strike, State private bank employees' demands have been met as follows: Increase of 40 percent, effective November 1, 1961, with a minimum of \$6,200.00 and a maximum of 14,000.00 per month; an additional 20 percent increase to be effective May 1, 1962. It has been estimated locally that this increase will raise salary payments of banks in this State to \$1 billion.

The apparent inability on the part of Federal authorities to curb rising living costs is causing increased apprehension in labor circles.

8. MISCELLANEOUS:

State Electrification Program - Due to overload and other technical reasons some power cuts occurred during the month under review. The local CEEE (Electric Power Company) states that this overload will be removed as soon as additional power plants are put in operation.

Hyman Bloom
Hyman Bloom
American Consul

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AIR BUNCH		OFFICIAL USE ONLY		For Department Use Only	
HANDLING INDICATOR		FOREIGN SERVICE DESPATCH		832.00/12-1461	
FROM :	American Consulate, CURITIBA			39	NO.
TO :	THE DEPARTMENT OF STATE, WASHINGTON.			DEC 15 1961 December 14, 1961	
REF :	ORP Section C-4			TCA	
19 For Dept. Use Only		A C T I O N R E C D	I N F O	D E P.	R M /R
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SUBJECT: ECONOMIC SUMMARY FOR NOVEMBER 1961

I SUMMARY

The extreme heat of November seems to have induced a certain quietude in everything. Price and wage rises continued but such things are now considered as common as the rising of the sun. Old issues were discussed and old solutions proposed. Christmas decorations, somewhat more sparse than last year's were appearing on the main streets, but shopping activity was anything but intense.

There were complaints about the IBC's policies and complaints about Parana's bad roads and inadequate electric power. Opening of the Ponta Grossa-Curitiba road was promised for December 31 and São Paulo gave a hand by extending electricity lines to Maringá.

Credit eased somewhat and banking transactions returned to normal after the strike.

II AGRICULTURE

1. Coffee

Complaints against the IFC were heard from coffee growers throughout the state. In a meeting of planters held in Jacareizinho the IFC was condemned for loaning money for the construction of Brasília while being niggardly in granting funds for coffee cultivation. Low prices and excessive documentary requirements (income tax receipts, electoral cards, proof of contributions to the Serviço Rural) were additional causes for complaint, both at the meeting and in Curitiba and Londrina.

cc:AmEmbassy, Rio de Janeiro (2)

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Shipments of 400,000 bags from Farsnagné were reported, all but 50,000 bags representing exports. Prospects for continued heavy shipments are considered good.

Sources: "Diário do Paraná" - Nov. 15, 18, 25, 26, 1961
"Estado do Paraná" - Nov. 12, 26, 1961
"Última Hora" - Nov. 22, 1961
"Tribuna do Paraná" - Nov. 14, 18, 21, 1961

2. Mate:

Mate sales are also moving along normally. Some four million kilos were exported in November and another million were sold for internal consumption. Prices and export quotas to the Chilean market were increased and a new ratio system for exports to Uruguay was set up. The new system establishes quotas based on exports for the period 1958-60.

Sources: "Diário do Paraná" - Nov. 11, 21, 1961
"Estado do Paraná" - Nov. 14, 1961
Instituto Nacional do Mate.

3. Wheat:

Heavy rains in Paraná and floods in Santa Catarina have done severe damage to this year's wheat crop. An estimated 80% of the expected harvest in the Itajaí Valley was destroyed by the November floods. Meanwhile, PSD deputy José Hoffmann, an inveterate opportunist, took the floor of the State (Paraná) Assembly to declare that tons of home-grown wheat are rotting in warehouses because the Federal Government has not yet set minimum prices, and wheat mill owners refuse to pay the same price for national wheat that they pay for imported wheat (1300 cruzeiros a bag). Hoffmann ended by recommending the despatch of telegrams to government officials calling for the establishment of a national wheat price.

Since the stock reaction of Brazilian politicians to all difficult questions consists in sending telegrams in all directions nobody is likely to be shaken up by the heavy traffic on the Western Union wires.

Sources: "Diário do Paraná" - Nov. 8, 23, 28, 1961
"Estado do Paraná" - Nov. 5, 1961

4. Corn:

The director of the Paraná firm which exported 200 tons of corn to Chile last month is crying "foul" at São Paulo poultry farmers who have decided to import 24,000 tons of corn from the United States. The Paulistanos claim, with justification, that the American corn costs less. However, the Paranaense says that by the time the American corn arrives the price for Paraná corn "possibly" will have dropped. A bit of flag waving was also thrown into the argument.

Source: "Folha do Comércio" - Nov. 13, 1961.

III LABOR:

The labor front was somewhat calmer during November but the cycle of wage and price increases continued, with the promise of more to come. Although the shopping areas are crowded there appears to be a great deal more window-shopping than buying.

WAGES:

Chemical companies granted workers a 25 to 53% increase in wages, one of the companies (Alba S/A, a Borden Company investment) abstaining from the agreement but promising to work-out a contract by December.

Construction workers won a 20% increase and the promise that a new contract would be signed before March 1962. Demands for extra pay for dangerous work, thirty days vacation and a month's bonus are being heard.

Curitiba grade school teachers were granted a 40% salary increase while high school teachers received 45%.

Railway workers are demanding a 50% raise and waiters and hotel employees are campaigning for a similar increase.

Sources: All newspapers.

IV TRANSPORTATION AND COMMUNICATIONS

1. Cia. Força e Luz:

To compensate for a 26% wage increase granted Nov. 1, 1961 and a 40% increase to take effect on Feb. 1, 1962 the local electric company (American and Foreign Power subsidiary) requested a 75% increase in rates. However, the Federal Government was willing to grant only 66%. The higher rate took effect on November 1.

COMMENT: The director of the company mentioned in a conversation with the reporting officer that in the first six months of 1961 the company lost about US\$500,000.

2. Electricity Developments:

Power lines from São Paulo were extended to Maringá, Northern Paraná, providing that city with an additional 3000 kilowatts. It appears that if the electricity shortage in the north is to be solved São Paulo will do it. With this objective in mind the Inter-American Development Bank granted a US\$1,400,000 loan to Usinas Electricas do Paranaapanema S/A, and to Companhia Hidroelétrica do Rio Prado. The two São Paulo firms furnish energy to lower São Paulo and upper Paraná and the loan will be used to expand and improve distribution.

3. Paranaguá:

A firm hired by the state of Paraná to make a study of the port of Paranaguá published its report. The report reiterates what everybody has known for ages - Paranaguá is in pretty bad shape. It recommends increased warehouse capacity, dredging, and the installation of more modern loading and unloading equipment, especially suction unloaders for grain shipments.

Sources: "Diário do Paraná" - Nov. 12, 22, 1961
"Estado do Paraná" - Nov. 22, 1961
"Gazeta do Povo" - Nov. 22, 1961

V FINANCE:

Money and Exchange:

The credit situation has eased somewhat with the end of the bank employees strike, and discounting operations are gradually becoming normal. Exchange operations remain virtually paralyzed, most banks citing the "official" exchange rate while the rate at exchange houses in Rio and São Paulo rockets up to nearly 500.

Source: First National City Bank, Curitiba Branch.

August D.essler
August D.essler
American Consul

AIR POUCH		UNCLASSIFIED		For Department Use Only										
HANDLING INDICATOR		FOREIGN SERVICE DESPATCH		832.00/12-1561										
FROM :	Amcongen São Paulo	NO.	169											
TO :	THE DEPARTMENT OF STATE, WASHINGTON.			December 15, 1961										
REF :	CERP, C - 3													
20 For Dept. Use Only	ACT IT ON	IN P O	REP 1	AF 2	ARA 3	EUR 4	FE 5	NEA 6	CU 7	INR 8	E 9	P 10	IO 11	18
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SUBJECT: Biweekly Economic Review, December 1 - 14, 1961

INDEX	Reference	Reporter
1. Finance--Corporation Stocks Drop, D-12 Cruzeiro Weakens on São Paulo Financial Market		A. D. Ventura
2. Petroleum--Petrobras to Build Oil Terminal at São Sebastião, and Pipe Lines	D-15	A. D. Ventura
3. Transportation--Fluvial Port on Paraná River	D-16	A. D. Ventura
4. Foreign Trade--Mexican Industrial Mission in São Paulo	D-13	A. D. Ventura
5. Finance--Goiás State Budget for 1961 Reflects Deficit	D-12	A. D. Ventura
6. Radio--TV Employees Strike	D-17	J. Liebof
7. Attempted General Strike for Christmas Bonus Falls	D-17	J. Liebof
8. Journalists Strike	D-17	J. Liebof

1. Finance--Corporation Stocks Drop, Cruzeiro Weakens on São Paulo Financial Market

The São Paulo financial market reacted unfavorably to the bill to limit remittance of profits (see despatches 158 of December 1 and 163 of December 13) recently passed by the Federal Chamber of Deputies. Corporation stocks dropped overnight by an estimated average of 15 percent, but recovered slightly by the end of the first week of December. Trading in Bank of Brazil import-export notes, and obligations of financial and investment companies slowed down considerably. Cruzeiro's dollar quotations on the so-called "manual" (black) foreign

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exchange market went from Cr\$363 to the dollar on December 1 to Cr\$450 to the dollar on December 13. The cruzeiro, however, rallied to Cr\$420 on December 14 after the general strike, called by labor unions for December 14 in support of a Christmas bonus, was a failure.

Comment: The reaction of the São Paulo financial market reflects the growing alarm and uneasiness of the local business community in the face of rising inflation, labor unrest, and other social and economic problems.

2. Petroleum--Petrobras to Build Oil Terminal at São Sebastião, and Pipe Lines

The construction of an oil tanker dock at São Sebastião (S. P.); a pipe line to link São Sebastião with Santos, and the extension of the Santos - São Paulo pipe line to Campinas were discussed at a meeting between an officer of Petróleo Brasileiro - PETROBRAS and the Governor of the State of São Paulo. Work on the three projects is scheduled to start early in 1962 and be completed in December 1963 at a cost to PETROBRAS of 5 to 7 billion cruzeiros.

Comment: The construction of a pipe line linking São Sebastião and Santos has long been under study. Because the channel that leads to the Santos docks is relatively narrow and shallow, large tankers dock at São Sebastião instead, where the oil is trans-shipped to smaller tankers that carry it on to Santos for delivery to the Presidente Bernardes refinery at Cubatão. The new pipe line is designed to ensure a more continuous supply of oil to refineries and reduce operating costs.

3. Transportation--Fluvial Port on Paraná River

The Official Gazette (Diário Oficial) of the State of São Paulo announced on December 11 that the Federal and São Paulo Governments have agreed to build a fluvial port at Presidente Epitácio, São Paulo. Initial outlay for construction of the first 900 feet of the 1,500 foot docks will be 240 million cruzeiros, of which half will be expended by the São Paulo State Government. The docks will be located at the terminal of the Sorocabana Railway trunk line.

Comment: Presidente Epitácio, in southwestern São Paulo, is located across the Paraná river from Mato Grosso. It is an important traffic point for merchandise moving between São Paulo and Mato Grosso. The existing port facilities have long been considered obsolete, precarious, and inadequate. The new docks will contribute to the development of navigation on the Paraná River and to the improvement of the Sorocabana Railway services.

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From Amcongen São Paulo

4. Foreign Trade--Mexican Industrial Mission in São Paulo

A Mexican Industrial Mission, headed by Mr. Fláclio Garcia Reynoso, President of the Latin American Free Trade Zone Inter-ministerial Commission and Deputy Secretary of Mexico's Department of Industry and Trade, visited São Paulo November 28 - December 1. The mission was primarily interested in establishing contact with local manufacturers of motor vehicles and auto parts, with a view to studying the possibility of Mexico importing Brazilian forged auto parts, which are not manufactured in Mexico.

Comment: Mr. Reynoso said that he was very favorably impressed with the technological achievements of the Brazilian automotive industry, as ascertained during the mission's visits to the local installations of Ford, General Motors, Mercedes Benz, Volkswagen, Willys Overland, and three major producers of heavy forged auto parts. Mr. Reynoso indicated that representatives of other Mexican industries would visit São Paulo in the near future to study further opportunities for developing trade relations between Mexico and Brazil.

5. Finance--Goias State Budget for 1961 Reflects Deficit

The Secretary of Finance of the State of Goiás announced that the State budget will show a deficit of approximately 1.2 billion cruzeiros for fiscal year 1961, ending December 31. Revenue for the year is estimated at 3.2 billion.

Comment: Showing concern at the State's financial situation, the Secretary of Finance said that Goiás will be able to cover the budget deficit only if it obtains long-term loans from the Federal Government.

6. Radio-TV Employees Strike

A 36-hour strike of São Paulo radio and television employees which silenced all local radio and television stations ended December 13 with a decision of the Regional Labor Tribunal awarding the workers a 45 percent wage increase. The settlement provided minimum increases of Cr\$7,000 per month for broadcasting and administrative employees, and Cr\$6,000 per month for other employees, and a maximum increase of Cr\$16,000 per month. The principal issue separating the employers and the union was whether the agreed-upon 45 percent increase would be offset or not by other increases previously granted during the last contract year, including the 40 percent minimum wage increase decreed in October 1961. This issue was decided by the Court in favor of the union. There was no violence reported.

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From Amcongen São Paulo7. Attempted General Strike for Christmas Bonus Fails

In an attempt to pressure the National Congress into passing legislation granting a Christmas bonus of one month's pay to all workers, some of the more leftist-oriented São Paulo unions, including those in the metal-fabricating, printing, glass, textiles, chemical, and paper products industries, called a general strike effective 12:01 A. M. December 14. The projected strike had previously been declared illegal by the Minister of Justice. Although a few plants were closed down, the vast majority of industries and commercial establishments continued to function normally.

Comment: The failure of the strike was generally attributed to the prompt and forceful measures by the authorities in arresting hundreds of strike leaders and pickets, and the fact that the unions affiliated with the Democratic Union Movement refused to support the strike.

8. Journalists Strike

The Regional Labor Tribunal on December 5 ended a 3 1/2 day strike of São Paulo journalists and radio - TV newscasters by awarding the workers a 45 percent wage increase and a minimum monthly wage of Cr\$22,000. During the strike São Paulo was completely without local newspapers or news broadcasts. While no generalized violence occurred, there were scattered incidents when the police unsuccessfully tried to dislodge strikers who physically prevented the circulation of newspapers which had previously granted their employees wage increases approximating the strikers' demands.

Comment: Following the settlement the State authorities were attacked on one side by conservative newspapers for having tolerated alleged violence by the strikers, and on the other side by the left-wing press for having allegedly used violence against the strikers. The State Government replied that it had acted to maintain order and protect the newspapers' property without prejudicing the journalists' rights to strike or resorting to methods offensive to human dignity. There were reports that some newspapers had actually welcomed and even fomented the strike to force the Federal Government to restore the former preferential exchange rate for the importation of newsprint, abolished by SUMOC Instruction 204 in June 1961.

Scott C. Lyon
Scott C. Lyon
Consul

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HANDLING INDICATOR				83200/12/861											
FOREIGN SERVICE DESPATCH															
FROM : Embassy, RIO DE JANEIRO		489		December 18, 1961											
TO : THE DEPARTMENT OF STATE, WASHINGTON.				DATE DEC 28 1961											
REF : CERP C-3		EHR PER B/FAC													
19 For Dept. Use Only	ACTION	AKA-4	IN	2	1	5	ARA	1	4	1	CU	10	7	1	13
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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period December 2 - 15, 1961) DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN - 3 1962

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JW Sullivan
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1. SUMOC Decreases Lowering of Deposit Requirements on Foreign Exchange Purchases.

On December 16, 1961, the SUMOC Council issued Instruction 221 providing for the gradual elimination of special deposit requirements for purchase of foreign exchange for both imports and financial transactions. Previously, importers had been required to deposit with the Bank of Brazil 150% of the cruzeiro equivalent of foreign exchange purchases for imports against the issuance of 150 day, 6% Bank of Brazil letters, and banks have been required to deposit 50% of the cruzeiro counter value of foreign exchange sales for financial transactions with

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SUMOC for six months without interest. Pursuant to Instruction 221, beginning January 1962 each of these deposit requirements will be reduced by 10% each month until the requirement is eliminated.

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Comment: At the end of October, import letters outstanding amounted to about Cr\$50 billion. The total amount deposited as a result of foreign exchange sales for financial transactions is not known but is not believed to be a significant amount. Gradual reduction of these requirements, as provided in SUMOC Instruction 221, will result in the release of about Cr\$50 billion into circulation during 1962. It has been reported that SUMOC Council agreed to this step on the promise of Congressional leaders that the proposed bill authorizing the doubling of commercial banks' compulsory reserve requirements would be passed. Should the bank reserve requirement bill pass in the next Congress and should reserve requirements be doubled as a consequence, the monetary effect of the release of funds presently tied up in import letters would be offset.

Undoubtedly, the overriding consideration leading to the issuance of Instruction 221 was to try to encourage confidence in the face of the depreciation of the cruzeiro in the cambio market (a high of Cr\$470 per dollar was reached on December 13) which added to the general atmosphere of disturbance, confusion and, for the Government, embarrassment. With the provision for the gradual elimination of the deposit requirement for foreign exchange sales for financial transactions, it is expected that the disparity between the financial exchange rate at banks and the cambio rate (where no deposit is required) will narrow.

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2. Mixed Congressional Committee to Redraft Profit Remittance Bill.

The Brazilian Senate did not act on the Brant Profit remittance bill, earlier passed by the Chamber, before adjourning on December 15. Before adjourning, however, the Congressional leaders of major parties decided that a mixed Congressional committee consisting of 5 members of each House should be appointed to study and redraft the bill along lines which will be acceptable to both Houses. Presumably, the modifications agreed upon by the mixed committee will be acted upon by the Senate when it reconvenes in February.

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Comment: It has been reliably reported that opponents of the bill had mustered sufficient votes in the Senate to have permitted outright rejection of the bill before adjournment. The Administration, however, reportedly preferred a more conciliatory approach to avoid leftist recrimination. In light of the severe criticism of the bill from all quarters, it may be

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expected that a number of the more onerous provisions will be drastically modified - particularly those requiring that remittances be calculated on the basis of the cruzeiro value of the firm, the prohibition against adding reinvested profits to the remittance base, the requirement that Brazilians must register foreign holdings, and the prohibition against foreign companies buying into existing Brazilian firms. According to Congressional sources, even the leftist supporters of the bill were embarrassed by the repercussions which resulted from the Chamber's approval of the bill. It is significant, however, that all discussion is in terms of modifying the Brant bill rather than rejecting or substituting, so that it appears likely that the profit remittance bill, if adopted in the next session of Congress, will contain a flat rate restriction on remittances and capital repatriation.

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3. Rent Control Law Extended by the Senate

On December 11, the Senate approved the bill extending the Rent Control Law until December 1962, without amendment. At the occasion of the last extension, several changes in the text were proposed by the Senate with the purpose of improving the position of landlords. These changes were, however, rejected by the Chamber during the recent session before the matter was submitted to the Senate.

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Comments: In spite of the tremendous pressure exerted by landlords, the current legislation was approved unanimously and without amendment. Landlords were promised by the Justice Committee of the House that the current Rent Control Law would be revised during the forthcoming session in order to correct the present injustices. The law now extended permits only annual increases on rental contracts which, in view of the rate of inflation experienced in recent years, has resulted in tremendous distortions in rental markets.

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4. Government Requests Federal Autarquias to Submit Balance Sheets in 1962.

The General Accounting Office of the Union addressed a communication to all Federal autarquias requesting that their 1961 balance sheets be forwarded to that Office before January 21, 1962 in order to permit the compilation of a complete economic and financial survey of activities of all state run enterprises which operate outside the Federal Budget.

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Comment: The submission of this information, if the request is carried out, will enable the Government to present, for the first time, a consolidated public sector balance sheet and permit the eventual formation of a single public sector budget. The fact that a large part of federal fiscal operations takes place outside the budgetary sector has constituted one of the technical road blocks to using fiscal policy as an economic tool. Likewise, the lack of a single public sector balance sheet has hampered analysis of the monetary impact of federal fiscal operations.

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5. Reduced Postal and Telegraph Rates to be Effective in January

The Ministry of Transportation and Public Works has announced that postal and telegraphic rates, which were increased last July (see Endes 125, August 18), shall be reduced effective January 1st, 1962. Coronel Dagoberto Rodrigues, director of the Postal and Telegraph Services explained the action on the grounds that "since the Postal and Telegraph Service is not an industrial enterprise, but a public service utility, its main purpose should be the improvement of communications and not the collection of profits".

The main differences will be a reduction of an average of about 25% in domestic rates while international rates are to be reduced by an average of approximately 10%. The following is a comparison of current and revised rates to be effective as of January 1, 1962: ordinary mail (Brazil) from Cr\$10 to Cr\$8; Airmail (Brazil) from Cr\$15 to Cr\$10; Airmail (South America) Cr\$20 to Cr\$13, airmail (United States) from Cr\$25 to Cr\$21; airmail (Europe) from Cr\$45 to Cr\$37. Inter-city telegrams (25 words) were reduced from Cr\$50 to Cr\$30; night letters (25 words) from Cr\$100 to Cr\$80.

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Comment: The rate reduction will probably cause an increase in the postal deficit for 1962 (now estimated at Cr\$11.2 billion) by roughly Cr\$1 billion. Though the amount involved is not considerable in terms of the anticipated total Federal deficit, it is somewhat disturbing in that it does constitute a retreat from one of the few concrete stabilization measures taken by the Quadros Government.

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6. Diplomats Abroad to Receive Increases of 30%

A 30% cut in total salaries and allowances of diplomats assigned abroad was among the "austerity" measures taken by former President Quadros.

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Beginning January 1962, according to recent instructions from the Brazilian Foreign Office, Brazilian Diplomats abroad will again receive salaries and allowances on the basis of pay scales which were in effect in the pre-Quadros period.

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Comment: The measure now revoked was adopted by former President Janio Quadros ostensibly in an effort to save foreign exchange. In terms of foreign exchange savings, however, the measure never did amount to much, but it was a popular measure among Brazilians who, generally, feel that Brazilian diplomats abroad are overpaid. As a matter of fact, allowances of Brazilian diplomats, when serving abroad, are among the highest in the world.

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7. Christmas Bonus Strike in São Paulo

The Communist and pro-Communist labor leaders in São Paulo recently attempted a general strike in that city, in order to force Congress to approve a bill which would require employers to pay a Christmas bonus of one-month's salary to all employees. The democratic labor leaders of São Paulo originally went along with the proposed strike, because of membership sentiment for it. However, on the night of December 15, they issued a manifesto asking their membership to refrain from contributing to general unrest, to remain at work, and not to support the politically motivated strike with which they had become disappointed. In the meantime, the Chamber of Deputies, which had approved the first reading of a bill to grant each worker such a bonus by a large majority, refused to take action upon the second reading. In view of the Chamber's action, and the time element, it seems almost impossible that the bill will be approved this year.

Meanwhile, in São Paulo, the strike attempt was partially effective in the industrial field, with commercial and transportation activities apparently largely normal. The State government is firmly opposed, as is the leadership of the pro-Communist newspaper *Ultima Hora*, and the strike is expected to peter out. (The Consulate in São Paulo will report this development in more detail.)

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Comment: This is another example of widespread national irresponsibility. In this case, fortunately, the President is likely to be irritated with his Communist labor leader friends. It might even cause him to be more careful in supporting them.

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8. COPEG President and Council Named

The first general assembly of COPEG (Companhia Progresso do Estado da Guanabara) was held on December 4, 1961, under the chairmanship of Governor Carlos Lacerda, at which its president and officers were installed. The initial capital of Cr\$600 million had been subscribed, a minimum of 51% being held by the State Government. The new president, Sr. Guilherme Borghoff, is a prominent Rio businessman, head of a well established wholesale automobile parts firm, and former president of the Rio Chamber of Commerce. A distinguished board was also chosen, headed by Sr. Clemente Mariani, Minister of Finance under the Quadros Government. The by-laws of the company have still to be drawn up.

Comment: It was reported that the company will have as one of its principal projects the development of industrial areas in the State of Guanabara along the Avenida das Bandeiras in the Santa Cruz area.

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SHWeaver

9. Creation Of National Transportation Council

The Council of Ministers approved on December 7 the creation of the National Transportation Council, to be subordinate to the Ministry of Transportation. This new Council has as its main purpose the study and establishment of a general transportation policy, the coordination of federal investments in transportation and the development of guidance to be followed by competent agencies. It will have as its President the Minister of Transport and as its members the President of the National Highway Council, the Director of the Merchant Marine Commission, the Director of the Federal Railroad Network and the Directors of the National Department of Highways and National Department of Ports, Rivers and Canals. The ministries of Aeronautics, Navy and War, as well as the BNDE will also have representatives as members.

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SGAnderson

10. SUMOC Approves Clearing Agreement with Communist China

The Foreign Ministry has announced that the SUMOC Council, in its session of December 13, approved the three year payments agreement, between the Bank of Brazil and the Chinese Popular Bank. The Agreement was signed in Peking on August 21, on the occasion of the visit to that country by the Brazilian trade mission, headed by the then Vice-President, Joao Goulart. (See Endes 199 of September 14, 1961)

The approval of the Agreement opens up possibilities of direct trade between the two countries, in an amount which may reach \$56 million.

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11. Brazil-Yugoslav Commission Considers Means of Increasing Trade

A mixed Brazil-Yugoslav Commission met in the Brazilian Foreign Office for the purpose of studying means of increasing trade between the two countries. The Yugoslavian section was headed by Vasa Vescovic, director of the Department of North and South America of the Yugoslavian Foreign Trade Committee; Minister Jorge de Carvalho e Silva, Chief of the Eastern European Division of the Foreign Ministry served as chief of the Brazilian section.

Yugoslavia is particularly concerned to increase its exports to Brazil, in an attempt to reduce its \$8 million deficit in the trade balance between the two countries.

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Comment: The meeting of the mixed Commission coincided with a meeting, in Rio de Janeiro, of the chiefs of Yugoslavian missions in Latin America, presided over by Ambassador Jaksa Petric, director of the Secretariat of the Yugoslavian Foreign Ministry. According to Petric, the chiefs of missions, meeting was directed at an increase in relations between Yugoslavia and Latin America, and above all, an expansion of trade with the hemisphere.

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RAGoldstein

For the Ambassador

Robert Eakens

Robert Eakens
Counselor for Economic Affairs

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SUBJECT: MONTHLY ECONOMIC SUMMARY - NOVEMBER, 1961.

SUMMARY:

The major economic development of the month was the passage on November 29 by the Chamber of Deputies of a strict, nationalistic profits remittance bill which caused much concern in domestic as well as foreign business circles. This note of pessimism was added to by Congress' approval of the Federal budget, with an estimated record deficit and its failure to act on the Government's tax reform proposals and bank reserve bill. There was, nevertheless, strong criticism of the profits remittance bill in the press and by leading figures such as former Finance Minister Mariani and former President Kubitschek, with hope that the bill would be substantially modified by the Senate in February when Congress reconvenes. Another significant occurrence during the month was the announcement in the Rio press that the International Monetary Fund had suspended Brazil's drawings on stand-by credits negotiated last May. The reason given by the press was Brazil's failure to stay within the credit expansion and money supply limits provided for in its agreement with the Fund. Press comments, however, expressed confidence that the issue could be resolved through consultation.

The increase in the cost of living in Rio de Janeiro of 5.8% was the largest of any single month so far this year, bringing the cumulative increase since the beginning of 1961 to 33.2% compared with 18.3% for the same period last year. The cruzeiro weakened considerably, falling especially after passage of the profits remittance bill. The average check buying rate for the month was Cr\$345.00 compared to Cr\$308.00 for October.

Business conditions were good on the whole with trading at retail levels at a brisk rate in view of increased seasonal buying. Production apparently increased generally to meet rising consumption requirements. (SEWeaver)

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FINANCE:

Financial developments in November began with the Government's efforts to bring under control a spiraling rate of inflation and to have legislation enacted which would permit some degree of stabilization in 1962. To accomplish the former, the SUMOC Council "recommended" that the Bank of Brazil submit to global limitations on its lending operations and that it limit rediscounts to commercial banks in liquidity difficulties. To attack the problem of inflation next year, the Government submitted to Congress a tax reform bill designed to increase revenues by Cr\$70 billion and supported a bill which would permit raising compulsory reserve requirements of commercial banks to double the present ceiling of 14% and 7% for demand and term deposits, respectively. The month thus began on an optimistic note which changed to pessimism by the end of November with the passage by the Chamber of Deputies of an extremely nationalistic profits remittance bill, the approval of the Federal budget with an estimated record deficit and failure of the Congress to act on either the tax reform or bank reserve bills.

The major economic event of November was, of course, the approval of the profit remittance bill by the Chamber of Deputies by a surprisingly large vote (151-60). The bill was sponsored by Deputy Celso Brant (Labor Party) and in addition to the provisions of the bill earlier proposed by nationalist leader Sergio Magalhães plugged many of that bill's loopholes. The passage of the bill by the Chamber caused near panic in foreign business circles. The responsible press stated its opposition in strongest terms and several leading figures, including former Finance Minister Mariani and former President Kubitschek, issued public statements condemning the measure.

In short, the bill provides for an annual limitation on profits remittances of 10% of the cruzeiro value of registered foreign investments and an annual limitation on repatriation of capital of 20% of the same value. Reinvested profits would not add to the base on which remittances or repatriation would be calculated and any remittance of over 10% would be considered repatriation with the base being reduced accordingly. Other provisions of the bill would require Brazilians to declare their foreign holdings, prohibit foreign firms from acquiring ownership of existing Brazilian firms and prohibit foreign banks from accepting deposits except where the country of the home office permits Brazilian banks to operate on a reciprocal basis.

The requirement that registered capital of firms be calculated in terms of cruzeiros is perhaps the most onerous provision of the proposed bill. Since the law would not permit adding reinvested profits to the profits remittance base, the percentage of profits that firms could remit in dollar terms would steadily diminish as inflation proceeded.

It is expected that the bill will be substantially modified by the Senate in February when the Congress reconvenes.

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The SUMOC Council (of which the President of the Bank of Brazil is a member) issued "recommendations" to the Bank of Brazil referred to above, in light of a tremendous expansion of Bank of Brazil loan activities which had taken place in September and October. This expansion of loans was facilitated by the return flow of currency issued to meet liquidity demands on the part of the public during the August-September political crisis. Of a total of Cr\$52 billion issued for this purpose, only Cr\$15 billion was actually sterilized when returned to the Bank of Brazil. Of this Cr\$15 billion, Cr\$5 billion was already drawn down in October and an additional part (amount not yet known) was drawn down in November, presumably to finance Government operations.

The Government's tax reform proposal was designed to increase government revenues in 1962 by Cr\$70 billion. In addition to a general raise in consumption tax rates (as much as 1000% in the case of certain alcoholic beverages), the most interesting points of the tax reform are those concerning profit remittances and penalties for tax evasion, including jail terms for tax fraud. The present tax law has no jail sentence provisions. Profit remittance would be affected by the tax bill by means of a tax on distributed income, with distributed income of firms having less than 30% resident ownership being taxed at a higher rate.

There is some dispute as to whether under the Constitution, the tax bill needed to be passed before the budget law in order to be effective in 1962. In this connection, the Supreme Court recently declared unconstitutional a new tax enacted in the middle of fiscal year 1959. The Prime Minister, however, has stated that in the opinion of the Government, the Constitutional prohibition applies only to new taxes and that existing taxes could be raised or lowered during the fiscal year.

Aside from the constitutional problem, there is scepticism as to whether the bill will be passed by the Congress during an election year. There has been considerable criticism particularly of the proposed consumption tax increases which would provide about 2/3rds of the \$70 billion increase in revenues expected. In spite of the critics and in spite of the constitutional roadblocks, the Administration continues to urge prompt passage of the bill.

Another significant occurrence in November was the announcement in the Rio press that the IMF had suspended Brazil's drawings on stand-by credits negotiated last May. The reason given by the press was Brazil's failure to stay within the credit expansion and money supply limits provided for in Brazil's agreement with the Fund. Comments made by the press in general were friendly to IMF and expressed confidence that the issue could be resolved through consultation.

On November 18, SUMOC Council issued Instruction 220 providing that all foreign exchange earnings from the sale of coffee would be negotiated

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at the free market rate and that the retention quota would be \$22 per bag regardless of the crop year. (see Endas 441, November 29, 1961). Under Instruction 205, the retention quota was set at \$24-26 per bag on the 1960-61 crop (later changed to \$22-24) and to \$22 per bag on the 61-62 crop. In either case, under Instruction 205, provision was made for the readjustment of the retention quota when the exchange rate fell below Cr\$265 or rose above Cr\$275 per dollar. Under the new Instruction, earnings will be converted at the Bank of Brazil free rate (currently Cr\$300 to \$1.) while the retention quota will be held firm. Prior to Instruction 220, the Bank of Brazil had already permitted the conversion of coffee earnings at Cr\$280.00 per \$1.00. The free market rate being applied pursuant to the new Instruction is the buying rate presently being quoted by the Bank of Brazil. The increase of Cr\$20.00 per dollar at which coffee earnings are negotiated will result in exporters receiving an additional Cr\$900 million this year, assuming that 2,000,000 bags are exported between November 18 and the end of the year with dollar earnings amounting to some \$45 million.

During November, paper money in circulation remained unchanged at Cr\$288.8 billion although there were further drawings on the special SUMOC account representing the sterilized portion of the return flow of currency issued during the crisis (see above).

The customs tariff conversion rate (fiscal dollar) was set at Cr\$285.96 for the month of November, up from the October rate of Cr\$265.68. The fiscal dollar rate is based on the average free market rate for the past three months.

The cost of living index of the Getulio Vargas Foundation for the State of Guanabara (Rio de Janeiro) indicated an increase of 5.8% for November, the highest recorded in 1961 thus far. The cumulative increase in the cost of living index by the end of November amounted to 33.2% as compared to 18.3% for the same period last year.

The average check buying rate in the market for November was Cr\$345.00 which compares with Cr\$308.00 in the previous month. For the comparable months of 1960, the corresponding figures were respectively Cr\$190.51 and Cr\$189.09. According to the daily averages compiled by the Bolsa de Valores based on exchange sales made in Rio during November, the dollar rate fluctuated between a high of Cr\$316.10 and a low of Cr\$307.20 in the merchandise market and between a high of Cr\$314.38 and a low of Cr\$307.07 in the financial market. (JKrizay/WBlomeyer)

INDUSTRY AND TRADE:

Business conditions continued to be good on the whole, with sales of consumer goods at high levels at the end of year season. Production generally increased to meet rising consumption requirements.

The investment situation was less satisfactory due to continued uncertainty about the economic and financial policies of the new Government.

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This situation was worsened by the passage by the Federal Chamber of Deputies on November 29 of a bill limiting remittance of profits abroad and otherwise restricting the activities of foreign capital in the country. This has caused cancellation or at least postponement of several prospective investments and provoked a run for dollars and a consequent weakening of the cruzeiro in the exchange market.

Industrial production appeared to be recovering after its setback in September due to the political crisis. Although some proposed new investments had been cancelled in the last few months, others went ahead.

The Government has so far adhered to its policy of not increasing petroleum prices. Although the exchange rate applicable to petroleum imports was raised for the fourth quarter of the year in accordance with SUMOC Instruction 208, the Government did not increase the exchange rate upon which the sole tax on fuels is calculated, which is supposedly based on actual import costs. By foregoing approximately Cr\$2.3 billion in tax revenue in the last quarter, the Government expects to compensate the petroleum companies for increased import and operating costs.

Petrobras announced completion of a test run at its synthetic rubber factory located at Gramacho, State of Rio de Janeiro, near its Duque de Caxias refinery. Regular production should begin within a month or so. The factory's capacity of SER-type synthetic rubber using refinery by-products is 40,000 tons annually, which is believed to be sufficient to supply present national consumption for this type of rubber.

The Government has been authorized to subscribe stock to the value of Cr\$1 billion in Aços Finos Piratini, which is being formed by the Rio Grande do Sul State Government for production of fine steels. The mill will use coal produced in the State. A special credit of Cr\$200 million is to be opened immediately, while amounts of Cr\$400 million will be included in the Federal budget for 1962 and 1963. The company will be given exchange priority for necessary imports and exemption from taxation for five years.

It was announced that the Inter American Development Bank has granted two loans amounting to \$1.4 million for improvement of the electric power system in the State of São Paulo and northern Paraná. The recipients are both utility companies controlled by the State of São Paulo. Usinas Elétricas do Paranapanema (UEELPA) will receive \$1,130,000 and the Companhia Hidro-elétrica do Rio Pardo (CHERP) \$270,000. The loans will reportedly be used to cover foreign currency expenses in the execution of short-term expansion programs, the total cost of which is \$4.5 million. The loans will be guaranteed by the Banco do Estado de São Paulo.

The National Economic Development Bank has guaranteed financing of 7.7 billion lira by the Italian firm Grupo Industria Electro-Meccaniche per Impianti a L'Estero for construction of a thermoelectric power station in

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the State of Rio Grande do Sul for the Comissão Estadual de Energia Elétrica. The Italian company will provide equipment for the station which is to be installed at Alegrete and will have a capacity of 66,000 KW.

The new president of the Companhia Siderurgica Nacional, Admiral Lucio Meira, recently appointed by President Goulart to succeed Engineer Paulo Vieira de Lima, stated that the goal for steel production for the Company in 1963 is 1,400,000 tons. He also announced that a third blast furnace will be installed at Volta Redonda, raising its annual production to 2,500,000 tons by 1967.

The Executive Group for the Naval Construction Industry (GEIN) has announced approval for three projects to manufacture in Brazil marine diesel engines and heavy equipment for ocean-going vessels. Over 3.8 billion cruzeiros will be invested. MAN Fábrica de Máquinas e Motores Diesel S. A. of Osasco, São Paulo, will put up facilities to manufacture marine engines to total 75,000 BHP annually. It will receive financing in the amount of 18 million West German marks from MAN-Maschinenfabrik Augsburg AG of Nuremberg, Germany. Industrias Villares S. A. of Sao Bernardo do Campo, S. P. will invest, together with Burmeister and Wain of Denmark, a total of 800,000 dollars to produce motors at an annual capacity of 50,000 BHP. A third company, Ishikawajima do Brasil Estaleiros S. A. of Rio de Janeiro, will produce diesel engines amounting to 74,000 BHP annually with the technical and financial assistance of Sulzer Frères S. A. of Switzerland. It is understood that these projects will involve manufacture of medium sized marine engines not hitherto produced in Brazil. (SHWeaver)

LABOR:

The sharp rise in food prices and the cost of living, combined with reported left-wing agitation, resulted in some labor unrest in São Paulo. A partial strike developed at General Motors do Brasil S. A. Bank clerks of all banking organizations in the city of São Paulo, other than the local offices of the Bank of Brazil, went out on a two-day strike. State employees indicated their dissatisfaction with the 30 percent across-the-board increases proposed by the Governor. Following the intervention of the Federal Minister of Labor, agreements were reached with workers of the printing, weaving and spinning, paper and paperboard, and glass industries. (Aventura)

TRANSPORTATION AND COMMUNICATIONS:

During November the major development was denouncement by the Brazilian Government of its Air Agreements with Denmark, Holland, Norway, Sweden and Switzerland. Due to the lack of interest of Panair do Brasil,

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the only Brazilian airline operating to Europe, the Agreements, which were signed in 1947, never resulted in bilateral operations and hence were considered obsolete. The Brazilian Government intends that new agreements will be reached with the interested parties; otherwise KLM, SAS, and SWISSAIR would have their passenger services curtailed and only technical landings would be permitted. It was reported that the denunciations also had as a purpose the attainment by Brazil of a better bargaining position in relation to the restrictions imposed by the European Common Market. According to Government sources the denunciations can be interpreted as intending to bring about changes in the restrictive treatment allegedly now being received by Brazilian products in that market.

On November 24 a "Comet" of the Aerolineas Argentinas with 52 passengers on board exploded a few minutes after taking off from Viracopos airport (which serves São Paulo) killing all. The causes of the disaster are still unknown.

According to a decision made by the United Nations Organization the Brazilian Air Force will furnish military transportation in the Congo. The UN has decided that every six months air transportation will be shifted among member countries, Brazil being the first chosen for the task.

On November 8, Lloyd Brasileiro inaugurated a new monthly service to the Lebanon. (SCAnderson)

AGRICULTURE:

With normal rainfall in São Paulo and Minas Gerais the nation's agricultural picture improved considerably during the month. Bahia continued to suffer from a prolonged dry spell but there was little effect on its commercial crops during November, as the castorbeans and tobacco were already in and the cacao region has not been affected.

Excessive rains in the South, however, caused serious damage to the wheat crop. Most observer's report that the harvest was practically completed by the end of November and that it would total only about 150,000 metric tons, instead of the 210,000 expected earlier. There is thus a severe shortage of wheat in the producing region. Domestic production, however, is usually only about 10-15 percent of Brazil's total annual consumption and, since the producing regions themselves are usually deficit wheat areas, the rest of the country will not be seriously affected.

It is still estimated that there was a bumper corn harvest. Even so, the late arrival of the rains in a large part of the country and consequent heavier feeding caused some fear that a shortage might develop and prices rose substantially. It is also commonly believed that speculators had much to do with the price increase.

/By November

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By November it was believed that 1961 castorbeans production totalled only 165,000 metric tons as compared with the original estimate of 230,000 tons. This was less than even the most pessimistic forecasts due to severe drought in Bahia. Nevertheless, oil production held up well during the year by making use of the large carry-over from the record 1960 crop.
(L.F. Thomasson)

For the Ambassador:

Robert Bakens

Robert Bakens
Counselor for Economic Affairs

Enclosures: *att*

Economic Indicators.

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 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- ens</u>	<u>Pers. Serv.</u>	<u>Pub. Serv.</u>	<u>Index</u>	<u>% Change</u>
1960									
Jan.	809	476	601	488	623	623	767	691	.8
Febr.	807	480	609	512	623	652	767	696	.7
Mar.	808	498	614	522	623	652	824	705	1.2
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
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
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	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
Sept.	1209	831	781	780	959	1185	1246	1059	4.7
Oct.	1293	863	790	792	993	1185	1330	1110	4.8
Nov.	1407	903	800	804	1016	1185	1430	1174	5.8

*- Revised.

Source: Getulio Vargas Foundation.

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From Rio, BrazilBrazil's Foreign Trade (US\$1,000,000)

1961

<u>Imports</u>	<u>July</u>	<u>August</u>	<u>Jan-Aug.</u>	<u>July</u>	<u>August</u>	<u>Jan-Aug.</u>
Total	125.	142.6	979.5	100%	100%	100%
U S A	48.3	53.2	344.6	38.6	37.3	35.2
Western Europe	37.3	45.9	321.6	29.8	32.2	32.8
Middle East	4.9	6.5	46.2	3.9	4.6	4.7
C.B. **)	6.1	7.2	43.1	4.9	5.	4.4

<u>Exports</u>	<u>July</u>	<u>August</u>	<u>Jan-Aug.</u>	<u>July</u>	<u>August</u>	<u>Jan-Aug.</u>
Total	128.2	153.4	903.3	100%	100%	100%
U S A	47.2	67.6	347.3	36.8	44.1	38.4
Western Europe	47.7	50.4	328.5	37.2	32.9	36.4
Middle East	1.5	.9	5.9	1.2	.6	.7
C.B. **)	11.3	15.8	56.2	8.8	10.3	6.2

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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Both of his principal speeches were printed intact in the important newspapers, and his activities were reported upon at length. Top-circulation "Folha de São Paulo" summed up the reaction of the moderate press in an editorial entitling the Ambassador's first speech a "Chart for Peace and Prosperity." Even far-left "Ultima Hora" was cautious, though its limited reporting on the visit showed its distinctive list: "Gordon lures (Governor) CARVALHO PINTO with International Development Bank Loan," and so forth. Such restraint amounts almost to favorable treatment for the São Paulo "Ultima Hora," and was especially remarkable considering the Ambassador's frontal attack on Communist economic development policies in his first speech. The following line from a column in "Diário de São Paulo" (the local Chateaubriand paper) was more nearly typical: "Rarely have we in this country had an opportunity to hear a speech (again referring to Ambassador Gordon's first) so full of lessons, lessons in politics and economics, lessons in social orientation..." Private reactions seemed equally favorable. São Paulo was influenced by the Ambassador's command of Portuguese and the fact that he was an economist, a profession which in local experience has produced more trustworthy public figures than has politics. In evaluating the Ambassador's visit, it is necessary to remember that São Paulo considers itself the center of Brazil in all but geography, and hence just the place where an Ambassador should prefer to spend his time. A comment in "Folha" typified this attitude: "Keep coming back, Mr. Gordon, because it is in São Paulo that the destiny of the country has always been forged."

2. Mayor Threatens to Dismiss 2000 City Employees (Official Use Only)

When the São Paulo Municipal Chamber, nearing the end of its legislative session, granted city employees a large pay raise and refused to approve a corresponding tax increase, Mayor Prestes MALA showed that he was still holding some important cards. To the original demand by the Association of Municipal Employees for a 60 percent raise, the Mayor had responded with a request for an immediate 20 percent raise, another 20 percent on April 30, and a general raise of 20 percent in all city taxes to pay for the salary increases. Instead, the Municipal Chamber approved an immediate 40 percent raise and a tax raise of only 14 percent. According to the Mayor, this left him little choice. He said that he could not increase the already high city deficit nor cut the program of public works, which represents an expenditure insignificant in relation to the salaries of the city bureaucracy of 30,000. He chose instead to fire all city employees with less than two years' seniority. Between two and three thousand were estimated to be affected. Every one had been hired by ex-Mayor Adhemar de BARROS, Prestes Maia's political enemy. The strongest party in the Municipal Chamber, however, is Adhemar de Barros' own Social Progressive Party (PSP), which was predictably horrified. In a last minute action, the Chamber approved an up-dating of city tax bases along lines requested by the Mayor, increasing the municipality's expected income while leaving the

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apparent tax rate alone. Mayor Maia hinted that he would reconsider his Christmas present to the two thousand-odd threatened employees.

COMMENT: (Limited Official Use) The current Mayor would be delighted to remove some of the payroll padding of his predecessor, and he might have gone ahead with his plan if given a chance. There was little possibility that the Chamber would leave him with such a solid excuse. One has to admire Prestes Maia's political courage, though the measure he announced seemed too harsh to go through. Many of the employees affected would have been teachers, who can hardly be spared.

3. Financial Bill Agitates Legislative Assembly (Official Use Only)

The extraordinary session in which the São Paulo Legislative Assembly entered December 15 has so far been a turbulent contrast to the peaceful regular session. The principal problem has been a bill regulating state fiscal procedures for the coming year. No one item seems to be the center of the controversy, though the opposition bench claims that several articles delegate undue power to the Governor. The Governor's opposition, on paper a reduced minority, managed to delay passage of the bill for days. It now seems likely to be passed, but at the cost of all-night sessions, strained nerves, and two actual physical fights between Deputies. In one case, two Deputies who came to fisticuffs were both members of the administration bench.

COMMENT: Compare this with similar agitation in the Municipal Chamber (item 2). The difference is that the Legislative Assembly is usually a more responsible body, and one in which the administration would seem to have an overwhelming majority (some sixty seats to thirty). The Governor, moreover, enjoys immense popularity, and his programs have been dramatically successful. With all of these factors in his favor, he sometimes gets responsible fiscal legislation through the Assembly only by a hair's breadth. This makes it easier to understand the greater problems of most other Brazilian regional and national legislative bodies.

4. GALVÃO Back in São Paulo (Official Use Only)

Captain Henrique Galvão, Portuguese rebel of Santa Maria and airplane kidnapping fame, is reported by two newspapers to be back in São Paulo. Other papers which normally keep close track of Portuguese revolutionary activities have not reported the event, indicating that it came about very quietly. Neither has any explanation been seen of the government's decision to lift the restrictions confining Galvão to Belo Horizonte, though the press reported that he lunched with Minister of Justice Alfredo NASSER "to become well imbued with the spirit of the Ministerial act which permits him free movement in national territory." Galvão gave the São Paulo press a statement condemning India's invasion of Goa.

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Nothing in his press interview indicated that his intentions toward the Salazar Government had altered. (See Embassy Rio de Janeiro Despatch 482 of December 14, 1961.)

Labor

5. Reelection of Democratic Union Leaders (Unclassified)

Domingo ALVARES was reelected President of the São Paulo State Federation of Metalworkers on December 15 without opposition. Of the 23 local unions affiliated to the Federation, 18 voted for Alvares, 3 abstained, and 2 were not represented at the election because of the detention of their leaders resulting from the attempted general strike of December 14. The Metalworkers Federation, with an estimated membership in excess of 150,000, is the largest State Federation in Brazil.

On December 22, the slate headed by Olavo PREVIATTI won reelection by a vote of 7 to 3 in the São Paulo State Federation of Paper and Cardboard Workers.

COMMENT: (Official Use Only) Both Alvares (an admitted former member of the Communist Party) and Previatti are active supporters of the Movimento Sindical Democrático, former Point IV grantees and strongly anti-Communist. Previatti has been President of his Federation since its inception in 1945, and his reelection over extreme leftist opposition was expected. In Alvares' case, the dominant Communist and leftist Socialist elements in the São Paulo City Local Metalworkers Union and in several other local unions affiliated to the State Federation were unsuccessful in generating any widespread anti-Alvares sentiment and did not even bother to nominate an opposition slate. This was in marked contrast to the hotly-contested last election in December 1959, when the incumbent Communists attempted to nullify Alvares' initial victory by persuading the then Minister of Labor to intervene in the Federation, only to see the intervention revoked (and Alvares' election sustained) due to the resultant public hue and cry.

6. GOULART Spokesman Urges São Paulo Labor Unity (Unclassified)

Gilberto CROCKAT DE SA, President Goulart's labor advisor, at a rather stormy meeting in the São Paulo regional office of the Labor Ministry on December 19, urged São Paulo labor leaders to unite in a single labor movement regardless of their political convictions. He added that the present division on the local labor scene between democratic leaders and Communists ought not to endure, since the weakness it caused in the labor movement might lead to the overthrow of the government. Democratic labor leaders present at the meeting refused to collaborate with the Communists and reiterated their goal of a democratic labor movement free from control by the government or political parties.

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COMMENT: (Official Use Only) This development confirms Goulart's apparent aim of shoring up his precarious political position and off-setting any future challenges to his power by creating a solid base of mass support in the labor movement, where up to now his support has been considerably less than monolithic. By this action he is further advancing the cause of the Communists, who have made "unity" the main slogan in their attempt to dominate the Brazilian labor movement. The refusal of the democratic labor elements to yield to this Presidential pressure is another indication of their increasing maturity and independence. The future of trade unionism in Brazil may well depend upon whether they can successfully continue to maintain their position in the face of what will undoubtedly be mounting pressure from Goulart, the Communists, and the more recalcitrant employers.

Local Press Reaction

7. Ambassador Gordon's Visit (Unclassified)

(See also item 1). Comment in the moderate press was glowing. "Folha de São Paulo" said: "The speech made by Ambassador Lincoln Gordon in São Paulo is equivalent to a program of peace and prosperity for the Americas, healthily inspired in the fundamental principles of democracy... the American diplomat outlined with great accuracy a demonstrative picture of what the economic structures of the free countries have been able to achieve." "O Estado de São Paulo" addressed the Ambassador as follows: "Precisely due to the fact that besides being a diplomat you are an intellectual and a technician, the words which you pronounced contain a deep meaning in which political aspects are closely associated to questions of an economic nature.... In your speech you have not limited yourself, as other important American personalities have, to displaying the benefits of the new hemisphere politics of your country.... You have shown yourself to be more interested in remembering, explaining and listing rather than adding new information. The fact is that you were extraordinarily convincing in establishing a parallel between the methods to which democracy and totalitarianism respectively recur in the task of the construction of the present." Even leftist "Ultima Hora" parted with some grudging praise: "American Ambassador Lincoln Gordon showed proof of great ability in his São Paulo visit. He surprised everyone by the way he dominates the Portuguese language." "Diário de São Paulo" said: "Especially in the analysis which he made of the questions referring to our development, as a technical expert as much as a representative of a friendly nation, he placed problems in their due position.... The great lesson of the expert economist and diplomat deserves to be well studied by our people..." According to "Gazeta": "Summing up, Mr. Lincoln Gordon will contribute definitely and effectively to the development of Brazilian-American relations in a climate of understanding always more perfect and satisfactory.... Ambassador Gordon made every effort to reciprocate the cordiality with which he was received by all representatives of Paulista society."

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8. President Kennedy's Trip to Latin America (Unclassified)

President Kennedy's trip to Latin America was the big international news of the week. "The Latin American Continent showed its true feelings in the enthusiastic reception that Caracas offered to the President of the United States," said "O Estado de São Paulo." After having stated that President Kennedy was not frightened by Communist threats, the same newspaper continued: "He acted like a soldier, a soldier for peace, solidarity, and cooperation, who is aware that at certain moments an authentic leader must risk his life. The people of Venezuela proclaimed two truths with the enthusiastic reception accorded to Kennedy: their faithfulness to democracy and their ability to differentiate between Kennedy and Eisenhower." "O Estado" devoted several editorials to the topic. In another it said: "The courage of three men of true political significance (Kennedy, Betancourt and Lleras Camargo) finally succeeded in negating the dangerous and mediocre actions of those who were trying to divert the foreign policy of the South American countries from their traditional orientation." "A Hora" in three editorials on President Kennedy's trip, said: "One cannot deny the personal bravery required of President Kennedy in going to Caracas, where there exists a dangerous climate which would ward off a less calm and confident visitor.... As a result of President Kennedy's trip to Colombia and Venezuela, we have before us a new Continental panorama, quite different from that of the Eisenhower government. There is no doubt that the Reds were unequivocally defeated." "Folha de São Paulo" observed that "The success of President Kennedy's visit to Venezuela and Colombia refutes the statements of those who proclaim that there is a strong and irrepressible anti-American feeling among the peoples of Latin America. President Kennedy must have noticed that the ties of friendship between the Latin America and the United States are still very strong." "A Gazeta" thought that the trip was a "journey that consecrated democracy in Latin America" and a "spectacular defeat for Communism.... President Kennedy's trip to Latin America should also be interpreted as a vigorous action in support of the economic and social program of the Alliance for Progress." "Correio Paulistano" predicted that "The success of Kennedy's visit to Venezuela and Colombia will produce a double effect in Continental politics: it will weaken the efforts of divisionism which are being instigated by the Cuban government in an attempt to break the ties of the Pan-Americanism."

Miscellaneous

9. List of Substantive Despatches

176 São Paulo Summary No. 26

Scott Lyon
Scott C. Lyon
Consul

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From São Paulo

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FOREIGN SERVICE DESPATCH

832.00/2-2961

FROM : Amoenen São Paulo

178

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 29, 1961

REF : CERP, C-3

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SUBJECT: Biweekly Economic Review, December 15 - 28, 1961

CERP

Reference

Reporter

1. Foreign Trade--São Paulo Commercial Association Suggests Changes in SUMOC Instructions 215 and 216 D-13 A. D. Ventura
 2. Electric Power--São Paulo State Government Increases Participation in Capital of Power Company D-16 A. D. Ventura
 3. Finance--Bids at All-Time Low at São Paulo Special Import Auctions D-12 A. D. Ventura
 4. Transportation--Port Improvements at Santos Announced D-16 A. D. Ventura
 5. Agriculture--Forecast of Agricultural Income 1961 D-14 W. G. Thorburn
1. Foreign Trade--São Paulo Commercial Association Suggests Changes in SUMOC Instructions 215 and 216

The Commercial Association of São Paulo sent a six-point memorandum to the Federal Minister of Finance outlining suggestions aimed at a better implementation of SUMOC Instructions 215 and 216. These instructions were issued in September with a view to promoting the financing of exports of Brazilian durable goods and of production for domestic consumption. The Association's memorandum suggests that (1) financing of exports be extended to non-convertible currencies inasmuch as the more readily accessible markets for Brazilian goods are soft-currency markets; (2) longer credit terms be extended to foreign

Ventura
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From Amcongen São Paulo

Importers of Brazilian goods; (3) the clause limiting shipment of Brazilian-financed export goods to Brazilian ocean-going vessels be cancelled; (4) local banks be allowed to extend credit terms on the sale of foreign exchange for financed export goods; (5) the Brazilian finance authorities adequately control the sale of export notes on the local financial market so as not to handicap the sale of local securities; (6) the clause which requires exporters to present adequate guarantees to the Foreign Trade Department and the Exchange Department of the Bank of Brazil be clarified.

Comment: SUMOC instructions 215 and 216 have remained a dead letter so far. Local business circles believe that their implementation will be delayed probably until the second half of 1962.

2. Electric Power--São Paulo State Government Increases Participation in Capital of Power Company

The São Paulo State Government will increase its participation in the capital of Centrais Elétricas de Furnas in the amount of 415 million cruzeiros. The funds will be made available through the Water and Electric Energy Department of the São Paulo Secretariat of Transport and Public Works (215 million cruzeiros) and the State-controlled Companhia Hidroelétrica do Rio Pardo (200 million cruzeiros). Due to other financial commitments, Companhia Paulista de Força e Luz and São Paulo Light S. A. Serviços de Eletricidade will not contribute to Furnas' increase in capital. Their quotas were taken up by the São Paulo State Government and the National Economic Development Bank (ENDE).

Comment: The Furnas hydroelectric plant, now under construction on the Rio Grande in the State of Minas Gerais, will supply electric power to the States of São Paulo, Minas Gerais, and Rio de Janeiro. The plant was scheduled to go into operation in 1962 but, due to unexpected delays, it will not start producing energy until the end of 1963 or the beginning of 1964.

3. Finance--Bids at All-Time Low at São Paulo Special Import Auctions

The last auctions of exchange for special imports (largely luxury goods) in São Paulo before the end of 1961 took place on December 26. A total of US\$51,400 was put up for sale, but only US\$16,000 were purchased at a rate of Cr\$662.60 per US\$1.00, the minimum permissible bid.

Comment: The low bids indicate a lack of interest on the part of importers of luxury goods. Never have bids been so low since the auctions were resumed on June 6, after being suspended since February 1961.

1/ Current free market dollar buying rate is around 390 cruzeiros per U. S. dollar.

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From Amcongen São Paulo4. Transportation--Port Improvements at Santos Announced

A four-year plan to improve dock facilities of the port of Santos were announced by the Federal Ministry of Transport and Public Works. A total of 4.4 billion cruzeiros and 1.2 million dollars will be expended. The funds will be obtained, in cruzeiros, from the Port Fund (Fundo Portuário), the port improvement tax, and the Companhia Docas de Santos and, in dollars, through financing by the Eximbank. Improvements will include drainage and deepening of the channel and port approaches; construction of a 3000-foot dock; construction of warehouses and silos, including expansion of the wheat silo facilities; construction of a cold room for fruits; expansion of the oil loading and unloading facilities at Barnabé Island. Equipment to facilitate port operations will also be purchased.

Comment: Because of inadequate facilities, port congestions often occur at Santos. The four-year plan to improve port facilities should substantially contribute to more efficient operations at the docks.

5. Agriculture--Forecast of Agricultural Income 1961

According to an article published in "O Estado de São Paulo," the Division of Rural Economics of the Secretariat of Agriculture of the State of São Paulo forecasts agricultural income in 1961 to be 220 billion cruzeiros as compared with 150 billion in 1960.

The major sources of income for 1961 as compared with 1960 are:

	1961 (billions of cruzeiros)	1960
Meat	41.5	29
Coffee	39.5	21.5
Cotton	20.3	13.7
Sugar Cane	20	12.8
Dairy	19.9	11.9
Others ^{1/}	78.8	61.1
	220	150

Comment: If depreciation of the cruzeiro is taken into account, the increase in real income for 1961 over 1960 was: only about 13 percent, in contrast to an increase of about 47 percent in cruzeiro income. However, an increase in real income of 13 percent is quite respectable.

Scott C. Lyon
Scott C. Lyon
Consul

1/ Includes some 20 items.

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period December 16 - 29, 1961)		DEPARTMENT OF STATE		BUREAU OF	
		INTER-AMERICAN AFFAIRS		JAN - 8 1962	

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3. House Committee Approves Draft Law Doubling Compulsory Deposits of Banks.
4. Administration Drafts Plan For 30% Budget Cut.
5. Currency Issued in Fiscal Year 1961.
6. Brazil Reduces Import Duties For Ialta Members.
7. Brazil to Adopt More Aggressive Trade Policy in 1962.

1. COFFEE EXPORTS:

Coffee exports during the month of December 1961 through the 19th were 837,013 bags compared to 836,457 bags exported during the same period last year.

Total coffee exports during the current marketing year (July 1, through December 19, 1961) were 8,826,734 bags compared to 8,350,019 bags exported during the same period of the last coffee marketing year (L'Yallouz) (UNCLASSIFIED)

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2. EMERGENCY COMMITTEE FOR ALLIANCE FOR PROGRESS INAUGURATED

After a delay of several weeks, the Emergency Planning Committee which will have the responsibility for the selection of the first Alliance for Progress projects, was finally inaugurated in Rio on December 27. The Emergency Committee consists of Prime Minister Neves, the President of ENDE, Leocadio Antunes, and Ministers Moreira Salles (Finance), Montoro (Labor), and San Tiago Dantas (Foreign Ministry). A sub-committee, which will do the actual work involved in establishing priorities and selection of projects, was established at the same time with the following members: Faria Goes (Finance), Clóvis Garcia (Labor), Dias Carneiro (Foreign Ministry), Cibília Viana (ENDE), and Bulhões Pedreira (representing the Prime Minister). The sub-committee held its first session on December 28, under the Chairmanship of Leocadio Antunes, President of ENDE.

(UNCLASSIFIED)

Comment: The surprising feature in connection with the inauguration of the Emergency Committee, was the announcement that the sub-committee will be presided over by Antunes. Previously, it had been understood that Bulhões Pedreira, technical assistant to the Council of Ministers, would chair the group. This development would tend to indicate a victory of President Goulart over Neves and the Cabinet which, reportedly, had been certain that Bulhões Pedreira would play the leading role in the sub-committee. It would also indicate that Antunes, the former Finance Secretary to Governor Brizola (Rio Grande do Sul), continues to play a role of steadily increasing importance in the nation's economic policy. (JKR:zay)

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3. HOUSE COMMITTEE APPROVES DRAFT LAW DOUBLING COMPULSORY DEPOSITS OF BANKS

The Economic Committee of the House of Representatives approved on December 12, 1960 the draft bill submitted by Representative Daniel Faraco authorizing SUMOC to double the percentage of compulsory deposit requirements of commercial banks.

(UNCLASSIFIED)

Comment: The text of the project authorizes the SUMOC Council to double the bank's compulsory reserve requirements ratios established in Article 4 of Decree Law 7,293 of February 2, 1945. Thus, the so-called "compulsory" reserve; i. e., the non-interest bearing reserve deposited to the account of SUMOC and which can only be drawn upon with SUMOC's permission would be raised from 8 to 16 percent for demand deposits and 4 to 8 percent for time deposits. Since the law provides that these rates may be increased up to 75 percent of their original values, the final ratios of compulsory

/reserve

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reserve requirements may go as high as 28 percent for demand deposits and 14 per cent for time deposits, if the SUMOC Council so decides. Currently compulsory reserve requirements are set at 7 and 14 per cent for time and demand deposits respectively.

It is understood that SUMOC Council had agreed to the issuance of SUMOC Instruction 221 (see Item I, BME, Embdes 489 of December 18), providing for the gradual redemption of import letters on the promise of congressional leaders that an effort would be made to secure an early passage of the bank reserve bill on the theory that compulsory requirements could then be raised sufficiently to absorb the inflationary effects of a reduction of Cr\$52 billion in outstanding import letters. (JKrizay)

(OFFICIAL USE ONLY)

4. ADMINISTRATION DRAFTS PLANS FOR 30% BUDGET CUT

The Council of Ministers has drafted its "Economy Plan" providing for cuts in the 1962 Federal Budget of up to 30%. Cuts will affect expenditures other than personnel and maintenance costs. The Administration's "Economy Plan" will replace the one passed by the Congress but vetoed by the President, authorizing a cut of 40% on "unfixed" expenditures.

(UNCLASSIFIED)

Comment: The Congressional economy plan was vetoed apparently because the Government did not want to be limited to budget cuts in any specific category. In Brazilian budgetary history, "economy plans" have never resulted in reducing expenditures, and this is probably the reason. However, it is possible that the Administration will use the "economy plan" as a bargaining lever in attempting to secure Congressional approval of tax and bank reform bills. (JKrizay)

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5. CURRENCY ISSUED IN FISCAL YEAR 1961

In a press conference, the Finance Minister announced that during fiscal year 1961, total paper money issued amounted to Cr\$112.8 billion which amounted to an increase of over 50% in the amount of currency in circulation over the December 1960 level. Of this amount, Cr\$50 billion was issued during the Quadros Administration; some Cr\$52 billion in the political crisis of August and Cr\$50 billion in the current Administration, all in the current month.

(UNCLASSIFIED)

Comment: Almost half (Cr\$52 billion) of the currency issued during 1961 was issued during the crisis principally to assist commercial banks meet demands for liquidity. At the time that this currency was issued it was expected that the sums would flow back to the monetary authorities as the political situation returned to normal and that a large percentage of this would be withdrawn from circulation. This did not occur, however,

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and in fact the Bank of Brazil used this return flow of cash principally to increase its outstanding loans to the private sector in September, October and November. Some Cr\$15 billion of the return flow was actually captured and temporarily placed into a sterilized account. Cr\$5 billion of this amount, however, was drawn down in October and it appears that the remaining Cr\$10 billion was drawn down in December when an additional Cr\$30 billion was issued to finance government operations. The effective increase in the money supply in December, therefore, appears to have been Cr\$40 billion rather than Cr\$30 billion constituting new issuances. The inflationary effects of this addition to the currency in circulation in December will be felt in the coming months. (JKrisay)

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6. BRAZIL REDUCES IMPORT DUTIES FOR LAFTA MEMBERS

A decree signed by the President of the Council of Ministers on December 20, provides for the coming into force, as of January 1, 1962, of the first reductions in import duties made in accordance with the Treaty of Montevideo. The Treaty, which created the Latin American Free Trade Association (LAFTA), calls for the gradual establishment, over a period of 12 years, of a free trade zone for member countries.

The decree reduces import duties on certain products, specified in an attached "National List of Brazil", originating in those Latin American countries that are signatories to an Act of Negotiations, signed in Montevideo on December 12, 1961.

In addition, Paraguay is granted exemption from payment of customs duties and from the effects of similar barriers, except consular fees, for certain products included in a list of concessions made exclusively to Paraguay by Brazil.

Note: A translation of the decree and annexed lists are being forwarded by the Embassy under separate cover. (BAGoldstein)

(UNCLASSIFIED)

7. BRAZIL TO ADOPT MORE AGGRESSIVE TRADE POLICY IN 1962

On the occasion of a luncheon given the press, Foreign Minister San Tiago Dantas asserted that Brazil will adopt a more aggressive trade policy in 1962 in an attempt to increase her exports by 1965 to US\$3,000 million, 100 million from the present ~~US\$1,000 million~~ US\$1,600 million level.

The Minister indicated that the first target for Brazil's economic advance would be Latin America, where prospects have been enhanced by the encouraging results achieved thus far by the Latin American Free Trade Association (LAFTA). The Minister further indicated Brazil's intention to invite representatives from Argentina and Mexico to join in a special mission

/to explore

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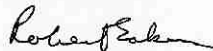
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From RIO DE JANEIRO

to explore with representatives of Latin American producers and consumers the development of trade in Latin America, "an area of great activity, suited to methods of capitalist trade expansion".

The second area for the expansion of Brazil's trade will be the socialist countries, with whom Brazil will use trading methods appropriate to their planned economies, i. e. government to government agreements through which Brazil's share of trade can be included in long term state planning.

According to the Foreign Minister, one of the most urgent problems of markets for Brazil is that of West Europe, where favorable treatment is being accorded African countries, to the detriment of Brazil. The gravity of the matter is such, announced the Foreign Minister, that the Secretary General of the Foreign Office, Ambassador Carlos Bernardes, will soon go to Europe to reexamine problems related to the European Common Market. (BAGoldstein)
(UNCLASSIFIED)

For the Ambassador



Robert Bakens
Counselor for Economic Affairs

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UNCLASSIFIED (Security Classification)		DO NOT TYPE IN THIS SPACE 832.00/1-962
FOREIGN SERVICE DESPATCH		
FROM : AmConsul, Belo Horizonte, Brazil	DESP. NO. 12	DATE January 2, 1962
TO : THE DEPARTMENT OF STATE, WASHINGTON.		
REF :		
19 For Dept. Use Only	ACTION REC'D 1-16	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
SUBJECT: ECONOMIC SUMMARY - Minas Gerais (October - December 1961)		

- INDEX**
1. BUSINESS ACTIVITIES
 2. BANKING
 3. COMMUNICATIONS
 - a) TV in Belo Horizonte
 - b) TV in Juiz de Fora
 - c) Microwave telephonic communications
 4. LABOR: Bank Strike
 5. INDUSTRY
 - a) Oil refinery and pipeline (continued)
 - b) New steel furnace
 - c) Japanese steel mission
 - d) New iron ore exploration firm
 - e) Furnas (continued)
 - f) Tractors

1. Business Activities

The money situation remained in a state of flux for a considerable period after the resignation of Janio Quadros as President. While wide fluctuations in exchange, availability of funds for investment and prices of some local securities continued, there was a general improvement in December reflecting in part local reaction to the Federal Government's successful handling of the São Paulo strike threat.

Retail sales began a slow recovery in October.

cc. Counselor for Consular Affairs-Ambassy/Rio de Janeiro
 Economic Section - Embassy/Rio de Janeiro

JSL:desan:dpm

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From Belo Horizonte, Brazil

2. Banking

The Bank of the State of São Paulo opened an office in Belo Horizonte December 11. Typical comment in Belo: "Even the Paulistas know they have to move their bank here if they want good banking". The comment serves to illustrate provincial pride here.

3. Communications

a) TV in Belo Horizonte

On December 4 the second television station in Belo Horizonte initiated its experimental phase of transmission. Programs thus far are mostly dubbed or sub-titled U. S. serials. Very little advertising has as yet appeared. The station belongs to a TV network, Rede Unida de Televisao, including Rio São Paulo and Brasilia. It is also affiliated, through Sistema Tiradentes with the Minas cities of Lafaiete and Juiz de Fora.

b) TV in Juiz de Fora

On October 18 the first television station in Juiz de Fora was inaugurated. The station is affiliated with TV stations in Rio, São Paulo and Belo Horizonte. Hours of operation and power of the transmitter have not as yet been reported.

c) Microwave telephonic communications

On November 25, microwave telephonic communications between Belo and Rio and Brasilia were inaugurated. The installations were described as being effective 98.7% of the time. In fact considerable "fading" has been experienced. An RCA engineer who worked on the project said that, for economy reasons, only half as many relay towers as originally planned have been constructed. As a result whenever conditions are not ideal some difficulties in communications can be expected. When finances permit, the additional towers are to be added.

4. Labor: Bank strike

The bank strike which began in Rio in mid-October spread to Belo Horizonte and then fanned out over the state of Minas Gerais. Governor Magalhães Pinto received most of the credit for mediating the strike which was ended by an accord signed between the bankers and bank clerks in the Governor's Palace October 26, 1961. The terms, generally conceded to be a victory for the bank clerks, do not differ substantially from those agreed to in settlement of the strike elsewhere in Brazil: 20% general increase, Cr\$ 7,000 per month minimum increase (both retroactive to September 1, 1960) and various fringe benefits.

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5. Industry

a) Oil refinery and pipeline (continued)

As may well be the case with many other local pet projects initiated during the Kuitshak administration but which fell by the wayside before or during the August political crisis, plans for the Minas oil refinery and pipeline from Guanabara to Santa Luzia, 15 miles from Belo Horizonte (see Condes Nos. 23 and 28 dated Jan 24, 1961 and Feb 17, 1961, respectively), have once again been approved. Governor Magalhães Pinto received a letter from Petrobras which stated, in part, that "the executive directorate of Petrobras has authorized concurrent construction of the oil pipeline and refinery for Belo Horizonte, the capacity per day to be 25,000 bbl." The then president of Petrobras, Geomário de Carvalho Barroso, subsequently visited Belo Horizonte to meet with the Governor and other interested officials. In a speech before the Minas Society of Engineers, Dr. Barroso is reported to have announced that the planning stage is virtually completed for the pipeline. Present plans call for the pipeline and refinery to be in operation in late 1964 or early 1965. This coincides with the announcement by the Minister of Mines and Energy, Gabriel Passos, that he is pressing for completion of the pipeline in three years.

Comment: The approval by Petrobras is something new. Earlier approvals have been given by the National Petroleum Council, former Presidents, or others not directly responsible for the construction. Nevertheless, and despite the continued local reassurances that construction will soon be initiated, the Consulate believes that it is too early to predict with confidence that construction will actually be undertaken. No word from the Council, to which Petrobras is subordinated, is known to have been given after the approval by Petrobras. Now the Petrobras approval is also in question. The President of Petrobras has been replaced and the cycle of approvals must once again be repeated.

b) New steel furnace

On October 9, Mannesmann Steel Company had its first run of steel from its newly installed third electric furnace. It has a capacity of 35 tons per run, consuming 10,000 kilowatts. Construction was completed in four months. Mannesmann's present capacity is reported to be 110,000 tons per year.

c) Japanese steel mission

A Japanese mission headed by representatives of Iwata, Fuji, and Nippon Kokan iron and steel corporations arrived in Belo Horizonte on October 23. There were discussions of the possibility of the Japanese importing 10 million tons of iron ore yearly through the ports of Angra dos Reis and Vitoria and the possible creation of a

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From Belo Horizonte, Brazil

Second Japanese-Brazilian steel corporation like USIMINAS, the new one to be located in the Maouri Valley. Some consideration was given to shipping 4 million tons of ore out through the port of Caravelas (used only by shallow draft vessels) but no plans could be developed until after further study. This would involve considerable improvement in transportation facilities and require State and Federal participation in the financing. A novel feature of the plan would be location of Japanese farmers along the transportation routes as a method of guaranteeing use of the new lines until such time as ore production was increased to utilize all available transportation.

Comment: The Consulate believes that the railroad facilities available could not easily be stretched to add 10,000,000 tons of iron ore export per year, particularly when considered alongside already existing plans for expansion and the probable continuation of a preferred status for exports by the Companhia do Rio Vale Doce or any other purely national companies which may be formed. The first steps which would have to be taken before there could be any really large increases in export would have to be improvement of the roadbed, rail maintenance and traffic control, and expansion of port facilities. Double lining of some of the railroads would have to follow.

d) New iron ore exploration firm

On November 24, 1961, Premier Tancredo Neves approved the plan of the Municipality of Belo Horizonte to create a mixed-capital company, Ferrobela (Ferre de Belo Horizonte), for iron ore exploration within the municipality (county). Ferrobela is a pet project of Belo Horizonte prefect Asintus de Barros. The municipality has subscribed Cr\$150 million (U.S. \$1.00 equals Cr\$310). A portion of the expected profits is to be set aside for city improvements. The public share, Cr\$50 million was offered beginning December 18. Over one-half was sold the first day.

Initial plans call for early acquisition of mining equipment and ore cars for use by the Ferro Central do Brasil in carrying the ore to be exported from Rio. Expectations are that 300,000 tons will be exported the first year, 600,000 the second, and 1,000,000 per year thereafter. Later plans call for steel production in conjunction with some as yet undesignated foreign company.

e) Finances for Furnas expanded (continued)

New financing in the amount of 5.5 billion cruzeiros was granted by the National Bank for Economic Development (BNDE) to the Furnas Hydroelectric Project to be expanded on the power plant at Passos. Total finances granted to Furnas by the BNDE now amount to 15 billion cruzeiros.

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From Belo Horizonte, Brazil

39 Tractors

The first 33 tractors "built" in Minas Gerais were delivered December 18, 1961. The Consulate has been told that these tractors were only assembled here. Actual serial production, while scheduled for the immediate future, may well be delayed until after the factory is completed.

Jen S. Lodessen
Jen S. Lodessen
American Vice Consul

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FOREIGN SERVICE DESPATCH

FROM : Embassy, RIO DE JANEIRO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP C-4

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932.02/1-1162

January 11, 1962

JAN 16 1962

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SUBJECT: MONTHLY ECONOMIC SUMMARY - DECEMBER 1961.

SUMMARY:

The principal economic developments of the month were in the financial and monetary field and concerned the large addition to currency in circulation and the rapid and wide fluctuations in the foreign exchange market. The addition to the supply of outstanding currency will add an additional inflationary impulse in the coming months, while the exchange rate fluctuations were a symptom of uneasiness arising largely out of the still pending profits remittance bill likely to be debated again when Congress reconvenes in February. In an attempt to introduce some degree of order into the exchange market, the Superintendency of Money and Credit (SUMOC) issued Instruction 221 and 222 providing for the unification of the commercial and financial exchange markets which had been separated by Instruction 219 of October 26, 1961, and for the gradual elimination of deposit requirements on imports and exchange purchases. The buying rate in the cambio markets ranged from Cr\$360 to Cr\$450 per US\$1 during the month. Throughout the month, the Bank of Brazil maintained a steady rate of Cr\$300-307 for both financial and commercial transactions. The commercial bank rate for financial transactions reached a high of Cr\$352 to the dollar on December 23.

/Another

ECON:SEWeaver/lsc

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Another important economic development was the establishment, after long delay, of the Alliance for Progress Emergency Committee which will set priorities for immediate projects eligible for Alliance for Progress support.

The increase in the cost of living in Rio de Janeiro for December was 3.4%, compared with 5.8% in November and 2.8% in December, 1960. The cumulative increase in the cost of living for the year 1961 was 4%, an increase exceeded in Brazil's economic history only by the 52% rise in 1959. The cost of living increase in 1960 was 24%.

Business conditions during the month were generally very good with sales at record levels during the end of year season. Industrial production apparently increased to meet rising demand. The investment outlook was still clouded, however, by the pending profit remittances bill and by the uncertainties of Government action and the prospects of increasing inflation. In the field of foreign trade the Government outlined plans for a new aggressive trade policy aiming at a level of US\$3 billion in exports by 1965, the areas of major concern being Latin America, the Socialist countries, and Western Europe. With regard to the latter, there were also expressions during the month of Brazil's growing concern over tariff discrimination against Brazilian agricultural products by the European Common Market in favor of African countries.
(SHEAVER)

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FINANCE:

Two developments dominated all activities in the financial and monetary field in December: (1) the tremendous addition to currency in circulation and (2) the rapid and wide fluctuations in the foreign exchange market and efforts to bring a degree of order to that market. Both of these developments, in their own way, portend further problems for the future. The addition to the supply of outstanding currency in circulation will add an additional inflationary impulse in the coming three months. The exchange rate problem, on the other hand, is only a symptom of uneasiness arising largely out of the still pending profits remittance bill likely to be debated again when Congress re-opens in February.

A third event occurring in December which was likewise of great importance though not as sensational was the establishment, after long delay, of the Alliance for Progress Emergency Committee which will set the order of priority for immediate projects eligible for Alliance for Progress support. A commission which will undertake longer range planning in connection with Alliance for Progress aid is still in the process of formation.

Other developments of financial interest during December centered on Congressional action and inaction. These include the fact that the profits remittance bill earlier passed by the lower House was not acted upon by the Senate, the failure to pass the tax increase proposed by the Cabinet, and the approval by the Committee on Economics of the lower House of a bill which would permit doubling the present compulsory reserve requirements of commercial banks.

The addition to currency in circulation in December amounted to Cr\$50 billion in new issuances plus the activation of Cr\$10 billion which had been the balance of the sterilized portion of the return flow of funds issued during the crisis. Total amount of currency in circulation by the end of December thus amounted to Cr\$513,858 million as compared with Cr\$206,140 million at the end of December 1960. Of this amount, Cr\$44,987 million was issued since August, the last month of the Quadros regime.

Exchange rate fluctuations in the cambio markets ranged from Cr\$360 to Cr\$450 per US\$1 during the month (buying rate) with pressure on the market moving with the degree of optimism or pessimism of reports on the prospective outcome of the debate on the profits remittance bill. Throughout the month, the Bank of Brazil maintained a steady rate of Cr\$300-307 for both financial transactions also moved up and down with reports on the profits bill, reaching a high of 352 on December 23.

All rates firmed toward the end of December as SUMOC Council issued Instruction 221 and 222 providing for the unification of the commercial and financial exchange markets which had been separated as a result of Instruction 219, and for the gradual elimination of deposit requirements on exchange purchases.

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Previously, it was required that the purchaser of foreign exchange deposit 150% of the cruzeiro equivalent in the case of foreign exchange purchases for imports against the issuance of 150/day - 6% import letters, and in the case of foreign exchange purchases for financial transactions banks were required to deposit 50% of the cruzeiro equivalent with SUMOC for 6 months without interest. Beginning January each of these deposit requirements will be gradually eliminated by successive reductions of 10% each month.

The profit remittance bill which had been passed by the Chamber of Deputies was not acted on by the Senate before its adjournment on December 15. It was decided, however, that a mixed Congressional Committee consisting of 5 members from each House would redraft the bill on a basis which would be acceptable to all factions. This committee has not yet begun its deliberations nor have the members yet been named so far as is known.

The Emergency Planning Committee established for the screening of immediate Alliance for Progress projects consists of Prime Minister Tancredo Neves, Minister of Finance Walter Moreira Salles, Labor Minister Franco Montoro, Foreign Affairs Minister Santiago Dantas and the president of the National Development Bank Leocadio Antunes. The actual work of the Committee will be carried out by a subcommittee consisting of representatives of each of the committee members plus one observer from the Ministry of Agriculture. The subcommittee will be chaired by the President of the National Development Bank even though he is actually only a member of the main committee.

The cost of living in December increased by 3.4% as opposed to 5.8% in November and 2.8% in December 1960. The cumulative increase in the cost of living for the year 1961 was 43%, an increase exceeded in Brazil's economic history only by the 52% rise in 1959. The cost of living increase in 1960 was 24%. (Wednesday)

TRADE AND INDUSTRY:

Business conditions in December were generally very good, in terms of merchandising and industrial production levels. The outlook for the immediate future, however, was somewhat less certain as businessmen considered the potential effects of the increasing rate of inflation and the uncertainties of government action. Particular concern was voiced by local commercial and industrial organizations, and in the Brazilian press, over the far-reaching bill passed by the Chamber of Deputies in late November, to regulate profit remittance and foreign investments. The Congress adjourned during the month, so that the final outcome of this legislation proposal remained unsettled at month's end.

Retail outlets reported sales at record levels. Much of this was attributed to Christmas demand, but some reportedly reflected the fears of continuing inflation. Installment purchase demand was especially high, as were sales of consumer durables. Inventories in many lines were depleted.

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In the field of electric energy, a fourth generating unit, with a capacity of 65,000 KW was installed at the Paulo Afonso hydroelectric plant, at the Paulo Afonso falls on the São Francisco river, raising its capacity to 245,000 KW. With this increase of capacity, it was claimed that the area served by the Companhia Hidrelétrica do São Francisco will no longer be subject to electricity rationing. In November, it was announced that the sixth and last group of generators, also with a capacity of 65,000 KW, was installed at the Cubatão hydroelectric power plant near Santos of the Canadian-controlled São Paulo Light S. A. This brings the Cubatão plant's capacity to 390,000 KW.

The Brazilian tractor industry, whose establishment became possible with the development of a national automobile manufacturing industry, began production at the end of 1960. Output in the first half of 1961 by the two companies in production amounted to 394 medium tractors. Production in July, 1961 was up to 247 units and plans of the two companies called for a production of 3,205 units in the second half of 1961. The Government's program to develop a tractor manufacturing industry is similar to that previously established for the automobile industry. The program calls for progressively increasing percentages of nationally produced components of the tractors, beginning with 70% of weight and reaching 95% of weight by June 30, 1963. The plan provides for production of 31,000 units over the first two years of production by the six companies whose manufacturing projects have been approved.

Among investments announced during the month, Volkswagen do Brasil stated that over the next three months it will expand installations at its factory at São Bernardo do Campo, São Paulo State, with equipment valued at Cr\$2 billion.

It was reported that the State of São Paulo will extend financial aid to the Northeast area of Brazil to help re-equip the local textile industry. The sum of Cr\$5 billion in the form of a long-term loan will reportedly be provided by the Banco do Estado de São Paulo. (SEWaver)

In outlining plans for the more aggressive trade policy which Brazil hopes to adopt in 1962, Foreign Minister San Tiago Dantas indicated that the three areas of major concern to Brazil in her "economic advance" (aiming at a level of US\$3 billion in exports by 1965) are Latin America, the Socialist countries, and West Europe.

With regard to the first, the publication of the first reductions in import duties made in accordance with the Treaty of Montevideo gave encouraging evidence of a developing Latin American Free Trade Association (LAFTA) and of Brazil's active participation in that organization. The decree, signed by the President of the Council of Ministers on December 20, provided for the reduction, as of January 1, 1962, of import duties on certain products, specified in an attached "National List of Brazil", originating in those Latin American countries that are signatories to an Act of Negotiations, signed in

/Montevideo

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Montevideo on December 12, 1961. In addition, Paraguay was granted exemption from payment of customs duties and from the effects of similar barriers, except consular fees, for certain products included in a list of concessions made exclusively to Paraguay by Brazil. Another decree signed early in the month created a permanent Brazilian delegation to LAFTA; the delegation is to have its headquarters in Montevideo and is to be headed by a Career Minister.

In expanding its trade with the Socialist countries, there were indications that Brazil might adopt trading methods appropriate to the bloc's planned economies, i. e. government to government agreements through which Brazil's share of trade could be included in long term state planning. One proposal to the National Economic Development Bank (BNDE) for the establishment of a joint-economy organization for trading with the bloc was severely criticized by trade and industrial groups. According to the plan, shareholders in the proposed EXIMBRAS (Exportação e Importação do Brasil, S. A.), would be the Federal Government, the States, the Superintendency of the Amazon Economic Development Plan (SPVEA), Superintendency for the Development of the Northeast (SUDENE), the Bank of Brazil, the BNDE itself, the Brazilian Coffee Institute, and the Companhia Vale do Rio Doce.

Trade relations with West Europe received extensive publicity during the period under review due to Brazil's growing concern over tariff discrimination by the European Common Market in favor of African countries. With particular reference to the importation of cacao, coffee, vegetable oils, cotton, woods and fruits. The gravity of the situation was such that Sr. Ulysses Guimarães, Minister of Industry and Commerce who headed the Brazilian delegation to the XIX session of GATT, was given full authorization, prior to his departure from Brazil, to announce Brazil's withdrawal from GATT if he were not satisfied with whatever guarantees might be offered to protect Brazilian products against discriminatory treatment. (BAGoldstein)

MINERALS:

During December very little development of consequence took place in the mining industry. According to press reports the first Brazilian zinc plant, scheduled for completion in 1962, has been granted additional financing by the Banco Nacional do Desenvolvimento Econômico. The plant being installed at Itaguai, State of Rio de Janeiro, by the Companhia Mercantil e Industrial Inga reportedly will produce 7,200 tons (metric) annually initially and supply 20 percent of domestic requirements. The calamine deposits of Jamário and Vazante in Minas Gerais had not previously been developed because of the lack of an economic process for producing zinc commercially from this mineral. Part of the financing will be used to acquire mining equipment for use at these deposits.

There have been no major changes voiced relative to the current national mineral policies recently publicized by Minister of Mines and Energy, Gabriel Passos. Judging from comments given by industry representatives, the attitude of persons interested in mining or mineral exploration in Brazil continues to be one of "wait and see". (ALBansome)

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Desp. No. RIO DE JANEIRO
From

TRANSPORTATION AND COMMUNICATIONS:

The most important development in this field during December was the creation of the National Transportation Council. This new body will be subordinated to the Ministry of Transport and Public Works and will have as its President the Minister of Transport and as members the President of the National Highway Council, the Director of the Merchant Marine Commission, the Director of the Federal Railway Network and the Directors of the National Department of Highways and National Department of Ports, Rivers and Canals. The Ministries of Aeronautics, Navy and War, as well as the ENEC will also have representatives as members. This new Council will have as its main purpose the study and establishment of general transportation policy, the coordination of federal investments in transportation and the development of guidance to be followed by implementing agencies.

The Director of Lloyd Brasileiro, Sr. Heitor da Cunha Pessoa, resigned a few days before Christmas and was replaced by Sr. Moacir Monteiro. Sr. Pessoa had been called back out of retirement to head up the Brazilian company. It is reported that this change was made because of political considerations.

Brazilian shipping lines were having difficulty in meeting payrolls following the recent award of an increase in wages amounting to 45%. Operating revenues have not been sufficient to meet this raise and delays have been incurred in payment. Workers are threatening to strike if they are not reimbursed in full for their retroactive increase in wages.

Admiral Bardi, President of the Brazilian Merchant Marine Commission, during a press interview stated that Brazilian shipyards will be kept fully occupied in the future constructing ships for the Brazilian Merchant Marine. The financing of this program of construction will come from the Merchant Marine Fund which was established in 1958 and obtains its resources from the Merchant Marine Improvement Assessment of 5% levied on net ocean freight charges.

Australia announced that it will inaugurate regular shipping services to both the East and West coast of South America early in 1962. William Beale, Ltd. will provide a service between Australia and Argentina, Uruguay and Brazil with non-refrigerated ships sailing from Australia every three months.

A meeting of the principal Brazilian domestic and international airlines was held in Petropolis during the first part of the month to discuss matters affecting the basic economy of the nation's carriers. While details have not been revealed, being subject to prior approval by the Council of Ministers, it is known that discussions touched upon the questions of subsidies (including foreign routes), standardization of equipment, a fund for the purchase of spare parts, the establishment of a so-called "integrated national network", the

/increase

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increase in the number of "air bridges" (pontes aéreas) such as exist between São Paulo and Rio de Janeiro (similar to services between Washington and New York), the deficit of the Amazon services, the reduction of competition on trunk lines along the coast, a realistic tariff system which would enable the airlines to compete with surface transportation on short hops, airport improvement, consolidation of common services, the merger of companies to reduce their number to three large enterprises, and others.

On December 28 the Diretoria de Aeronautica Civil (DAC) ordered SAS to discontinue picking up or discharging passengers in Rio and São Paulo on their DC-8 service to South America. Service by propeller plane would be allowed, but it appears doubtful that SAS could meet this requirement. (SGAnderson)

AGRICULTURE:

There was very little agricultural activity during the month of December. Growing conditions were normal to good throughout the country and prospects were brighter for most crops than they had been a month earlier. Corn planting in São Paulo and southern Minas Gerais continued into the month of December (as a result of the earlier dry spell) and will result in the main part of the harvest being delayed until late May and early June.

The wheat harvest in the southern states was completed during the month but the crop was almost completely lost with the latest estimates of Brazilian production being as low as 80,000 mt compared with estimates of 270,000 - 300,000 mt earlier in the season. Prospective supplies of imported wheat were also short during December as final shipments under the Third FL 480 Agreement were made. On December 29, CACEX purchased 200,000 mt of wheat for cash - 120,000 mt from the United States and 80,000 mt from Argentina. Negotiations for a Fourth FL 480 Agreement were begun in December and were still in progress as the month ended.

Congress adjourned on December 15 without taking action on legislation to authorize the Federal Agricultural Fund and, by the end of the month, the Milton Campos work group had not presented its proposals for an agrarian reform law. (FMMilam)

LABOR:

There were several noteworthy labor developments during the month. The biennial elections for the Board of Directors of the CBTI (National Confederation of Industrial workers) was held on Dec. 8, 1961. The Communist-backed slate won by a slight margin. The new Board of Directors has not yet elected its own officials, nor indicated the policies which it will pursue. The new Board will be installed Jan. 15, 1962.

/The Communist

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The Communist labor leaders in São Paulo tried to foment a general strike late in the month throughout the State, in order to pressure Congress to pass a law which would require all industrial and commercial firms to pay a Christmas bonus of one month's salary. Although the non-Communist leaders first supported the preparations, they later withdrew. The Communists themselves backed out at the last minute, when it was clear that the authorities would prevent the strike from being effective. The effort was a total failure.

Despite Communist-backed opposition, the democratic President of the São Paulo federation of paper workers won reelection for a two year period.

The efforts of the Catholic Workers Circles to organize farm workers in the State of Rio de Janeiro began to show definite results for the first time during the month. (JFFishburn)

For the Ambassador

Robert Eakens

Robert Eakens
Counselor for Economic Affairs

att
Enclosures: Economic Indicators.

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Disp. No. 599

From RIO DE JANEIRO

ECONOMIC INDICATORS:

Cost of Living in Rio de Janeiro
(1945 = 100)

1960	Food	Cloth- ing	Rent	Furni- ture	Hygi- ene	Pers. Serv.	Pub. Serv.	Index	% Change
Jan.	809	476	601	488	623	623	767	691	.8
Feb.	807	480	609	512	623	632	676	696	.7
Mar.	808	498	614	522	623	632	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
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
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
May	1058	775	741	690	886	1014	1061	943	1.4
Jun.	1064	785	752	699	920	1014	1076	955	1.1
Jul.	1091	793	763	706	926	1014	1076	968	1.6
Aug.	1140	811	773	732	958	1150	1153	1012	4.5
Sept.	1209	831	781	780	959	1185	1246	1059	4.7
Oct.	1293	863	790	792	993	1185	1330	1110	4.8
Nov.	1407	903	800	804	1016	1185	1430	1174	5.8
Dec.	1459	942	812	843	1038	1277	1430	1214	3.4

Source: Getulio Vargas Foundation.

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From RIO DE JANEIRO

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

1961

	<u>Aug.</u>	<u>Sept.</u>	<u>Jan.-Sept.</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Jan.-Sept.</u>
<u>Imports</u>						
Total	142.6	116.3	1,095.8	100%	100%	100%
U S A	53.2	38.7	383.3	37.3	33.3	35.
Western Europe	45.9	36.1	357.7	32.2	31.	32.6
Middle East	6.5	5.5	51.7	4.6	4.7	4.7
C. B. *)	7.2	8.4	51.8 **	5.	7.2	4.7
<u>Exports</u>						
Total	153.4	120.1	1,023.4	100%	100%	100%
U S A	67.2	47.	394.3	44.1	39.1	38.5
Western Europe	50.4	50.	378.5	32.9	41.6	37.
Middle East	.9	2.8	8.7	.6	2.3	.9
C. B. *)	15.8	5.9	62.1	10.3	4.9	6.1

Source: Economic and Financial Statistical Service,
Min. of Finance.

** - Revised

* - C. B. refers to Communist Bloc, including Czechoslovakia,
Poland, Hungary, East Germany, Comm. China, Rumania,
USSR, Albania and Bulgaria.

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From RIO DE JANEIRO

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

1961

	Aug.	Sept.	Jan.-Sept.	Aug.	Sept.	Jan.-Sept.
<u>Imports</u>						
Total	142.6	116.3	1,095.8	100%	100%	100%
U S A	53.2	38.7	383.3	37.3	33.3	35.
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Source: Economic and Financial Statistical Service,
Min. of Finance.

** - Revised

* - C. B. refers to Communist Bloc, including Czechoslovakia,
Poland, Rungary, East Germany, Comm. China, Rumania,
USSR, Albania and Bulgaria.

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AIR POUCH		OFFICIAL USE ONLY		For Department Use Only										
HANDLING INDICATOR		FOREIGN SERVICE DESPATCH		832.00/1-1262 JAN 17 1962										
FROM :	Amcongcn, RECIFE.		148											
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		January 12, 1962											
REF :														
20 For Dept. Use Only	ARR-4	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IC
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			1-22-62											

SUBJECT: SUDENE Council Holds First Meeting of 1962.

① On January 10 the Deliberative Council of the Superintendency for the Development of the Northeast (SUDENE) held its first meeting of 1962, which also happened to be its first meeting since the Federal Government's approval in December of the SUDENE Master Plan's first stage. The meeting was held at SUDENE headquarters in Recife and was attended by Governor Aluizio Alves of the State of Rio Grande do Norte, and Governor Pedro Gondim of Paraíba; by representatives of the states of Bahia, Maranhão, Pernambuco, Sergipe and Alagoas, the Banco do Nordeste, Banco do Brasil and Banco Nacional de Desenvolvimento Econômico; the Ministries of Treasury, Public Health, Education, Agriculture, Transportation and Public Works, and Armed Forces; and, finally, by various members of the executive secretariat, led by Celso Furtado. After opening the meeting, Dr. Furtado requested Governor Alves to preside.

The first order of business was a decision as to whether to declare a state of emergency in the State of Bahia. Representatives of that state spoke in favor of the measure. Dr. Furtado, however, declared that indications are that the worst of the drought is over and that a declaration of a state of emergency now appears inappropriate. He pointed out, moreover, that Cr\$150 million had already been allocated for purchases of emergency food supplies and that other assistance measures are being taken.

Some 65 firms were granted tax reduction privileges up to 50% by the SUDENE Council in accordance with the SUDENE incentive to industries policy. Two new firms were approved for credit benefits derived from an Inter-American Development Bank loan of \$10 million to SUDENE.

Among other items also discussed by the Council was the question of development of tungsten ore mining in the State of Rio Grande do Norte and the possibility of exporting this material. No definite conclusions were reached and the matter was referred to the executive secretariat for study.

WSSmith/es.

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From Recife, Brazil

According to press reports following the meeting, there was an angry exchange of words between Furtado and José Antonio de Souza Leão, who represented the State of Pernambuco, and who is the President of the Pernambuco Development Commission (CODEPE). The exchange reportedly was prompted by Governor Cid Sampaio's recent request, made in his capacity as a member of the Council, for a full list of names of all SUDENE employees, giving their positions, titles and functional responsibilities. Furtado stated his suspicion that the list was intended for use by the State Secretary of Security in drawing up "communist" dossiers on various SUDENE technicians. Furtado asserted that SUDENE would not consent to work in such a "police state atmosphere" as that indicated by the Governor's request for the list.

Souza Leão replied that the list had not been requested for any such purpose as that described by Furtado, and that, as a member of the Council, the Governor of Pernambuco had a perfect right to request the list and that his purpose is completely legitimate: to study SUDENE's personnel potential for carrying out the myriad projects for which it is now responsible. The following day he reiterated this argument in a press interview, adding that he was "entirely indifferent to the political beliefs of those with whom he worked." Nevertheless, Governor Sampaio who requested the list, is known to be concerned by what he considers to be the infiltration of SUDENE by communists and communist sympathizers and also by the degree of professional competence of SUDENE technicians.

Albert A. Rabida
Albert A. Rabida
American Consul.

cc: Amembassy, Rio de Janeiro.

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HANDLING INDICATOR

FOREIGN SERVICE DESPATCH

FROM : Amcongen São Paulo

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 12, 1962

REF : CERP, C-3

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			AIR 3	ARMY 16	CIA 3	NAVY 2	OCB 2	USIA 6	NSA 3	NSC 2					

SUBJECT: Biweekly Economic Review, December 29, 1961 - January 11, 1962

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From Amcogen São Paulo

1. Finance--Draft Law to Modify São Paulo Sales and Consignment Tax

The Secretary of Finance of the State of São Paulo submitted to the Governor a draft law modifying the state sales and consignment tax. The draft, which must be approved by the Governor and the State Legislature before it becomes law, proposes to raise the tax rate from the present 4.8 percent to 12 percent ad-valorem. However, the tax would be levied solely on the sale of the product by industry to trade, whereas the present legislation determines the payment of the tax on each individual transaction from the sale of the raw material to the sale, at retail levels, of the finished product. Industries that buy raw materials, semi-finished products, and manufactured parts for assembly operations (such as the automotive industry) will be required to pay 3 percent only. Products for export, as well as agricultural, fishing, animal, and extractive production, will be exempt from tax.

Comment: The draft law aims chiefly at avoiding present substantial tax evasion by reducing the number of tax payers from 300,000 to an estimated 30,000 individuals and firms. The local business community has so far indicated general approval of the project.

2. Finance--State Legislature Approves Financial Bill for 1962

After extraordinary sessions that started on December 15, 1961, the São Paulo State Legislature approved on December 29, 1961, a controversial bill regulating state fiscal procedures (Lei de Caráter Financeiro) for 1962. The Governor forthwith approved it, making it law.

Comment: One of the principal provisos of the new law authorizes the Governor to transfer at will, by decree, funds for application in the Government Plan of Action. Plan activities were often postponed in 1961 by delays of the State Legislature in approving special expenditures. Another proviso authorizes the Governor to modify, also by decree, the mode of collection of the sales and consignment tax. A proposal to that effect is already under study by the Governor (see item 1) but it is believed the decree powers will only be used if the Assembly continues its delaying tactics.

3. Finance--Modification in São Paulo Municipal Tax to Provide Cr\$5 Billion in 1962

The Mayor of the city of São Paulo sanctioned on January 1 a law which modifies the existing municipal industry and profession tax. The new decree is expected to provide additional revenue of 5 billion cruzeiros to the São Paulo Municipality in 1962.

1/ Approximate free market rate of exchange: Cr\$370 equal US\$1.00.

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Comment: The services of some 3,000 municipal employees were scheduled to be terminated in January in order to reduce municipal expenditures. The additional revenue from the industry and profession tax will permit the Mayor to maintain all but 300 of these public servants on the payroll.

4. Air Transportation--VASP Acquires Lóide Aéreo Nacional

São Paulo State Governor Carvalho Pinto announced on January 8 the purchase, by Viação Aérea São Paulo - VASP, of 99.5 percent of the assets of the Lóide Aéreo group, for a total of 600 million cruzêiros, payable over a period of three years. The Lóide consortium is composed of Lóide Aéreo Nacional; Navegação Aérea Brasileira; Transportes Aéreos Bandeirantes S. A.; and Lemeke S. A. Indústria e Comércio.

Comment: The consolidation of the VASP and Lóide airlines will, reportedly, give VASP control over approximately 25 percent of the country's air traffic, serving 64 Brazilian cities, including all state capitals. Joint VASP-Lóide flying equipment includes 67 aircraft. For the time being, VASP and Lóide will operate under their respective names, but will merge radio communications systems and maintenance shops. Both companies will be run by the same board of directors.

5. Petroleum--São Paulo's Participation in Petrobrás Stock.

The Governor of the State of São Paulo has authorized the opening of a special credit, in the value of Cr\$39,523,200, to acquire ordinary shares of Petróleo Brasileiro - Petrobrás which will soon be raising its registered capital. The funds to cover the credit will be provided from the São Paulo quota of the revenue from the National Highway Fund.

Comment: The São Paulo State Government now holds 22.2 percent of the Petrobrás stock, and is the company's largest shareholder after the Federal Government.

6. Science--Anti-Polio Campaign

Nearly 500,000 children in the city of São Paulo are to be vaccinated free of charge against poliomyelitis during a vaccination campaign now in progress, and similar campaigns elsewhere in Brazil will reportedly immunize a total of 2,800,000 children. The National Ministry of Health furnished São Paulo public health officials with the vaccine, which is of the "Sabin" type. It was purchased from the "Burroughs Wellcome Laboratories" of Great Britain.

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From: Amcungen São Paulo7. Communications--São Paulo Teleprinter Service Inaugurated

The São Paulo teleprinter service--the first in Brazil for public and business use--was inaugurated on January 3. The service is run by the Regional Postal and Telegraph Department of the Federal Ministry of Transport. The equipment was imported from Siemens-Schuckertwerke A. G., of Erlangen, Germany, and mounted by Siemens do Brasil Companhia de Eletricidade. Present capacity is 400 circuits, 200 of which are available for immediate use. Another 400 circuits will become available within six months. The São Paulo teleprinter service is already linked with Rio de Janeiro, and will shortly be connected with Brasília. Both these cities operate teleprinter services which to date, however, have been restricted to use by government agencies.

Comment: Some 150 banks and private firms have already applied for teleprinting machines which will be leased at Cr\$100 thousand plus an additional Cr\$10,000 monthly for maintenance and a Cr\$10.00 charge per minute of use. Communications with Rio de Janeiro and, eventually, Brasília, will be established by microwave; transmission to cities of the State of São Paulo will be effected through the existing telephone lines of the Companhia Telefônica Brasileira.

8. Electric Power--CELUSA Received 100 Million Cruzeiros from Federal Government

A credit of 100 million cruzeiros has been opened with the Bank of Brazil in favor of Centrais Elétricas de Urubupunga - CELUSA according to a communication from the Federal Minister of Finance to the Governor of the State of São Paulo. This credit represents a contribution allocated in the federal budget for 1961 to CELUSA. An additional 200 million cruzeiros is allocated in the Federal budget for 1962.

Comment: According to an officer of CELUSA preliminary work on the giant Urubupunga power plant is moving forward on schedule.

9. State Government--Salary Increases for Government Workers

The Governor of the State of São Paulo has announced that public servants will receive a 10 percent salary increase as of April 1, 1962, in addition to the 30 percent increase in force as of January 1, 1962 (see item 6, despatch 143 of November 3, 1961). This new salary increase is expected to cost the State approximately 6 billion cruzeiros in 1962.

Comment: Under a proviso of the new law regulating fiscal procedures (Lei de Caráter Financeiro) (see item 2), the State Governor is authorized to decree across-the-board cost-of-living increases to public servants without prior approval of the State Legislature.

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10. Commodities--Shortage of Wheat in São Paulo

A shortage of wheat is developing in São Paulo. Flour is in short supply, and many bakeries have cut sales of bread on the grounds that the quotas they receive from millers have been reduced 50 percent while the cost of black market wheat is prohibitive. Nearly 800 thousand metric tons of wheat imported from the United States, the Soviet Union, and Argentina were consumed in the State of São Paulo in 1961. This is nearly 40 thousand tons less than the wheat imported by the State in 1960.

Comment: Shipments of some 80 thousand tons of wheat are expected to arrive at Santos within a fortnight, and the shortage of flour will probably be of short duration. São Paulo has already suffered from shortage of the commodity in January and February for the past three years.

11. Electric Power--State Legislature Turns Down Project to Expropriate Power Companies

The State Legislature turned down, on January 10, a bill proposing 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.

Comment: The bill was submitted to the Legislature on October 3, 1961, by state deputy José Felício Castelano of the Christian Democratic Party (PDC). (See item 1, despatch 117 of October 6, 1961.)

12. Labor--Fewer Strikes in São Paulo During 1961 than 1960

"O Estado de São Paulo" recently cited statistics regarding strikes in São Paulo, taken from a report compiled by the Departamento de Ordem Política e Social - DOPS.

According to these statistics, during 1961, 158,891 workers went on strike causing a total loss of 3,067,474 man-hours to 980 São Paulo firms which suffered work stoppages. The corresponding figures for 1960 were 254,215 workers on strike causing a total loss of 3,252,069 man-hours to 954 firms. The most serious strikes in 1961 were caused by the Paulista Railroad workers, bank workers, journalists, and radio and TV employees.

Comment: A superficial analysis of the foregoing figures shows that while fewer São Paulo workers went out on strike in 1961 than in 1960, the average time lost per striker increased from 12.7 hours in 1960 to 19.2 hours in 1961. Notwithstanding this increase the average São Paulo strike is still of relatively short duration. Also significant is the fact that there were no important strikes

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in the production industries such as metal-fabricating, textiles, glass, paper products, construction, printing, etc. This may be at least partially ascribed to the Government's initiative in arranging wage settlements during the 1st quarter of 1961 providing for an average increase of about 45 percent, following a 40 percent raise in the minimum wage effective October 15, 1961. When the full report cited above is published, it will be the subject of a separate despatch.

For the Consul:

Scott Lyon
Scott C. Lyon
Consul

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GPO 802687

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period Dec. 30, 1961 - Jan. 12, 1962)

1. Coffee Exports.
2. New Decree Affects Trade in Jute Seeds.
3. Government Attempts to Stabilize Exchange Rate.
4. Petrobrás President Relieved of Post.
5. Stevedoring Charges Increased.

Coffee exports during the month of January 1962 through the 9th were 184,881 bags compared to 273,436 bags exported during the same period last year.

Total coffee exports during the current coffee marketing year (July 1, 1961 through January 9, 1962) were 9,898,014 bags compared to 9,146,799 bags exported during the same period last year. (Yellowuz)

2. NEW DECREE AFFECTS TRADE IN JUTE SEEDS:

The Prime Minister and the Minister of Agriculture have signed Decree No. 395 controlling the trade in Jute seeds in order to avoid speculation and to prevent the distribution of seeds not fit for reproduction. The decree was issued on the basis of studies and recommendations made by the Jute Executive Group to the Prime Minister and to the Minister

/of Agriculture

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of Agriculture. Expectations are that this decree will eliminate the annual crisis of lack of jute seeds created by speculators during planting season.
(LYallouz) (UNCLASSIFIED)

3. GOVERNMENT ATTEMPTS TO STABILIZE EXCHANGE RATE:

On December 29, 1961, SUMOC issued Instruction 222 repealing significant factors of Instruction 219 which had split the exchange market into several rates. According to Instruction 222, foreign exchange may now be sold for either imports or financial transactions without regard to the source of exchange. Previously, export earnings could only be sold for imports. The new instruction also calls for the gradual reduction (10% per month) of the deposit requirements based on the cruzeiro value of the foreign exchange purchase.

A few days after issuance of Instruction 222, the Bank of Brazil announced that commercial banks would be required to sell exchange at a unified rate of Cr\$318 per US\$1 and to purchase at Cr\$310. Cambios were also urged to observe this unified rate. (UNCLASSIFIED)

Comment: The immediate effect of Instruction 222 was to bring about the strengthening of the cruzeiro in the cambio markets probably due to the fact that foreign exchange buyers now have the prospect of purchasing exchange with a lower deposit requirement which will eventually be completely eliminated. The cambio rate had been higher than the bank rates since Instruction 219, in large measure because the deposit requirement did not apply to cambios.

Very likely, Instruction 222 was timed so as not to give the impression that it had come about as a result of IMF consultations which began January 3. Why the Bank of Brazil saw fit to attempt to "peg" the exchange rate particularly after it had already begun to firm upon the issuance of Instruction 222 is more difficult to understand. It may be that the monetary authorities, in unifying the exchange rate had to make this deal with political leaders interested in maintaining a low import rate. It will be recalled that such political sources were largely responsible for the issuance of Instruction 219 setting up separate rates.

The result of this effort to "peg" the exchange rate has been a drying up of the exchange market. Cambios are quoting the "unified rate" but many are actually selling at higher rates negotiated on a case-by-case basis. SUMOC sources insist that the rate is not pegged and that it will be moved when the situation warrants. (JKrisay)

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4. PETROBRAS PRESIDENT RELIEVED OF POST:

On Friday, January 5, Srs. Geonísio Barroso, President of PETROBRAS,

/and Heitor

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From RIO DE JANEIRO

and Heitor Lima Rocha, Financial Director of PETROBRAS, were relieved of their jobs by Minister of Mines and Energy, Gabriel Passos. By Monday, January 8, a protest strike of PETROBRAS workers and engineers was in progress and almost all refinery operations in Bahia were paralyzed. Several names were publicized as possible candidates for the position of president, but by Friday, January 12, no definite action had been taken. Meetings were being held between Prime Minister Tancredo Neves and Minister Passos, in an effort to solve the problem and statements were issued from various worker and engineer groups relative to their desires for a technically-trained appointee. Reportedly the refinery capacity that remained active in Brazil outside of Salvador, plus available stocks of gasoline and other fuel products precluded any immediate concern over fuel supplies but by weekend, it was reported that some rationing of gasoline in Bahia was becoming necessary.

(UNCLASSIFIED)

Comment: The purported reason for "firing" Barroso was given by Passos as the need for more aggressive promotion of national policies. Inasmuch as Barroso was an engineer, well-liked by PETROBRAS people, and seemed to be doing a good job, it appears more than likely that the real reason is deeply political. Recriminations and accusations from the many individuals and groups concerned effectively screen the real background which may be some time emerging. (ALRansome)

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5. AIR TRANSPORTATION NOTES:

VARIG finally obtained approval of the United States CAB to operate over routes B-1 (Lima, Los Angeles to Tokyo) and B-2 (Miami and Chicago) to the United States, formerly allocated to Aerovias Brasil and Real, respectively. VARIG thus remains the only Brazilian carrier offering services to the United States.

VASP bought out Lóide Aéreo and with this purchase also acquired NAB (Navegação Aérea Brasileira) which Lóide had absorbed some months ago. The reported price was 600 million cruzeiros (about \$1,955,000). As a result of this merger VASP will have approximately 25% of the Brazilian air traffic, 32 more planes (including twelve 4-motor) and 14 more stops on its route pattern. (SGAnderson)

(UNCLASSIFIED)

6. STEVEDORING CHARGES INCREASED:

Resolution No. 320 of the Merchant Marine Commission circularized by the Centro de Navegação Transatlântica on December 28, 1961, changed the basis of calculation of stevedoring charges for overseas shipments of certain cargoes to that of coastwise shipments, the net effect of which was the increase of the former by as much as 200 to 400%. These increases have forced

/the American:

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the American and North European shippers to announce that on March 12 they will have to levy an additional \$2.00 per ton charge on general cargo and up to \$10.00 a ton on certain other cargoes such as sisal shipped to or from Brazilian ports.

(UNCLASSIFIED)

Comment: If the effects of these new regulations cannot be ameliorated it will mean that the shipping lines will discontinue handling certain cargoes; on others the increase in the cost of many basic consumption items will carry through to a net increase in the cost of living. (SGanderson)

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For the Ambassador

Robert Eakens

Robert Eakens
Counselor for Economic Affairs

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SUBJECT: ECONOMIC SUMMARY FOR DECEMBER 1961.

Optimism was the prevailing sentiment as the year ended. Everyone seemed convinced that if things did not get better they could hardly become worse. Stores enjoyed unexpectedly large sales, stimulated by Christmas bonuses, installment buying and the feeling that "you only live once".

Coffee shipments remained high but dissatisfaction with the IEC's policies continued. The price - wage race was still neck and neck with no sign that either party was slowing down.

The opening of the Ponta Grossa-Curitiba highway, a year after its "inauguration", by ex-Governor Lúcio, was one of the highpoints of the month.

1. Coffee:

December was another good month for coffee as 423,000 bags were shipped from Paranaqua.

The satisfaction resulting from continually high exports is mitigated somewhat by dissatisfaction with the absence or inadequacy of financing coffee production. Reportedly, a number of smaller coffee farmers in northern Paraná have given up the coffee business because of the federal government's "neglect".

Sources: All newspapers.

2. Cotton:

L. The Perana cotton crop for 1961-62 is estimated at close to 100,000
cc: AmEmbassy, Rio (2)

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From Consulate, Curitiba

Tons. The estimate was made by Acyr de Almeida Pinto, Paraná's representative to the "Junta Nacional do Algodão". During 1961 282,000 hectares were planted, an increase of 22% over 1960. Pinto added that although the Federal Government has set the cotton price at Cr\$605 per arroba it is likely that the price when the harvest begins will be between 750 and 800 cruzeiros per arroba. He claims that the government price is not compensatory.

Source: "Diário do Paraná" - Dec. 10, 1961

3. Citrus Fruits :

The Federal Government has signed a "convênio" with the Government of Paraná under which financial and technical assistance will be provided to help in the eradication of citric cancer. Twelve counties in northern Paraná have been affected by the blight. Reportedly, São Paulo has succeeded in eliminating the disease.

Sources: "Diário do Paraná" - Dec. 13, 1961
"Estado do Paraná" - Dec. 27, 1961

III LABOR:

1. Coal Miners:

Coal Miners in Curitiba, Santa Catarina, staged a general strike in protest against the Federal Government's failure to pay social security and health benefits on time. About 1500 miners participated in the movement, which turned violent at one point as the local social security building was attacked, damages of 300,000 cruzeiros resulting. Federal troops were called in to maintain order and the strike ended quickly.

Source: "Tribuna do Paraná" - Dec. 29, 1961

2. Wages:

Paranáguá port workers received a 50% salary increase effective December 1, 1961.

Londrina construction workers, after a five day strike, accepted a 50% boost at the end of December.

Paraná journalists and radio and TV employees have been campaigning for a 60% increase with a professional minimum of 21,600 cruzeiros. In Brazil (or in this Consular district, at any rate) members of the communications media enjoy no special salary privileges. Their wages are among the lowest.

Railway workers in the Paraná and Santa Catarina lines submitted a demand for a 50% increase effective Jan. 1, 1962. They also founded a regional labor union called the "Associação Profissional dos Empregados nas Empresas Ferroviárias do Paraná e Santa Catarina".

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Curitiba bus drivers and ticket collectors staged a six hour strike when demands for a 70% increase in wages went unheeded. A settlement calling for a 50% across-the-board raise ended the strike. Simultaneously, the bus companies were granted a 21% fare increase.

Sources: All newspapers-

3. Telephone Strike Threat:

The Companhia Telefonica Nacional (I.T.M.T. subsidiary) has been threatened with a strike because of its failure to pay Christmas bonuses to employees and to fulfill a number of other provisions of its labor contract, among them one calling for a reduction from 8 to 6 hours in the workday of telephone operators.

The company's explanation is that it cannot give bonuses or comply with some of the other provisions of the contract until the city of Curitiba and the state of Paraná become more receptive to the company's demands for a rate increase. At the end of December neither the increase nor the strike had come about.

Source: "Tribuna do Paraná" - Dec. 20, 1961

4. Red Labor Congress

Tristão Fernandes, leader of Paraná's far-left Bank Workers Union, was selected as this state's contribution to the Brazilian delegation (98 delegates) to the Fifth World Congress of Labor Unions, held in Moscow. Fernandes, at the last minute, decided to stay at home, alleging that he was too busy with his union work.

Sources: "Tribuna do Paraná" - Dec. 12, 1961
"Ultima Hora", Dec. 12, 1961

IV DOMESTIC TRADE AND COMMERCIAL POLICY

1. Cost of Living

Foodstuffs, according to the Paraná State Statistical Office, were costing 60% more at the end of 1961 than they cost at the beginning. Substantial increases in rice, sugar and eggs were recorded during the month. Interurban bus fares went up 16% and local bus rates were upped 21%.

Curitiba housewives have organized a campaign against the cost of living. Speeches, telegrams and parades are their weapons.

Sources: "Diário do Paraná"-Dec. 5, 7, 12, 15, 1961
"Estado do Paraná"-Dec. 2, 7, 14, 16, 17, 31, 1961
"Gazeta do Povo"-Dec. 30, 1961

2. Christmas Trade:

Christmas trade was generally good, although some stores reported slightly

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lower sales than in 1960. Fruits and nuts were priced very high but food stores had a rapid turnover.

Installment buying was undoubtedly the strongest stimulant to Christmas shopping activity.

Source: Personal observation, conversations and all newspapers.

V TRANSPORTATION AND COMMUNICATIONS:

1. Ponta Grossa Road

The Curitiba-Ponta Grossa highway was opened on December 30, 1961. The 107 kilometer road, completely asphalted, is one of the most important sections of the Paranaíba-Paraná highway (the "coffee road") and the first major public works project inaugurated during the Braga administration.

Sources: "Diário do Paraná", Dec. 9, 28, 1961
"Estado do Paraná", Dec. 10, 31, 1961
"Gazeta do Povo", Dec. 1, 9, 31, 1961

2. Railway Line:

A big section of the north-south railway, under construction by the Army, is scheduled to be opened this year. The Mafra-Lajes stretch, some 300 kilometers, is part of the 600 kilometers the Army is now completing.

Source: "A Notícia", Joinville, Dec. 22, 1961

3. Telephone Rates:

A commission appointed to consider the justification of the telephone company's request for a tariff increase, came back with the expected reply - the company's demands are excessive. The commission would allow a 30.5% increase in interurban rates but no increase in urban rates. The company had requested a 40% increase in city rates and a 30% increase in inter-city rates.

Source: "Diário do Paraná" - Dec. 22, 1961
"Estado do Paraná" - Dec. 27, 1961
"Tribuna do Paraná" - Dec. 23, 27, 1961

4. Western Union:

The National Trade Federation, at the request of the Paraná Trade Federation, has asked the Federal Public Works and Transportation Ministry to give consideration to the installation of a Western Union line in Paraná and Curitiba. A concession was granted Western Union some months ago. However, it was so short-termed that Western did not accept it.

Source: "Diário do Paraná" - Dec. 1, 1961
"Gazeta do Povo", Dec. 1, 1961

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VI - INDUSTRY

The Inter-American Development Bank announced a loan of US\$5,000,000 to "Papel e Celulose Catarinense Ltda," a subsidiary of Klabin, Irmãos & Cia. The loan will be used for the installation of a paper factory at Rio Caneas, Santa Catarina, which will have an initial capacity of 64,000 tons of pulp per year. Klabin has already purchased large forest reserves and has begun a reforestation program. About 1500 laborers will be employed by the factory, the total cost of which is estimated at US\$21.6 million.

Source: "Estado do Paraná" - Dec.30,1961
"A Noticia", Joinville, Dec.22,1961.

VII FINANCE

The money market eased during December, most banks being able to accommodate the short term needs of their clients. Deposits were high and commercial activity in the pre-Christmas period was brisk.

Source: First National City Bank.

Hugh D. Bessler
Hugh D. Bessler
American Consul

Mr. Tolson		CONFIDENTIAL		For Department Use Only 832.001-1862 JAN 21 1962	
FOREIGN SERVICE DESPATCH					
FROM	Amcongen, Recife		151		
TO	THE DEPARTMENT OF STATE, WASHINGTON.		January 18, 1962		
REF	ARA D-54 of August 21, 1961, and D-7 of July 8, 1961				
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			OSD 3	OCB 3	NSA 3
RECD 1/24/62					
SUBJECT: History and Present Status of SUDENE Master Plan					
<u>History</u> With the Federal Government's approval of the first stage of the SUDENE Master Plan and its promulgation as Law Number 5995 on December 14, 1961, the protracted discussion stage in the development of the Brazilian Northeast may at last give way to implementation of an over-all economic plan: a plan which has been in formulation for almost five years. In December of 1958, facing up to the fact that the net sum of its efforts in the Northeast reflected no ground gained and perhaps even some lost, the Brazilian Government decided to revise an obviously moribund development policy. Accordingly, on December 14, 1958 a Working Group for the Development of the Northeast was created by Decree Number 40544. Based upon the studies, surveys and research carried out by this Group, a "Plan of Action" was prepared in mid-1958 by Celso Furtado, then an officer in the National Economic Development Bank (Banco Nacional de Desenvolvimento Economico) who had taken part in the Working Group's activities. With the approval of this "Plan of Action", Furtado was invited to become the head officer of the Council for the Development of the Northeast (Conselho de Desenvolvimento do Nordeste--CODENO), an agency created by Decree 45445 of February 20, 1959, to supersede the Working Group. CODENO brought together the Governors of the nine Northeastern states, plus the heads of the principal federal agencies operating in the region and representatives of various Ministries into a single deliberative body for the purpose of affording unity to plans for the development of the area. On December 15th, 1959, CODENO, in turn, was superseded by the Superintendency for the Development of the Northeast (Superintendencia do Desenvolvimento do Nordeste --SUDENE), created by Law Number 5692. Actually, SUDENE is constituted by the old CODENO Council, with several new representatives added to its number and now called the Deliberative Council (Conselho Deliberativo), plus an Executive Secretariat, both headed by Celso Furtado, with the title SUDENE Superintendent. The Deliberative Council now includes the Superintendent, who is appointed by the President of the Republic; the Governors of Bahia,					
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Sergipe, Alagoas, Pernambuco, Paraíba, Rio Grande do Norte, Ceará, Piauí, and Maranhão; representatives of the Ministries of Public Health, Agriculture, Transportation and Public Works, Mines and Energy, Industry and Commerce, Treasury, and Armed Forces; representatives of the Bank of Brazil, the Bank of the Northeast, and the National Economic Development Bank; and of such agencies as the National Department of Works to Combat Drought (Departamento Nacional de Obras Contra as Secas--DNOCs) and the São Francisco Valley Hydroelectric Company (Companhia Hidroelétrica de São Francisco--CHESF). Formulation of plans and their implementation is almost entirely in the hands of the Executive Secretariat with its large staff of economists, technicians and administrators, all closely controlled by Furtado.

The major product of all SUDENE activities to date has been the formulation of the Master Plan, the first stage of which has just become law. Implementation of the plan now becomes SUDENE's *raison d'être*. Though having already traveled a long road since the first steps toward its formulation by the Working Group back in 1956, the Master Plan in December of 1961 had to overcome a final obstacle before its first stage became law. This was in the form of Senate amendments proposed by Argemiro Figueiredo from the State of Paraíba. The immediate objectives of these amendments were 1.) to return responsibility --and funds-- for irrigation, dam building, water conservation projects, etc. to the hands of DNOCs, and to remove DNOCs from SUDENE control; and 2.) to strike out SUDENE's resettlement and colonization program. In the final analysis, the amendments aimed at maintaining the status quo. DNOCs is generally recognized as one of the more corrupt agencies of the Brazilian Government. After nearly 50 years of building faulty dams, dams without irrigation systems or any other well thought-out purpose, DNOCs has reportedly squandered billions of cruzados of public funds. DNOCs' efforts thus far have made the Northeast no more resistant to drought than it ever has been. Many DNOCs officials have been accused of working to perpetuate the drought-ridden condition of the Northeast in order to assure the permanency of their own sinecures-- and their own rake-offs. Moreover, population movement out of the area is discouraged by industrialists and large landowners who want a ready supply of cheap labor, and by politicians who want no exodus of poverty-stricken--and manipulatable--voters. The result is that within an area and subsistence agricultural system extremely vulnerable to drought or other adversity, more and more people are trying to eke out a livelihood, with neither geographic area nor economic system adjusting to the strain. If traditional social and economic inequities are allowed to stand, as they would have been by the Senate amendments, it is likely that pressure would become too great. Happily, the amendments were defeated in the Chamber of Deputies and the original tenets of the Master Plan restored. Even so, there is no assurance that reforms and development projects will bear fruit quickly enough. It is still a race against time.

Five Year Master Plan

The basic thesis behind the Master Plan upon which the hopes of the Northeast are now focused envisions the underdevelopment of the area in terms of two zones: the humid coastal zone (litoral) and the dry interior (sertão). In the coastal zone the problem is seen as one of:

(A) An extreme lack of industrial development, with a corresponding lack of employment opportunities for the urban masses. Both as a cause and effect of this under-industrialization, private capital tends to flow out of the Northeast to the South, to pay for goods manufactured there and for investment purposes. The SUDENE industrialization policy, accordingly, aims at a threefold target: (1) to provide

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jobs for unemployed urban masses along the coast; (2) to keep within the Northeast capital derived from various economic activities and to encourage the flow of investment from outside the area; and (3) to create new managerial leaders capable of providing industry with competent leadership.

(B) Low productivity of agriculture in the coastal zone. In order to provide food for urban industrial workers and to provide further stimulus to the economy, productivity must be increased. At the same time, the agricultural system must be restructured in order to permit a wider range of participants to derive more just benefits.

In the interior the basic problems are conceived as being the following: (1) The area is not resistant to periodic droughts; (2) A shaky subsistence agricultural system is the cornerstone of the interior's economy; And (3) population pressure upon the inhospitable area is too great; there is not enough productive land to go around. SUDENE's development policy for the interior, therefore, aims at (1) making the area more drought resistant, (2) shifting to a more viable and productive agricultural system, and (3) relieving population pressure by encouraging emigration.

In sum, the Master Plan is oriented toward four basic policies, described in the basic document attached to the message sent to Congress proposing the establishment of SUDENE:

- (1) Intensification of industrial investments, aiming to create in the Northeast an autonomous center of manufacturing expansion.
- (2) Transformation of agriculture in the humid coastal area, having in view an adequate supply of foodstuffs for urban centers where industrialization is to be intensified.
- (3) Progressive transformation of the economy of the semi-arid zones, to obtain a higher productivity and to make them more resistant to the impact of drought.
- (4) Expansion of the Northeastern agricultural boundaries to incorporate the moist soils of the hinterland in the State of Maranhão, thus providing space to absorb population surplus.

In order to achieve these objectives SUDENE intends, either in a primary or secondary role, (1) to offer subsidies to strategic industries, and tax privileges up to reductions of 50% on Brazilian capital destined for investment or reinvestment in the Northeast (Though actually no cash reduction is contemplated. Instead, the full tax will be paid and a 50% refund in stocks of mixed-capital companies will then be made); (2) to modernize existing industries, especially the all important textile industry; (3) to co-ordinate improvements in the area's transportation network, including road-building, expansion of port facilities, construction of railway bridges, etc.; (4) to co-ordinate an intensive electrification program; (5) to promote a restructurization of the area's agricultural system, including crop diversification, land reform, and improvements in productivity; (6) to promote an effective irrigation and water supply program; (7) to build up emergency food stores for use during time of drought; (8) to implement a resettlement program which will move up to 25,000 families into the interior of the State of Maranhão; (9) to promote basic health and education programs; and (10) to promote urban renewal projects.

Estimated Allocations

The over-all Master Plan is to be carried out over a period of five years. Estimates call for allocations of some 75 billion 650 million cruzeiros to SUDENE itself during that period for implementation of the plan. Funds allocated to other government agencies (such as the Ministry of Transportation and Public Works) for

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expenditure on SUDENE controlled projects, and other miscellaneous funds included in the Federal Government's budget during that period (together about 59.3 billion), plus 226 million cruzeiros provided by the United Nations Special Fund, 100 million by the French Government's Technical Co-operation Agency, and a sum of some 223.5 million supplied by the various states for State Road Construction, will bring the total to some Cr\$135,484,000,000. Estimates included within the SUDENE presentation of the overall plan, however, indicate a total expenditure of Cr\$238,163,000,000 on the full five year plan. The deficit of Cr\$102,699,000,000 is simply listed as "to be financed". In other words, funds are not expected to be available from budgetary sources for almost 50% of the work called for by the plan. SUDENE hopes to draw on various sources to make up the difference between estimated budgetary resources and estimated expenditures, including foreign and international financial and technical assistance. Some such assistance has already become effective, but not yet in significant proportions.

It is to be pointed out that the figure of Cr\$238,163,000,000 was compiled in terms of cruzeiro-dollar rate of exchange existing at the time the full plan was presented in 1961. Thus, the estimated amount must be revised upwards as the cruzeiro declines in purchasing power. Each stage must be approved annually by the Federal Government and new funds allocated for its implementation. Each successive stage, when presented, therefore, can be expected to reflect this inflationary increase. Moreover, it seems clear that the five year period mentioned will constitute only an initial phase in the development of the Northeast. Predictions are that SUDENE will continue to direct development efforts for another 10 to 15 years, and, thus, will continue to expend funds long after those called for in the Master Plan have been spent.

First Stage

The first stage of the Master Plan was scheduled for implementation in 1961, but was delayed over a year in the dilatory approval process. Thus, funds which have now been authorized for expenditure are actually those described in the plan itself as 1961 funds. The phase which was to have been implemented in 1962 has not yet been considered by the Federal Government, and, by extension, no funds slated for expenditure during the second phase have yet been authorized. SUDENE is in hopes that at some point in mid-1963 certain advances on these so-called 1962 funds can be made. There are large financial voids in the first stage even at this late date, with some programs called for in the initial phase still "to be financed". For example, in the law, no funds were allocated to the development of fishing industry, a program which SUDENE hopes to launch during the next two months. SUDENE officials responsible for planning the fisheries program asked for approximately Cr\$1 billion for the first stage. Yet, at the present time only some Cr\$ 500 million has been earmarked for this purpose, Cr\$168 million having been allocated from the II Wheat Agreement and some Cr\$152 million from various other sources. The remaining Cr\$700 million for fisheries will be "begged, borrowed and stolen" from funds for other programs, or will be obtained through foreign and international financing.

The first stage of the Master Plan places marked emphasis on improvement of transportation networks, electrification programs and water supplies, with the bulk of money appropriations going for those purposes. Many of the projects suggested by SUDENE have actually been under implementation for some time now at the hands of-- and with the funds of-- other agencies. For example, construction of several of the roads called for in the SUDENE plan was initiated some time ago by the National Department of Highways (Departamento Nacional de Estradas Rodagem--DNER).

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From: Amcengen, Recife

The Law of December 14, 1961 which approves the first stage makes the following funds for its implementation directly available to SUDENE:

- a.) Under Paragraph 8 of Article 35-- A special account up to the amount of Cr\$500 million for expenditure in the form of subsidies to industries. This sum is not listed in the annexes giving break-downs of funds to be expended on each program.
- b.) Under Article 36 --A special account of 1 billion cruzeiros for expenditure on electric energy and transportation projects which was originally called for under Article 25 of Law Number 5682 of December 15, 1959. This sum is not listed under the annexes.
- c.) Under Article 37-- A special fund of Cr\$ 2,653,000,000 from Economic and Social Development, Verba 3.0.60 included in the Federal Budget for 1961. According to SUDENE officials, much of this allotment will go into transportation networks.
- d.) Under Article 38-- A general fund of Cr\$9,912,700 for expenditure on the various programs to be carried out during the first stage.

Thus, funds allocated for expenditure by SUDENE in the implementation of the Master Plan's first stage total approximately Cr\$14,086,100,000. This, however, does not include funds allocated through the regular budgets of other agencies which will be expended on SUDENE projects. For example, a large part of the funds for the road-building program will actually come from the budget of the Ministry of Transportation and Public Works (and from its organizational unit, the DNER). Nor does the Cr\$14,086,100,000 include loans from international agencies, foreign assistance, etc. No funds are made available in the various annexes of Law 3995, for example, for the modernization of the textile industry because SUDENE has already negotiated a loan from the Inter-American Development Bank (IADB), most of which will be used for this purpose.

For a more complete view of how much Brazil will expend on the first stage of the SUDENE plan, funds from the budgets of other federal agencies cited under Law 3995 must be added to the Cr\$14,086,100,000 allocated to SUDENE. By so doing one arrives at a figure of roughly Cr\$20,881,100,000. And a really complete figure would probably be even higher for there are other funds hidden away in the budgets of various agencies which will be utilized on projects, such as the improvement and expansion of harbor facilities, directly connected with the SUDENE plan. Some of this more than Cr\$ 20 billion derived from the Brazilian budget may stem from foreign sources in the form of foreign and international financing of the Brazilian budget deficit. However, this aspect is not deemed appropriate for the purposes of this despatch, and the sum of approximately Cr\$ 20,881,100,000 will, thus, be considered here as the Brazilian budgetary contribution to implementation of the first stage. To this-- in so far as is known at the present time-- the IADB will add, in the form of a loan, some US\$ 10 million, or roughly Cr\$ 5 billion 500 million at present rates of exchange (though not all this amount will necessarily be expended during the first stage); the Japanese Government will contribute some Cr\$300 million in textile machinery and technical assistance to a SUDENE textile center; the United Nations Special Fund has contributed some Cr\$ 226 million in the São Francisco Valley on surveys for irrigation projects; the French Technical Co-operation Agency has expended some Cr\$100 million on surveys of water sheds; Cr\$ 168 million from the II Wham Agreement has been allocated for the fisheries project; and various food stocks totalling some 20,000 to 30,000 tons will be forthcoming under the Food for Peace program. Thus, at this time foreign contributions to the first phase are estimated to amount to approximately Cr\$ 5 billion-- against a Brazilian contribution of Cr\$ 20,881,100,000. SUDENE hopes to receive increased aid from France and the United Nations, hopes for some financial and technical assistance from West Germany.

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From Amcogen, Recife

and Israel, and is, of course, counting on assistance from the United States in significant proportions.

Funds Listed in Annexes

A brief break-down of the annexes included in Law 3995 to cover each general program is given below.

Annex I.--Road Improvement and Construction

- a. SUDENE funds-- Cr\$ 2,669,400,000
- b. Funds from budget of Ministry of Transportation and Public Works--Cr\$ 5,779,500,000

Some 101 road surveys, improvement, or construction projects are slated for implementation. These include a Cr\$30 million grading and engineering project between Alogoinhas and Rio Real; a Cr\$ 30 million project for survey and research on a planned highway-railway bridge over the River São Francisco; a Cr\$ 40 million by-pass for the city of Recife, including access roads into the port area. Special emphasis is being focused on construction, or improvements in the already completed segments, of a highway linking all the coastal urban cities. Equal attention will be given a series of roads into the interior which aim at fusing countryside and urban centers into a more cohesive economic unit.

Annex II.--Electrification

- a. SUDENE funds-- Cr\$ 5,287,750,000
- b. Ministry of Agriculture-- Cr\$170,000,000
- c. São Francisco Valley Commission-- Cr\$135,000,000
- d. Ministry of Transportation and Public Works-- Cr\$ 750,500,000

Actually, electrification programs under the Master Plan are divided into the "eastern program", which is being implemented by the São Francisco Hydroelectric Company (CHESF), now under SUDENE control, and the remainder, which will be implemented directly by SUDENE. Funds for the CHESF program come from the company's capital, loans and resources obtained from the Federal Fund for Electric Power. They are not listed, therefore, in the annexes of the SUDENE Law.

The SUDENE electrification program calls for increasing and improving existing power systems in all states of the region, plus construction of new power transmission systems. Equal emphasis is being placed on rural electrification and on urban systems which would provide expanding industry with needed power. As sample projects, one might cite the Cr\$ 45 million program to increase the generating and distributive capacity of the power system in São Luiz de Maranhão; a Cr\$ 75 million project to increase the generating capacity of the electric power plants in Terezina and Parnaíba; and a Cr\$ 126 million plan to expand power systems throughout the State of Piauí.

As mentioned above, CHESF has now been placed under SUDENE control. With its own program, it will play a major role in the drive to give the area an adequate power system.

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From Racife, Brazil.ANNEX III - HYDROLOGYa. SUDENE Funds - Cr\$50 Million.

Annex III allots only Cr\$50 million for this purpose during the first stage, to be used largely on research. Other funds connected with water supply, irrigation, etc., are included under Annexes IX, X, and XIII.

ANNEX IV - RESTRUCTURALIZATION OF AGRICULTURAL SYSTEMa. SUDENE Funds - Cr\$1,136,000,000.

This includes projects to develop better and more productive yields of cotton; to develop the coconut industry in the State of Sergipe, to develop humid river valleys as agricultural centers, etc.

ANNEX V - INDUSTRIALIZATIONa. SUDENE Funds - Cr\$135,300,000.

This sum is to be used mostly in research. It does not, of course, include the IADB loan for re-equipping the textile industry. Nor does it include the Cr\$500 million fund made available to SUDENE for expenditure as subsidies to industry.

ANNEX VI - STORAGE OF EMERGENCY FOOD SUPPLIESa. SUDENE Funds - Cr\$320 Million

b. In addition, some Cr\$20 million is available to SUDENE for this purpose under a special account authorized by Federal Law No. 3692. Another Cr\$50 million is available under the Interest Fund, bringing budgetary allotments for emergency food stores to some Cr\$390 million.

SUDENE will also receive assistance in this program from the Food for Peace.

ANNEX VII - DEVELOPMENT OF MINERAL RESOURCESa. SUDENE Funds - Cr\$50,100,000.

During each one year phase of the over-all five year plan SUDENE intends to move some 5,000 families from the arid interior to the humid and more fertile hinterland of Maranhao. Thus, 5,000 families are to be resettled during the first state. Cr\$50,100,000 will obviously be insufficient, and SUDENE is depending upon funds transferred from other projects, plus outside financing - if obtainable - to cover the difference. Original plans called for more than Cr\$1 billion for this program during the first year. It is one of

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From Recife, Brazil.

of the key programs; for with the population of the area increasing some 600,000 per year, without a certain amount of emigration to relieve the pressure, economic development would be unable to keep pace with population growth. Though 5,000 families per year is not a large number, SUDENE hopes thus to encourage spontaneous emigration on a far greater scale.

ANNEX IX - PUBLIC HEALTH

The only items dealt with under this Annex, and apparently the primary program for the first phase of a broader Public Health Program, is improvement of urban water supplies. Expansion of reserves of potable water and improvement of its condition in so far as bacteria count, etc., are concerned, are slated for all states of the Northeast.

a. SUDENE Funds - Cr\$722,000,000ANNEX X - WATER WELLS FOR SMALL COMMUNITIES IN THE INTERIORa. SUDENE Funds - Cr\$200 Million

SUDENE has already begun drilling operations on some 30 deep water wells in the interior of Pernambuco, at a cost of some Cr\$100 million.

ANNEX XI - PILOT PROJECT IN BASIC EDUCATIONa. SUDENE Funds - Cr\$60 Million

As the title indicates, this is only a small first step to a more sweeping--and more costly--program.

ANNEX XII - CARTOGRAPHYa. SUDENE Funds - Cr\$30 Million

During the first phase the only funds expended on cartography will go for equipping and organizing a chart and map section in SUDENE itself.

ANNEX XIII - MISCELLANEOUSa. SUDENE Funds - Cr\$1,935,000,000

Under this last minute catch-all item are included, among others, a Cr\$1 billion fund for the purchase of tractors to be used in the program for modernization of agricultural methods; a Cr\$50 million fund for studying and planning an irrigation system along the Paranaiba river; and a Cr\$250 million allotment for the purchase of an atomic reactor to be set up at the University of Recife for scientific research. This last item seems somewhat out of place in a plan aiming at building a viable

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From: Amcongen, Recife

economy in a desperately poor and underdeveloped area.

Mechanics of Funding

All funds thus made directly available to SUDENE have been or will be transferred from the Bank of Brazil to the Bank of the Northeast, which is under the somewhat loosely defined control of SUDENE. The funds of the Bank of the Northeast will, thus, increase tremendously during the next several months. The Bank will thus be able to make more loans to commerce, industry, and agriculture. The Law of December 14, 1961 envisions the Bank as an integral part of the development effort and authorizes it to make the loans mentioned above at 7%, so long as the activities for which the loans are requested are not prejudicial to the development of the Northeast-- a stipulation that with liberal interpretations could give wide latitude to the Bank.

Comment: After 50 years of DNOCS corruption and 5 years of much publicized CODENO and SUDENE planning with little in the way of action, impatience in the Northeast is reaching a crucial point. The demand for visible improvements is general. SUDENE officials are fully aware of this and are beginning their tasks with a sense of urgency.

A subtle change has been noted in some SUDENE officials since the approval of the plan and the allotment of funds for its implementation. Many have been fighting against the existing social and economic system for years, first as fire-brand students and then as so-called "radical", or "revolutionary" economists, technicians, etc. Their role has been one of criticizing, of attacking what they saw as social ills. Now, they suddenly find themselves charged with the remedy of those ills and with responsibility for effectively expending large sums of public money. They can no longer simply criticize; they must show that they can do better. SUDENE has now become an accepted institution, an integral part of the social pattern. No longer "rebels" outside society, but an accepted part of it, some of the young officials are beginning to reflect a more conservative approach to the problems they face.

Albert A. Rabida
Albert A. Rabida
American Consul

Concurrences:

Mr. Robert R. Peterson
AID/FO for the Northeast

cc: Amembassy, Rio de Janeiro (2)

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24 JAN 1962

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SUBJECT: ECONOMIC SUMMARY FOR NOVEMBER-DECEMBER, 1961 - STATE OF MINAS GERAIS

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I. The Struggle for Agrarian Reform

1. President Goulart's and Governor Magalhães Pinto's Views on Agrarian Reform
2. Conservative Reaction to Agrarian Reform Proposals

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SUBJECT: <i>Publications Report Brazilian Report by SPVH.</i>														

(2) The Superintendencia do Plano de Valorizacao da Amazonia (S.P.V.A.) is the Brazilian Government organization charged with the economic development of the Amazon Valley area. Recently a new superintendant was appointed, Sr. Mario Teixeira. He is a most energetic person and, at present, has the full backing of the Federal Government. The organization is active in various fields of economic development, such as finance, credit, transportation, development of new industries, and increasing the growth of old ones through loans. SPVH also has interests in such

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FROM :	Amcongen São Paulo	189			
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		January 26, 1962		
REF :	CERP, C-3				
REC'D	1-30	1-30	1-30	1-30	1-30

SUBJECT: Biweekly Economic Review, January 12 - 25, 1962

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2. Trade with Soviet Union--Brazil's Ambassador to the Soviet Union Reviews Export Prospects	D-11	A. D. Ventura
3. Industry--Tractor Plant Inaugurated in São Paulo	D-14	A. D. Ventura
4. Agriculture--Rural Congress at Araraquara	D-14	A. D. Ventura
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6. Education--São Paulo Enterprises Required to Provide Educational Facilities for Their Illiterate Employees	D-14	A. D. Ventura
7. Transportation--New Railway Line Links States of São Paulo and Mato Grosso	D-16	A. D. Ventura
8. Labor--Insurance Workers Win Raise in Two-Day Strike	D-17	J. Liebow

1. Industry--Overwhelming Response of São Paulo Industries to Project to Finance Imports of Machinery and Equipment

Ventura
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A request from the National Economic Development Bank (BNDE) to the Federation of Industries of the State of São Paulo (FIESP) to survey the interest of small and medium São Paulo industries in obtaining financing to import machinery and equipment under a US\$24 million credit from the Inter-American Development Bank has received an overwhelming response, according to a FIESP officer. A total of 600 companies have, so far, submitted requests for financing totalling US\$78 million, and it is expected that requests will exceed US\$100 million before the end of the week.

Comment: FIESP is preparing a list, for submission to BNDE, of companies that have requested financing. A copy of this list, to show the types of industries and equipment, will be given to the Consulate General, which proposes to forward it to the Department.

2. Trade with Soviet Union--Brazil's Ambassador to the Soviet Union Reviews Export Prospects

Brazil's Ambassador to the Soviet Union, Mr. Vasco Leitão da Cunha, visited directors of the Federation of Industries of the State of São Paulo (FIESP) on January 15 to review prospects for exporting Brazilian manufactured goods to the Soviet Union. Among items suggested by FIESP are sewing machines, electric home appliances, vegetable oils, hides, and essential oils.

Comment: Mr. Leitão da Cunha indicated that, in addition to petroleum and wheat, the Soviet Union is in a position to export to Brazil 1,800,000 metric tons of excess coking coal.

3. Industry--Tractor Plant Inaugurated in São Paulo

Massey-Ferguson do Brasil S. A. Indústria e Comércio inaugurated its tractor plant at São Paulo on January 24. The company is owned by Massey-Ferguson Co. Ltd. of Toronto, Canada, and Vemag S. A. Veículos e Máquinas Agrícolas, of São Paulo. The company's capital, now registered at 190 million cruzeiros^{1/} will be raised to 750 million cruzeiros through the incorporation, later this year, of the plant's machinery and equipment. This will raise the equity of the Toronto firm in the São Paulo company to approximately 70 percent. Massey-Ferguson do Brasil plans to manufacture 3,000 55-HP Diesel-engined wheel tractors in 1962.

Comment: Brazil's incipient tractor industry got off to a slow start in 1961, with Ford Motors do Brasil S. A. the only major manufacturer. It appears, however, that several substantial tractor manufacturing programs will start in the course of 1962.

^{1/} Approximate free market rate of exchange: Cr\$355 equal US\$1.00.

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From Amcongen São Paulo

4. Agriculture--Rural Congress at Araraquara

A rural congress promoted by the Federation of Rural Associations of the State of São Paulo (FARESP) took place at Araraquara January 20 - 22. The inaugural session was attended by the President of the Republic and the Governor of the State of São Paulo.

The agenda included papers on a national agrarian reform, expropriation of rural property, wages for farm workers, effects of inflation on costs and sales of coffee, cotton, sugar cane, citrus fruits, and other agricultural products. Recommendations approved by the congress will be discussed at a Brazilian Rural Conference, to take place in Rio de Janeiro January 24 - 26.

Comment: A speech made by the São Paulo Governor, at the inaugural session, making a plea to the President of the Republic for a government policy of adequate price support for agricultural products, was warmly applauded. The President's speech, which called for a rational and well balanced agrarian reform, was well accepted also.

5. Civil Aviation--First Civil Radar Installation in Latin America Inaugurated at Congonhas Airport

The first radar installation to be used by civil aviation in Latin America was inaugurated on January 20 at São Paulo's Congonhas Airport. The new installation is the result of a project elaborated by the Brazilian Federal and São Paulo State authorities, in cooperation with the U. S. Government (Point IV).

6. Education--São Paulo Enterprises Required to Provide Educational Facilities for Their Illiterate Employees

The Governor of the State of São Paulo decreed on January 17 that all enterprises employing 100 persons or more are required to provide educational facilities for their illiterate employees and children of employees, or else contribute to the State a fixed sum for each person requiring education. The decree implements a Federal law passed in 1961.

Comment: Inquiries with some of the major firms in São Paulo indicate that most enterprises will opt for the latter alternative.

7. Transportation--New Railway Line Links States of São Paulo and Mato Grosso

A new trunk line of the state-owned Companhia Paulista de Estradas de Ferro (Paulista Railway) was inaugurated on January 20. The new line runs some 23 miles from the town of Dracena to Panorama, on the banks of the Paraná River, across from the State of Mato Grosso.

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From Amcongen São Paulo

Comment: The new trunk line is expected to be of some economic significance, inasmuch as it links the States of São Paulo and Mato Grosso and will thus insure a more adequate flow of agricultural produce to the São Paulo and Rio de Janeiro markets. The line will also serve to transport material and equipment destined to the nearby Urubupungá power plant, where preliminary work was started in 1961.

8. Labor--Insurance Workers Win Raise in Two-Day Strike

Seven thousand five hundred employees in 142 private insurance and investment firms in the cities of São Paulo, Santos, Campinas, and Ribeirão Preto went on strike for two days starting January 16. The union demanded a wage increase of sixty percent with a minimum increase of Cr\$7,000 and no maximum, plus an additional twenty percent bonus in June 1962. Management had offered a forty-five percent increase on salaries up to Cr\$10,000 and a thirty percent increase on the excess, with a maximum increase of Cr\$19,000. The strike was settled on the basis of the Regional Labor Tribunal's conciliatory proposal providing for a flat forty-five percent raise, with minimum and maximum increases of Cr\$7,000 and Cr\$21,000 respectively.

Comment: The settlement follows the general pattern of wage increases in the São Paulo area during the last three months.

For the Consul:

Scott C. Lyon
Scott C. Lyon
Consul

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January 30, 1962

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SUBJECT: BI-WEEKLY ECONOMIC REVIEW - (Period January 13-26, 1962)

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1. Coffee Exports.
2. Tax Inspectors Study New Collection Methods.
3. Emergency Committee Approves 43 Projects for Alliance for Progress Aid.
4. Petroleum Developments.
5. "Gold Rush" in Para?
6. Copper.
7. Texaco (Brazil) Inc. Becomes Brazilian Corporation.
8. Aviation Developments.
9. Cr\$18 Billion to be Spent on Railroads in 1962.
10. Executive Council of International Navigation (CENEX) Created.
11. Domestic TV Films in Short Supply.
12. European Common Market -- Criticism and Defense.

1. COFFEE EXPORTS:

Coffee exports during the month of January 1962 through the 18th were 595,452 bags compared to 580,432 bags exported during the same period last year.

Total coffee exports during the current coffee marketing year (July 1, 1961/January 18, 1962) were 10,508,585 bags compared to 9,553,795 bags exported during the same period of the last coffee marketing year. (UNCLASSIFIED)
(LYellouz)

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2. TAX INSPECTORS STUDY NEW COLLECTION METHODS:

On January 23, tax inspectors from all of Brazil's states and directors of federal tax collecting offices initiated a series of meetings with directors of the Treasury. The purpose of these meetings, which were held at the Ministry of Finance in Rio, was to exchange ideas and draw up a uniform working plan with the aim of increasing revenue collections, improving inspection methods, working out a general reform of the Tax Division, and simplifying its operating methods. Sr. Afonso Almido, director general of the Treasury, presided.

(UNCLASSIFIED)

Comment: An improved tax collection system could undoubtedly contribute greatly toward increasing Federal revenue collections and, hence, toward bringing the budget closer to balance. In fact, it has been estimated that some Cr\$50 billion in income taxes alone will be lost in 1962 through tax evasion. Improved tax collection methods, however, will not provide a solution to this problem as long as the penalties for tax fraud are no stronger than they are now. There is at present no jail penalty and monetary penalties applied only after months or years of litigation lose much of their force owing to the rate of inflation. (JKrizay/JWiegerinck)

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3. EMERGENCY COMMITTEE APPROVES 43 PROJECTS FOR ALLIANCE FOR PROGRESS AID

The press announced that the emergency inter-ministerial planning committee for the Alliance for Progress approved the first 43 projects considered eligible for Alliance aid. The amount of aid which the government will request, according to these press reports, totals some \$583 million. The major projects listed are: URUBUPUNGA power project; \$80 million; Paulista Steel Complex (COSIPA); \$35 million; housing of various sorts; \$90 million. The list also includes assistance to various schools and credit institutions and \$12 million for housing in Brasilia.

(UNCLASSIFIED)

Comment: The list, though publicized as "Approved for Alliance for Progress Aid", has not yet been presented in the form of an aid request. It is an incoherent conglomeration of projects covering a little bit of everything and showing no evidence of a single objective. (JKrizay)

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4. PETROLEUM DEVELOPMENTS:

The American Consulate General at Recife reports that drilling operations on the first oil well to be put down in the State of Pernambuco

/began during

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began during mid-December on Itamaracá Island, just off the coast of Pernambuco, some 20 miles north of Recife. Petrobrás has announced plans to drill the well to 4,000 feet.

The new President of Petrobrás, Sr. Francisco Mangabeira, was installed in office January 17; the strike of workers and technicians was called off the day before.

(UNCLASSIFIED)

Comment: Sr. Mangabeira seems to be a compromise appointee, not entirely acceptable to all, but agreeable to most. Accusations and recriminations continue to be exchanged, and the real reason for the firing of Geonísio Barroso is still obscure. The tone of the current administration of the State monopoly continues to be highly nationalistic. (ALRansome)

(UNCLASSIFIED)

5. "GOLD RUSH" in PARÁ:

In a recent press article a "gold rush" was reported in progress in the districts of Jacareacanga and Itaituba, State of Pará. According to Federal deputy Ferro Costa (UDN, Pará), as much as 20 kilos of gold is being produced daily, nearly all of which is being smuggled out of the country. Thousands of persons are said to be flocking to the area in the hope of getting rich. The Departamento Nacional da Produção Mineral (DNPM) has publicly disclaimed the report.

(UNCLASSIFIED)

Comment: This report remains to be substantiated. News of gold occurring in the area could result in a widespread move to the area of prospectors and gold-seekers who would have nothing to lose. A reported daily production of 20 kilos, mostly smuggled out, would be difficult to prove. (ALRansome)

(UNCLASSIFIED)

6. COPPER:

It is reported from Recife that Brazil's annual shortage of 40,000 tons of copper could be met by the State of Ceará if reports are true regarding copper prospecting in that State. A mine (jazida) located at the foot of the Ibiapaba mountain range, Municipality of Viçosa, is said to contain reserves of 20,000 tons.

(UNCLASSIFIED)

Comment: There may be some truth to this report, but such items as published are much exaggerated. (ALRansome)

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7. TEXACO (BRAZIL) INC. BECOMES BRAZILIAN CORPORATION:

By Decree No. 411 of December 21, 1961 Texaco (Brazil) Inc. was granted the status of a Brazilian corporation. The company will now be known as Texaco Brasil S. A. and its headquarters transferred from Charleston, West Virginia to Rio de Janeiro. A capitalization of Cr\$2.2 billion for the firm has been approved.

(UNCLASSIFIED)

Comment: In taking this step, Texaco follows the example set by Atlantic, Esso and most recently, in August 1961, by Shell. (SHeaver)

(UNCLASSIFIED)

8. AVIATION DEVELOPMENTS:

On January 20, the Diretoria de Rotas Aereas (Air Route Control Division) of the Ministry of Aeronautics inaugurated the new radar detection system at Congonhas Airport in São Paulo. The establishment of this system was part of a Contraf (traffic control) project implemented by the Civil Aviation Assistance Group (CAAG) under the AID program.

(UNCLASSIFIED)

Comment: This is the first radar detection system to be completed and turned over to the Brazilian government under this program; other similar projects are underway at Rio de Janeiro and Porto Alegre.

(UNCLASSIFIED)

Prime Minister Tancredo Neves sent to the Congress a draft project of law establishing measures to support commercial aviation, including direct subsidies of around 12 billion cruzeiros distributed as follows: Cr\$1.9 billion for the "National Integration Plan"; Cr\$1.5 billion for international lines; Cr\$3.2 billion for reequipment; Cr\$1.3 billion for readjustment of financial contribution for new equipment in 1961, and Cr\$4 billion for special emergency assistance. (SGAnderson)

(UNCLASSIFIED)

9. CR\$ 18 BILLION TO BE SPENT ON RAILROADS IN 1962:

The Director of the National Department of Railroads, Sr. Inaldo de Farias, stated that over 18 billion cruzeiros would be spent during 1962 on railroads in Brazil. He said in a press interview that the principal project for this year would be the "Passo Fundo-Mussum" branch in the state of Rio Grande do Sul, which includes some 30 tunnels and which will take four years to complete. (SGAnderson)

(UNCLASSIFIED)

10. EXECUTIVE COUNCIL OF INTERNATIONAL NAVIGATION (CENEX) CREATED.

Minister of Transport Virgilio Tavora has submitted to the Council
/of Ministers

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of Ministers a draft project of law creating the Conselho Executivo de Navegação Exterior (CENEX) - (Executive Council of International Navigation). The purpose of this Council would be mainly to administer, coordinate and analyze all activities pertaining to maritime transportation, proposing steps to be taken in order to improve the participation of Brazilian vessels in international maritime transportation. (SGAnderson)

(UNCLASSIFIED)

11. DOMESTIC TV FILMS IN SHORT SUPPLY:

The effect of articles 1 to 4 of Decree No. 50,450 of April 12, 1961 (Despatch 949, April 24, 1961) were postponed until February 1, 1962. These regulated the showing of films on television in the ratio of one domestic film to each two foreign films.

Comment: This action was brought about by the lack of domestic films. It is said in the trade that further postponement will become necessary, perhaps for at least six months, in view of the current supply situation of local films. (SGAnderson)

(UNCLASSIFIED)

12. EUROPEAN COMMON MARKET -- CRITICISM AND DEFENSE:

Ambassador Otavio Dias Carneiro, Secretary General for Economic Affairs of the Foreign Ministry, reviewed Brazil's position at the XIX session of GATT in a speech before a special meeting of the National Economic Council on January 18. The Ambassador, who was the second-ranking member of the Brazilian delegation to Geneva, emphasized that although Brazil is one of the original members of GATT, it was unable, after six months of negotiations, to reach agreement with Common Market countries on four agricultural products important to Brazil: coffee, cocoa beans, cocoa butter and Brazil nuts. He said that in view of the fact that Common Market countries will adopt a uniform external tariff within the next year, these countries owed Brazil concessions proportionate to the damages Brazil will suffer from the tariff adjustments each member country will make. He estimated that these damages would amount to a \$100-150 million yearly drop in exports resulting from Common Market tariff "discriminations" against tropical products.

Outgoing West German Ambassador Herbert Dittman took issue with this criticism a few days later in a farewell speech to the German-Brazilian Chamber of Commerce. Stating that Brazil's fears regarding the Common Market were, judging by the experience of 1961, based on "suppositions and speculations," he said that Brazil's exports to West Germany for January-September 1961 rose 26% above the figures for January-September 1960, whereas West Germany's exports to Brazil rose only 15% during the same period. He added that Brazil's exports to other Common Market countries rose proportionately,

/and stressed

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and stressed that Brazilian critics of the Common Market had ignored the fact that the Common Market is a living, active organism that is constantly adjusting itself to the facts of economic life. He concluded on the optimistic note that he had not the slightest doubt that the problems of tropical and single crop countries will eventually be solved to the satisfaction of all.
(UNCLASSIFIED)

Comment: As has been previously reported, Brazil's concern about the Common Market is a very real thing. The Government is creating a new division in the Foreign Office to deal solely with LAFTA matters, and numerous official and non-official statements have been made recently concerning the importance of expanding current and developing new export markets through more aggressive sales efforts, including the use of floating trade exhibits on Brazilian-built vessels. Emphasis continues to be placed on expanding trade with Sino-Soviet Bloc countries, and there are unconfirmed reports that an East German trade mission will soon arrive in Rio de Janeiro. According to press reports, trade missions are also expected in the near future from Mexico and Australia. (Arenales)
(UNCLASSIFIED)

For the Ambassador

Robert Bakens
Robert Bakens
Counselor for Economic Affairs

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FOREIGN SERVICE DESPATCH

832.00/2-162

FROM : Amconsulate PORTO ALEGRE

42

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 1, 1962

REF : CERP, C-4

FEB - 6 1962

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SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - January 1962

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 January was reported favorable to agriculture. A steady demand for Rio Grande do Sul rice from other domestic markets pushed prices to high levels. Current local wheat crop now estimated at only 100,000 metric tons, lowest in past several years. Federal technical and financial aid will be provided for development of wheat crop. Agrarian reform in Rio Grande do Sul is viewed with apprehension by conservative groups. Sales in January reported seasonally slow. Bank of Brazil officials visiting Rio Grande do Sul promised credit facilities for trade. Lack of shipping facilities limited local exports. Some strengthening of the free market "parallel" foreign exchange value of the cruzeiro was reported during the month. The local money market remained easy. Pay increase to civil servants will increase deficit in 1962 State budget. Labor-management relations remained relatively quiet. Salary adjustments given to telephones and electric company employees. Contemplated development of bituminous shale resources of Rio Grande do Sul.

1. AGRICULTURAL DEVELOPMENTS:

a. Weather Conditions - Weather was reported favorable during the month of January. Good rainfalls were beneficial to agriculture.

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FORM **ES-439** 520 812505

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Encl. No.
Disp. No. 44
From PORTO ALEGRE

b. Rice - Poor crops reported in northern Brazil have increased demand for Rio Grande do Sul rice and pushed the prices to high levels. In an attempt to curb speculation and control prices, COFAP (Federal Supply and Price Control Office) has fixed prices at approximately C\$970.00 per 60-kilo bag below current market quotations, and has asked IRGA (Rio Grande do Sul Rice Institute) to sell its stocks at the set price. IRGA's stocks are reported to be limited, however, and it is believed that wholesalers will hold onto their stocks pending further developments.

c. Wheat - It is now reported that the State's current wheat crop is expected to yield only 100,000 metric tons, the lowest in the past several years.

During his recent visit to Porto Alegre the Minister of Agriculture Armando Monteiro Filho signed an agreement between the Ministry of Agriculture and the State of Rio Grande do Sul for the development of wheat. Plans call for a sum of C\$1,100 million up to January 1, 1963, to be provided for development, research and experiments in an effort to obtain a new disease-resisting variety of seed.

d. Black Beans - Owing to increasing prices of this commodity, COAP (Local Supply and Price Control Office) fixed a ceiling retail price of C\$40.00 per kilo. It has been reported that a shortage of this commodity probably will result as local dealers will hold onto their stocks waiting for higher price levels.

e. Expropriation and Agrarian Reform - A large tract of private land - Fazenda Sarandi - has been expropriated by the State Government from its owners, citizens of Uruguay. The action was taken after a concentration of "landless farmers" staged a demonstration in the area. Governor Brizola stated that the land will be divided into small farms and sold on very liberal credit terms. There have been substantial repercussions in the State Legislature and among conservative groups, who criticized this action for setting a precedent for future unplanned land claims. A second concentration was staged subsequently by some 1,500 farm workers (agricultores sem terra) asking for land in the Camaqua area in the southeastern part of the State and this, likewise, has been expropriated by the Governor.

On January 29, 1962, Governor Brizola signed Decree No. 13068, making provision for a special and permanent program of "democratization" of property. This calls for the organization of cooperative farms, and establishing settlements of small and medium farmers through the Special Projects for Agrarian Reforms and Social Economic Development (PRADE). The Governor has stated that he will impose high taxes or expropriate lands not in productive use to achieve agrarian reform.

f. Pasturelands - Invited by the University of Rio Grande do Sul, two British pasture lands specialists will arrive soon to study local pasture problems. These specialists will also study the development of cattle and sheep in this area.

g. American Farmers - A group of nine American farmers representing a religious denomination known in the Western United States as "Spiritual

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From: PORTO ALEGRE

"Christian Moloken" visited the State Secretary of Agriculture recently. They discussed the possibility of acquiring some 10,000 hectares of public or private lands in this area to move in some 30 families now and many more later.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Sales in January were reported to be seasonally slow, although the cruzeiro-value of sales is higher this year than for the same period last year, because of inflated prices. Both interior and local trade bill collections have continued unchanged from last month, according to local banking sources.

Comparative figures of total sales for December 1961 (latest figure available) and November 1961, and December 1960, are as follows:

(In thousands of cruzeiros)

<u>December 1961</u>	<u>November 1961</u>	<u>December 1960</u>
36,635,510	35,860,530	28,304,525

Source: Budget Bureau, State Treasury.

Protest of trade bills for December 1961 (latest figure available) amounted to Cr\$16,194,656, as compared with Cr\$20,398,852 for November 1961, and Cr\$12,237,526 for December 1960.

Discussions held here recently between Bank of Brazil officials from Rio de Janeiro and local commerce and industry leaders, disclosed that the Bank will expand and improve credit facilities for the trade, especially to aid small enterprises.

3. FOREIGN TRADE:

Exports from Rio Grande do Sul were reported limited during the month of January, due to a lack of shipping facilities. It is stated that 10 million square feet of Pine lumber are awaiting transportation to Europe.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

a. New Industry - A plant has been installed in the Encantado district of this State for the extraction of oil from corn and rice bran. No production or capacity figures have been issued.

b. Belgian Investment - Late in January, a group of Belgian industrialists visited Porto Alegre to look into the possibility of installing a tractor factory near Porto Alegre. This group also visited Governor Brizola to inform him of their plans. The Consulate will report any further developments.

5. TRANSPORTATION AND COMMUNICATIONS:

a. Telephone Problem - (See Consulate's despatch No. 34, item 5, Jan. 10, 61)

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The contemplated new local telephone company - Companhia Riograndense de Telecomunicações - in which the State Government is to be the majority shareholder, has recently been organized. Public response apparently has been promising. Initial plans call for 5,000 new telephones with public subscriptions of Cr\$8,000.00 down and the balance payable in two years. Subscribers will have the rights to a telephone when a total of Cr\$80,000.00 has been paid. It is understood that this company will only complement the service of the present Companhia Telefônica Nacional, an IT&T subsidiary. The Consulate will report further developments.

b. Ports - It is reported that in the period 1962 to 1965 the Ministry of Transport and Public Works plans to spend Cr\$705 million on an expansion and improvement program for the port of Porto Alegre, the third port of economic importance in the country. Also included in this program are the Rio Grande do Sul ports of Rio Grande and Pelotas, with Cr\$470 million and Cr\$168 million, respectively.

6. FINANCE:

a. Exchange Market - The Bank of Brazil's fixed official exchange rates were increased in January from Cr\$300.00 per dollar buying and Cr\$307.00 per dollar selling to Cr\$310.00 and Cr\$318.00 respectively, for imports, exports and financial transactions. The "parallel" free market quotations during the month fluctuated from a high of Cr\$318.00 per dollar to a low of Cr\$370.00 per dollar, check buying rate, compared to Cr\$368.00 and Cr\$395.00 respectively, in December 1961.

Special category dollars sold at auctions during the month amounted to \$2,600.00, from a total offered of \$18,600.00, leaving an unsold amount of \$16,000.00. The agio paid reached Cr\$662.60 per dollar. No Iron Bloc agreement dollars were offered for sale.

b. Money Conditions - According to a reliable local source the easing in the local money market experienced last month continued during the month under review, and banks were able to handle most of the short-term self-liquidating requirements of regular clients. Demand for clean and longer term credit continued strong.

c. 1962 State Budget - (See Consulate's despatch No. 41, item b). The State's deficit of Cr\$4,500 million announced for 1962 in the State budget may be increased substantially, because of a 40 per cent pay increase to all State employees and the loss of certain taxes to Municipal Governments.

7. LABOR:

Management-labor relations remained relatively quiet during the month. Previous demands for higher pay by telephone and electricity employees have been met and are reflected in higher telephone and power rates.

A steady rise in prices of commodities in general has been noticed during the period under review. In an attempt to curb inflation, Federal authorities are

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Desp. No. 44
From PORTO ALEGRE

taking steps to freeze prices of certain key commodities. The local belief is that this will produce a shortage of supplies because dealers will hoard their stocks.

8. MISCELLANEOUS:

a. Water Shortage - The water shortage in Porto Alegre continued during the month of January. The local Mayor reported that the Inter-American Development Bank is working out final contractual arrangements for a 1 billion cruzeiro loan to Porto Alegre for development of water and sewage installations. A second loan for a similar amount is under study with the Federal Government.

b. Oil Refinery - (See Consulate's despatch No. 41, Jan. 2, 1961). Petrobras has opened an office in Porto Alegre and reports indicate that construction will soon begin on the oil refinery near Porto Alegre. The cost of this project is estimated at between 6 and 7 billion cruzeiros.

c. Shale Oil - Local press reports indicate that important bituminous shale resources exist in Rio Grande do Sul, and local authorities have requested Federal technical and financial assistance to develop a project for the production of shale oil.

d. Favorable Developments in 1961:- The following 1961 developments were indicated as favorable to Rio Grande do Sul's economy:

1. Inauguration of the Regional Economic Development Bank and the Economic Development Council for the southern states of Rio Grande do Sul, Santa Catarina and Parana, to stimulate the development of this region.
2. Inauguration of additional power plants under the State Electric Power Program.
3. Cornerstone laid for Petrobras oil refinery.
4. Contemplated construction of mixed-capital steel plant.
5. Capital increased in some important local banks, and installation of two new private banks in Porto Alegre.

Hyman Bloom
Hyman Bloom
American Consul

cc: Amembassy RIO

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TO :	THE DEPARTMENT OF STATE, WASHINGTON.		February 2, 1962	DATE									
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SUBJECT: New São Paulo State Plan of Action for 1963 to 1966

(Begin UNCLASSIFIED)

Some information on a projected São Paulo State Plan of Action to take effect in 1963, on completion of the present Plan of Action, and to run until the end of 1966 was given to the reporter by Dr. Diogo Nunes GASPAR, Executive Secretary of the São Paulo State Government Planning Group (see despatch 383 of February 16, 1959).

The staff of the Planning Group has been working for several months past on the new Plan, and a detailed outline has already been developed. Two possible alternatives have been studied: under the first alternative funds for application in the Plan would originate mainly from appropriations of anticipated budgeted and unbudgeted state tax revenue and partly through increased financing of some programs by the São Paulo State Bank and the State Welfare Institute. Under the second alternative, the State Government would also count on additional financing under the "Alliance for Progress" program, to be extended to some or all sectors of activities of the new Plan of Action. (End UNCLASSIFIED)

(Begin OFFICIAL USE ONLY) On the assumption that the São Paulo State Government will rely solely on its own resources for application in the new Plan (Alternative 1), a sum of some 350 billion cruzeiros/ will be expended during the four-year period from 1963 through 1966. This is not considered excessive inasmuch as the Planning Group estimates that the total revenue of the State of São Paulo during that period will exceed 1.3 trillion cruzeiros. (End OFFICIAL USE ONLY)

(Begin UNCLASSIFIED) The new Plan of Action is elaborated along similar lines as the present Plan of Action, with funds

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ARA EST/6 June 2/12/62

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distributed among three major groups: I. Investments for the Betterment of Man (education, culture and research, justice and public security, public health and social welfare, water and sewage systems); II. Infra-Structure Investments (power, railroads, highways, municipal bridges, airports, ports and navigation); III. Investments for Agriculture and Industrial Expansion (warehouses and silos, food supply, experimentation for agriculture and cattle raising, Agricultural Expansion Fund, Fund for Expanding Basic Industry, Fund for Financing Sales of Production Equipment, participation in heavy basic industry). Special attention will be devoted to education, public health, highways and railroads and other fields of communications including coastal transport and improvement of port facilities.

The present Plan of Action has somewhat neglected investments in the industrial expansion programs; the new Plan, however, forecasts extensive assistance to be rendered as an industrial stimulant, both in the participation of the State in the capital of companies establishing heavy basic industries, and the financing of sales of production goods. In this respect, active consideration is being given to a program to finance sales of production goods to less developed areas in Brazil, with emphasis on North and North East Brazil.

Imported machinery and equipment will account for a relatively low percentage of costs to be incorporated in the new Plan of Action. Most imports will be limited to railroad and electric power equipment. Such imports are planned to decrease gradually in the second half of the four year Plan, when the expanding local industry is expected to start supplying materials and equipment hitherto not manufactured in Brazil. (End UNCLASSIFIED)

(Begin OFFICIAL USE ONLY)

~~CONFIDENTIAL~~ Dr. Gaspar deplored that no consideration has apparently been given so far to channelling "Alliance for Progress" funds to the Plan of Action of the State of São Paulo. He emphasized that the Plan of Action carried out by the Carvalho Pinto administration is a case study of how a Brazilian State Government can judiciously use its revenue to raise the population's standard of living, spur social reforms, and develop industrial and agricultural reforms. As such the State of São Paulo--according to Dr. Gaspar--merits, just as much as less developed or less efficiently-run areas of the country, the benefits to be accrued from direct U. S. application of funds under the "Alliance for Progress" program. (End OFFICIAL USE ONLY)

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
Consul

1/ Approximate free market rate of exchange: Cr\$362 equal US\$1.00

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RM/R
#RA
RM/R/7
February 26, 1962
Delivered

Dear Mr. O'Melia:

Although we have since had the opportunity of talking with each other, this is in response to your letter of February 7, 1962.

I wish to commend you on your initiative in arranging a three-day conference in which you wish to explore the economic and industrial development of Brazil. We in the Department are particularly interested in your plans for a field visit of a group of industrialists from your area to Brazil in 1963. You may be assured of our full cooperation in this undertaking.

From Ray Crane on the Brazilian Desk I understand that you had a fruitful conversation, and that he recommended several possible speakers for the conference you are planning at Worthington, Ohio in April. In view of this, and my own lack of qualification as an "expert" on Brazil, I wish to decline your kind invitation to me to participate in the conference. I am sure you will find that Mr. Crane will wish to provide you with every appropriate assistance.

With my best wishes,

Sincerely yours,

Richard I. Phillips
Public Affairs Advisor
Bureau of Inter-American Affairs

Mr. John S. O'Melia, Jr.,
Director,
YEMA Center for International Management Studies,
40 West Long Street,
Columbus 15, Ohio.

ANA:P:RIPhillips/fl 2/23/62

FW 832.00/2-762

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THE OHIO-WEST VIRGINIA AREA COUNCIL

OF THE

National Council of the Young Men's Christian Associations of the United States of America

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February 7, 1962

YMCA CENTER FOR INTERNATIONAL MANAGEMENT STUDIES

Mr. Richard Phillips
Department of State
South American Affairs
Washington, D. C.

Dear Mr. Phillips:

As part of our Center for International Management Studies, we are programming a three-day conference for fifty specially selected men in upper executive and management positions. The theme of the conference is "You As An Industrial Manager in a Changing World".

One of the important countries we would like to learn more about in this conference is that of Brazil. We are interested in the economic and industrial development occurring in this country as well as the social and political aspects. We would like to learn about what the influences are and what can be expected by American industrial managers resulting from this country's growth.

You will be interested to know that our focus on Brazil is resulting from the fact that this country has been selected for a field visit by a group of Mid-West industrialists in 1963. Actually then this becomes a base for our early preparation for this mission.

The planning committee for this conference, consisting of several leading industrialists, has asked me to request you to address our conference on this subject. We would like to invite you to speak at a general session on Wednesday, April 25 at 2:30 P.M. You would have two hours and fifteen minutes for your presentation and a discussion period following. The entire affair will be held at the beautiful new Green Meadows Country Inn in Worthington, Ohio.

It has become increasingly apparent in recent years that the role and task of the industrial manager in America is undergoing substantial change. This is due to a large extent to the permanent economic, political and social changes occurring in the world. It is quite clear these changes require new attitudes, new policies and new concepts on the part of the American industrialist.

Signed: John C. C. Melia

Microfilmed by RM/8

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2.

Mr. Richard Phillips
February 7, 1962

We feel that you can very ably lead us in our consideration of Brazil and, therefore, urge your consideration of this request. I trust that it will be possible for you to accept.

Sincerely,

John C. O'Melia, Jr.
John C. O'Melia, Jr.
Director

JCO:jv

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TO	THE DEPARTMENT OF STATE, WASHINGTON.																																									
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SUBJECT: ECONOMIC SUMMARY FOR JANUARY 1962

I SUMMARY:

January is vacation month for practically everybody, a fact which casts a certain pall over everything. Coffee shipments were high but coffee growers continued to complain about the IBC's policies.

Wage increases, somewhat fewer in number than usually, were granted, and the cost-of-living index continued its climb. Curitiba housewives staged a protests rally against living costs, a measure which seemed to impress most Curitibaans as futile.

The Paraná government was expressing the hope that the "coffee road" would be completed by the end of the year and that other road construction and electrical energy projects would be in the finishing stages.

II AGRICULTURE:

1. Coffee:

Paraná coffee farmers, accompanied by their São Paulo colleagues, visited President Goulart to complain about the IBC's policies. They demanded immediate purchase by the IBC of all coffee produced during the present crop year, a guaranteed minimum price equal to the export price and participation in studies attempting to solve rural problems, especially the problem of rural workers wages. The President is said to have listened "sympathetically".

Exports from Paraná during January totaled 355,000 bags.

Sources: "Diário do Paraná" - Jan.10, 1962
 "Estado do Paraná" - Jan.11, 16, 1962

cc: Embassy, Rio (2)

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From AmConsulate, Curitiba

2. Wheat:

Prospects do not appear bright to Paraná wheat growers. From a peak of 60,000 tons in 1956 production declined to 15,000 tons last year. Unfavorable growing conditions, large imports and an "unsympathetic" federal government are held to blame. The 1962 harvest may be even smaller than last year's.

Sources: "Tribuna do Paraná", Jan.17,1962
"Ultima Hora", Jan.17,18,1962

3. Lumber:

The President of the National Lumber Institute, Hernano Tissiani, conferred with Governor Braga in late January. At the end of the discussions it was announced that the state of Paraná will (1) spend 51 million cruzeiros this year on reforestation (2) build a 100,000 square meter "entreposto" in Curitiba at a cost of 25,000,000 cruzeiros and (3) adopt severe measures to combat uncontrolled cutting of trees. Improvement of the port of Paranaguá to permit it to handle lumber exports was also discussed.

Sources: "Diário do Paraná" - Jan.25,1962
"Estado do Paraná" - Jan.19,25,1962
"Folha do Comercio" - Jan.29,1962.

III LABOR:
Wages:

Curitiba bus company owners' demands for a fare increase were granted by the municipality but conditioned upon granting a substantial wage increase to bus drivers and ticket collectors. When the owners refused to give the wage rise, the home of their chief spokesman was "visited" by angry workers and his imprisonment was demanded. (He had skipped town). On January 9, the owners at last gave in and put a general 50% increase into effect.

Waiters and hotel employees in Curitiba got an average 1170 cruzeiros per month increase in January, considerably less than the 50% rise they had requested.

Paraná and Santa Catarina railway workers continued to demand a 50% increase, and continued to threaten a strike if their demands were not heard.

Sources: All newspapers.

PRICES:

Price increases were recorded for rice (up about 80%), beans (about 50%), fish, eggs (now costing 120 cruzeiros a dozen), "cafézinho" and cigarettes. The big rise in rice prices was attributed, at least in part, to the floods in Santa Catarina.

... Private secondary schools in Curitiba upped their tuition

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From AmConsulate, Curitiba

by as much as 70%, resulting in a lock-out threat by the Paraná Union of Secondary School Students.

... About 500 Curitiba housewives staged a protest against the cost of living. In effect, they demanded the impossible (repeal of the economic reforms introduced by Janio Quadros, price freezes, participation by housewives in a proposed Federal Government price control office, etc.) The population in general seemed to regard the whole business as rather amusing.

Sources: All newspapers.

IV TRANSPORTATION AND COMMUNICATIONS:

1. Telephones:

The latest scene in the apparently endless telephone play concerned an offer by Siemens & Co., to install 10,000 East German telephones in Curitiba at a price less than half that demanded by the Companhia Telefonica Nacional (I.T.&T.). Initial elation gave way to gloom when it was discovered that the equipment was outmoded and that national sentiments might be offended by not buying Brazilian equipment. At this point, the curtain fell.

Sources: "Diário do Paraná", Jan. 7, 9, 16, 17, 18, 20, 25, 1962
"Estado do Paraná", Jan. 9, 16, 18, 20, 25, 1962
"Tribuna do Paraná", Jan. 9, 16, 18, 19, 1962

2. HIGHWAYS:

The Paraná government hopes to complete the "coffee road" before the end of the year. The most important stretch still uncompleted is between Apucarana and Ponta Grossa, a distance of about 220 kilometers. It seems unlikely that the deadline will be met.

The horrendous condition of the Guarapuava-Foz do Iguaçu road (BR-35, under construction for 32 years) resulted in a sort of mobile sit-down strike as more than 200 trucks blocked traffic in protest against the craterous highway. The drivers also threatened to blow up one of the bridges if the government did nothing to repair the road.

Sources: "Diário do Paraná" - Jan. 3, 10, 12, 17, 18, 1962
"Estado do Paraná" - Jan. 10, 31, 1962
"Gazeta do Povo" - Jan. 3, 10, 16, 1962

3. Electricity:

A transmission line providing Ponta Grossa with 10,000 kilowatts from the Figueira power plant is scheduled for completion in September. The added power, it is hoped, will stimulate industrial growth. One project under consideration calls for the construction of a magnesium silicate plant with an output of a million tons a year.

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From AmConsulate, Curitiba

Sources: "Diário do Paraná" - Jan.13,1962
"Estado do Paraná" - Jan.18,1962
"Gazeta do Povo" - Jan.4,14,1962

V FINANCE

1. State Bank

The State Bank of Paraná, flat on its back a year ago as the result of embezzlement and poor management has staged a surprising comeback. Deposits climbed from 1.2 billion last January to 3.7 billion this January. The bank is now managed by millionaire Maximo Kepp.

2. Money and Exchange

Bank deposits continued high. With vacations and shut downs of a number of factories credit demands have eased.

Commercial activity is good, stimulated by an influx of Argentine tourists.

Sources: "Diário do Paraná" - Jan.11,1962
First National City Bank of N.Y.

George M. Scanlan
George M. Scanlan
American Vice Consul

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AIR-POUCH **UNCLASSIFIED**

FOREIGN SERVICE DESPATCH

FROM : Amcogen São Paulo 198

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, C-3

February 9, 1962

For Department Use Only

832.00/2-962

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SUBJECT: Biweekly Economic Review, January 26 - February 8, 1962

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1. Economic Development--São Paulo Government Plans Improvements of the Paraíba Valley Resources D-18 A. D. Ventura
2. Foreign Trade--Record Exports of Agricultural Products from Santos in 1961 D-13 A. D. Ventura
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1. Economic Development--São Paulo Government Plans Improvements of the Paraíba Valley Resources

The Governor of the State of São Paulo is studying a project for the economic development of the Paraíba Valley through the establishment of a government-controlled corporation. This organization, to be called Companhia de Melhoramentos do Vale do Paraíba, would plan and carry out various reform projects, including the rational utilization of water basins, the installation of dams in an effort to avoid recurrent floods in the area, the installation of water supply systems, the organization of a

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From Amcogen São Paulo

navigation system on the Paraíba River, the production of electric energy through the construction of power plants, irrigation and water pollution control, drainage of swamp land, education and social welfare programs.

Comment: The economic development of the Paraíba Valley has long been under planning by State and Federal authorities. A project to improve its natural resources through the obtention of US\$15.5 million in "Alliance for Progress" funds was approved at the end of January by the Brazilian Federal Inter-Ministerial Committee for Emergency Programs.

2. Foreign Trade--Record Exports of Agricultural Products from Santos in 1961

According to figures published by the São Paulo Secretariat of Agriculture, the value of exports of agricultural products from the Port of Santos in 1961 totalled Cr\$2,014,357,219¹/₇, or nearly 16 percent more than in 1960. Oranges and bananas were the major exports valued at Cr\$1,215,737,625 (3,258,055 cases) and Cr\$784,410,780 (13,067,237 stems) respectively. Largest consumer markets for these fruits were Argentina, Uruguay, and Great Britain.

Comment: Exports of bananas to Argentina are reported to have fallen off considerably in January 1962 due to Buenos Aires being glutted with large quantities of the commodity shipped out of Santos in December 1961.

3. Labor--Sorocabana Railroad Strike Fails

Striking workers on the state-owned Sorocabana Railroad ended a four-day stoppage on January 28 when the union was forced to accept the wage increase originally offered by the São Paulo State Government. Sorocabana workers had been receiving a special bonus of Cr\$3,000-3,500 per month since October 1, 1961. The thirty percent pay hike granted all State employees, including railroad workers, on January 1, 1962, in effect meant no raise at all for railroad employees in the lower salary grades. Therefore, the State Government offered railroad workers an increase of forty-two percent in lower grades and forty percent in the remaining grades. The Sorocabana union, which is not recognized by the Labor Ministry, rejected this offer and demanded a flat forty-five percent increase with a minimum monthly raise of Cr\$6,000. Unions representing workers on the State-owned Paulista, Mogiana, and Araraquarense Railroads at first threatened to strike also but instead accepted the State offer.

Comment: After the Minister of Justice declared the strike illegal, police and military arrested strike leaders and pickets and patrolled Sorocabana installations. Service on that line.

1/ Approximate free market rate of exchange: Cr\$363 equal US\$1.00.

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From Amcongen São Paulo

partially interrupted beginning January 24, was completely restored by January 27. Firm action by State and Federal authorities, plus withdrawal of support by other unions, prevented what might have been a statewide rail stoppage.

4. Labor--Utility Workers Win Early Contract Reopening

After negotiations lasting throughout most of January, the public utility companies affiliated with the "Light" group and the Companhia Paulista de Força e Luz (Bond & Share) reached agreement on January 30 with the unions representing electricity, gas, telephone, and streetcar workers in São Paulo, Santos, Campinas, and Rio de Janeiro. While the present collective contract does not expire until June 1962, the unions demanded a twenty percent emergency wage increase effective January 1, 1962, to partially offset the estimated thirty percent rise in the cost of living from July to December of 1961. The companies involved were adamant in their refusal of the unions' demand, and instead insisted on making any future salary raises contingent upon utility rate increases granted by the Federal Government. With a utility strike threatened, the Federal Ministry of Labor was instrumental in arranging a settlement, making April 1, 1962, the effective date of the new collective contract to be negotiated beginning February 15, 1962.

Comment: Apparently the union leaders, employers, and the Government were all anxious to avoid both a utility stoppage and a loss of face caused by retreat from previously announced extreme positions. If the unions' original demands had been met, many other unions might have requested similar reopening of their respective contracts, leading to another general round of wage increases.

5. Foreign Trade--Canadian and Mexican Trade Missions in São Paulo

A Mexican Trade Mission--the third to visit São Paulo in the past six months--arrived in São Paulo on February 5 on a four-day visit. The mission was headed by the Mexican Federal Navy Minister. Visits to motor vehicle plants, steel mills, and heavy machinery industries in the São Paulo area were arranged by the Federation of Industries of the State of São Paulo (FIESP).

A Canadian Trade Mission arrived in São Paulo on February 4 to study the possibility of expanding exports of Canadian dried and salted fish to Brazil. Brazil consumes substantial quantities of this commodity, imported mainly from Norway and Denmark.

6. Heavy Rainfall in São Paulo

Heavy rains in the São Paulo area, which lasted for nearly a week, were responsible for property damage which has not yet been

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From Amcongen São Paulo

evaluated. The Tietê River overflowed on two occasions, and bordering towns were particularly affected and partly evacuated. Rainfall was also heavy in the interior of the State of São Paulo, but so far there have been only scattered reports of substantial damage to farm crops.

7. Freight--Shipping Companies Ease Freight Tariff Surcharges

Following a request of the Federation of Industries of the State of São Paulo (FIESP), the Brazil-United States-Canada Freight Conference has agreed to cancel, effective March 12, 1962, tariff surcharges on freight shipped to the port of Santos.

Comment: A 25 percent surcharge, later reduced to 15 percent, was established by United States and European Freight Conferences in March 1961 (see item 2, despatch 331 of March 10, 1961; item 2, despatch 349 of March 24, 1961; item 1, despatch 435 of May 18, 1961) on all cargo shipped to and from Santos. The surcharges had been imposed because shipping companies sustained heavy losses from long delays in freight loading and unloading operations at Santos due to recurrent congestions of the port area. These port congestions have largely been eliminated in recent months, which prompted FIESP's request for cancellation of the surcharge.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
Consul

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GPO 802687

0350

WILLIAM L. SPRINGER
AN ACTING MEMBER

Congress of the United States
House of Representatives
Washington, D. C.

February 9, 1962

ACTION
is assigned to
ARA

The Honorable Frederick G. Dutton
Assistant Secretary of State for
Congressional Liaison
Department of State
Washington 25, D. C.

My dear Mr. Dutton:

Attached is a copy of "The Independent Missions Story
Horizons", which has been forwarded to me by one of my con-
stituents who is particularly alarmed regarding the article
on Brazil.

He has expressed particular concern with the indication
that our grants have caused inflation to such an extent that
food costs are prohibitive for the average Brazilian family.

He has asked for an explanation of the factors leading
to this situation and a statement of our policy in our efforts
to correct such situation.

I would appreciate receiving your comments in order that I
may adequately reply to my constituent.

Sincerely,

W. L. Springer
WILLIAM L. SPRINGER

Encl.

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FOREIGN SERVICE DESPATCH

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832.00/2-1362

FEB 16 1962

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FROM : Amcongen, RECIFE 156

TO : THE DEPARTMENT OF STATE, WASHINGTON. February 13, 1962. *Om*

REF : Amcongen Despatch No. 151 of January 18, 1962. *USA* *USNN-1*

19 For Dept. Use Only	INSTR	D.P.	RM/R	REP	AF	ARA	FE	NEA	INR	E	F	IO	RAD
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① SUBJECT: SUDENE: DELIBERATIVE COUNCIL HOLDS SECOND MEETING OF 1962: FURTADO REPORTS ON PROGRESS.

Both Jornal do Comercio and Diario de Pernambuco reported in their February 8 editions that at the previous days meeting of the SUDENE Deliberative Council, SUDENE Director Celso Furtado criticized "the inferior position in which Brazil found herself in relation to other Latin American countries in regard to technical projects forwarded to the IADB for financing under the Alliance for Progress Program". Furtado described as proof of the technical incompetence of "certain Brazilian organizations" the fact that the IADB and the special working group of the "Banco Nacional de Desenvolvimento Economico" (National Economic Development Bank) had rejected almost 200 projects for the construction of water supply systems. Furtado also declared that the small number of projects submitted by Brazil was not in concert with the vast potential of the country. He asserted that Brazil had not been aggressive enough in presenting its requests. At the same time, he pointed out that the six projects submitted by SUDENE -- for construction of reservoirs in Maceio, Natal, Recife, Sao Luiz, Terezina and Aracaju -- had all been approved by the working group as having fitted the specifications of the IADB. Thus, said Furtado, of some 200 projects, only the six SUDENE proposals were accepted. "This represents a victory for SUDENE," he said, "and assures financing of up to US\$ 12 million for the approved projects."

Furtado reported that soil surveys financed by the Special Fund of the United Nations and SUDENE as the preliminary step in constructing an irrigation system in the Sao Francisco Valley had now been completed. Prospects for the irrigation project were encouraging, he said, and it was hoped that tens of thousands of hectares could be irrigated.

Smith/dvs

REPORTER

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ASSIGNED TO: <i>ARA/EST/6</i>	<i>no action</i>	<i>4-26-62</i>	<i>file</i>
NAME OF OFFICER: <i>RC</i>			
OFFICE SYMBOL			

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Disp. No. 156
From Recife, Brazil.

Turning to surveys being conducted in the Jaguaribe Valley in the State of Ceara, Furtado reported that SUDENE, DNOCS, the "Banco do Nordeste" (Bank of the Northeast), and the French Technical Mission were co-ordinating their efforts in the area in order to avoid duplication.

With regard to funding, Furtado reported that the Minister of Finance had informed him that Cr\$ 3 billion 409 million were being placed at SUDENE's disposal immediately to cover costs of the Master Plan's first stage through January and February. Furtado reported that some Cr\$ 20 billion, 409 million had been allocated for SUDENE controlled projects this year, of which 6.7 billions were to be funded through the budgets of various other public agencies. During 1961, he said, the following amounts were to be expended: 8.7 billions on highways and road projects; 6.7 billions on electrification projects; 2.1 billions on agriculture; 1.3 billions on water supplies.

In its final order of business the Deliberative Council approved 64 additional firms for tax reduction privileges.

Eugene Delgado-Arias
D. Eugene Delgado-Arias
Principal Officer

Two cc: Amembassy, Rio de Janeiro.

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GPO 102667

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FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belo Horizonte, Brazil 16
TO : THE DEPARTMENT OF STATE, WASHINGTON.
REF : ===

For Department Use Only
832.00/2-1362
February 13, 1962
DATE
13 FEB 1962

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SUBJECT: ECONOMIC SUMMARY - Minas Gerais - January 1962

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1. USIMINAS - Capital Expansion and Plans
2. CEMIG's Electrification Project for 1962/1965
3. Pipeline and Refinery (continued)
4. New Industry: Beer
5. State Finances - New Fiscal Control System

1. USIMINAS - Capital Expansion and Plans

The joint Japanese-Brazilian venture in the establishment of a steel mill in the State of Minas Gerais, Usinas Siderurgicas Minas Gerais-USIMINAS-, received a large share (over 20 million dollars) of the 43 million dollars which Japan offered Brazil in January. An officer of USIMINAS has told the Consulate that the company is in the process of obtaining permission from its stockholders to increase its capital from 4 billion to 18 billion cruzeiros (Cr\$318 to dollar, bank rate).

Once production is underway the company hopes to sell its initial runs of pig iron to the United States in exchange for coal. Although competitive bids will probably be accepted, USIMINAS has already made some preliminary arrangements with Eastern Coal and Gas to provide the coal and for Hugo Neu Corporation to accept the pig iron. The arrangements with the two U.S. companies are interlocking, thus providing USIMINAS with the equivalent of a barter arrangement.

2. CEMIG's Electrification Project for 1962/1965

The mixed-capital electric power enterprise Companhia Electricas de Minas Gerais-CEMIG- has recently gained approval
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cc. Couns. for Cons. Affairs/Rio de Janeiro
Amembassy/Econ Section/Rio de Janeiro

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From Belo Horizonte, Brazil

for loans from IDB (Inter-American Development Bank) totalling 3.5 million dollars and from the United Nations Special Fund totalling 1.3 million dollars. In addition to international financing, CEMIG expects both federal and state assistance to supplement local revenues. The State of Minas Gerais is supposed to assign to CEMIG 30% of its share of taxes resulting from the exportation of iron ore originating in the state. Interests from loans made to rural electric power consumers by State banks is supposed also to revert to CEMIG.

The Consulate has been told that if CEMIG obtains all the loans it is seeking in Brazil and abroad it will invest over 11 billion cruzeiros in expanded electrification in the period 1962/65. CEMIG has already announced that its presently assured revenues will permit a 6.65 billion cruzeiro expansion program even without loans.

In a speech given on the first anniversary of his inauguration Governor Magalhães Pinto praised CEMIG for its many accomplishments but called for creation of a new "mixed-capital" enterprise, ERMIG - Eletrificação Rural de Minas Gerais - , to attract international financing for rural electrification. The Governor claimed that the State's needs for rural electrification exceed the capacities of CEMIG which is primarily interested in providing hydroelectric power for industry. Later it was announced that ERMIG would be in some manner subordinated to CEMIG.

Comment:- The Consulate does not believe that an enterprise dedicated solely to rural electrification will prove to be more attractive to foreign capital than is CEMIG with its importance to the State's industrialization.

3. Pipeline and Refinery (cont.)

As reported by the Consulate (Gondes #12 of Jan 6, 1962), the dismissal of the President of Petrobras appointed by Janio Quadros was certain to cause concern in Minas Gerais for the pipeline and oil refinery projects, which had at long last apparently received all the authorization needed. Now the new president, Francisco Mangabeira, is reported to have told Sr. Vicente Assunção, President of the Minas Society of Engineers, that construction of the pipeline and refinery will soon be initiated. Local businessmen, however, are looking for a more formal commitment, remembering the numerous reported authorizations of the last few years.

4. New Industry: Beer

A new corporation, Companhia Mineira de Cervejas, has been launched with considerable fanfare and the slogan "Beer is Always Good Business". Chief asset of the company seems to be the fact that most of the outstanding businessmen of Belo

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From Belo Horizonte, Brazil

Horizonte are on its board of directors or are in some manner lending their support. Shares reportedly sold well the first few days. The company, however, has not yet acquired the physical plant and equipment.

Comment:- One item that may not augur well for the final product is the fact that the local water generally has large amounts of iron, a factor that, according to experts, is not conducive to the making of good beer. In an effort to counteract this belief, the president of the new corporation, Dr. Fabio de Araujo Motta, who is also president of the State Federation of Industries, attacked in the inaugural ceremony the "old fiction" that the quality of beer depends largely on the quality of the water from which it is made.

5. STATE FINANCES / New Fiscal Control System

An important measure has been put into effect which supposedly will enable the State Government to put a stop to the evasion of taxes by business firms. The new system, known as AR--Adicional Reembolsavel (Reimbursable Additional Tax), is in many respects similar to systems already adopted in other states.

The retailer automatically makes a true record of his sales by giving the customers "savings stamps", not unlike the Green Stamps popular in U.S. stores but having denominations which vary according to the amount of the purchase. The customer requests the stamps because with them he can "buy" lottery tickets. The State Government provides the retailer with his supply of stamps and so is able to keep a record of the store's sales.

The stamps cost the dealer .5% of their denomination (.5% of the value of the sale) and it is with this money collected from the retailer that the State will operate the lottery. In addition the State will offer a 2 1/2% interest on bonds which can be "purchased" with those lottery tickets which do not win prizes.

A similar but separate system of "savings stamps" has been instituted to police the dealings between wholesaler and retailer. The State sells a special series of stamps to the wholesaler who is obligated to give them to the retailers in the amount of the retailers' purchases from him. The retailer may not exchange these special stamps for the kind which he gives to his customers but must present them to the State stamp exchange office along with his purchase book. The book and the value of the stamps must balance.

Comment:- The chief difficulty with the system is that it is quite complicated. It depends in the final analysis on the customer's willingness to demand the stamps. The battle

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From Belo Horizonte, Brazil

will be between the Mineiro's enthusiasm for lotteries and the problems of counting, gluing and exchanging which are his before he can obtain the lottery ticket.

Edmund A. da Silva
Edmund A. da Silva
American Consul

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0357

AIR POUCH
HANDLING INDICATOR

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FOREIGN SERVICE DESPATCH

832-00/2-1362

FROM : Amembassy, Rio de Janeiro

640
No.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 13, 1962
DATE

REF : CERP C-3

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		NAVY														
REC'D	2/22															

SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period January 27 - February 9, 1962)

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1. Coffee Exports.
2. Press Reports Brazilian Business Elements Willing to Loan Government Cr\$100 Billion.
3. Salary Increase of 40% Proposed for Military and Civil Servants.
4. Mixed Congressional Committee on Profits Remittance Bill Established.
5. Fifty New Bank of Brazil Agencies to be Created.
6. DNEI Director Comments on Trademark Applications.
7. Organization of Ministry of Industry and Commerce.
8. Death of "Diamond Tycoon".
9. Discovery of Iron Ore Deposit in Pernambuco.
10. Iron Ore Transportation.
11. Petrobras Discovers New Petroleum Area.
12. Petrobras Fails to Renew American Technicians' Contracts.
13. Coal Deposit Reported Discovered in Amazonas.
14. Brazil to Construct Ships for Mexico.
15. New Telecommunications Service Between Rio and Recife.
16. Foreign Ministry Clarifies Concessions Granted Under Latin America Free Trade Association (LAFTA).
17. Renewal of Brazil-Greece Trade Agreement.

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FORM 5-61
F5-439

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From RIO DE JANEIRO

1. COFFEE EXPORTS:

Coffee Exports during the month of January 1962 were 1,433,000 bags compared to 1,047,090 bags exported during January 1961.

Total Coffee Exports during the current coffee marketing year (July 1, 1961 - January 1962) were 11,149,316 bags compared to 9,920,453 bags exported during the same period last year. (L'Yallouz)

(UNCLASSIFIED)

2. PRESS REPORTS BRAZILIAN BUSINESS ELEMENTS WILLING TO LOAN GOVERNMENT CR\$100 BILLION:

The Rio afternoon paper "O Globo", has been reporting under banner headlines throughout the week that a group of Brazilian and foreign business men with investments in Brazil is prepared to loan the Government Cr\$100 billion for 10 years with no interest on the condition that the government issue no more currency for the rest of 1962. Thus far, O Globo has not published any of the names of the supposed contributors to this fund which has been dubbed "Operação Confiança" (Operation Confidence).

(UNCLASSIFIED)

*Machine
Teller
later
admitted
complexity*

Comment: Speculation is that "Operação Confiança" is probably an effort of the newspaper O Globo, perhaps at the instigation of some factions of the government, to sound out the business community's willingness to make such a contribution on the terms listed. The press quoted several government officials as supporting the plan as well as a few members of Congress and other dignitaries as being mildly enthusiastic or opposed to the scheme as impractical. Thus far, there have been no comments from such members of the business community who would be capable of making the kind of contribution the operation would require. (JKrizay)

(OFFICIAL USE ONLY)

3. SALARY INCREASE OF 40% PROPOSED FOR MILITARY AND CIVIL SERVANTS:

The press reported that on the basis of studies made by the Ministry of Finance and DASP, the government was preparing a bill to be submitted to the Congress which would provide an increase in military and civil service salaries ~~amounting to 40%~~ of 40%. The press also reported that neither the civil service nor the military are content with this proposed increase and that they were demanding a 50% increase plus increased family allowances.

(UNCLASSIFIED)

Comment: It appears certain that a federal pay raise will be approved next month although the budget law as passed provides no funds for this purpose. An average federal wage increase of 40% would probably add an additional Cr\$70-80 billion to the Federal Budgetary expenditures on an annual basis. (JKrizay)

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Disp. No.
From RIO DE JANEIRO

4. MIXED CONGRESSIONAL COMMITTEE ON PROFITS REMITTANCE BILL
ESTABLISHED:

After a delay of several weeks, the mixed Senate/Chamber Committee suggested by Prime Minister Tancredo Neves to redraft the profits remittance bill was established, and the following individuals have been named: Senators Alô Guimarães, Rui Carneiro, Barros de Carvalho, Sergio Marinho and Mem de Sá, and deputies Daniel Faraco, José Maria Alkmin, Monteiro de Castro, Sergio Magalhães and Carvalho Sobrinho. (UNCLASSIFIED)

Comment: It will be recalled that the profits remittance bill which had been passed by the Chamber of Deputies was not acted upon by the Senate before adjournment on December 15. It was, therefore, decided that a mixed Congressional Committee consisting of 5 members of each House would redraft the bill on a basis which would be acceptable to all factions. It has been reported in the press that the Senate would only act on the bill if the redraft excluded all "undesirable" features of the Chamber's version. (JKrizay/WBLOWMEYER)
(OFFICIAL USE ONLY)

5. FIFTY NEW BANK OF BRAZIL AGENCIES TO BE CREATED:

During a meeting of the Board of directors of the Bank of Brazil, presided over by the Bank's president, Nei Galvão, it was decided that an additional fifty agencies of the Bank of Brazil would be created during 1962 in less developed regions of the country, particularly in the North and Northeast. The Bank, at present, has 478 agencies throughout the country plus forty more in the process of being established. Of the fifty new agencies to be installed, priority will be given those destined for the Northeast and the North. (JKrizay/Wiegerinck)
(UNCLASSIFIED)

6. DNPI DIRECTOR COMMENTS ON TRADEMARK APPLICATIONS:

Dr. Clovis da Costa Rodrigues, new Director of the National Department of Industrial Property (DNPI), recently informed the Embassy that, for an indefinite period, he will continue to accept and to give "all due consideration" to the Embassy's informal submissions to his department protesting applications for the registration of certain terms as trademarks in Brazil. Dr. Rodrigues stated that, while he cannot reply affirmatively to each Embassy protest, consideration is being given to its submissions at the time the application to which the submission refers comes up for decision. (UNCLASSIFIED)

Comment: Dr. Rodrigues is continuing a practice continuously observed by him when he previously served as DNPI Director (1946-56). This practice

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From RIO DE JANEIRO

was interrupted in 1960 with the refusal of the then director, Geraldo Rodrigues dos Santos, to accept the Embassy's submissions. (Arenales)
(UNCLASSIFIED)

7. ORGANIZATION OF MINISTRY OF INDUSTRY AND COMMERCE:

The organizational structure of the Ministry of Industry and Commerce has been set forth in Law No. 4,048 of December 29, 1961, published in the Diario Oficial of January 8, 1962. The new Ministry, created by Law No. 3,782 of July 22, 1960, will be composed of the following departments: National Department of Industry and National Department of Industrial Ownership, both under the Secretariat of Industry. The Secretariat of Commerce will be composed of: The National Department of Commercial Registration, the National Department of Private Insurance and Capitalization, Center of Economic Studies, National Department of Administration, National Institute of Technology, National Institute of Weights and Measures, and State Commissioners of Industry and Commerce. Also under the Ministry's jurisdiction are the following institutes: Brazilian Coffee Institute, National Mate Institute, Sugar and Alcohol Institute, National Pine Institute, Brazilian Salt Institute and Reinsurance Institute of Brazil, as well as the National Steel Company, National Motor Factory, National Alkali Company, and the Executive Commission for the Defense of Rubber.

(UNCLASSIFIED)

Comment: The new Ministry is still being formed and it is too early to see how effectively it will operate. An important part of its work will apparently be to oversee operation of the Government companies. (SEWeaver)
(UNCLASSIFIED)

8. DEATH OF "DIAMOND TYCOON":

Of interest to those who have followed the vicissitudes of the diamond business in Brazil was the death of Baron Leon Van der Elst Roeling in a highway accident near Terezopolis, February 3, 1962. The Baron (well-known in Brazil as a "diamond tycoon") appeared prominently in the news during March 1960 as having been arrested in Diamantina for allegedly threatening the life of his U. S. partner E. G. Frawley - all in connection with a Brazilian diamond-mining venture active at that time.

(UNCLASSIFIED)

9. DISCOVERY OF IRON ORE DEPOSIT IN PERNAMBUCO:

An iron ore deposit estimated at more than 10 million tons reportedly was discovered at the municipality of São José do Belmonte, Pernambuco. Discovery (according to the press report) was made by technicians of the Pernambuco Institute of Technology, and also geologists from the University of Recife. The discovery has not been announced officially.

(UNCLASSIFIED)

Comment: The discovery of another iron ore deposit in Brazil would not be surprising. However, as no official pronouncement has been made concerning the type and tenor of the ore and confirmation of the size of the /deposit

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deposit, any discussion as to the merits of the report at this time would be premature. (ALRansome)

(UNCLASSIFIED)

10. IRON ORE TRANSPORTATION:

According to a recent press report, considerable controversy has arisen over an ore transportation contract of the Central do Brasil Railroad (EFCE) with Sorocabana de Material Ferroviario (SOMA) which in turn has commitments to the Hanna Co. Two weeks ago the Federal Railroad System (RFF) was informed of a contract made by SOMA with EFCE for transporting ore from the Paraopeba Valley. Ore producers in the Valley other than Hanna charged that this contract would not allow room for rail shipment of their ores.

A subsequent denial of these charges was published by SOMA with a general statement that its contract does not stipulate exclusiveness in favor of any company; that the contract is legal and based on the EFCE's own report on its own facilities.

(UNCLASSIFIED)

Comment: Much of the small operators criticism of the contract was apparently unfounded. Some 60 percent of the ore is hauled by truck and will continue to move that way. The contract was approved by the Council of Ministers after full study. (ALRansome)

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11. PETROBRÁS DISCOVERS NEW PETROLEUM AREA:

Petrobrás has reported the discovery of a new petroleum area in Bahia on the basis of results obtained from drilling of a pioneer well, Querend 1, in the Tucano basin. The report states that this area is 2 - 2 1/2 times larger than the Recôncavo area and geologically the same. The well was tested at the interval between 1,732 and 1,740 meters and showed the capacity to produce on the order of 60 barrels per hour, and the drill continued to cut oil-impregnated layers.

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Comment: This report is interesting, but not significant as regards a real addition to Brazil's petroleum potential. The well, if truly indicative of a new find, is still within the general area in Bahia which is known to be productive. (ALRansome)

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12. PETROBRAS FAILS TO RENEW AMERICAN TECHNICIANS' CONTRACTS:

Petrobras during the past several months has failed to renew most of the American technicians' contracts with the general explanation that a Brazilian geologist or technician will take his place. This nationalistic trend seems to be counter to a published statement by Passos that foreign technicians will be contracted by Petrobras for the continuance and expansion of exploration activities under the policy outlined by Mangabeira. Perhaps this trend is part of the reaction against "Linkism". (ALRansome)

(OFFICIAL USE ONLY)

13. COAL DEPOSIT REPORTED DISCOVERED IN AMAZONAS:

According to a press report an "enormous" coal deposit has been discovered in Amazonas consisting of 2.2 trillion tons throughout an area of 109,000 kilometers. In some places the coal seam is reported to be 80 meters in depth. (UNCLASSIFIED)

Comment: This report is obviously greatly exaggerated and should be given little or no credence. Geologically, the area is not one in which coal would logically occur, although some lignitic material is known. (ALRansome)

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14. BRAZIL TO CONSTRUCT SHIPS FOR MEXICO:

A Mexican Delegation including representatives of the Mexican Navy, Merchant Marine, Bank of Mexico and other entities came to Rio during the latter part of the month to inspect Brazilian shipyards and study the possibilities of construction of certain types of ships for Mexico including cargo carriers, tankers, hydrographic and small vessels. Upon departure of the Delegation a joint statement was signed to the effect that Brazil in the near future would inaugurate on an experimental basis a direct shipping service to Mexican Gulf ports, calling at Tampico at least once a month and possibly other Mexican ports. On the Mexican side, the Delegation would bring to the attention of their authorities and private ship owners the possibilities of constructing ships in Brazilian shipyards for the use of the Mexican Merchant Marine and Navy.

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/Comment:

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From RIO DE JANEIRO

Comment: While no firm orders were given for the construction of ships it is probable that Brazilian shipyards will receive an order for one or more vessels in the 10,000 Ton class for dry cargo. It is reported that the Mexicans are to present their requirements and plan of payment within the next 40 days. It remains to be seen to what extent trade between the two countries will support a direct shipping line between the two countries. (UNCLASSIFIED)
(SGAnderson)

15. NEW TELECOMMUNICATIONS SERVICE BETWEEN RIO AND RECIFE:

On January 30, short wave telephone and telex services were inaugurated between Rio de Janeiro and Recife. A telex system between Rio and São Paulo had previously been opened during the first days of the month. (UNCLASSIFIED)

Comment: These new services are part of the DCT's plan to increase communications between the principal cities of the country. (SGAnderson)
(UNCLASSIFIED)

16. FOREIGN MINISTRY CLARIFIES CONCESSIONS GRANTED UNDER LATIN AMERICA FREE TRADE ASSOCIATION (LAFTA):

In a note distributed to the press, the Foreign Ministry sought to clarify the question of the application of the "most favored nation" clause to the concessions recently negotiated by Brazil in LAFTA. The matter has received wide press coverage, because of injunctions reportedly requested by importers against customs authorities who have denied duty exemption for merchandise imported from GATT member countries.

The Foreign Ministry note emphasizes that the universally admitted norm, both in international agreements and in decisions by institutions of international law, as well as in trade policy practice between countries, leaves no doubt that the "most favored nation" clause does not cover the right of such treatment in free trade areas. The note indicates further that GATT sanctions the concept of a free trade area in Article XXIV and through subsequent resolutions and decisions.

In summarizing the possible consequences of an extension of concessions negotiated by Brazil in LAFTA to non-LAFTA countries, the note mentions the prejudicial effect of such an action on the formation of the Free Trade Zone; the gratuitous concession of favors to third parties; the threat to Brazil's economy which could not stand the competition from highly industrialized countries in a system of free trade; and the eventual withdrawal of member states from LAFTA, since the Association would have lost its "raison d'être". (UNCLASSIFIED)
(BAGoldstein)

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17. RENEWAL OF BRAZIL-GREECE TRADE AGREEMENT:

An exchange of notes on January 31 renewed, for six more months, the Provisional Trade and Payments Agreement concluded between Brazil and Greece on July 30, 1960. According to the Foreign Ministry, the renewal will make possible an increase of trade between the two countries and a diversification of exports.

During the last five years, Brazil has exported to Greece an annual average of 65,000 bags of coffee, amounting to US\$3.5 million, while Greece's exports to Brazil have had an annual value of approximately US\$2 million.
(BAGoldstein) (UNCLASSIFIED)

For the Ambassador

Robert Eakens

Robert Eakens
Counselor for Economic Affairs

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AIR POUCH		UNCLASSIFIED		For Department Use Only											
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FOREIGN SERVICE DESPATCH				JMD											
FROM :	Ambassy RIO DE JANEIRO		642												
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		February 13, 1962												
REF :	OERP C-4		FEB 15 1962												
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SUBJECT: MONTHLY ECONOMIC SUMMARY - January 1962

SUMMARY:

Though less eventful than preceding months, important economic developments took place in January in the fields of finance, foreign trade, and industry. Financial developments included a new regulation to control the exchange rate, the completion of the preliminary study of the Alliance for Progress Emergency Committee, and the withdrawal from circulation of part of the large currency issuance of December. With regard to the exchange rate, dealers in exchange were instructed to carry out their operations in convertible currency at the fixed rate of Cr\$310 buying and Cr\$318 selling per dollar. As a result of this instruction foreign exchange, particularly for financial transactions, became very scarce in the commercial banking system.

In the field of industry, with the beginning of production of light agricultural tractors at its São Paulo plant, Massey-Ferguson do Brasil became the third company to initiate operations in Brazil under the current Government program for the tractor industry.

On January 1, the first tariff reductions negotiated under the Latin American Free Trade Association (LAFTA) went into effect with expressions of optimism at prospects of expanded export markets for Brazil.

Business conditions during January were generally good. Market demand was satisfactory and sales held up well in spite of a decline from the seasonal high in December, and were reported to be somewhat above levels of January 1961, after adjustment for inflation. A continuing tight credit situation and further depletion of working capital made it difficult for manufacturers to maintain production levels and delivery schedules. Though few new investments were announced, the general concern of the business community in December with the "profits remittance" bill was modified by a rise

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From RIO DE JANEIRO

in optimism as Brazilian business organizations made public expressions of opposition to such legislation and in support of government stabilization efforts.

The cost of living in Rio de Janeiro increased by 3.1% in January, as compared with 3.4% in December and 2.7% in January 1961. (SRWeaver)

FINANCE:

Though by comparison January was not an eventful month in the financial field, there were some developments of substantial significance that took place and which deserve discussion. These developments were: (1) an effort to control the exchange rate; (2) the completion of the preliminary study of the Alliance for Progress Emergency Committee; and (3) the withdrawal from circulation of part of the large currency issuance of December.

In an attempt to control the exchange rate, FIRAN letter No. 432 was issued on January 5 addressed to all banks, banking houses, and travel and tourist agencies, requiring that these dealers in exchange conduct their operations in convertible currency at Cr\$310 buying and Cr\$318 selling rate per U. S. dollar. The instruction applied to transactions of whatever nature including currency notes and travelers' checks. As a consequence of this effort, foreign exchange, particularly for financial transactions, became exceedingly scarce in the commercial banking system. Exchange for imports was reported to be somewhat easier to arrange particularly through the Bank of Brazil, which, by virtue of earlier regulations, continues to handle most of the exchange flowing into the country. Though it appeared that most exchange dealers were obeying the instruction, operations continued in the so-called "parallel" market with rates in this market running around Cr\$350 to 370 per U. S. dollar (see Embassy Despatch No. 561 of January 12, 1962).

The press reported that the Alliance for Progress Emergency Committee had completed its studies and was ready to present for final consideration a list of forty three projects to be considered for Alliance for Progress aid. The total cost of these projects was reported in the press as \$53 million. The list of projects reported by the press included all regions and all types of activities. The largest single project was the project for construction of a power plant at Urubupunga (Mato Grosso/Sao Paulo border) costing \$80 million. This list is reportedly being studied by the full committee and apparently some modifications have been suggested. It is scheduled to be finalized at a full committee meeting on Monday, February 12, after which it will be presented to the United States Government for consideration.

Cr\$13 billion of the Cr\$40 billion added to circulation in December were withdrawn in January. Cr\$10 billion had already been withdrawn in the last days of December, making a net increase in currency in circulation since November of Cr\$16 billion. Of the total amount withdrawn from circulation in both December and January, Cr\$10 billion was placed into a sterilized account in the name of SUMOC, the balance having been returned to the Caixa de Amortizacao. The total amount of currency outstanding at the present time is Cr\$304.9 billion (of which

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Cr\$10 billion is sterilized in the SUMOC account) as compared with Cr\$288.9 billion in November (including Cr\$10 billion in the SUMOC account) and Cr\$313.9 billion at the end of December (which includes Cr\$5 billion in the SUMOC account).

It should be added that a large part of the addition to currency supply in December was made to accommodate increased liquidity demands which normally occur during the Christmas shopping season. It was to be expected, therefore, that a substantial part would find its way back to the monetary authorities.

The cost of living in the State of Guanabara in January increased by 3.1% over December, as compared to a 2.7% increase in January last year.

(JKRizay-WBlomeyer)

TRADE AND INDUSTRY:

Business conditions during January were generally described as good. Sales, after adjustment to take into account the high inflation of the past year, were reported to be slightly above January 1961. The market was especially good for the summer seasonal items, but demand generally kept pace with supply. Maintenance and replenishment of inventories in consumer durables and heavy goods provided problems to distributors and producers. A continuing tight commercial credit situation and further depletion of working capital made it difficult for manufacturers to maintain production levels and delivery schedules. This situation was especially serious in industries which require imported raw materials and components. There were numerous reports that production had to be restricted, as a consequence of financing difficulties, as a means of "stretching out" of stocks. Despite current problems, many businessmen reported a rise in optimism, as compared with the general attitude of serious concern in December, following passage of the "remittance of profits" legislation by the Chamber of Deputies. Brazilian business organizations united in public expression of opposition to such legislation, and in support of government stabilization efforts.

The principal occurrence in the industrial field during the month was the beginning of production of light agricultural tractors on January 24 at the Massey-Ferguson do Brasil plant in São Paulo. The tractors are equipped with Brazilian-made Perkins diesel engines. Massey-Ferguson thus becomes the third company to begin manufacture of tractors in Brazil with at least seventy percent of nationally produced components by weight under the current government program for the tractor industry.

A study group has been set up by ministerial decree to make recommendations regarding the initial operation of Eletrobras, created by law of April 1961 but not yet organized. Part of the work of this group will be to make a survey of electric power generating and distribution requirements of the country. A preliminary report issued by this group on the Central-Southern region of Brazil indicated that if a power shortage in this area in the period 1962-66 is to be avoided, it will be necessary to give the highest priority to completing the extensive power projects already under construction and to constructing inter-connecting transmission lines. For the State of Guanabara in particular, the report recommends construction on an emergency basis of a transmission line from

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Guarulhos to São José dos Campos in the State of São Paulo to permit additional supply of electricity to the city of Rio de Janeiro from 1962 to 1964 from the Cubatão hydroelectric station near Santos. To supply the power needs of this area from 1967 on, it will be necessary to begin construction of new power plants with a total capacity of some 2.2 million KW by 1965. First priority is recommended for construction of plants on already regulated rivers such as the Grande, Paranapanema, Tietê, Paraíba and São Francisco. The estimated total investment necessary for this construction in the period 1961-70 is Cr\$700 billion.

(SEWeaver)

With the coming into effect on January 1 of the first tariff reductions negotiated under the Latin America Free Trade Association (LAFTA), Brazil's prospects for expanded export markets received optimistic press reviews. Particular reference was made to possibilities of increased trade with Argentina and Mexico, with the hope being expressed that Brazil's trade with the former would again reach the one-time level of US\$150 million both ways and would eventually exceed this amount. The Mexican market, virtually untouched by Brazilian products up to now, was seen to offer encouraging opportunities, especially since the Mexicans have indicated their favorable impressions of the technical level of Brazilian industry, and have expressed interest in a number of Brazilian products which until the present have been bought in the United States and elsewhere.

In contrast with Brazil's encouragement at developments in the LAFTA was its continued concern at the prejudiced position in which it has been placed by the European Common Market (EEC). Extensive coverage was given Brazil's position via a visit to the EEC on the occasion of a report made on January 18 to the National Economic Council, in special session, by Ambassador Otavio Dias Carneiro, Assistant Secretary of State for Economic Affairs and a member of the Brazilian delegation to the recent GATT session. While acknowledging the theoretical advantages offered by the EEC with its prospects of increased income for member countries--making possible increased importation of raw materials from less developed countries and increased capacity for loans and financing in less developed countries--Ambassador Carneiro noted that certain aspects of the EEC pose a real and immediate danger to Brazil. Among those factors cited by the Ambassador was the use of a mean average rather than a weighted average in determining the EEC's external tariff; the preferences granted overseas territories of member countries; and the EEC's highly protective agricultural policy.

(BAGoldstein)

TRANSPORTATION AND COMMUNICATIONS:

The outstanding development during January was the signing by the President of Decree No. 544 on the 31st which regulates the showing of motion pictures and advertising on television. In revoking Decree No. 50,450 of April 12, 1961, the showing of foreign films and video tapes is henceforth allowed for sixty minutes during each of separate three and one half hour periods throughout most of the afternoon and evening, the remaining two and one half hours in each period being reserved for "live" programs. Foreign news reels and cartoons are generally exempted. One national film of good quality and of at least twenty five minutes duration must be shown each week. Effective one year from this date, all films will have to be dubbed in Portuguese, except foreign news reels and cartoons.

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The new decree faces up more realistically to the facts of life concerning television programming than the one it supersedes, and recognizes that the local film industry is not yet in a position to supply the television stations with all that is needed.

A Mexican delegation including representatives of the Mexican Merchant Marine came to Rio de Janeiro during the latter part of January to inspect Brazilian shipyards and investigate the possibilities of construction of certain types of ships for Mexico including cargo carriers, tankers, hydrographic and small war vessels. Upon departure of the delegation, a joint statement was signed to the effect that Brazil in the near future would inaugurate a direct shipping service to Mexico, calling at Tampico and possibly other Mexican ports and, on the Mexican side, the delegation would bring to the attention of their authorities and private ship owners the possibilities of constructing ships in Brazilian shipyards for the use of the Mexican Merchant Marine and Navy. (SGAnderson)

MINERALS:

During January the items of interest in the minerals field were for the most part unsubstantiated reports relating to a gold "rush" to the Jacareacanga and Itaituba districts, State of Par ; the discovery of diamantiferous ground in Mato Grosso, particularly in Poxor u; and reported large reserves of copper in a deposit located at the base of the Itiapaba mountain range, Municipality of Vi osa, State of Cear .

A salt company reportedly is to be organized shortly by the "SUDENE" to operate in the region of Mossor  and Areia Branca. The government is to participate with 25-30 percent of the capital, the remainder to be subscribed by the salt mine owners. At the same time a manufacturing unit is to be set up for the production of subsidiary products, such as iodine, chalk and phosphorus. Up to the present, salt residues have not been utilized for by-products recovery.

A special group has been organized in the Ministry of Transport to examine details under which the "Central do Brasil" railroad can enter the iron ore export market. This same group will also examine the possibility of having the Cia. Vale do Rio Doce represented by the railroad in international markets for the placing of the ore it transports. The Minister of Transport has stated that activities arising from this must not prejudice the normal transport of ore by present users, as regards current or future volume. With further reference to iron ore transportation, the capacity of Rio de Janeiro's port facilities to handle iron ore exports is to be part of a general study to expand the present coal and iron ore dock capacity from two million tons annually to seven million. This is the first stage of an overall plan to reach fifteen million tons annually --the total capacity that the "Central" railroad will hope to attain at the end of a planned five-year period of expansion.

The most noteworthy news in petroleum concerned the "ousting" of Sr. Geon sio Barroso, President of Petrobr s, and Heitor Lima Rocha, Director, by Minister of Mines and Energy, Gabriel Passos, on January 5. This move touched off a protest strike of workers and technicians with resultant nearly total paralysis of

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Petrobras refinery installations in Bahia for better than a week. The new President, Sr. Francisco Mangabeira, was installed in office January 17.
(ARansome)

AGRICULTURE:

All of the major crops were in the ground with harvest a few months off and growing conditions good throughout the country with the possible exception of too much rain in parts of the central states.

Government actions during the month included fixing of maximum wholesale and retail prices of rice and beans and a request for 36,000 m.t. of corn under Title I, PL 480. While negotiations continued for a fourth PL 480 agreement for wheat, Brazil continued to live on a hand-to-mouth basis and no wheat was purchased by CACEX during the month.

Coffee exports in January were the highest for that month since 1957 and reached 1,433,000 bags, almost 400,000 more than January 1961, contributing to the total of 11,149,316 bags for the first seven months of the marketing year.
(FMilam)

For the Ambassador:

Robert Eakens
Robert Eakens
Counselor of Embassy
for Economic Affairs

Enclosures: *at*

Economic Indicators.

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Encl. No. 1
Disp. No. 642
From RIO DE JANEIRO

ECONOMIC INDICATORS

	1960			1961			1962		
	Nov.	Dec.	Jan.	Nov.	Dec.	Jan.	Nov.	Dec.	Jan.
Cost of Living ^{1/}									
Index (1948 = 100)	825	848	866	1,174	1,214	1,252			
Percent Increase Over Previous Month	2.9	2.8	2.1	5.8	3.4	3.1			
Sales Tax Receipts ^{1/}									
Billions of Cruzeiros	1.494	1.817	1.419	2.150	2.520	2.594			
Motor Vehicle Production Units	12,659	13,340	10,417	13,767	12,797				
Industrial Consumption Electric Power ^{1/}									
Millions of KWH	42.174	43.104	41.235	46.234	46.391				
Notes Protested ^{1/}									
Number	2,000	2,300	2,000	1,700	1,800	1,830			
Millions of Cruzeiros	58	125	52	103	108	73			
Coffee Exports									
Millions of Bags (60 Kilo)	1.32	1.36	1.05	1.50	1.72	1.43			
Bank of Brazil - Last Day of Month									
Billions of Cruzeiros									
Loans to Treasury	69.710	100.445	7.496 ^{2/}	73.006	132.774				
Outstanding Loans to Private Sectors	177.5	186.3	178.4	258.5	279.8				
Rediscount to Commercial Banks	17.5	23.4	21.8	28.5	33.4				
Cash Holdings	9.5	8.6	8.5	8.8	13.3				
Compulsory Reserves, Commercial Banks	37.8	39.1	42.0	54.7	61.0				
Outstanding Bank of Brazil Letters	71.2	72.2	14.7	62.1	67.8				
Currency Outstanding	189.4	206.1	201.6	288.9	313.9	305.0			

^{1/} State of Guanabara

^{2/} Bank of Brazil loans to Treasury are recorded on an annual basis, on the basis of SUMOC estimates. Cumulative figures covering past years are of no significance since outstanding Treasury debt is periodically written off.

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DEPARTMENT OF STATE

Memorandum of Conversation

Approved in S
2/28/62

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832.00/2-1962

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DATE: February 19, 1962

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SUBJECT: Brazilian Economic and Financial Matters

MAR 6 1962

PARTICIPANTS: The Secretary
Ambassador Roberto Campos, of Brazil ✓
Minister Arnaldo Vasconcellos, Brazilian Embassy
ARA - Mr. Barall
EST - Mr. Wilson

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Ambassador Campos said that he had requested the appointment in order to talk to the Secretary prior to his return to Brazil for consultation before the visit of President Goulart. He brought up the following four topics:

European Common Market: The Ambassador said Brazil is concerned about the adverse effect on its exports of the tariff structure of the European Common Market. He asked whether the U.S. would take effective action, in its own negotiations with the Common Market, on behalf of Latin America. The Secretary replied that the United States is not seeking a place within the tariff wall of the European Common Market but is trying to obtain adjustments of the external tariffs of the Common Market, which, on a most favored nation basis, would be extended to Brazil and other countries. One specific adjustment we seek is a reduction of the tariffs on tropical products. Our goals of economic growth and liberal trade are in Latin America's interest.

Compensatory Financing Scheme for Commodities: Ambassador Campos remarked that it appeared that the United States had recently shifted its position on consideration of the compensatory financing scheme from one for the Western Hemisphere region to a world-wide basis. He inquired if this represented the final U.S. position. Mr. Barall replied for the Secretary that it did not represent a final position. He pointed out that the scheme was not related to specific commodities but was intended to provide balance of payments assistance

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of the IMF type to offset temporary declines in export commodity prices. It is necessary to consider the problem on a world-wide basis since a regional arrangement might allow markets to be pre-empted, perhaps permanently, by countries not participating in a regional arrangement, thus converting a temporary decline in prices to a permanent one. World-wide financing was also required.

Further Drawing under the Export-Import Bank Credit of May 1961: After stating that \$59 million remains of the Eximbank credit of \$168 million, he said that Brazil would like the Eximbank to release an additional \$37 million to cover payments of arrears already made by the Bank of Brazil. He contended that the Eximbank credit, being for arrears, is different in character from the other credits for balance of payments purposes and that the same criteria with regard to stabilization measures do not apply. He admitted that he and Mr. Linder of the Eximbank do not agree on the interpretation of the terms of the Eximbank credit. Mr. Barall commented that it was out of deference to the wishes of the Brazilian Government that Mr. Linder had agreed to leaving out of the Eximbank credit agreement the specific language tying it to stabilization. During the negotiation there had been no doubt of the understanding which formed the basis for the credit. Ambassador Campos said he intended to find out from the Brazilian Government during his consultation the priority and urgency attached to requesting the disbursement of the \$37 million. The Secretary called attention to the fact that Ambassador Gordon is presently discussing with the Brazilian Government the possible program of action by the Government in the stabilization field and that we hope this will be well advanced by the time Ambassador Campos gets to Brazil. He emphasized the importance of action by the Brazilian Government.

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FOREIGN SERVICE DESPATCH

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FROM : **Ambassy, RIO DE JANEIRO**

679

February 26, 1962

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : **CHRP C-3**

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DATE
FEB 29 1962

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REC'D		3-5				35	16	20	2										

SUBJECT: **BIWEEKLY ECONOMIC REVIEW** (Period February 10-February 23, 1962)

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 6 1962

1. Coffee Export
2. Companhia Telefônica Nacional Expropriated.
3. "State of Maine" Visits Rio.
4. Brazilian Air Force Purchases Avro 748's.
5. Revenue from Income Tax in 1961.
6. Bank of Brazil to Carry out Minimum Price Policy Set for Foodstuffs.
7. Uranium Mineralization in Tucano Basin.
8. Petroleum Discovery in Tucano Basin Still in News.
9. Asbestos Reserves Reported Discovered.
10. Brazilian Tourist Commission Abolished.
11. Brazilian Participation in East and West German Trade Fairs.

1. COFFEE EXPORTS:

Coffee exports during the month of February through the 18th were 770,896 bags compared to 516,020 bags exported during the same period last year.

Total coffee exports during the current coffee marketing year (July 1, 1961 through February 1962) were 11,917,029 bags compared to 10,420,453 bags exported during the same period of the 1960/61 coffee marketing year.

(UNCLASSIFIED)

ECON:BA Goldstein/lsc

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FORM
F5-439

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

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Encl. No. 679
Disp. No.
From RIO DE JANEIRO

2. COMPANHIA TELEFONICA NACIONAL EXPROPRIATED:

On February 16 the Government of the State of Rio Grande do Sul expropriated the Companhia Telefonica Nacional, an I. T. and T. subsidiary. While the action was not entirely unexpected, the expropriation decree was drawn up and published in the Diário Oficial of the State of Rio Grande do Sul without any prior warning. Governor Brizola deposited the amount of Cr\$149,758,000 (approximately \$400,000) in the "Caixa Econômica Estadual" as indemnization.

(UNCLASSIFIED)

COMMENT: For a long time it appeared that Governor Leonel Brizola, brother-in-law of President Goulart, was intent on nationalizing the company in the same manner as was done to the American and Foreign Power subsidiary in 1959. This action was in line with the nationalistic tendencies of the State administration and served to exacerbate relations with the Federal Government at a time when the latter was preparing its plan for submission to the Alliance for Progress program and was also making plans for the visit of President Goulart to the United States. (SGAnderson)

(OFFICIAL USE ONLY)

3. "STATE OF MAINE" VISITS RIO:

The State of Maine merchant marine training ship "State of Maine" visited Rio de Janeiro from February 11-16 in the course of a three-months training cruise of 12,000 miles which came as far south as this port. The ship had previously called at Bahia for two days. On board were 320 midshipmen and 40 officers. While in port the entire American and some of the Brazilian community went all out to make the stay a successful one through offering assistance, information, transportation and home hospitality. Many of the cadets donated blood to a local charitable blood bank and the ship gave a diesel engine to the Brazilian Merchant Marine School in appreciation of the latter's cooperation during the visit. (SGAnderson)

(UNCLASSIFIED)

4. BRAZILIAN AIR FORCE PURCHASES AVRO 748's:

The Brazilian Air Force (FAB) has purchased six Avro 748's substituting for C-47's for use in VIP and other transport services between Rio de Janeiro, Brasilia and other points within the country. (SGAnderson)

(UNCLASSIFIED)

COMMENT: The purchase of these planes was made directly by the Government, reportedly for \$4,500,000. This acquisition could set a precedent for orders from the domestic airlines, as the latter hope eventually to substitute DC-3's with more modern aircraft. (SGAnderson)

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End. No. 679
Disp. No.
From RIO DE JANEIRO

5. REVENUE FROM INCOME TAX IN 1961:

During 1961 revenue collected from the income tax totalled Cr\$84.5 billion. This amount represents an 14% increase over the budgetary estimate (Cr\$74.5 billion) and was 35% more than the revenue collected from this source in the preceding year.

(UNCLASSIFIED)

COMMENT: The unexpected increase in income tax collections is due partly to the fact that the rate of inflation was greater than that on which the forecast was based and partly to improvements in the tax collection methods and administration (see Endas 667, Feb. 20, 1962). (WELLMAYER/JERISAY)

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6. BANK OF BRAZIL TO CARRY OUT MINIMUM PRICE POLICY SET FOR FOODSTUFFS:

A five-year contract was signed by the Finance Ministry and the Bank of Brazil whereby the latter undertakes to carry out the financing and the purchase of rice, corn, beans, soybeans and peanuts as provided for by Law 1,506 and at the minimum prices set by Decree 153 of November 16, 1961.

Bank of Brazil agencies were ordered by the Bank's president to start operations without delay.

(UNCLASSIFIED)

COMMENT: Price support schemes including purchases of products by the Bank of Brazil at the minimum prices are not new to Brazil. Except for coffee, however, they have never been successful in increasing the farmer's income. The failure of past programs has been largely due to the inadequacy of the government's warehousing and distribution capacity which, - except for the coffee program which can finance such facilities out of export earnings - continues to be very limited. (WELLMAYER)

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7. URANIUM MINERALIZATION IN TUCANO BASIN:

Following close on the heels of the publicized petroleum discovery in the Tucano basin, are reports that uranium localized in Tucano is much superior to the Pocos de Caldas mineralization, and analogous to that found in Colorado. But, as Professor Marcelo Dany, President of the National Nuclear Energy Commission, said, the fundamental problem at the moment is to evaluate the quantity of mineral existing and arrive at a conclusion about the economic aspect of the undertaking. The work of drilling and examining the material lends emphasis to this opinion. (ALBANSOWE)

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Disp. No. 679
From RIO DE JANEIRO

COMMENT: The existence of uranium mineralization in the Tucano basin is not doubted, having been detected from well cores. Professor Dany's statement is refreshing in its honest approach to something which could have been publicized out of proportion to the facts now known. (ALRansome)

(UNCLASSIFIED)

8. PETROLEUM DISCOVERY IN TUCANO BASIN STILL IN NEWS:

The new Tucano basin discovery continued to make news during the period under review. In a recent news release, the President of Petróleos reportedly stated that the Tucano and Recôncavo basins may assure Brazil's self-sufficiency in petroleum within the next few years although this does not mean that other regions would not be prospected with increased intensity. Mr. Mangabeira referred to Walter Link's statements that Brazil would never be self-sufficient, and that prospects in Tucano were insignificant.

(UNCLASSIFIED)

COMMENT: The President of Petróleos voiced the hopes of many as to self-sufficiency but it is interesting to note that the use of the expression "my assure" is indicative of caution which would appear wise under the circumstances of only one well (still being tested) upon which to judge the potential of a field. (ALRansome)

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9. ASBESTOS RESERVES REPORTED DISCOVERED:

According to a press report, asbestos reserves have been discovered in Batalha, in the State of Alagoas, and a pilot plant has been set up to process the commodity. It is said that a big industrial firm also is interested in the discovery because it is spending huge sums in dollars monthly in imports.

(UNCLASSIFIED)

COMMENT: It would be a good thing if asbestos were discovered in this area, and developed on a commercial scale. The Embassy is attempting to learn details regarding the size of the deposit, grade and type of asbestos, and specifics concerning the pilot plant. (ALRansome)

(UNCLASSIFIED)

10. BRAZILIAN TOURIST COMMISSION ABOLISHED:

On February 5, 1962, Prime Minister Tancredo Neves issued decree No. 572 abolishing the Comissão Brasileira de Turismo (COMBRATUR). (ALRansome)

(UNCLASSIFIED)

11. BRAZILIAN PARTICIPATION IN EAST AND WEST GERMAN TRADE FAIRS:

In a press interview on February 16, the acting head of the East German

/Trade Mission

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Encl. No. 649
Disp. No. RIG-EE JANEIRO
From

Trade Mission, Werner Foester, discussed the commercial advantages that might accrue to Brazil through participation in the famous Leipzig Fair, scheduled for March 4 to March 13, 1962. Pointing out that visits to the Fair would provide valuable trade contacts and would permit further consideration of ways of increasing Brazil's trade with East Germany, Foester discussed at length the machinery and equipment which East Germany can make available to Brazil for use in its less developed areas and, on the other hand, the increasing amounts of coffee that East Germany stands ready to import from Brazil.

During the period under review, the press also carried reports of a Brazilian information "stand" in the Hanover Industrial Fair, taking place from April 29 to May 8. Since this is the first time that Brazil will take part in a German machinery exposition, the SEPEO (Propaganda and Trade Expansion Service) of the Brazilian Embassy in Bonn has put out a call to Brazilian trade circles for all types of informational material, including catalogues, price lists, photographs, etc. with the most up to date information possible.
(RAGoldstein)

(UNCLASSIFIED)

For the Ambassador

Robert Eakens

Robert Eakens
Counselor for Economic Affairs

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FOREIGN SERVICE DESPATCH

FROM : Embassy RIO DE JANEIRO

683
DESP. NO.

February 27, 1962

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF

MAR - 3 1962

FHR-5

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SUBJECT: Conversation Between President Goulart and Ambassador Gordon,
Laranjeiras Palace, 7:30 - 9:30 p.m., February 14, 1962

President Goulart had just come from a meeting on agrarian reform, a topic to be considered at the next cabinet meeting. He mentioned the discussion in São Paulo earlier in the week with a special committee of jurists on this subject who had been considering possible means of side-stepping the constitutional requirement for full advance payment for expropriating land. He saw little chance of this being done, and concluded that some constitutional amendment would be required, so that land owners could be compensated over an extended time period. He also said that there had been discussion in cabinet circles of international financing for land transfers, but he had rejected this idea as totally unrealistic. He felt that foreign assistance could legitimately be sought for farm machines, fertilizers, seeds, marketing and distribution facilities, etc., but that the land transfer problem itself was a purely Brazilian one which must be settled internally.

The President then turned to the Punta del Este meeting of foreign ministers. He said that he felt that this was a major victory for the United States and that the unequivocal condemnation of the Communist regime in Cuba and the finding of incompatibility between the Cuban regime and the Inter-American system would greatly assist in making Fidelismo unrespectable in the other Latin American countries. Moreover, he asserted that Brazil's independent stand at Punta del Este will make all the more valuable Brazilian cooperation with the United States on other foreign policy fronts, such as the forthcoming disarmament conference or other world-wide aspects of the cold war. He argued that all the world would recognize that a Brazilian stand in these matters allied with the United States was reached independently, and not simply as the reflex of a satellite relationship.

He then digressed to say that Alexei Adjubei, Khrushchev's son-in-law, during his recent talk with Goulart, had said with great emphasis that he was confident that the Berlin crisis would not lead to war, and that Khrushchev was prepared to accept compromises on this subject in order to find a peaceful solution. On the other hand, the Soviet Union was deeply concerned about internal

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Despatch 683
Rio de Janeiro

developments within France and West Germany, which Adjubei thought might lead to militarist regimes which would be of great danger to Russia. Adjubei said that he had recently spent a full month in France, and he saw the most serious danger there of an open clash between the forces of the extreme Right and the extreme Left. In such a case, he said that the Soviet Union would have to intervene, because events in Western Europe were a matter of life and death to all countries. Cuba, on the other hand, was very remote from Russia, of little interest to them, and indeed something of a nuisance from the Soviet point of view.

President Goulart then asked about American reactions to the Punta del Este conference. I said that I had not been able while in Washington to make a thorough canvass of public and Congressional reactions. I did have the impression, however, that owing to the stress by President Kennedy and Secretary Rusk on the wide area of agreement among twenty countries, and their minimization of the divergencies, the balance of opinion was fairly favorable. I said that some sections of American opinion were clearly disappointed by the abstention of six countries from the vote to exclude Cuba from the Organization of American States, and that these groups focused their disappointment on Brazil as the leader of the minority group.

I then shifted the ground of the conversation by pointing out that a more important subject of concern in responsible American quarters regarding relationships with Brazil had to do with the questions of political and economic stability and self-help under the terms of the Alliance for Progress. The subjects were related, since internal political weakness was supposed to be the major reason for the abstention of the six at Punta del Este. I cited the Mansfield report as representative of a common view that Brazilian governmental weakness, economic and social deterioration, continuing inflation, and apparent difficulties in attacking a wide range of outstanding problems boded ill for the future of this country.

President Goulart interrupted to say that the appearance of governmental weakness was entirely accurate. He castigated in vigorous terms the present "hybrid regime" as being neither parliamentary nor presidential. He said that cabinet members and congressional leaders were now motivated by short-term electoral considerations which prevented them from tackling problems on a national basis. He then forecast that by about mid-April, ~~when~~ immediately after his return from the United States "when my position should be fortified," the present cabinet would break up because of the desire of its members to anticipate the constitutional date for "disincorporation". He said that he then intended to appoint a cabinet of technicians -- men of "great integrity, reputation, and capacity drawn from all regions and all groups in the community" -- none of whom would have any electoral ax to grind and who could give the country a program of democratic progress.

I then outlined the essential areas of our concern in connection with the Alliance for Progress under four heads: (1) the need for an effective stabilization effort to reduce the rate of inflation, (2) a program for the Northeast, including an immediate attack on impact projects (in this connection I described

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Following is Brasilia's No. 12, February 28, 4 p.m. to Rio de Janeiro:

Fifteen ultra-nationalist Federal deputies yesterday sent Governor Brizola telegram of "applause" for expropriation ITT as act "defense of our economic emancipation". Expressing surprise that some Brazilians "are presenting it as (act of) hostility to American Government and people" telegram concludes with statement hope that American Government and people not permit "admirable program alliance for progress: be converted into instrument of economic pressure in defense of private interests" forgetting fact its purpose to combat under development Latin America. Embassy believes telegram doubtless inspired by large-scale publicity given to signs both official and unofficial US displeasure at Brizola action coupled with alleged threats of imminent severance alliance for progress plus headline treatment virtually all Brazilian press yesterday of McClellan report allegedly calling for stoppage alliance should pending profits-remittance legislation become law which most papers reported in same story with editorial from BARRON'S WEEKLY calling for "brutally frank discussions between debtor and creditor" upon occasion forth-coming official visit President Goulart. Weakness this initial ultra-nationalist rally (i.e., only 15 signers) probably due general pre-occupation pre-lenten carnival activities, but Brazil's professional super patriots can hardly be expected not take increasing advantage of opportunity offered them by such reports for denouncing alleged US "economic imperialism". As previously reported (WEEKA 8), conservative Brazilian observers also upset by apparent US reaction to ITT seizure,

as indicated

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FOREIGN SERVICE DESPATCH

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FROM : Amconsulate PORTO ALEGRE

54

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 7, 1962

REF :

MAR - 5 1962

22 For Dept. Use Only	AC T I O N	IN F O	DE PT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IC	10	11
COM-12			10	10	3	7	5	2	2	2							
REC'D 3/14			5	10	3	3	3	8	NSA	3							

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - February 1962

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

SUMMARY:

The weather in February remained favorable to agriculture. Sales of rice in domestic markets were reported slow, with dealers holding back in anticipation of higher prices. Harvesting of 1961/62 rice crop to begin early in March, with about the same production expected as last year. Poor quality and quantity reported for current tobacco crop. Bank of Brazil will finance current wheat crop sales. Agrarian reform problem has been discussed by State authorities and landowners. Slightly more cattle earmarked for slaughter this year. Sales in February reported seasonally slow. Lack of shipping facilities continued to limit exports. Foreign investment in the manufacturing industry reported negligible. Local ITAT property was expropriated by State Government. The free market "parallel" foreign exchange value of the cruzeiro weakened somewhat. The local money market was reported relatively easy in February. Short duration strike of pilots retained ships at local ports for a few days.

1. AGRICULTURAL DEVELOPMENTS:

a. Weather Reports - The weather in February remained

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Encl. No. 54
Desp. No. 24
From PORTO ALEGRE

favorable to agriculture.

b. Rice - The carryover from the 1961 rice harvest has been calculated by IRGA (Rio Grande do Sul Rice Institute) at 5 million bags, although there are divergent opinions stating that this carryover is much smaller. Some harvesting should begin early in March, and it is believed that if favorable weather conditions prevail throughout the current harvest, the yield will be at least as large as that of last year (920,000 tons). However, as plantings this season were as much as two months late, an early cold spell could have a very bad effect on the crop. Growers are asking for \$1,300.00 per 50-kilo bag of rough rice (Japanese type), while IRGA's price will probably be \$2,300.00 below this figure. Sales of rice in domestic markets are slow, with dealers holding back in anticipation of higher prices.

c. Tobacco - It is reported that preliminary estimates on the tobacco harvest now under way point to poor quality and quantity, especially in the flue-cured varieties, which is attributed to excessive rains during the growing season. Although accurate statistics are not available, it has been estimated that the tobacco crop in this State averages 40/45,000 metric tons, with a breakdown of approximately 1/3 air-cured and 2/3 flue-cured.

d. Wheat - The local branch of the Bank of Brazil has now received instructions to finance the current wheat crop sales in Rio Grande do Sul on a hundred percent basis. The Bank will accept for discount promissory notes maturing at 60, 90 and 120 days, respectively. The financing amount is not yet known.

e. Agrarian Reform - Concentrations of landless farmers (agricultores sem terra) continued on a small scale in various sections of the State. Late in February, a preliminary agreement was reached between the local landowners and the State Government. Representatives for both sides appointed a mixed committee to discuss the local agrarian reform problem. It is reported that the landowners are agreeable to help the financing of the agrarian reform program up to 10 percent of the value of their lands over 1,000 hectares, to be available over a 10-year period. Such loans would be repaid in 15 years. Another suggested alternative would be to deliver part of their lands as follows: 3 percent of 1,000 to 2,000 hectare farms; 5 percent of 2,000 to 3,000 hectare farms; 10 percent of farms above 3,000 hectares. The value of such lands delivered would be repaid in 10 years in annual installments. The land owners expect that the State Government will give financial and technical assistance to farmers, so that an increase in agricultural production in Rio Grande do Sul can be achieved.

f. Cattle Slaughter - The local Meat Institute has now established the quotas for the current killing season in Rio Grande

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From _____

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From PORTO ALEGRE

do Sul, to begin in early March, as follows:

A total of 400,000 head of cattle, of which 260,000 head will be killed for frozen and canned beef, and 140,000 head for jerked beef, compared with 192,717 for frozen and canned beef, and 163,203 for jerked beef in 1961 (see Consulate's despatch No. 6, August 3, 1961).

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

It is reported that retail sales were seasonally slow, while wholesale activity picked up somewhat. Some delay in collections, both locally and in the interior, were reported in February.

Comparative figures of total sales for January 1962 (latest figure available) and December 1961, and January 1961, are as follows:

(In thousands of cruzeiros)

<u>January 1962</u>	<u>December 1961</u>	<u>January 1961</u>
26,587,800	36,635,510	25,062,470

Source: Budget Bureau, State Treasury.

Protest of trade bills for January 1962 (latest figure available) amounted to \$18,520,956 as compared with 216,194,656 for December 1961, and \$19,468,597 for January 1961.

3. FOREIGN TRADE:

a. Beef - According to the local Meat Institute total exports of beef from Rio Grande do Sul for 1961 amounted to 39,198 metric tons, in the form of frozen, canned and jerked beef. It is reported that these exports earned approximately US\$26 million. The most important buyers were the United States, with 10,000 metric tons worth approximately US\$10 million; England, with 8,000 tons worth US\$6.5 million; followed by smaller shipments to Belgium, Czechoslovakia, Germany, Holland, Switzerland, Israel, the Philippines, Italy, Cuba, Greece, Puerto Rico, Gibraltar, Norway, Sweden, Malta, and Ethiopia.

b. Rice - It is reported that the unattractive exchange rate has temporarily halted additional rice sales to foreign markets. According to the local Rice Institute, Rio Grande do Sul sold for export 85,000 metric tons of milled rice from its 1959 crop, 120,000 metric tons from the 1960 crop, and 60,000 tons from the 1961 crop. However, rice shipments to foreign markets have been made on a moderate basis due to lack of shipping facilities.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

a. New Industry - (See Consulate's despatch No. 16, Oct. 4, 1961).

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Disp. No. 54

From PORTO ALEGRE

It is reported that in approximately three months a factory to manufacture carbon brushes will be installed in the area of Gravataí (not São Jerônimo as previously reported), near Porto Alegre, representing an American and Brazilian mixed venture. It is stated to be the largest of its kind in Brazil. The Consulate will report further developments.

b. Shale Oil - (See Consulate's despatch No. 44, Feb. 1, 1962). Press reports indicate that the French Dollfus group of Paris has expressed an interest in developing the State's bituminous shale oil resources in the area of São Gabriel. The Consulate will report the developing situation.

5. TRANSPORTATION AND COMMUNICATIONS:

a. Direct Sea Connection for Porto Alegre - On February 14, 1962 the State Government signed a contract with the French Société Grenobloise d'Etudes et d'Applications Hydrauliques which will be responsible for technical and economic research to establish the shortest way from Porto Alegre to the Atlantic Ocean. Research work will begin in the State, and the final studies will be completed in France. This French group is reported to have made similar studies and research work for other ports in Brazil. This group is also in charge of research work for Petrobras to install a pier in the Tramandai area, northeast of Porto Alegre, a projected terminal for tankers.

b. Expropriation of American Telephone Property - On February 16, 1962 the State Government expropriated the local telephone property owned by Companhia Telefonica Nacional (CTN), an ITAT subsidiary, on the grounds that services rendered by the Company had been unsatisfactory over a long period. The sudden action taken by the State Government and the small amount offered for the property caused the Company to file an injunction. The State Government's action aroused a great deal of interest, and reports appeared in the press, both in this country and abroad. The Consulate and Embassy are keeping the Department informed of the developing situation by submitting separate reports.

c. Public Works - The local Director of the Federal Public Works and Sanitation Department has reported that Federal funds in the amount of \$1 billion will be made available for dredging operations and construction of dams in Rio Grande do Sul in 1962.

6. FINANCE:

a. Exchange - The Bank of Brazil's fixed official exchange rates during February remained unchanged at \$310.00 per dollar buying and \$318.00 per dollar selling, for imports, exports and financial transactions. The "parallel" free market quotations during the month fluctuated between \$368.00/375.00 per dollar, check

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Encl. No.

Disp. No. 54

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buying rate, compared with @318.00/370.00 in January 1962.

Special category dollars sold at auctions during the month amounted to \$22,600 from a total offered of \$24,800, leaving an unsold amount of \$2,200. The agio paid averaged @364.00 per dollar, compared with @362.60 per dollar in January 1962. No Iron Bloc agreement dollars were sold during February.

b. Money Market - It is reported that owing to the influx of Federal aid monies and to a seasonal lull in business activities, the local money market was relatively easy. This, however, is felt to be a temporary situation, and any loaning operations above normal levels are restricted to the discount of self-liquidating paper of less than 45-day tenors, according to a local reliable banking source.

7. LABOR:

Management-labor relations remained relatively quiet during the period under review, except for a short duration strike staged on February 5, 1962 by pilots at the ports of Rio Grande and Porto Alegre. As a result of this strike a number of ships could not leave the ports. Strikers' demands for a pay raise of 45 percent were met.

Hyman Bloom
Hyman Bloom
American Consul

cc.: Embassy RIO

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FOREIGN SERVICE DESPATCH

FROM : Amcengen São Paulo 217

TO : THE DEPARTMENT OF STATE, WASHINGTON. March 8, 1962

REF : CERP, C-3

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		35	16	20	2			10	3						

SUBJECT: Biweekly Economic Review, February 23 - March 8, 1962

INDEX	CERP Reference	Reporter
1. Finance--Trade Association Objects to Artificial Exchange Rate Maintained by Federal Government	D-12 D-13	A. D. Ventura
2. Finance--State Bank to Raise Capital	D-12	A. D. Ventura
3. Foreign Trade--Indian Trade Mission in São Paulo	D-13	A. D. Ventura
4. Agriculture--Dairy Production Increases in São Paulo	D-10	W. G. Thorburn
5. Agriculture--São Paulo Major Cotton Producing Center in Brazil	D-10	W. G. Thorburn

1. Finance--Trade Association Objects to Artificial Exchange Rate Maintained by Federal Government

The São Paulo Commercial Association telegraphed the Federal Minister of Finance its objections to the Government's policy of maintaining the foreign exchange rate for financial operations at 310-318 cruzeiros to the U. S. dollar. The Association claims that the artificial exchange rate is harmful to business in general, and specifically paralyzes exchange transactions by private banks and slows down exports of Brazilian manufactured goods and agricultural products.

The current free market exchange rate is around 287 cruzeiros per dollar.

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From Amcogen São Paulo

Other São Paulo trade associations sent similar telegrams to SUMOC and the Exchange Control Department of the Bank of Brazil.

Comment: The telegram of the Commercial Association reflects the opinion of a large section of the São Paulo business community, which is in favor of the Government reverting to a policy of "freeing" the foreign exchange rate, along the lines of SUMOC instruction 204 of June 1961.

2. Finance--State Bank to Raise Capital

The President of the Republic and the Prime Minister approved by decree on February 19 a request that the capital of the Bank of the State of São Paulo be increased from Cr\$1 billion to Cr\$2 billion. By the same token, the bank's concession to operate was extended until September 21, 1967.

3. Foreign Trade--Indian Trade Mission in São Paulo

A six-man trade mission from India is in São Paulo studying possibilities of developing trade relations with Brazil. The party has already made preliminary contact with the Federation of Industries of the State of São Paulo FIESP and will visit several manufacturing plants in the area. Indian consumer products available for export include abrasives, motors, agricultural goods, buses, auto parts, machinery for the chemical, pharmaceutical, textile, and shoe industries, machine tools, diesel and steam locomotives, scientific instruments, and metallic structures for factories, hangars, and bridges.

Comment: A large proportion of exportable Indian goods are already being manufactured in substantial quantities in Brazil.

4. Agriculture--Dairy Production Increases in São Paulo

Official statistics covering production of milk in the State of São Paulo in 1961 are not yet available, but trade estimates put output at 1.26 billion liters. This is approximately 5 percent higher than in 1960 when milk production totalled 1.2 billion liters.

The States of Mato Grosso and Goiás produced an estimated 400 million liters of milk in 1961, this being substantially the same output as in 1960.

Comment: The price of milk (whole) at retail levels rose substantially recently, by an average 40 percent in the State of São Paulo, and provoked protest by consumers.

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Dep. No. Amcongen São Paulo
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5. Agriculture--São Paulo Major Cotton Producing Center in Brazil

The State of São Paulo is the largest cotton producer in Brazil, with an estimated 1962 output of 205,000 metric tons, as compared with 195,000 metric tons in 1961.

The States of Mato Grosso and Goiás will produce limited quantities of cotton in 1962, probably not to exceed 12,000 metric tons. Cotton production in these two states does not vary much from year to year.

For the Minister Consul General:

Scott Lyon
Scott C. Lyon
Consul

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GPO 802667

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FOREIGN SERVICE DESPATCH				832.00/3-862 <i>mt</i>											
FROM :	AMCONSUL, Belo Horizonte, Brazil	17													
TO :	THE DEPARTMENT OF STATE, WASHINGTON.	March 8, 1962 DATE													
REF :															
20 For Dept. Use Only	ACT 10 Com-12	IN 10 3-14-62	DEF 1	RM/R 1	REP 3	AF 3	ARA 3	EUR 3	FE 3	NEA 3	CU 5	INR 3	E 3	P 3	IO 11
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SUBJECT: ECONOMIC SUMMARY - Minas Gerais - February 1962

INDEX

1. INDUSTRY
 - a) Usiminas Developments
 - b) Rural Electrification-Ermig
 - c) Pipeline and Refinery (cont.)
2. MINERALS

The Squabble over Iron Ore Revenues
3. AGRICULTURE

State Assistance to Small Farms
4. COMMUNICATION AND TRANSPORT

State Law Affecting Telephone Services
5. EDUCATION

Improved Educational Facilities

1. INDUSTRY/a) Usiminas Developments
 During the reporting period, the mixed-capital company USIMINAS signed a contract with Companhia Vale do Rio Doce, the most important iron exporter of the country. This contract will assure the regular supply of iron ore from the latter to USIMINAS as well as the transportation of imported and national

cc. Couns. for Cons. Affairs/Rio de Janeiro
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From Belo Horizonte, Brazil

raw materials, chiefly coal, to USIMINAS by the Vale do Rio Doce railroad (Estrada de Ferro Vitoria-Minas). The imported materials will be delivered at the Port of Vitoria, State of Espirito Santo.

The bid of Eastern Coal and Gas for providing the coal to USIMINAS and the arrangement with Hugo Neu Corporation have been accepted (preliminary agreement reported in Condes # 16 of Feb 13, 1962). Neu Corporation will finance the purchase of the coal and, in return, will accept the pig iron to resell it in the U.S. or other countries. This arrangement was made because a regular barter transaction is not permitted under the present exchange regulations of Brazil.

The proposed increase of capital from 3.2 billion cruzeiros to 18 billion cruzeiros was approved by the stockholders at the close of the reporting period.

USIMINAS plans to start production of high grade pig iron and heavy steel plates designed for the shipbuilding industry in July 1962. Thin cold or hot rolled plates are to be produced from 1964 on.

INDUSTRY/ b) Rural Electrification-ERMIG

The mixed-capital company for rural electrification in Minas Gerais called for by Governor Magalhães Pinto in his first anniversary address (Condes # 16, Feb. 13, 1962) has been formed with an initial capitalization of Cr\$100,000,000.00. The largest block of stock in ERMIG (Eletificação Rural de Minas Gerais) is held by the State controlled electrification company CEMIG (Centrais Elétricas de Minas Gerais) of which ERMIG is a subsidiary. Companhia Vale do Rio Doce (CVRD) is the next largest shareholder with Cr\$40,000,000.00 (See article on Rio Doce in this Despatch). Small investments by the official State banks complete the capitalization. The press reports that ERMIG hopes to receive further financing from Federal and foreign sources including the Alliance for Progress.

ERMIG is strictly an administrative entity. The directorate is made up of representatives of CEMIG and of rural organizations. ERMIG will have no equipment and own no property. Where feasible it will draw its electric power from CEMIG. It will lend money for the formation of rural electrification cooperatives for domestic or industrial purposes. According to the President of CEMIG, Sr. Celso Melo Azevedo, loans will cover up to 85% of the cost and will be made for 5 to 10 years at low interest rates of from 8 to 12%. Initial projects have already been selected--all for communities near Belo Horizonte.

Comment: ERMIG, according to an officer of CEMIG, fulfills two purposes; one bookkeeping and one political. As a bookkeeping device, it will be a channel through which CEMIG can make relatively unprofitable investments and engage in a wide range of activities which would otherwise be barred by CEMIG's charter. Politically, it gives the appearance of action on one of the plank's of the Governor's program which could be expressed as "two chickens in

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From Belo Horizonte, Brazil

every pot--cooked with electricity".

INDUSTRY/ c) Pipeline and Refinery (cont.)

Minas businessmen have received a bonus with the latest approval of the long awaited pipeline and refinery projects (Condes #16 of February 13, 1962 and previous). Minister of Mines and Energy Gabriel Passos has proposed to Petrobras that the planned refinery be increased from 20,000 bbl. daily capacity to 40,000bbl. so that it can provide by-product raw materials for petrochemical industry. Along with the activity of planning and predicting and arguing about where the terminal is to be located and announcing that the pipeline should be completed within 26 months, one sober editorial merits attention: "Other great projects of major interest to Minas have also been abandoned after reaching more advanced stages than this project"

2. MINERALS / The Squabble over Iron Ore Revenues

The local press and some economic publications of the country have given prominence to the speech recently given by Governor Magalhães Pinto, in the course of which, while pointing out some of the grave political and economic problems of the country, and particularly of the state, he declared that "time has come when it should be made possible for the State to acquire control of Companhia Vale do Rio Doce." He stated further that the progress and increasing wealth of this Company had been made possible at the expense of Minas Gerais and the continued impoverishment of its mineral resources.

It is, in fact, a common feeling among economists and trade associations here that Rio Doce must take an active part in the industrial and economic development of this area as a form of compensation for taking from the state part of its most precious wealth: iron ore.

3. AGRICULTURE/State Assistance to Small Farms

Governor Magalhães Pinto approved a law designed to increase truck farm, poultry, and egg production throughout the State. The law exempts from present or future state taxes, for a period of ten years, all farms which have chicken dressing facilities and which raise poultry or small animals -other than cattle- or whose eggs, fruit, or vegetables are produced, provided these activities are begun within six months and further provided that the farm is located within four kilometers from some railroad or highway.

As a further incentive the law offers the farmers free technical assistance from the Department of Agriculture and the privilege of taking out loans with the Caixa Economica Estadual (State Savings Bank) or the official State banks.

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From: Belo Horizonte, Brazil

4. COMMUNICATION AND TRANSPORT/
State Law Affecting Telephone Services

A state law drawn up in February, determining the basic policy to be adopted in connection with the telephone services in the state, establishes that the privileges or guarantees of monopolism given to private companies engaged in this service can be partially or totally withdrawn in case of non-fulfilment of any of the terms of the contract.

This law is interpreted by some as an attempt to create favorable conditions for an eventual expropriation of the local telephone company, 46% of which is owned by Companhia Telefonica Brasileira, which, in turn, is part of Grupo Light, a subsidiary of Brazilian Traction. Traction is a Canadian company, most of the capital of which is U.S. owned.

5. EDUCATION /
Improved Educational Facilities

There has been a significant increase in the number of children accepted for primary education in Belo Horizonte and an apparent democratization of the entrance procedure. These seem to be the chief results of one year of tenure by the highly-regarded Secretary of Education, Sr. Oscar Correa, and, in particular, of his school zoning system instituted early this month.

Last year approximately 74,000 children did not attend school in Belo. This year the figure is down to 48,000. The Consulate is aware of a number of instances of parents' succeeding for the first time in registering their children for school. In previous years newspapers have commented that those who did not have the right connections had to wait in line for twelve or more hours in order to register their children and even then could not be certain that they would be accepted. This effectively barred the children of a large segment of the population.

Teacher pay remains depressingly low. Some of the classroom improvement called for in the Governor's election campaign platform has been completed, but, as predicted in Condes #7 of September 13, 1961, the 400 new schools for the state of Minas Gerais called for by January 1962 are not as yet completed. There is every indication, however, that the first 100 will be in use by May 1, 1962.

Comment:- Given the limited budget of the Department of Education (irresponsibly cut by the State Legislature which is controlled by opponents of the UDN, Sr. Correa's party) the improved educational opportunities in Belo are noteworthy.

Edmund A. da Silva
Edmund A. da Silva
American Consul

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FOREIGN SERVICE DESPATCH

832.00/3-1362

FROM : Embassy, RIO DE JANEIRO

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 13, 1962

REF : CERP C-3

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period February 24 - March 9, 1962)

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1. Coffee Exports.
2. Cost of Living in Guanabara State.
3. Government Increases Fuel Prices.
4. Direct Investment Decreases in Brazil.
5. Possible Elimination of Tax Subsidies on Fertilizer Imports.
6. Petrobras Continues in the Spotlight.
7. Commercial Scale Oil Shale Development Under Discussion.
8. Negotiations on IT And T Expropriation Continue.
9. American and Foreign Power (AMFOMP) Subsidiary in Rio Grande do Sul Threatened with Expropriation.
10. Soviet Exposition of Industry and Commerce.
11. Brazil's Trade Balance in 1961.
12. Indian Trade Mission Visits Brazil.

1. COFFEE EXPORTS:

Coffee exports during the month of February 1962 were 1,342,914 bags compared to 1,209,752 bags exported during the same month last year.

Total coffee exports during the current coffee marketing year (July 1st, 1961/February 28, 1962) were 12,489,047 bags compared to 11,130,205 bags exported during the same period last year. (LYallouz)
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ECON:BAGoldstein/lsc

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2. COST OF LIVING IN GUANABARA STATE:

The cost of living for Guanabara State during the month of February increased by 2.2% over the previous month, according to the Getulio Vargas Foundation Index. The increase recorded for the comparable period last year was 1%. The largest increases in the various sectors were the following: foodstuffs, 2.9%; furniture, 2.7%; clothing, 1.4%. The sector with the least increase was public services with an 1.0% increase.

(UNCLASSIFIED)

Comment: Since November 1961, the rate of increase in the cost of living index in the State of Guanabara has been steadily decreasing. Following a 5.8% increase in November there was a 3.4% increase in December, a 3.1% in January and 2.2% in February. This trend is partly seasonal, and partly due to the fact that the November rise was exceptionally high following the large currency issuances of the August-September crisis. Whether the trend will continue downward will depend largely on the Government's efforts to find non-inflationary sources of financing the record budgetary deficit. (see Endes 709, March 9, 1962). (Welomeyer)

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3. GOVERNMENT INCREASES FUEL PRICES:

The National Petroleum Council approved new prices for gasoline, kerosene, and bottled gas (LPG). Prices were increased by an average of up to two per cent. In Rio de Janeiro gasoline prices increased by Cr\$0.50 and will now cost Cr\$22.10 per liter, kerosene increased by Cr\$3.92 and will cost Cr\$17.28 per liter, and LPG increased by Cr\$5.00 and will cost Cr\$38.02 per kilo. These prices will be in effect through March 31.

(UNCLASSIFIED)

Comment: Retail prices for petroleum products were increased in order to compensate oil companies for the increased import cost resulting from the new import rate (Cr\$318 to the dollar). The application of the single tax on fuels continues to be based on the fixed rate of Cr\$247 to the dollar. This was, in fact, the first time since September that no adjustment of this rate was made in order to avoid further increasing fuel prices.

It may be recalled that the import rate for petroleum products is set on a quarterly basis and was Cr\$265 per dollar and Cr\$275 per dollar for the last two quarters of 1961. The conversion rate for the application of the single tax on fuels was reduced from Cr\$265 to Cr\$247 on November 18, 1961 to compensate for the increase in the import rate which took place October 1, 1961. The policy of applying the single tax on fuels based on an import rate below the actual form of subsidy to gasoline prices constituted a form of subsidy and a step backwards from the Quadros administration's exchange policy which sought to eliminate the subsidization of fuel prices. (Welomeyer/JK:isaY)

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4. DIRECT INVESTMENT DECREASES IN BRAZIL:

According to the Economic Department of the Federation of Industries in Guanabara State there was a decrease in investments under SUMOC Instruction 113 during the month of January. SUMOC Instruction 113 permits imports without exchange cover. The amount invested during the month on this basis was \$356,000, the lowest monthly investment recorded since the beginning of the system of importation of equipment without exchange cover. The investing countries were Argentina, 39%; West Germany, 31%; Switzerland, 28%; United States, 1% and the Netherlands, 1%. The recipient states were São Paulo, 28%; Guanabara, 71%, and Parana, 1%.

(UNCLASSIFIED)

Comment: Pursuant to a study prepared by the Foreign Trade Bureau of the Bank of Brazil (CACEX), foreign investment authorized under SUMOC Instruction 113 (see Endas 851, March 24, 1961) amounted to \$510 million during the last five years. These investments were concentrated mainly in the formation of basic industries which received \$379 million worth of imports of equipment as compared with \$131 million for light industries.

The total inflow of investments under SUMOC Instruction 113 during all of 1961 amounted to \$26,461,024, for an average of over \$1 million per month, thus demonstrating the magnitude of the December decline, undoubtedly due in large measure to the passage of a rigid Profits Remittance Bill by the lower House in late November. (WBlomeyer/JKrizay)

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5. POSSIBLE ELIMINATION OF TAX SUBSIDIES ON FERTILIZER IMPORTS:

In an effort to stimulate private production of badly needed phosphate, nitrogen, and potassium fertilizers, the Brazilian Government reportedly is studying the possibility of eliminating tax subsidies for importation of such fertilizers. Under the proposed program there would be (a) financial assistance by BNDE for specific projects which point to an increase in domestic production; (b) tax concessions for the importation of machinery and equipment required for expansion of production facilities where such equipment is not produced in Brazil, and (c) elimination of tax subsidies now in effect for importation of fertilizers. (ALBanscoe)

(UNCLASSIFIED)

6. PETROBRÁS CONTINUES IN THE SPOTLIGHT:

Hardly a day goes by but that one or more articles appear in the press concerning Petrobrás and the new oil discovery in the Tucano Basin, statements reportedly made by Petrobrás officials concerning the company's plans for increased activity in the field of exploration and petrochemical plant development, and remarks by many -- pro and con -- as to whether the "Link Report" was proved right or wrong.

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Comment: It appears that the new President of Petrobras Sr. Mangabeira, is seeking publicity in his new job to emphasize the new "drive" towards self-sufficiency in petroleum. The much-touted Tucano discovery makes an excellent springboard for this publicity, and the opportunity has been seized to castigate Walter Link and prove him wrong. However, Bahia Governor Juracy Magalhães came out publicly with a detailed statement in defense of Link with the result that there has been a considerable cross-fire of comment. Actually the drum-beating is louder than the facts appear to warrant - at least at this time. (ALBansome)

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7. COMMERCIAL SCALE OIL SHALE DEVELOPMENT UNDER DISCUSSION:

Recent news reports have indicated increasing interest in oil-shale development, particularly in São Mateus do Sul.

(UNCLASSIFIED)

Comment: News reports obviously reflect to a large degree the efforts of Commander Jack Bridges to stimulate interest in oil shale development. Whether this stimulation has had any real immediate effect which will result in action, has not yet been determined. Representatives of the Oil Shale Corporation of America in Brazil, in an attempt to interest the Government in their process (Swedish "hot ball") as a supplement to the Petrosix development, reported a most courteous reception by Petrobras officials. (ALBansome)

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8. NEGOTIATIONS ON IT AND T EXPROPRIATION CONTINUE:

Negotiations continued between the U. S. Government and the Government of Brazil concerning the possibility of setting up a satisfactory arbitration procedure to evaluate the assets of the expropriated IT And T subsidiary, Companhia Nacional Telefonica. (BWER, item 2, Endes 679, February 26, 1962) To date the parties concerned (the State of Rio Grande do Sul and the company) are not yet agreed upon the manner in which such negotiations shall be undertaken, but it is hoped that an agreeable plan may be worked out before the visit of President Goulart to the United States. (SGAnderson)

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9. AMERICAN AND FOREIGN POWER (AMFORP) SUBSIDIARY IN RIO GRANDE DO SUL THREATENED WITH EXPROPRIATION:

Governor Leonel Brizola of Rio Grande do Sul State again threatened, in a televised interview in Rio on February 26, to expropriate the electric utility property of the AMFORP subsidiary in Pelotas, Rio Grande do Sul. In May, 1959, Governor Brizola expropriated the electric property of another AMFORP subsidiary in Porto Alegre, after an inventory commission reached the conclusion that the company had been fully compensated by excess profits for any indemnification due for its investment and in fact owed the State some Cr\$200

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million. This valuation was contested by the company but the case is still pending in the Rio Grande do Sul courts.

Comment: The first step for the eventual expropriation of the Pelotas company was taken in May, 1959, when the Ministry of Agriculture set up an inventory commission to assess the property. At the end of 1961, the State of Rio Grande do Sul submitted a request to the National Council of Water and Electric Energy for authorization to expropriate the company's property. The company's 50 year concession ends on May 17, 1962 and though such concessions are normally renewed automatically unless the Federal Government advises to the contrary, the company believes the State Government may use this as the occasion for seizing the property. In view of the unfavorable reaction abroad to Brizola's expropriation of the IT and T subsidiary in Porto Alegre, however, it is believed that both the President and Prime Minister are using their influence to prevent hasty and ill-advised action against the company.
(SHweaver)

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10. SOVIET EXPOSITION OF INDUSTRY AND COMMERCE:

The first Soviet Exposition of Industry and Commerce to be held in Brazil is scheduled to open on May 3 in the 32,000 - square-meter pavillion at Rio's Campo de São Cristóvão, the scene of Brazil's ill-fated International Industry and Trade Fair of December 1960 (Embdes 512, Dec. 20, 1960). The Soviet freighter Yassili Kachalov is due in Rio de Janeiro on March 12 with some 1,200 tons of exhibition equipment for the event, which is scheduled to run for 30 days and hopes to attract 5 million visitors.

The exposition will be directed by Sergei P. Tochilin, chief of the Foreign Relations Department of the Soviet Chamber of Commerce and Industry, and reportedly will be operated by some 250 "technicians" ranging from engineers and designers to hostesses fluent in Portuguese. According to the press, equipment to be exhibited will include the space suits worn by Cosmonauts Gagarin and Titov, heavy industrial machinery, scientific and electronic apparatus, household appliances and consumer goods. Mr. Tochilin was in Rio de Janeiro from early December 1961, to February and is scheduled to return to Brazil before the exposition opens.

(UNCLASSIFIED)

Comment: The Soviet exposition was originally scheduled to open in April and to be housed in the Hotel Quitandinha in Petrópolis. Mr. Tochilin is reported to have attributed the postponement to Brazilian "red tape" and "bureaucracy", and also to have boasted that he had unlimited funds at his disposal to overcome these difficulties. He told the press that he has directed 15 similar exhibitions, including the Soviet exhibit at the Brussels Fair, and added that the exhibition in Brazil will be one of the largest and most comprehensive ever put together by the U.S.S.R.

/The pavillion

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The pavilion at the Campo de São Cristovão is owned by the State of Guanabara but is leased to a financial group headed by Joaquim Rolla. Rent is paid to this group, which also owns the Quitandinha and the Hotel Araxá in Minas Gerais.

Press coverage so far has been restricted to short and factual accounts of plans for the event. It is reported that an intensive publicity campaign will develop as the equipment is unpacked and mounted, although it is understood that thus far these plans do not include the use of radio, television or billboards.

Of interest is the fact that a Brazilian commercial and industrial exhibit is scheduled to be held concurrently on a 2,400 square meter area in the immediate vicinity of the São Cristovão pavilion. (A Arenales)

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11. BRAZIL'S TRADE BALANCE IN 1961:

According to figures published by the Finance Ministry, Brazil's trade balance in 1961 presented a deficit of \$58 million as compared with \$193 million for the previous year. Exports amounted to \$1,403 billion as against \$1,265 billion in 1960, while imports remained practically unchanged at \$1,462 billion in 1960 and \$1,461 billion in 1961.

(UNCLASSIFIED)

Comment: An increase in exports totalling \$134 million or 10.6% in relation to 1960 was responsible for the improved situation in the reduction of the trade balance deficit from \$193 million in 1960 to \$58 million in 1961. The increase in exports included cotton, sugar and numerous smaller export items. Exports of the traditionally important commodities of coffee and cocoa and cocoa products actually decreased somewhat. There is little doubt that the export improvement reflected in great measure the effects of the exchange reform undertaken by Brazil during the first half of 1961. (WBlomeyer/RVKorp)

(UNCLASSIFIED)

12. INDIAN TRADE MISSION VISITS BRAZIL:

In a recent press interview A. K. Bhattacharya, head of an Indian Trade and Industrial Mission visiting Brazil, indicated that despite a similarity in manufactured products now being produced by Brazil and India, he was hopeful that the two countries might enter into an exchange that could be mutually beneficial.

Emphasizing the present deficiency in existing transportation facilities between Brazil and India, Mr. Bhattacharya commented that trade could be greatly enhanced with the regularization of navigation lines, and he added that an Indian shipping company is already planning to introduce a direct line between India and Brazil.

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Additionally, according to a press release of the Indian Embassy, that country intends to hold an industrial and trade exhibition in the near future in Rio de Janeiro or São Paulo. (BAGoldstein)
(UNCLASSIFIED)

For the Ambassador

Robert Bakens

Robert Bakens
Counselor for Economic Affairs

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regular session of Congress in March. If made effective April 1 as expected, the bill would add an additional Cr\$80 billion to federal budgetary expenditures in 1962. The exchange rate of Cr\$310-318 imposed by the monetary authorities on January 3 was maintained throughout the month of February.

Negotiations for a new PIA80 agreement including 800,000 tons of wheat and 36,000 tons of corn continued with signing expected shortly.

Business conditions were generally quite satisfactory, indicating a seasonal increase in business activity expected to last through the next two months. Both sales volume and industrial production were up appreciably over the previous month.

The cost of living in Rio de Janeiro increased by 2.2 per cent in February over January, compared with a 1 per cent increase in February of 1961. (SHweaver)

FINANCE:

In the financial field there were virtually no developments of importance during the month of February. Neither the proposed bank reform bill nor the profits remittance bill earlier passed by the lower house were acted upon by the special session of Congress. The mixed Chamber-Senate committee suggested by the Administration to re-draft the profits remittance bill was finally formed and began its deliberations. Also a proposed bill to raise civil service and military salaries by 10 per cent was drafted and was considered by the Cabinet for submission to the regular session of Congress in March. The exchange rate was maintained at the controlled rate of Cr\$310-318 per dollar although operations in the parallel market continued.

The proposed federal pay raise bill would, if made effective April 1 as expected, add an additional Cr\$80 billion to the federal budgetary expenditures in 1962. There is a possibility that the raise may be greater as pressure from the military and employees unions for a 50% increase mounts.

The exchange rate of Cr\$310-318 imposed by the monetary authorities on January 3, was maintained throughout the month of February. The result of this effort to control the exchange rate has been a drying up of the exchange market with the banks reportedly accumulating backlog of applications principally for financial transfers. According to figures compiled by the Rio de Janeiro Stock Exchange, during February \$22.9 million were sold in the "unified" exchange market established by SUMOC Instruction 222, whereas sales in the "cambio" market were reported as \$321 thousand. The corresponding figures for the previous month were respectively \$25 million and \$339 thousand. The rates in the so-called "parallel" market fluctuated around Cr\$370 to the dollar.

The Bank of Brazil continued to make exchange available for import requirements during the month. Buyers of exchange cover for imports were required during February to deposit with the Bank of Brazil a cruzeiro counter-value equal to 130 per cent of the exchange purchased against the delivery of 150 day, 6 per cent per annum import letters by the Bank of Brazil. Banks selling exchange over \$250

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dollars per buyer per month were required to deposit with the Bank of Brazil for 180 days in a non-interest bearing account an amount equal to 30 per cent of the cruzeiro counter-value of the exchange sold. These two percentages are being reduced progressively by 10 per cent per month pursuant to SUMOC Instruction 221 and are scheduled to disappear as of May 1, 1962 (for financial deposits) and March 1, 1963 (for import letter purchasers).

No currency was added to circulation during February. The total amount outstanding remained at Cr\$304.9 billion.

The cost of living in the State of Guanabara in February increased by 2.2 per cent over January as compared to a 1 per cent increase in February last year. (JKrissy-Welomsayer)

TRADE AND INDUSTRY

Business conditions improved considerably from the previous month, indicating a seasonal rise in business activity expected to last through the next two months. Sales volume and industrial production were up appreciably, apparently approaching 10 per cent, over January. There was, however, a continued reluctance to make new long-term investments.

The Government has recently begun to put into effect several measures designed to assist the development of the capital goods industry. SUMOC instructions 215 and 216 of September 25, 1961 outlined a credit scheme for industry including Government assistance in financing both domestic and export sales, the former to be administered by the National Economic Development Bank (ENDE) and the latter by the Foreign Trade Department (CACEI) of the Bank of Brazil (see Embassy Despatch 346, October 24, 1961). The ENDE has recently issued resolution N° 88-62 establishing medium and long term credit facilities which it is hoped will permit nationally produced industrial equipment to compete successfully with imported goods. Under this resolution, issued at the end of January, the ENDE may issue, accept, or guarantee bills for financing the purchase, sale and manufacture of machinery and equipment for the Brazilian capital goods industry. Financing by the ENDE will be limited to 50 per cent of the transaction and may extend up to a maximum period of five years for purchases and sales and of two years for manufacture. Last year subsidized exchange rates for machinery imports were ended and the requirement was instituted that Government bodies and corporations eligible for customs and tax exemptions for imports of machinery must first prove that such machinery could not be produced in Brazil. With these measures it is hoped that Brazilian heavy industry can supply up to 83 per cent of the industrial equipment needs of the petroleum, electric power, iron and steel, cement, and paper and pulp industries over the next ten years.

The Foreign Trade Department of the Bank of Brazil has announced its agreement to re-finance in cruzeiros the sale by Mercedes-Benz do Brasil of 550 buses to the Ministry of Public Works and Services of Argentina. This export contract for \$7.7 million payable in dollars over three years is the first to be re-financed under the plan established by SUMOC Instruction N° 215. It was

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stated that refinancing would also be arranged for exports to Argentina of railroad material valued at \$1.5 million and equipment for paper and pulp factories valued at \$1.1 million.

Under a financial agreement recently negotiated by a Brazilian mission to Tokyo, Japan will make available a credit of \$8.3 million in 1962 for the USIMINAS steel mill now being built with Japanese participation in Minas Gerais. In addition, Japan will provide \$19.6 million for investment in USIMINAS. This amount would be the Japanese share of the proposed increase in the company's capital from Cr\$3.2 to Cr\$18 billion. With this additional aid it is expected that the mill will begin operating in the second half of 1962.

The Inter-American Development Bank has announced a loan of \$5 million to Papel e Celulose Catarinense Ltda. to partially finance construction of a kraft pulp and paper mill at Lajes, Santa Catarina. This company, a subsidiary of Klabin Irmãos e Cia of São Paulo, will produce approximately 64,000 metric tons of dry pulp per year. Announcement was also made of an IDB loan of \$560,000 to Fundição Tupy of Joinville, Santa Catarina. The company intends to use this loan to expand its production of motor vehicle parts and begin production of tractor parts. Fundição Tupy is one of the five major producers of automobile and truck castings in Brazil. (SHWeaver)

TRANSPORTATION AND COMMUNICATIONS

The major development during the month was the expropriation on February 16 by the State of Rio Grande do Sul, of Companhia Telefônica Nacional, the subsidiary of the International Telephone & Telegraph Corporation which provided telephone service to most of that state. The expropriation culminated three years of unsuccessful negotiations between the Company and the State aimed at the organization of a mixed company or the friendly transfer of the properties. The legal action came swiftly and without warning with the company being deposed from its properties on the afternoon the expropriation decree was issued by a lengthy and detailed judicial ruling.

One of the most controversial aspects of the case was the judge's acceptance of a deposit by the State of \$400,000 for the properties as being sufficient to justify him in turning the properties over to the State immediately. The properties had been valued in March 1961 as of December 31, 1960 by two experts, one appointed by the State and one by the Company, at the equivalent of approximately \$7,300,000. The action gave rise to considerable criticism both in the local and foreign press. I.T. & T. challenged the legality of the seizure and the case was also the subject of continuing diplomatic discussions. (SGAnderson)

MINERALS

Little of real interest took place with respect to specific minerals or mines during February. The previously reported "gold rush" to the Jacareacanga and Itaituba districts, State of Pará, apparently was not so much a "rush" as it was a series of publicized stories and accounts of an activity which has been going on for some time, but which has gathered some impetus recently.

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With regard to copper in Ceará, a combine of several financiers - with a group name of "Industria Sul Americana de Metais (ISAM)" - reportedly is going to begin exploration of the large copper deposit, and has already spent nearly Cr\$100,000,000 in drilling and prospecting.

Early in February the Minister of Mines and Energy, Sr. Gabriel Passos, told the press with respect to iron ore that the Government will adopt a policy of "buying only from those who buy from us". He further stated "The Government will not agree, under any circumstances, to domination by international groups that are superficially naturalized as Brazilian. It is necessary for the Companhia Vale do Rio Doce to control the mining and exporting of iron ore in Brazil". Sr. Passos pointed out that there was no hatred of foreign capital nor any opposition to private initiative within the policy adopted by the Government. This proposed policy - of which the foregoing is a summary of principle - has yet to be officially adopted.

Sr. Passos further disclosed that the Central do Brasil railroad would be re-equipped by a Brazilian concern to carry ore since a foreign proposal had been rejected because the firm involved wanted the right to transport 30 million tons a year at a rate which would mean a profit of \$30 million a year. The policy as proposed by Sr. Passos was given considerable publicity in the press, and a variety of editorial comment - not all in agreement - was forthcoming.

Considerable publicity was given in February to the overall problem of iron ore transportation and port facilities.

Of particular interest was an announcement in the press early in the month that transportation of iron ore by the Central do Brasil railroad would soon be controlled by a sub-contracting company, Companhia Sorocabana de Material Ferroviário (SOMA) that purportedly has an exclusive understanding with the Hanna Group. Subsequent denials were made by SOMA that its legal contract with the Central specified exclusive rights in its favor or in favor of any mining company. (AIRansome)

PETROLEUM:

Petrobrás was in the spotlight during February with the discovery of oil in a well - Quarerá - drilled in the Tucano Basin, Bahia. The well - still under test - developed an oil-bearing horizon between 1730 - 1740 meters with an indicated capacity to produce 1,440 barrels daily.

Much publicity has been given by Petrobrás that the Tucano discovery is far-reaching in its delineation of a major petroleum reserve in Brazil. However, it should be pointed out that the geology of the Tucano Basin is nearly identical to the already-developed adjacent Recôncavo Basin, and that one well does not necessarily prove a field.

Petrobrás is reported to be making preparations to step up prospecting in the Amazon Basin, in the Maranhão-Piauí Regions, the Northeast Coast, and the

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Southern Regions, and in this regard seems to be following the program proposed by the new president, Sr. Mangabeira.

Renewed interest was shown in the potential development of oil shale deposits, particularly in the State of Rio Grande do Sul. (AIRansoms)

AGRICULTURE:

The month of February saw both the presentation of an Agrarian Reform Law by the Minister of Agriculture and a preliminary plan to rationalize Brazil's coffee production.

The Minister of Agriculture's proposed Agrarian Reform Law was presented to and unanimously approved by the Council of Ministers on February 15. The bill is to be presented to the National Congress within thirty (30) days. This proposal is rather general in some respects. There is little doubt, however, that if it is well administered in conjunction with the Agricultural Fund and with the agricultural reform provisions of the coffee plan it will bring about significant improvements in the agricultural sector (see Agr. 137, 2-21-62 for details).

The coffee plan of GERCA (Executive Group for the Rationalization of Brazil's Coffee Culture), though not yet formally presented, would substantially alter the present coffee structure. Two billion of an estimated 4,325 million trees would be eradicated by 1964, quality and efficiency of production would be improved and production would be brought in line with export and domestic requirements. The approximately 2.4 million hectares of some of Brazil's best cultivated land released by the eradication would be replanted primarily to diversified cultures for meeting the real needs of the domestic market and for export. Part of it would be replanted to about 400 million coffee trees at the rate of 100 million a year beginning in 1963 (see Agr. 134, 2-26-62 for details).

In other fields the Government issued a wheat edict for 200,000 metric tons, any origin, near the end of the month. Only 90,000 tons were purchased, however, all from Argentina. The remaining 110,000 tons was cancelled possibly to be reissued at a later date. Meanwhile negotiations on a new PL 480 agreement including 800,000 tons of wheat and 36,000 tons of corn continued with signing expected shortly.

The Government also took action during the month to authorize exports of jute and peanut meal and cake. Exports are only permitted after domestic needs are satisfied. (FMMilan)

For the Ambassador:

Robert Eakens
Robert Eakens
Counselor of Embassy
for Economic Affairs

Enclosure: *att*
Economic Indicators

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ECONOMIC INDICATORS

	1960			1961			1962		
	Dec.	Jan.	Feb.	Dec.	Jan.	Feb.	Dec.	Jan.	Feb.
Cost of Living ^{1/} Index (1948 = 100)	848	866	875	1,214	1,252	1,279			
Percent Increase Over Previous Month	2.8	2.1	1.0	3.4	3.1	2.2			
Sales Tax Receipts Billions of Cruzeiros	1.82	1.42	1.29	2.52	2.59	2.68			
State of Guanabara		6.49	6.31	10.49	9.86	10.66			
State of São Paulo									
Motor Vehicle Production Units	13,340	10,417	11,330	12,797	10,806	13,327 ^{2/}			
Industrial Consumption Electric Power Millions of KWH	43.1	41.2	39.2	46.4	45.4				
State of Guanabara		340	333	371	358				
State of São Paulo									
Notes Protested Number	2,300	2,000	1,600	1,800	1,830				
State of Guanabara		4,912	4,102	6,408	6,408	5,577			
City of São Paulo									
Millions of Cruzeiros	125	52	43	108	73	201			
State of Guanabara		113	101	230	246				
City of São Paulo									
Coffee Exports Millions of Bags (60 Kilo)	1.36	1.05	1.21	1.72	1.43	1.34			
Bank of Brazil - Last Day of Month									
Billions of Cruzeiros									
Loans to Treasury	100.445	7.496 ^{2/}		132.774	128.8				
Outstanding Loans	186.3	178.4	186.4	279.8	285.2				
to Private Sectors									
Reserves to Commercial Banks	23.4	21.8	15.8	33.4	30.6				
Cash Holdings	3.6	8.5	9.7	13.3	11.5				
Compulsory Reserves, Commercial Banks	39.1	42.0	43.8	61.0	67.3				
Outstanding Bank of Brazil Letters	72.2	14.7	-	67.8	69.3				
Currency Outstanding	206.1	201.6	207.9	313.9	305.0				

^{1/} State of Guanabara^{2/} State of São Paulo only

Bank of Brazil loans to Treasury are recorded on an annual basis, on the basis of SUMOC estimates. Cumulative figures covering past years are of no significance since outstanding Treasury debt is periodically written off.

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Frederick B. Dutton
Assistant Secretary

Card from Mr. Hyler.

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SUBJECT: Inflationary Spiral; Worsening Socio-Economic Conditions in the Northeast.

SUMMARY

Brazil's acute inflationary spiral continues to exacerbate conditions in the poverty stricken Northeast. The cost of living, which jumped some 30% in three to four months at the end of 1961, and which was estimated to have risen over 70% in this area between January of 1961 and January of 1962, continues its unrestricted upward progress. Even in the urban centers, wages are not, in general, keeping pace, and as of this writing large masses of agricultural workers are receiving essentially the same salary as six months ago, in spite of sharp increases in the cost of staple foods, fuels, housing, clothing, etc. The worker has no choice: he must make do with less and less of the bare essentials.

Inflation also has the effect of retarding growth in the Northeast by prompting extremely tight money policies and discouraging investment. In spite of the Federal Government's talk of liberal credit to agriculture and industry, there are increasing complaints that no such credit is available. Credit from private banks is almost unobtainable.

While the great masses in the Northeast find it increasingly difficult to maintain themselves even at a subsistence level, the wealthy continue to live much as they always have, many of them sending their money to banks in Switzerland and the United States to protect themselves not only against inflation, but also against possible sharp political changes. Unfortunately, the wealthy show little sense of responsibility, and with inflation further discouraging investment and saving, they are all too prone to spend on luxury items such as jewelry, fine cloths, trips to Europe, etc. The disparity between the standard of living of the lower income groups and the big

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industrialist or landowner is, therefore, further magnified, and the discontent of the masses proportionately increased.

COST OF LIVING

A study recently completed by Alberico Bezerra Cavalcanti, an economist with the Rural Economic Service, indicated a rise of 70.02% in the cost of living in Pernambuco during 1961. Though a higher estimate, perhaps, than that which might have been arrived at by the Getulio Vargas Foundation with its more precise methods, Bezerra Cavalcanti's figures more accurately reflect the real impact of rising prices upon the common man. Some price increases traced during the full 12 month period reflect dramatic rises:

1. Between January 1961 and January 1962, rice went from Cr\$ 26 to Cr\$ 52 per kilo (or a rise of 100%).
2. Lean Pork went from Cr\$ 55 to Cr\$ 200 per kilo (over 300%).
3. Wheat flour rose from Cr\$ 30 to Cr\$ 56 per kilo (53%).
4. A liter of milk from Cr\$ 20 to Cr\$ 34 (59%).
5. Butter from Cr\$ 360 per kilo to Cr\$ 450 per kilo (80%).
6. Eggs, per dozen, went from Cr\$ 89 to Cr\$ 120 (70%).
7. Mandioca flour, per kilo, from Cr\$ 22 to Cr\$ 55 (110%).
8. Average bus fares in Recife from Cr\$ 5 to Cr\$ 10 (100%).

Nor do these figures reflect more recent increases. Bezerra Cavalcanti's quotation of Cr\$ 52 for a kilo of rice was effective as of the first week in January of 1962. By February the price had jumped to Cr\$ 70 and is still increasing. Wheat flour, which was quoted at Cr\$ 56 per kilo in January, has now soared another 100%, selling as of March 13 for Cr\$ 120. The same general pattern is mirrored by most other products.

Rents are also rising swiftly. For example, three-bedroom apartments in a new building in Boa Viagem rented for Cr\$ 45,000 in October. By December the bottom price was Cr\$ 55,000, and in March it had climbed to Cr\$ 75,000, or an increase of 66% in 5 months. Nor is this an isolated case. A small downtown apartment rented by a Brazilian employee of SUDENE some 8 months past for Cr\$ 15,000 was rented for Cr\$ 32,000 when he vacated it two weeks ago. In lower rent areas prices have also risen. In one block of two-room workers houses the going rent (for new tenants) has increased in a six month period from Cr\$ 5,000 to Cr\$ 8,000.

WAGES

Just before the old year came to an end most sectors of organized labor in the urban centers received wage increases usually amounting to 40% or more. During the first 2-1/2 months of 1962, therefore, there has been less labor agitation for higher wages than usual among organized urban labor. Bank workers, however, who received a 30% to 40% increase in December, by March felt themselves obliged to demand a 20% bonus to meet the rising cost of living. In general, during January, February and early March, wages dropped further behind prices in the Northeast. Whereas in the industrial South the large number of well organized urban workers are able to more effectively demand higher wages (in many cases thus

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From RECIFE

aggravating inflationary conditions), the underdeveloped agricultural structure of the Northeast, with its masses of unorganized rural workers, its disguised unemployment in the interior, and its unemployed throngs in the urban centers, leaves the worker extremely vulnerable to rising costs of living. Per capita income in the Northeast is only US\$ 96 per year. In the state of Piaui it is as low as US\$ 35. Any rise in living costs, therefore, cannot but have painful repercussions. Wages of sugar field workers, for example, have gone up very little, if at all, during the past 6 months. On most sugar fazendas the cane field worker labors some 10 hours per day -- from 6 a.m. until noon and again from 2 p.m. until 6 p.m. He earns approximately Cr\$ 200 in global wages (about US\$.60), but after the hocus pocus of deductions for food and/or housing and debts to the fazenda store, he may receive as little as Cr\$ 50 (US\$.15). His rations, if provided, consist of a small amount of rice, beans and possibly a piece of dried beef. Rations are given only to him, not to his family, for whom he must provide out of his own wages. It goes without saying that after attempting to feed a wife and possibly several children on Cr\$ 50, when rice alone costs Cr\$ 75 per kilo, he has nothing left for such luxuries as medical attention, clothing, education, etc. And even if he did, medical and educational facilities are almost nonexistent for the peasant in the interior.

In short, the plight of the rural worker, and most urban workers, is very nearly desperate, and is becoming more so as soaring prices cut steadily into the purchasing power of wages. An editorial in Jornal do Comercio on February 28 described the situation as follows:

"Our men in public life, often living on the fat of the land, perhaps do not fully comprehend the drama of the working man, who, limited as he is to a diet of beans, rice and dried beef (charque), will be forced to risk everything in a fight for survival if and when the day comes that he cannot buy these products. It would be well for them /public servants/ to awaken from their slumber and myopic dreams, and understand that the Northeasterner /Nordestino/ will not very long be willing to buy flour for a pound of gold. If the situation worsens, we may see complete desperation. And who knows what course a desperate people might choose to follow."

EFFECTS UPON MONEY AND INVESTMENT CLIMATE

Inflation and generally unsettled conditions, moreover, have had a debilitating effect on the investment climate in the Northeast. There is very little propensity to save or invest. At the same time, money is extremely tight, thus restricting expansion. During February and early March the unabated demand for loans, coupled with the termination of the crop season, returned credit availability, which had eased somewhat in December, to its normally restricted level. Most private banks in the Northeast reportedly expect increasingly tight conditions. Meanwhile, liberal credit facilities promised by the Federal Government through the Banco do Brasil, the Banco do Nordeste, and other agencies, have not yet materialized.

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SOCIO-ECONOMIC CONDITIONS: DISPARITY IN STANDARDS OF LIVING

The fortunate few in the Northeast who own most of the land and industry traditionally prefer to invest in other areas, and sharpening inflation further discourages both savings and a more responsible use of wealth. Most choose to deposit and invest what they do not spend either outside Brazil or, at best, in the industrial South. Historically lacking a sense of social and civic responsibility, the wealthy are usually indifferent to the fact that their capital might greatly benefit their home region if invested here. They continue to ignore the plight of the poverty stricken, and to indulge in vulgar display little calculated to improve the temper of the resentful masses. During Carnival this year, for example, two dresses entered in competition at the Recife Municipal Ball for "most lavish costume" cost in excess of Cr\$ 2 million. Several other costumes cost some Cr\$ 1 million. The municipal Ball itself was held at the Portuguese Club, a rather lavish country club whose property lines are fringed with one of Recife's worst Mocambos--thousands of hovels put together with bits of palm frond, tin and dirt. The Recife press protested this gaudy display of opulence in the midst of grinding poverty, and several State Deputies protested on the floor of the Legislative Assembly. The Archbishop of Olinda and Recife also issued a statement condemning such ostentation. The wealthy classes seem to have paid little heed, however. One comment heard among the upper set is that the press should not have published the prices of the costumes because "this only served to stir up the people" -- completely overlooking the indifference shown by the act itself.

Comment: Inflation is not a new phenomenon. Neither are most other social and economic ills of the Northeast. But pressures which have been building up over many years are reaching unprecedented extremes. The rising cost of living is rapidly approaching a level beyond the means of the common worker. The press and responsible citizens are expressing growing alarm. One "Diario da Noite" columnist warned on March 13 that "The Brazilian people, especially in the Northeast, have reached a limit of patience and sacrifice. We are now at the 38th parallel of an internal convulsion, inspired by hunger and prompted by desperation. Or do those who govern not see this clearly?"

Driven to the wall on the one hand by rising prices and low wages, on the other the worker sees the spectacle of the wealthy, still indifferent, still flaunting their riches, still paying more for onmeal than they pay their employees in a month. The rich seem bent on making things easier for agitators by playing a role outlined in the most primitive Communist textbooks lampooning the "wicked capitalist who grinds the faces of the poor." In the face of such blind indifference to suffering, the plea for social justice in the Northeast might easily become an angry and demanding roar.

Eugene Delgado-Arias
Eugene Delgado-Arias
Principal Officer

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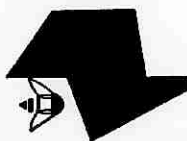
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GOVÉRNO CARVALHO PINTO
MENSAGEM À ASSEMBLEIA LEGISLATIVA — 1962

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3^o ANO DE GOVÉRNO

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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 1962.



0417

Senhor Presidente

Senhores Deputados

É diante de conjuntura nacional particularmente severa e num momento que todos compreendemos decisivo para o futuro e os destinos do País que me cabe, ainda uma vez no exercício de meu mandato, trazer a Vossas Excelências a palavra do Chefe do Poder Executivo, de prestação de contas do desenvolvimento dos negócios do Estado.

Dos fatos, ainda recentes, desenrolados no cenário da política nacional, avolumando a vaga de dificuldades com que já nos debatíamos, perduram ainda os efeitos no seio da comunidade brasileira. As conseqüências de uma economia debilitada, que já nos conduzia ao progressivo aviltamento da moeda e à constante elevação dos níveis de preços, adicionaram-se as dos acontecimentos políticos, agravando-se ainda mais a conjuntura econômica e criando-se para o povo condições de vida na verdade excessivamente penosas.

No que respeita especialmente ao Estado de São Paulo, as implicações dos fenômenos sociais e econômicos característicos de nossa época, os quais se avolumam em crescente tonalidade, gerando o desconcerto, a insatisfação e a intemperança, criaram para o Governo excepcionais encargos e responsabilidades, neste conturbado período dos três últimos anos, tão pródigos em agitações, em movimentos e até mesmo em ocorrências dramáticas.

Compreende-se que assim seja.

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Resgatamos, nós, paulistas, o inevitável e pesado tributo que nos é imposto pela rápida transformação de nossa economia, sofremos mais de perto os efeitos avassaladores de inflação monetária sem precedentes, num contínuo processo de desajustamentos.

Estado em que mais se acelera a industrialização e em que se concentram evoluidas e conscientes massas obreiras, aqui encontram maior ressonância os fatos determinados pelas alterações da estrutura social e pelos movimentos de classe, nas suas reivindicações salariais, e aqui se fazem sentir, também, mais diretamente e com maior pressão e violência, os impactos dos acontecimentos de âmbito nacional.

Mais do que isso, torna-se o nosso Estado palco de constantes e sucessivas perturbações que se alimentam do caldo de cultura que é a desordem econômica e, não raro, das manobras de demagogos e de agitadores, preocupados, uns, apenas com o objetivo imediatista do próprio proveito político, empenhados, outros, em semear a discórdia, o caos e a dissolução.

Justifica-se, assim, que eu não me atenha, no cumprimento do dever constitucional que me traz a esta Casa, aos padrões habituais de um relato de cunho marcada e exclusivamente administrativo e de interesse doméstico de nosso Estado, para levar a voz de São Paulo a todos os recantos do País, num reiterado apelo a todos os homens de boa vontade, a todos aqueles que detenham uma parcela das atribuições em que se desdobram os poderes do Estado, no sentido de que somem seus esforços e energias, a fim de que bem cedo sejam superadas as dificuldades presentes e se realizem nossas esperanças de paz social, de justiça e de progresso.

Que não constituam as posições divergentes ou antagônicas dos homens públicos empecilho para que permaneçamos fiéis ao nosso destino de nação livre, cristã e soberana.

A despeito de todos os obstáculos atuais e dos que venham ainda a surgir no roteiro de nossa emancipação econômica, de nosso desenvolvimento e da efetivação das reformas sociais que se impõem, não descreio do patriotismo e da capacidade reali-

zadora de um povo, cuja maturidade política e cuja vocação para as soluções ditadas pelo espírito de ordem e de respeito à lei e às instituições democráticas se confirmaram por ocasião dos acontecimentos de agosto, que nos haviam levado à beira da guerra civil.

Mal saídos do estado de perplexidade em que a todos colocara a renúncia do Presidente Jânio Quadros, Parlamento e Forças Armadas, inspirados no patriótico princípio de legalidade e empenhados na preservação da ordem pública e na manutenção da paz da família brasileira, souberam, com o apoio do povo, afastar a crise que obscurecia os horizontes da Nação. Não lhes faltou, de resto, nessa hora crítica, a solidariedade irrestrita desta Colenda Assembléia e de quem a ela se dirige nesta oportunidade.

Uma só deveria ter sido a decisão. E ela foi tomada. Cumpriram-se o espírito e a letra do nosso Estatuto Político; deu-se posse a quem a ela tinha direito.

Refeito do trauma que o atingiu, não se firmou, porém, o País, em seus novos rumos. Mais do que nunca é necessário que se assegurem os princípios, que nos devem ser sagrados, da defesa da integridade e da nossa soberania, da autoridade e da ordem jurídica legitimamente constituídas. Vencida a crise e vitoriosa a Democracia, a ninguém é lícito, sob pena de incorrer no crime de lesa-Pátria, recusar seu concurso para a estabilidade do regime e a definitiva pacificação dos espíritos, pois, conforme já o disse algures, penso que o futuro que nos espera e que, confio, há de exprimir a harmonia e o equilíbrio das forças nacionais, a equanimidade do nosso povo e a sua aspiração de paz e de justiça social, de nenhum modo poderá ser o fruto de elucubrações apressadas ou de suspeitos movimentos de opinião. Magnos problemas devem ser equacionados, sem tardança e com coragem, pelo Governo da República, problemas de cuja solução dependerá a sorte deste País. A grandeza de nossa Pátria só poderá ser construída pelo trabalho, que cria riqueza; pelo sacrifício e pela austeridade; pelo esforço metódico, capaz, calmo e fecundo; pela firme determinação de superar o subdesenvolvimento, que asfixia e sacrifica grande parcela da população brasileira.

Reporto-me, a este propósito, à afirmação por mim feita em mensagem dirigida a esta Casa, precisamente há um ano, e que, apesar da superveniência de fatos novos, reputo ainda de todo válida e oportuna. Nada poderá deter as forças de nossa Pátria, que se transforma e se apresta para assumir, num momento próximo, a posição que lhe compete no concerto das Nações.

Reitero, também, com a mesma ênfase, o testemunho de minha fé indestrutível nas forças nascentes da nova consciência política que se inaugurou no País. Corporificam, elas, a manifestação espontânea de todo o povo, de aplauso e apoio a uma concepção de governo pautada pela seriedade de propósitos, pelo planejamento e pela moralização administrativa e identificada com os anseios da coletividade, justificadamente confusa em face do desconcertante contraste entre as visíveis possibilidades de progresso e de melhoria de suas condições de vida e as crescentes dificuldades com que havia de lutar e luta ainda.

O quadro não se alterou.

Nada poderá impedir a participação mais direta do povo e o peso de sua vontade nos fastos da vida pública.

Os acontecimentos de agosto devem ser havidos como simples episódio de um processo em evolução e já irreversível, como conquista que representa.

Aos políticos e aos governantes cumpre acompanhá-lo, ou perecer.

Esteja certa a Nação de que neste passo não lhe faltará, como não lhe faltou nunca, o Estado de São Paulo, na sua constante solidariedade à Federação, na sua indiscutível vocação para a unidade nacional, que adquire agora um sentido diverso, não simplesmente político.

Cumpra que aproveitemos o imenso potencial de riqueza e energia contido no corpo desta Nação. E que, defendendo-o com altivez, mas também com realismo, corrijamos o nosso desequilíbrio estrutural para dar-lhe aquele vigor que é a condição primeira da harmonia social.

Lembro que, ao ter tido a honra de encerrar os trabalhos do Ciclo de Estudos sobre a Integração do Nordeste, salientei a circunstância de possuímos, nós, paulistas, a consciência de que nossa prosperidade depende da harmonia do todo nacional. Lembro, também, haver afirmado não mais se justificarem economias estanques, nem existirem, diante dos recursos da técnica, e se adotada política adequada, quaisquer obstáculos intransponíveis à realização imediata da real e verdadeira integração de todas as parcelas da nacionalidade — parcelas da terra e parcelas de populações.

Recordo que, na Declaração de Princípios aprovada pelo referido Ciclo de Estudos, se reconheceu, inclusive, que o Nordeste, onde mais fortemente se fazem sentir os efeitos do subdesenvolvimento, possui recursos naturais e humanos que podem ser mobilizados para um rápido processo de desenvolvimento econômico; e que a dinamização da economia dessa região, inclusive a disciplina de sua estrutura agrária, é a forma mais objetiva de assegurar à indústria nacional mercado mais amplo e subordinado exclusivamente às forças do próprio sistema econômico do País.

Aí estão, portanto, os dados essenciais à promoção do desenvolvimento das regiões economicamente mais fracas do País, à espera de que os utilizemos.

Na verdade, se o desenvolvimento sofre o influxo de inconstantes leis econômicas e se processa até certo ponto, por assim dizer, de modo natural, movido, entre outros fatores, pela iniciativa particular através de investimentos reprodutivos concentrados no setor privado, deve reconhecer-se também, conforme o declarou o preclaro Presidente do Conselho de Ministros, Senhor Tancredo Neves, ainda recentemente, ao se encerrarem nesta Capital os trabalhos do II Ciclo de Estudos Sobre a Integração do Nordeste, promovido pelo Instituto Nacional de Estudos Superiores, deve reconhecer-se também, repito, o papel altamente positivo que o Governo pode e deve desempenhar, como força promocional desse desenvolvimento, empregando os múlti-

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plos instrumentos de que dispõe para estímulo e suplementação daquela iniciativa particular, avultando, portanto, suas responsabilidades.

Todavia e a despeito de se haver alterado profundamente a estrutura econômica nacional, agravando-se, máxime nestas últimas décadas, o desnível entre as várias regiões do País, tem faltado, ao Governo Federal, uma autêntica política de desenvolvimento, harmônico e equilibrado, de nossa economia, dada a ausência de uma visão panorâmica do problema e de adequado trabalho de planejamento. É o que declara Sua Excelência ao acentuar a ineficácia e os efeitos negativos das medidas até há pouco postas em prática, as quais têm importado, tradicionalmente, na pulverização de recursos orçamentários e na elevação do "coeficiente de desperdício".

A consideração desses fatos levou o Governo Federal a dar execução ao Plano Diretor da SUDENE, como remédio para o dramático quadro de frustração e de desespero, que é o problema do Nordeste.

Manifestando o decidido apoio a todas as iniciativas que objetivem bani-lo, como problema, do inquietante e sombrio panorama nacional, e assegurando a fraternal cooperação do Estado de São Paulo, através de seu Governo, no sentido de que se criem naquela região do País condições que lhe propiciem riqueza, desenvolvimento e progresso, externo também a esperança de que esse desiderato venha, a breve prazo, a ser efetivamente alcançado, deixando a miséria de milhões de brasileiros de servir de pasto à traficância e à demagogia, de tema a digressões quicá brilhantes, porém desprovidas de conteúdo prático, de repertório de injustas acusações e ressentimentos.

Volto a afirmar que não existe apenas um problema específico do Nordeste, divorciado da realidade brasileira, mas um problema nacional, que deve ser tratado e resolvido em bases nacionais de unidade não só política como também econômica e espiritual, que reclama a mobilização de todos os recursos do País, mas desaconselha, porisso mesmo, a abstração dos dados ligados aos crescentes riscos que nos rodeiam.

Encaro dentro desta orientação sadia, humana e construtiva, a redenção do Nordeste e de todas as regiões menos desenvolvidas do País, inspirado nos mais puros sentimentos de brasilidade e com plena consciência de que a riqueza e a prosperidade de nossos irmãos de outros Estados só poderão concorrer para que se mantenham e fortaleçam a economia e as condições de vida dos paulistas.

Senhor Presidente

Senhores Deputados

Convencido, embora, de que a satisfação das exigências materiais do indivíduo não deve erigir-se em culto, cumprindo também assegurar ao homem o direito fundamental de liberdade, não ignoro que o bem estar econômico se constitui em penhor e apoio da harmonia, seja esta considerada do ponto de vista da concepção unitária dos interesses de brasileiros dos vários Estados da Federação, seja do ponto de vista ainda mais amplo e profundo do problema social em seus vários aspectos, o qual adquire, nesta conjuntura, agudeza e importância excepcionais sob o peso de incontido processo de empobrecimento das massas e a influência subterrânea e atuante dos extremismos destrutivos.

Dai o relêvo e o primado que atribuo, nestas circunstâncias, aos fatos de natureza econômica, como condição para que se realize, num sistema de vasos comunicantes, o equilíbrio das economias regionais e para que se concretizem os ideais de justiça social.

Graves e pesadas — repito — são, portanto, as responsabilidades que incumbem aos Poderes da República nesse setor: dar organicidade e eficiência ao fortalecimento econômico das regiões menos desenvolvidas do País; estancar a sangria que exaure as possibilidades e solapa as esperanças do povo, lançando o fermento de agitações de consequências imprevisíveis.

Não serão, certamente, as leis de sentido apenas jurídico, sem assento na realidade econômica, que é irresistível, nem o

falso e exacerbado nacionalismo, que toque as raízas da xenofobia, ou sequer o recurso às lutas de classe e a fórmulas avessas à nossa formação cristã, que irão constituir as armas de combate à crise que nos envolve e tolhe.

Salta à evidência que os acontecimentos políticos encontram suas raízes em causas fundamentais de ordem econômica e social. E que soluções de compromisso e a terapêutica sintomática, podendo, embora, trazer momentâneos desafogos, não devem ser indefinidamente utilizadas.

Já não cabem contemporizações. Nem aproveita transferir para o futuro problemas que paliativos e expedientes de circunstância não alteram, antes agravam, e que, logo, de novo estarão sob nossas vistas.

Possuímos, sem qualquer dúvida, todas as condições e recursos capazes de permitir que nossa evolução se processe dentro de esquemas democráticos, sem os riscos maiores de abalos e revoluções, sem o preço da própria liberdade. Urge que os utilizemos, que não sejamos omissos ou reacionários.

É preciso que se discipline a acumulação imoderada e improdutiva de bens materiais. É necessário que nos disponhamos, neste momento, a oferecer nossa parcela de sacrifício para que não sejamos, todos, despojados dos bens espirituais que cimentam e alicerçam nossa sociedade.

Essa atitude se impõe se não apenas pelas mais prementes condições de nossa situação interna, também porque cada vez mais cresce o Brasil no cenário internacional e cada vez mais se faz sentir sua presença no mundo contemporâneo. Por essa razão, já na mensagem que dirigi a esta Casa, há um ano, acentuava que não somos uma Nação ignorada, situando-nos, ao contrário, num mundo convulsionado pelo entrelhecho de ideologias e interesse, em que se disputam primados, se destroem princípios e se substituem conceitos e em que os interesses da comunidade e os problemas do Governo, sujeitos que estão às contingências e que não nos poderemos furtar, das mutações que se operam no plano social e econômico, não mais se compadecem com soluções ditadas por critérios que se abstraíam da realidade universal.

Cumpra-nos, em suma, que nos premunamos dos meios que, preservando nossa soberania, assegurem a realização das aspirações de um povo jovem que deseja progredir.

Espera-se dos dirigentes do País, nesta hora sombria, mas não irremediável, neste momento difícil e angustioso, mas não de desânimo e desesperança, que enfrentem e dêem remédio a problemas já perfeitamente identificados, embora árduos e complexos, que conjugam seu peso na configuração desta conjuntura sócio-econômica de cuja solução dependem nosso porvir de Nação livre e nossas legítimas aspirações a um nível superior de vida, em que todos compartilhem dos benefícios da civilização e da cultura, lastreados por uma sólida economia.

Entre esses problemas, os de natureza monetária, através de conveniente política de câmbio; do fortalecimento de nossa posição no mercado mundial; de vigoroso combate ao processo inflacionário pela contenção dos déficits orçamentários mediante a dinamização dos ingressos públicos, pela reforma tributária, e a necessária política seletiva na realização da despesa, além da adoção de adequada política creditícia.

Paralelamente, será preciso imprimir, de maneira efetiva, às atividades do Governo, aquele sentido promocional do progresso econômico; e fazê-lo de forma que atenda plenamente a esse objetivo, mas guarde compatibilidade com a essência de nosso regime institucional, introduzindo as necessárias reformas sociais que os tempos exigem. Em primeiro lugar, insisto em que, a meu ver, aqueles mesmos princípios e aquela mesma técnica que se prevêm no Plano Diretor da SUDENE, e que outra coisa não são senão princípios e técnica de planejamento, instrumentos de trabalho científico e organizado, sejam generalizados para que abranjam a atividade do Governo da União, exercida em todos os pontos do território nacional. Sem pretender, por qualquer modo, estabelecer paralelos, eis que, pelo domínio dos instrumentos, que mantêm para fazer face à conjuntura, avultam os problemas e as responsabilidades da União, permito-me invocar o exemplo de São Paulo, onde, abandonadas a rotina e a improvisação, se implantou a administração planejada segundo um pro-

grama de trabalho financiado quase totalmente pelos recursos normais do orçamento, cujo equilíbrio sempre se manteve sem o agravamento da pressão tributária e, portanto, sem que se constituíssem os investimentos em fator adicional da inflação da moeda.

O Plano de Ação, elaborado e pôsto em prática pelo Governo de São Paulo e já na fase do quarto ano de execução, não só imprimiu à atividade administrativa um grau considerável de rendimento social, como tem contribuído, pelos investimentos de infra-estrutura e pelos financiamentos previstos para os setores de produção e abastecimento, para que se fortaleça a economia da Nação. O alto sentido de brasilidade desse planejamento se afere, além disso, pelo fato de que as obras de desenvolvimento da rede de energia elétrica projetam seus benefícios além das divisas do Estado, o que ocorre com a Usina Lucas Nogueira Garcez, que serve a vinte e cinco municípios do Paraná e a Usina de Urubupungá, que fornecerá energia a regiões dos Estados de Mato Grosso, Goiás, Paraná e Minas Gerais, devendo, no futuro, entrar-se os sistemas hidrelétricos de São Paulo e Minas, para que constituam a espinha dorsal do desenvolvimento de vasta área do País, pela interligação natural dos sistemas das Usinas Elétricas do Parapanema, da Companhia Hidrelétrica do Rio Pardo e das Centrais Elétricas de Urubupungá, em território paulista, com os das Furnas e Três Marias, em Minas Gerais e com o de Paulo Afonso, na Bahia.

Essas considerações são feitas para demonstrar, com o fruto da experiência paulista, o que se poderá esperar da ação do Governo Federal, em prol de nosso desenvolvimento econômico, superados que devem reputar-se os erros do passado, e que ao passado pertencem, e definitivamente adquirida, agora, como também se espera, a mentalidade desenvolvimentista renovadora, diante dos efeitos desastrosos de uma situação de injustificável descalabro a que tradicionalmente nos conduziram a demagogia, a negligência e inépcia e, por vezes, a má fé.

Não bastam, porém, essas medidas. Outras se impõem, ainda com relação à política econômica do Governo, no incentivo, que lhe cabe promover, do aumento da produtividade e, em par-

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ticular, com relação ao problema social, de modo a ser proporcionado às classes trabalhadoras, ao operário do campo, aos assalariados em geral, tão duramente sacrificados nas atuais circunstâncias, o bem estar a que têm direito.

Manifestei, de público, minha opinião acerca da disciplina da remessa de lucros para o exterior, opinião que não destoia do parecer de insuspeitos e autorizados economistas.

Situo-me, sem sombra de dúvida, na linha do nacionalismo econômico como forma de resguardo de nossa soberania e de proteção das nossas riquezas. Penso, mesmo, que uma só poderá ser nossa atitude a esse respeito: a de firme e sobranceira intransigência.

Não compartilho, porém, nem poderia fazê-lo sem trair minha própria consciência, da deturpação que, invertendo o sentido desse princípio, poderá torná-lo, ao revés, e paradoxalmente, em instrumento de intolerância capaz de empecer e retardar o aproveitamento de nossas riquezas, a expansão de nossa economia, o fortalecimento e a projeção de nosso País.

Discipline-se, sim, a aplicação de capitais estrangeiros, condicionando-a à ampliação efetiva de nossa capacidade de investimentos. Façamo-lo, mesmo, com rigor. Não repilamos, porém, pura e simplesmente esses capitais, quando é certo que a poupança interna se mostra insuficiente para propulsionar nosso desenvolvimento e incapaz, por si só, de elevar a nossa taxa de progresso material; e que, desviada para novos investimentos, reduzirá, fatalmente a taxa de capitalização.

Tenho também para mim que a ação governamental e o suplemento dos capitais estrangeiros de nenhum modo se opõem à livre empresa, cuja capacidade criadora permitiu que nesta região se constituísse uma estrutura econômica mais sólida e aqui se criassem mais favoráveis condições de vida. A atividade privada, porém, não resta dúvida que deve ser regrada de modo a coibir-se o abuso do poder econômico, a espoliação das massas, e de forma a que sirva o lucro, que resulta de fatores de que participa o trabalho, a uma política de reinvestimentos que ace-

lere o desenvolvimento e permita, de pronto, minorar as agruras dos trabalhadores. Esta é uma das faces da reforma social que não pode ser retardada.

Aspecto que não deve, igualmente, ser descurado, é o da maior produtividade agropecuária, além de tudo necessária para o fortalecimento do mercado interno pelo acréscimo do poder aquisitivo e melhoria do padrão de vida do homem do campo. Essa necessidade se acentua em face do gritante desequilíbrio, propiciado pelo surto de industrialização, que existe entre os meios rurais, cuja consciência já desperta para suas justas reivindicações, e as concentrações urbanas em que o trabalhador, mais evoluído, insatisfeito clama também pela maior participação na riqueza e nos frutos do progresso social que ajuda a edificar, na legítima aspiração de ver adotados critérios de justiça e equidade na remuneração do trabalho. Detenham-se, pela criação da riqueza e do bem estar locais, o êxodo do campo para as capitais e o litoral, o êxodo do trabalhador nordestino para a região centro-sul, causa de agravamento da situação, já aflitiva, do Nordeste, pelo desfalque de precioso capital humano, válido e capaz, que representa.

Sinto-me inteiramente à vontade para ferir esta questão, porque fiz de meu Governo, sem desamparo dos centros populosos da Capital do Estado, o instrumento e a força de desvelada atenção para com os problemas do Interior, empenhando-me, desde o início, em tenaz campanha municipalista, traduzida não apenas por obras de infra-estrutura, como pelo especial realce atribuído ao programa de desenvolvimento rural mediante financiamento, a médio e longo prazo e a juros baixos, destinados à renovação e desenvolvimento da agricultura, da silvicultura, da pecuária, da pesca e da industrialização de produtos, de modo a elevar os níveis da produtividade agropecuária e a favorecer o aproveitamento industrial da produção agrícola; através do amparo oficial às culturas de subsistência, da assistência técnica no seu sentido mais amplo, com base na pesquisa e na experimentação, e, ainda, da criação de rede estratégica de silos e armazéns, capaz de garantir ao produtor melhores condições na comercialização de seu produto.

Volven-se, também, o desvêlo da Administração ao objetivo de valorizar e dignificar o trabalhador do campo, cuja condição de miséria e abandono, em certas regiões do Estado, agride nossa sensibilidade.

Dedicou-se, assim, o meu Governo, com decisão e pertinácia, à tarefa de desenvolver, por todo o Interior, não só obras e serviços de infra-estrutura e de incentivo à produção, conforme já se disse, como também outras obras, outros serviços e estímulos, estreitamente ligados às condições sociais das populações interiores, e que se desdobram numa gama que chega às atividades recreativas e esportivas.

Mas não se cingiram a esses aspectos essenciais, mas subjacentes, os esforços de meu Governo, nesse setor tão importante para o erguimento de nossa economia.

Fundamental me pareceu sempre a função sócio-econômica da terra, motivo que me levou, desde o início de meu mandato, a fazer dela um dos pontos capitais da temática de minha administração.

Fiel à nossa formação espiritual e às nossas instituições, preocupe-me em dar a esse problema, em nosso Estado, solução cristã e democrática de repúdio aos extremismos dissolventes, solução que esperava fosse encorajar, como efetivamente veio a fazê-lo, o Governo de outros Estados e o próprio Congresso Nacional, em obediência a um imperativo da evolução em marcha, no sentido de ser dada à propriedade da terra aquela já irrecusável conceito social.

Foi sob a inspiração daqueles mesmos princípios, agora reafirmados na Encíclica "Mater et Magistra", que empreendi os estudos do projeto da Revisão Agrária, o qual, depois de amplo debate de que participaram vozes responsáveis de todo o País e após largas discussões no seio desta nobre Assembléia, se transformou na Lei n.º 5.994, de 30 de dezembro de 1960.

Jamais será possível realizar-se a justiça sufocando a liberdade. E jamais se assegurará a liberdade suprimindo o direito de livre disposição de bens produtivos, condição que é para que se afirme a personalidade humana.

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Mas essa disposição de bens, que define o direito de propriedade, não pode constituir privilégio, antes traz em si, imamente, uma função social, pois se dirige à produção dos bens indispensáveis à subsistência de todos.

Dai a necessidade de que, acompanhando os movimentos sociais e políticos que transformam a fisionomia da sociedade, adotem os Poderes Públicos uma política que faça da propriedade territorial não um fim em si mesmo, mas um instrumento de paz e de justiça social, um meio de garantir o bem estar da coletividade. Mais do que isso: um meio de correção da desigualdade, flagrante e injusta, que se verifica, no âmbito das economias nacionais, em quase toda a parte, mas especialmente nos países subdesenvolvidos, como é o nosso, seja entre várias regiões ou, dentro da mesma região, entre os grupos populacionais urbanos e rurais, que são setores de produção diferenciada.

Nessas condições, a idéia que ditou a Lei de Revisão Agrária foi a de uma política de combate e desestímulo à grande propriedade improdutiva; de prestígio à empresa agrícola de elevada produtividade; de radicação do trabalhador à terra, facilitando-se-lhe o acesso à gleba; de melhor aproveitamento da propriedade rural, mediante a diversificação regional e o planejamento das inversões, concorrendo o próprio Estado com suas terras para fins de loteamento e colonização.

A Lei de Revisão Agrária, posta em execução sem qualquer orientação confiscatória ou fiscalista, tinha por um de seus instrumentos o imposto territorial rural, sem dúvida elemento de primeira ordem na revisão democrática e pacífica de nossa estrutura fundiária, a qual visa, em última análise, à adequação social do uso da propriedade. A transferência desse tributo para o campo da competência municipal por força da Emenda Constitucional n. 5, atendendo, como atende, ao imperativo de maior participação dos Municípios na partilha das rendas nacionais, priva, em todo o caso, os Estados, desse excelente veículo de disciplinação do uso da propriedade rural, circunstância que, diga-se de passagem, aconselha-lhes seja atribuída a competência para legislar sobre as normas gerais do tributo. De fato, a realidade política e territorial do Município torna-o demasiadamente

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sensível às forças de pressão do interesse privado, sem vinculação com o todo social. E assim, admitido, mesmo, que a totalidade das Comunas estivesse em condições de aplicar, na tributação da propriedade rural, os fundamentos de uma doutrina democraticamente evolutiva — e longe estamos ainda dessa situação — faltaria, no caso, a uniformidade de procedimento capaz de assegurar o acerto e o sucesso da política reclamada pelas nossas condições sociais. A posição intermediária dos Estados permitiria, ao contrário, que, legislando, garantissem essa uniformidade e atendessem às peculiaridades das economias regionais.

De qualquer forma, e a despeito desse percalço, continua o Estado a pôr em prática seu programa revisionista, tendo já em execução ou organização quatro planos de loteamento de suas terras nos Municípios de Marília, Campinas, Meridiano e Jaú, podendo-se já afirmar a plena viabilidade e o alcance social dessa medida, que representa contribuição de São Paulo para a solução do problema agrário em nossa terra.

Senhor Presidente

Senhores Deputados

Trazendo a esta Casa a apreciação do Governo de São Paulo sobre alguns dos aspectos da vida nacional, com a responsabilidade que lhe compete no amplo cenário do País, eu o faço ciente da insensatez de qualquer tentativa de nos iludirmos a propósito da sua gravidade e eu o faço sem tergiversações e subterfúgios, sem dubiedades e vacilações, como necessário, e com a coragem que há de ser a força a nos conduzir à solução de nossas dificuldades presentes, certo dos sacrifícios que nos aguardam, mas, acima de tudo, forrado daquela serenidade e daquela confiança que nos inspiram as incontestáveis qualidades do povo brasileiro, o seu nunca desmentido patriotismo.

Conhecidos e identificados os males que nos afligem e não nos faltando, como não nos faltam, mercê de Deus, os meios de combatê-los e suprimi-los, não cabem o pessimismo, que derrota e atrofia, paralisando a ação, nem o otimismo despreocupado e

inconsequente, que desfibra e aniquila, mas a firme determinação de sermos dignos de nós mesmos e das tradições que herdamos de nossos maiores e que devemos transmitir intactas a nossos filhos.

Essa é a palavra de São Paulo, de que me faço intérprete aos nossos irmãos de outros Estados, ao povo brasileiro, a todos os dirigentes do País. Com ela transmito a certeza de que o nosso Estado, voltado para o trabalho silencioso e perseverante, na construção de nossa grandeza, estará, como sempre, na vanguarda do movimento de nossa redenção econômica e de conquista da justiça social.

Senhor Presidente

Senhores Deputados

Passo a oferecer a Vossas Excelências o relato da administração do Estado no ano findo, nos vários aspectos em que ela se desdobra e que se enfeixam no Plano de Ação do Governo, executado em condições de apreciável rendimento, a despeito das dificuldades e obstáculos provocados pela conjuntura.

PLANO DE AÇÃO

TERCEIRA ETAPA DO PLANEJAMENTO ADOPTADO

O planejamento se caracteriza como um processo eminentemente dinâmico. Não será demais reiterar que planejamento não se resume na mera elaboração de planos estáticos, não é uma contabilidade a "priori", mas um processo contínuo que deve acompanhar o desenvolvimento e mutações da realidade à qual se refere, a fim de orientar, de forma mais adequada, as decisões da Administração no trato de seus problemas presentes e futuros.

Desta característica fundamental — de processo dinâmico — decorre a existência de fases diferenciadas na implantação e desenvolvimento de um sistema de planejamento numa adminis-

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tração. Essas fases, no caso do Plano de Ação do Governo do Estado, foram definidas quando da sua apresentação e estão sendo executadas, progressivamente, conforme exposto em mensagens anteriores e na presente.

Primeiramente, elaboraram-se e executaram-se programas de cumprimento imediato, por meio de medidas administrativas, que permitiram o aceleramento do ritmo de trabalho de organização administrativa, e da destinação de recursos necessários à continuidade de serviços e obras em andamento ou com suas fases preliminares adiantadas. Desta forma, foi possível concluir uma série de obras que, atendendo às necessidades mais imperiosas da população, vieram, conseqüentemente, satisfazer, parcialmente, objetivos definidos no Plano de Ação.

Numa segunda etapa, realizada paralelamente à primeira, foi elaborado um plano de ação, ao qual se incorporou a experiência dos vários setores administrativos, com base numa primeira análise global da realidade sobre a qual atua o Governo.

Definiu-se, então a política administrativa, econômica e social a ser executada face aos problemas verificados e previstos, enumerados os objetivos a serem atingidos dentro do período governamental e apresentado um primeiro balanço de recursos necessários à execução dos programas previstos.

Aprovadas as medidas legislativas que garantiram a execução contínua e flexível do plano, já então em andamento, passou-se a uma nova etapa do processo de planejamento, que consistiu na especificação dos planos iniciais, em programas setoriais ou em projetos individuais, na sua coordenação em cada exercício, compondo o processo de planejamento — orçamento, no controle físico e financeiro da execução dos programas e na promoção de estudos de profundidade dos problemas existentes, para seu devido equacionamento e planejamento.

REVISÃO DE PROGRAMAS

Do aprofundamento no processo do planejamento resultaram as revisões do plano, indispensáveis para adequá-lo às necessidades econômico-sociais da população, quer face à sua melhor

compreensão, decorrente de estudos mais apurados, quer face ao seu próprio desenvolvimento, que pode se comportar de forma diversa do que se previra inicialmente. Já foi dito que o planejamento, alcançando o futuro a fim de dar direção ao trabalho governamental, se baseia em previsões e projeções de dados existentes. Como aquelas, por mais rigorosa, por mais científicas que seja a técnica adotada ao fazê-las, são falíveis, porquanto é limitada a capacidade do homem em prever o futuro, há necessidade de constante atualização dos planos. Estes, sem tais revisões, deixarão, por inadequados, de exercer sua função precípua, que é a de orientar a ação governamental de forma a permitir maior eficiência na utilização dos recursos disponíveis, no atendimento das necessidades econômico-sociais da população.

Os fatores concretos que mais contribuíram para a revisão dos objetivos e distribuição de recursos do Plano de Ação do Governo foram:

- a) a execução dos planos iniciais, propostos em termos gerais, dinamizaram a Administração no que respeita à análise dos problemas a serem enfrentados, à formulação da política setorial específica, e, ainda, infundiram confiança quanto à viabilidade da execução daqueles e permitiram provar a capacidade efetiva dos órgãos executores e o cálculo mais preciso dos custos dos programas. Tudo isto possibilitou se promovessem novos estudos e pesquisas que redundaram na melhor compreensão das necessidades do Estado e, conseqüentemente, na reformulação dos objetivos e diretrizes iniciais do Plano de Ação.
- b) as alterações da conjuntura econômico-financeira com o agravamento do processo inflacionário e as modificações da política cambial, que determinaram grande elevação dos custos dos investimentos.
- c) ocorrência de fatos excepcionais imprevisíveis quando da sua elaboração.

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As revisões de objetivos físicos vêm se processando desde o primeiro ano de execução do Plano. Algumas delas já foram transmitidas a esta Assembléia em mensagens anteriores.

No setor Educação, Cultura e Pesquisa ocorreram duas grandes alterações, que atingiram os aspectos qualitativos dos programas inicialmente fixados. A primeira, no Ensino Profissional, decorrente das novas diretrizes, dadas a este sistema de ensino, pela Lei n.º 6.052, de 3 de fevereiro de 1961. As alterações incidiram especialmente sobre o tipo da escola, agora mais completa, com cursos mais diversificados, que requerem maiores espaços e instalações mais dispendiosas. Para atender a estas exigências, o objetivo n.º 4, do Plano de Ação, foi reformulado para: construção e equipamento de 10 Escolas Industriais, na Capital, até 1963, e início da 1.ª etapa da rede do Interior com a construção ou ampliação e adaptação de 13 unidades, igualmente até 1963.

Outro programa revisto foi o da Cidade Universitária, isto após a criação e instalação do Fundo para Construção da Cidade Universitária "Armando de Salles Oliveira". Previa-se, inicialmente, a mera transposição de faculdades estanques e auto-suficientes. Na medida em que se consolidou a idéia de integração efetiva dos Institutos Universitários no "campus" da Cidade Universitária, dentro de uma mentalidade universitária, tornou-se imperioso o replanejamento, para melhor aproveitamento das áreas de construção, com a unificação de obras e para dar ao empreendimento uma estrutura orgânica. Houve, com isso, uma substancial ampliação do programa e conseqüentes alterações nas fases de início das construções. O objetivo, reformulado para este período governamental, pode ser definido, em termos gerais, como o de efetivar fisicamente, pelo volume e andamento das construções, a integração dos Institutos Universitários no "campus" da Cidade Universitária.

O programa de construção e equipamento de institutos isolados da Rede Estadual de Ensino Superior foi posteriormente discriminado para "construir 12 conjuntos de edifícios, destinados a Faculdade de Filosofia, Ciências e Letras e de Farmácia e

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Odontologia da Rede Estadual de Ensino Superior e equipar adequadamente todos os institutos isolados já instalados dessa rede".

Ainda no setor de Educação, Cultura e Pesquisas deve ser considerado o convênio com a Cinemateca Brasileira, que constitui plano decenal integrado, neste período governamental, como novo objetivo do Plano de Ação e formulado como: "Estabelecer convênio com a Fundação Cinemateca Brasileira para preservação, conservação, prospecção e difusão de filmes históricos, artísticos e educativos no Estado de São Paulo".

No setor de Justiça e Segurança Pública, a principal revisão efetuada foi a do programa de menores, em decorrência da nova política definida pelo Governo Estadual e da reforma do Serviço Social de Menores. Assim, o programa de investimentos, até 1963, inclui:

- a) construir e equipar conjuntos de edifícios destinados ao Serviço de Abrigo e Triagem na Água Funda e Tatuapé, na Capital, distribuídos em 9 setores, e com capacidade para atender a 1.400 menores;
- b) construir 3 conjuntos, na Capital, destinados ao plantão do Juizado de Menores, ao Centro de Observação Feminina e ao internamento de menores com personalidade psicopática, e instalar 10 creches; e
- c) construir e equipar 4 Institutos no Interior, para menores débeis mentais e com problemas de conduta, com capacidade para 533 menores, e 1 patronato com capacidade para 220 menores.

O novo objetivo do Plano de Ação prevê, no setor, o início de todo o programa e a construção, ainda neste período governamental, de um setor do Serviço de Abrigo e Triagem, dos pavilhões para o Centro de Observação Feminina e para o plantão do Juizado de Menores e de edifício para o Patronato Anita Costa e mais a instalação do Educandário Sampaio Viana, para 300 menores.

O programa de construção de edifícios e sedes administrativas que estabelecia, inicialmente, a construção de 107 edifícios, foi posteriormente desdobrado nos itens seguintes, que passaram a constituir os novos objetivos:

- a) construir 57 edifícios destinados a Foruns no Interior;
- b) construir 11 unidades para a Força Pública, e o Corpo de Bombeiros;
- c) construir 38 edifícios destinados a unidades policiais, sendo 30 sedes de Delegacias Circunscriçionais e Chefias de Zonas Policiais, 4 garagens, na Capital, a fim de efetivar a descentralização da polícia e 4 postos policiais no Interior; e
- d) construir prédio para a Escola de Polícia e dar início à construção ou aquisição de edifícios para a Diretoria dos Serviços de Trânsito, a Imprensa Oficial do Estado e o Instituto Latino-Americano de Criminologia.

Os programas de construção das Delegacias e Cadeias do Interior e de aquisição de veículos foram ampliados, quanto aos objetivos quantitativos, em face do desenvolvimento, que se fez necessário para melhor atender às necessidades dos serviços policiais do Interior.

Finalmente, ainda no setor de Justiça e Segurança, há a necessidade, decorrente de acontecimento superveniente ao plano inicial, de se reconstruir e ampliar a Casa de Custódia e Tratamento de Taubaté, parcialmente destruída por um incêndio. O estabelecimento terá 322 celas.

No setor de Ferrovias, o programa de reaparelhamento das ferrovias estaduais foi revisto, na sua parte financeira, a fim de permitir, pelos motivos que são do conhecimento geral, a desapropriação das ações da Companhia Paulista de Estradas de Ferro.

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Esta medida acarretou, ainda, outra revisão, uma vez que, para atender ao pagamento da majoração salarial dos empregados da Companhia, no montante de 575 milhões de cruzeiros, foi reduzida, em igual importância, a autorização da abertura de créditos do Plano de Ação que desta forma passou para 99.425 milhões de cruzeiros.

O programa de pavimentação de pistas no Interior, dentro do setor aeroportuário, foi revisto face às alterações verificadas nas estatísticas de tráfego aéreo. A análise dessas estatísticas demonstrou a conveniência de se postergar a pavimentação de algumas pistas, que não apresentaram movimento suficiente. Esta revisão refletiu-se nos programas de estações aeroviárias e de balisamento elétrico, igualmente reduzidos. Estas alterações em nada prejudicarão à infra-estrutura aeroportuária do Estado, pois a verificação constante das estatísticas dirá da melhor oportunidade da execução das providências em exame.

Considerando a liberação de recursos propiciada pela revisão anterior, foi aumentado o programa referente a pistas de terra e incluído o de construção de casas de zelador e hangares, a fim de melhorar a vigilância e evitar danificações das benfeitorias realizadas nos aeroportos.

No setor agrícola, o Plano de Ação previu uma série de investimentos para a expansão e aprimoramento dos serviços prestados pela Rede de Experimentação e Fomento Agropecuário, com a finalidade de promover o desenvolvimento agrícola pelo incremento de produtividade e correção de estrutura agrária existente, tudo de acordo com as necessidades geradas pelo progresso do Estado.

Assim, foram reformulados alguns objetivos do programa, com a ampliação dos serviços de estímulo à mecanização, de pesquisa, de treinamento e de assistência técnica.

O programa de mecanização foi substancialmente ampliado pela decisão de levar os serviços de mecanização a todas as zonas do Estado, exceto aquelas já servidas por patrulhas do Governo Federal. Ainda neste subsector, acompanhando o início da fa-

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bricação de máquinas agrícolas no País, foi programada a construção e instalação de Centro de Mecânica Agrícola, em Jundiá, que se destina à pesquisa sobre os equipamentos mecânicos e ao treinamento de técnicos e de mão-de-obra especializada, atendendo, assim, às necessidades do setor industrial de máquinas agrícolas e da própria agricultura.

O programa de construções, reformas e ampliações de postos de sementes foi igualmente alterado, tendo em vista as proporções modestas, dos projetos iniciais, em face das necessidades futuras de sementes. Assim, reviu-se o programa no sentido de ampliar substancialmente a capacidade dos postos para adequado tratamento e distribuição de sementes aos produtores.

No setor de Pesquisa e Experimentação, além do adequado equipamento do rede de fazendas experimentais, foi realizada a unificação dos vários setores de estudos de alimentos vegetais e animais, para constituir um Centro Tropical de Pesquisas em Tecnologia dos Alimentos. Previu-se, em consequência, a construção e instalação do Centro de Nutrição Animal, em Nova Odessa, e do conjunto para a Divisão de Tecnologia Agrícola, em Campinas.

O programa de Defesa Florestal, definido inicialmente apenas em termos de ampliação da área florestal do Estado, foi reformulado em dois sentidos: o primeiro, pela redução do objetivo inicial, uma vez que se previra a incorporação de grandes áreas de terras devolutas, as quais demandam demorado processo de levantamento de sua situação jurídica; o segundo, pela definição de um plano de reflorestamento em terras da Fazenda do Estado.

O programa de levantamento aerofotogramétrico foi igualmente desdobrado. Inicialmente, previa-se apenas o levantamento na escala 1:40.000 de finalidades puramente cartográficas. Este, que deverá se desenvolver até 1964, prevê a execução de levantamento de 101.800 km², dos quais 14.000 km² estarão concluídos e 24.000 km² em execução neste Governo. Como novidade foi incluída a cobertura aerofotogramétrica do Estado, na escala de 1:25.000, para pesquisas e planejamento agrícola.

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A ser iniciada neste exercício, foi prevista a urbanização do Jardim Botânico da Capital, com o objetivo de harmonizar as atividades de pesquisa com as possibilidades de recreação oferecidas por esse logradouro público. Estas obras se estenderão até 1964.

Foi, desta forma, o Plano de Ação, no setor da Rede de Fomento e Experimentação Agro-pecuária, substancialmente reformulado, passando o conjunto de objetivos setoriais, resultantes de reestruturação feita, a ser o seguinte:

- a) Fomento Agrícola — Construir e equipar 308 Casas da Lavoura, 29 sedes de Delegacias Agrícolas e 16 sedes de Extensão Agrícola, a fim de melhorar a assistência técnica aos agricultores, instalando-se e equipando-se adequadamente a rede de fomento.
- b) Assistência Técnica Especializada — Construir e equipar conjunto destinado à Divisão de Assistência Técnica Especializada, à Divisão de Conservação do Solo e ao Centro de Treinamento de Campi-nas.
- c) Fomento Animal e Pesca — Equipar adequadamente 5 postos de exposição e criação, 9 recintos de exposição, 18 estações zootécnicas, a fim de desenvolver o fomento animal. Instalar 4 entrepostos de pesca no intuito de melhorar as condições do armazenamento do pescado.
- d) Distribuição de sementes e mudas selecionadas — equipar 14 postos de recepção e preparo de sementes, para elevar a capacidade de sua distribuição.
- e) Pesquisas e Experimentação — Instalar e equipar convenientemente 14 fazendas experimentais de produção vegetal e 8 de produção animal. Construir e equipar o Centro de Nutrição Animal, o Conjunto de Tecnologia Agrícola do Instituto Agrônômico, componentes do Centro Tropical de Pesquisas e Tecnologia de Alimentos.

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- f) Defesa Florestal — Ampliar a atual área florestal, de propriedade do Estado, com a incorporação de mais 43.000 alqueires e reflorestar áreas com o plantio de 60 milhões de árvores.
 - g) Mecanização Agrícola e Conservação do Solo — Instalar 25 postos de mecanização, 27 unidades de conservação, 7 escritórios de irrigação e 12 áreas de demonstração, para estimular o aperfeiçoamento das técnicas agrícolas. Construir e instalar um Centro de Mecânica Agrícola, destinado à pesquisa sobre equipamentos mecânicos e ao treinamento de técnicos e de mão-de-obra especializada.
 - h) Levantamento aerofotogramétrico — Iniciar a execução do levantamento aerofotogramétrico na escala 1:40.000, com finalidades cartográficas completando 14.000 km² e executar a cobertura aerofotogramétrica do Estado, na escala 1:25.000, para fins de pesquisa e planejamento agrícola.
 - i) Urbanização do Jardim Botânico — Iniciar a urbanização do Jardim Botânico, na Capital.

REVISÃO FINANCEIRA

A revisão dos objetivos, já exposta, e as alterações da conjuntura econômica, tornaram necessária a revisão financeira do Plano.

Como não podia deixar de ocorrer, a elaboração do Plano foi precedida e acompanhada por circunstanciada análise da conjuntura econômico-financeira. Previa-se, nessa ocasião, que o Governo Federal empreenderia, como aliás vinha anunciando desde o segundo semestre de 1958, ampla política anti-inflacionária, que, na pior das hipóteses, tenderia a limitar o crescimento do nível de preços a uma taxa entre 15 a 20% ao ano.

Infelizmente, isso não ocorreu. As várias tentativas de combate à inflação, com recurso aos métodos tradicionais — restrição

de crédito, principalmente — encontraram sempre violenta oposição, que determinou rápida mudança na orientação seguida, com sensível prejuízo para o início de política anti inflacionária realmente eficaz.

Em 1961, houve um agravamento do processo inflacionário, devendo-se ressaltar dois fatos específicos, que repercutiram diretamente sobre os investimentos do Plano de Ação e que acarretaram a elevação dos preços dos equipamentos, a concessão de dois reajustamentos sobre os custos orçados das obras em andamento e o aumento do custo das novas obras: a reforma cambial, consubstanciada nas Instruções 204 e 208 e a elevação do salário-mínimo um ano apenas após a fixação dos níveis até há pouco vigentes.

Note-se que a elevação dos preços não se processou, como era de esperar, uniformemente, em todos os setores do Plano: alguns, como o de energia elétrica, por exemplo, foram profundamente alterados pela reforma cambial, sem contra-partida na receita; outros, por igual atingidos, tiveram contra- partida na receita, como é o caso das Rodovias, pois houve conseqüente aumento da arrecadação do imposto único sobre combustíveis, do qual o Departamento de Estradas de Rodagem participa. Os demais, se, por um lado sofreram impacto menor decorrente das sucessivas variações da taxa de câmbio e do sistema de importação, foram, por outro, prejudicados com a elevação do salário-mínimo.

A desigualdade da incidência da conjuntura econômico-financeira sobre os diferentes setores decorre, também, da disparidade do ritmo de execução dos programas.

Na verdade, a execução das várias obras é função de uma série grande de fatores. Entre estes, pelo menos dois atuam, quaisquer que sejam as situações: o tempo de maturação dos diferentes projetos específicos e a tradição e experiência de planejamento que tiverem os diferentes órgãos executores. Tais fatores explicam a maior parcela das desigualdades ocorridas na execução dos programas do Plano de Ação do Governo.

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As diferenças observadas na execução dos objetivos setoriais determinaram, desde logo, a concentração de certas obras no período inicial do Governo e a conseqüente e natural postergação de outros, para a segunda metade do quadriênio. De sorte que as alterações nos níveis de preços, ocorridas ao longo do período, oneraram desigualmente a execução dos vários programas. Esse ônus adicional incidiu, de forma muito especial, sobre obras cujos projetos foram de maturação longa, conseqüente de fatores já apontados. Essa disparidade na realização dos objetivos setoriais se refletiu numa diferente utilização de recursos por setor, verificando-se insuficiência em alguns e saldo em outros, o que exigiu revisão financeira do Plano, adequada à capacidade das finanças estaduais.

Tomados em consideração os níveis de arrecadação, que poderão se elevar, acima do previsto, por força do aperfeiçoamento do aparelho fiscal, o aumento da despesa de custeio, acarretado pela majoração dos vencimentos do funcionalismo e aumento do custo dos bens de consumo e, finalmente, a dificuldade do lançamento de títulos — embora já autorizado pela Lei n.º 5.444, de 17 de novembro de 1959, e 6.055, de 28 de fevereiro de 1961 — em face da concorrência das letras de importação e exportação do Governo Federal e de papéis das companhias de financiamento, a revisão financeira do Plano de Ação se orientou no sentido da redistribuição setorial de recursos, a fim de não ser ultrapassado o crédito de 100 bilhões de cruzeiros, cuja abertura foi autorizada por esta nobre Assembléia.

Nesta revisão, aprovada pela Lei de medidas de caráter financeiro, de n.º 6.626, de 30 dezembro de 1961, foram suplementados os setores de Educação, Cultura e Pesquisa, Justiça e Segurança Pública, Energia, Rodovias, Armazenagem e Rede de Fomento e Experimentação Agropecuária, em 10 bilhões e 425 milhões de cruzeiros, e reduzidos, em igual importância, os recursos destinados aos setores de Fundo de Expansão Agropecuária, Fundo de Expansão da Indústria de Base, Fundo de Financiamento de Indústrias de Bens de Produção e Participação na Grande Indústria de Base.

II PLANO DE AÇÃO

A elaboração de um plano, conforme se referiu anteriormente, é fase inicial do processo de planeamento. A medida em que o plano vai sendo executado, ao lado dos estudos para a sua constante adequação às necessidades efetivamente verificadas, devem ser promovidas pesquisas no sentido de se aprofundar o conhecimento dos problemas do Estado, a fim de se preparar programas para novos períodos, de forma a manter sempre a perspectiva do futuro.

Seguindo este processo, antes mesmo que se encerre o período coberto pelo plano em execução, um novo esforço global deve ser realizado para coordenar e completar novos estudos, que determinarão os objetivos de um próximo período e os programas a serem cumpridos, em continuação aos do plano anterior.

A execução do Plano de Ação, pelos seus níveis de realização, veio comprovar a indispensabilidade do planeamento como instrumento de governo, de vez que possibilitou distribuição mais racional dos recursos e permitiu que a Administração desenvolvesse mais eficazmente suas atividades e cumprisse sua função de promover o bem-estar da coletividade.

Esses resultados aconselham, pois, se prossiga no aperfeiçoamento do processo de planeamento, de forma a permitir a continuidade do programa em execução e a criação de novas condições propícias ao harmónico desenvolvimento económico e social de todo Estado.

Dentro desse conjunto de idéias, que visam ao contínuo aperfeiçoamento e atualização do trabalho governamental, foram iniciados, ainda em 1961, estudos preliminares para um novo Plano de Ação do Governo, que será oferecido como subsídio, à próxima Administração.

Assim, poderá ser mantido o atual regime acelerado de investimentos e de execução de serviços e eliminado o hiato administrativo — que quebra o ritmo de trabalho e reduz sua eficiência — normalmente verificado durante o período em que o novo Governo toma contacto com os problemas que tem pela frente. Ao

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mesmo tempo se lhe propiciarão, a par de visão ampla da situação do Estado, elementos indispensáveis ao pronto exame das mais prementes reivindicações da coletividade e dos meios de atendê-las.

A tarefa de promoção daqueles estudos virá assumir, neste último ano do presente quadriênio, amplitude maior que a da fase preliminar, acima referida, de elaboração do II Plano de Ação.

Na feitura do II Plano de Ação, será utilizada toda a experiência acumulada na elaboração e implica na maior integração entre investimentos e ampliação de serviços, o que o processo de planejamento-orçamento, adotado, veio demonstrar ser exequível e aconselhável.

A necessidade de integração em um único plano, de todas as atividades do Governo, de maneira a coordenar todos os setores dentro de uma política geral, exige atenção especial na programação financeira do orçamento do Estado, e na de seus institutos de crédito — Banco do Estado e Caixa Econômica — e órgãos com grande capacidade de aplicação, como o Instituto de Previdência.

Certo que as finanças de São Paulo repercutem, necessariamente, na situação monetária do País, torna-se indispensável a adoção, pelo Estado, de rigoroso programa da utilização de seus recursos, para o fim de se estabelecer um programa de desenvolvimento não inflacionário, que harmonize o crescimento econômico de São Paulo com o saneamento da moeda nacional. Isto requer a conjugação dessa política estadual com a do Poder Central, que detém os principais instrumentos de ação no campo econômico-financeiro da Nação.

A implantação de um sistema de planejamento requer a existência de órgãos de planejamento que se caracterizem pela flexibilidade e ligação direta com a direção superior. Esse sistema, já existente, será consolidado pela criação de Gabinete Técnico destinado a assessorar diretamente os Secretários de Estado.

Outro aspecto importante a ser considerado no novo Plano de Ação é a rápida ampliação, no sentido regional, das atividades do

Governo Estadual, que abrangem, atualmente, todos os municípios com os mais diversos serviços. A propósito, devem ser consideradas as disparidades regionais no nível de atendimento das necessidades, o grau de desenvolvimento econômico e social e a atualização do aparelho administrativo que deve se adequar à expansão dos serviços públicos.

O problema da atualização administrativa deverá ser cuidado com atenção especial, de forma a harmonizar a Administração às necessidades de atendimento dos objetivos a serem fixados no novo Plano.

Verifica-se atualmente uma desatualização do organismo administrativo do Governo Estadual, em relação às necessidades que devem ser atendidas. Há, pois, que se atualizar a Administração. No entanto, como a organização administrativa é um instrumento do Governo para consecução de seus fins, deve-se adequar ao desenvolvimento dos mesmos fins. Estes precisam, pois, ser bem definidos antes da reorganização administrativa.

Não foi outro o sentido do I Plano de Ação, que, fixando objetivos concretos a serem atingidos, coordenando a distribuição de recursos e implantando, dessa forma, um sistema de planejamento dinamizou as atividades administrativas e forçou um aumento de produtividade dos recursos existentes.

Esta dinamização não superou, no entanto, deficiências estruturais que precisam ser elididas por modificações básicas, a fim de permitir o desenvolvimento da ação governamental. O amadurecimento do problema administrativo aconselha e permite, agora, execução da tarefa de introduzir reformas substanciais no aparelho estatal, sem prejuízo da realização das suas atividades-fins. Tal atualização deve ser entendida como processo dinâmico, não simples reestruturação ou mudança de organograma, mas, criação de um sistema que permita ordenar, constantemente, aquele ao desenvolvimento das atividades governamentais.

Qualquer plano de desenvolvimento econômico e social deve incorporar, na medida das possibilidades extremas do Estado, as aspirações das mais diversas camadas da população, que será, em

última análise, a beneficiária da realização desse plano. Para isso, é imprescindível a mais ampla e irrestrita consulta popular, o que será promovido pela solicitação, às municipalidades, aos partidos políticos, às entidades de classe, aos sindicatos, às associações profissionais, de sugestões sobre serviços e obras a serem incluídos no II Plano de Ação.

REALIZAÇÃO DOS OBJETIVOS SETORIAIS

No que toca à execução do Plano de Ação, transcorridos três anos do meu mandato, aprez-me trazer ao conhecimento público os níveis de realização a que se chegou no encerramento do exercício de 1961. A essa altura, 59,5% dos objetivos estavam concluídos, outros 34,7% se encontravam em obras, mais 3% em fase de contrato e o restante em fase preliminar de andamento, cifras que asseguram uma execução praticamente completa de todo o Plano de Ação, o primeiro programa de Governo realmente levado a cabo em toda a história da Administração Nacional. Consideradas as obras em fase preliminar, ainda em processamento administrativo, a expectativa de realização do Plano atingirá 107,3%.

Cumpre salientar que dos objetivos correspondentes a obras de saneamento, 60% já foram entregues aos usuários, 78% das rodovias programadas já estão em tráfego, 70% das pontes municipais já se concluíram. Estes números expressivos, aos quais outros poderiam ser acrescentados, indicam que vários dos objetivos fixados no Plano serão ultrapassados antes que entregue o Governo ao meu sucessor. O ritmo das obras é de tal modo acelerado que desde janeiro de 1961, há um ano, portanto, o Governo entrega ao povo uma obra civil cada 15 horas.

Os quadros e gráficos que se seguem oferecem uma demonstração completa do desenvolvimento do Plano de Ação, tendo em vista os vários objetivos setoriais que o integram.

PLANO DE AÇÃO
ANDAMENTO FINANCEIRO - 59/60/61/62

(Em milhões de cruzeiros)

SETOR	Plano de Ação		Respostas realizadas 59/60/61		CUMPRIMENTOS ANTERIORES				Total acumulado		
					Orçamentaria		Adicional				
	Valor	%	Valor	%	Valor	%	Valor	%	Valor	%	
A	Educação, Cultura e Pesquisa	79.262	100	11.532	14	2.336	2	—	—	14.268	74
C	Saúde e Segurança	5.775	30	2.815	48	1.455	25	—	—	4.270	74
	Saneamento	9.515	50	2.270	23	5.200	54	—	—	7.470	78
	Saneamento e Engenharia	1.265	6	256	20	1.009	80	—	—	1.265	100
	Saneamento e Engenharia	12.250	63	7.276	59	4.974	40	2.169	17	9.445	77
	Saneamento	7.412	38	4.144	55	3.268	44	—	—	6.412	86
	Saneamento	20.308	106	11.453	56	8.855	43	—	—	19.308	95
	Saneamento	2.315	12	716	31	1.599	69	—	—	2.315	100
	Saneamento	1.165	6	31	3	1.134	97	—	—	1.165	100
	Saneamento	635	3	106	16	529	83	—	—	635	100
	Saneamento	1.325	7	315	23	1.010	76	—	—	1.325	100
E	Saneamento	5.335	27	255	5	5.080	95	—	—	5.335	100
	Saneamento	2.800	14	1.000	35	1.800	64	—	—	2.800	100
O	Saneamento	1.900	10	—	—	—	—	—	—	1.900	100
	Saneamento	2.065	10	—	—	—	—	—	—	2.065	100
P	Saneamento	2.250	11	—	—	—	—	—	—	2.250	100
	Saneamento	100	0	100	100	—	—	—	—	100	100
TOTAL		59.435	100,0	47.061	79	30.171	50	1.274	2	68.506	87

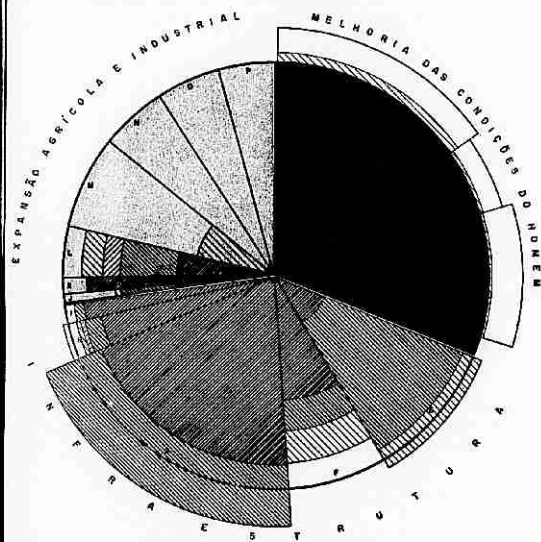
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0451

PLANO DE AÇÃO DO GOVERNO REALIZAÇÃO DOS OBJETIVOS SETORIAIS

A - SAÚDE, CULTURA E PESSOAS
B - SAÚDE E ALIMENTAÇÃO
C - SAÚDE E PROTEÇÃO SOCIAL
D - SANEAMENTO DE ÁGUA E ESGOTO
E - SANEAMENTO
F - TRANSPORTES
G - RECREIO E TURISMO
H - FORTIFICAÇÃO
I - AGRICULTURA, PASTAGEM E MANEJO
J - PESQUISA E DESENVOLVIMENTO
K - AGRICULTURA E PESQUISA
L - PESQUISA E DESENVOLVIMENTO
M - PESQUISA E DESENVOLVIMENTO
N - PESQUISA E DESENVOLVIMENTO
O - PESQUISA E DESENVOLVIMENTO
P - PESQUISA E DESENVOLVIMENTO

CONCLUÍDO
EM DEBATE
CONTRAFEITO
NÃO PRELIMINAR
AUTORIZADO, NÃO INICIADO



0452

0453

SITUAÇÃO DOS OBJETIVOS DO PLANO DE AÇÃO

01/12/1961

SECTOR	Concluído	Obra	Em se contrato	Em preliminar	Assentada em indicações
A - Educação	33,37	89,28	96,97	107,28	124,08
B - Justiça e Segurança	97,30	88,03	91,34	102,14	120,75
C - Saúde	67,21	79,03	89,15	97,43	131,54
D - Água e Esgoto	80,27	84,77	84,77	94,77	95,77
E - Energia Elétrica	6,94	61,38	91,58	108,43	108,43
F - Transportes	31,03	33,30	59,70	103,70	77,93
G - Indústrias	58,86	154,02	124,05	124,05	124,05
H - Portos Municipais	30,00	84,17	87,81	82,82	119,45
I - Aeroportos, Portos e Navegação	82,61	81,28	81,28	91,58	113,88
J - Aviação - transporte	31,65	83,93	83,93	96,03	96,03
L - Rádio de Comunicação Aeronáutica	38,62	55,28	65,96	83,93	92,46
M - Fundo Especial de Aeronáutica	—	—	—	—	—
N - Fundo Especial de Indústrias do Estado	—	—	—	—	—
O - Fundo de Fomento Industrial	—	—	—	—	—
P - Participação Grande Indústria de Base	—	—	—	—	—
TOTAL (milhões)	59,582	84,588	97,187	107,281	128,505

NOTA: 1 - As porcentagens são cumulativas. Cada coluna indica o precedente.

2 - Excluído-se por fase preliminar a fase de conclusão do projeto e publicação da edital de concorrência.

0454

C SAÚDE PÚBLICA E ASSISTEN-
CIA SOCIAL

[illegible]

PLANO DE AÇÃO - REALIZAÇÃO DOS OBJETIVOS SETORIAIS

(CONTINUAÇÃO)

S E T O R	UNIDADE	Objetivo (1960-1965)	Conclusão		Em Andamento		Concluída		Em Andamento		Concluída	
			R.P.	%	R.P.	%	R.P.	%	R.P.	%	R.P.	%
P - FERROVIAS												
Desenvolvimento	milhões de \$	7.320	2.493	84,2	4.326	59,8	—	—	—	—	1.892	24,0
G - RODOVIAS												
1 - Pavimentação	km	2.400	2.322	97,2	1.402	58,4	—	—	—	—	—	—
2 - Construção	km	1.040	1.233	91,2	622	60,0	—	—	—	—	—	—
H - FONTES MUNICIPAIS												
1 - Construção	chapas	480	425	88,6	10	2,1	5,0	20	7,5	44	11,0	
2 - Instalação	n.º de obras	480	425	88,6	—	—	—	—	—	—	—	—
I - AEROPORTOS												
1 - Melhoramento do Pista	obras	2	4	20,0	2	10,0	—	—	—	—	—	—
2 - Pistas de Terra	obras	2	4	20,0	—	—	—	—	—	—	—	—
3 - Pavimentação	obras	—	—	—	—	—	—	—	—	—	—	—
J - ABASTECIMENTO E ENSELA- GEM												
1 - Água	milhões de metros cúbicos	120	—	—	12	10,0	—	—	—	—	—	—
2 - Energia	milhões de metros cúbicos	120	—	—	12	10,0	—	—	—	—	—	—
K - ABASTECIMENTO												
1 - Criação de Abastecimento (CURASA)	milhões de \$	1.200	920	76,7	920	76,7	—	—	—	—	—	—

0457

[illegible]

NOTA: Os subitoxos: erradicação da malária, Interdição dos sistemas, Soma Tânia Getílio Vargas, Proteção de Amparo e Família.

* Inclui Despesas de Capital, Gargalos de Secretaria de Regulação e Faltas de Pessoal no Trabalho.

PANDRAMA ECONÔMICO E SOCIAL

Exposta a técnica do planejamento, adotada segundo as etapas já previamente estabelecidas, dados os lineamentos do II Plano de Ação, como instrumento de continuidade que poderá representar para a administração do nosso Estado, e feita a resenha da realização dos objetivos setoriais do Plano de Ação, cabem alguns reparos em torno das condições do meio ambiente sob as quais se desenvolvem a atividade administrativa.

O ano de 1961 não se caracterizou apenas por grandes acontecimentos políticos. Fatos econômicos, de grande importância, ocorreram, também, no último ano. Aspectos inéditos podem, mesmo, ser apontados no panorama sócio-econômico brasileiro do ano findo. De um lado, a atuação do Governo, que estabeleceu uma série de medidas, entre elas a reforma cambial, de enormes consequências econômicas para o País. De outro, verificaram-se fatos de importância inegável, cuja repercussão econômica ainda não se fez sentir, mas que correspondem a verdadeiras tomadas de posição, reveladoras do amadurecimento da consciência nacional para alguns graves problemas do desenvolvimento econômico do País. Dentre estes últimos, destaca-se a aprovação, em fins do ano passado, do Plano Diretor da SUDENE. Fato auspicioso, de grande importância e afetando vasta região do Brasil, a aprovação do Plano Diretor constitui atestado eloqüente de que o País se persuadiu da necessidade, reiterada inúmeras vezes por este Governo, da integração do Nordeste no desenvolvimento geral da Nação. São Paulo não podia deixar de empregar seus esforços para que tão imperiosa necessidade se visse atendida, como não poderá deixar de estar presente na luta pelo desenvolvimento social e econômico daquela região. Neste particular, merece destaque a instalação, em fins do ano passado, das agências do Banco do Estado, nas cidades de Recife e Salvador, as quais, além de facilitar o intercâmbio de nosso Estado com aquela região, deverão propiciar recursos adicionais de crédito, para a mais rápida expansão de atividade econômica nordestina.

Na pauta diária para discussão, em todos os países subdesenvolvidos, encontra-se, atualmente, o problema da função sócio-econômica da terra. Torna-se patente a necessidade de atuação do Poder Público no sentido de estabelecer normas e leis, de que venham a resultar melhor distribuição da propriedade agrária, maior aproveitamento da capacidade produtiva do solo e a participação mais equitativa, na renda nacional, da grande parcela da população que exerce sua atividade no setor agrícola.

São Paulo é, sem dúvida, um dos pioneiros desta luta em nosso País. Foi, com certeza, a discussão iniciada na Assembléia Legislativa do Estado, sobre o projeto de revisão agrária — discussão de que participaram as mais diversas camadas da população estadual — que possibilitou o mais amplo debate sobre o assunto em todos os rincões da Pátria. A observação da experiência paulista com a edição, em 1960, da lei de Revisão Agrária, poderá constituir valioso subsídio para orientar a solução do problema do desenvolvimento de nossa terra.

A Emenda Constitucional n.º 5, transferiu, no entanto, o imposto territorial rural para os Municípios, o que, sem dúvida, representa uma dificuldade que se antepõe ao programa que se propôs o Governo de São Paulo.

Este óbice não impedirá, no entanto, que o Estado prossiga no seu trabalho de promover as medidas indispensáveis à maior expansão da agricultura paulista. Outros meios restam ao governo estadual. Com o apoio de empréstimos externos, já encaminhados, e a participação dos municípios, que vêem nessa lei a realização dos anseios de suas populações, terá o Estado de São Paulo encetado o caminho para que se concretize mais uma grande obra.

Aspecto inédito no ano de 1961, de grande relevância para o futuro desenvolvimento do País, foi o da aprovação, pela Câmara, de projeto de lei que disciplina a remessa de lucros para o exterior. Tal projeto, porém, ao atender, em princípio, à necessidade de regulamentar-se a entrada de capitais estrangeiros no País, estende-se em medidas cuja execução poderá causar dificuldades in-

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superáveis para obtenção, no exterior, de suplementos que ampliem a capacidade de investimento do Brasil e assegurem o ritmo de desenvolvimento reclamado pelo nosso subdesenvolvimento.

Fato de maior repercussão econômica foi a reforma cambial levada a efeito no ano passado, pelas autoridades monetárias do País, através da Instrução n.º 204, da SUMOC.

A referida Instrução, marcou, sem dúvida, o início de um novo regime para o comércio exterior, através da eliminação de subsídios antieconômicos, que vinham sendo concedidos através da manutenção, em níveis irrealistas, das taxas de câmbio. Se de um lado significou uma revitalização de nossas relações com o exterior, de outro não pode ser esquecido o fato de que a economia interna sofreu os impactos inevitáveis dos reajustamentos de preços, decorrentes das novas bases de cotação das moedas estrangeiras.

É importante assinalar que, no limite restrito da atividade do Governo, os gastos programados necessitaram de total revisão, pois a Instrução n.º 204, como não podia deixar de ocorrer, afetou, sensivelmente, os preços internos dos combustíveis e lubrificantes, dos consumos essenciais à produção, dos produtos industriais fabricados com matérias primas importadas e anteriormente subsidiadas.

A reforma cambial não se restringiu às medidas postas em prática pela citada Instrução, mas foi complementada por outras, quais a de n.º 208, que promoveu a unificação das taxas de câmbio; as de ns. 215 e 216, a primeira criando novos estímulos à exportação, pela concessão de financiamento para a venda de produtos brasileiros no exterior, principalmente dos de origem industrial e a segunda possibilitando o financiamento da produção de bens de capital, permitindo maior desenvolvimento deste setor industrial do País e conseqüente economia de divisas da compra de maquinaria estrangeira.

Apesar da evolução adversa dos preços internos, acelerada, por outro lado, pela fixação de novas bases de salário mínimo, no

atendimento de necessidades dos trabalhadores, o setor industrial prosseguiu em seu ritmo de expansão.

Com base nos dados sobre o consumo de energia elétrica pelas indústrias localizadas na área da São Paulo Light S/A, verifica-se que a atividade industrial manteve o impulso de desenvolvimento que vem marcando os anos de após guerra, ao aumentar o seu consumo de energia elétrica em cerca de 10% em 1961, em relação ao ano anterior.

Coube à indústria automobilística o papel mais dinâmico neste desenvolvimento, ao aumentar sua produção para 145.000 veículos, contra 130.000 no ano anterior. É relevante notar-se, ainda, que essa produção maior se efetuou, praticamente, com a integral nacionalização dos veículos, atestando o elevado grau de florescimento da iniciativa privada em nosso País.

Atesta, ainda, esse fato, o acelerado ritmo de desenvolvimento da indústria mecânica nacional, capacitada já a oferecer equipamentos integrais para a montagem de indústrias de cimento e papel, entre outras, e a oferecer parcela apreciável dos equipamentos necessários à montagem de refinarias de petróleo, de indústrias têxteis, petroquímicas, químicas, farmacêuticas, etc..

Localizados, na maior parte, em território paulista, esses dois grandes setores industriais vêm merecendo o decidido apoio do atual Governo estadual, que vem assegurando o seu desenvolvimento através da construção de novas hidrelétricas através do seu Plano de Ação, da abertura e pavimentação de estradas de rodagem, do reequipamento das ferrovias do Estado, da concessão de financiamentos pelo Banco do Estado etc..

A mesma tendência se verificou em relação à atividade agrícola. De fato, substancial recuperação se assinala no "quantum" total da produção agrícola. As culturas voltadas para o mercado interno tiveram evolução satisfatória apesar das condições climáticas adversas, ditadas por uma estiagem prolongada que se inseriu como a mais persistente dos últimos 30 anos.

Como consequência da política de incentivo às lavouras de subsistência seguida pelo atual Governo, o agregado dos princi-

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país produtos de alimentação apresentaram um acréscimo de 9% em relação ao ano anterior. Para isto, contribuiu expressivamente o aumento na produção de arroz (+ 20%), para cujo estímulo vem concorrendo a concessão de empréstimos a juros de 4% ao ano pelo Banco do Estado de São Paulo S/A.

A par de ligeira regressão da lavoura algodoeira, a produção de amendoim foi, por outro lado, das mais auspiciosas, evitando a ocorrência do problema do abastecimento de óleos comestíveis, que ameaçou a população do Estado no ano anterior.

Nosso Estado já atinge um estágio de auto propulsão no seu desenvolvimento econômico e social, para cuja sustentação este Governo tem contribuído com o máximo de suas forças.

Por outro lado, seguindo desde o início da atual Administração os princípios da necessária unidade do desenvolvimento do País, vem o Governo do Estado respondendo de forma positiva aos anseios do progresso de outras regiões de nossa Pátria, somando a sua capacidade realizadora à do povo paulista e assumindo a responsabilidade que lhe cabe na integração da economia brasileira.

EDUCAÇÃO, CULTURA E PESQUISA

REFORMA DA SECRETARIA DA EDUCAÇÃO

A execução do Plano de Ação propiciou ao Governo a oportunidade de experimentar as dificuldades inerentes à tarefa de empreender uma ação planejada, face às limitações próprias de uma estrutura administrativa obsoleta. Essa situação levou-o a estudar e propor reformas institucionais que não apenas permitissem o alcance dos objetivos do Plano de Ação, mas também ensejassem aos governos futuros a continuação da política de planejamento inaugurada neste quadriênio.

No campo educacional, a primeira medida do Governo foi a criação e instalação do Fundo Estadual de Construções Esco-

lares, com o objetivo de executar o programa previsto de construções de prédios escolares, setor altamente deficitário por causa da rápida e necessária expansão da rede de ensino oficial.

Passou-se, em seguida, à elaboração do programa de reforma da Secretaria da Educação, a ser efetivada em duas fases, das quais a primeira, que diz respeito à estrutura dessa Unidade Administrativa, consubstanciou-se no projeto de lei n.º 1.092, de 1961, em exame nesta Assembléia. A segunda, ainda em estudos, cuidará da sua infra-estrutura e dos quadros de pessoal.

A reforma, no seu todo, prevê, para a Secretaria, uma cúpula normativa, com funções de assessoria, planejamento, orientação e controle de resultados das suas atividades fins, e separação da execução administrativa. Esta será descentralizada e ordenada pela criação de diferentes níveis de responsabilidade, em especial as Diretorias Regionais de Educação, dotadas de autonomia executiva.

Como essa descentralização espacial dependia de divisão regional do Estado, que pudesse ser tomada como base para uma ação planejada do Governo, foram realizados, a respeito, estudos pela Secretaria da Educação, nos quais, com a cooperação de diversos organismos estaduais, utilizaram-se critérios geográficos, demográficos, econômicos e administrativos.

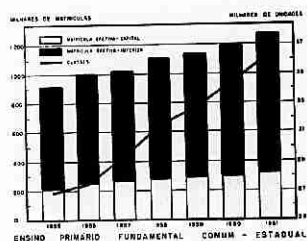
Chegou-se, assim, à divisão do Estado em 10 regiões, cujos centros serão as sedes das Delegacias Regionais da Educação. A este respeito, foi baixado o Decreto n.º 39.763, de 9 de fevereiro p. passado, que instituiu, a título precário, na Secretaria da Educação, Diretorias Regionais de Educação.

A subdivisão dessas regiões permitirá a redistribuição das áreas das atuais Delegacias de Ensino Elementar e o levantamento das necessidades de pessoal dos quadros administrativos e do ensino, de acordo com princípios válidos para toda a extensão territorial do Estado.

Estas providências aliviarão extraordinariamente os trabalhos burocráticos da Educação, pela simplificação e diminuição do seu processamento rotineiro.

ENSINO PRIMÁRIO

O Governo, por intermédio do Fundo Estadual de Construções Escolares, deu prosseguimento e acelerou o programa de construções de prédios escolares para que se possa, mais rapidamente, possibilitar a matrícula, em estabelecimentos de ensino primário, de todas as crianças em idade escolar e eliminar o triplicamento do período escolar.



Além disso, em face de disposições, expedidas pelo Governo Federal, sobre o cumprimento do preceito constitucional referente à obrigatoriedade de as empresas industriais, comerciais e agrícolas, que empreguem mais de 100 pessoas, ministrarem o ensino primário aos seus servidores e aos filhos desses, foi baixado o Decreto estadual n.º 39.179, de 20 de outubro de 1961, que determina sejam as contribuições, devidas por força dos acordos celebrados em virtude de regulamentação federal, recolhidas ao Fundo Estadual de Construções Escolares e aplicadas na construção de prédios escolares. A julgar pelo número de pedidos de acordo — 495 — é de se presumir que o programa de construções escolares do Governo do Estado passará a contar, a partir do próximo exercício, com mais de uma apreciável contribuição financeira.

Ao mesmo tempo, estão se processando estudos para estimativa das necessidades de expansão, nos próximos anos, da rede de escolas primárias em cada município do Estado. Com relação a esse problema, foi enviado a esta Assembleia o projeto de lei n.º 230, de 1961, que dispõe sobre a criação de 5.000 cargos de professor primário e de 160 cargos de serventes.

Entretanto, o crescimento da rede de escolas primárias cria problemas, não apenas de prédios e pessoal mas também de ordem administrativa, o que levou o Governo a propor, com base em cuidadoso estudo da divisão regional do Estado, a redistribuição das Delegacias Regionais de Ensino, conforme projeto n.º 1.139, de 1961, em tramitação nesta Casa.

Ao lado dessas medidas, outras foram tomadas num sentido complementar, e que se referem, no seu conjunto, à melhoria da qualidade do ensino primário. Como uma das principais queremos destacar aquela contida no projeto de lei n.º 348, de 1961, que dispõe sobre a realização de provas para recrutamento do professorado primário, e no qual se procura distinguir grau científico de qualificação profissional, significando aquele apenas condição necessária, mas não suficiente, para o exercício da profissão. No entanto, essa proposição — cujo objetivo é melhorar a qualidade do ensino primário — careceria de maior importância, se não se cuidasse de oferecer ao professor, no exercício da função docente, condições propícias ao seu aperfeiçoamento. Com essa preocupação, foram promovidos os Seminários de Estudo para o Magistério Primário, dos quais participaram 400 Diretores de Grupo Escolar e mais de 1.600 professores primários.

ENSINO SECUNDÁRIO

A necessidade de reforma do ensino secundário tem sido reafirmada inúmeras vezes, porque a sua atual estrutura não mais condiz com as exigências da realidade sócio-econômica da Nação. Entretanto, sendo a matéria da alçada federal, pouco poderia fazer o Governo Estadual antes do advento da Lei de Diretrizes e Bases da Educação Nacional, só promulgada em fins do ano passado.

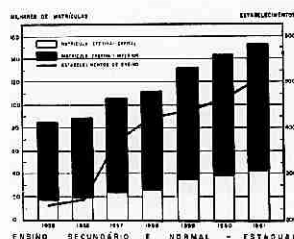
Não obstante, dada a relevância do problema o Governo aproveitou as possibilidades oferecidas pela Lei n.º 6.052, de 3 de fevereiro de 1961, e cuidou da regulamentação e da instalação dos Ginásios Vocacionais, ao baixar o Decreto n.º 38.643, de 27 de junho de 1961.

Este novo tipo de ensino médio, perfeitamente adaptado à legislação federal, abre novas possibilidades à educação da juventude porque apresenta um currículo de formação geral, acrescido de práticas e atividades que permitem aproveitar as aptidões dos educandos e desenvolver suas capacidades, dando-lhes iniciação técnica e orientando-os em face das oportunidades de trabalho e de estudos posteriores.

Em 1962, deverão ser instalados três ginásios vocacionais: na Cidade de São Paulo, em Americana e em Batatais. Dadas as características especiais dessas unidades, houve um trabalho intensivo de preparação do corpo docente, bem como de construção, ampliação e adaptação dos prédios necessários.

Ao lado desses esforços, o Governo vem tomando providências para a melhoria, em todos os aspectos, do ensino secundário comum.

Uma das principais medidas nesse setor foi a elaboração de um plano de instalação de estabelecimentos de ensino secundário. Sua inexistência e a rápida expansão da rede de escolas vinham ocasionando o subaproveitamento da capacidade de matrícula da respectiva rede.



Com esse plano, feito a partir de um levantamento minucioso da situação de cada município, espera-se disciplinar a matéria e evitar, de futuro, o dispendioso subaproveitamento das unidades de ensino. Ainda nesse sentido foram tomadas medidas para impedir o funcionamento de classes iniciais de cursos com número insuficiente de alunos.

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Ao mesmo tempo, elaborou-se um esquema de lotação dos cargos criados pela Lei n.º 6.051, de 3 de fevereiro de 1961. Na sua feitura, ficou manifesto o grande déficit de professores de Química, Física, História Natural e Ciências Naturais. Em consequência, foram instituídas, pelo Decreto n.º 39.216, de 10 de outubro de 1961, 50 bolsas de estudo, junto às Faculdades de Filosofia, e que se destinam aos servidores estaduais que desejem ter acesso à carreira de professor secundário, nas disciplinas acima referidas.

Ao lado da formação de professores, cuidou-se do seu aperfeiçoamento. Para esse fim, foram instituídos os "Seminários de Estudo", verdadeiras missões pedagógicas, nas quais se concentraram professores, em regime de tempo integral, para estudo e discussão de problemas do ensino. Esses seminários tiveram caráter regional e realizaram-se em Araçatuba, Bauru, Campinas, Itapetininga, Presidente Prudente, Ribeirão Preto, São José do Rio Preto e Taubaté.

Quanto à parte administrativa, empreendeu-se revisão geral da legislação do ensino secundário e normal que se apresentava deficiente em alguns pontos e completamente superada em outros. A primeira consequência desse trabalho foi a publicação do Regimento Interno unificado para institutos de educação, colégios e ginásios.

ENSINO INDUSTRIAL

A aprovação da Lei n.º 6.052, de 3 de fevereiro de 1961, deu ao ensino industrial uma orientação nova e atualizada, condizente com as necessidades de um Estado altamente industrializado.

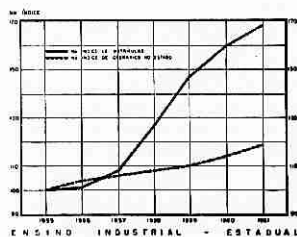
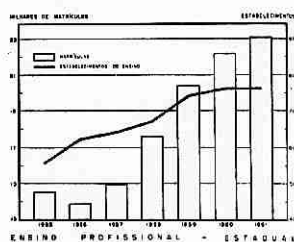
O ano findo caracterizou-se pelos esforços desenvolvidos para criar condições que permitam a execução da mencionada lei. Assim, tiveram que ser tomadas medidas urgentes em diversos setores, pois uma mudança tão radical, como a que se opera no campo do ensino industrial, determina alterações profundas na estrutura total.

A preparação do corpo docente exigiu a firmação de contratos com entidades especializadas como o SENAI e a Comissão Brasileiro-Americana de Ensino Industrial. Conferências, aulas, cursos, palestras e reuniões em escolas e associações culturais foram realizados, visando não só à preparação de um pessoal habilitado para a nova estrutura do ensino industrial, como também à ampla divulgação dos objetivos desse ramo de ensino médio. A visita de técnicos e especialistas americanos em Educação Industrial propiciou a troca de idéias e planos com os nossos.

A construção, ampliação e adaptação das escolas existentes, assim como o seu equipamento, foram também objeto de estudo cuidadoso, que já se acha concluído.

A par dessas providências, outras de caráter regulamentar foram tomadas e se concretizaram em vários decretos baixados no corrente ano.

No campo das medidas administrativas, cumpre assinalar a realização dos concursos de remoção e de habilitação do ensino particular; a orientação dada aos diretores e relativa à aplicação da reforma; as determinações no sentido de se efetuarem trocas permanentes,



entre as Escolas, de material didático, de ferramentas, de máquinas, de gêneros alimentícios, e de se efetuarem levantamentos das necessidades das Escolas quanto ao pessoal administrativo, tendo em vista seus cursos, períodos de funcionamento, instalações e área do imóvel respectivo.

Todos esses esforços se encaminharam, pois, no sentido de possibilitar neste ano a efetiva renovação da rede de escolas industriais, setor tão carente num Estado como o de São Paulo.

ESCOLARIDADE DA POPULAÇÃO DO ESTADO

Os órgãos especializados da Secretaria da Educação, continuando no preparo de um planejamento educacional para o Estado, realizaram, em 1961, o levantamento da população escolarizada estadual. Em decorrência do intenso programa de construções escolares deste Governo, o Estado de São Paulo já tem, em suas escolas, 81% das crianças de 7 a 11 anos de idade; na região da Capital, esse índice é de 97%.

Dos alunos que concluem o curso primário, 50% já ingressam em algum tipo de curso médio.

Dos elementos acima conclui-se que, em decorrência do programa educacional em execução, praticamente quase toda a população do Estado tem acesso à educação fundamental e parte ponderável, para o nosso País, adquire conhecimentos complementares, de nível médio, indispensáveis ao estágio atual de nosso desenvolvimento.

FUNDO ESTADUAL DE CONSTRUÇÕES ESCOLARES

De conformidade com o planejamento global concluído no ano anterior, o Fundo Estadual de Construções Escolares prosseguiu, em 1961, no desenvolvimento do programa de construção, ampliação e equipamento de prédios destinados às escolas estaduais de ensino primário e médio.

Os créditos orçamentários e extraordinários, consignados ao Fundo no exercício de 1961, ascenderam a 7.341 milhões de cruzeiros, assim distribuídos:

	Cr\$
Construção e ampliação de prédios	6.273.500.000,00
Desapropriação de terrenos (Capital)	700.000.000,00
Equipamentos de escolas	321.000.000,00
Despesas técnica e administrativa	46.500.000,00

No setor de prédios destinados a estabelecimentos estaduais de ensino primário e secundário, o desenvolvimento, em 1961, do programa de construção e equipamento de novas escolas traduz-se por dados numéricos sensivelmente superiores aos dos dois anos anteriores.

	Ensino Primário			Ensino Secundário		
	1959/60	1961	Total	1959/60	1961	Total
Desapropriação e doação de terrenos	223	332	555	34	31	65
Construções contratadas ..	120	237	357	16	34	50
Construções concluídas	17	65	82	—	10	10

(Nos dados acima estão computados os prédios cuja construção foi atribuída ao IPESP).

Há que assinalar, ainda, a construção ou adaptação de prédios destinados aos três primeiros ginásios vocacionais, a serem instalados na Capital (Brooklin Paulista), em Americana e em Batatais e cujas obras deverão estar concluídas no início do ano letivo de 1962.

Entre o Ministério da Educação e Cultura e o Fundo Estadual de Construções Escolares, foram assinados convênios para a construção dos prédios dos ginásios vocacionais de Rio Claro e Barretos, a ser empreendida neste exercício.

No setor do Ensino Industrial, foi concluído o projeto de construção e de equipamento de 9 das 10 Escolas Industriais programadas para a Capital. As construções de 7 desses prédios — E. I. de Vila Leopoldina, E. I. de Casa Verde, E. I. Bom Retiro, E. I. Vila Maria, E. I. Tatuapé, E. I. Vila Prudente e

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E. I. de Pinheiros — postos em concorrência pública, foram contratadas pelo preço global de Cr\$12.890.000,00. As construções de dois outros — E. I. do Ipiranga e E. I. de Santana — já postas em concorrência pública, deverão ser contratadas no início de 1962. Todos esses edifícios deverão estar concluídos até fins deste ano.

Os prédios das Escolas Industriais das 13 cidades do Interior, que foram colocados na fase prioritária do Planejamento, têm já os seus projetos concluídos e as respectivas obras deverão ser iniciadas brevemente.

Finalmente, em 1961 foram equipados 127 prédios escolares, com 1012 salas de aulas e capacidade para 81.000 alunos.

FUNDAÇÃO DO LIVRO DIDÁTICO

Este órgão, cuja instituição foi proposta pelo projeto de lei 544, de 1961, terá a finalidade de editar, adquirir e vender obras didáticas, instituir prêmios para autores de livros didáticos e promover pesquisas e estudos. A sua ação, certamente, determinará o barateamento do livro e a elevação do seu nível, o que o torna de grande oportunidade.

Nem se pode compreender que, sendo o problema educacional, do mundo de hoje, basicamente, um problema de educação de massas, permita o Estado que a elaboração do livro didático continue dependendo da abnegação de alguns autores e, a sua distribuição e venda, sujeitas aos azares do mercado.

BOLSAS DE ESTUDOS

Os afastamentos e comissionamentos de funcionários para fins de estudos sempre representaram problema grave para a Administração, por causa do vulto da despesa e dos claros que se abrem no quadro do ensino. Mais grave ainda é que nem sempre esses afastamentos são orientados no sentido dos interesses do ensino.

Com o intuito de modificar essa situação, o Governo encaminhou, a esta Assembléia, o projeto de lei que tomou o n.º 837, de 1961, pelo qual se intenta criar a possibilidade de uma distribuição racional de bolsas de estudo, que será feita segundo um plano anual organizado para atender aos setores do ensino mais necessitados de um programa de formação e aperfeiçoamento de pessoal. Outra vantagem dessa medida reside no fato de que, disciplinada rigorosamente a concessão de bolsas, eliminar-se-ão os abusos e, conseqüentemente, haverá maior soma de recursos para o atendimento das reais necessidades do ensino.

**AMPLIAÇÃO DO QUADRO DO
ENSINO E OUTRAS MEDIDAS
CORRELATIVAS**

O projeto de lei, que veio a ter o número 1.048, de 1961, de iniciativa do Executivo e em tramitação nesta Assembléia, amplia e define encargos do pessoal do Quadro do Ensino, da Secretaria da Educação; estabelece novas condições de recrutamento; dispõe sobre o regime de trabalho e fixa novos níveis de retribuição. Fruto de longo e cuidadoso estudo, aquela proposição visa, também, a corrigir algumas situações que vêm desafiando sucessivos Governos, com evidentes malefícios para a educação.

Assim, para contornar o problema advindo da carência de orientação educacional nas escolas secundárias, ali se propõe a criação de 172 cargos de Orientador Educacional, para cujo desempenho se exigirá habilitação em concurso de provas, a que só poderão concorrer elementos portadores de formação universitária e com especialização em orientação educacional.

Quanto ao professor secundário, asseguram-se-lhe melhores condições de trabalho e se lhe atribuem vencimentos de nível universitário.

**ENSINO SUPERIOR
FUNDAÇÃO DE AMPARO
À PESQUISA**

O desenvolvimento científico em São Paulo oferece problemas cuja solução cumpre ao Estado encaminhar. É cada vez mais urgente a necessidade de investigadores, nos terrenos da saúde pública, da agricultura, da pecuária, da produção de energia, do ensino universitário, da indústria estatal ou privada, e outros.

Torna-se preciso criar condições para que grande número de recém-formados possa dedicar-se por alguns anos à investigação, a fim de que se disponha de manancial onde selecionar os mais dotados, na justa medida dos empreendimentos estatais e particulares.

Para isto, cabe amparar os laboratórios mais produtivos, aí criando bolsas de estudo, com o que se estará estimulando, simultaneamente, a produção científica e a formação de novos investigadores. Esta é uma das tarefas mais importantes da Fundação de Amparo à Pesquisa, instituída pela Lei n.º 5.918, de 18 de outubro de 1960, que, para dar-lhe cabal desempenho, cuida, inclusive, da contratação, por prazos determinados, de professores estrangeiros.

A investigação científica no âmbito da indústria particular merecerá cuidados especiais da Fundação, pois, para seu progresso, a indústria nacional necessita do concurso de pesquisadores.

O alto custo da instalação e manutenção de laboratórios de pesquisa torna-as quase inexequível para muitas indústrias, nas quais há necessidade de investigadores em caráter ocasional e não contínuo. Em consequência, a Fundação pretende estabelecer, numa fase preliminar, sistema de convênios, mediante os quais, em laboratórios oficiais, se desenvolvam planos de investigação para o atendimento de problemas específicos da indústria nacional. Prestar-se-lhe-á, desse modo, amparo que, certamente, reverterá em benefício da coletividade e, ao mesmo tempo, preparar-se-ão os investigadores treinados de que o País tanto carece.

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A Fundação de Amparo à Pesquisa, cuja atuação se fará sentir já em 1962, constituir-se-á, pois, num dos esteios sobre os quais assentará nosso desenvolvimento cultural e técnico, com o que São Paulo estará contribuindo para a independência econômica e o bem estar social da Nação.

A Fundação, cabem, em 1962, as seguintes importâncias: Cr\$ 564.878.400,00, de "restos a pagar", dos exercícios de 1956 a 1960, que serão entregues em parcelas, conforme acordo a ser estabelecido entre a Secretaria da Fazenda e a Fundação; Cr\$ 283.199.000,00 — 0,5% da renda tributária do Estado, no exercício de 1961 — quantia essa já transferida para crédito da entidade. A importância da primeira alínea permite à Fundação constituir um patrimônio rentável, indispensável em instituições dessa natureza. A segunda, tornará possível, em cada ano, a realização das finalidades da Fundação, uma vez que os auxílios por ela distribuídos se destinam principalmente a estimular a atividade de instituições de pesquisa já existentes, cujas despesas normais de manutenção correm à conta de dotações orçamentárias próprias.

COOPERAÇÃO COM OS MUNICÍPIOS

O Centro de Pesquisas e Estudos Urbanísticos, da Faculdade de Arquitetura e Urbanismo, elaborou, no último ano, Planos Urbanísticos Preliminares para várias estâncias, mediante acordo com as respectivas Municipalidades e o Departamento de Obras Sanitárias, e atendeu a consultas dos diversos municípios como por exemplo, São Carlos, Guarulhos, Moji Mirim, Moji das Cruzes e Diadema.

Por sua vez, o Serviço Especial de Saúde de Araraquara — Centro Rural de Aprendizado da Faculdade de Higiene e Saúde Pública — além de dar treinamento aos alunos da Faculdade e a técnicos de outras instituições, planejou e realizou todas as atividades de saúde pública do município de Araraquara, atendendo a uma população de cerca de 80 mil pessoas.

Para 1962, está programada a fluoretação da água dessa cidade e a extensão da assistência ao distrito de Bueno de Andrade, único ainda não beneficiado pelas atividades daquele Serviço.

O Hospital das Clínicas da Faculdade de Medicina de Ribeirão Preto, que presta assistência à população necessitada da zona onde se situa e do Brasil Central, amplia cada vez mais, sua ação a novos municípios. Esse nosocômio funciona na vanguarda da assistência médico-social, de alta classe, que o Governo do Estado põe à disposição dos menos favorecidos, visando à melhoria das condições de saúde do homem do Interior.

Por derradeiro, cumpre assinalar que o Instituto de Zootecnia e Indústrias Pecuárias "Fernando Costa", de Piraquunga, realizou, como atividade extra-curricular, campanha de vacinação anti-rábica, que atingiu os municípios de Piraquunga, Leme, Moji das Cruzes, Pôrto Ferreira e Ribeirão Preto, com amplo apoio e cooperação das respectivas Prefeituras Municipais.

CIDADE UNIVERSITÁRIA "ARMANDO DE SALLES OLIVEIRA"

Novas perspectivas vêm se abrindo para o desenvolvimento da Universidade de São Paulo desde a inclusão de suas obras no Plano de Ação do Governo do Estado e do consequente delineamento definitivo de sua estrutura material.

Graças ao entendimento e colaboração dos professores das várias Faculdades, pôde o "Fundo para Construção da Cidade Universitária", dentro dos princípios da agregação setorial, planejar e edificar as grandes estruturas da Cidade Universitária, de forma a atender às necessidades de ensino, investigação e colaboração em vida universitária.

As obras daquele conjunto, dinamizadas em 1960, prosseguiram em 1961 em ritmo intensificado. Para tanto, tiveram capital importância os recursos do Plano de Ação.

Fato marcante foi a transferência para o "campus", em abril de 1961, da Reitoria da Universidade, sede central da ad-

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ministração universitária, evento que, por si só, constitui elo-
qüente fator de incremento e propulsão das obras em progresso.

Esquemáticamente, o desenvolvimento das obras, por seto-
res, fêz-se da seguinte forma: Setor Politécnica: inauguração
dos anfiteatros de Matemática, com capacidade para 828 alunos,
obra com características originais (primeiro edifício em concreto
pretendido da América do Sul); aceleração das obras do Labo-
ratório de Hidráulica; construção de dois anfiteatros com capa-
cidade para 400 alunos, cada um; edificação em fase de conclusão,
das instalações para o computador eletrônico do Departamento
de Matemática; estaqueamento do Departamento de Química;
início das obras dos Departamentos de Mecânica e Engenharia
Naval e de Minas e Metalurgia. Setor Eletrotécnica: entrega
do 1.º Pavilhão de Ensaio de Máquinas. Setor Conjunto Geral
das Químicas, que deverá abrigar os Departamentos de Química
das Faculdades de Filosofia, Ciências e Letras, Farmácia e Odon-
tologia e Medicina Veterinária: conclusão da estrutura (área de
47.676,00 m²). Setor Física: conclusão das obras do Edifício
"Alessandro Volta", destinado à Física Teórica da Faculdade de
Filosofia, Ciências e Letras. Setor Biologia: conclusão do Bio-
tério, da Casa de Comando e dos anfiteatros (4 auditórios, com
capacidade para 102 alunos cada um). Setor Ciências Humanas
e Sociais: Início dos estaqueamentos de todos os departamentos
localizados nesta área. Outros setores (Convivência Geral, Ha-
bitações de Estudantes e Esportes): estudos de cálculos estrutu-
rais em fase adiantada. Obras de infra-estrutura; executadas
em largo escala no "campus", representando parcela vultosa tan-
to dos investimentos como do volume físico.

Para que se avaliem os reflexos dessas obras na vida dos
Institutos Universitários, convém ressaltar alguns de seus as-
pectos mais marcantes que permitirão a visão do assunto pelo
prisma das alterações introduzidas, ou por introduzir, seja no
respectivo funcionamento didático, seja no que toca à pesquisa.

Assim, o Instituto de Saúde e Serviço Social da Universidade,
incluído dentro do Plano de Ação do Governo na Cidade Uni-
versitária, viu, no exercício de 1961, em plena execução, o pro-

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jeto para a construção dos setores residencial, de restaurante, de serviços sociais e médicos e de educação física e desportos. A conclusão destas obras permitir-lhe-á cumprir integralmente suas relevantes funções de assistência social ao estudante e sua integração no meio universitário.

Foram também transferidos para a Cidade Universitária os cursos de História, Geografia, Física e a Seção de História Natural da Faculdade de Filosofia, Ciências e Letras. Deverão estar concluídos, no decurso deste ano, o edifício do Departamento de Química e os prédios de História e Geografia, de Ciências Sociais e do Laboratório de Botânica. Prevê-se o início das construções dos edifícios de Letras e de Matemática para o presente exercício.

Naquela Cidade, já estão sendo ministrados os primeiro e segundo anos de todos os cursos da Escola Politécnica. Funcionam ali, ainda, algumas cadeiras e laboratórios dos 3.º e 4.º anos.

Em 1961, foi possível à Escola ampliar alguns de seus laboratórios, parte na sede nova, parte na sede antiga, em decorrência das transferências de instalações para o "campus". O esquema para a transladação, dentro de prazo não superior a 3 anos, das cadeiras e laboratórios remanescentes está traçado definitivamente e em início de concretização, com o apoio do Plano de Ação do Governo do Estado e mediante estreita cooperação entre os Professores da Escola e o Fundo para a Construção da Cidade Universitária.

Ali estão também em funcionamento os seguintes Departamentos da Faculdade de Medicina Veterinária: de Zoologia Médica e Parasitologia; de Histologia e Embriologia; de Zootecnia; de Fisiologia; de Terapêutica, Farmacologia e Arte de Formular. A instalação total do Instituto no "campus" está em fase de estudo.

O prédio da Faculdade de Arquitetura e Urbanismo já foi iniciado e deverá estar pronto no início de 1963. Em suas novas instalações, a Faculdade poderá desenvolver seu curso, com maior eficiência, pelo sistema de "atelier", atendendo à diretriz da formação de profissionais por meio do ensino objetivo.

Na Faculdade de Farmácia e Odontologia, merece especial referência a construção dos setores de Química e Biologia, onde deverão ser instaladas todas as cadeiras do curso de Farmácia, assim como as de Anatomia, Histologia, Microbiologia, Fisiologia e Patologia e Terapêutica Aplicadas, do Curso de Odontologia.

Dentro das possibilidades fornecidas pelo Plano de Ação, constitui, para o Instituto de Pesquisas Tecnológicas, ponto fundamental a edificação de prédio destinado a abrigar os Laboratórios de Química na Cidade Universitária. Trata-se de edifício com cerca de 6.000 m² de área construída, em fase adiantada de acabamento, esperando-se esteja em condições de ser utilizado no primeiro semestre de 1962. Com a transferência desses laboratórios, a Instituição ficará funcionando integralmente no "campus", o que obviará os inconvenientes da permanência de parte das instalações na sede antiga e permitirá ponderável incremento de suas atividades. Foi também possível, mercê de recursos da mesma origem, ampliar e modernizar o equipamento de ensaios e pesquisas do Instituto. O Instituto de Eletrotécnica, com recursos do Plano de Ação, adquiriu, em 1961, parte do equipamento necessário à instalação da Seção de Máquinas no prédio recém-construído na Cidade Universitária.

Foi elaborado o projeto da sede definitiva do Instituto de Pesquisas Matemáticas, que será executado na Cidade Universitária com recursos do Plano de Ação. Localiza-se a meia distância dos Departamentos de Matemática da Escola Politécnica e da Faculdade de Filosofia, Ciências e Letras, pois o objetivo da Instituição é congregar os professores e matemáticos da Universidade, de acordo com as respectivas especialidades, unificando, inclusive, as bibliotecas de ambos os Departamentos.

O Colégio da Aplicação da Faculdade de Filosofia, Ciências e Letras projeta a sua instalação, em acomodações condignas, no "campus" da Cidade Universitária.

Os planos para a sede definitiva do Instituto Oceanográfico, nesse local, já se encontram em fase final, prevendo-se o início das obras para 1962.

OUTROS PROGRAMAS E REALIZAÇÕES DA UNIVERSIDADE

O programa de obras e instalações não se circunscreveu, apenas, ao "campus" da Cidade Universitária. Assim: A Escola de Engenharia de São Carlos terminou, em 1961, dois pavilhões de mecânica e iniciou a construção do pavilhão social dos estudantes e de dois anfiteatros e uma via de acesso, além de obras auxiliares. Para 1962, planja concluir as obras em andamento e edificar mais um pavilhão de mecânica, o pavilhão de Física Geral e Experimental e o primeiro pavilhão-residência para alunos. As obras deste obedecem a plano dividido em três setores: residência e vida social de professores; residência e vida social de alunos e setor técnico-científico.

Deu-se prosseguimento, na Faculdade de Medicina de Ribeirão Preto, ao Plano de Integração das unidades que a compõem no "campus" de Monte Alegre. Iniciadas em 1960 por intermédio do Plano de Ação, em 1961 tiveram continuidade as seguintes obras: Bloco de laboratórios, Capela; Restaurante e Casa do Estudante; rede definitiva de energia elétrica e de água e esgoto. Característica fundamental desse Plano de Integração é a colocação do Hospital das Clínicas e da Escola de Enfermagem no mencionado "campus", com o que se formará a unidade tripartida Ensino-Pesquisa-Assistência. A Escola de Enfermagem de Ribeirão Preto planeja iniciar, em 1962, as obras de construção de sua sede própria, no "campus" da Faculdade de Medicina e na contiguidade do Hospital das Clínicas. As obras da nova sede deste nosocômio, com capacidade para 500 leitos, deverão ter início também em 1962.

A Escola Superior de Agricultura "Luiz de Queiroz", além das obras de conservação externa e interna dos grandes pavilhões que a compõem, prosseguiu no asfaltamento das vias de acesso interno às várias instalações. Estão em andamento as obras da Casa do Estudante, que deverão ser concluídas em 1962. Trata-se de empenhamento de elevado alcance que visa a colocar o estudante de agronomia junto ao seu meio-ambiente e

a eliminar as dificuldades de transporte e alojamento. Para 1962, programa-se a conclusão das obras da sede própria do Centro Acadêmico "Luiz de Queiroz".

O Instituto Zimotécnico, com sede em Piracicaba, deu prosseguimento aos trabalhos destinados à adaptação do prédio existente às suas necessidades mais imediatas. Foram terminados, dentro desse objetivo, os Laboratórios de Química Orgânica, de Enzimologia, de Controle da Instalação — Piloto de Aguardente, de Controle da Poluição da Bacia do Piracicaba, bem como a Torre da destilaria Butanol-Acetona, de 20 m de altura. Para 1962, prevê-se a conclusão de seis outros laboratórios, a construção de câmaras de fermentação, torre de oxigenação e outras obras diversas, bem como instalações-piloto para aguardente de cana e de frutas em geral, rum, álcool retificado industrial, fermento alcoólico, óleos, essências etc. Tais instalações permitirão ao Instituto auferir rendas próprias, que constituirão receita de seu Fundo de Pesquisas.

O Instituto de Genética, dentro do Plano de Ação, empreendeu a construção de novo pavilhão.

O Instituto de Zootecnia e Industrias Pecuárias atacou e concluiu várias partes de seu plano de construções, tais como alojamento feminino, ambulatório médico, ginásio de esportes, alojamento para alunos da Faculdade de Medicina Veterinária. Iniciou, ainda, edifício onde se instalarão os laboratórios dos Departamentos de Zootecnia e de Indústria e de Inspeção e Conservação de Produtos de Origem Animal e realizou reformas em outras instalações.

Com verba no Plano de Ação, o Instituto Oceanográfico adquiriu terreno, na região portuária de Santos, para construção de "pier" de atracação e de instalações de manutenção do navio oceanográfico.

Cumpra assinalar, na Faculdade de Medicina de São Paulo, os seguintes melhoramentos: a construção de novo prédio para o Biotério Central; a instalação do laboratório de fracionamento de sangue; a ampliação dos 3.º e 4.º andares do edifício central, destinados ao Departamento de Técnica Cirúrgica (obra em fase

de acabamento); as reformas das instalações do Biotério, do Departamento de Histologia e Embriologia, dos Biotérios Departamentais e da Biblioteca Central. Com verbas do Plano de Ação, diversos Departamentos foram beneficiados com importações diretas de equipamentos, o que permitiu a melhoria das condições didáticas e de pesquisa da Faculdade.

A Faculdade de Higiene e Saúde Pública promoveu o acabamento das obras da ala nova de seu prédio e respectivo equipamento, a fim de transferir vários Departamentos para esse setor. Reformou e adaptou o prédio central, deu prosseguimento às obras da Clínica Tisiológica e elaborou estudos para a construção de prédio próprio para o Centro de Aprendizado Urbano e para a ampliação das instalações do Biotério.

Finalmente, o Instituto de Administração pôde, em 1962, transferir-se para melhores e mais amplas instalações, em prédio cedido pela Faculdade de Ciências Econômicas e Administrativas. Isto possibilitou a reunião, no mesmo edifício, de todos os setores e serviços do Instituto.

PATRIMÔNIO

Proseguiu-se na política da constituição do patrimônio imobiliário da Universidade, incorporando-se-lhe, no ano de 1961, bens no valor de 56 milhões de cruzeiros.

No que diz respeito a equipamentos, atualização de bibliotecas e outros melhoramentos também foi consideravelmente enriquecido o acervo da Universidade, dentro do programa de dotação de todas as condições materiais para o desenvolvimento de suas atividades de ensino e pesquisa.

CAPACIDADE DIDÁTICA

Continuou a Universidade de São Paulo, no último ano, a dedicar especial interesse ao problema da elevação da capacidade didática de seus vários Institutos. Aumentou-se, em consequência, o número de matrículas; no 1.º ano, passou a ser de 2.344

alunos nos cursos universitários e de 60 nos agrotécnicos do Instituto de Zootecnia e Indústrias Pecuárias "Fernando Costa". A matrícula geral foi de 9.692 alunos.

A transferência de grande parte dos institutos para o "campus" da Cidade Universitária "Armando de Salles Oliveira" incrementará, de muito, tal política.

Para a Escola Politécnica prevê-se aumento substancial de sua capacidade didática com a instalação definitiva de suas Cadeiras e Laboratórios na Cidade Universitária. Nos seus diferentes cursos foram matriculados, em 1961, 1.231 alunos, tendo sido admitidos, nos primeiros anos respectivos, 229 alunos. Colaram grau 198 engenheiros.

A Faculdade de Arquitetura e Urbanismo, quando se transferir para "campus" universitário, duplicará sua capacidade didática, com despesas relativamente pequenas.

Pelo mesmo motivo, a Faculdade de Medicina Veterinária projeta elevar para mais 30 o número de vagas na primeira série do curso.

Relativamente aos institutos com sede no Interior ou fora do "campus", releva notar, por exemplo, que, na Escola Superior de Agricultura "Luiz de Queiroz", o ano de 1961 foi aquele em que houve maior número de candidatos inscritos no concurso de habilitação: 307 estudantes, dos quais 121 lograram aprovação.

Isto se deve à intensa campanha que vem sendo feita pela Escola e pelo Centro Acadêmico "Luiz de Queiroz", nos meios estudantis, no sentido de demonstrar a importância da profissão agrônoma para o desenvolvimento agropecuário de São Paulo e do Brasil.

Matricularam-se no curso de agronomia, em 1961, 399 alunos, número também sem precedentes nos anais da Escola, dando motivo ao desdobramento de turmas no 1.º ano.

Em 1961, 104 novos engenheiros-agrônomos receberam diploma, sendo essa a maior turma até agora formada na Escola desde a sua fundação. No intuito de divulgar a organização e finalidade da Escola e, ainda, de fomentar o interesse dos can-

didatos a ingresso em seus cursos, a Instituição tem franqueado suas dependências e instalações a numerosos visitantes. Para 1962, prevê-se o acréscimo de mais 40 vagas em sua capacidade didática.

A Escola de Engenharia de São Carlos aumentou de 209 para 229 o número de alunos matriculados em seus vários cursos no ano de 1961. Para 1962, já foi a Escola autorizada, pelo Conselho Universitário, a ampliar, de 50 para 80, as vagas destinadas à matrícula na série inicial.

O número de vagas no primeiro ano, da Faculdade de Medicina de São Paulo, foi fixado em 100 e, na de Ribeirão Preto, em 90. A Escola de Enfermagem, desta localidade, realizou intensa campanha de divulgação dos seus cursos.

CURSOS EXTRAORDINÁRIOS

Além dos cursos normais, os vários Institutos integrados na comunidade universitária ministraram cursos em nível de pós-graduação, de especialização e de doutoramento.

Logo no início do exercício, ocorreu, neste campo, acontecimento do maior relevo, qual seja a transformação, por força da Lei n.º 6.032, de 4 de janeiro de 1961, do antigo Curso de Doutorado, da Faculdade de Direito, em Curso de Especialização. Para matrícula no primeiro ano deste curso, com 100 vagas, concorreram 593 bacharéis em Ciências Jurídicas e Sociais. Do currículo inicial, constaram as cadeiras de Filosofia e Sociologia Jurídicas, História das Doutrinas Políticas e História do Direito Nacional.

A Faculdade de Higiene e Saúde Pública, além dos cursos permanentes de pós-graduação que ministra, realizou ainda 8 cursos transitórios, 5 para formação de pessoal auxiliar e 1 de doutoramento. Em caráter de cursos não regulares, salientaram-se os de Administração e Financiamento de Serviços de Água Potável e de Estatística Aplicada às Ciências Médicas, o primeiro deles patrocinado pela Organização Pan-Americana de Saúde e pelo

Ponto IV e, o segundo, pelos "National Institute of Health", Organização Pan-Americana de Saúde, Campanha de Aperfeiçoamento do Pessoal do Ensino Superior. Os cursos foram frequentados por alunos nacionais e estrangeiros, inclusive técnicos sanitários de renome.

Em colaboração com a Escola Politécnica e a Comissão de Energia Nuclear, foi concluído, pelo Instituto de Energia Atômica, o primeiro curso, de nível internacional de especialização em Engenharia Nuclear. Frequentaram-no 10 especialistas do Instituto e seis outros técnicos de procedências diversas. Finalmente, outros órgãos universitários, tais como as Faculdades de Medicina de São Paulo e de Ribeirão Preto, a Escola de Engenharia de São Carlos, a Faculdade de Ciências Econômicas e Administrativas e o Instituto de Pesquisas Matemáticas realizaram cursos extra curriculares relativos às suas respectivas especialidades.

P E S Q U I S A

Além das atividades normais de pesquisa, que se processam nos Institutos Universitários, cabe mencionar aqui, especialmente, no campo da pesquisa pura ou aplicada:

— A criação do Centro de Pesquisas de Nutrição, iniciativa cuja importância é desnecessário ressaltar, sobretudo quando se considera a complexidade dos problemas afetos a organismos dessa espécie em países subdesenvolvidos ou em fase de desenvolvimento.

O Centro terá por objetivos estimular a pesquisa nos vários setores da alimentação, humana e animal; incentivar planos conjuntos de trabalho, distribuindo tarefas entre os diversos Institutos Universitários, segundo as especialidades e os tipos de equipamento disponíveis; opinar sobre a concessão de bolsas ou auxílios para a realização de pesquisas neste campo; servir como centro de informações, para o País e o exterior, divulgar os trabalhos realizados no Brasil e promover sua publicação.

— A instituição do Centro de Estudos Italianos, anexo à Faculdade de Filosofia, Ciências e Letras. Trata-se de centro

de pesquisa e de cultura humanística de alto nível, destinado a atividades de extensão universitária, à promoção de cursos e ao desenvolvimento de estudos comparativos.

— A produção, em larga escala, pelo Instituto de Energia Atômica, a partir de 1961, de radioisótopos, para aplicação na medicina. Está o Instituto agora em condições de fornecer, a todos os hospitais e estabelecimentos interessados, as quantidades que lhe forem pedidas. Já foram atendidas numerosas solicitações de entidades vinculadas ou não à Universidade, inclusive de outros Estados. Contribuiu assim o Instituto de maneira significativa para a instauração da era atômica na medicina nacional, projetando o nome de São Paulo e o de sua Universidade no cenário científico mundial.

— As pesquisas sobre o câncer, levadas a efeito no Centro de Medicina Nuclear, bem como o fato de ter sido posta em funcionamento a Farmácia Radioativa, a qual, de um lado, determinará economia de divisas e, de outro, permitirá a fabricação de produtos em melhores condições que as dos importados, porque a salvo de alterações provenientes do transporte aéreo.

— Os trabalhos desenvolvidos, pelo Instituto de Genética, sobre métodos de melhoramento, e sua aplicação prática do milho, das hortaliças, da cana de açúcar, das frutas tropicais, tudo em colaboração com entidades nacionais e estrangeiras, oficiais ou não. Programa, para 1962, pesquisas sobre o café, em cooperação com o Instituto Brasileiro do Café e, ainda, possivelmente, a respeito da genética e melhoramento de aves.

— Os estudos do Instituto de Zootecnia e Indústrias Pecuárias "Fernando Costa" realizou pesquisas sobre o aproveitamento de "Campos cerrados", com a colaboração da Escola Superior de Agricultura "Luiz de Queiroz", do Instituto Agromômico, da Faculdade de Filosofia, Ciências e Letras de Rio Claro e do Instituto Brasileiro para Educação, Ciências e Cultura. Os "cerrados" representam cerca de 25% da superfície do Estado de São Paulo e a pesquisa de métodos e sistemas para sua recuperação poderá oferecer, à pecuária e à agricultura, novas áreas até agora consideradas improdutivas. Várias outras

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pesquisas foram empreendidas, no campo das plantas forrageiras, no da criação de bovinos, suínos, aves etc..

— As investigações, feitas pelo Instituto Oceanográfico, graças a recursos do Plano de Ação, sobre a biologia da pesca na costa atlântica da América do Sul, e os trabalhos realizados, sob a orientação da "Food Agriculture Organization", nos laboratórios de Serviço do Pescado e no Entrepósito de Pesca, de Santos, relativos a ocorrência e localização de cardumes de sardinhas e de outros peixes em zonas afastadas do litoral. Tais investigações são de grande interesse para a indústria pesqueira.

— No campo tecnológico, deu-se prosseguimento às investigações sobre o teor de proteínas e matéria graxa e suas variações nos peixes de importância econômica, bem como sobre as causas da contaminação do pescado em gelo, para evitar riscos no consumo por parte da população.

— As observações do Instituto Astronômico e Geofísico sobre o movimento da lua, dentro de um programa de colaboração internacional, em que tomam parte 12 observatórios do mundo. Como corolário desse trabalho, obter-se-á o primeiro "datum geodésico" do Brasil. A contribuição brasileira foi considerada das mais significativas na reunião de União Astronômica Internacional (Berkeley, E.U.A., agosto — 1961). Foram feitas, ainda, observações sistemáticas do sol, para o estudo e a determinação das manchas solares, cogitando-se da publicação regular dos resultados alcançados. Tópicos da astronomia teórica, relativos às estrelas gigantes e relacionados com o problema do lançamento, pelo homem, de corpos no espaço foram objeto de análise. Graças ao Plano de Ação, estão sendo reunidos de forma utilizável os dados meteorológicos existentes no Observatório, o melhor conjunto do gênero em toda a América Latina, esperando-se a publicação, para breve, da parte referente às chuvas.

— O início das atividades do Instituto de Pesquisas Matemáticas, organismo de cúpula universitária criado em 1960, o primeiro no gênero e destinado a orientar atividades de pesquisa e a preparar futuros elementos para o corpo docente superior. Pa-

ra chefiá-lo, contratou-se especialista estrangeiro que também se incumbirá de orientar as pesquisas.

— A expedição, pelo Instituto de Eletrotécnica, de 870 certificados de ensaios. Este índice numérico dá idéia esquemática do alcance dos serviços prestados, pela Instituição, à indústria de São Paulo, especialmente no que diz respeito à contrastação da qualidade do material produzido. Além dessa atividade, que tem poderosos reflexos na vida econômica do Estado, os engenheiros do Instituto efetuaram trabalhos de análise das características de motor universal pelo diagrama vetorial e de regulador de indução trifásico.

— A intensificação, pelo Instituto de Pesquisas Tecnológicas, dos ensaios no campo de sua especialidade. Entre os trabalhos realizados sobressai a colaboração que o Instituto deu, no setor da mecânica dos solos e da Geologia Aplicada, às obras de construção de barragens para o programa de eletrificação do Estado.

— O incremento das pesquisas nos Laboratórios e Departamentos da Faculdade de Medicina de São Paulo, vários dos quais foram reformados e reequipados. Foram numerosas as publicações de trabalhos originais, em revistas especializadas de âmbito nacional e internacional.

— A ampliação progressiva, pela Escola Superior de Agricultura "Luiz de Queiroz", dos trabalhos de pesquisa pura e aplicada, nos seus laboratórios e campos experimentais. É de se destacar o acordo celebrado com a Comissão Nacional de Energia Nuclear, para a criação, junto à Escola, de um centro destinado ao estudo e à aplicação de energia nuclear na agricultura.

OUTRAS ATIVIDADES UNIVERSITÁRIAS

Tiveram singular relêvo, em 1961, as atividades de intercâmbio da Universidade com instituições congêneres, do País e do Exterior.

Registrou-se a visita de professores e estagiários dos demais Estados e do estrangeiro a Institutos Universitários e, reciprocamente, professores e cientistas 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 conclaves científicos. Cento e sessenta e três estudantes estrangeiros matricularam-se nos vários cursos da Universidade de São Paulo, a saber: 101 beneficiários de convênios culturais internacionais e 62 como alunos-visitantes. Foram concedidas 15 bolsas de estudo a pós-graduados nacionais e estrangeiros. Realizaram-se 21 Cursos de Extensão Universitária, com mais de 800 inscrições, com o que se tornaram acessíveis ao povo os recursos humanos e didáticos dos Institutos Universitários.

Em sua viagem de intercâmbio universitário, a convite do Conselho de Educação Superior das Repúblicas Americanas, com sede no Instituto de Educação Internacional, em New York, o Reitor da Universidade realizou importantes entendimentos em favor da Instituição.

Participando da Conferência de Los Angeles, patrocinada pelo referido Conselho, apresentou ao conclave importante contribuição sobre o desenvolvimento do ensino e da pesquisa na Universidade de São Paulo. Visitou, ainda, centros universitários de relevo e estudou, com o Presidente da Fundação Ford, vultoso programa de doações à Universidade.

Na Inglaterra, França e Alemanha, onde também esteve, o Reitor da Universidade efetuou proveitosos contactos com importantes centros universitários e científicos.

INSTITUTOS ISOLADOS

No ano de 1961, é de se assinalar o retorno da supervisão administrativa, dos Institutos Isolados integrantes do sistema estadual do ensino superior, à Universidade, cujo Reitor é também presidente nato do Conselho Estadual do Ensino Superior.

Em matéria de realizações, contam-se, abrangendo de modo geral as atividades das diversas Instituições do Sistema Estadual

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do Ensino Superior: desenvolvimento das atividades didáticas; incremento de pesquisas em quase todas as Faculdades do sistema; construção de edifícios definitivos, dentro do Plano de Ação do Governo, ou adaptação de prédios para funcionamento provisório ou para aumento de capacidade; aparelhamento sistematizado das Faculdades, tanto em mobiliário quanto em bibliotecas e laboratórios; realização de cursos de extensão universitária; de pós-graduação e de divulgação científica, para aperfeiçoamento do corpo docente secundário e aprimoramento e generalização da cultura; desenvolvimento de programas culturais nas cidades sedes dos Institutos Isolados e regiões con vizinhas, por meio de conferências, sessões cinematográficas comentadas, apresentações de grupos teatrais universitários, seminários públicos; realização de congressos científicos diversos; várias defesas de teses de doutoramento; publicação de revistas, folhetos, trabalhos de pesquisa e anais.

Fato importante na vida do sistema estadual do ensino superior foi a solução dada, pelo Governo, ao problema referente às Faculdades de Medicina de Botucatu e Campinas, com a aprovação do relatório apresentado pela Reitoria da Universidade e atinente à orientação geral no sentido da criação de um sistema regional de ensino, com a integração nêle das Faculdades existentes ou que venham a ser instituídas; à pronta instalação de uma Faculdade de Ciências Médicas e Biológicas em Botucatu; à eleição de Campinas para sede do núcleo universitário, no qual poderá ser integrada a Faculdade de Medicina já criada em lei, e ao prosseguimento do planejamento do ensino superior do Estado, do qual advirá a respectiva lei orgânica.

ASSISTÊNCIA HOSPITALAR

Além das funções especificamente de ordem didática que lhe são afetas, foi relevante o papel desempenhado, na rede hospitalar do Estado, pelos Hospitais de Clínicas das Faculdades de Medicina da Universidade.

Relativamente ao Hospital das Clínicas da Faculdade de Medicina de São Paulo, considera-se que não é mais aconselhável, do ponto de vista da política administrativa, o crescimento do número de leitos. Sua administração preocupa-se, agora, com a mobilização dos recursos existentes, de maneira a atender ao maior número possível de pacientes, sem prejuízo das características de um hospital de ensino.

Por outro lado, procurou-se dar aos serviços médicos auxiliares organização e meios para atender rapidamente às necessidades de diagnóstico e tratamento. Nesse sentido, saliente-se, pelo vultoso, a aquisição de equipamento para o Serviço de Radiologia Médica.

Ao mesmo tempo, para diminuir a demanda de internamentos, procura o Hospital cooperar, direta ou indiretamente, no adequado aproveitamento dos recursos hospitalares e das obras sociais da comunidade. Assim, por exemplo, celebrou convênio com a Secretaria da Saúde, do qual resultou sensível alívio na sobrecarga do pronto-socorro infantil e obstétrico, bem como a melhoria da assistência à maternidade e à infância na Capital.

Outros entrosamentos com a Secretaria da Saúde e com a Prefeitura Municipal foram estabelecidos, no campo de tuberculose e da poliomielite.

No Hospital das Clínicas da Faculdade de Medicina de Ribeirão Preto os internamentos tiveram marcha ascendente em 1961, especialmente a partir do fim do mês de julho, quando entrou em funcionamento o novo e principal edifício. De 1.º de janeiro a 30 de setembro de 1961, o índice de atendimentos já superava o do exercício de 1960 (janeiro a novembro), pois atingiu o total de 33.473 casos. A taxa de óbitos manteve-se estacionária, o que revela eficiente orientação de tratamentos, tendo-se em vista que os casos atendidos são, em geral, graves. Com a conclusão do edifício principal, acima referido, o Hospital triplicou o número de leitos e quintuplicou a quantidade de casos atendidos, em relação aos meses anteriores.

No campo da recuperação de pacientes — física, social, psicológica e profissional — o Instituto de Reabilitação desempe-

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nhou papel de grande relevância, atendendo a incapacitados de qualquer natureza e de qualquer procedência, inclusive de outros estados e países. Sua atividade assistencial, em 1961, se expressou pelos seguintes índices: 485 pacientes registrados; 46 internados e 48 reabilitados e colocados pelo setor de orientação profissional.

AUXÍLIOS E SUBVENÇÕES

Além das verbas concedidas pelo Governo estadual, que permitiram o progresso e o incremento das suas atividades, 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. Foram substanciais as subvenções federais concedidas ao Instituto de Energia Atômica, ao Centro de Medicina Nuclear, ao Instituto de Genética, à Escola de Engenharia de São Carlos e à Faculdade de Filosofia, Ciências e Letras (Departamento de Física).

C U L T U R A

Cabe especialmente ao Conselho Estadual de Cultura e às suas comissões de teatro, cinema, música e literatura a orientação das atividades culturais do Governo estadual.

A seguir serão expostas as principais realizações, da Administração paulista, sobre a matéria em epígrafe.

L I T E R A T U R A

Pela Comissão Estadual de Literatura (C.E.L.) teve início a elaboração de um Dicionário de Termos de Literatura. Trabalho pioneiro, visa a esclarecer o consulente sobre o exato sentido dos vocábulos usados na crítica literária.

Foram editadas, no programa anual da C.E.L., seis obras de diversos gêneros e sete outros trabalhos literários estão em vias de ser publicados.

Instituiu, também, a C.E.L., um concurso anual, em rodízio, para os vários gêneros literários, sendo o de 1961 relativo à poesia, e levou-se a termo, um Curso de Leitura de Romance, em colaboração com as Faculdades de Filosofia, Ciências e Letras de Campinas e Lorena.

Em outubro último, foi instituída, por decreto, uma Subcomissão, subordinada à C.E.L., com a finalidade de prestar assistência técnica às bibliotecas do Interior, e de fomentar a criação de estabelecimentos do gênero.

T E A T R O

A Comissão Estadual de Teatro se impôs, no seu quinto ano de atividade, desde sua criação em fins de 1956, como um manancial fecundo de estímulo ao teatro paulista, profissional e amador. E, no ano findo, a crise financeira que abalou a grande maioria das companhias profissionais de São Paulo e ameaçou a existência do mais tradicional dos nossos teatros — o Teatro Brasileiro de Comédia — levou o Governo, por solicitação da própria classe teatral, a vir em apoio desse grande empreendimento artístico, enviando projeto de lei à Assembléia, já transformado na Lei n.º 6.590, de 18 de dezembro de 1961, que dispõe sobre a concessão de auxílio extraordinário de 20 milhões de cruzeiros aos nossos grupos teatrais. No que se refere ao Teatro Brasileiro de Comédia, não só recomendou o Governo a concessão de empréstimo a essa empresa, como passou a acompanhar, mais de perto, as suas atividades, participando da direção da Sociedade Brasileira de Comédia, que orienta o seu funcionamento.

Excursionaram pelo Interior, sob o patrocínio da C.E.T. as seguintes companhias teatrais

Teatro Brasileiro de Comédia — a Jacareí, Taubaté, São José dos Campos, Campinas, Santos, Jundiaí, Sorocaba, Bauru, Araraquara e São Carlos;

Pequeno Teatro Popular — a São José dos Campos, Campinas, Santos, Jundiaí, Sorocaba, Itu e Piracicaba e apresentações em duas propriedades agrícolas;

Teatro de Arena — a Bauru, Marília, Garça, Penápolis, Jundiaí, Campinas e Sorocaba;

Grupo Teatral Oficina — a Piracicaba, Lins, Araraquara, Birigui e Campinas;

Grupo Teatral de Crisóstomo Pinheiro de Faria — a Jundiaí, Louveira e Vinhedo;

Companhia Tônia - Celi - Autran - apresentação de espetáculo no Congresso de Literatura de Assis; e

Teatro da Faculdade de Filosofia de Assis — a Ourinhos, Palmital, Santa Cruz do Rio Pardo, Quatá e Paraguaçu Paulista.

Auxiliou a C.E.T. a edição de sete peças teatrais e, a fim de estimular a encenação de obras de qualidade e permitir sua difusão a preços populares, patrocinou espetáculos de diversas companhias teatrais.

Deliberando realizar estudos mais profundos sobre o teatro infantil, a C.E.T. contratou, com órgão especializado, o Instituto de Psicologia da Pontifícia Universidade Católica, uma pesquisa a respeito.

As atividades do teatro amador foram incentivadas pela C.E.T., em vários setores. Assim, dois Cursos de Iniciação Teatral foram promovidos, um na cidade de Sorocaba e outro na de Campinas.

C I N E M A

Com o objetivo de ampliar o mercado exibidor de filmes brasileiros, o Governo, por intermédio da Comissão Estadual de Cinema e com a colaboração do Ministério das Relações Exteriores, promoveu em Roma uma Semana do Cinema Brasileiro, iniciativa inédita na história do nosso cinema, na qual foram projetados seis filmes brasileiros de longa metragem e três documentários. Os resultados da iniciativa revelaram-se promissores, pois venderam-se à Europa duas películas nacionais por importâncias superiores a dez mil dólares. Foram ainda assinados dois acordos de co-produção, um deles no valor de trezentos milhões de cruzeiros.

Fato de inegável importância foi a assinatura de convênio entre a Secretaria do Governo e a Cinemateca Brasileira, no sentido de proporcionar, a esta entidade, meios para construir arquivos de conservação, libertando-a do perigo de incêndio, como o que há anos lhe destruiu quase totalmente as coleções, bem como para ampliar seu acervo, levar a cabo minuciosa prospecção de filmes no território nacional e possibilitar o regular funcionamento da entidade no campo da difusão e de pesquisa. A Cinemateca atenderá às requisições do Conselho Estadual de Cultura no que se refere à organização e exibição de programas de cinema, como forma de arte, em todo o território paulista e também colaborará com a Secretaria da Educação no estímulo e na difusão do cinema educativo.

No presente exercício, cogita-se de promover nova Semana do Cinema Brasileiro no Exterior, realizar um Curso de Atores, fomentar a produção de documentários e organizar anuário que contenha dados estatísticos sobre o cinema nacional.

M Ú S I C A

Como orientação básica, a Comissão Estadual de Música procurou incorporar à esfera da arte musical a enorme área do Interior do Estado. Essa providência será desenvolvida progressivamente, de modo a permitir a utilização da experiência gradativamente acumulada, a fim de sanar as falhas e aperfeiçoar os processos eficazes. O primeiro estágio dessa planificação consistiu em realizar concertos e recitais em cidades do Interior, previamente escolhidas, visando a uma aproximação maior da população interiorana com a arte musical.

Na Capital do Estado, além das atividades já mencionadas, tais como realização de concertos, recitais, conferência e o Curso de Formação de Professores, projetou-se a organização de corpos estáveis e de um estabelecimento de ensino modelo.

No campo da difusão musical, prosseguiu-se na série de recitais e concertos iniciada há cerca de dois anos e meio. Artistas

contratados pelo Estado apresentaram-se nas seguintes cidades: Araraquara, Barretos, Bauru, Campinas, Franca, Lins, Marília, Piracicaba, Ribeirão Preto, Rio Claro, São Carlos, São José dos Campos, São José do Rio Preto, Sorocaba e Taubaté.

O Serviço de Fiscalização Artística, integrado no Conselho Estadual de Cultura, colaborou para o objetivo de se difundir o gosto musical e aprimorar o ensino. Assim é que vários estabelecimentos obtiveram fiscalização preliminar ou reconhecimento oficial, elevando-se cerca de 120 os que atualmente se encontram sob inspeção do Estado, com cerca de 13.000 alunos e mais de 1.000 professores.

ARTES PLÁSTICAS

No setor de Artes Plásticas, o poder público, visando a estimular a criação e o nível artístico da pintura, escultura, desenho e gravura, manteve os dois Salões, o de Belas Artes e o de Arte Moderna. Em 1961, essas mostras realizaram-se, respectivamente, pela 26.^a e 10.^a vez, com ocorrência de numerosos interessados, muitos dos quais de outras unidades da Federação. As verbas desses Salões foram acrescidas e ainda mais o serão no corrente exercício, a fim de que os prêmios se tornem realmente atraentes para os artistas plásticos. No que respeita ao Interior, em 1961, a Pinacoteca do Estado levou a Birigüi, Ribeirão Preto e São José do Rio Pardo parte de seu acervo, não exposto na Capital.

Por intermédio dos estabelecimentos de ensino, o Estado subvencionou escolas de artes plásticas, como a "Pedro Alexandrino", de Campinas, destinada ao ensino da pintura.

Cogita-se, agora, de ampliar as exposições circulantes, bem como de estudar, convênio com o Museu de Arte Moderna, visando a dar definitiva estabilidade à Bienal de São Paulo.

Para a realização da VI Bienal, contribuiu o Governo com a importância de 20 milhões de cruzeiros.

EDUCAÇÃO FÍSICA E ESPORTES

O Governo, por intermédio do Departamento de Educação Física e Esportes orienta, fiscaliza e difunde a prática dos desportos, da educação física e da recreação nos clubes, associações esportivas, estabelecimentos oficiais e particulares de ensino, bem como nos órgãos de recreação.

No setor da educação física, que compreende 780 estabelecimentos de ensino, dos quais 176 na Capital e 604 no Interior, incrementaram-se as demonstrações de ginástica, os certames de diversas modalidades e as competições, que reuniram conjuntos de diversas regiões.

Em 1961, como sempre, aliás, amparou o Governo diversas realizações de caráter esportivo, tais como o Campeonato Estudantil, as provas referentes ao Troféu "Bandeirantes", os Jogos Abertos do Interior, os Jogos Regionais e diferentes Campeonatos com caráter poli-esportivo, que tiveram a participação de representações de mais de duas centenas de cidades.

As praças de esportes do Departamento de Educação Física e Esportes foram cedidas a clubes, federações, instituições particulares e colégios para a realização de espetáculos e competições de várias naturezas.

Para incentivo do esporte amador, concedeu o Governo, no ano findo, Cr\$ 150.000,00 a cada uma das Federações Esportivas do Estado, num total de Cr\$ 4.350.000,00. A diversas outras entidades esportivas foram distribuídos auxílios que montaram a cerca de Cr\$ 48.000.000,00.

Cabe, por último, aqui, uma notícia sobre os Jogos Panamericanos que se realizarão, em 1963, nesta Capital.

Bem compreendendo a importância que o certame terá como estímulo à prática dos esportes, demonstração da capacidade realizadora da nossa gente, propaganda do nome do País no exterior e incentivo ao turismo, vem o Governo do Estado dando amplo apoio às providências necessárias à sua efetivação.

Assim, comprometeu-se a construir desde logo, dentro do programa de habitações da Cidade Universitária, 6 blocos, onde se

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alojarão 2.500 atletas. Estes blocos estão orçados em 450 milhões de cruzeiros e ficarão concluídos no início do ano vindouro.

Empreendeu, ainda, o Governo de São Paulo, junto ao Federal, gestões para que a União prestigie o empreendimento por todas as formas possíveis.

Para fazer parte da Comissão Organizadora dos Jogos, foram designados representantes do Departamento de Educação Física e Esportes, do Fundo de Construção da Cidade Universitária e do Grupo de Planejamento.

JUSTIÇA E SEGURANÇA PÚBLICA

PROBLEMA PENITENCIÁRIO

Neste campo, a preocupação maior da Administração foi a de prosseguir no programa de descentralização penitenciária.

O Presídio do Carandiru, como é do conhecimento geral, vem, de há muito, recebendo contingentes de condenados em número superior àquele que suas acomodações permitem. Desnecessário será dizer dos graves inconvenientes que esse congestionamento acarreta, não só para a normal recuperação do delinqüente, como, também, para a própria segurança do Presídio.

Nessa esteira de pensamento, deliberou a Administração fossem aceleradas as obras de conclusão da Penitenciária de Presidente Venceslau, a primeira de uma série de quatro projetadas para o interior do Estado. Os trabalhos se desenvolveram em ritmo intenso, tanto que foi possível entregar a obra, praticamente pronta, antes mesmo de encerrado o ano de 1961. Sua inauguração oficial está prevista para o início deste exercício, mas é certo que, já em dezembro último, começou o estabelecimento a receber os primeiros sentenciados, vindos da Penitenciária do Estado.

Com capacidade para quatrocentos homens, este Presídio atenderá às Comarcas de maior movimento da região: Presidente Prudente, Assis, Santo Anastácio, Martinópolis, Santa Cruz do Rio Pardo e Ourinhos. Assinale-se que a Penitenciária de Presidente

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Venceslau manterá oficinas — muitas das quais já em funcionamento — para produzir inúmeras utilidades; contará, ainda, com padaria, lavanderia, câmaras frigoríficas, poços artesianos, incineradores de lixo e moderna estação radiotelegráfica.

Dentre as vantagens que advirão dessa obra, poderão ser enumeradas as seguintes: desafogará a Penitenciária do Estado; evitará a superlotação das cadeias do Interior; facilitará as visitas aos sentenciados; proporcionará oportunidade para a recuperação do detento, através da terapêutica do trabalho e evitará a promiscuidade, sempre perniciosa, uma vez que os modernos métodos penitenciários reclamam a composição de grupos homogêneos de reeducandos.

A segunda Penitenciária Regional será localizada em Avaré, cidade, também, de privilegiadas condições para abrigar estabelecimento dessa natureza.

A pedra fundamental da construção foi colocada em 17 de junho de 1961, já tendo sido reservados recursos para a execução da obra e tomadas todas as providências preliminares indispensáveis ao seu pronto desenvolvimento.

Em Araraquara, localizar-se-á outra Penitenciária Regional e o início de sua edificação está previsto para este ano.

Por último, dentro do plano, está programada a construção de mais um Instituto Penal.

Em princípio, cogitou o Governo de dar-lhe sede em Mauá, cidade que, pela sua localização, se prestaria perfeitamente para receber estabelecimento desse tipo. Entretanto, por falta de terreno adequado, a idéia inicial teve que ser abandonada.

No momento, processam-se novos estudos a respeito, e, ao que tudo indica, a obra será construída em Santa Izabel, município igualmente muito bem situado para o fim em vista.

Aliás, é de se ressaltar que a Prefeitura daquela cidade, bem compreendendo a alta relevância do empreendimento, já se dispôs a doar terreno para a construção do Instituto Penal. O imóvel oferecido foi devidamente vistoriado por técnicos da Secre-

taria da Justiça, inclusive pelo Diretor Geral do Departamento dos Institutos Penais do Estado, e merecem plena aprovação.

A atenção do Governo, porém, não se concentrou apenas no desenvolvimento do plano acima exposto, como a seguir se verá.

Assim é que foram ativados os trabalhos de conclusão do Presídio Feminino do Tremembé.

Será, indubitavelmente, estabelecimento modelar que obedecerá, em tudo, aos modernos princípios da ciência penitenciária e destinado a receber as delinqüentes, em primeiro e segundo estágio da pena, que, no momento, são recolhidas na Penitenciária do Estado.

No Instituto Penal Agrícola de São José do Rio Preto, atacaram-se as obras de adaptação do segundo pavilhão, que incluirá a cozinha e dormitórios. Construiu-se, ainda, com a verba do Fundo de Trabalho Penitenciário, prédio para escola destinada aos filhos de funcionários e reeducandos.

Aprovada a planta, foi iniciada, também em 1961, a construção da Casa do Egresso, estabelecimento que virá preencher séria lacuna no sistema penitenciário.

Concomitantemente, foram tomadas tôdas as providências para a reconstrução da Casa de Custódia e Tratamento de Taubaté, cujo prédio foi destruído, em grande parte, quando dos lamentáveis acontecimentos que ali se desenrolaram em agosto último.

Os estudos preliminares já receberam aprovação e está reservada verba para o início dos trabalhos.

A nova Casa, cujo custo está orçado em Cr\$ 250.000.000,00, terá 322 celas, sendo que 36 disciplinares e 30 para observação e triagem dos detentos. Possuirá, ainda, moderno pavilhão hospitalar.

Finalmente, cabe, aqui, notícia a respeito do Instituto Latino Americano de Criminologia que, instalado em 1959, ainda não pôde dar início, em razão de carecer de estrutura legal, ao programa constante do ajuste celebrado, pelo Estado, com a Organização das Nações Unidas e aprovado pela Lei n. 5.913, de

18 de outubro de 1960. O retardamento na submissão do competente projeto de lei a esta Assembléa deveu-se à cautela, que teve o Governo, de pedir o parecer da ONU sobre a respectiva minuta elaborada pelos órgãos próprios da Administração.

Não obstante, o Instituto desenvolveu várias atividades em 1961, mormente na divulgação, entre os países latino-americanos, de seus objetivos e na organização de biblioteca especializada.

PROBLEMA DO MENOR

Com a finalidade de esclarecer a opinião pública a respeito do grave problema do menor desamparado, idealizou-se o movimento "São Paulo e a Criança", que tinha ainda por objetivo apontar novos rumos à política governamental sobre o assunto.

Respondendo ao apêlo que lhes foi feito, homens responsáveis da Capital e do Interior deram preciosa colaboração à campanha encetada. Assim, participaram dos 8 simpósios que, para tratar do assunto, foram realizados em Batatais, São José do Rio Preto, Lins, Bauru, São Carlos, São Paulo, Santos e Sorocaba.

Em resumo, foi preconizado nesses Congressos, e em especial no de Sorocaba o seguinte conjunto de medidas: a diminuição dos internamentos, visto que proporcionam às crianças ambiente antinatural (todavia e enquanto não for possível tal medida, deverão ser proporcionadas, nos internatos, melhores condições para o desenvolvimento físico, social, rural e profissional dos menores); a urgente criação de creches e severa fiscalização das indústrias para o fim de que se cumpram os dispositivos legais referentes à manutenção de creches; a organização das empregadas domésticas em entidades de classe; a rigorosa observância das leis que regulamentam o trabalho do menor; a racionalização do ensino e ampliação do "currículo" escolar primário; o tratamento da água e dos esgotos; o racional aproveitamento do lixo e a realização de campanha educativa sobre a desidratação, como medida indispensável ao combate à mortalidade infantil.

Recomendou-se, também, com especial ênfase, naqueles simpósios, a formação de consórcios intermunicipais destinados ao amparo de menores necessitados do Interior. Esta providência visa, inclusive, a desafogar o Serviço Social de Menores, da Secretaria da Justiça, com o conseqüente desaparecimento da superlotação, extremamente prejudicial para os educandos, de seus abrigos e institutos.

Durante o ano transato, o Governo do Estado assinou contratos de cooperação com os consórcios de Itararé (zona sul), com sede em Capão Bonito e das zonas de Bauru, da média Mojiana, com sede em São João da Boa Vista, de São Carlos, da Alta Araquaraense e de São José do Rio Preto. Prova o acerto desta orientação o fato de as internações, no Serviço Social de Menores, terem baixado da média de 400 por mês, nos últimos dois anos, para a de 170, em 1961.

Inegavelmente, pois, foi dado importante passo no sistema estadual de proteção à infância.

Com o intuito de formar pessoal especializado em cuidar de menores, foram realizados 2 cursos, um na Escola de Serviço Social e outro no Serviço Social de Menores; 187 alunos receberam certificados de aproveitamento.

Com recursos do Plano de Ação, pôde a Administração: dar continuidade ao programa de reequipamento do Serviço Social de Menores, procedendo ainda a radicais reformas nos Institutos de Batatais, Lins, Iaras, Moji-Mirim e Guarujá; iniciar o novo serviço de Abrigo e Triagem na Água Funda, com 37 edifícios, com a capacidade para 1.109 crianças, e rigorosa separação de cada grupo de menores, à vista de seus antecedentes; e adquirir o Educandário "Sampaio Viana" no Pacaembu, onde poderão ser imediatamente instaladas cerca de 300 crianças.

O Fundo de Assistência ao Menor auxiliou 290 entidades assistenciais, distribuídas em 109 cidades interioranas.

Em decorrência, porém, da Emenda Constitucional n.º 5, que, entre outras providências, transferiu para os municípios a competência para cobrar o imposto de transmissão de propriedade imo-

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biliária "inter vivos", o Fundo de Assistência ao Menor perdeu sua única fonte de recursos, constituída por adicional que incidia sobre aquele tributo.

Para que o FAM — que tão assinalados serviços tem prestado à causa do menor — pudesse subsistir, esta Colenda Assembléia, como sempre, atenta aos altos interesses da coletividade, atribuiu-lhe 35%, do adicional, sobre o imposto do selo, instituído pela Lei n.º 6.626, de 30 de dezembro de 1961. Segundo cálculos da Secretaria da Fazenda, a cota-parte desse adicional, que caberá ao Fundo, em 1962, será da ordem de 90 milhões de cruzeiros, com o que se assegurou o prosseguimento de seus serviços assistenciais.

Para o corrente ano, o programa da Administração, no que diz respeito ao amparo do menor, já está traçado e inclui, notadamente, a construção de Instituto para menores infratores, na Fazenda Monte Alegre, pertencente à Secretaria da Agricultura e situada em Ribeirão Preto; de Patronato em Lins, cujo projeto já se acha pronto, devendo a respectiva concorrência ser aberta brevemente; do Plantão do Juizado de Menores — obra já autorizada e que deverá ser executada pelo Instituto de Previdência do Estado de São Paulo, com o que ficará resolvido, de maneira satisfatória, o problema da acomodação dos menores diariamente entregues àquele Juizado; e de 10 creches nos bairros periféricos da Capital — empreendimento também já autorizado.

DEFESA DOS INTERESSES DO ESTADO

Coube ao Departamento Jurídico defender, em juízo a expropriação das ações da Companhia Paulista de Estradas de Ferro.

Não obstante os recursos judiciais interpostos, objetivando a anulação da medida governamental, esta foi mantida.

Conforme foi acentuado na ocasião, optando pela desapropriação das ações, o Governo Estadual evitou o pernicioso hiato na administração da ferrovia e o desmantelamento da sociedade

anônima, que a simples desapropriação de bens fatalmente viria acarretar, com graves prejuízos para o serviço de transportes e acentuada inquietação nos meios trabalhistas.

Passou, em seguida, a Administração, a providenciar, em consonância com o pronunciamento daquele órgão jurídico, o resgate amigável das ações da empresa, cujos antigos proprietários se dispusessem a aceitar o preço oferecido pelo Estado, tanto para as ações nominativas, como para as ações ao portador.

Também do acôrdo firmado com a Fundação da Casa Popular participou o Departamento Jurídico do Estado, ensejando o alcance de composição amigável, que pôs termo definitivo à velha pendência.

Nos termos do ajuste, o Estado pagará, àquela fundação, a dívida de Cr\$ 187.000.000,00, tendo ficado acertado, outrossim, que essa soma será, toda ela, invertida em São Paulo.

Como se verifica, o acôrto, resguardando os direitos da Fundação, atendeu, por outro lado, aos altos interesses do Estado, pois permitirá a aplicação, em território paulista, do produto das contribuições aqui recolhidas.

No que tange ainda ao Departamento Jurídico, cumpre mencionar a sua reorganização administrativa, operada pela recente Lei n.º 6.772, de 26 de janeiro último.

A medida, calcada em estudos realizados pelos dirigentes daquêle órgão, procurou estruturá-lo de modo a que possa dar cabal e adequado cumprimento às altas finalidades para as quais foi criado.

O Departamento Jurídico compreende agora:

Gabinete do Procurador Geral

Procuradoria Judicial — com 4 subprocuradorias

Procuradoria Imobiliária — com 3 subprocuradorias

Procuradoria de Assistência Judiciária — com 5 subprocuradorias.

Procuradoria Administrativa — com 4 subprocuradorias

Consultorias Jurídicas das Secretarias de Estado

Procuradoria Fiscal da Secretaria da Fazenda — com suas subprocuradorias

Procuradoria da Junta Comercial

REFORMA JUDICIÁRIA

Tendo em vista urgentes necessidades da Justiça de São Paulo, o Colendo Tribunal de Justiça, no uso de sua competência, constituiu comissão de egrégios desembargadores, atribuindo-lhe a ingente tarefa de planejar a Reforma Judiciária, agora em curso.

Dividida em três partes, cuida a primeira, já efetivada na forma da Lei n.º 6.142, de 27 de junho de 1961, do ingresso na magistratura, dos juizes substitutos de circunscrição, das férias, das comarcas do Interior e de disposições correlativas.

A segunda fase, consubstanciada no projeto de lei que, nesta nobre Assembléia, tomou o número 2, de 1962, dispõe sobre descentralização dos serviços judiciários da Capital, pela instituição de Varas distritais e Juizes auxiliares, de investidura temporária e criação ou reestruturação de comarcas com sede em municípios da periferia de São Paulo.

Finalmente, na última, objetivar-se-á solucionar, sempre nos termos preconizados pela mais alta Corte da Justiça estadual, o problema da 2.ª Instância.

Trata-se, como se vê, de reforma de caráter orgânico e feição sistemática, capaz, pois, de aprimorar a distribuição da Justiça em nosso Estado.

F O R U N S .

Continuando o programa de dotar os serviços da Justiça, no Interior, de melhores instalações, o Governo do Estado concluiu os prédios destinados aos Foruns de Amparo e Itapira.

Por outro lado, foram iniciadas as obras dos Foruns de Apiaí, Caconde, Cajuru, Leme, Osvaldo Cruz, Promissão, Santa Isabel e Santo Anastácio, estando tôdas em fase bem adiantada.

CADEIAS E OUTROS PRÉDIOS DO ORGANISMO POLICIAL

No ano de 1961, a Administração empenhou-se, com grande afinho, na tarefa, que se constituiu na meta principal da política do Governo no setor policial e carcerário, de dotar as suas unidades da Capital e do Interior de edifícios e instalações adequados.

A principal obra inaugurada em 1961 foi o Pavilhão n.º 9 da Casa de Detenção, completando o objetivo previsto para este período governamental. O novo Pavilhão poderá abrigar 550 detentos, em celas individuais. Do plano de construção de 9 edifícios desse conjunto carcerário, já haviam sido concluídos o de n.º 8 (para detentos primários) o de n.º 2 (feminino), a portaria e o Corpo de Guarda, estando em construção o de n.º 5.

Foi inaugurado o novo Presídio do Hipódromo, totalmente reformado, com capacidade para abrigar 700 detentos.

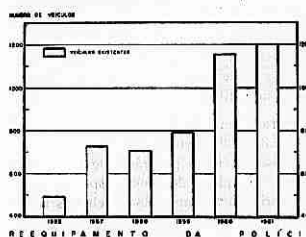
Dentro do plano de construção e equipamento de Cadeias e Delegacias do Interior, que tem o objetivo de promover a descentralização dos serviços, já foram concluídas 77 obras; em andamento encontram-se outras 57.

SERVIÇOS POLICIAIS NA CAPITAL

O programa da Capital, que prevê a construção de edifícios para sedes de Delegacias Circunscriçionais, Chefias de Zona e garages-oficinas, está em pleno andamento, encontrando-se em obras 29 edifícios para delegacias e 3 para garages. Uma garage foi concluída.

Ao lado da adequada instalação e equipamento dos serviços, está prevista a ampliação e aperfeiçoamento das tarefas de treinamento de pessoal. Para isso, será construído edifício para a Escola de Polícia, junto à Cidade Universitária "Armando de Salles Oliveira". As medidas preliminares já foram executadas, tendo sido assinado convênio com o Fundo para Construção da Cidade Universitária que irá realizar o empreendimento neste exercício.

VEÍCULOS POLICIAIS



Desenvolveu-se a frota de patrulha, exigida pelas peculiares condições da demografia estável e dinâmica da área policial da Capital, que abrange os municípios do ABC e de Guarulhos. Com as aquisições de 1961, a frota de veículos tem agora 1.200 unidades.

RÁDIOCOMUNICAÇÃO

Foram instaladas 9 cabines, no Palácio da Polícia, para a Rádio Patrulha e criados repetidores em bairros, para tornar mais eficaz a comunicação com as viaturas da periferia.

Além desses, encontra-se em fase de aquisição outro importante equipamento de intercomunicação, que ligará a sede da 7.ª Divisão Policial (Santos) e respectivas Regiões com a Capital, além do destinado à melhoria do serviço da Capital com localidades interioranas.

RÁDIODIFUSÃO

No exercício da importante função policial de fiscalização da Rádiodifusão, foram construídas 24 cabines acústicas, equipadas com aparelhos de televisão, receptores e gravadores.

POLICIAMENTO

Intensificou-se o policiamento da Capital, articulando-se mais eficazmente a ação da polícia militar e da polícia civil, em consequência de várias reuniões realizadas com essa finalidade.

PERÍCIA E FORMAÇÃO PESSOAL

Também no importante campo da Medicina Legal o reaparelhamento se fez sentir. Dois fatos merecem relevo: a instalação do Posto Médico-Legal de São Bernardo do Campo, com o qual se eleva para 24 o número de tais unidades fora da Capital, e o funcionamento de moderno e bem aparelhado setor de fotografia judiciária, que veio melhorar, indiscutivelmente, o nível técnico das perícias atribuídas ao Instituto Médico-Legal.

Tomaram-se as seguintes medidas para a boa formação do policial propriamente dito e de técnicos e funcionários:

- a) convênio com a Faculdade de Medicina, pelo qual será ministrado, pela Cátedra de Medicina-Legal da Universidade, curso de especialização visando à formação de médicos-legistas;
- b) instituição de uma Seção de Recursos Audio-visuais, com a finalidade de se elevar o nível didático em todos os cursos;
- c) elevação do nível pedagógico dos cursos existentes, mediante instituição de comissões que elaboram numerosos trabalhos. O seu resultado integrará ampla proposta de reestruturação interna daqueles cursos e dos respectivos programas;
- d) instituição de cursos de línguas, com a finalidade de preparar bolsistas para o mais completo aproveitamento dos cursos no Exterior e de dar, a policiais que o desejarem, o conhecimento indispensável à leitura de obras estrangeiras;
- e) aquisição, nos Estados Unidos da América do Norte, das primeiras unidades de amplo equipamento que, em razão da cooperação prevista no Ponto IV, se destinarão à Escola de Polícia; e
- f) convênio entre o Instituto "Oscar Freire" e a Escola de Polícia, para especialização de médicos legistas.

GUARDA - CIVIL

Na Guarda-Civil, que comemorou, em 1961, o seu 35.º aniversário, foram abertas inscrições para mais 400 vagas; diplomou-se mais uma turma no curso de patrulheiros da Escola de Polícia; instalaram-se dois Postos de Informações da Guarda, com intérpretes para várias línguas estrangeiras, um na Praça Antonio Prado e outro na Estação Rodoviária. Foram resolvidos ainda vários problemas com que se defrontava a corporação: o do fornecimento atualizado de uniforme, o dos meios de transporte para distribuição de policiamento e para fiscalização, o da reforma das oficinas mecânicas e de conservação, o da reforma do prédio da sede e o da completa atualização do Regulamento Disciplinar.

FORÇA PÚBLICA

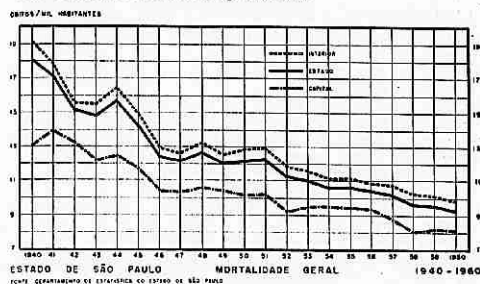
No que se refere à Força Pública, foi autorizada a criação de mais dois batalhões, o 14.º e o 15.º, destinados à proteção de menores, guarda de presídio e escolta de presos; decidiu-se localizar uma companhia em São Bernardo e foi sancionada lei que alterou o limite de atividade de oficiais da corporação e melhorou vencimentos e salários.

Dentro do programa de construções, foi concluído o Posto de Bombeiros do Glicério, estando 4 outros edifícios em obras e 5 já contratados.

SAÚDE PÚBLICA E ASSISTÊNCIA SOCIAL

No âmbito da saúde pública, os esforços despendidos visam, antes de tudo, à realização de um programa harmônico que associe o desenvolvimento econômico ao bem-estar, cada vez maior, de toda coletividade nacional.

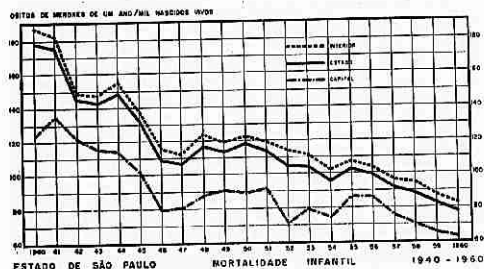
Assim, torna-se dia a dia mais indispensável uma perfeita conjugação de esforços da União, dos Estados e dos Municípios no sentido de se estabelecer uma política sanitária que permita somar e distribuir recursos adequadamente.



Ainda recentemente, coube a São Paulo a iniciativa de propor a realização de uma Conferência Nacional de Saúde, à qual competiria traçar as linhas mestras de um entrosamento dos vários programas de saúde pública, tendo em vista, principalmente, a efetivação de medidas de interesse comum que permitissem estabelecer uma unidade nacional de orientação na solução dos problemas sanitários.

Realmente, não se pode, por exemplo, pensar em erradicação da malária se a campanha contra essa endemia não for desenvolvida sem hiato regional. Da mesma forma, é impossível impedir que a esquistossomose se alastre, quando correntes migratórias internas, de permanente movimentação, contribuam para a propagação da doença. Acrescente-se, ainda, os exemplos da doença de Chagas e da varíola, que tanto atingem regiões subdesenvolvidas, quanto áreas de maior densidade demográfica e de alto nível econômico.

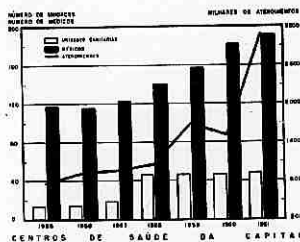
É oportuno ressaltar que, na reunião da Organização dos Estados Americanos, realizada em Punta del Este, foram fixadas



normas para o planejamento de programas de saúde, dentro de critério coincidente, em essência, com a orientação que vem sendo seguida pela Secretaria da Saúde Pública e da Assistência Social do Estado de São Paulo.

UNIDADES SANITÁRIAS

O número total de unidades sanitárias da Administração Paulista — cerca de 1.500, incluindo mais de seis centenas de Postos de Puericultura, para lá de meio milhar de Postos e Centros de Saúde, bem como Dispensários de Tuberculose, Postos e Dispensários de Higiene Visual, Dispensários de Lepra, Serviços de Higiene Pré-Natal e outros — cobre praticamente todo o território estadual.



Dentro da diretriz, já exposta em ocasiões anteriores, não procurou o Governo, no ano findo, tão só

aumentar o já grande número de reduções sanitárias existentes. Preferiu, antes, lançar-se à tarefa, tão postergada, de construir, dentro dos moldes recomendados pelos mais modernos especialistas no assunto, edifícios onde se

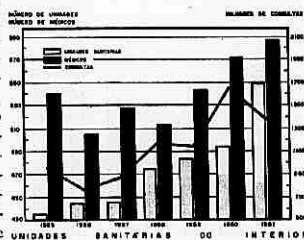
reunissem, tanto quanto possível, os diferentes serviços, instituindo-se, assim, unidades polivalentes, onde os resultados da ação sanitária do Estado se potencializam, ao mesmo tempo que os gastos puramente administrativos são reduzidos de forma notável.

No lugar próprio desta Mensagem serão encontrados os dados relativos à construção de unidades sanitárias dentro do Plano de Ação do Governo.

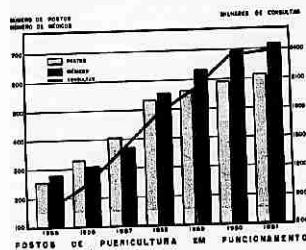
ASSISTÊNCIA À MÃE E À CRIANÇA

A assistência à mãe e à criança é atividade fundamental em saúde pública e o Governo de São Paulo timbra em lhe dar a primazia nos seus serviços assistenciais. Assim é que o número de unidades, por meio das quais a gestante e a primeira infância recebem conselhos, cuidados médicos, remédios e alimentos, vai além de 600.

Tal amplitude de rede, de malhas cada vez mais estreitas, faz parte do programa, de Administração, de dotar os municípios de adequada assistência à infância bem como de criar Serviços de Higiene Pré-Natal nas principais unidades sanitárias da Capital



e do Interior. A este conjunto também pertence o Serviço Obstétrico Domiciliar, que serve, não só a periferia da Capital, como municípios onde existem Hospitais-Maternidade.



Na Capital, a conclusão das obras do Hospital Infantil e Maternidade "Cândido Fontoura" e do Pavilhão de Clínicas Especializadas, do Instituto de Puericultura, permitirá seja prestada assistência integral a muitas centenas de infantes, por dia.

O problema da desidratação, que tanta preocupação vinha causando ao Governo do Estado, tem apresentado, graças às medidas tomadas, aspecto muito menos grave em seu conjunto, o que é fartamente demonstrado pelas estatísticas a respeito, que consignam, para a espécie, substancial decréscimo de mortalidade infantil.

ENDEMIAS RURAIS

O Governo do Estado assumiu, por intermédio do Ministério da Saúde, grave e solene compromisso com órgãos internacionais — Organização Pan-Americana da Saúde, da Organização Mundial da Saúde e International Cooperation Administration, do Ponto IV do Governo Americano — ao se integrar na Campanha de Erradicação da Malária.

Embora incidindo, em maior ou menor grau, em 40% da nossa extensão territorial, que compreende duas centenas e meia de municípios, com uma população de cerca de 2.300.000 habitantes, a malária já não constitui a mesma ameaça de outrora. Armas modernas de combate aos insetos vetores permitiram resul-

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tados pré-excelentes no mundial combate ao flagelo. Sucedeu, porém, quase inesperadamente, o desenvolvimento naqueles de resistência aos inseticidas. Este fato, estudado e comprovado em alguns países, passou a constituir nova e séria ameaça às conquistas penosamente obtidas na profilaxia do mal. Em consequência, a Organização Pan-Americana de Saúde decidiu recomendar a erradicação da malária em todo o hemisfério, o que vem sendo feito com sua orientação e ajuda.

Cuidadosamente planejada e preparada em 1959, a operação entrou, entre nós, em execução, já em fevereiro de 1960, mediante o rociamento, duas vezes por ano, de todas as habitações da área malarígena, por meio de DDT. Este processo impede a transmissão da parasitose pelo tempo necessário ao extermínio das fontes de infecção. Ao mesmo tempo, procuram-se, por exames hemoscópicos, os portadores da doença, que são convenientemente medicados.

O número de rociamento domiciliares elevou-se, em 1961, a cerca de 800 mil.

Em 1962, de fevereiro a julho, executar-se-á o quinto ciclo de rociamento e, em agosto, o sexto, juntando-se, às 87 equipes de serviço, outras que atingirão as áreas não acessíveis por via terrestre. Os Postos de Notificação deverão somar 5.000, possibilitando-se a prática de, pelo menos, 300 mil exames de sangue durante o exercício.

São Paulo cumpre, dest'arte, plenamente, os compromissos assumidos, nesta vasta e urgente campanha sanitária de âmbito internacional.

A par dessa empresa, e a ela associada, a outra iniciativa, de igual modo vultosa e inadiável, se dedicou a Administração Sanitária estadual: o combate à doença de Chagas, que vinha assolando, quase despercebida, largo trecho do território paulista. Problema ainda mais grave, no momento, que o da própria malária, a doença de Chagas atingiu cerca de 350 municípios, poupando apenas o litoral e, em grande parte, o Vale do Paraíba. Cerca de 3 milhões de moradores, em 600 mil habitações, estavam

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expostos à infecção, até hoje incurável e que incapacita, pelas graves lesões cardíacas provocadas, as suas vítimas, até que sobrevenha a morte, em prazo mais ou menos longo.

O estado presente dos conhecimentos sobre o assunto permite apenas que se lute contra o mal pela exterminação dos tratomídeos, com aplicação do B.H.C., uma vez por ano, nas habitações onde ele se alberga. Controlados os vetores, reduzir-se-á a nível insignificante a transmissão da doença.

Ao lado destas medidas profiláticas, realizadas em conjunto, em grande parte, com as da erradicação da malária, pela coincidência de ambas as parasitoses em largas áreas endêmicas, prossegue o programa de pesquisas científicas, em Convênio com o Ministério da Saúde, visando ao melhor conhecimento da doença de Chagas.

Problema sanitário também de mais alta importância, no meio rural, é o da esquistossomose, que, em certas áreas do País, apresentava, anos atrás, uma incidência de até 85%. Em nosso Estado, os poucos focos conhecidos foram mantidos sob controle, tendo sido erradicado o existente em Campinas. Registraram-se 155 casos autóctones nos focos já conhecidos, ao passo que se assinalaram 669 casos originários de outros Estados. Prosseguem os trabalhos para a complementação da carta planorbídica de São Paulo, tendo sido pesquisados, no ano findo, 20 municípios. Para atacar com eficiência a moléstia é indispensável a cooperação do Governo Federal, uma vez que é grande o número de portadores de parasitos que, de outros Estados, se encaminham constantemente para o território paulista. Não só é mister examinar com decisão o problema das migrações internas, como estabelecer, desde já, a sistematização do combate à endemia nas diferentes unidades da Federação, onde sua incidência é manifesta.

TUBERCULOSE

Os progressos de quimioterapia e a vacinação pelo BCG ensejaram, nestes últimos dez anos, redução acentuada do número de óbitos por tuberculose, que, em certos países, baixou de 50%.

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Não fôsse o peso dos fatores sociais que condicionam a doença, seria de se esperar que, no próximo decênio, essa porcentagem fôsse mínima. Fato bastante auspicioso, não autoriza, contudo, qualquer arrefecimento na luta contra o flagelo, de modo particular no Brasil, cujos coeficientes de mortalidade, na espécie, tiveram interrompido o seu descenso, de anos para cá, e acusam, mesmo, elevação em 11 Capitais. Em São Paulo, a estabilização da mortalidade perdura até 1960, quer na Capital, quer no Interior. Por outro lado, os percentuais de morbidade não têm decrescido. Da conjugação desses dois fatos decorre aumento na prevalência da doença. Estão os serviços próprios a braços com grande número de casos que não se curam, mas se cronificam; disseminam a doença e exigem internamento por longo tempo, mesmo porque as precárias condições econômicas da maioria das vítimas aconselham rápida hospitalização, única forma de atenuar suas dificuldades financeira e o risco de contágio dos familiares.

Assim, a política sanitária, que se vem intensificando e ampliando, consiste no diagnóstico precoce pela abreugrafia em massa; no controle dispensarial dos focos com o tratamento em ambulatórios, visando à negatização dos casos e a fiscalização dos comunicantes; na imunização, pelo BCG, de recém-nascidos e dos grupos etários até a adolescência; na hospitalização dos casos que não se compadeçam com o tratamento ambulatorial; na reintegração dos curados na sociedade; na educação sanitária e integração da luta contra a tuberculose nos programas de saúde pública e no desenvolvimento de pesquisas conducentes a novos métodos terapêuticos e profiláticos.

Em 1961, foram feitas mais de 800 mil abreugrafias e o Estado forneceu quase 1 milhão e seiscentos mil leitos-dia. Dentro da política de cooperação com as entidades assistenciais privadas, ampliou-se para 900 o número de leitos em convênio.

A situação do problema da tuberculose, em São Paulo, é, sem dúvida alguma, favorável, se a compararmos com a do resto do País. Está em execução o estabelecimento de unidade dos programas entre todos os serviços estaduais e o Serviço Nacional de Tuberculose, bem como a atualização das leis de previ-

dência social, em conformidade com os conhecimentos modernos sobre fisiopatologia e tratamento da tuberculose, para que se dê efetivo amparo ao doente e à sua família.

L E P R A

Dentro dos conceitos atuais relativos à profilaxia da lepra, além do incremento da rede dispensarial, transformaram-se os sanatórios em centros de observação de doentes, praticando-se ali, a um tempo, o tratamento seletivo e pesquisas de ordem clínica. Com esta finalidade, reformaram-se instalações e construíram-se novas dependências nos sanatórios de Sarto Angelo, Pirapitingui, Aimorés, Cocaes e Padre Bento. Este último tornou-se perfeitamente aparelhado para atender às doenças intercorrentes apresentadas por enfermos que tiveram alta, ou por aqueles que se encontram em tratamento específico nos dispensários. Não só se organizaram ali clínicas especializadas, como se inaugurou modelo de centro cirúrgico e ortopédico.

O Serviço de Reabilitação, criado em 1960, vem reafirmar a liderança de São Paulo no terreno da leprologia, não só no Brasil como na América do Sul. Como programado, este Serviço desenvolverá capítulo inteiramente novo no campo da medicina social: trata-se de solucionar o problema do incapaz, do desajustado físico, social, psicológico e profissional. Busca-se, assim, a recondução do egresso ao convívio social, tornando-o elemento útil e independente da coletividade.

Com os recursos fornecidos pelo Governo do Estado, esse Serviço entrará, no ano em curso, em pleno desenvolvimento.

OUTRAS DOENÇAS TRANSMISSÍVEIS

São Paulo há mais de vinte anos vem praticando a vacinação sistemática contra a varíola. Contando com vasta rede sanitária e dispondo de laboratório de saúde pública aparelhado para a pro-

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dução de linfa, a varíola não mais deveria existir em seu território, o que infelizmente não acontece. A causa da persistência da moléstia é encontrada ainda no afluxo ininterrupto, mercê das migrações internas, de novos grupos populacionais, entre os quais se-
bejam portadores de varíola e indivíduos contra ela não imunizados.

Providências de âmbito nacional têm sido reivindicadas por São Paulo, entre as quais a vacinação obrigatória dos recém-nascidos até três meses de idade, mediante o controle sistemático dos boletins demográfico-sanitários, de todos os cartórios de registro civil do Brasil, e o reaparelhamento dos postos de saúde das zonas onde habitualmente se concentram aqueles que pretendem migrar para outras regiões do País. Para esta campanha, de amplitude nacional, São Paulo poderia contribuir com apreciável reforço de vacina seca liofilizada.

Consigne-se, por último, que só as unidades sanitárias do Interior do Estado submeteram, em 1961, 1.244.998 pessoas à imunização contra a varíola.

A incidência da poliomielite no município de São Paulo, nos últimos anos, vinha preocupando, sobretudo, as autoridades sanitárias. De cerca de 3 casos para cada 100 mil habitantes em 1954, atingiu, em 1960, coeficiente de 20 casos para o mesmo número de habitantes. Entre nós esta moléstia ataca preferencialmente os menores de 5 anos. A propósito, verificou-se a seguinte incidência, na primeira infância, sempre por 100 mil habitantes: até 1 ano de idade, 285 casos; de 1 a 2, 346 e de 2 a 3, 102.

Moléstia de letalidade alta, pois, na Capital, morrem de 6 a 10% dos atingidos pela poliomielite, a gravidade do problema que representa vinha impressionando as autoridades. Em 1961, o número de óbitos, por essa infecção, foi de 154, superando o de tétano (150) e o de difteria (86).

Tudo indicava o risco que corriam, a cidade de São Paulo e seus arredores, de ser sede, inesperadamente, de um surto epidêmico de graves proporções, tal como o sucedido em Buenos Aires no ano de 1955.

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Nesta eventualidade, a Administração sanitária do Estado decidiu, após minucioso estudo da situação e dos meios de atalhá-la, optar, para a proteção da população infantil contra a poliomielite, pela vacina oral a vírus vivo — conhecida por vacina Sabin — não sem antes consultar a Organização Mundial da Saúde sobre a sua eficácia e inoquidade.

Coincidindo o parecer da OMS com o da Secretaria da Saúde, de São Paulo, foi programada e realizada, com inteiro êxito, no início de 1962, a vacinação com doses fornecidas pelo Ministério da Saúde, de, aproximadamente, 600.000 crianças até 4 anos de idade, do município de São Paulo e adjacências, protegendo-se, assim, todo aquele grupo etário, que é, como se disse, o mais sensível, entre nós, à paralisia infantil.

A vista do êxito da operação, determinou o Governo que se estudasse e programasse a extensão do trabalho ao Interior do Estado, de forma que não fique uma só região sem aquela proteção. Estaremos, assim, resguardando o valioso patrimônio humano — que é a criança — e garantindo o próprio futuro de nossa Pátria.

A raiva urbana e silvestre vem sendo mantida sob permanente controle, cumprindo observar, aqui, que poucos são os países que conseguiram a sua total erradicação. O Instituto "Pasteur" continua realizando, com êxito, o tratamento preventivo de pessoas mordidas por cães ou outros animais raivosos ou suspeitos. A obrigatoriedade da vacinação de cães, principais transmissores do mal, e a sua eliminação das vias públicas deverão constituir a maior preocupação das autoridades municipais, tanto na Capital quanto no Interior, para o eficiente combate à hidrofobia.

SAÚDE MENTAL

É sabido que os casos de perturbações mentais crescem na razão direta do progresso e, variando do mais simples desajuste à alienação, acarretam tripla ordem de problemas: médicos, so-

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ciais e econômicos. O número de leitos ocupados por doentes mentais supera o de todos os demais internados por outras doenças. Daí a extrema dificuldade do problema. A agravar a questão, ocorre ainda a inexistência, em número suficiente, de organizações particulares especializadas no tratamento dos distúrbios mentais. Os serviços estatais cresceram, por força de várias circunstâncias, sem plano e real sentido profilático. A assistência se concentrou quase que exclusivamente na Capital e em Franco da Rocha, tendo permanecido o Interior, na prática, desprovido de recursos.

Pondere-se, no entanto, que a simples internação de todos os alienados não resolveria a situação. Nem haveria, aliás, possibilidades de arcar o Estado com as enormes despesas relativas ao correspondente aumento do número de leitos.

Modernos métodos preventivos dos distúrbios mentais e novos processos terapêuticos vieram permitir, porém, a reformulação dos anteriores processos de tratamento dos pacientes mentais. Dentro desta orientação, cuida-se, ao lado da difusão dos preceitos de higiene mental, do tratamento precoce do doente em ambulatorios psiquiátricos. Cumpre, paralelamente, instalar clínicas de tratamento intensivo para os casos agudos da moléstia.

Maior número de leitos, de preferência localizados no Interior, ficará, assim, à disposição dos pacientes que, por não responderem ao tratamento psíquico intensivo, devem permanecer predominantemente em regime de terapia ocupacional.

Esta orientação, aliada às reformas e instalações de nosocômios, possibilitou, inclusive, o tratamento de centenas de alcoolistas. As novas clínicas de tratamento precoce, situadas nas zonas centro, norte, sul, leste e oeste da Capital, permitiram substancial melhora da assistência aos psicopatas, não só na Capital, como no Interior. Diga-se, de passagem, que só pelos Ambulatorios e Pronto-Socorros Psiquiátricos foram assistidos, no ano findo, cerca de 40 mil pacientes.

Neste passo é de se notar a necessidade da instalação, mediante convênios, de clínicas psiquiátricas anexas às Santas Casas

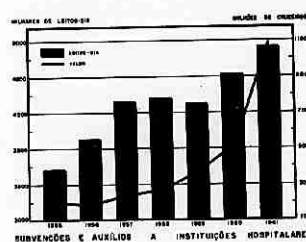
do Interior, situando-as, de preferência, em pequenos sítios ou chácaras, cuja produção, fruto do trabalho dos doentes que necessitam de tratamento laborterápico prolongado, beneficiará aquelas instituições.

Recomenda-se que clínicas idênticas sejam instaladas noutros Estados e, onde houvesse maior densidade demográfica, colônias de reabilitação, com a finalidade de evitar ou atenuar o afluxo de doentes para os nossos hospitais.

ASSISTÊNCIA HOSPITALAR

Nos hospitais não especializados, mantidos pela Secretaria da Saúde, o número de internados foi de cerca de 14 mil doentes. Mais três hospitais serão postos em funcionamento em 1962.

Perto de 250 instituições foram subvencionadas e auxiliadas para prestarem assistência hospitalar em todo o Estado, após seleção e assinatura de convênios rigorosos. No exercício de 1960, foram destinadas, para manutenção dessas entidades, importâncias da ordem de 300 milhões de cruzeiros; em 1961, com a mesma finalidade, o Governo despendeu o dobro dessa importância.



Os auxílios para construção e equipamento somaram, em 1960, Cr\$ 78.800.000,00 e, em 1961, 300 milhões de cruzeiros.

O Estado vem aplicando cada vez mais recursos na edificação e ampliação de nosocômios, mas há necessidade de um amplo planejamento nacional para resolver o problema da assistência hospitalar.

CARDIOLOGIA

O Instituto de Cardiologia completou sua aparelhagem de Raios-X, bem como a de Fisiodiagnóstico.

O número de intervenções — de tipo clínico ou com a utilização do coração-pulmão artificial — praticadas no Serviço Cirúrgico aumentou extraordinariamente no exercício próximo findo.

Prosseguiram, no Instituto, os estudos sobre hemodinâmica, eletrocardiografia, débito coronário e influência eletiva de vários medicamentos com relação às lipoproteínas.

ASSISTÊNCIA OFTALMOLÓGICA

Entre os matriculados, em 1961, no Instituto do Tracoma e Higiene Visual, em número superior a 350 mil, o maior até o presente, apenas 1,7% apresentaram tracoma ativo, a mais baixa porcentagem até hoje conseguida.

Superado o tracoma como flagelo médico-social, aquele órgão passou a prestar assistência especializada às classes menos favorecidas, no Interior e na Capital.

No ano findo, mais cinco dispensários foram dotados de material moderno e completo para exame e tratamento de afecções oculares em geral.

LABORATÓRIO

Os Laboratórios estaduais, ampliados e enriquecidos, nestes últimos anos, com aparelhamento técnico moderno e de alto padrão, vêm desempenhando funções de capital importância no programa de saúde pública que a Administração se propôs. Não tem poupado o Governo recursos de toda ordem a fim de que as instituições sanitárias do Estado, algumas de renome inter-

nacional, como o Instituto Butantã e o Pavilhão de Vírus, do "Adolfo Lutz", se afirmem, cada vez mais, no tocante aos serviços de rotina, que crescem dia a dia, à produção de material de uso preventivo ou terapêutico e no que diz respeito a estudos e pesquisas.

É de se pôr em realce a excelente cooperação que desempenharam tais laboratórios no programa de vacinação oral contra a poliomielite.

A soma de trabalho e de pesquisas, desses órgãos, é realmente considerável: para exemplificar, diga-se que tão só o Instituto "Adolfo Lutz" realizou, em 1961, mais de milhão e meio de exames e análises.

O Plano Diretor do Instituto Butantã, que se constitui de magnífico conjunto de obras urbanísticas e arquitetônicas, foi objeto de convênio entre a Universidade de São Paulo e a Secretaria da Saúde e será executado pelo Fundo para Construção da Cidade Universitária "Armando de Salles Oliveira".

Ficará, assim, o Instituto Butantã, em excepcionais condições para atender à sua tripla finalidade: instituição científica avançada, centro de fabricação de produtos biológicos para proteger a população contra as principais doenças transmissíveis e, finalmente, local com funções educativas e turísticas, o que também contribui, efetivamente, para o seu renome no País e no Exterior.

FISCALIZAÇÃO ESPECIALIZADA

O Serviço de Policiamento da Alimentação Pública completou, em 1961, o levantamento cadastral dos estabelecimentos fabris e comerciais, que trabalham com alimentos, e procurou estender a todo o Estado os resultados da sua experiência na higiene alimentar e no combate à infração. A matéria prima, a manipulação e o acondicionamento de alimentos e bebidas têm

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ido objeto de reiterada fiscalização, obrigando os responsáveis pelos estabelecimentos a permanecerem atentos à boa elaboração dos produtos.

A mesma vigilância repetida enfrentam os alimentos "in natura". A ação apenas esporádica dos comandos sanitários vem sucedendo, com resultados animadores, a prática sistemática da fiscalização constante e do incitamento ao senso de responsabilidade dos que exploram a indústria e o comércio de gêneros alimentícios.

O Serviço de Fiscalização do Exercício Profissional mereceu a melhor atenção do Governo, tendo sido baixado o Decreto n. 38.928, de 18 de agosto de 1961, que lhe deu estrutura definitiva. Tal é a soma de atividades diversas a que se obriga esse Serviço, e que envolvem, quase sempre, complexas questões de legislação, que não seria possível continuar tal órgão sem definição legal e base estrutural regulamentar.

Prosseguiu o Serviço de Fiscalização do Exercício Profissional na campanha contra os denominados vícios sociais, com especial ação protetora sobre a juventude, preferentemente explorada pelos traficantes e vendedores de drogas e entorpecentes em geral.

ASSISTÊNCIA SOCIAL

O Serviço Social do Estado estendeu a campanha de repressão à falsa mendicância e de recuperação social ao município de Santos e cidades vizinhas e participou dos socorros prestados aos municípios de Panorama e Santa Fé do Sul, quando das inundações que os atingiram.

Celebrou a Administração, em 1961, contratos com entidades particulares, referentes a internação e educação de menores, de velhos e desvalidos, amparo à mãe solteira, tratamento hospitalar de indigentes, reabilitações profissionais e assistência dispensarial à família, num total superior a 70 milhões de cruzeiros.

SANEAMENTO

REGIÃO DA CAPITAL. ÁGUA

O Plano de Ação reservou para obras de saneamento, na Capital, a preços de 1959, 6,2 bilhões de cruzeiros, sendo 4,1 bilhões para água e 2,1 bilhões para esgotos. Em 1961, no setor de abastecimento de água investiram-se cerca de 1 bilhão e 300 milhões de cruzeiros.

As obras do setor de abastecimento incluem adutoras, sub-adutoras, linhas-tronco, pontes, reservatórios, torres, estações de tratamento e redes de distribuição, além dos equipamentos hidráulicos necessários.

No ano que se findou, o Departamento de Águas e Esgotos — DAE — entregou à população de São Paulo o volume de 296.450.000m³ de água, verificando-se, assim, acréscimo de 17.500.000m³ sobre o volume aduzido em 1960.

Merece especial relevo o fato de ter o DAE, transbordando os limites da Capital e dentro do programa geral do Governo de cooperação com os municípios, prestado, no âmbito de suas atividades, ampla assistência a comunas paulistas. Assim, forneceu a Guarulhos e Cotia 2.260.000m³ e 100.000m³ de água, respectivamente. Cuidou, ainda, do 2º termo de convênio com os municípios do ABC, para os quais é prevista a adução de mais 75.000m³/dia. O financiamento dessas obras será feito pela Caixa Econômica do Estado de São Paulo e montará a 500 milhões de cruzeiros.

Lembre-se, neste passo, que, em novembro, foi celebrado convênio com o Município de Mauá, para o qual o DAE deverá fornecer 40 l/seg, através da Adutora de Rio Claro. Também o Município de Diadema foi incluído na esfera de ação do DAE, encontrando-se em estudos o abastecimento de Embu e Barueri.

Em 1961, concluíram-se as linhas-tronco de Vila Anastácio, de Casa Verde — Vila Nova Cachoeirinha, de Itaquera e de Osasco, sendo que as 3 últimas foram iniciadas e terminadas nesse ano.

Além disso, ficaram prontas a ponte sobre o Canal do Rio Grande, que possibilitará a passagem da 5.^a, 6.^a e 7.^a linhas de recalque do Guarapiranga ao Alto da Boa Vista e a canalização de descarga da estação de tratamento desta última.

Foram iniciadas as linhas de recalque do Jabaquara à Vila do Encontro, de Vila Maria à Vila Medeiros; a linha-tronco de Freguesia do Ó a Pirituba; as subadutoras de Moóca a Vila Maria, de Arthur Alvim — São Miguel e o prolongamento da descarga do Reservatório do Jabaquara ao Córrego da Traição.

Deverão ser concluídas, em meados de 1962, as 5.^a, 6.^a e 7.^a linhas de recalque do Guarapiranga ao Alto da Boa Vista e, em princípios de 1963, a 2.^a linha de recalque para o Jabaquara.

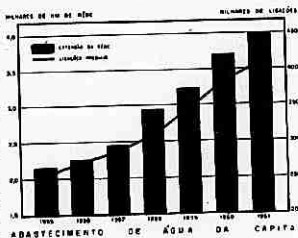
Na parte relativa a reservatórios e torres foram concluídos a torre de Sacomã (500m³) e o reservatório pulmão do Alto da Boa Vista (2.500m³). Deu-se início ao reservatório e torre de Vila Cachoeirinha (capacidade de 15.000m³ e 600m³, respectivamente), ao reservatório e torre de Vila Medeiros (7.200m³ e 300 m³, respectivamente), ao reservatório e torre da Cidade Vargas (11.000m³ e 300m³, respectivamente) e as estações elevatórias de Vila Maria — Vila Medeiros e do Alto da Boa Vista para o Jabaquara e Chácara Flora, com capacidade para recalcar 300 e 1.500 l/seg, respectivamente. Em andamento encontram-se o reservatório e torre da Freguesia do Ó (8.200m³ e 600m³, respectivamente), o reservatório da Avenida (12.000m³), o reservatório de sobras do Alto da Boa Vista (10.000m³) e o reservatório e torres da Cidade Vargas (11.000m³ e 300m³). A barragem do Ribeirão do Campo, destinada à regularização da vazão da adutora de Rio Claro, deverá ser concluída em meados de 1962.

Na parte de estações de tratamento, concluíram-se a 2.^a etapa do Alto da Boa Vista, com capacidade de tratamento de 2.000 l/seg e as obras complementares do Cabuçu. Na estação de tratamento de água "Professor Theodoro A. Ramos", a parte de obras civis foi terminada, restando a montagem de equipamentos.

Encontram-se em andamento a 3.^a etapa e a Casa de Química do Alto da Boa Vista.

Assentaram-se, em 1961, 448 km de novas rédes. O total da réde colocada neste Governo atinge 1.165 km, restando, apenas, 135 km para que seja alcançada a meta do Plano: 1.300 km.

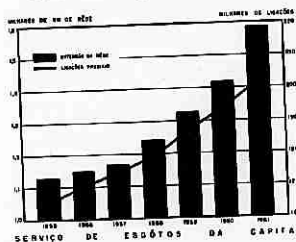
Foram beneficiados com as novas rédes os bairros periféricos mais modestos, o que possibilitou fossem feitas 34.451 novas ligações. A soma de ligações existentes é de 411.507, estimando-se em cerca de 3 milhões o número de habitantes servidos. Após a conclusão das obras, que está, aliás, prevista para este ano, toda a população da Capital ficará atendida.



REGIÃO DA CAPITAL. ESGOTOS

No setor de esgotos sanitários, o DAE assentou 166 km de novas rédes. Assim, dos 660 km previstos no Plano de Ação 440 km já estão prontos. A réde de esgotos da Capital é agora de ... 1.583 km, excluídas as que se acham em execução.

As novas ligações atingiram, somente neste Governo, o total de 23.369, o que dá a São Paulo 202.469 ligações, correspondendo a uma população de 1.600.000 pessoas.



O custo total das rédes assentadas foi de 750 milhões de cruzeiros.

Além de reformas nas estações de tratamento já existentes, foram encetadas as obras civis da Estação de Tratamento de Pílhinhos, contratadas por 212 milhões de cruzeiros, aproximadamente.

Há que se atentar ainda para o grande problema dos fundos de vales da Capital, que só poderá ser resolvido mediante convênio com a Prefeitura. O DAE já lhe encaminhou propostas a respeito.

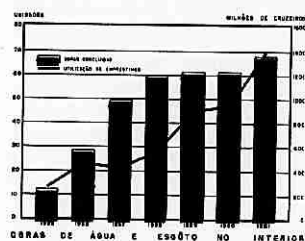
**ÁGUAS E ESGOTOS E OUTRAS
OBRAS SANITÁRIAS. INTERIOR
DO ESTADO**

Não se descuidou o Governo do Estado do importante setor que compreende o abastecimento de água e o saneamento das cidades do Interior e, na medida do possível, por meio do órgão especializado — o Departamento de Obras Sanitárias — deu cumprimento, em 1961, à extensa programação prevista no Plano de Ação.

Com satisfação, registra o Governo, o crescente interesse dos municípios paulistas no sentido do aprimoramento de suas condições sanitárias, essencial à saúde e ao bem estar de suas populações.

Para os serviços de saneamento no Interior — abrangendo projetos e obras de abastecimento de água, de esgotos sanitários, de galerias de águas pluviais e de matadouros — a Caixa Econômica do Estado de São Paulo concedeu, em 1961, financiamentos no valor de 1 bilhão e 315 milhões de cruzeiros, o que faz com que o total de compromissos assumidos por esse instituto de crédito, no atual Governo, ascenda a 4 bilhões e 131 milhões de cruzeiros.

Durante o ano findo, o Departamento de Obras Sanitárias aplicou efetivamente a quantia de 1 bilhão e 361 milhões de cruzeiros, a maior até hoje alcançada, e que corresponde à média mensal de Cr\$ 113.400.000,00. Atendeu também o Departamento,



mento, pela sua Divisão de Projetos, em 1961, a 410 municípios e realizou 234 inspeções preliminares. Examinaram-se 29 projetos de serviço de saneamento, 70 levantamentos topográficos e 261 estudos. Estavam em andamento, no fim do ano, 94 estudos e projetos.

A política adotada continuou sendo a de entregar os projetos, sempre que possível, mediante concorrências administrativas, a firmas especializadas. Desta maneira, firmaram-se, com intervenção do D.O.S., 55 contratos para elaboração de projetos, num total de 28 bilhões e 460 milhões de cruzeiros.

Com recursos fornecidos pela Caixa Econômica do Estado de São Paulo, foram iniciados, em 1961, em 109 municípios, 134 serviços, no valor de 1 bilhão e 445 milhões de cruzeiros, a saber: 69 de abastecimento de água, 28 de esgotos sanitários, 35 de matadouros e 2 de combate à erosão.

No mesmo período ocorreu a conclusão, em 84 comunas, de 94 serviços, sendo 49 de abastecimento de água, 19 de esgotos sanitários, 25 de matadouros e 1 de combate à erosão. Tais serviços dizem respeito a 485.020 m de canalização de água e 242.689 m de canalização de esgotos, assentadas; à ampliação, reforma ou construção de 11 estações de tratamento de água, de 3 de esgotos, de 40 reservatórios e de 26 poços profundos.

Providência importante, em 1961, consistiu no incremento dos serviços de perfuração de poços profundos como mananciais abastecedores.

Por meio do Serviço de Laboratório e Operação, prestou o DOS assistência na operação e manutenção, de serviços de águas e esgotos a mais de 200 municípios. Perto de 1950 ensaios e análises físico-químicas, bacteriológicas e hidrobiológicas foram realizados; ministraram-se, ainda, 3 cursos regulares para operadores de serviços.

Certo que o uso de hidrômetros é o sistema mais racional de medição de consumo de água e o que melhor evita o desperdício, adquiriram-se, para diferentes serviços de abastecimento de água, do Interior, cerca de 40 mil desses aparelhos, com um despendio de 82 milhões de cruzeiros.

O DOS concedeu, ainda, para obras sanitárias, em 57 municípios, auxílios no montante de 32 milhões de cruzeiros. Para reforma de 6 matadouros, aplicou mais 3 milhões de cruzeiros.

REGIÃO DE SANTOS. ÁGUA

Nesta região, deve-se ressaltar a conclusão do "Semi-Anel I", iniciado em novembro de 1960, que compreende 5.110 m de tubos de diversos diâmetros e reforçará, destarte, o abastecimento de água de Santos e Cubatão. Tal obra custou aos cofres do Estado mais de 30 milhões de cruzeiros.

Foram concluídos, ainda em 1961:

- a Estação de recalque, junto ao reservatório baixo em Sabod;
- o assentamento de tubulação de ferro fundido de $\varnothing$ 10" e 12" (linha de recalque e distribuição aos morros), a construção de dois reservatórios de água e a construção civil de uma estação de recalque no Morro do Cruzeiro. Tais obras custaram, aproximadamente, 7 milhões de cruzeiros; e

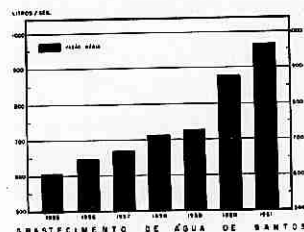
— o assentamento da linha "Carvalho de Mendonça", com 600 m de tubos de concreto protendido de $\varnothing$ 1 m, no valor de 2 milhões de cruzeiros.

Estão em execução as obras da Estação de tratamento de água, que deverá ser ultimada no 1.º semestre do corrente ano.

Iniciaram-se, também naquele exercício:

— a linha dupla da adutora, com 1,20 m de diâmetro para tomada d'água de emergência do Rio Cubatão. Espera-se concluí-la no 1.º trimestre de 1962; e

— o assentamento de tubulação de $\varnothing$ 22", da subadutora Santa Terezinha do Macuco com 6.000 m de extensão, no valor de cerca de 4 milhões e 580 mil cruzeiros.



Em 1961, a rede de distribuição de água de Santos foi acrescida de 8.846 m, atingindo, pois, a sua extensão, inclusive linhas tronco, 570 km, aproximadamente. Nesse mesmo ano, foram feitas 1.223 novas ligações de água, o que eleva a 42.036 o número total de ligações. O volume aduzido foi, em média, de 83.275 m³/dia.

REGIÃO DE SANTOS. ESGOTOS

Contrataram-se, pelo Plano de Ação, as obras dos coletores principais para a Ponta da Praia e bairros adjacentes e as de prolongamento de canal, no valor aproximado de 26 milhões de cruzeiros, assim discriminadas:

— da rua Pedro Ivo, Liberdade, Professor Tórres Homem e Avenida Afonso Pena — iniciadas em outubro;

— da av. Rei Alberto, iniciadas em outubro;

— da av. Pinheiro Machado, iniciadas em dezembro; e

— do prolongamento do Canal 6, iniciadas em agosto.

Durante o ano foram concluídos:

- o coletor Ø 24", Rua André Vidal de Negreiros;
- o coletor Ø 16", Rua General Jardim; e
- o coletor av. Rei Alberto (entreponto de pesca).

Encontra-se em adiantada fase o coletor de Ø 24" da Avenida 353.

O desenvolvimento da extensão da rede foi da seguinte ordem:

Santos — 6.470,10 m

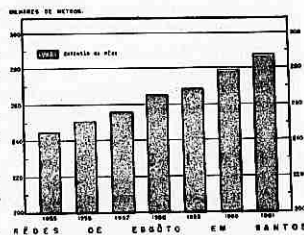
São Vicente — 1.602,30 m

Estão projetados, para execução futura, cerca de 16.500 m de novas redes de esgotos.

SERVIÇOS PÚBLICOS DE GUARUJÁ

Ampliou-se a rede de distribuição de água de Guarujá de 14.071 m, com 540 novas ligações, serviços esses orçados em 8 milhões de cruzeiros.

No setor de esgotos, foram construídos 563 m de coletores e feitas 57 novas ligações.



Para a melhoria das condições de transporte, providenciou-se a reforma completa da lancha "Itapema" e do pontão de atracação das lanchas, em Santos. Contratou-se, também, o projeto de nova lancha para 400 passageiros.

O movimento de passageiros entre Santos e Vicente de Carvalho, em 1961, apresentou o total de, aproximadamente, 4.260.000 pessoas transportadas, perfazendo a média de cerca de 11.800 passageiros por dia.

ESTÂNCIAS

A orientação do Governo no que concerne à assistência e aparelhamento dos 22 municípios constituídos em estâncias hidro-minerais, balneárias e climáticas, continuou sendo aquela estabelecida nos Decretos ns. 26.543 e 28.399, ambos de 1957.

Os encargos legais, previstos nos artigos 72, da Constituição Estadual e 67, da Lei Orgânica dos Municípios, somaram, em 1961, importância da ordem de 176 milhões e 460 mil cruzeiros. O Estado, por sua vez, reservou pelo Plano de Ação, para atendimento de obras mais urgentes e dispendiosas, a substancial dotação de 201 milhões e 245 mil cruzeiros, para aplicação em 15 das 22 estâncias.

Dando cumprimento ao convênio estabelecido, a Faculdade de Arquitetura e Urbanismo entregou estudos preliminares de urbanização de São José dos Campos e Itanhaém. Aham-se praticamente concluídos os de Caraguatatuba, Ilhabela, Serra Negra, São Sebastião e Ubatuba.

TRABALHO, PREVIDÊNCIA E HABITAÇÃO

TRABALHO

Apesar dos acontecimentos que marcaram o ano de 1961, a normalidade administrativa e a estrita regularidade financeira, mantidas pelo Governo do Estado, influíram decisivamente para

que não ocorresse colapso em nenhum ramo de atividade econômica.

Em decorrência dessa situação, foi possível manter o ambiente social em relativa tranquilidade e sem maiores agitações.

Os movimentos populares se limitaram às greves para reivindicações de elevações salariais, justificadas, aliás, pelo ritmo inflacionário que se acelerou extraordinariamente.

Apenas um movimento grevista, declarado ilegal pelo Governo da União, teve que ser reprimido — a tentativa de greve geral para obtenção do 13.º mês de salário. Os demais chegaram a bom termo, através dos dissídios coletivos.

Marcante foi a atuação do Governo do Estado, por intermédio da Secretaria do Trabalho, Indústria e Comércio, no sentido de solucionar as pendências surgidas entre empregadores e empregados, sempre em colaboração com as autoridades federais.

Em 1961, o número de greves foi de 980, enquanto que, no ano anterior, havia sido de 954. No entanto, o número de operários em greve, no exercício transato, foi de 165.433, menor que o de 1960, o qual atingiu 254.215.

Ainda em 1961, o número de greves parciais ocasionou a perda de 3.165.140 homens-hora, menor que o de 1960, calculada em 3.252.000.

ASSISTÊNCIA TÉCNICA AO TRABALHADOR

O Serviço Estadual de Mão-de-Obra, da Secretaria do Trabalho, Indústria e Comércio, por meio do Setor de Recrutamento, Seleção e Encaminhamento e do Setor de Formação, Treinamento e Aperfeiçoamento, vem realizando vasta tarefa de assistência técnica ao trabalhador.

O quadro comparativo abaixo transcrito indica os números de candidatos encaminhados a empregos pelas Agências de Colocação do Setor de Recrutamento e Seleção e Encaminhamento:

ANO	COMPARC- ECI- MENTO	CANDIDATOS ENCAMINHADOS			
		Braça	Qualifi- cados	Total	Porcent.
1956	25.036	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	38,0%
1960	16.941	5.902	4.638	10.540	62,0%
1961	38.107	5.087	5.201	10.288	27,0%

Verifica-se, desse quadro, que a situação do mercado de trabalho em São Paulo foi satisfatória em 1961, pois que, de um lado, houve redução do número de candidatos que procuraram o Serviço e, de outro, foi boa a porcentagem de encaminhamentos realizados pelas Agências.

O Setor de Formação, Treinamento e Aperfeiçoamento, além de prestar assistência técnica, de sua especialidade, a diversas firmas da Capital e de Porto Alegre, no Rio Grande do Sul, ministrou treinamento em 74 entidades, incluindo empresas comerciais, industriais, repartições públicas e escolas.

Confrontando a atividade de 1961 com a do ano anterior, temos:

	1960	1961
Cursos realizados	578	711
Número de pessoas que terminaram os cursos ..	5.328	6.350

ASSISTÊNCIA JURÍDICA AO TRABALHADOR

O serviço de Assistência Jurídica ao trabalhador teve sua atividade de conciliação amigável e de defesa dos trabalhadores,

na Justiça do Trabalho, grandemente ampliada no último ano, como indicam os dados seguintes:

	1959	1960	1961	Total
Trabalhadores orientados	3.378	3.427	4.211	11.016
Acórdos realizados	100	80	159	339
Audiências na Justiça	376	398	434	1.208

Importante foi a assistência prestada às entidades sindicais, pelo Governo do Estado, que, inclusive, distribuiu verba de 10 milhões de cruzeiros entre Federações e Sindicatos de trabalhadores, tudo conforme autorização concedida por esta colenda Assembléia.

Foram beneficiadas, ao todo, oitenta agremiações que, assim, poderão melhor assistir aos seus associados. Em auxílios para a realização de congressos sindicais, empregou o Estado 1,5 milhão de cruzeiros.

Acha-se em andamento a doação de um terreno na Praia Grande, medindo 123 metros de frente, por 2.800 metros de fundo, que será dividido entre 40 entidades de trabalhadores. Doou também, o Governo, um terreno à Federação dos Trabalhadores na Indústria do Papel e Papelão, para a construção de um hospital, que beneficiará todas as categorias profissionais.

COOPERAÇÃO COM OS MUNICÍPIOS

A Administração, por intermédio da Comissão criada pela Resolução n.º 1.045, de 24 de novembro de 1958, para promover estudos sobre a fórmula de controle das condições de saúde do trabalhador e, especialmente, pela chamada Comissão do Litoral, realizou amplo levantamento sócio-econômico de toda a zona marítima, trabalho esse que será de grande utilidade para o equacionamento dos problemas das respectivas populações. Providências, consideradas ali mais urgentes, já foram tomadas pelos diversos órgãos do Poder Público.

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As exposições industriais de Presidente Prudente, Cruzeiro, Americana e Marília receberam amplo apoio material e técnico do Governo Estadual. Nessas mostras foi, com sucesso, exibida a produção industrial daquelas cidades e das localidades mais próximas.

Prosseguindo na política de facilitar a descentralização industrial, manteve o Departamento de Produção Industrial, da Secretaria do Trabalho, Indústria e Comércio, amplos contactos com os municípios que oferecem vantagens para a localização, em seus territórios, de empresas fabris, sempre com o fim de incentivar, para tais comunas industriais, desejo de montar novas fábricas, ou de transferir, para outros lugares, as suas instalações.

PREVIDÊNCIA

No setor previdenciário, o Governo vem dedicando atenção especial ao aperfeiçoamento da legislação e dos processos dela decorrentes, objetivando a ampliação e o fortalecimento da seguridade social.

Em consonância com o princípio que se inscreveu no artigo 25 da "Declaração Universal dos Direitos do Homem", aprovada pela Assembleia das Nações Unidas, 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" — tem o Governo envidado seus melhores esforços no sentido de proporcionar condições condignas de subsistência ao Homem, quando atingido por aquelas circunstâncias adversas.

A administração, aplicação e execução da seguridade social no Estado de São Paulo é realizada pelo Governo, na sua esfera de competência legal, por intermédio do Instituto de Previdência do Estado.

O campo de aplicação das atividades securitárias, do Instituto de Previdência, é, de forma precípua, a classe dos funcionários públicos, segurada compulsoriamente. Todavia, qualquer pessoa pode ali se inscrever, para garantir um pecúlio aos benefi-

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ciários que indicar e obter outras vantagens, como, por exemplo, o financiamento para aquisição de casa própria.

Funcionam, ainda, sob a tutela jurídica e financeira do Instituto de Previdência do Estado de São Paulo (IPESP), a Carteira de Aposentadoria dos Servidores da Justiça, a Carteira de Previdência dos Advogados, a Caixa Beneficente dos Funcionários Públicos e o Montepio dos Magistrados.

O IPESP concede, observadas as condições legais e regulamentares, os seguintes benefícios:

- a) aposentadoria, com vencimentos integrais ou proporcionais, reajustáveis, facultativa ou compulsória, de conformidade com a legislação estatutária pertinente, aos servidores públicos civis ou militares do Estado;
- b) reforma, nas condições acima referidas;
- c) pensão mensal aos beneficiários dos servidores públicos falecidos, de valor igual a dois terços dos vencimentos que eram percebidos, reajustável sempre que o sejam os padrões correspondentes do funcionalismo;
- d) pecúlio, até duzentos mil cruzeiros, facultativo, aos beneficiários do contribuinte falecido;
- e) auxílio funeral e luto;
- f) financiamento para aquisição de casa própria;
- g) seguro contra fogo; e
- h) assistência médico-hospitalar.

APOSENTADORIAS E REFORMAS

O Instituto de Previdência tem, sob sua responsabilidade financeira, as seguintes aposentadorias e reformas:

Exercício	Número	Responsabilidade financeira Cr\$
Até 1960	4.332	694.612.704,40
Até 1961	5.437	1.070.000.000,00

Houve, pois, de um para outro exercício, o aumento de 1.105 aposentadorias e reformas, que importaram num acréscimo financeiro de Cr\$ 375.387.295,60.

PENSÃO MENSAL

Relativamente aos benefícios da pensão mensal, instituída pela Lei n.º 4.832, de 4 de setembro de 1958, o IPESP efetuou, no atual Governo, os seguintes pagamentos:

Exercício	Pagamento efetuado Cr\$
1959	116.837.173,90
1960	183.435.795,90
1961	263.045.538,50

Atualmente estão recebendo o benefício da pensão mensal 4.348 beneficiários de servidores públicos estaduais falecidos e os pagamentos a esse título totalizaram, até 1961, Cr\$ 563.318.508,30.

Pondere-se que "ex-vi" da Lei n.º 6.047, de 27 de janeiro de 1961, que estende o regime de pensão mensal aos servidores públicos de municipalidades do Interior do Estado, mediante a assinatura de convênio com o IPESP, o número de beneficiários dessa pensão deverá ter significativo aumento.

Já firmaram convênio com o Instituto de Previdência 118 Prefeituras, com a inscrição, naquele regime, de 2.000 servidores. Formalizados, para assinatura, há 30 convênios e outras 157 municipalidades do Interior do Estado já estão providenciando a aprovação de leis que autorizem a assinatura do competente acordo.

PECÚLIO E AUXÍLIO FUNERAL

Com a instituição do regime de pensão mensal, no qual são inscritos, obrigatoriamente, os servidores públicos do Estado, passou o pecúlio a ser, para eles, facultativo; aquelas pessoas, porém, que não servidores públicos, para se inscreverem no Instituto precisam fazê-lo. Consiste o pecúlio no pagamento da quantia máxima de duzentos mil cruzeiros aos beneficiários do instituidor.

Presentemente, há no IPESP 245.467 inscritos no regime de pecúlio. A despesa com esse item foi, em 1960, de Cr\$ 24.921.804,60 e no exercício de 1961, de Cr\$ 31.896.352,60.

Quanto ao pagamento de auxílio funeral e luto, o IPESP despendeu, em 1960, Cr\$ 1.347.540,00 e, em 1961, Cr\$ 1.647.060,00.

CARTEIRA PREDIAL

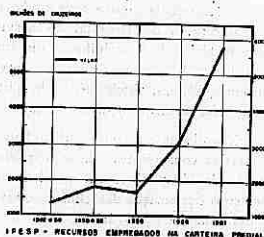
Embora não constituído, o financiamento para aquisição de casa própria, finalidade precípua do IPESP, a autarquia vem aplicando, progressivamente, elevadas somas neste item.

Os números abaixo demonstram o que tem sido a atividade do Instituto, no setor da casa própria, nos últimos 19 anos:

	Cr\$
De 1942 a 1954 (13 anos)	1.326.709.506,70
De 1955 a 1959 (4 anos)	1.810.559.000,00
Em 1959	1.667.388.106,40
Em 1960	3.089.886.561,20
Em 1961	5.798.994.808,70

No exercício de 1961, os financiamentos para aquisição de casa própria ultrapassaram os de 1959-1960, cabendo lembrar, que, só em 1960, alcançaram eles quase o dobro do montante empregado no quadriênio 55/58 e em 1961 quase o dobro do aplicado em 1960.

De 1942 a 1954 — 13 anos, portanto — foram empregados na Carteira Predial do IPESP, Cr\$ 1.326.709.506,70; tão só a aplicação, no exercício de 1961, de Cr\$ 5.798.994.808,70, representa acréscimo de 437,1% sobre o montante dos financiamentos realizados naquele período.



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Totalizando o montante de financiamentos da Carteira Pre-dial do IPESP, no atual Governo, Cr\$ 10.556.269.476,30, é interessante observar que essa cifra equivale aos quarenta milhões de dólares que seriam emprestados ao Brasil, pelo Banco Internacional de Desenvolvimento, para aplicação na "Fundação da Casa Popular", em todo o território nacional (cálculo feito ao câmbio de Cr\$ 250,00 por dólar, vigente à época da oferta).

Saliente-se, no que concerne a financiamentos para aquisição de casa própria, o fato de terem sido lavradas, somente no exercício de 1961, 4.739 escrituras de financiamento pelo IPESP.

ASSISTÊNCIA MÉDICO- HOSPITALAR

A assistência médico-hospitalar ao servidor público do Estado é, por força da Lei n.º 1.856, de 30 de outubro de 1952, levada a efeito pelo Departamento de Assistência-Médica ao Servidor Público do Estado — DAMSPE — criado no Instituto, sob forma autárquica.

A assistência efetiva teve início no exercício de 1961, com a inauguração do Hospital do Servidor Público Estadual, na data histórica de 9 de julho. Com sua previsão de lotação normal de 1.200 leitos, oferecerá, aos servidores públicos e aos seus dependentes, assistência médico-hospitalar equiparada à dos mais adiantados centros médicos do mundo.

Não obstante as sérias dificuldades de ordem técnica e administrativa com que teve de se defrontar o Conselho de Administração do Hospital, foram instalados e postos em pleno funcionamento os serviços das clínicas Obstétrica e Ginecológica, bem como o modelar Berçário.

Já nasceram no Hospital do Servidor Público Estadual, até o dia 31 de dezembro de 1961, 694 crianças, valendo consignar que o índice de mortalidade foi o menor dentre o verificado em todos os hospitais e maternidades de São Paulo.

No período compreendido entre a data de sua inauguração e o dia 31 de dezembro do mesmo ano, o Ambulatório do Hospital prestou assistência a 8.445 doentes assim distribuídos:

Clinica Médica	2.012
Clinica Obstétrica	3.063
Clinica Ginecológica	2.039
Clinica Neo-Natal	1.331
Soma....	8.445

Foram internados no Hospital, no mesmo período, 1.015 pacientes:

Na Clínica Obstétrica	801
Na Clínica Ginecológica	66
No Berçário	148
Soma....	1.015

Dêsses, 599 residiam na Capital e 416 eram procedentes de 128 cidades do Interior do Estado.

CONSTRUÇÃO DE PRÉDIOS PARA SERVIÇOS PÚBLICOS

No atual Governo foram contratadas 646 construções de prédios públicos, pelo IPESP — grupos escolares, ginásios estaduais, unidades sanitárias, foruns, casas da lavoura, chefias de extensão agrícola, delegacias regionais agrícolas e outros. Dessas obras, 520 já foram concluídas e entregues.

No exercício de 1961, investiu o IPESP, na construção de prédios para o serviço público, a importância de Cr\$ 3.561.691.328,10.

ENERGIA ELÉTRICA

VALE DO PARANAPANEMA

As obras das usinas do Paranapanema, a cargo da USELPA — Usinas Elétricas do Paranapanema S.A. — tiveram prosseguimento no ano que se findou.

A Usina Lucas Nogueira Garcez (Salto Grande), com a potência instalada de 68.000 kw, atendeu, em 1961, a demanda máxima de 77.256 kwh/h e a produção de energia atingiu 211.950.295 kwh.

A Usina de Jurumirim (100.000 kw) teve toda a parte de obras civis concluída e atualmente se encontra em fase de acabamento, sendo que as duas unidades geradoras já estão totalmente montadas. No dia 31 de outubro de 1961 foi iniciada a operação de enchimento da bacia de acumulação que ocupa a área aproximada de 51.276 Ha.

Na Usina de Xavantes (300.000 kw) foram construídos quase totalmente, os túneis de desvio e as instalações do canteiro de serviços foram completadas. Já foi aberta concorrência para a aquisição de turbinas.

A linha de transmissão de 230 kv de Jurumirim-Botucatu-São Paulo encontra-se adiantada, devendo estar concluída para testes em maio de 1962. A Estação Elevatória de Botucatu deverá estar concluída em julho de 1962, para ser inaugurada juntamente com a usina de Jurumirim.

A interligação da termoeletrica de Flórida Paulista, com a Usina Lucas Nogueira Garcez, foi completada e já está em pleno funcionamento.

Iniciaram-se os trabalhos de montagem das 41 torres das linhas de transmissão de 88 kv, de Xavantes e Ipaçu.

Especial relevo deve ser dado ao fato de que, através de linhas construídas pelo Governo paranaense, a partir de Londrina, a Usina de Salto Grande estendeu seu abastecimento até Apucarana e Maringá, levando, assim, energia elétrica e progresso à região norte do Paraná.

Foram investidos nas Usinas do Paranapanema, em 1961, cerca de 2 bilhões e 770 milhões de cruzeiros.

VALE DO RIO PARDO

As obras em execução das usinas deste vale, a cargo da Companhia Hidrelétrica do Rio Pardo — CHERP — permitirão um aproveitamento de energia elétrica da ordem de 256.000 kw.

A Usina de Limoeiro (14.000 kw) produziu, em 1961, 48.828.000 kwh e atendeu à demanda máxima de 16.100 kwh/h.

A Usina de Euclides da Cunha, com 49.000 kw de potência instalada, produziu 81.450.000 kwh.

O reservatório de Graminha-Paradouro entrou em fase final de construção.

A linha de transmissão de 120 km ligando Pinhal-Moji Guaçu-Bragança Paulista foi concluída, solucionando definitivamente a crise de energia nesta última região.

As subestações de Limeira, Moji Guaçu e Bragança Paulista estão sendo ultimadas, a de Araras foi iniciada e concluíram-se as bases de concreto armado das novas saídas da linha de 132 kv da subestação de Moji Guaçu para a subestação de Limeira.

Em 1961, investiu o Governo do Estado, nestas obras do Vale do Rio Pardo, aproximadamente 1 bilhão e 840 milhões de cruzeiros.

VALE DO TIETÊ

Continuaram em ritmo acelerado as obras das usinas, a cargo da CHERP, no vale do médio Tietê, sendo que a parte civil, da unidade de Barra Bonita, já atingiu sua fase final.

Nesta usina iniciou-se a montagem dos equipamentos, sendo que já se encontram instaladas as turbinas correspondentes às 1.ª e 2.ª unidades geradoras, do total de 4, cada uma de 33.000 kw. Encontram-se, também, já montadas, as 4 comportas, tipo setor, sobre os vertedouros. As demais comportas e os "stop-

logs", além dos guindastes respectivos já estão prontos. Com a montagem dos equipamentos elétricos, programada para o próximo ano, a usina estará em condições de funcionamento.

Na Usina de Bariri, a parte da barragem de gravidade de concreto foi, em sua maior parte, concluída. Iniciou-se a concretagem da casa de força e das tomadas de água das 3 unidades geradoras de 44.000 kw cada uma. Quase todos os equipamentos necessários já se encontram na obra e a excavação da eclusa está a se findar.

No setor de transmissões, a linha de Barra Bonita já tem todas as torres instaladas, a linha de Barra Bonita-Bariri encontra-se com as torres na altura de Jau e a de Barra Bonita-Dois Córregos-São Carlos tem suas torres perto de Brotas, o que permite concluir que poderão estar terminadas em princípios do ano próximo, como previsto.

Aplicou o Governo, nestas obras do Vale do Tietê, importância da ordem de 5 bilhões e 110 milhões de cruzeiros.

URUBUPUNGÁ

Fundada em janeiro de 1961, as Centrais Elétricas de Urubupungá S. A. — "CELUSA" — iniciaram os trabalhos de construção da Usina de Jupia, primeira fase do conjunto de Urubupungá, cuja potência final instalada será de 3.000.000 kw, com a produção anual de 15 bilhões de kwh.

A Usina de Jupia, com 1.350.000 kw, e a geração anual de 6,5 bilhões de kwh, virá beneficiar vasta zona da região centro-sul do País, abrangendo, em um raio de 600 km, os Estados de São Paulo, Sul de Mato Grosso e Goiás e regiões de Minas e Paraná. Seu funcionamento está previsto para 1966 e o seu custo estimado aos preços atuais é de 50 bilhões de cruzeiros.

Durante o exercício transato, foram acelerados os trabalhos de construção e organização do seu canteiro de obras, que compreende ramais ferroviários, conjunto residencial, escritórios, laboratórios, caminhos de serviço, almoxarifado e depósitos de materiais, assentamento da ponte ferroviária "Dr. Francisco de Sá", da Estrada de Ferro Noroeste do Brasil, para tráfego rodoviário.

Tiveram prosseguimento as obras da elevação do nível de vantagem da cota; de construção e as obras de dragagem de Jupia; de instalação de torres e sondagens e outros estudos no leito do rio. O custo total das obras do hospital, tudo com o valor de 1 bilhão de cruzeiros.

Para 1962, está previsto o início da construção da usina de Barra Bonita, de barragens de terra, de vegetação e da casa de força.

Foi aberta concorrência internacional para a aquisição dos equipamentos necessários para a construção de usinas e linhas de transmissão no País.

O capital atual da CELUSA é de 2 bilhões de cruzeiros, do qual participam os Estados de Santa Catarina, Paraná e Minas Gerais.

O Governo, dentro do programa de desenvolvimento econômico, autorizou o financiamento dos serviços de energia elétrica na região de Registro, no Vale do Ribeira, em fase adiantada de construção da DAEE, por intermédio do Serviço de Energia Elétrica Rural. O comprimento total das linhas de transmissão será de 138 propriedades. A potência total consumida provável de 200.000 kVA/mês e o custo dos trabalhos é de 41 milhões de cruzeiros, sendo o prazo de 10 anos, pela Caixa Econômica Federal.

A região de Presidente Prudente, com o seu desenvolvimento e as obras respectivas já em andamento, de distribuição de energia à zona rural, beneficiarão 164 propriedades, com um consumo de 50.000 kVA/mês.

Encontra-se em projeto a eletrificação da Estrada de Ferro Noroeste do Brasil, para tráfego rodoviário.

Tiveram prosseguimento as obras da enseadeira de terra, com levantamento da cota; de construção e asfaltamento da rodovia Andradina-Jupia; de instalação de torres e linhas de transmissão; de sondagens e outros estudos no leito do rio, e finalmente tiveram início as obras do hospital, tudo com o dispêndio total de quase 1 bilhão de cruzeiros.

Para 1962, está previsto o início das obras civis, da segunda enseadeira, de barragens de terra, do vertedouro, da eclusa de navegação e da casa de força.

Foi aberta concorrência internacional para fornecimento financiado dos equipamentos necessários que não podem ser adquiridos no País.

O capital atual da CELUSA é de 2 bilhões, 131 milhões e 320 mil cruzeiros, do qual participam os Estados de São Paulo, Goiás, Santa Catarina, Paraná e Minas Gerais.

ELETRIFICAÇÃO RURAL

O Governo, dentro do programa compreendido neste item, autorizou o financiamento dos serviços de eletrificação rural para a região de Registro, no Vale do Ribeira. As obras se encontram em fase adiantada de construção, sob a assistência técnica da DAEE, por intermédio do Serviço Especial de Eletrificação Rural. O comprimento total das linhas é de 120 km e servirá a 138 propriedades. A potência total será de 1464,5 kVA, e o consumo provável de 200.000 kVA/mês. O custo orçado dos trabalhos é de 41 milhões de cruzeiros, sendo que 85% serão financiados, com prazo de 10 anos, pela Caixa Econômica do Estado.

A região de Presidente Prudente também deverá obter financiamento e as obras respectivas já foram iniciadas. As linhas de distribuição de energia à zona rural, com 100 km de comprimento, beneficiarão 164 propriedades, com uma potência de 842 kVA e consumo de 50.000 kVA/mês.

Encontra-se em projeto a eletrificação rural de Fernando Prestes e em estudos preliminares a de Moji Mirim e de São João da Boa Vista.

DISTRIBUIÇÃO DE ENERGIA

Prossegue o DAEE nos estudos relativos à distribuição de energia elétrica em São Paulo. Para esse fim, foi o território do Estado dividido em 4 zonas: Alta Paulista, Alta Sorocabana, Alta Araraquarense e Vale do Ribeira.

A zona da Alta Araraquarense será servida pela energia da usina termoeletrica "Marechal Rondon" (Votuporanga), que cobrirá uma área aproximada de 15.257 km² com cerca de 370.000 habitantes, distribuídos por 32 municípios.

Num programa a curto prazo e em regime prioritário, o Governo concedeu auxílio especial, em material e mão-de-obra, no montante de 28 milhões de cruzeiros, a 8 municípios da Alta Araraquarense, para a construção de linhas de transmissão e de distribuição.

A zona da Alta Paulista, composta de 15 cidades, com área de 4.446 km² e população da ordem de 182.000 habitantes, será servida pela energia da usina termoeletrica "Francisco Machado de Campos" (Flórida Paulista). A zona do Vale do Ribeira, alimentada pela usina termoeletrica de Juquiá, atenderá a 19 comunas, com uma área de 17.870 km² e 170.000 habitantes.

Há ainda, diversas outras cidades servidas por energia oriunda das usinas hidrelétricas do Estado, porém sua distribuição é feita pelas Companhias concessionárias desses serviços.

TRANSPORTES E COMUNICAÇÕES

FERROVIAS

O acontecimento mais importante neste setor da Administração foi, sem dúvida alguma, a desapropriação das ações da Companhia Paulista de Estradas de Ferro.

Esta modelar ferrovia, incapaz de atender, por força de insuperáveis dificuldades financeiras, às justas, mas sem dúvida onerosas, reivindicações salariais de seus servidores, viu-se na contingência de, em meados do ano passado, solicitar auxílio ao Poder

Público Estadual com o fim de obviar greve ruinosa para a empresa e altamente nociva aos interesses da coletividade.

Não era de então o problema. Com efeito, já no exercício anterior, o Governo do Estado solicitara, ao da República, o exame da possibilidade de ser instituído, em favor das estradas de ferro não integradas na Rede Ferroviária Federal, auxílio destinado à execução de determinados melhoramentos. No que se refere especialmente à Paulista, tendo em vista crise previsível, foi encarecida, na ocasião, a conveniência da concessão conjunta, à ferrovia, pelos Poderes Públicos Federal e Estadual — mesmo porque não seria razoável arcar-se o Tesouro paulista com a totalidade das despesas, visto que a situação dizia também respeito aos interesses da própria Nação — de subsídio que lhe permitisse remunerar seus funcionários mais de acordo com o alto custo de vida.

Deflagrado o dissídio coletivo dos servidores da Companhia, procurou novamente o Estado buscar o apoio da União para solucionar o problema, que se apresentava sob os mais sérios contornos.

Lutando contra um déficit de proporções ameaçadoras, não pôde o Governo da República atender ao apelo que lhe foi feito.

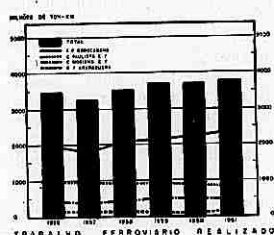
Ao Estado só restava, pois, na salvaguarda do mais legítimo interesse público, qual seja a preservação de serviço essencial, decretar a desapropriação das ações da Companhia Paulista de Estradas de Ferro.

Efetivada por intermédio do Decreto n.º 38.548, de 1.º de junho de 1961, essa medida atingiu a totalidade das ações da Companhia, excetuadas, tão só, 5.845 pertencentes ao Instituto de Previdência do Estado e mais cinco, ao portador, para o fim de perfazer o número de acionistas necessários à manutenção da forma anônima da sociedade.

Concomitantemente, abriu aquele decreto, nos termos do artigo 6.º e seus parágrafos, da Lei n.º 5.444, de 17 de novembro de 1959, um crédito especial de Cr\$ 580.000.000,00, para indenizar

os antigos possuidores de ações, avaliadas estas pela cotação da Bolsa Oficial de Valores.

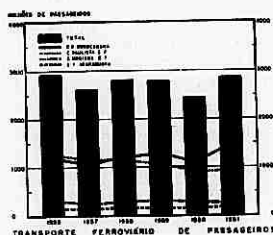
Logo após, pela Lei n.º 6.438, de 27 de outubro de 1961, foi o Executivo autorizado a abrir outro crédito especial de Cr\$ 575.000.000,00, destinado ao cumprimento de acordo firmado entre a Administração e o Sindicato dos Trabalhadores em Empresas Ferroviárias da Zona Paulista.



Decidida, após serena meditação, a desapropriação das ações da Companhia Paulista assegurou a perfeita continuidade dos trabalhos da ferrovia e levou calma e segurança aos seus

empregados. Pode agora, o Governo do Estado, senhor que é da quase totalidade das estradas de ferro que aqui têm seus trilhos, planejar e executar política global neste setor da Administração, de forma a melhorar e ampliar, cada vez mais, os transportes ferroviários de São Paulo.

A respeito da parte jurídica, relativa à desapropriação das ações da Paulista, serão encontrados maiores esclarecimentos no capítulo, desta Mensagem, subordinado ao título "Defesa dos interesses do Estado".



ESTRADA DE FERRO SOROCABANA

Com a recuperação de transportes que vem sendo conseguida, a Estrada de Ferro Sorocabana chegou a produzir saldos positivos nos meses de junho e julho último.

Em decorrência, porém, da crise política atravessada pelo País em agosto e setembro, o transporte com o sul sofreu grande decréscimo, o que causou o déficit dos meses subsequentes, agravado em outubro e novembro pelo abono concedido ao pessoal e descongelamento de seus atrasados.

Por outro lado, o grande aumento de preços, ocorrido principalmente em combustíveis, concorreu para dificultar mais a obtenção do almejado equilíbrio.

Não fôsse a diminuição do trabalho de tração a vapor, e principalmente, do emprego das máquinas a "fuel oil", maior teria sido o déficit.

A propósito, é de se salientar que o índice de tração a vapor, na Sorocabana, passou de 4%, em janeiro de 1961, para 0,96% no fim desse ano, fato êsse que está a indicar substancial melhoria das condições operacionais da Estrada.

Em abono desta afirmação verifica-se que, em consequência do aumento da distância média percorrida, de 289 km para 310 km, houve acréscimo, da ordem de 60 milhões, no número de toneladas-quilômetros de mercadorias transportadas, apesar da diminuição de 213.000 t nos embarques.

Extremamente significativa, também, foi a redução do pessoal da Estrada e conseqüente aumento de sua produtividade.

Apesar das dificuldades assinaladas, o déficit de 1 bilhão e 200 milhões de cruzeiros, previstos para a ferrovia, foi diminuído de 564 milhões de cruzeiros.

COMPANHIA PAULISTA DE ESTRADAS DE FERRO

Num confronto com os anteriores, no ano de 1961 houve ligeiro decréscimo no movimento da Companhia Paulista de Es-

tradas de Ferro, conseqüente da greve levada a efeito antes de ter o Governo desapropriado as ações da empresa.

Já pela atual administração da Paulista, foi criado o seu Departamento Rodoviário, que passou a operar a partir de 1.º de outubro. Para este Departamento, foram adquiridos 15 "chassis" da marca F.N.M. e 5 reboques, pelo preço aproximado de 47 milhões de cruzeiros.

Foram concluídas, no tempo previsto, as obras do prolongamento da linha de Dracena a Panorama, o que fez com que as extensões das linhas em tráfego, na Companhia, passassem a ser:

— linhas de bitola de 1,60 m inclusive	
44,042 km de linha dupla	1.277,935 km
— linhas de bitola de 1,00 m	950,465 km
TOTAL	2.228,400 km

O deficit desta ferrovia atingiu a casa dos 854 milhões de cruzeiros, sendo que no 2.º semestre, já sob a direção do Governo, foi de somente 146 milhões de cruzeiros.

COMPANHIA MOJIANA DE ESTRADAS DE FERRO

A nova política cambial, inaugurada pelo Governo da República, e o prosseguimento, em ritmo acelerado, da inflação determinaram, a partir do mês de março, sensível elevação dos preços dos materiais de consumo corrente da Estrada. O aumento maior verificou-se nos combustíveis líquidos e lubrificantes e foi da ordem de Cr\$ 17.000.000,00 mensais.

Verificou-se também grande acréscimo nos gastos com o pessoal, em decorrência da elevação de seus vencimentos.

O desenvolvimento do comércio, da produção e principalmente a concorrência crescente das rodovias, obrigaram as estradas de ferro a ampliar e melhorar seus serviços. A partir de 1956, a Companhia Mojiana vem executando amplo programa de

melhoramentos e de aquisição de equipamentos, visando a oferecer tráfego eficiente, rápido e barato de mercadorias e de passageiros. A realização desse programa está sendo possível graças aos financiamentos e verbas que lhe foram concedidas, principalmente as do Plano de Ação de 1960 e 1961.

Em 1961, deu-se prosseguimento à construção de passagens superiores no trecho da variante Coronel Corrêa-Tambaú, num total de sete.

Na variante Bento Quirino-Ribeirão Preto, o movimento de terra está na fase final. Construíram-se seis passagens inferiores, inclusive a da "Via Anhanguera", esta com onze metros de vão livre, e a passagem superior para a Avenida Brasil, em Ribeirão Preto. O assentamento da linha e o lastramento com pedra britada deverá ficar concluído ainda este ano, o que permitirá desviar o tráfego de trens de carga para a variante, com reais vantagens econômicas para a Estrada e seus usuários. A variante ficou ligada com a Estrada de Ferro São Paulo e Minas que já se acham concluídas as obras de três das novas estações.

Os estudos, o projeto e locação da nova variante Ômega-Araguari já se acham concluídos.

No decorrer de 1961 foram substituídos, em diversos trechos da linha, num total de 44 km, trilhos curtos por outros longos unidos por solda, de 120 metros, assentados sobre placas de apoio de aço e almofadas de borracha e fixados com pregos comuns, grampos elásticos e retensores.

Foram reforçados com lastro de pedra 85 km da linha tronco, com o emprego de 70.645 m³ de pedra britada e 72.611 dormentes, com o que se melhoram consideravelmente as condições de segurança e estabilidade da linha.

A Estrada está empenhada na substituição e reforço das obras de arte de sua linha, com o objetivo de proporcionar a circulação de locomotivas e trens mais pesados, tendo em vista as aquisições feitas nos últimos anos de locomotivas diesel-elétricas de grande peso por eixo.

Concluiu-se a construção de nova estação de Uberaba, a mais bela da Mojiana, projetada dentro das modernas linhas arquitetônicas, com acabamento sóbrio, mas esmerado.

A fim de substituir os carros de passageiros, de madeira, que oferecem pouco conforto e segurança, vem a Estrada construindo carros metálicos. Assim, em 1961, mais 16 carros puderam ser postos em serviço.

Proseguiram os serviços de substituição dos freios a vácuo por freios a ar comprimido, sistema este mais eficiente, pois elimina certas limitações do outro e permite a formação de trens maiores.

O serviço rodoferroviário foi melhorado com a aquisição de 15 caminhões da Fábrica Nacional de Motores com capacidade de 10 toneladas por unidade.

Fazem parte do programa da Companhia, para o ano em curso, as seguintes medidas:

- construção da nova estação de Ribeirão Preto e das instalações do novo pátio;
- construção de 3 pequenas variantes, entre os km 119 e 121, km 133 a 135 e km 136 a 144, que possibilitarão seja formado um trecho de linha contínuo, com extensão superior a 100 km e raios de curva superiores a 400m, no qual será possível aumentar a velocidade dos trens;
- estudos para a retificação dos traçados entre Ribeirão Preto e Uberaba e de Tambaú a Bento Quirino;
- empedramento, aumento do número de dormentes e substituição de trilhos, utilizando-se trilhos soldados e fixação elástica, das linhas;
- construção de 14 carros de passageiros;
- término da substituição de freios a vácuo por freios a ar comprimido; e
- aquisição de caminhões para renovar e ampliar a frota do Serviço Rodoviário.

ESTRADA DE FERRO BRAGANTINA

Esta Estrada, com seus 108 km de extensão, serve os municípios de Jundiá, Jarinu, Atibaia, Perdões, Nazaré Paulista, Piracaia e Bragança Paulista.

A Companhia Hidrelétrica do Rio Pardo beneficiou em grande escala a região, com reflexos sobre a ferrovia como se verá dos dados estatísticos seguintes.

Assim é que a receita líquida da Estrada, que em 1960 foi de Cr\$ 13.461.628,00, em 1961 atingiu a importância de Cr\$... 20.128.076,30, havendo, portanto, um aumento de Cr\$ 6.666.448,30, ou seja, de 49% sobre a do ano anterior.

O emprêgo de locomotivas e automotrizes Diesel propiciou economia da ordem de Cr\$ 6.325.210,00. Atualmente, apenas 23% do tráfego é feito com tração a vapor, isto no ramal de Piracaia.

ESTRADA DE FERRO ARARAQUARA

A estrada de Ferro Araraquara recebeu e aplicou em obras do Plano de Ação do Governo, durante o ano de 1961, 250 milhões de cruzeiros. Dêstes, 80,2 milhões foram gastos na consolidação do leito de sua linha que, em 1960 atingiu as barrancas do Rio Paraná, na divisa com Mato Grosso.

Na modernização do material rodante da Estrada, despenderam-se, ainda no último exercício, 169,8 milhões de cruzeiros.

Três dos vinte e três carros de passageiros, de aço inoxidável, encomendados, já foram recebidos e experimentados, com ótimos resultados. Em construção nas oficinas da Estrada de Ferro Araraquara encontram-se dois carros de aço carbono. Oito vagões metálicos, com capacidade de 48 toneladas, ali também construídos, foram postos em circulação no exercício transato.

Por outro lado, bastante animadores têm sido os resultados obtidos, em 1961, no que diz respeito à recuperação do transpor-

te de passageiros e mercadorias, sobressaindo-se o de combustíveis líquidos e de algodão e derivados, este com uma recuperação de 46% e aquele de 29% em confronto com 1960.

AEROVÍAS

A política aeroviária do Governo é executada por intermédio da Viação Aérea São Paulo S. A. — VASP — da qual o Estado é o maior acionista.

Assim sendo, relatar-se-ão aqui, os aspectos mais eloquentes do desenvolvimento da VASP, tanto no campo técnico quanto no econômico.

REDE DE LINHAS AÉREAS

Houve, durante o ano de 1961, um aumento de 6,3% da média percorrida por passageiro, mercê de medidas adotadas no sentido de melhorar o rendimento das operações da VASP, salientando-se, dentre elas, o cancelamento de linhas deficitárias ou a redução de sua frequência. Deslocou-se, em consequência, a corrente de tráfego para as linhas de maior percurso e mais rendosas, dentro da política preconizada pelo Governo Federal para a aviação comercial brasileira.

Estabeleceram-se, em 1961, as rotas Tocantins (Goiânia - Brasília - Arraias - Taguatinga - Dianópolis - Natividade - Porto Nacional - Tocantinópolis - Carolina - Imperatriz - Belém) e Araguaia (Goiânia - Aruanã - Gurupi - Santa Isabel - Santa Teresinha - Araguacema - Conceição do Araguaia - Araguaia - Belém); a extensão da rede ascendeu a 25.964 km, o que representa o aumento de 2.714 km em relação ao ano anterior. Ascendeu a 534.491 o número de passageiros transportados.

FROTA DE AVIÕES

Da fusão da VASP com o grupo LOIDE-NAB, originou-se uma das maiores companhias aéreas nacionais, com aproximadamente 25% do tráfego interno, e que dispõe, para tal fim, de

67 aeronaves. Ainda em consequência dessa medida, será possível a constituição de um serviço de carga de grande capacidade, com ponto inicial em São Paulo, estando ainda a VASP habilitada a ingressar no campo do transporte popular com tarifa reduzida, o que trará grandes benefícios ao País.

MANUTENÇÃO

Teve sequência, em 1961, o programa de reequipamento da empresa, com remodelação e reorganização de oficinas e com a aquisição de aparelhamento técnico destinado ao aprimoramento dos serviços de manutenção.

A eficiência de funcionamento dos motores das aeronaves "Scandia" atingiu o índice de 95,6%, porcentagem que superou a obtida em 1960. Coube à VASP, no ano findo, o melhor índice de regularidade entre todas as componentes da Ponte Aérea.

Instalaram-se, para atendimento do setor de ensino, três novas salas de aula e, mediante convênio, criou-se a escola SENAI-VASP, de grande alcance social e técnico.

RESULTADO ECONÔMICO

Apesar de fatores que atuam desfavoravelmente na indústria de transporte aéreo, obteve a VASP, em 1961, o lucro aproximado de 100 milhões de cruzeiros.

RODOVIAS

Dando prosseguimento ao programa estabelecido no Plano de Ação para o setor rodoviário, em que foram previstos 3.000 km de pavimentação e 1.600 km de construção de estradas, segundo as diretrizes fixadas no Plano Rodoviário de 1951 e atualizado em 1958, concluíram-se durante o terceiro ano de Governo, além de 79 obras de arte, 968 km de pavimentação e 451 de construção de estradas.

Estes valores elevaram a rede pavimentada no atual Governo ao total de 2.225 km, ultrapassando a previsão anual. Observa-se que se encontram construídos 1.534 km de novas rodovias, isto é, 96% do total previsto.



Deu-se absoluta prioridade à construção e pavimentação das radiais tronco, rodovias de primeira classe que, partindo de São Paulo demandam as fronteiras dos Estados limítrofes. Pode-se alcançar, hoje, Ribeira, na fronteira com o Paraná, Presidente Epitácio, na fronteira com o Mato Grosso e o Rio Grande, junto a Igarapava, na fronteira com Minas Gerais, por rodovias asfaltadas.

Além destes, outros troncos já estão prestes a alcançar os limites do Estado, como, por exemplo, o de São Paulo-Andradina.

Esta orientação visou à interligação das zonas mais populosas e de maior produção agrícola do Estado, com o fim de facilitar o intercâmbio e o escoamento de produtos e de obter economia de divisas pelo baixo custo operacional, seja pelo menor consumo de combustíveis, seja pelo menor desgaste do material rodante.

Dentro dessa mesma política, estão em pleno andamento os trabalhos de pavimentação das grandes travessias, que permitem a interligação dos troncos radiais rodoviários e completa articulação com os troncos radiais ferroviários.

Do orçamento do Departamento de Estradas de Rodagem, para 1961, 6 bilhões e 500 milhões de cruzeiros foram fornecidos pelo Plano de Ação. Encontram-se contratados e em andamento

7

por administração direta 1.402 km de pavimentação e 691 km de construção de estradas, que permitam fique assegurada a execução proposta e seja evitada a solução de continuidade de execução de obras no período de transição deste quadriênio para o seguinte. Parte destas extensões refere-se a obras previstas no Plano Adicional, elaborado justamente com essa finalidade e no qual foram previstos mais 1.400 km de pavimentação e mais 600 km de construção.

Continuou o Estado a prestar assistência técnica e financeira às redes municipais de estradas, que completam o sistema rodoviário estadual, possibilitando a interligação de todas as localidades, bem como acesso à rede estadual. Além dos recursos do Fundo Rodoviário Nacional, o Estado contribuiu, em 1961, com 98 milhões relativos à Quota de Auxílio Rodoviário Estadual; 30 milhões para o Serviço de Assistência aos Municípios; 50 milhões para Obras de Emergência da Rede Municipal; 150 milhões para Obras Inadiáveis da Rede Municipal e 30 milhões para Fomento ao Turismo Rodoviário. Estas importâncias, somadas, perfazem o total de Cr\$ 358.000.000,00, que supera em 16% o total empregado para a mesma finalidade em 1960. O número de Municípios contemplados, em 1961, elevou-se a 279.

Com o fim de manter o seu parque de máquinas em condições de levar a bom termo os encargos que lhe são cometidos, o D.E.R., em 1961, importou 75 motoniveladoras, 9 tratores, uma vibro-acabadora de asfalto e um avião de 5 lugares, destinado a viagens de inspeção, além de peças de reposição para motores, aquisição essas que atingiram o montante de 145 milhões de cruzeiros. Ainda com o mesmo objetivo aquele Departamento adquiriu da indústria nacional grande quantidade de equipamento, sobressaindo-se 12 caldeiras, 6 distribuidores, 4 usinas de asfalto, 7 rôlos vibro-compactadores, 7 carretas para transporte de máquinas, 70 caminhões, 20 camionetas, 40 peruas, 30 irrigadeiras e um "ferry-boat". O valor destas aquisições atingiu o montante de 414 milhões de cruzeiros.

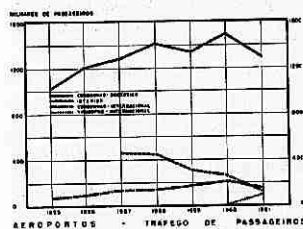
Dos veículos adquiridos, parte foi destinada ao reaparelhamento da Polícia Rodoviária.

No setor de arborização e paisagismo da rede rodoviária, foram plantadas, em todo o Estado, um milhão e cem mil mudas.

Paralelamente à construção e pavimentação de novas estradas, empenhou-se o Governo na reparação dos pavimentos danificados, tendo, até o momento, empregado cerca de 398 milhões de cruzeiros no recapeamento de 180 km. Com igual finalidade, em 1961, foram aplicados 86 milhões de cruzeiros nos serviços de substituição de placas de concreto da Via Anchieta.

AEROPORTOS

Dentro do programa de melhoria da infra-estrutura aeroportuária — para a qual o Plano de Ação reservou parcela importante — prosseguiram as obras previstas, sendo realizadas, as mais importantes, em colaboração com o Ministério da Aeronáutica, mediante convênio na base do rateio das despesas.



que permitiu atender ao acréscimo do tráfego aéreo daquele Aeroporto, decorrente das novas empresas que ali passaram a operar e do aumento da frequência dos que ali já operavam.

Procedeu-se, também, à ampliação da área da Estação Provisória, em razão dos mesmos fatores apontados no tópico anterior.

Para abrigar a parte administrativa e dar alojamento às autoridades (Polícia, Alfândega, Saúde, Bombeiros, etc.), cuidou-se da adaptação de antiga estrutura de concreto ali existente.

Relativamente à pavimentação de outros Aeroportos, além dos existentes (Congonhas, Viracopos, Presidente Prudente, Ribeirão Preto, São José do Rio Preto, Bauru, Araçatuba, Lins, Marília e Tupã), houve necessidade de se reexaminar o problema à luz de novas estatísticas, que indicaram sensível redução do tráfego aéreo, em consequência da inauguração de novas rodovias pavimentadas e do aumento das tarifas.

Resultou, daí, a diretriz adotada de se adiar a execução de novas obras de pavimentação de aeroportos, até que a recuperação do tráfego aéreo, pelas empresas, venha a indicar a necessidade de que se estenda esse melhoramento a outras cidades.

A construção de 8 pistas de terra, previstas no Plano de Ação, acha-se bem adiantada, uma vez que estão concluídas as pistas de Jundiaí, Assis, Votuporanga e Dracena, e, em fase final, a de Andradina.

Da mesma forma, dentro do total previsto de 13 estações, 3 estão praticamente concluídas e 4 com a construção adiantada. Das 6 restantes, 4 tiveram sua construção adiada, em virtude da redução do tráfego aéreo.

No Aeroporto de Congonhas, executaram-se a reforma do balisamento elétrico da pista I, a cobertura para bagagem, a reforma do taxi e a construção do incinerador de lixo.

P O R T O S

Empenhou-se o Governo em dar andamento a um programa de obras, visando desenvolvimento constante dos serviços portuários.

Assim é que, no Porto de São Sebastião, foram autorizadas várias obras, como a construção do abrigo de passageiros, com instalações anexas para o serviço de fornecimento de água às embarcações e de defesa contra incêndio, construção de almoxarifado,

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officinas, construção de enrocamento contra a erosão e a reparação da estrutura de concreto do cais pelo processo de "cement-gum". Estão sendo providenciadas a aquisição de um guindaste para 6 toneladas e vários veículos e equipamentos.

O Porto de Ubatuba, embora ainda secundário, tem merecido a melhor atenção, procurando-se incrementá-lo precipuamente com vistas ao tráfego pesqueiro.

Quanto à navegação costeira, acham-se em estudos diversas linhas de interesse, visando a dar transporte e a subvencionar a Navegação Santense, para a execução das linhas de Santos-Bertioga e São Sebastião-Ilha Bela.

EDIFÍCIOS PÚBLICOS

Foram concluídos pela Diretoria de Obras Públicas, em 1961, entre outras, 72 obras de construção e ampliação de Grupos Escolares, situados na Capital e no Interior do Estado, no valor de 710 milhões de cruzeiros; 11 obras de construção e ampliação de Ginásios do Interior, no valor de 128 milhões de cruzeiros; 9 obras de construção e ampliação de Cadeias e Delegacias, no valor de 40 milhões de cruzeiros. Aplicaram-se, por outro lado, 76 milhões de cruzeiros na reforma de 104 Grupos Escolares, dos quais 12 na Capital e 30 milhões de cruzeiros na reforma de 20 Ginásios, dos quais 3 na Capital. Empregaram-se, na reforma de Escolas de Ensino Profissional, Foruns, Penitenciárias, Centros de Saúde, Hospitais, Cadeias e Delegacias, 84 milhões de cruzeiros.

O vasto campo de atividade abrangido pelo órgão responsável, bem como o volume de trabalho a ser executado, exigiram modificações na estrutura interna da Diretoria de Obras Públicas, com o intuito de torná-la capaz de levar avante o programa de obras do Governo. Competindo-lhe apresentar soluções para todos os programas de construção formulados pelas Secretarias de Estado, imprimiu-se maior rapidez no andamento dos trabalhos, conseguida também através de melhor coordenação entre os seus vários setores.

Dentre as modificações estruturais, salienta-se a distinção entre as atividades de construção e reforma, que, confiada a divisões próprias, vem permitindo maior eficiência na solução dos problemas que lhe são confiados. O estudo da padronização e o controle da qualidade dos materiais estão afetos a outras duas divisões, que se incumbem, também, da elaboração dos orçamentos e da promoção das concorrências públicas.

No exercício de 1961, foi atribuída à Diretoria de Obras Públicas a dotação de 483 milhões de cruzeiros que, somada aos recursos fornecidos pelo Plano de Ação, atinge o montante de, aproximadamente, 3 bilhões e 512 milhões de cruzeiros, superando em 25% o total atribuído no ano anterior.

Realizaram-se, em 1961, concorrências públicas para a execução de 723 obras no valor de 10 bilhões e 568 milhões de cruzeiros, iniciaram-se 552 obras, no valor de 8 bilhões e 201 milhões de cruzeiros e estão em andamento 429 obras, no valor de 9 bilhões e 841 milhões de cruzeiros. Foram executados reparos e reformas, pela equipe volante da Diretoria, equivalentes a 454 ordens de serviço, no valor de 43 milhões de cruzeiros.

Cumpram-se, em 1961, a construção de 48 Grupos Escolares veio beneficiar 38.500 crianças em idade escolar; destes, 36 estão localizados em bairros e vilas densamente habitados da periferia da Capital. Foram aplicados 23 milhões em serviços de ampliação e reforma das instalações do Serviço Social de Menores da Capital.

PONTES MUNICIPAIS

Ao lado do programa de interligação de todas as regiões do Estado de São Paulo e deste com os demais Estados limítrofes, constituída por rodovias tronco e transversais de alto padrão técnico, cuidou o Governo de melhorar as condições da rede municipal de estradas, pela qual se processa o escoamento da safra agrícola, em demanda dos grandes centros.

Foram consignados recursos, dentro do Plano de Ação, para a construção de 400 pontes de concreto, que possibilitarão a continuidade do tráfego, mesmo nas estações chuvosas.

Sómente no exercício de 1961, concluíram-se 112 pontes municipais, no valor de 442 milhões de cruzeiros; outras 124, no valor de 551 milhões de cruzeiros, tiveram sua construção iniciada; realizaram-se 107 concorrências públicas, com o mesmo objetivo.

Note-se que o número de pontes a serem construídas ou substituídas superou consideravelmente o programa inicial, surgindo a necessidade do estabelecimento de critérios técnicos para a determinação de prioridade das obras, com base, principalmente, no valor da produção agrícola escoada pelas estradas em que localizadas.

Foram concedidos, outrossim, pela Diretoria de Obras Públicas, 303 auxílios, no valor total de 120 milhões de cruzeiros.

AGRICULTURA

No exercício de 1961, foi possível adquirir a certeza do cumprimento das linhas mestras do programa estabelecido, em 1959, para o Plano de Ação do Governo.

Não só as grandes iniciativas de caráter inovador, como a Revisão Agrária, a rede de silos e armazéns, o Centro de Abastecimento da Capital, o Centro de Nutrição Animal, o Centro Tropical de Pesquisa e Tecnologia de Alimentos, a cobertura aerofotogramétrica em escala de 1:25.000 e o correspondente serviço de foto-interpretação, a assistência especializada e treinamento avançado, tanto técnico quanto nos mais modernos métodos de extensão rural, mas também as providências de dinamização e intensificação de atividades tradicionais — como o fomento agropecuário, a mecanização agrícola, a conservação do solo, a defesa sanitária, a proteção dos recursos naturais e as medidas de assistência às populações rurais — desenvolveram-se dentro do ritmo e com o entrosamento necessários para que constituam, como pretendido desde o início do Plano de Ação, a infra-estrutura estatal para o reerguimento do Interior do Estado, que traga a Agricultura ao nível de progresso da Indústria.

Foi sempre filosofia nortea da política agrária governamental o conceito de que uma agricultura técnica e socialmente sadia abastece de alimentos e consome os produtos da indústria que venceu o subdesenvolvimento.

REVISÃO AGRÁRIA

Durante o ano de 1961, foram atacados todos os aspectos abrangidos pela Lei n.º 5.994, de 30 de dezembro de 1960 — a Lei de Revisão Agrária.

Tomaram-se as providências de ordem fiscal tendentes a estimular o uso da terra em bases técnica e socialmente idôneas. Rigorosamente, dentro dos pontos de vista repetidas vês expostos pelo Governo, não houve, na aplicação dessas medidas, orientação confiscatória ou de meros objetivos fiscais, mas apenas estrita aderência ao espírito e à letra da lei.

Transferida aos municípios, pela Emenda Constitucional n.º 5, a competência para lançar e arrecadar o imposto territorial rural, vêm as comunas do Interior, em número crescente, adotando a filosofia básica, da Revisão Agrária, de dar função social àquele imposto e, mais ainda, buscando a orientação do Governo do Estado quanto à sua efetivação.

Foram, com os recursos da Lei n.º 5.994, de 1960, empreendidos, pela Assessoria de Revisão Agrária, 4 planos de colonização, nos municípios de Marília, Campinas, Meridiano e Jaú.

O projeto mais adiantado é o de Marília, cuja execução terá início no primeiro trimestre deste ano. A gleba escolhida foi dividida em 110 lotes, cada um dos quais dotado das seguintes benfeitorias: casa de moradia, galpão, terreiro atijolado, poço com bomba e água encanada na casa, galinheiro, pocilga e instalações elétricas. Além disso, o correspondente núcleo urbano conta com os seguintes melhoramentos: grupo escolar, centros de administração social, de saúde, de compras, casas de moradia para empregados, depósito da cooperativa, fábrica de rações e campo de futebol.

O preço de custo de um lote típico de 20 hectares, será:

	Cr\$
Terras (inclusive juros)	457.975,00
Benfeitorias do lote	738.700,00
Quota-parte no condomínio	117.600,00
Juros sobre benfeitorias e quota-parte	425.423,60
	<u>1.739.698,60</u>

Essa quantia deverá ser paga da seguinte maneira: entrada inicial de Cr\$ 73.148,60 e 14 prestações anuais, com 2 anos de carência entre a entrada e a primeira prestação.

O projeto de Campinas, na fazenda Capivari, também se encontra adiantado, desenvolvendo-se em bases similares às de Marília e comportará 72 famílias.

Em fase de organização estão os projetos de Jacilândia (município de Meridiano) e Jaú.

Verificada, dessa maneira, a plena viabilidade e o alto interesse social desses empreendimentos de colonização, tornou-se indispensável buscar recursos financeiros para sua continuação, face à transferência, para os Municípios, do imposto territorial rural, que fornecia os recursos necessários à execução da política agrária do Governo.

Para esse fim, entrou o Governo em entendimentos com o Banco Interamericano de Desenvolvimento e obteve promessa de financiamento, extremamente vantajoso, o que mais demonstra a validade do programa em andamento.

As cláusulas do empréstimo em perspectiva serão, em sua totalidade, devidamente apreciadas por esta Colenda Assembléia.

PESQUISA APLICADA E PURA

É incessante a atividade da Administração na modernização das técnicas destinadas a aumentar a produção agropecuária e a produtividade do solo. Assim, o seu preparo e tratamento, para

conservação e plantio; a produção de sementes, mudas e plantéis animais de ótima qualidade e resistência; o combate às doenças das plantas e animais domésticos; os métodos de armazenagem, transporte, comercialização e industrialização, bem assim a exploração racional dos recursos naturais, têm sido constante preocupação dos agrônomos e especialistas da Secretaria da Agricultura.

O Instituto Agronômico de Campinas, encarregado da pesquisa agronômica propriamente dita, continuou desenvolvendo, em ritmo agora intensificado, nos laboratórios da sede e nas suas 17 estações experimentais, as pesquisas relativas às variedades, técnicas agronômicas e adaptações ecológicas mais convenientes.

No que diz respeito ao café, os trabalhos se concentraram na fertilização com macro e micro-nutrientes, no controle das ervas daninhas, nos problemas da colheita, na morfologia do fruto, no fenômeno do "branqueamento" e nos efeitos cumulativos das aplicações de inseticidas. Realizaram-se ensaios com material irradiado, visando a aumentar a taxa de mutação genética e, assim, as potencialidades de obtenção de novas características.

No tocante ao algodão, deu-se ênfase à seleção de variedades resistentes à murcha de "Fusarium", atualmente o mais grave problema dessa cultura. Houve também progresso acentuado nos ensaios visando à melhoria das qualidades tecnológicas da fibra e, finalmente, continuaram-se as pesquisas sobre espaçamento, aplicação de calcário e barateamento das adubações.

Os trabalhos sobre cereais concentraram-se principalmente no milho e no arroz. Quanto ao primeiro desses produtos, houve assinalado progresso nas criações de híbridos semi-dentados de alta produtividade. Tem o Instituto conseguido constante melhoria dos milhos híbridos e, por exemplo, há diversas linhagens de semi-dentados com mais de 6.000 quilos de produção, por hectares. Tudo indica que níveis ainda mais elevados serão obtidos em breve.

Relativamente ao arroz, bons resultados foram alcançados com variedades precoces, de especial interesse nos casos de plantio tardio; estas variedades reagem, além disso, mas favoravelmente às adubações nitrogenadas.

Mais 250 variedades de citrus foram testados para sensibilidade ao vírus do exocorte e conseguiram-se resultados importantes no estudo de sua transmissibilidade por sementes. Foi também estudada a tolerância de cavalos de plantas cítricas à tristeza.

No que diz respeito à cana-de-açúcar, intensificaram-se os trabalhos de cruzamento, no litoral, como parte de um programa de reerguimento da região, a mais pobre do Estado. No planalto, prosseguiram os trabalhos com variedades superiores às principais atualmente em cultivo. Também no litoral foram intensificados os experimentos de plantas tropicais, tais como seringueira, cacaueteiro e bananeira.

No que se refere às oleaginosas, continuaram-se os trabalhos sobre mamona, amendoim e gergelim, com ênfase em variedades mais produtivas e em técnicas de cultivo. No caso específico da mamona, vem-se trabalhando com linhagens de porte anão e fruto indeiscente.

Trabalhos de hibridação e agronomia com frutas de clima temperado abrangeram o pessegueiro, o caqui, a figueira, a pereira, a macieira e a oliveira.

A mais importante de nossas leguminosas, o feijão de mesa, vem sendo alvo de pesquisas intensivas em todas as regiões do Estado, visando ao aumento da produtividade, por meio da seleção de variedades e aperfeiçoamento das práticas agrônomicas. Resultados especialmente satisfatórios foram obtidos com o "feijão creme", que já está sendo multiplicado para distribuição aos lavradores.

Leguminosas para outros usos, não alimentares (fertilização do solo e enriquecimento de pastagens), receberam a atenção que sua importância econômica merece.

Na viticultura realizaram-se, principalmente, trabalhos de melhoramento, devendo ser fornecidas, em 1962, sementes de novas combinações híbridas.

No setor de plantas fibrosas continuaram os experimentos com agave e rami e iniciou-se um programa intensivo com o bambu, cuja fibra vem adquirindo importância na fabricação de papel.

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Progressos foram alcançados no setor dos tubérculos, com a obtenção de novos clones, mais produtivos e resistentes a moléstias e pragas, cuja prevenção e combate encarecem sobremaneira a cultura de importantes produtos alimentares, como a batatinha, por exemplo.

No setor da olericultura, além da obtenção de sementes puras, já em escala para distribuição deve ser ressaltada a produção de sementes certificadas de tomate isentas de cancro bacteriano.

Em vista da crescente importância do aproveitamento das terras "cansadas" do Estado, vem sendo intensificados os estudos de nutrição vegetal e adubação, não só como aspectos da técnica agronômica, mas também com o objetivo de se adquirir melhor compreensão dos fenômenos que se passam no complexo solo-água-planta.

Numerosas plantas de importância econômica são afetadas por moléstias a virus. Sobre estas desenvolvem-se estudos em ritmo acelerado, tornado possível pelo excelente equipamento instalado. Foram objeto de especial atenção doenças do tomateiro, do pimentão e da batatinha.

No setor da Agrogeologia, foi terminado e publicado trabalho da maior importância sobre os solos da Bacia de Taubaté (Vale do Paraíba), básico para o aproveitamento racional das terras daquela região. É este trabalho exemplo típico da integração de diversas disciplinas científicas na obtenção de resultados, tanto de importância teórica, quanto de aplicação imediata.

Finalmente, pesquisas, também tornadas possíveis pela aquisição de moderna aparelhagem, foram empreendidas no campo da microclimatologia, destacando-se aquelas referentes às temperaturas extremas, que permitirão melhorar o colorido da laranja de exportação, e ao problema da defesa contra a geada.

O aceleração e extensão das pesquisas do Instituto Agrônomo demandaram importantes investimentos em obras, além da melhora do aparelhamento dos laboratórios e estações experimentais. Já foi empreendida a construção da nova sede e de prédio para a biblioteca. Na Seção de Virologia foram instalados laboratórios de microscopia eletrônica, para provas serológicas

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de vírus de plantas e de controle de insetos vetores. Também, foi montado no Instituto, equipamento para uso de isótopos radioativos em pesquisas agrônômicas.

No Instituto Biológico, que se ocupa da defesa sanitária, tanto animal quanto vegetal, obtiveram-se diversos resultados importantes, especialmente na linha de trabalho relativo à vacina contra a febre aftosa a partir de vírus mantido em cultura de tecidos.

Em colaboração com o Departamento de Agricultura dos Estados Unidos, que contribuiu com mais de 53 milhões de cruzeros, foi iniciado um programa de pesquisas em 4 campos levantamento dos tipos de vírus causadores da febre aftosa (com ampliação da produção de vacinas), levantamento da ocorrência de plantas tóxicas nas pastagens e exame de seus princípios tóxicos, estudos sobre a fisiologia da germinação das sementes e pesquisas sobre o câncer dos vegetais.

Prosseguiram os estudos sobre moléstias de plantas e animais, seu combate e, principalmente, sobre pesticidas.

No campo da zootecnia, afeto ao Departamento da Produção Animal, que realiza pesquisas na rede e nas estações experimentais de sua rede, o programa de trabalho compreendeu numerosos itens de importância.

Prosseguiram as pesquisas de melhoramento das pastagens para gado leiteiro e de corte, incluindo diversificação das forrageiras empregadas, especialmente em associação, manejo de pastagens e outras. Executaram-se também experiências com suplementação através de rações. Continuou-se o programa de cruzamentos dirigidos, visando a formação de plantéis de gado rústico e produtivo, adaptados às condições de meio, trato e manejo.

Foi celebrado convênio com o Governo Federal para unificação das pesquisas zootécnicas, objetivando a melhoria do gado da região geoeconômica do Brasil Central. Compreende a presente fase dos trabalhos 45 projetos de pesquisa.

No campo da Biologia e Pesca Marítima, juntamente com o Instituto Oceanográfico da Universidade de São Paulo, estão em andamento 15 programas e 47 projetos, executados nas ins-

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talações da Secretaria da Agricultura, em Santos, e iniciados sob a supervisão de técnico da FAO. Simetricamente, trabalhou-se no aproveitamento dos reservatórios da Light (Guarapiranga, Billings e Itupararanga), como unidades de piscicultura, sendo instalados três laboratórios. Com a USELPA e CHERP foram feitos acordos para aproveitamento das represas de Limoeiro, Euclides da Cunha, Bariri, Barra Bonita, Salto Grande, Chavantes e Jurumirim.

Realizaram-se vários levantamentos econômicos sobre preços, mercados e condições de produção de leite, carne e ovos em diversas regiões do Estado, a fim de orientar os produtores, comerciantes e consumidores.

O Instituto Geográfico e Geológico efetuou levantamentos geológicos em diversas regiões do Estado, num total de mais de 10 mil quilômetros quadrados. Estudos paleontológicos e petrográficos ultimaram-se na região da Mojiana, dos quais resultaram, principalmente, achados de plantas fósseis. Empreenderam-se exames de águas e minérios radioativos. No campo da Geologia Econômica, merece citação o trabalho sobre calcários dolomíticos no Sul do Estado.

Finalmente, os institutos de pesquisa pura, da Secretaria da Agricultura, devidamente reaparelhados, entraram em ritmo satisfatório de produção, superada a fase inicial de expansão material e de recrutamento de pessoal científico.

No terreno da Botânica, cabe mencionar os estudos sobre plantas dos campos cerrados. Aumentaram-se de muito os herbários e foram realizadas valiosas pesquisas de fisiologia. Também mereceram atenção os estudos de pólen, essenciais aos trabalhos, que cada dia se tornam mais necessários, de paleoclimatologia.

No âmbito da Zoologia, a maior preocupação foi a cobertura de campos anteriormente não explorados entre nós, além da reestruturação das coleções com o fim de permitir pesquisas de caráter atualizado. Foram ativadas 4 seções e dada mais extensão a outras, especialmente à de Entomologia.

O volume de publicação revelou-se excelente, observando-se o total aproximado de 70 trabalhos originais.

CENTRO TROPICAL DE PESQUISAS E TECNOLOGIA DE ALIMENTOS

É este um dos pontos importantes do programa agrícola do Governo, pois visa a multiplicar as possibilidades de aproveitamento da produção agropecuária, pela obtenção de técnicas industriais especificamente adequadas ao nosso meio e necessidades.

É iniciativa que conta com apoio financeiro do Fundo Especial das Nações Unidas, que contribuirá, em cinco anos, com 4 milhões de dólares, sendo 700 mil somente em equipamentos e aparelhos. Para sua execução, serão contratados especialistas estrangeiros e concedidas bolsas de estudos a técnicos nacionais.

Já foram iniciadas a construção da respectiva sede e a aquisição de equipamentos, de acordo com projetos cuidadosamente elaborados, prevendo-se sua entrada em atividades para meados do ano. Mais de 300 milhões de cruzeiros foram invertidos nestas obras.

Mesmo antes de completado o Centro, a atual Divisão de Tecnologia do Instituto Agrônômico, que lhe serve de núcleo, vem realizando pesquisas sobre alguns dos problemas da tecnologia dos alimentos em nosso meio, tais como a industrialização de citrinos e o enlatamento de frutas diversas.

CENTRO DE NUTRIÇÃO ANIMAL

Dentro da mesma orientação ecológica que determinou a fundação do Centro de Tecnologia, foi criado, dentro do Departamento da Produção Animal, o Centro de Nutrição Animal.

Localizadas em fazenda do Estado situada no município de Nova Odessa, as obras do prédio em que o Centro será instalado estão em final de acabamento. Não obstante, já se encontram em execução 30 projetos de pesquisa. Versam esses projetos sobre a nutrição do gado em pastagens, especialmente sobre a produtividade e digestibilidade de plantas forrageiras.

Recebeu esta iniciativa do Governo apoio financeiro, no valor de 350 mil dólares, da Ford Foundation. Ali inverteu o Governo recursos da ordem de 40 milhões de cruzeiros destinando-se mais 30 milhões na conclusão das obras necessárias.

FOMENTO AGROPECUÁRIO

Formulou-se, no Plano de Ação, não apenas a intensificação de trabalhos ou a melhoria de instalações e equipamentos, mas, também e principalmente, novo conceito de relação entre o Governo e o produtor agropecuário que dele depende no que diz respeito à orientação, assistência técnica e prestação de serviços.

Na parte de produção vegetal, a infraestrutura dessa nova filosofia constituiu-se da Divisão de Assistência Técnica Especializada e do Centro de Treinamento de Agrônomos. Por outro lado, os elementos para a dinamização dessa política encontram-se na rede de Casas da Lavoura, nas unidades de hierarquia superior (Delegacias Agrícolas e Chefias de Extensão) e nas unidades de produção, preparo e fornecimento de sementes e mudas.

O Centro de Treinamento de Agrônomos, em Campinas, destina-se a preparar agrônomos de fomento para aplicação de técnicas assistenciais modernas e à constante atualização de seus conhecimentos técnicos.

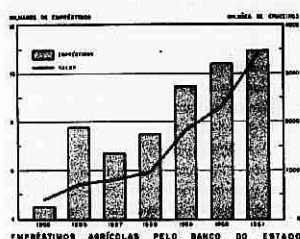
Acha-se em fase de acabamento o prédio do Centro, que custou, com as obras complementares, cerca de 250 milhões de cruzeiros. Antes mesmo de sua conclusão, foram realizados, em instalações provisórias, 14 cursos de treinamento e um curso internacional de Crédito Agrícola. Este adquire maior relevo por ser o marco inicial das atividades de treinamento do programa de cooperação técnica, base para a instalação do Centro Interamericano de Crédito Agrícola da Organização dos Estados Americanos. Participaram daquele curso técnicos de 10 países latino-americanos.

Entre as técnicas modernas de ensino adotadas pela Secretaria da Agricultura está a de "campos de demonstração", em que são aplicadas práticas agrícolas rotineiras na região, ao lado da-

queelas que a Secretaria aconselha. Dado o íntimo contacto dos lavradores com todo o ciclo da cultura, o valor educativo d'este sistema é extraordinário.

Foram instalados, em 1961, 800 campos de demonstração de cultura regionalmente importantes, contra 650, em 1960. Mais de mil reuniões de lavradores e 545 palestras técnicas, com distribuição de 896 mil publicações, foram realizadas, com finalidades educativas. As inspeções, destinadas a dar assistência técnica directa a lavradores, atingiram a 64.370 propriedades.

O programa de construção de Casas da Lavoura progrediu satisfatoriamente, de acôrdo com o planejado.



A expansão das atividades da Secretaria da Agricultura esgotou o mercado nacional de especialistas em agricultura e pecuária. Dessa maneira, nem sempre foi possível lotar agrônomos nas recém-construídas Casas da Lavoura. A formatura de novas turmas, porém, vem

minorando a carência e, em breve, permitirá a solução completa do problema atual e a realização de nova e mais extensa fase.

Acham-se instaladas em prédio próprio e em pleno funcionamento 182 Casas da Lavoura. Outros 76 prédios acham-se em execução. Em mais 54 localidades conta o Governo com terreno doado para imediato início das obras.

Uma Chefia de Extensão e 4 Delegacias Agrícolas estão concluídas. Três Chefias e 9 Delegacias estão em construção.

O programa de fornecimento de sementes e mudas permitiu, como em anos anteriores, atender plenamente a solicitações de lavradores do Estado e, ainda, prestar auxílio a outras unidades da União. O Quadro adiante inserido indica as quantidades de

MOVIMIENTO DE SEMENTES DE ALGUNOS PRODUCTOS DURANTE OS ANOS DE 1959, 1960 e 1961

SEMENTES DE	1959			1960			1961		
	Produ- ções	Acresas	Vendas	Produ- ções	Acresas	Vendas	Produ- ções	Acresas	Vendas
Algodão — saco de 50 kg	1.710.435	1.315.381	1.087.047	1.690.445	1.430.118	1.135.738	2.065.354	1.477.753	1.201.810
Arroz — saco de de 50 kg	59.224	36.326	38.404	56.460	56.405	57.613	59.390	65.414	63.413
M. N. R. — saco de 50 kg	115.727	114.639	112.475	96.445	98.436	82.648	154.441	120.504	124.284
Amendoim — saco de 20 kg	34.084	14.978	17.080	28.289	24.688	24.548	83.083	69.396	59.430
Soja — saco de 50 kg	26.788	21.801	4.117	21.077	17.119	9.617	12.471	9.541	5.648
Café — saco de 1 kg	27.508	17.668	12.817	18.818	18.568	15.546	18.968	18.968	18.961

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sementes dos principais produtos postos à disposição dos lavradores, em 1961.

As sementes, produzidas em fazendas do Estado, ou em campos de cooperação, foram preparadas e distribuídas pelos Postos de Sementes da Secretaria da Agricultura. Tendo em vista o incremento das atividades do Estado nesse setor, tornou-se necessário expandir e modernizar a rede de Postos de Sementes.

Em consequência, construiu-se o novo Posto de Sementes de Lucélia, estando em fase de conclusão o de Santo Anastácio. Substanciais reformas foram realizadas nos postos de Presidente Prudente, Avaré e Ibitinga. Providenciaram-se, ainda, obras complementares em Tatui, a desapropriação de terrenos para ampliação das unidades de Piraquununga e Araçatuba e a construção de postos em Registro e Taubaté. As desapropriações para o Campo de Mudas de Tietê e para os Postos de Sementes de Jaboticabal e Paraguaçu Paulista já estão terminadas.

Os planos para 1962 compreendem a construção de novos Postos de Sementes ou a realização de obras diversas nos já existentes, em Itapeva, Araçatuba, Paraguaçu Paulista, Itapetininga, Alvares Machado, Ibitinga, Tatui, Capital, Campinas, Ribeirão Preto, Jaboticabal, Marília, Registro, Agui e Taubaté.

O fomento pecuário torna-se cada dia mais importante para o Estado, pois uma dieta rica em proteínas de origem animal é indispensável à nutrição dos países industrializados. Assim, o Departamento da Produção Animal vem fornecendo assistência técnica geral aos criadores, por intermédio de sua rede de zootecnistas regionais.

A fim de implantar, nas fazendas de criação, métodos racionais de administração, como a produção de alimentos, o controle sanitário, o levantamento dos custos, a contabilidade zootécnica, os controles leiteiros etc., e, ao mesmo tempo, fomentar atividades paralelas e complementares, vem a Secretaria da Agricultura desenvolvendo o plano, concebido e iniciado neste Governo, de Fazendas-Piloto, que são financiadas para que adotem, sob estrita

orientação e supervisão dos técnicos governamentais, as práticas agropecuárias mais aconselháveis. No exercício de 1961, 225 propriedades foram incluídas nesse programa.

A venda, abaixo custo, de reprodutores selecionados de bovinos, ovinos, suínos, equinos e asininos, que se destina a possibilitar ao criador a melhora das correntes de sangue de seus plantéis, atingiu cerca de 1.000 reprodutores, incluídos 84 ovinos selecionados no Posto Experimental de Criação de Itapetininga.

No capítulo de estímulo à melhora dos plantéis e disseminação de técnicas e conhecimentos modernos, tiveram relevo as exposições de animais, os torneios leiteiros, os concursos de novilhos de corte e as concentrações de pecuaristas.

Fôram realizadas, em 1961, 10 exposições de animais de grande, médio e pequeno porte, com a participação de 3.862 espécimes.

Várias concentrações de pecuaristas, destinadas a demonstrar no campo os resultados dos métodos preconizados pela Secretaria da Agricultura, foram realizadas nas Fazendas-Piloto e nos estabelecimentos experimentais do Departamento da Produção Animal. Os torneios leiteiros desenvolveram-se em todas as 6 regiões zootécnicas do Estado e realizaram-se concursos de novilhos de corte em Araçatuba, Barretos, Presidente Prudente e São José do Rio Preto.

Entre os serviços oferecidos pela Secretaria aos criadores salienta-se o da inseminação artificial. Inseminaram-se 5.354 vacas (contra 4.739, em 1960) e iniciou-se o uso do sêmen congelado, que permite introduzir no País as melhores linhagens estrangeiras sem o dispêndio e o risco da importação de reprodutores.

A Administração também vem estimulando a formação de pastagens ecológicamente adaptadas às diversas regiões do Estado. No exercício de 1961 foi dada especial importância à grama Jesuíta ou Missioneira, capaz de revitalizar os campos pobres do Sul do Estado. Neste programa, o Estado, arando e adubando a terra para os fazendeiros, possibilitou a formação de 150 centros de disseminação dessa graminéa.

No setor da pesca, aumentou-se o fornecimento de gelo aos pescadores, num total de 11.080 toneladas.

Realizaram-se cursos rápidos e práticos de pequenas criações e seu aproveitamento, bem como um curso de saúde pública para veterinários, que reuniu elementos de 5 países latino-americanos.

A sericicultura paulista prepara-se para um período favorável, em face da progressiva retirada do Japão do mercado mundial e dos novos regulamentos tarifários sul-americanos. O Serviço de Sericicultura obteve, em 1961, excelentes resultados com cruzamentos de raças puras de bichos da seda, recebidas do Japão. A melhoria do rendimento foi surpreendente: 100% na criação de casulos e 70 a 80% no rendimento do fio de seda. No início de 1962 essas raças estarão à disposição dos criadores.

ABASTECIMENTO

Foram atacadas, com decisão, as obras do majestoso Centro de Abastecimento da Capital, que será inaugurado e entrará em pleno funcionamento em meados de 1963.

A situação das obras é a seguinte: armazéns horti-frutícolas, 8.952 m² (faltam 18.595 m²); mercado do produtor, 14.323 m² (faltam 9.549 m²); restaurante, 1.823 m² (completo); oficina e garagem, 2.112 m² (completos); lojas e escritórios, 2.999 m² (faltam 8.650 m²); mercado livre, 13.000 m² (faltam 12.000 m²). Ainda não atacados, mas com conclusão prevista para 1962, estão os frigoríficos geral e de pescado e o mercado de flores. A indústria de sobras será concluída em começo de 1963. O asfaltamento das áreas internas do Centro alcançará 201.472 m².

MECANIZAÇÃO E CONSERVAÇÃO DO SOLO

As providências tomadas pelo Estado, a fim de suprir com eficiência a incapacidade, que ainda se faz sentir agudamente, de o agricultor adquirir seu próprio maquinário agrícola, deram excelentes resultados em 1961.

O grande Centro de Mecanização Agrícola, de Jundiaí, destinado ao preparo de pessoal técnico, de todos os níveis, para operação e manutenção dos tratores, que serão em breve produzidos pela indústria nacional, está em fase de acabamento.

O programa de Postos de Mecanização compreendeu a instalação e equipamento de 6 novas unidades localizadas em Assis, Avaré, Barretos, Santa Cruz do Rio Pardo, Marília e Campinas, perfazendo-se assim 16 unidades em funcionamento. Acima de 100 tratores foram entregues a esses Postos. Mais 9 unidades entrarão em funcionamento em 1962. Essa rede tem possibilitado um fornecimento sempre mais intenso de serviços de tratores a preços abaixo do mercado, possibilitando ao lavrador efetuar, com economia, a destoca, a terraplenagem, a construção de açudes e terraços, as arações e as gradeações. Foram levantados 122 mil hectares, com o cadastro de 562 propriedades agrícolas.

Na parte de educação conservacionista fez-se o exame sócio-econômico de 343 propriedades, além de numerosas reuniões com agricultores e cursos para professores do ensino primário.

Foram beneficiados, no total, 440 municípios.

Nos setores de irrigação e drenagem foram elaborados 21 projetos de barragens em 14 municípios.

No Centro de Treinamento Básico de Conservação do Solo ministraram-se 2 cursos, com duração de 4 meses cada, para agrônomos em fase de especialização.

As escolas de tratoristas de Piraçununga, São Manuel e Jaboticabal concluíram 9 cursos, diplomando 315 alunos, selecionados entre mais de 500 candidatos, inclusive de outros Estados da Federação.

No setor do conservacionismo, cada vez mais importante, frente à exaustão das terras virgens do Estado, instalaram-se 11 regiões conservacionistas, em São José dos Campos, Mococa, Dracena, Tupã, Fernandópolis, Votuporanga, Paulo de Faria, Penápolis, Presidente Venceslau, Cotia e Ibitinga. Houve designações de agrônomos para os setores de irrigação de Bauru, Ribeirão Preto, São José do Rio Preto e Campinas.

ARMAZENAGEM E ENSILAGEM

O programa de construção de silos desenvolveu-se exatamente no ritmo previsto, como se demonstra a seguir:

Unidade	Capacidade	Data de conclusão
Barretos.	5.000 t	Concluído
São José do Rio Preto	5.000 t	Concluído
Ituverava.	5.000 t	13-3-62
Avaré.	5.000 t	10-4-62
Presidente Prudente .	5.000 t	25-3-62
São Paulo.	20.000 t	6-62
Araraquara.	5.000 t	9-62
Bauru.	10.000 t	9-62
Ribeirão Preto.	5.000 t	1/63
TOTAL.	65.000 t	

O mesmo se pode dizer da rede de armazéns, cujas 55 mil toneladas assim se distribuíram:

Unidade	Capacidade	Data de conclusão
Assis.	3.000 t	Concluído em 4-60
S. Joaquim da Barra	9.000 t	Concluído em 4-60
Adamantina.	5.000 t	Concluído em 4-60
Barretos.	3.000 t	Concluído em 4-60
Ituverava.	3.000 t	Concluído em 4-60
São José do Rio Preto	3.000 t	Concluído em 4-60
Avaré.	3.000 t	Concluído em 4-60
Presidente Prudente .	6.000 t	Concluído em 4-60
Araraquara.	5.000 t	9-62
Bauru.	5.000 t	9-62
São Paulo.	5.000 t	9-62
Ribeirão Preto.	5.000 t	1-63
TOTAL.	55.000 t	

Como se vê, a capacidade estática da primeira fase da rede é de 65.000 t em silos e 55.000 t em armazéns, que, somada à dos armazéns já existentes em São Paulo (100.000 t), Santos (10.000 t), Rio Claro e Ourinhos (10.500 t) perfaz um total de 240.500 t.

Como a produção do Estado, em 1961, de arroz, feijão e milho, atingiu cerca de 3 milhões de toneladas, e levando-se em consideração que a capacidade dinâmica mínima da rede é de 3 vezes a capacidade estática, concluiu-se que a fase inicial deste empreendimento governamental permitirá o armazenamento de 24% da produção total do Estado.

O déficit apresentado na capacidade total armazenada será sanado com a segunda fase da rede que, quando terminada, totalizará, com a primeira e com os armazéns já existentes, uma capacidade estática de 340.500 toneladas e uma dinâmica da ordem de 1 milhão de toneladas.

É o seguinte o desenvolvimento desta segunda fase:

Cidades	Silos	Armazéns
Araçatuba	5.000 t	5.000 t
Assis		3.000 t
Barretos		3.000 t
Campinas	10.000 t	5.000 t
Avaré		3.000 t
Itapeva	5.000 t	5.000 t
Ituverava		3.000 t
Marília	5.000 t	5.000 t
Pôrto Eitácio	5.000 t	5.000 t
Santos	10.000 t	5.000 t
São José do Rio Preto		3.000 t
Sorocaba	5.000 t	5.000 t
S. João da Boa Vista	5.000 t	5.000 t
Taubaté	5.000 t	5.000 t
TOTAL	55.000 t	60.000 t

DEFESA SANITÁRIA

O otimismo revelado em anos anteriores quanto ao progresso da campanha de erradicação do cancro cítrico foi plenamente justificado. Hoje, pode-se dizer que essa terrível afecção está praticamente debelada no Estado, embora não se possa abandonar rigorosa vigilância em torno de eventuais novos focos, tornados possíveis pela presente falta de medidas fitossanitárias em outros Estados. A fim de diminuir o risco de nova infestação e contribuir para a melhoria econômica dessas regiões, o Instituto Biológico, que realizou a vitoriosa campanha em São Paulo, prepara-se para dar, ao Ministério da Agricultura, a contribuição da sua experiência e recursos, executando a erradicação da doença nas regiões já levantadas pelos técnicos federais.

Cerca de 2/3 de área canavieira paulista já se encontram livres do carvão da cana, moléstia produzida por fungos e que vinha causando sérios prejuízos à indústria açucareira. No prosseguimento desta campanha, visa-se à substituição das variedades susceptíveis à doença por outras resistentes. Para isso, estão sendo ultimados entendimentos entre o Instituto Biológico, a Associação dos Usineiros e o Instituto do Açúcar e do Alcool.

A produção de vacinas foi incrementada, para atender à crescente demanda dos criadores. Foram produzidas 16 milhões de doses, assim distribuídas: contra doença de Newcastle das aves, 10 milhões em 1961, contra 6 milhões em 1960; bouba aviária, 3 milhões, igual a 1960; febre aftosa, 820 mil, contra 700 mil em 1960; peste suína, 1 milhão, contra 700 mil em 1960; outras doenças, 1 milhão e 180 mil.

A ocorrência de graves surtos de mal de Sigatoka nos bananais do litoral obrigou o Instituto Biológico a intensificar os estudos para seu controle. Foram instalados 3 campos experimentais de competição de fungicidas. Paralelamente, a Secretaria da Agricultura vem participando de uma campanha federal para erradicação da doença.

CONSERVAÇÃO DE RECURSOS FLORESTAIS

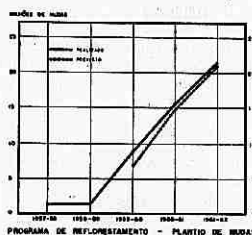
O setor de maior relevo do programa florestal do Governo foi o de reflorestamento direto com coníferas e eucaliptos, principalmente com aquelas, excedendo-se de muito as previsões do ano anterior. Previam-se 21 milhões de "torrões paulistas" para o ano florestal de 1961-62 e, no entanto, foram produzidos 31.111.000, com um excesso de, aproximadamente, 50%. Também o plantio de mudas no local definitivo superior as previsões.

Os dados do gráfico permitem prever, com segurança o cumprimento integral do programa, que a Administração se propôs, de plantar 60 milhões de árvores.

Foram adquiridas áreas destinadas à constituição e ampliação de reservas florestais e ao reflorestamento, num total de 4.141,10 hectares.

O movimento geral de distribuição de sementes de árvores ultrapassou 14 mil quilos, especialmente de pinus e eucaliptus. Distribuíram-se ainda, cerca de 2,6 milhões de mudas, sobressaindo-se as de eucaliptos (800 mil) e de coníferas (590 mil). Além destas, foram fornecidas ao D.E.R. para plantio em estradas, 750 mil mudas diversas.

Acham-se em desenvolvimento programa de estudo do bambu como fonte de celulose.



AEROFOTOGRAMETRIA

Além do programa cartográfico, que utiliza fotografias aéreas na escala de 1:40.000, está previsto, no Plano de Ação, um arquivo aerofotogramétrico, acompanhado de todos os recursos de foto-interpretação, na escala de 1:25.000, adequado a grande número de atividades, desde a geologia econômica e os levantamentos de cobertura vegetal até cadastros de propriedades.

Esse arquivo, que ficará no Instituto Agrônomo, em Campinas, já conta com todas as instalações para receber as fotografias (60.000 unidades), mosaicos (1 700), cópias (1 700), foto-índices (1 000), e com a aparelhagem fotográfica e científica necessária. Foi assinado contrato, no valor de mais de 150 milhões, para realização, em 1962, de todos os vôos de cobertura fotográfica.

ATIVIDADES GEOGRÁFICAS E GEOLÓGICAS

Neste campo, a cargo do Instituto Geográfico e Geológico, mereceu especial atenção o prosseguimento dos trabalhos cartográficos programados no Plano de Ação. Está praticamente concluído o apoio terrestre destinado ao levantamento aerofotométrico da região, de 14.000 km², limitada pelos rios Paraná e Grande, pelo meridiano de 49° a oeste de Greenwich e pelo paralelo de 20° 30'. Quinze folhas topográficas, em escala de 1:25.000, estão concluídas, devendo ser desenhadas em plástico, no próximo ano, para impressão.

Os estudos de geografia física e humana com base em trabalhos de campo e em foto-interpretação tiveram início em 1960, quando pela primeira vez o Governo admitiu geógrafos especializados nestas atividades. Os trabalhos, que se desenvolveram na região da Alta-Araraquarense, formam contribuição de valor para futuras programações governamentais, especialmente a Revisão Agrária, e a Organização do Grande Atlas do Estado, ora em fase inicial.

O estudo de água subterrânea e sua captação visa a suprir de água potável populações urbanas e industriais diversas do

Interior do Estado. Cresce de ano para ano o número das cidades, chamadas de espigão, que se abastecem com água subterrânea. Os trabalhos de captação, em 1961, proporcionaram às cidades beneficiadas a utilização de cerca de 1 milhão e meio de litros por dia.

Os estudos e pesquisas geológicas, visando à elaboração da carta geológica, à fixação da posição estratigráfica de sedimentos e à classificação dos fósseis encontrados, desenvolveram-se normalmente. Continuam os estudos pioneiros hidrogeológicos do vale do Paraíba, para determinação dos coeficientes de permeabilidade e transmissibilidade aquífera das rochas dessa região. A finalidade primeira de tais pesquisas será o abastecimento das grandes indústrias a se instalarem ao longo da via Presidente Dutra.

As prospecções e pesquisas minerais objetivam a utilização das nossas reservas de calcários e dolomitos na fabricação de cimento, cal, e de corretivos da acidez das terras agrícolas e sua aplicação em usinas siderúrgicas e outras. A usina de moagem de Barueri produziu o pó calcário "Agricor" destinado a corrigir a acidez das terras. Em 10 meses venderam-se, aos agricultores de São Paulo, mais de 1.500 toneladas desse corretivo.

CARTEIRAS DE SEGURO AGRÍCOLA

A carteira de seguro contra o granizo para a lavoura algodoeira indenizou, em 1961, 404 lavradores, num total de 7,4 milhões de cruzeiros.

A de videira atendeu a 549 segurados, de 15 municípios, num total de 6,5 milhões de pés e indenizou 18 segurados, em cerca de 500 mil cruzeiros.

ENSINO AGRÍCOLA

No que se refere à educação primária, o setor mereceu muita atenção no Plano de Ação, em vista de haverem sido anteriormente criadas, mas não instaladas, 25 Escolas de Iniciação Agrícola.

Das 26 Escolas de Iniciação Agrícola existentes, 3, as de Rancharia, Itu e Monte Aprazível, estão em franco funcionamento; 2, já parcialmente aparelhadas, em Cândido Mota e Quatá, serão inauguradas no início de 1962.

Estas 5 escolas receberão obras complementares, como pocilga, estábulo, aviário, galpão-abrigo de alunos, lavanderia, galpão de máquinas e garagem, coelheira, apiário, coqueira e prédio de administração.

Das 21 outras escolas, apenas uma recebeu, da Prefeitura local, os serviços de água e luz, e somente duas, o de luz. O Estado, porém, custeará as respectivas instalações, para que possam todas ser inauguradas.

Assim, todas as 26 Escolas de Iniciação Agrícola, constantes do Plano de Ação, estarão aparelhadas e em funcionamento ao findar o ano de 1962, devendo ser inauguradas cerca de 2 por mês, com a capacidade total de 2.000 crianças, do meio rural, que receberão ensino agrícola e educação.

IMIGRAÇÃO

Cabe ao Estado de São Paulo a importantíssima tarefa de receber, em condições humanas, preparar e colocar o migrante nacional, geralmente originário do Nordeste, de onde vem tido pelas secas periódicas.

Pelo Plano de Ação, cuidou-se de aparelhar devidamente o Departamento de Imigração e Colonização. Isto permitiu dar eficiente assistência, em 1961, às correntes migratórias nacionais e, em muito menor escala, estrangeiras.

Passaram pela Hospedaria de Imigrantes 144.919 pessoas, muitas das quais necessitaram de assistência médica e sanitária. Careceram de hospitalização 901 imigrantes. Foram colocadas na indústria e, principalmente, na agricultura, 130.278 pessoas.

FUNDO DE EXPANSÃO AGROPECUÁRIA

Compreendendo a crescente necessidade de o Estado, dentro do programa de desenvolvimento, estimular o setor privado da economia, o Plano de Ação instituiu o Fundo de Expansão Agropecuária com o objetivo de financiar, a médio e longo prazo, em até 60% do montante dos investimentos, projetos que visem a renovar e desenvolver a agricultura e pecuária e a promover a industrialização dos seus produtos no território do Estado.

No ano transato, foram adotadas as providências administrativas e financeiras necessárias ao funcionamento desse Fundo, com o que se abriu nova perspectiva de progresso econômico e humano do Estado, uma vez que fornece ele recursos para a modificação da estrutura das propriedades agropecuárias e possibilita a utilização de técnicas agrícolas mais adiantadas.

Foi expedido, a 29 de maio de 1961, o Decreto n.º 38.536, que criou e regulamentou o Fundo de Expansão Agropecuária e estabeleceu as normas para sua aplicação. A seguir, deram-se os passos necessários no sentido da sua organização e funcionamento.

Ao invés de planejar a constituição de um Banco de Fomento, específico, para a aplicação do Fundo, o Governo decidiu aproveitar a organização do Banco do Estado de São Paulo S. A., no qual foi criado, no último ano, para, entre outros fins, dar cumprimento a essa importante missão, a Carteira de Expansão Econômica, já em funcionamento.

Instalou-se, igualmente, o Conselho destinado a orientar, deliberar e controlar a aplicação do Fundo de Expansão Agropecuária, sob a presidência do Secretário da Agricultura, o qual promoveu, de início, a elaboração e publicação do Regulamento do Fundo e a constituição de uma Assessoria Técnica.

Os primeiros meses de atividades dos técnicos e do Conselho do Fundo foram dedicados à elaboração e aprovação de estudo analítico da agricultura paulista, destinado a servir de base para o estabelecimento de critérios de prioridade na aplicação dos recursos daquele Fundo. Com esse mesmo objetivo, procedeu-se

7

à confecção de monografias específicas sobre produtos ou setores agropecuários.

Foram recebidos e examinados, aproximadamente, 250 pedidos de financiamento, tendo o Governo entregue ao Fundo de Expansão Agropecuária, em 1961, recursos no montante de 1 bilhão de cruzeiros, cuja aplicação está programada para os três primeiros meses de 1962.

De acordo com os estudos procedidos e face aos recursos disponíveis, o Conselho estabeleceu prioridade na concessão de financiamentos para construção e reforma de casas de trabalhadores rurais, inclusive instalação, nas unidades existentes, de redes de água e de iluminação; aquisição de barcos ou equipamentos de pesca e industrialização do pescado; industrialização de produtos agropecuários, preferencialmente, no Interior, junto às fontes de matérias primas; reflorestamento; construção de instalações para a pecuária, suinocultura e avicultura; importação de reprodutores de alta linhagem genética; aquisição de máquinas, tratores e equipamentos agrícolas e execução de projetos de adubação fundamental, calagem, açudagem, irrigação e eletrificação, das propriedades rurais, e construção de silos de uso próprio.

O início das atividades do Fundo de Expansão Agropecuária representa, assim, esforço positivo para possibilitar as modificações que se fazem necessárias na estrutura do meio rural e a melhoria das condições econômico-sociais e do padrão de vida do homem do campo.

ADMINISTRAÇÃO FAZENDÁRIA

POLÍTICA FINANCEIRA

Dentro do campo de sua competência constitucional, tem procurado o Estado conduzir sua política financeira no sentido de estimular o desenvolvimento do Estado e de atenuar ou eliminar problemas sociais, orientando as aplicações de capital e os

investimentos, seja diretamente em serviços públicos que atendam à realidade econômica, social e política ou, indiretamente, mediante inversão em empresas privadas, de economia mista.

O Plano de Ação do Governo possui exatamente esse sentido, por estabelecer, como estabelece, formas de intervenção na economia regional, com o objetivo de auxiliar e estimular setores econômicos não convenientemente desenvolvidos ou ainda não alcançados pela atividade privada, podendo citar-se, como exemplos, a construção de usinas hidrelétricas e de centros de abastecimento, armazenagem e ensilamento, os financiamentos por intermédio de estabelecimentos de crédito e outros. Tem, além disso, ampla aplicação no campo social.

É na esteira da mesma orientação que o Governo tem procurado, no estudo dos problemas tributários, dar aos vários tributos, sempre que possível e indicado, características extra-fiscais, em face dos imperativos de ordem social que transfiguram continuamente as funções do Estado para dar-lhes sempre maior extensão.

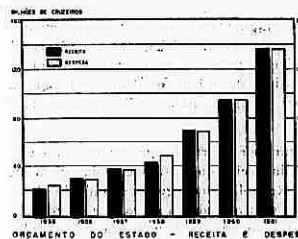
Cabe também lembrar, por oportuno, que foi graças a uma prudente administração financeira que, a despeito das vicissitudes pelas quais passou a República, na segunda metade do último ano, as quais culminaram com a mudança de regime de governo, pôde o Estado até mesmo socorrer a rede bancária particular, exatamente porque suas disponibilidades o permitiram.

Diga-se, aliás, de passagem, como já se acentuou em Mensagens anteriores, que os encaixes do Tesouro, depositados em sua maior parte no Banco do Estado constituindo disponibilidades vinculadas a compromissos, possibilitam não só a pontualidade nos pagamentos com descontos apreciáveis, como garantem pagamento ao funcionalismo, aos contratantes de serviços públicos ou aos municípios, pelas quotas constitucionais de retorno a que fazem jus.

Todas estas medidas e o resgate pontual ou antecipado de encargos da dívida pública têm concorrido para robustecer a confiança na Administração e elevar o crédito público.

ORÇAMENTO

Particularizando a atividade financeira do Estado, cabe referência especial à política da execução dos orçamentos, pautada sempre pela seleção das despesas segundo o critério do maior rendimento social e pela moderação dos gastos públicos, de modo a serem evitados os déficits orçamentários, o que vem sendo conseguido não obstante o vertiginoso crescimento do custo de vida, registrado nos últimos anos, ao qual é tão sensível a administração pública, grande consumidora de bens e serviços.



A essa circunstância deve ser dado o necessário destaque, pela valiosa contribuição que a normalidade financeira da Administração Estadual representa como instrumento de combate à inflação, de outro modo ainda mais agravada, dado o vulto do orçamento do Estado em relação ao federal e sabido que os déficits orçamentários constituem um dos fatores da perda do valor aquisitivo da moeda. No caso de São Paulo, se não pela conseqüente necessidade de emissões, para os quais não tem obviamente competência o Estado, pelos perniciosos efeitos de uma despesa pública desmedida e desordenada.

O orçamento do Estado para o exercício de 1961, aprovado pela Lei n.º 5.938, de 14 de novembro de 1960, com as alterações posteriores introduzidas pela Lei n.º 5.994, de 30 de dezembro de 1960, apresentava um déficit inicial de Cr\$ 569.052.000,00, resultante das seguintes previsões:

	Cr\$
Receita prevista	106.669.725.000,00
Despesa prevista	107.238.777.000,00
Deficit previsto	<u>569.052.000,00</u>

Ao total da despesa prevista no orçamento de Cr\$
107.238.777.000,00 somam-se mais as seguintes:

	Cr\$
a) créditos adicionais com vigência pluri- nal abertos em exercícios anteriores, cuja quota de aplicação no exercício é de ..	446.243.141,10
b) parte de aplicação, no exercício, do crê- dito do Plano de Ação	13.946.418.929,80
c) reajustamento de dotações orçamentárias — suplementação líquida	5.992.545.180,00
d) aumento concedido ao funcionalismo em geral	15.938.457.917,30
e) créditos adicionais abertos para outros encargos	4.242.891.019,80
f) dotações suplementadas em virtude do excesso de arrecadação verificado nas re- ceitas compensadas	5.788.925.688,20
Total da despesa autorizada no exercício	<u>46.355.481.855,20</u>

Assim, o deficit previsto no orçamento, que se expressava
pela cifra de Cr\$ 569.052.000,00, passou a ser de Cr\$
46.924.533.855,20, como é demonstrado:

	Cr\$
Receita prevista	106.669.725.000,00
Despesa prevista	153.594.258.855,20
Deficit previsto	<u>46.924.533.855,20</u>

7

Ante tão vultoso deficit previsto e considerados os efeitos negativos que fatalmente causariam à posição financeira do Estado, rigorosas medidas foram postas em prática, no sentido de conseguir o benéfico resultado, qual seja o equilíbrio da execução orçamentária, sem, contudo, afetar o regular andamento dos serviços públicos e o seu desenvolvimento.

Operou-se, de forma acentuada, a fiscalização do sistema de arrecadação, com vistas ao fortalecimento da receita estadual. Os resultados alcançados foram altamente satisfatórios e contribuíram para o substancial aumento da receita arrecadada, produzindo um excesso da ordem de Cr\$ 30.000.000.000,00.

No tocante à despesa, foi aperfeiçoado o controle rigoroso dos gastos, através, especialmente, das Comissões de Orçamento, que adotaram como norma a seletividade das despesas, dando prioridade àquelas indispensáveis à manutenção regular dos serviços públicos existentes. Em consequência dessa discriminação, verificou-se substancial economia naqueles serviços em que não se fazia sentir o caráter imperioso e indispensável ao custeio da máquina administrativa.

Essas medidas, além de uma razoável execução na parte referente aos investimentos previstos no Plano de Ação, possibilitaram a realização da despesa com a utilização das fontes normais da receita efetivamente arrecadada, não se fazendo necessário o recurso a outras fontes, as quais sempre resultam onerosas e, na maioria dos casos, deformam a realidade orçamentária ou econômico-financeira do exercício, com graves reflexos para as execuções dos orçamentos posteriores.

O aumento concedido ao funcionalismo em geral (despesa de ordem de 16 bilhões de cruzeiros), a abertura de créditos adicionais (mais de 4,2 bilhões de cruzeiros) e o reajustamento orçamentário (cerca de 6 bilhões de cruzeiros), medidas em sua maior parte decorrentes dos extraordinários aumentos do custo de vida registrados, tornaram excessivamente penosa a execução

do Orçamento de 1961, sem levar em conta ainda a parte da aplicação, no exercício, de aproximadamente 13,9 bilhões de cruzeiros relativos ao Plano de Ação.

Entretanto, ao encerrar-se o exercício, de conformidade com os elementos levantados, mas ainda não totalmente contabilizados, a despesa realizada atingiu a cifra de 136,6 bilhões de cruzeiros que, confrontada com a que foi autorizada, resultou a diferença para menos de 17 bilhões de cruzeiros.

Com as medidas tomadas a respeito da execução orçamentária do exercício de 1961, no final do exercício verificou-se resultado altamente satisfatório, pois pôde concretizar-se o tão desejado equilíbrio orçamentário, com os benéficos efeitos sobre a estabilidade financeira do Estado, conquistada com ingentes esforços do Governo, sem que, contudo, fôsse procrastinado o desenvolvimento dos serviços públicos e a execução, dentro das possibilidades, do Plano de Ação.

A situação de equilíbrio orçamentário é demonstrada no Quadro em anexo, podendo-se esperar ligeiro superavit ou pequeno deficit de algumas centenas de milhares de cruzeiros, a ser exatamente apurado no levantamento definitivo do balanço geral do Estado.

Mais uma vez, portanto, as diretrizes fixadas pelo Governo, no que se refere à política orçamentária, puderam ser rigorosamente cumpridas, não só devido ao planejamento e à execução financeira centralizada na Secretaria da Fazenda, como, também, ao eficiente funcionamento das Comissões de Orçamento que, organizadas há já alguns anos, em bases estritamente técnicas, estão convenientemente preparadas para dar execução a medidas semelhantes às estabelecidas na Resolução n.º 1.301, de 27 de outubro de 1961, e que concorreram, de maneira decisiva, para que o Governo executasse, embora com alguns sacrifícios, a sua política orçamentária dentro do equilíbrio desejado, apesar das notórias dificuldades resultantes da conjuntura econômico-financeira nacional, principalmente na segunda metade do exercício de 1961.

7

Outro elemento de grande valia para a normalidade da execução orçamentária é o controle contábil, cujo aperfeiçoamento se tem procurado levar a efeito.

Verificou-se, no exercício de 1961, a aplicação de novo sistema de processamento e contabilização da despesa orçamentária do Estado.

A nova rotina, tornada possível com a subordinação à Contadoria Geral do Estado de todos os serviços contábeis dos órgãos da administração direta, operada com a Lei n. 3.718, de 11 de janeiro de 1957, foi instituída em decorrência do Decreto n.º 37.404, de 22 de outubro de 1960, e objetiva:

a) corrigir a imperfeição da classificação e do registro contábil da despesa, decorrente da descentralização de seu processamento, onde é inevitável a intervenção de elemento humano heterogêneo e, pois, nem sempre especializado;

b) aperfeiçoar a análise e o controle da despesa realizada segundo a discriminação do orçamento, distribuindo o seu registro junto aos órgãos a que se destinam os créditos orçamentários, enquanto que no regime anterior esta análise se acumulava nos órgãos pagadores;

c) evidenciar, passo a passo, em contas financeiras a despesa realizada e, ao mesmo tempo, a despesa realizada a pagar, em lugar de só registrar a despesa realizada depois de paga, e a despesa a pagar só depois de encerrado o exercício; e

d) a antecipação a que se refere o item anterior dá à Administração mais pronto conhecimento do comportamento da execução orçamentária face à previsão, possibilitando, em tempo a efetivação das medidas de correção que se fizerem necessárias, inclusive no que diz respeito à orientação superior da administração financeira.

Não obstante a extensão e profundidade das modificações que a nova técnica exigiu, pode-se afirmar que os seus resultados corresponderam inteiramente à expectativa.

EXECUÇÃO ORÇAMENTÁRIA DE 1961

(Em milhões de cruzeiros)

RECEITA		% / TOTAL	DESPESA		% / TOTAL
DISCRIMINAÇÃO	Cr. milhões		DISCRIMINAÇÃO	Cr. milhões	
RECEITA ORDINÁRIA			Assembleia Legislativa	871	0,50
Renda Tributária	119.100	84,31	Tribunal de Contas	271	0,50
Renda Patrimonial	1.167	8,81	Governo do Estado	161	0,12
Renda Industrial	14.108	10,25	Secretaria de Governo	948	5,29
Renda Diversa	3.933	2,87	Secretaria da Justiça	3.921	2,14
Subtotal	139.308	87,99	Secretaria da Segurança	7.917	5,80
RECEITA EXTRAORDINÁRIA			Secretaria da Educação	16.944	12,35
Subtotal	5.786	2,01	Secretaria do Trabalho	173	0,12
TOTAL			Secretaria da Agricultura	7.530	5,41
	145.094	100%	Secretaria da Viação	26.971	15,94
			Secretaria da Fazenda (recursos próprios)	3.968	2,81
			Ministério Geral do Estado e de Administração	68.539	43,82
			Poder Judiciário	1.741	1,27
			TOTAL	139.092	100%

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POLÍTICA FISCAL

Conforme já se acentuou na mensagem anterior, a política adotada e cumprida pelo Governo no terreno das imposições fiscais tem sido a de se evitarem majorações de impostos. Nesse particular, convém recordar que a alíquota do único imposto do sistema tributário do Estado de grande produtividade e com a qual se conta para atender a todos os compromissos da Administração, não sofreu qualquer elevação.

Com o seu campo tributário restrito praticamente a esse imposto, de vez que os demais tributos previstos na Constituição ou são de pequena produtividade em relação ao total arrecadado, ou não são cobrados por motivos de natureza econômica contrários à política fiscal adotada, cabe à Administração aperfeiçoar a legislação, a fiscalização e a cobrança do seu imposto esteio.

Além das outras medidas referidas em outros tópicos desta mensagem, cabe referência sucinta às providências de ordem prática tomadas no decorrer do ano que se findou.

Desta maneira, foi intensificada a fiscalização nos embarcadouros de gado, nos matadouros ou frigoríficos e em todas as operações com bovinos e suínos. Manteve-se a fiscalização volante em estradas de rodagem em caráter permanente, tendo prosseguido os "comandos". A fiscalização de profundidade por setor de atividades comerciais ou industriais foi intensificada.

Em face de acordos celebrados ou entendimentos formais, houve troca de informações com a Delegacia Regional do Imposto de Renda, com a Estação Aduaneira de São Paulo (importação aérea) e com órgãos fiscais de várias Unidades da Federação.

A Comissão de Correição Fiscal passou a funcionar na Capital e no Interior, conforme regulamentação própria.

Para maior comodidade dos contribuintes e com a finalidade de melhor orientar também a fiscalização, o Gabinete Técnico de Estudos Tributários e de Orientação Fiscal está sendo reaperelhado, tendo respondido a milhares de consultas verbais ou por escrito. Foi novamente publicado o Código de Impostos e Taxas, medida que a Administração está, agora, tomando com regu-

laridade, podendo o Código ser adquirido por preço de divulgação na Imprensa Oficial do Estado. Também foi impresso o "Ementário" de consultas e pareceres do GTETOF, que tem se revelado de grande valia para o conhecimento da orientação fazendária em matéria fiscal. Por esse motivo, essa publicação será renovada anualmente.

Com o desdobramento das Câmaras do Tribunal de Impostos e Taxas, foi possível acelerar o julgamento dos processos em fase de recurso, apresentando-se no final do exercício um saldo de autos inferior à metade da média registrada há longos anos.

Por outro lado, com a reorganização da Procuradoria Fiscal a qual ainda se encontra em fase preliminar, somente em 21 dias úteis de dezembro último, após modificações de rotina interna, foi possível ajuizar mais de 5 mil certidões de dívida para a sua cobrança executiva.

Registre-se, finalmente, o fato de que, com o advento da Emenda Constitucional n.º 5, passou para a esfera da competência dos Municípios a decretação dos impostos sobre a propriedade territorial rural e de transmissão da propriedade imobiliária "inter-vivos". No sentido de possibilitar aos Municípios a arrecação, já no exercício de 1962, desses tributos, prestou o Estado, às Comunas, toda a orientação e auxílio.

Não pode ser subestimado, aliás, o valor da redução da receita do Estado em consequência dessa medida, que atendeu, todavia, a velho anseio das administrações municipais.

DÍVIDA PÚBLICA

A dívida pública estadual, ao iniciar-se o exercício de 1961, expressava-se pela cifra de Cr\$ 50.213.746.478,40, assim compreendida:

DÍVIDA CONSOLIDADA

	Cr\$
Dívida Externa Fundada	34.822.260,00
Dívida Interna Fundada	15.206.167.262,20
Soma	<u>15.240.989.522,20</u>

DÍVIDA FLUTUANTE

	Cr\$
Bônus Rotativos	1.906.898.200,00
Promissórias do Tesouro	142.519.975,00
Letras do Tesouro	129.350.000,00
Restos a Pagar	29.608.835.119,00
Restituições a Pagar	2.801.823,60
Depósitos	3.182.351.840,60
Soma	34.972.756.956,20
Total	50.213.746.478,40

Ao expirar o exercício de 1961, portanto a 31 de dezembro último, a dívida estadual somava a importância de Cr\$ 54.964.202.349,40, o que demonstra uma diferença para mais da ordem de Cr\$ 4.750.455.871,00 relativamente ao saldo inicial.

Referido montante assim se constituía:

DÍVIDA CONSOLIDADA

	Cr\$
Dívida Externa Fundada	12.543.960,00
Dívida Interna Fundada	13.766.031.002,40
Soma	13.778.574.962,40

DÍVIDA FLUTUANTE

Bônus Rotativos	711.113.000,00
Promissórias do Tesouro	138.514.539,00
Letras do Tesouro	95.950.000,00
Restos a Pagar	35.989.016.806,70
Restituições a Pagar	3.081.308,20
Depósitos	3.129.587.566,70
Autarquias	564.878.400,00
Prefeituras Municipais — c/ quotas apuradas	553.485.766,40
Soma	41.185.627.387,00

Os empréstimos externos atualmente em circulação são apenas os de dólares, eis que já foram liquidados os emitidos em libras e florins. A redução do saldo foi sensível, pois, dos US\$ 3.244.500,00 existentes em 31-12-58, restam apenas US\$..... 663.000,00, segundo dados não definitivamente contabilizados e como se demonstra no quadro seguinte:

DÍVIDA EXTERNA FUNDADA

Discriminação	1921	1925	1926	1928
	Cr\$	Cr\$	Cr\$	Cr\$
Saldo em circulação em 31-12-58, de acordo com o respectivo balancete	312.500,00	1.120.250,00	561.250,00	1.230.500,00
Amortizações havidas em 1959	55.750,00	28.250,00	85.500,00	249.000,00
Saldo em 31-12-59, conforme balancete .	256.750,00	1.094.000,00	485.750,00	981.500,00
Amortizações havidas em 1960	93.750,00	301.000,00	124.250,00	378.500,00
Saldo em 31-12-60, conforme balancete .	163.000,00	793.000,00	371.500,00	603.000,00
Amortizações havidas até 30-6-61	163.000,00	793.000,00	123.500,00	138.000,00
Saldo em 30-6-61	—	—	248.000,00	465.000,00
Baixado em 31-12-61 .	—	—	19.000,00	40.000,00
Saldo em circulação em 13-12-61	—	—	239.000,00	425.000,00

NOTA — Conforme comunicação do Conselho Técnico de Economia e Finanças do Ministério da Fazenda a dívida externa foi totalmente resgatada. Aguarda-se, apenas, o recebimento dos comprovantes para a contabilização do resgate do saldo dos empréstimos.

Conforme se verifica, os saldos dos compromissos relativos à Dívida Interna Fundada sofreram uma redução de mais de 4 bilhões de cruzeiros, comparando-se os algarismos em 31-12-58 e 31-12-61.

Nessa redução incluem-se não só amortizações previstas nas leis de emissão, como também empréstimos que se venceram nesse período e que foram ou estão sendo pontualmente resgatados.

A maior parcela nessa redução de saldo refere-se às amortizações do contrato assinado em 1955, com o Banco do Brasil, para unificação e composição de débitos, aprovado pela Lei 3.285, de 27 de dezembro de 1955, e que, sendo originariamente do valor de Cr\$ 8.703.608.872,80 está hoje reduzido a Cr\$ 4.865.443.190,50 (saldo em 31-12-61).

Ao iniciar-se o exercício de 1961, a Dívida Interna Fundada era representada pela cifra de Cr\$ 15.206.167.262,20. Em decorrência da movimentação operada nas contas que constituem essa dívida, inclusive no compromisso resultante do contrato de composição de dívidas assinado com o Banco do Brasil S/A., em 17-10-1955, o saldo das referidas obrigações em 31-12-1961 estava reduzido à quantia de Cr\$ 13.766.031.002,40, assim compreendido:

	Cr\$
Saldo em circulação em 31-12-1960	9.211.878.600,00
Emissões efetuadas em 1961	59.000,00
Saldo da composição dos débitos com o Banco do Brasil S/A em 31-12-1960	5.921.349.542,20
Saldo da conta Governo Federal c/ Empréstimo Interno de Conversão da Dívida Externa (Decreto-lei federal n.º.... 6019/43) em 31-12-1960	72.939.120,00
Soma	15.206.226.262,20
Amortizações operadas em 1961	1.440.195.259,80
Saldo em 31-12-1961	13.766.031.002,40

DÍVIDA INTERNA FUNDADA

EMPRESTIMOS	SALDOS EM CIRCULAÇÃO			
	31/12/1958	31/12/1959	31/12/1960	31/12/1961
	Cz\$	Cz\$	Cz\$	Cz\$
Aplicação da 1ª Série	6.581.580,00	—	—	—
Aplicação da 2ª Série	4.229.000,00	—	—	—
Aplicação da 11ª Série	1.522.000,00	—	—	—
Aplicação da 12ª Série	18.174.000,00	—	—	—
Aplicação da 13ª Série	16.722.000,00	—	—	—
Aplicação da 14ª Série	3.279.000,00	—	—	—
Aplicação Unificada	779.272.000,00	771.828.000,00	759.555.000,00	749.235.000,00
Aplicação Reguladora Paralela	123.628.000,00	255.497.000,00	158.229.000,00	125.878.000,00
Aplicação Reguladora	221.543.000,00	269.135.000,00	228.260.000,00	202.838.000,00
Aplicação Reguladora	923.000.000,00	899.521.000,00	8.255.893.000,00	3.945.731.000,00
Aplicação Unificada	4.198.121.000,00	34.002.000,00	32.909.000,00	30.136.000,00
Aplicação Reguladora Paralela	186.132.000,00	199.415.000,00	156.215.000,00	196.925.000,00
Aplicação Reguladora	179.132.000,00	179.132.000,00	171.253.000,00	163.000.000,00
Aplicação 1957	2.367.838.000,00	2.239.000.000,00	2.344.779.000,00	2.537.000.000,00
Reserva de Impostos — O Unificação e Comp. pondo de Dívidas — Contrato de 17/12/58	7.805.622.224,90	8.882.177.572,50	8.921.249.842,20	4.862.442.129,50
TOTAL	17.694.467.284,90	16.982.289.076,20	15.123.228.142,20	13.704.597.700,50
Debito Federal — Cota de Empréstimo Interno de Conversão da Dívida Externa	—	—	79.939.129,96	61.478.211,80
TOTAL	—	—	79.939.129,96	61.478.211,80
TOTAL	—	—	15.203.167.272,16	13.766.075.912,30

OBSERVAÇÕES: O quadro não inclui os saldos de Empréstimo "Unificação" — Empréstimo do Cezif, em 31/12/58 e 31/12/59. Os 12.405.000,00, totalmente resgatado em 1961.

Este saldo está assim constituído:

Títulos em circulação	8.839.114.600,00
Governo Federal — c/Empréstimo Interno de Conversão da Dívida Externa	61.473.211,90
Composição da Dívida com o Banco do Bra- sil S/A — Lei n.º 3285/55	4.865.443.190,50
Total	13.766.031.002,40

Quanto à dívida flutuante representada por Bônus Rotati-
vos, a movimentação operada no exercício de 1961 pode ser
assim sintetizada:

	Cr\$
Saldo em circulação em 31-12-1960	1.906.898.200,00
Emissões no exercício de 1961	93.746.000,00
Soma	2.000.644.200,00
Resgates no exercício	1.289.531.200,00
Saldo em circulação em 31-12-1961	711.113.000,00

A política do Governo com relação aos Bônus Rotativos tem
sido a de continuar apenas com a troca de Bônus vencidos por
novos, não aceitando subscrições a dinheiro. Aliás, a tendência
a prazo médio é mesmo a de retirada desses títulos do mercado,
já que, de acordo com o estatuído no artigo 1.º, da Lei n.º 2.412,
de 15 de dezembro de 1953, o adicional de 10% criado por essa
lei e cobrado sobre o valor dos impostos estaduais, se destina ao
pagamento da Dívida Flutuante, incluídos os Bônus Rotativos e os
títulos decorrentes de operações de crédito efetuadas para resga-
te desses Bônus. Está, assim, o Governo, dando cumprimento
ao que foi determinado pelo citado diploma geral.

A circulação de Bônus Rotativos que, em 31-12-58, era de
Cr\$ 3.423.908.400,00, está hoje reduzida a Cr\$ 711.113.000,00.

**QUADRO COMPARATIVO DAS EMISSÕES, RESGATES E SALDOS EM
CIRCULAÇÃO DE BÔNUS ROTATIVOS, REFERENTES AOS
EXERCÍCIOS DE 1959 A 1961**

Exercício	Emissão Cr\$	Resgate Cr\$	Saldo em Circulação Cr\$
Saldo em 31-12-58			3.423.988.400,00
1959	3.534.823.000,00	3.795.813.000,00	3.163.043.000,00
1960	259.432.100,00	2.115.578.900,00	1.906.898.200,00
Diferenças	2.575.520.500,00	1.630.241.100,00	1.268.144.800,00
1960	859.432.100,00	2.115.578.900,00	1.266.898.200,00
1961	93.746.000,00	1.289.531.200,00	711.113.000,00
Diferenças	765.686.100,00	826.045.700,00	1.196.785.200,00

As promissórias do Tesouro, cuja circulação em 31-12-58 era de Cr\$ 165.645.795,90, estão hoje praticamente reduzidas a nada, uma vez que os Cr\$ 138.514.539,00, que aparecem como circulação em dezembro último, referem-se a promissórias a favor do Tesouro Nacional, abrangidas pelo esquema de acerto de contas com a União.

Ao terminar o exercício de 1961, a respectiva conta apresentava um saldo da importância de Cr\$ 138.514.539,00, como já se disse, o qual assim se demonstra:

	Cr\$
Saldo em circulação em 31-12-1960	142.519.975,00
Emissões em 1961	1.119.400.823,00
Soma	1.261.920.798,00
Resgates durante o exercício	1.123.406.259,00
Saldo em circulação em 31-12-1961	138.514.539,00

**QUADRO COMPARATIVO DAS EMISSÕES, RESGATES E SALDOS EM
CIRCULAÇÃO DE NOTAS PROMISSÓRIAS, REFERENTES AOS
EXERCÍCIOS DE 1959 A 1961**

Exercício	Emissão Cr\$	Resgate Cr\$	Saldo em Circulação Cr\$
Saldo em 31-12-58	—	—	185.645.795,90
1959	816.171.968,20	828.630.674,20	158.186.497,90
1960	341.171.968,40	351.838.481,30	142.519.975,00
Diferenças	474.999.397,80	476.792.192,00	10.686.512,90
1960	341.171.968,40	351.838.481,30	142.519.975,00
1961	1.119.406.623,00	1.128.406.259,00	138.514.539,00
Diferenças	778.228.854,60	771.567.777,70	4.006.438,00

Em virtude das operações efetuadas com Letras do Tesouro, o saldo desses títulos, em 31-12-1961, era da ordem de Cr\$ 95.950.000,00, assim compreendido:

	Cr\$
Saldo em circulação em 31-12-1960	129.350.000,00
Emissão no exercício de 1961	nihil
	129.350.000,00
Resgates durante o exercício	33.400.000,00
Saldo em 31-12-1961	95.950.000,00

Em 31-12-58, era de Cr\$ 196.150.000,00 o saldo das Letras do Tesouro. Não tendo havido emissão em todo esse período e tendo sido resgatadas regularmente as que se venceram, como já se assinalou, a circulação reduziu-se a Cr\$ 95.950.000,00 no último dia do exercício transato.

**QUADRO COMPARATIVO DAS EMISSÕES, RESGATES E SALDOS EM
CIRCULAÇÃO DE LETRAS DO TESOURO, REFERENTES AOS
EXERCÍCIOS DE 1959 A 1961**

Exercício	Emissão Cr\$	Resgate Cr\$	Saldo em Circulação Cr\$
Saldo em 31-12-58	—	—	196.150.000,00
1959	—	33.400.000,00	162.750.000,00
1960	—	33.400.000,00	129.350.000,00
Diferença	—	—	33.400.000,00
1960	—	33.400.000,00	129.350.000,00
1961	—	33.400.000,00	95.950.000,00
Diferença	—	—	33.400.000,00

Os compromissos estaduais da dívida flutuante registrados como Restos a Pagar, em 31-12-1960, eram da ordem de Cr\$.. 29.608.835.119,00, assim distribuídos:

	Cr\$
Serviço da Dívida Interna a Pagar	991.409.543,90
Serviço da Dívida Externa a Pagar	676.873.236,90
Juros da Dívida Flutuante a Pagar	25.835.000,00
Restos a Pagar propriamente ditos	27.914.717.338,20
Total	29.608.835.119,00

Durante o exercício de 1961, as operações relativas ao pagamento de compromissos inscritos nas contas acima discriminadas totalizaram a quantia de Cr\$ 14.595.671.018,60, assim distribuídos:

	Cr\$
Serviço da Dívida Interna a Pagar	1.181.070.169,80
Serviço da Dívida Externa a Pagar	486.335.585,70
Juros da Dívida Flutuante	21.650.666,10
Restos a Pagar propriamente ditos	12.906.614.596,00
Total	14.595.671.018,60

Em contrapartida, processaram-se novas inscrições de compromissos contraídos no exercício de 1961, os quais totalizaram a parcela de Cr\$ 20.975.852.706,30, assim demonstrada:

	Cr\$
Serviço da Dívida Interna a Pagar	1.243.513.844,50
Serviço da Dívida Externa a Pagar	119.945.870,40
Juros da Dívida Flutuante a Pagar	10.193.161,10
Restos a Pagar propriamente ditos	19.602.199.830,30
Total	20.975.852.706,30

Em decorrência da movimentação operada no exercício de 1961 — liquidações e novas inscrições — o saldo da conta de Restos a Pagar passou a ser representado pela cifra de Cr\$ 35.989.016.806,70, conforme se demonstra:

	Cr\$
Saldo em 31-12-60	29.608.835.119,00
Inscrições efetuadas em 1961	20.975.852.706,30
Soma	50.584.687.825,30
Liquidações operadas em 1961	14.595.671.018,60
Saldo em 31-12-61	35.989.016.806,70

Os compromissos do Estado registrados como Dívida Flutuante, sob o título de Restituições a Pagar, somavam em 31-12-61 a parcela de Cr\$ 3.081.308,20, assim obtida:

	Cr\$
Saldo em 31-12-60	2.801.823,60
Inscrições ocorridas em 1961	3.370.844,70
Soma	6.172.668,30
Liquidações operadas em 1961	3.091.360,10
Saldo em 31-12-61	3.081.308,20

A movimentação operada no exercício de 1961, na conta de Depósitos, pode ser assim sintetizada:

	Cr\$
Saldo em circulação em 31-12-60	3.182.351.840,60
Depósitos efetuados em 1961	7.823.289.490,90
Soma	11.005.641.331,50
Pagamentos realizados em 1961	7.876.053.764,80
Saldo em 31-12-61	<u>3.129.587.566,70</u>

Conforme foi verificado, o montante da dívida pública, em 31-12-61, era representado pela cifra de Cr\$ 54.964.202.349,40, e de se ter em vista, entretanto, que, para pagar seus compromissos, dispunha o Estado, na mesma data, de recursos financeiros da ordem de Cr\$ 29.505.595.561,80, assim compreendidos:

	Cr\$
Depósitos Vinculados à Dívida Externa	124.659.522,90
Depósitos em bancos	22.021.419.904,80
Em poder de Tesourarias e Pagadorias	7.359.516.134,10
Total	<u>29.505.595.561,80</u>

Por conseguinte, a dívida líquida do Estado, em 31-12-61, se expressava pela quantia de Cr\$ 25.458.606.787,60, correspondente à diferença entre os compromissos e as disponibilidades existentes na mesma data, assim demonstrada:

	Cr\$
Dívida Estadual em 31-12-61	54.964.202.349,40
Menos:	
Disponibilidades em 31-12-61	29.505.595.561,80
Compromisso líquido do Estado em 31-12-61	<u>25.458.606.787,60</u>

REEQUIPAMENTO DOS ÓRGÃOS FISCAIS NO INTERIOR

Acompanhando o desenvolvimento econômico do Interior e a criação de municípios e distritos, tem a administração instalado novas coletorias e postos de arrecadação e fiscalização em todo o território do Estado. Atualmente as unidades fazendárias instaladas fora da Capital atingem a mais de mil. Dessa forma, cuidou-se da instalação dos novos órgãos e do reequipamento dos existentes. Isso foi possível com os recursos complementares do Plano de Ação, na parte referente à "Ampliação dos Serviços Públicos". Nos últimos dois anos, foram remetidas para unidades do Interior 952 máquinas de escrever, 562 máquinas de somar ou calcular, e, somente no último exercício, 2.024 móveis, 28 cofres e 20 veículos. Além desse material novo, receberam, os órgãos do Interior, móveis e máquinas reformados nas oficinas da Fazenda e que pertenciam anteriormente a outras unidades.

RACIONALIZAÇÃO E AUTOMATIZAÇÃO DE SERVIÇOS

Com o extraordinário crescimento dos serviços fazendários, em razão do desenvolvimento econômico do Estado, tornou-se necessário planejar novamente todas as rotinas internas. Esse trabalho está sendo feito pelos técnicos da Secretaria da Fazenda, sob a supervisão de especialistas em organização, contratados no último exercício.

A primeira etapa dos trabalhos compreende o organismo fiscal e a segunda os demais órgãos fazendários, principalmente as unidades pagadoras e as do Departamento da Despesa, onde se verificam, em alguns casos, pontos de estrangulamento.

Aliás, com a criação de mais uma divisão com seções especializadas no Departamento da Despesa, já foi possível dar novo ritmo aos trabalhos de contagem de tempo do funcionalismo, contagem que se torna cada vez mais complexa, em virtude da multiplicação das disposições que regem a matéria.

Em outra etapa, além da reorganização dos serviços mecanizados já existentes, deverão ser progressivamente automatizados vários órgãos da Fazenda, inclusive os serviços contábeis, devendo ser adquiridos equipamentos eletrônicos e, também, os do tipo "telex", a fim de se possibilitar sistema rápido de comunicações entre órgãos da Capital e do Interior, compreendidas as ligações com as Delegacias Regionais de Fazenda.

CENTRALIZAÇÃO DE COMPRAS

Conforme poderá ser verificado pelo quadro em anexo, a Comissão Central de Compras logrou alcançar, mais uma vez, resultados largamente superiores aos obtidos durante o exercício anterior, particularidade que confirma o fato de que a referida Comissão é órgão cujas atividades continuam a experimentar desenvolvimento sempre crescente, embora no último trimestre, com o advento da Resolução 1.301/61, tendo em vista a necessidade de ser resguardado o equilíbrio orçamentário, tenha restringido suas compras, de acordo com a orientação que lhe foi determinada.

Não obstante, a adoção das medidas restritivas, a cifra alcançada pelo movimento de compras (mais de 4,8 bilhões de cruzeiros), revela-se a mais elevada de todos os exercícios, nela se incluindo a parcela correspondente às compras efetuadas para a execução do Plano de Ação.

Outra cifra que constituiu recorde e que suplantou a do exercício de 1960, foi a dos pagamentos realizados, que ascenderam a Cr\$ 4.478.053.876,50, cerca de 1 bilhão e meio de cruzeiros mais que a do ano anterior, o qual, por seu turno, apresentara um movimento superior ao do exercício de 1959, da ordem de 1 bilhão e duzentos milhões de cruzeiros.

De salientar-se que tão vultosa importância foi liquidada com absoluta regularidade, mediante observância de processo inteiramente automático, sem qualquer preferência, o que, além de possibilitar cotações em níveis sempre mais vantajosos, fez carrear para a rubrica Receita Extraordinária a apreciável quantia

de Cr\$ 46.695.676,10, resultante do aproveitamento dos descontos condicionais oferecidos pelos fornecedores e que excedeu a previsão orçamentária correspondente, que consignou a importância de 20 milhões de cruzeiros.

Para alcançar esses resultados, primordial tem sido o fato de a Comissão Central de Compras do Estado (CCCE) funcionar em regime especial de suprimentos que, recebidos com regularidade pela Secretaria da Fazenda por intermédio do Banco do Estado de São Paulo S. A., cobriram, a rigor, o esquema de liquidação das contas dos fornecedores.

O valor dos suprimentos recebidos durante os exercícios de 1958 a 1961 foi o seguinte:

1958	1.308.124.605,90
1959	1.734.335.492,50
1960	3.117.467.299,70
1961	4.744.358.299,80

Afora os benefícios proporcionados pela pontualidade verificada na realização dos pagamentos, cabe notar que o sistema de compras em grosso contribui, também, para obtenção de preços mais vantajosos, particularidade que só pode ocorrer no regime de compra centralizada.

Apreciável, assim, tem sido a economia alcançada pela Comissão em suas operações de compra, que pode ser estimada da ordem de 25%, em relação aos preços pagos anteriormente à instituição do regime de aquisição centralizada.

É digno de registro o fato de que, em 1961, novos artigos — principalmente gêneros alimentícios — foram incluídos no estoque mantido pela CCCE e destinado ao pronto atendimento das repartições estaduais, ao mesmo tempo em que se ampliou o raio dentro do qual são atendidas as dependências (hospitais, sanatórios, presídios e institutos de menores) requisitantes desses gêneros.

Essa forma de atendimento das repartições estaduais tem produzido os melhores resultados possíveis, não só pela presteza com que tem permitido abastecer os órgãos requisitantes, como

também — e sobretudo — por propiciar aquisições maciças e, conseqüentemente, a obtenção de cotações mais vantajosas.

Em 1962, deverão ser intensificadas as atividades da Comissão, quer mediante o estocamento de novos artigos de uso freqüente nas repartições estaduais, quer mediante a ampliação paulatina do raio em que se situam as dependências requisitantes de gêneros alimentícios, a fim de que resultados ainda mais compensadores sejam alcançados pela Administração.

Para atingir esse objetivo, a CCCE deverá contar com os meios proporcionados pela Lei n.º 6.626, de 30 de dezembro de 1961, artigo 35, que elevou de 200 milhões de cruzeiros para 500 milhões de cruzeiros o valor do Crédito Especial, rotativo, aberto pela Lei n.º 1.670, de 31 de julho de 1952.

COMISSÃO CENTRAL DE COMPRAS DO ESTADO

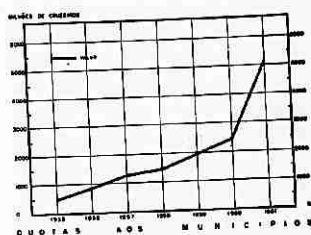
Exercício	Compras	Pagamentos Efetuados	Descontos Obtidos
	Cr\$	Cr\$	Cr\$
1950	37.904.570,20	19.589.797,10	33.897,50
1951	139.917.398,00	69.978.320,50	239.054,10
1952	192.439.207,10	177.004.531,40	968.477,50
1953	198.219.718,40	174.105.174,80	771.137,50
1954	250.567.832,70	183.390.430,20	1.049.463,50
1955	215.028.881,70	208.501.120,20	1.447.426,00
1956	531.428.821,50	302.113.035,30	3.581.652,80
1957	1.104.236.487,10	838.830.714,00	9.342.884,00
1958	1.260.587.327,50	1.211.214.035,30	12.986.648,00
1959	2.425.286.977,10	1.732.382.587,10	16.551.625,50
1960	3.966.322.102,50	2.965.989.829,40	27.849.184,90
1961	4.830.000.000,00	4.478.053.876,50	46.685.876,10

QUOTA DOS MUNICÍPIOS

Juntamente com as vultosas obras do Plano de Ação realizadas no Interior e a irrigação de recursos representados pelos ininterruptos financiamentos proporcionados aos municípios pelo Banco do Estado, pelo Instituto de Previdência e pela Caixa Econômica Estadual, para o incremento da produção, e a realização de serviços de abastecimento de água, rede de esgoto sanitário, pontes, matadouros, asfaltamento, etc., vêm recebendo as Prefeituras Municipais, com a maior pontualidade, as parcelas correspondentes às quotas do excesso de arrecadação a que fazem jus por imperativo constitucional.

As importâncias das quotas, efetivamente pagas durante o exercício de 1961, atingiram a apreciável soma de Cr\$ 5.087.496.367,90, equivalente a mais do dobro da do ano de 1960 e, quase o triplo da que foi distribuída em 1959, cujos montantes foram de Cr\$ 2.431.661.584,80 e Cr\$ 1.924.000.831,20, respectivamente.

Verifica-se, assim, que nas gestões administrativas destes



três últimos exercícios, receberam os municípios do Interior a elevadíssima parcela de Cr\$ 9.443.158.793,90, o que demonstra o empenho do Governo do Estado em manter em alto nível o prosseguimento da política municipalista que se traçou, visando, precipuamente, ao desenvolvimento crescente dos municípios paulistas e ao intensivo progresso de seus serviços públicos essenciais.

De notar-se, ainda, que, para o exercício de 1962, a lei orçamentária do Estado consigna a dotação de Cr\$ 8.000.000.000,00, para o pagamento das aludidas quotas, de acordo com a previsão do Serviço de Assistência Financeira aos Municípios.

CAIXA ECONÔMICA DO ESTADO

Perfeitamente integrada no espírito que ditou o Plano de Ação do Governo, a Caixa Econômica do Estado de São Paulo vem colaborando decididamente para a elevação do nível de vida de nossa gente, para o progresso e o bem estar da coletividade.

A C.E.E.S.P. é, hoje, um órgão de crédito com raízes sólidas e profundas na confiança popular e que vem recompensando a sadia política de aplicações da autarquia, mediante novos e continuados depósitos em seus cofres. A 31 de dezembro findo, no encerramento do exercício, a entidade contava com 448 agências distribuídas por todo o território do Estado, cerca de 28 milhões de depositantes e 30 bilhões de cruzeiros de depósitos, atestando, de maneira eloqüente, que a sua primeira finalidade, de estímulo à economia popular, vem sendo amplamente alcançada.

AMPLIAÇÃO E MELHORIA NA REDE DE AGÊNCIAS

Através de suas agências é que a Caixa Econômica Estadual alcança sua finalidade primordial de incentivar, em nossa população, o hábito salutar da economia, razão por que a C.E.E.S.P. tem procurado ampliar e melhorar seu quadro de agências, tornando-o acessível a todas as localidades do Estado, mesmo as mais distantes.

Essas unidades, de acordo com sua nova organização, acham-se agrupadas em 15 grandes regiões, semelhantes às adotadas pela Secretaria da Fazenda.

Ao iniciar-se a presente Administração, somente as regiões da Sede, Santos, Campinas e Rio Claro possuíam sedes instaladas

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em prédios próprios. Dera-se início à construção de próprios em Taubaté, Botucatu, São José do Rio Preto e Presidente Prudente, e adquirira-se terreno para esse fim em Marília e Araraquata.

Na atual Administração prosseguiram e foram concluídas as edificações de Taubaté, Botucatu, São José do Rio Preto e Presidente Prudente, estas duas últimas em 1961, as quais, dotadas de todos os requisitos modernos, já se acham funcionando como sedes regionais de administração e, também, como agências centrais das respectivas localidades. Outrossim, adquiriram-se terrenos — todos eles com boa localização — para as edificações de delegacias e agências centrais em: Sorocaba, Ribeirão Preto, Bauru e Araraquara.

Deu-se prioridade à construção de edifícios próprios para as sedes de delegacias, agora todas elas dotadas de terrenos adequados. Os projetos de Sorocaba, Bauru, Araraquata, Marília, Ribeirão Preto e Araraquara acham-se ultimados, devendo as construções ser iniciadas em seguida. Tais providências facilitarão a descentralização progressiva dos serviços da C.E.E.S.P., o que constitui uma das preocupações maiores da atual Administração.

No setor de novas edificações e melhoria de instalações, cabe assinalar, ainda: na Capital, acha-se em curso reforma de vulto na Agência do Anhangabau, a de maior movimento, aberta das 7 às 23 hs., visando a transformá-la em verdadeira agência modelo, com instalações, móveis e maquinaria moderníssima e pessoal adestrado, para serviço rápido e perfeito do público; aí, a mecanização da contabilidade já foi levada a efeito no ano de 1961, com sistema especial de controle de operações.

Outras obras de vulto estão em curso na Capital para as agências da Penha, Pinheiros, Brás, bem como para outros serviços da Caixa.

Além das obras concluídas em Taubaté, Botucatu, São José do Rio Preto e Presidente Prudente, já mencionadas, a atual Administração construiu e terminou mais os seguintes prédios próprios em: Catanduva, Itapira, Manduri (aquisição), Mirassol,

Moji das Cruzes, São Carlos, São José do Rio Pardo, Taquaritinga e Atibaia (aquisição e reforma). Em Monteiro Lobato foi também adquirido prédio próprio.

Acham-se em construção, com prazo de conclusão para 1962, os prédios para as agências das seguintes localidades: Cajuru, Campos do Jordão, Descalvado, Fernando Prestes, Macaúbal, Mococa, Moji Mirim, Nhandeara, Nova Granada, Osvaldo Cruz, Paraguaçu Paulista, Sorocaba e Tabapuã.

Foram autorizadas as construções de prédios próprios, algumas já com obras contratadas, para Araçatuba, Araraquara, Bauru, Cafelândia, Xavantes, Descalvado, Divinolândia, Eldorado Paulista, Itapetininga, Laranjal Paulista, Marília, Neves Paulista, Pôrto Feliz, Pôrto Ferreira, Promissão, Ribeirão Preto, Quatã, São Caetano do Sul, São Bernardo do Campo, Salto Grande, Uchôa e Tupi Paulista.

No setor das agências, cumpre ainda ressaltar que foram criadas e instaladas na atual Administração mais seis agências em bairros da Capital e vinte e quatro em cidades do Interior. Estão em fase de instalação três agências em São Paulo e oito em municípios do Interior.

Ainda quanto a prédios próprios, foram incluídas no plano de construções, para 1962, de acordo com critério racional e seletivo, cerca de cinquenta localidades. Esses dados revelam que o patrimônio da autarquia aumentou consideravelmente, face à política de inversões em imóveis para uso próprio.

A ampliação do número de agências se processa segundo critério seletivo, o que também acontece com a desanexação e melhoria de suas instalações, de sorte a manter-se e até a diminuir-se o custo operacional.

APLICAÇÕES DE CAPITAL

É no setor de aplicações que mais se evidenciam os enormes benefícios que a autarquia tem prestado à comunidade paulista, em cumprimento à política consubstanciada no Plano de Ação.

No setor fundamental da saúde pública e da elevação do nível sanitário das nossas cidades, os dados são eloquentes. Para os serviços de água e esgotos da Capital, com efeito, através de financiamentos ao D.A.E., foi aplicada somente nesta Administração a vultosa cifra de 3.650 milhões de cruzeiros, sendo 1.840 milhões de cruzeiros no exercício de 1961.

Os empréstimos para os serviços de águas e esgotos constituem grande parte dos financiamentos concedidos às prefeituras municipais do Interior, um dos pontos altos da atual Administração, já que, graças a esses empréstimos, quase todas as comunas paulistas têm podido dotar suas sedes de melhoramentos essenciais à saúde e ao bem-estar de suas populações. Os dados são os seguintes, a partir de 1947:

EMPRÉSTIMOS PARA OS SERVIÇOS DE ÁGUAS E ESGOTOS - INTERIOR

Períodos	Compromissos Assumidos	Importâncias Pagas
	Cr\$	Cr\$
1947/1951		
janeiro	323.980.113,00	190.813.743,20
1951/1955		
janeiro	1.684.756.345,00	774.734.735,10
1955/1959		
janeiro	2.495.506.928,00	2.297.572.608,80
31-1-59 a		
31-12-61	5.764.378.876,80	4.691.773.374,80
TOTAL	10.268.622.262,80	7.954.894.461,90

7 EMPRESTIMOS AOS MUNICÍPIOS

Os financiamentos concedidos aos municípios na atual Administração distribuem-se da seguinte maneira:

Natureza	N.º Contratos	Valor Cr\$
Água e Esgotos	317	4.184.148.210,20
Matadouros	80	100.450.454,60
Pavimentação	135	1.107.803.000,00
Mercados	11	71.376.000,00
Obras Públicas	9	113.092.400,00
Hotéis	3	36.900.000,00
Motoniveladoras ...	21	150.608.812,00
TOTAL	576	5.764.378.876,80

Em 1961, esses empréstimos atingiram Cr\$ 2.636.924.610,20.

É a seguinte a comparação entre os pagamentos de empréstimos às Municipalidades efetuados por Administrações anteriores, desde a sua instituição, há 15 anos, e os pagamentos efetuados pela atual em menos de 3 anos:

Cr\$

Pagamentos, por Administração anteriores —	
12 anos — (144 meses)	3.263.121.087,10
Pagamentos pela atual Administração — me-	
nos de 3 anos (35 meses)	4.691.773.374,80

Observa-se, pois, que a média mensal dos pagamentos das Administrações anteriores foi de Cr\$ 22.660.563,10 e a da atual é de Cr\$ 134.050.667,90.

APLICAÇÕES EM GERAL

De acordo com o Plano de Ação, a autarquia pôde contribuir em diversos setores para obras de infra-estrutura e relativas à saúde e ao abastecimento das populações, destacando-se os seguintes financiamentos:

	Cr\$
CEASA — abastecimento da Capital — 1961	850.000.000,00
D.E.R. — plano de pavimentação de estrada — 750 milhões de cruzeiros em 1959 e 1800 milhões de cruzeiros em 1961	2.550.000.000,00
IPESP — para obras públicas em geral, construção de escolas e obras relativas à saúde pública — 1961	2.000.000.000,00
CAGESP — armazéns gerais	300.000.000,00
D.A.E. — água e esgoto na Capital	3.650.000.000,00

FINANCIAMENTOS NA ATUAL ADMINISTRAÇÃO

O quadro geral dos financiamentos concedidos na atual Administração é o seguinte:

	Cr\$
a) No exercício de 1961:	
1 — As Municipalidades	2.636.924.610,20
2 — Empréstimos hipotecários — Casa Própria e hipotecas em geral	250.000,00
3 — Empréstimos e Financiamentos para Obras de Interesse Social (Escolas, Hospitais, Associações de Classe, Hotéis, Sociedades Recreativas e Esportivas e outros) — até novembro	683.238.000,00

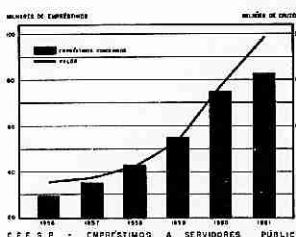
4 — Plano de Pavimentação	
Empréstimo ao DER	1.800.000.000,00
5 — Outros empréstimos para o Plano de Ação do Governo:	
I — DAE	1.840.000.000,00
II — IPESP	2.000.000.000,00
III — CAGESP	300.000.000,00
IV — CEASA	850.000.000,00
Total	10.110.412.610,20

b) de 31-1-1959 até 31-12-1960

1 — Empréstimos às Municipalidades ..	3.127.454.266,60
2 — Empréstimos Hipotecários — Casa Própria e hipotecas em geral	9.654.000,00
3 — Empréstimos e Financiamentos: para Obras de Interesse Social (Escolas, Hospitais, Associações de Classe, Hotéis, Sociedades Recreativas e Esportivas e outros)	572.451.560,00
4 — Plano de Pavimentação	
Empréstimo ao DER	750.000.000,00
5 — Outros empréstimos para o Plano de Ação do Governo:	
Empréstimo ao DAE	1.810.000.000,00
	6.269.559.826,60
Acrescidos do item "a"	10.110.412.610,20
Total geral	16.379.972.436,80

EMPRÉSTIMOS A SERVIDORES PÚBLICOS

Além dos contratos de empréstimos já referidos, efetuou a C.E.E.S.P., no exercício de 1961, empréstimos a servidores públicos estaduais civis e militares, de municipalidades, de ferrovias estaduais e aos servidores do Município Municipal, no total de Cr\$



Essa modalidade de empréstimos, em virtude da rapidez com que é feito o seu processamento, vem apresentando grande expansão, como se pode ver pelos pagamentos nos diversos exercícios.

EMPRÉSTIMOS A SERVIDORES PÚBLICOS

Exercícios	N.º de empréstimos	Valor	Soma dos n.º de empréstimos	Valor parcial
1956	29.079	Cr\$ 424.524.000,00		Cr\$
1957	34.118	505.674.000,00		
1958	42.174	630.200.000,00	105.371	1.560.398.000,00
1959	55.368	894.228.000,00		
1960	74.583	1.712.186.000,00		
1961	82.201	2.360.874.000,00	212.137	5.067.288.000,00
Total	317.508	6.627.686.000,00	317.508	6.627.686.000,00

É de se notar que, na atual Administração, considerando a crescente melhoria da situação econômico-financeira da entidade e atendendo ao apelo de inúmeros interessados, elevou-se de Cr\$ 15.000,00 para Cr\$ 30.000,00 o limite máximo do empréstimo e em casos especiais esse limite atinge Cr\$ 40.000,00. Decidiu-se, outrossim, reduzir para dois anos de exercício o máximo exigido para a concessão de tais benefícios aos extranumerários, dispensando-se interstício de dois anos para funcionários em estágio probatório, os quais, após o recebimento do primeiro vencimento, já podem obter o benefício.

DEPÓSITOS

A política de aplicações da autarquia, fixada em consonância com o Plano de Ação do Governo, tem inspirado confiança sempre crescente, de parte das populações, na entidade, fato que se comprova com o volume de depósitos e com o crescimento do número de depositantes.

O quadro seguinte demonstra, de modo eloqüente, o aumento dos depósitos populares, que consolidam a posição ímpar da autarquia entre as casas de crédito de maior importância do País:

Ano	Saldo de depósitos	Cadernetas em Circulação	Índice	Índice de móvel	Agências
	Cr\$				
1951	4.356.945.025,90	—	100%	—	—
1952	4.834.461.769,10	—	111,0	111,0	—
1953	5.319.127.732,70	—	122,1	110,0	—
1954	6.539.706.880,00	—	150,1	122,9	—
1955	7.931.959.776,00	—	183,2	122,1	402
1956	9.259.539.363,50	—	212,5	116,0	410
1957	11.463.859.734,30	—	263,1	123,8	416
1958	14.741.749.011,70	2.281.792	338,4	128,6	424
1959	18.009.395.489,00	2.478.112	413,3	122,2	433
1960	22.962.889.714,30	2.644.665	626,8	127,4	438
1961	29.996.032.780,70	2.821.135	688,5	130,7	448

Em 2 anos e 11 meses (35 meses) de gestão da atual Administração, os depósitos da entidade elevaram-se de Cr\$ 14.741.749.011,70, em 31-12-58, a Cr\$ 29.996.032.780,70, em 31-12-61, acusando um aumento de Cr\$ 15.212.307.984,50, isto é, representando um acréscimo de 102,9%.

O número de depositantes que a 31-12-58 era de 2.281.792, passou para 2.821.135 em 31-12-61, ocorrendo um aumento de 539.343 depositantes; sendo que no exercício de 1961, o aumento foi, portanto, da ordem de 176.000 depositantes.

NOVOS SERVIÇOS

É oportuno assinalar que, além do estímulo à poupança, as agências da C.E.E.S.P. prestam mais os seguintes serviços de alto interesse público: fácil e rápida transferência de numerário, funcionamento matutino e noturno de algumas das principais agências, recebimento de depósitos judiciais, de contas e taxas de água do Departamento de Águas e Esgotos e da verba correspondente ao imposto sobre vendas e consignações; recebimento, no Interior, de contas de luz devidas ao Departamento de Águas e Energia Elétrica, arrecadação e transferência de taxas devidas à Inspetoria Regional de Estatística, recebimento de emolumentos e contribuições devidos à Carteira dos Advogados do Instituto de Previdência do Estado de São Paulo, e pagamento de proventos e pensões por conta do referido Instituto, Legião Brasileira de Assistência e Instituto Brasileiro de Geografia e Estatística, bem como o recebimento de prestações de financiamentos imobiliários concedidos pelo I.P.E.S.P.

A racionalização e a mecanização dos trabalhos de C.E.E.S.P., tanto nas agências como nos órgãos centrais, têm constituído objeto de continuado esforço da Administração.

Com relação às agências, além dos prédios e reformas em andamento, têm sido dotadas de instalações e equipamentos modernos e funcionais. Na administração central, inúmeras medidas têm sido tomadas, sobrelevando pelo seu vulto e importância a mecanização total do serviço de empréstimos sob consignação em fôlha (Monte de Socorro) cuja implantação acaba de se efetivar.

SERVIÇOS DO CAFÉ

A Superintendência dos Serviços do Café representou o Estado nas reuniões da Junta Administrativa do Instituto Brasileiro do Café, para elaboração do Regulamento de Embarques da Safra 61/62, colaborando, na medida do possível, para o estabelecimento de política realista no setor cafeeiro.

A SSC contribuiu com 7 milhões de cruzeiros para elevação do Capital da CAGESP — projeto em execução de armazenagem e ensilamento — dando sua quota-parte para a execução do Plano de Ação. Também participou, dentro do espírito de cooperação que deve existir entre as entidades vinculadas à Administração, com 117 milhões de cruzeiros para a elevação do capital do Banco do Estado S/A.

A situação econômico-financeira da entidade, seguindo a política geral do Governo, é das melhores, devendo a S.S.C. apresentar, também neste exercício, apreciável superavit. A taxa de viação (taxa-ouro) proporcionou receita da ordem de 165 milhões de cruzeiros e as disponibilidades no final do exercício eram superiores a meio bilhão de cruzeiros.

A fim de melhor cumprir suas funções, a S.S.C. instalou-se em seu próprio, à rua Maria Paula, na Capital, onde anteriormente funcionavam diversas dependências fazendárias.

BANCO DO ESTADO DE SÃO PAULO S/A

O Banco do Estado, graças a um perfeito entendimento com a Secretaria da Fazenda e ao cumprimento da política financeira e econômica que lhe foi atribuída no plano da administração do Estado, conseguiu realizar integralmente o seu próprio programa no serviço bancário e atingiu, ao mesmo tempo, considerável desenvolvimento.

Dentro da sã política do Governo, de permanente incentivo à produção agrícola e industrial, sua atuação, conquanto entravada a cada passo pela inflação, fez-se sentir vigorosamente no desenvolvimento de todas as atividades produtoras. Nos mo-

mentos mais difíceis por que o País atravessou no ano de 1961, sua intervenção revelou-se necessária e particularmente eficaz. Os dados que se seguem demonstram as condições e os resultados de sua atividade no meio da rede bancária nacional.

DEPÓSITOS

O aumento havido nos depósitos bem reflete a crescente confiança que o Banco desfruta em nosso Estado e nas agências que instalou no País.

Meses	1960	1961
Janeiro	29.007.460.000	47.327.189.000
Fevereiro	30.074.342.000	47.762.181.000
Março	30.514.626.000	48.396.893.000
Abril	32.145.338.000	49.967.937.000
Maio	34.179.535.000	49.033.846.000
Junho	36.019.355.000	49.034.499.000
Julho	36.622.389.000	49.048.566.000
Agosto	38.416.774.000	49.218.895.000
Setembro	40.590.059.000	48.681.957.000
Outubro	42.347.623.000	51.389.849.000
Novembro	43.885.536.000	48.864.478.000
Dezembro	42.335.698.000	49.853.948.000

OPERAÇÕES DE CRÉDITO

O volume das operações de crédito efetivadas pelo Banco, nos diversos departamentos e que, no ano de 1960, foi de Cr\$ 109.000.000.000,00, atingiu em 1961 Cr\$ 151.594.934.000,00.

Nos balancetes mensais, as rubricas de empréstimos e descontos são as seguintes:

Meses	1960	1961
Janeiro	24.505.086.000	41.240.612.000
Fevereiro	24.933.901.000	42.363.924.000
Março	25.657.922.000	44.335.867.000
Abril	27.219.644.000	45.300.029.000
Maio	29.519.122.000	44.783.317.000
Junho	32.729.410.000	44.631.731.000
Julho	34.221.398.000	44.390.168.000
Agosto	33.676.466.000	45.033.479.000
Setembro	35.152.529.000	46.020.814.000
Outubro	37.025.563.000	47.594.794.000
Novembro	38.348.592.000	49.464.527.000
Dezembro	39.354.756.000	50.168.367.000

CARTEIRA AGRÍCOLA

A Carteira Agrícola financiou, no período de 1-1-61 a 31-12-61, o montante de Cr\$ 3.382.752.469,60 que, comparado com o exercício anterior, Cr\$ 2.340.774.034,00, demonstra um aumento de cerca de 30%, evidenciando os superiores propósitos da atual Administração no sentido de atender às necessidades dos agricultores.

OPERAÇÕES	1960		1961	
	quantidade	Cr\$ milhões	quantidade	Cr\$ milhões
Contratos penh. agric.	9.865	2.231.579	9.587	2.938.159
Contr. hipot. c/gaz. imóv. agric.	265	44.250	538	177.713
Contr. penhor máqs. agric.	214	52.766	397	151.404
Contr. penh. pecuário	64	12.179	437	115.478
	10.408	2.340.774	10.959	3.382.752

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As aplicações foram distribuídas nas seguintes culturas:

CULTURAS	EM HECTARES		EM N.º DE PÉS	
	1960	1961	1960	1961
Algodão	79.817,10	72.605,22		
Arroz	50.892,73	45.483,84		
Cana de açúcar	9.708,31	2.365,56		
Felijo	3.142,73	—		
Milho	91.948,42	90.733,63		
Amendoim	19.203,76	22.339,20		
Mandioca	3.298,29	4.166,63		
Mamona	2.295,29	2.610,40		
Batata	897,33	1.190,64		
Chá	631,44	1.205.000		
Soja	564,33	237,48		
Trigo	387,20	96,80		
Tomate	33,37	174,62		
Melancia	83,46	66,55		
Alfafa	47,19	—		
Cafeteiros			81.174.792	67.998.569
Videiras			751.405	1.616.128
Ameixoeiras			10.000	10.000
Pessegueiros			10.000	20.000
Coqueizeiros			15.000	10.000
Seringueiras			70.000	60.900
				(mudas)

EMPRÉSTIMOS PARA OBRAS PÚBLICAS

Os empréstimos destinados à realização de obras de pavimentação, serviços de utilidade pública, estradas de ferro do Estado, usinas hidrelétricas, departamentos de águas e esgotos, mereceram especial atenção do Banco, como colaboração no Plano de Ação, expressando-se esse atendimento pelo significativo montante de Cr\$ 7.805.626.000,00.

AUMENTO DE CAPITAL

A Assembléa Geral Extraordinária, de 12 de maio de 1961, deliberou o aumento do capital de Cr\$ 1.000.000.000,00 para Cr\$ 2.000.000.000,00.

Para esse desiderato, os acionistas subscreveram uma ação para duas que possuíam, recebendo como bonificação ações na mesma base da subscrição.

O Governo do Estado, inclusive a Superintendência dos Serviços do Café, teve a sua participação de acôrdo com a seguinte demonstração:

Discriminação	N.º de Ações	Valor Cr\$
Ações anteriores ...	4.000.000	800.000.000,00
Bonificação	2.000.000	400.000.000,00
Subscr. em dinheiro	2.000.000	400.000.000,00
TOTAL	8.000.000	1.600.000.000,00

Os dividendos recebidos pelo Governo do Estado e Superintendência dos Serviços do Café atingiram, no ano de 1961, a importância de Cr\$ 96.000.000,00.

ADMINISTRAÇÃO

Ainda por deliberação da Assembléa Geral Extraordinária, de 12 de maio de 1961, foi procedida a reforma dos Estatutos do Banco, criando-se o Conselho de Administração, integrado por dezoito membros, sendo sete Diretores Executivos e onze Diretores vogais.

A Carteira Comercial-Industrial passou a denominar-se Carteira de Crédito Geral, com atribuições ampliadas e dirigidas por dois Diretores Executivos.

Criaram-se as Carteiras de Expansão Agropecuárias, de Financiamento de Bens de Produção e de Expansão da Indústria

de Base, com fundamento na Lei n.º 5.444, de 17 de novembro de 1959, alíneas "c", "d" e "e", item I, do artigo 3.º.

A nova administração, da qual participam os elementos da mais alta expressão na rede bancária de São Paulo, tem dado ao Banco, como era de se esperar, uma orientação de larga competência e autoridade, verificando-se, dessa feliz experiência, resultados os mais benéficos e os mais auspiciosos.

NOVAS AGÊNCIAS

No exercício findo, foram inauguradas dezesseis agências: Belo Horizonte, Uberaba, Salvador, Recife, Americana, Assis, Fernandópolis, Itápolis, São José dos Campos, Votuporanga, Moji das Cruzes, Mercado (urbana), Curitiba, Jales, Ribeirão Bonito e Uchoa.

Destaca-se a abertura de cinco agências fora do Estado, sendo duas no nordeste, evidenciando-se a preocupação do Governo, não só de incentivar a produção no âmbito doméstico, como também de levar sua cooperação, no mesmo sentido, a outros Estados do País. Corroborando essa afirmativa, anuncia-se para o corrente exercício a instalação de novas agências em outras Unidades da Federação.

Para o exercício de 1962, estão em andamento providências para abertura de mais dez agências, sendo cinco no Estado e as restantes fora dele.

AMPLIAÇÃO DAS INSTALAÇÕES DO BANCO

O desenvolvimento crescente e fora de qualquer previsão levou o Banco a debater-se com a exiguidade de espaço em sua Matriz. Foi, assim, adquirido o "Edifício Pirapitingüí", que possibilitará a ampliação da área atualmente ocupada de 1.505 m² para 2.765 m², estando já aprovadas as plantas do novo edifício.

BÓLSA OFICIAL DE VALORES DE SÃO PAULO

Dentro as entidades indiretamente vinculadas à Secretaria da Fazenda inclui-se a Bólsa Oficial de Valores de São Paulo. Assim, promoveram-se estudos no sentido de serem modernizados e vitalizados os serviços da Bólsa. Esses estudos culminaram com a aprovação, pelo Governo, do novo Regimento Interno.

Além da perfeita conceituação dos serviços da Bólsa e do próprio tipo da entidade, criou-se, por assim dizer, verdadeira carreira nos quadros internos daquela instituição, de maneira a se possibilitar, aos elementos que nela se destacarem, o acesso ao ofício público.

O novo Regimento Interno tem se revelado altamente satisfatório, possibilitando a simplificação de formalidades e o aperfeiçoamento dos mecanismos do órgão, dando à Bólsa os meios necessários a que acompanhe o desenvolvimento do mercado de valores.

O movimento da Bólsa registrou sensível progresso no último ano, conforme denotam os dados seguintes:

ANO	FUNDOS		Total milhões de Cr\$
	Públicos milhões de Cr\$	Particulares milhões de Cr\$	
1960	2.566	9.454	12.021
1961	2.745	29.139	31.885

O desenvolvimento do mercado de títulos decorreu, em grande parte, da admissão à cotação das letras de responsabilidade das companhias de investimentos, bem como das letras de importação e exportação do Banco do Brasil S/A.

A admissão à cotação das letras do Banco do Brasil S/A, providência solicitada pela Bólsa Paulista às autoridades monetárias, ensinou aos operadores as garantias oferecidas pelo registro, à semelhança de outros títulos.

COOPERAÇÃO COM OS MUNICÍPIOS

Tenho posto em relêvo, como uma das linhas características e um dos pontos fundamentais de meu Governo, a política municipalista que desenvolve, no sentido não apenas de fortalecer economicamente o Interior do Estado, como no de valorizar o homem interiorano — até há poucos anos desamparado e relegado a uma posição de injusta inferioridade — proporcionando-lhe condições sociais condignas.

A tarefa que me propus e que empreendi em minha administração tem-me, felizmente, grangeado o apoio, a colaboração, o aplauso e o reconhecimento das administrações municipais e de todas as populações dos meios rurais e urbanos da hinterlândia, pela verificação dos reais benefícios que essa administração efetivamente lhes tem levado e que se consubstanciam no Plano de Ação, já no quarto ano de sua execução.

Penso que jamais foi tão intensa e produtiva a atividade governamental desenvolvida no Estado, sem objetivos eleiçoeiros e de política de conveniências, mas com o alevantado propósito, que se coloca em termos de interesse nacional, de se procurar diminuir o desequilíbrio que se verifica entre as condições socio-econômicas dos aglomerados urbanos, que se situam, em geral, na faixa litorânea do País e em regiões mais industrializadas, e as populações do Interior, máxime as da zona rural, causa, além de tudo, de um desajustamento que compromete a harmonia do nosso progresso, condenando o homem do campo a um padrão de vida que não condiz com o valor de sua contribuição para a subsistência e a riqueza da Nação.

Do alcance e dos efeitos da atividade administrativa de meu Governo, relativamente ao Interior do Estado, diz a pormenorizada exposição do desenvolvimento do Plano de Ação em todos os aspectos em que se desdobra essa atividade, condensada nos objetivos setoriais correspondentes a investimentos de infra-estrutura, de expansão e melhoria da produção agrícola, de educação, cultura, saúde pública e assistência social.

Tem o Plano de Ação propiciado ao Interior verdadeira irrigação de recursos que já operou visível transformação na fisionomia do meio ambiente em que vive a maior parcela da população de nosso Estado.

Mas não cessa aí a cooperação do Estado com os Municípios. Conhecidas as dificuldades técnicas com que luta a maioria das Administrações Municipais, que a pouco e pouco melhor se aparelham para a execução das obras e serviços de interesse local, tem o Estado procurado pôr ao seu alcance a experiência e o conselho de seus técnicos em todas as especialidades compreendidas na Administração Estadual, fazendo-o não só por intermédio de cada Secretaria, como também pela ação coordenada do Serviço de Cooperação com os Municípios, por meio do qual o Governo toma conhecimento da necessidade de prestar, em casos concretos, a assistência que põe à disposição dos Senhores Prefeitos.

Ainda recentemente, com a promulgação da Emenda Constitucional n.º 5, que transferiu para os Municípios a decretação dos impostos territorial rural e de transmissão da propriedade imobiliária "inter-vivos", teve o Estado a oportunidade de prestar aos Municípios a orientação, a ajuda e os esclarecimentos que lhes permitiram preparar-se e adaptar-se, rapidamente e em tempo útil, para a cobrança desses tributos, antes arrecadados pelos Estados.

ASSISTÊNCIA AOS BAIRROS DA CAPITAL

O relêvo atribuído, pelo meu Governo, à política de sadio municipalismo, dando às obras e serviços do Interior do Estado a intensidade e a extensão há muito reclamadas pelas suas populações, de modo algum significou para a Capital o esquecimento e a incúria da Administração.

Obras e serviços também aqui se multiplicam. Também aqui se desdobra a atividade governamental, no afã de acompanhar, no que toca aos serviços públicos de responsabilidade do Estado, o inconstante crescimento de nossa Metrópole e de proporcionar a este considerável agrupamento humano condições compatíveis com seu padrão de vida e com o grau de adiantamento a que atingiu.

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Do vulto e da expressão do que tem realizado o meu Governo, na Capital, como obras e serviços incluídos nos objetivos setoriais do Plano de Ação, dizem bem as especificações feitas nos capítulos próprios desta mensagem.

Quero referir-me aqui, de modo especial, à atenção que vêm merecendo os bairros e, entre eles, os periféricos, onde se concentram maiores parcelas de trabalhadores, cujas reivindicações sempre procurei amparar e orientar.

De modo geral, pareceu útil coordenar com a atividade do Governo a desenvolvida pelas Associações de Bairros e entidades congêneres, como intérpretes, que são, das aspirações dos núcleos populacionais que representam.

Nessas condições, foi expedida, em 17 de junho do ano findo, a Resolução n.º 1.279, que criou junto à Casa Civil do Governador o Serviço de Assistência aos Bairros da Capital, órgão que já vem desenvolvendo suas funções de modo que demonstra o acerto da medida como meio de canalizar, para conhecimento da Administração, os problemas menores dentro do quadro geral das necessidades da população urbana.

ASSESSORAMENTO TÉCNICO DO GOVERNADOR

LEGISLAÇÃO

O Poder Executivo encaminhou a esta augusta Assembléia, em 1.961, 110 projetos de lei, dos quais 53 foram sancionados e 57 continuavam tramitando em 31 de dezembro último.

Dos projetos aprovados pela Assembléia Legislativa, de sua própria iniciativa ou de iniciativa do Poder Executivo, em número de 672, foram sancionados 588. Deixaram de ser promulgados, em virtude do acolhimento de vetos totais, 55 projetos além de 14, cuja impugnação não foi ainda apreciada. Finalmente, 15 projetos de lei foram promulgados pela Presidência deste Poder, em decorrência de vetos rejeitados ou de transcurso do decêndio a que se refere o parágrafo 2.º, do artigo 24, da Constituição Estadual.

Quanto aos vetos apostos, em número de 114, 79 foram totais e 35 parciais. Dos totais, 55 foram mantidos, 10 rejeitados e 14 pendem de exame; dos parciais, 25 foram mantidos, 2 rejeitados e 8 estão aguardando deliberação desta Assembléia.

Toda a matéria em apreço, que diz respeito à colaboração entre Executivo e Legislativo na elaboração das leis é, atribuída à Assessoria Técnico Legislativa, órgão diretamente subordinado ao Governador do Estado.

Para dar assistência, quando solicitada, à Bancada Paulista na Câmara e no Senado Federal, mantém o Governo do Estado, subordinado à A.T.L., um Escritório de Assistência Técnica, ainda distribuído entre Brasília e o Rio de Janeiro, isto porque grande parte da Administração Federal permanece na antiga Capital da República.

ASSISTÊNCIA JURÍDICA

Acusou este setor de assessoramento ao Chefe do Executivo, a cargo do Serviço de Assistência Jurídica (S.A.J.), sensível aumento de produção, tendo proferido 4.814 pareceres, contra 3.713 no ano anterior.

Para realização de suas funções específicas, a cargo de Assistentes Jurídicos dirigidos por um Assistente Jurídico-Chefe, mantém o SAJ um conjunto de serviços auxiliares, dentre os quais se destaca pelo seu aspecto técnico, o Serviço de Documentação, tendo todos eles acusado também apreciável acréscimo de trabalho em relação ao ano anterior.

ASSESSORAMENTO ECONÔMICO-FINANCEIRO

Este assessoramento teve por objetivo acompanhar a evolução da conjuntura econômico-financeira do País, especialmente os aspectos que se relacionaram com o Plano de Ação e a análise das alterações da política econômica do Governo Federal, tendo em vista as suas repercussões sobre o Estado de São Paulo.

Assim, as modificações do sistema cambial, realizadas pela SUMOC, o Plano Diretor da SUDENE e outras medidas foram objeto de estudos para orientação do Governo. Igualmente, analisaram-se problemas especificamente relacionados com as atividades privadas.

FUNCIONALISMO

Tem sido preocupação do Governo equacionar, em seus justos termos, os problemas relativos ao funcionalismo. Dentre esses sobrepõe, no momento atual, o que diz respeito à remuneração dos serviços públicos.

Este o motivo por que o Departamento Estadual de Administração — D.E.A. — órgão de caráter técnico, vem fazendo minuciosas pesquisas, tendentes a manter atualizados os cálculos de custo de vida e de desvalorização da moeda, tudo com base em índices fornecidos pela Prefeitura Municipal de São Paulo, pelo Departamento Intersindical de Estatística e Estudos Sócio-Econômicos. Procedem esse órgão, igualmente, a estudos dos níveis salariais correntes no mercado de trabalho, com apoio inclusive em dados obtidos no Grupo de Permutas e Informações Salariais.

À luz dos resultados obtidos e fiel à orientação traçada pelo Governo, o DEA estudou, no ano findo, várias situações funcionais que ofereciam peculiaridades, cumprindo destacar as referentes à concessão de gratificação de guarnição especial aos membros da Polícia Civil, da Força Pública e Guarda Civil, ao reajustamento dos Técnicos de Educação, à criação de unidades de processamento de despesa, na Secretaria da Viação, à fixação do efetivo da Guarda Civil e à reorganização de seu Serviço de Saúde.

Observados os recursos financeiros disponíveis, foi, ainda, em 1961, elaborado o projeto de aumento e abono aos servidores públicos, complementado, logo a seguir, pela concessão de salário-família ao pessoal para obras, e que se transformou na Lei n. 6.773, de 27 de janeiro de 1962.

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A concessão de férias de 30 dias para os servidores em geral e a reestruturação dos cargos de direção, a isenção do imposto do selo em papéis referentes a salário-família, a criação de chefias técnicas na Secretaria da Agricultura, o reajustamento da carreira de Exator e a reorganização do Departamento Jurídico foram outras medidas tomadas pela Administração, no empenho de aperfeiçoar os serviços públicos e de proporcionar a seus servidores condições funcionais condignas.

Não basta, porém, atribuir estipêndios mais elevados e reaparelhar os serviços se o elemento humano não estiver à altura de bem desempenhar suas funções.

Destarte, cuidou a Administração da seleção dos servidores públicos e dos meios tendentes a seu aperfeiçoamento. Para isso o DEA, em 1961, realizou, dentro de suas atribuições, concursos nos quais se verificaram índices de inscrições nunca antes alcançados no serviço público. Destaquem-se o de Auxiliar de Fiscal de Rendas, no qual se inscreveram cerca de 23.000 candidatos e o de Escriturário da Caixa Econômica Estadual, que registrou 35.000 inscrições. Promoveram-se, ainda, concursos para Auxiliar de Tráfego, Assistente de Administração, Advogado, Auxiliar de Estatística, Delegado de Polícia, Estatístico (transferência), Encarregado de Setor e Julgador.

Já em planejamento estão os concursos de Servente-Contínuo-Porteiro, Gráfico, Técnico de Cooperativismo (transferência), Engenheiro, Engenheiro-Agrônomo, Inspetor (Agricultura), Auxiliar da Defesa Agrícola, Técnico de Laboratório, Veterinário, Biologista, Químico, Oceanógrafo-Químico, Oceanógrafo-Biólogo, Oceanógrafo-Físico, Escriturário-Datilógrafo, Auxiliar de Almoxarifado, Mensageiro, Técnico de Documentação, Guarda-Livros e Técnico de Mão-de-Obra.

No que diz respeito ao aperfeiçoamento dos servidores públicos, intensa foi a atividade desenvolvida. Programados, inicialmente, em número de três, os cursos foram gradativamente aumentados, dando-se-lhes uma diversificação que melhor atendeu aos interesses dos alunos e da Administração. Assim é que, no exercício findo, funcionaram 15 cursos, com um total de 2.023 inscrições.

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Pretende o Governo, no Departamento Médico do Serviço Civil do Estado, realizar, em breve, não só os exames psicotécnicos exigidos por lei para a seleção de candidatos a ingresso no funcionalismo, inclusive dos que se destinam ao Ministério Público, como também ali cietuar os "tests" relativos à readaptação de servidores.

ESTATÍSTICA

Em cumprimento ao Plano Nacional do Conselho Nacional de Estatística, do Instituto Brasileiro de Geografia e Estatística, executaram-se, em 1961, 49 inquéritos da série "Q" e 17 cadastros da série "A", além de outros levantamentos pertinentes à XXV Campanha Estatística, no tocante ao Estado de São Paulo. No plano Regional, de iniciativa do próprio Departamento de Estatística, tiveram prosseguimento os trabalhos de rotina; algumas inovações, devidamente salientadas adiante, foram adotadas pelo órgão.

Dentro do Plano de Ampliação de Serviços apresentados para 1961, o Departamento de Estatística do Estado elaborou um levantamento, por amostragem, da força de trabalho do município de São Paulo. A amostra foi constituída por pouco mais de 5.000 domicílios, distribuídos pelos vários distritos e subdistritos do município de São Paulo. Para o preenchimento dos questionários, foram utilizados 79 professores, de ambos os sexos, do ensino primário estadual da Capital. Os trabalhos preparatórios foram grandemente facilitados pelo acesso aos dados cadastrais do Censo Demográfico de 1960.

A pesquisa da força de trabalho tem por fim obter adequada informação acerca do número de trabalhadores que a constituem — empregados ou desempregados — ou seja, sobre o potencial total de mão de obra e sua distribuição de acordo com determinadas características. As informações obtidas são utilizadas na planificação econômica e social e transformam-se em valioso instrumento no estudo de problemas de emprego e desemprego, do efetivo disponível segundo ramos de atividade, e na elaboração de uma política de formação profissional.

Os resultados do levantamento da força de trabalho do Município de São Paulo deverão ser divulgados até o final do primeiro trimestre de 1962. Para o corrente exercício, planeja-se, também, a execução de mais dois levantamentos na Capital e a realização de estudos visando à extensão da pesquisa ao Interior do Estado de São Paulo.

Ainda dentro do Plano de Ampliação de Serviços, referente ao último ano, teve início o inquérito mensal sobre características dos menores encaminhados ao Serviço Social de Menores do Estado. Os elementos colhidos, de questionários preenchidos por funcionários do próprio Serviço Social de Menores, prestam-se para interpretação de problema, cuja solução envolve aspectos humanos e familiares e estarão, oportunamente, à disposição dos estudiosos do assunto.

A estatística da exportação, por vias internas, do Estado de São Paulo, iniciada em 1960, passou a ser apurada, em 1961, mensalmente, graças à colaboração do Departamento da Receita, da Secretaria da Fazenda, que encaminha suas notas fiscais, que são utilizadas como instrumento de coleta. Deve assinalar-se, quanto às mercadorias exportadas para outras unidades da Federação, a grande contribuição de máquinas, veículos, pertences e acessórios e de artigos manufaturados diversos. Essa preponderância indica quão importante é, para o processo de desenvolvimento industrial de nosso Estado o mercado interno nacional.

Outro levantamento, de inegável significado econômico social, iniciado em 1960, com prosseguimento em 1961, é o referente às propriedades rurais em território paulista. Vem sendo executado com base nos dados do imposto territorial rural.

No tocante à estatística do ensino, cumpre salientar que, tendo sido suspensa a apuração da matrícula inicial, do ensino fundamental comum, dentro do convênio celebrado com o Serviço de Estatística do Ministério da Educação e Cultura, assumiu o Departamento de Estatística do Estado o encargo de realizá-la em 1961, a fim de não interromper a série anual já existente. Ainda em relação ao ensino, em virtude da ênfase dada pelas autoridades escolares ao trabalho de alfabetização de adultos,

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empenhou-se o Departamento de Estatística em divulgar, com oportunidade, e para todos os municípios do Estado, os dados do ensino supletivo referente a 1960.

A publicação intitulada "Tábuas Itinerárias Paulistas", cuja última edição ocorreu em 1958, está sendo elaborada e deverá ser dada a lume neste ano de 1962. Os trabalhos de atualização prosseguiram durante todo o ano de 1961. As Agências Municipais de Estatística forneceram as ligações rodoviárias entre municípios servidos por linhas de ônibus; cooperaram, igualmente, para a feitura do trabalho, o Departamento de Estradas de Rodagem, as vias férreas e as empresas de viação. Até 31 de dezembro do ano findo, dependiam apenas de revisão tabelas correspondentes a 76,2 por cento do total de municípios do Estado.

Finalmente, cabe uma referência especial à introdução, verificada em 1961, de processo de microfilmagem para a coleta e conservação de informações estatísticas. Para esse fim foi comprada, com recursos concedidos pelo Conselho Nacional de Estatística, uma máquina de microfilmagem, de 16 milímetros, e três aparelhos de leitura de microfilme. Esta aquisição permitirá ao Departamento de Estatística valer-se, em vários setores de suas atividades, à semelhança do que ocorre, na atualidade, em instituições congêneres de diversos países, dos benefícios da microfilmagem.

TRABALHOS GRÁFICOS

IMPrensa OFICIAL

Viveu a imprensa estadual fase deveras difícil no primeiro semestre do ano findo, por força da crise de papel.

Foram, em consequência, adotadas rigorosas medidas restritivas, a fim de solucionar o problema de espaço no Diário Oficial.

As providências tomadas tornaram possível, sem prejuízos de qualquer natureza, reduzir o número de páginas, do jornal, de 258 para 80. Assim, e com a chegada de um carregamento de 500 toneladas de papel de imprensa, passou o Diário Oficial a publicar, em suplemento separado, os balanços e balancetes das sociedades comerciais.

Essa situação anômala, porém, foi se normalizando, de maneira gradativa, com o recebimento de novos lotes de papel, o que permitiu, ao Diário Oficial, restabelecer, em grande parte, a matéria suprimida.

Ainda no tocante à Imprensa Oficial, deve-se fazer referência aos estudos feitos, por firma especializada, nos quais se conclui pela conveniência da construção de um novo prédio, no mesmo terreno do atual, por etapas conjugadas com a demolição parcial das instalações ora existentes. O assunto está sendo examinado pela Administração.

COORDENAÇÃO DOS TRABALHOS GRÁFICOS

Excetuada a Imprensa Oficial, as demais 14 gráficas do Estado são tecnicamente superintendidas pelo Serviço Administrativo e Coordenador dos Trabalhos dos Serviços de Impressão do Estado.

A economia realizada pelos cofres públicos com a execução, no ano findo, sob a orientação daquele Serviço, de quase 99.500.000 impressos, elevou-se, em números redondos, à expressiva importância de Cr\$ 37.800.000,00.

MATERIAL EXCEDENTE

Das inspeções realizadas pela Comissão Estadual de Material Excedente resultou o arrolamento de bens móveis do valor histórico de 40 milhões de cruzeiros e, atual, de 400 milhões, aproximadamente.

Na redistribuição coube, a repartições estaduais, material de custo (histórico) da ordem de 11 milhões de cruzeiros. A prefeituras do Interior e entidades filantrópicas foram feitas, nos termos do artigo 43, da Lei n.º 5.597, de 12 de abril de 1960 — modificado pelo artigo 46, da Lei n.º 6.057, de 24 de março de 1961 — doações no valor de mais de 10 milhões de cruzeiros.

IV REUNIÃO DOS GOVERNADORES

Durante o exercício de 1961, foi o Governo de São Paulo convocado para uma reunião com o Excelentíssimo Senhor Presidente da República, à qual, por igual chamado, compareceram os Senhores Governadores dos Estados da Guanabara e do Rio de Janeiro. Tão logo recebeu o Governador do Estado de São Paulo a comunicação da Presidência da República de que convocava o Estado para participar da mencionada reunião, decidiu constituir amplo Grupo de Trabalho, sob sua presidência e formado por todos os Secretários de Estado, secretariado pelo Secretário-Executivo do Grupo de Planejamento, a fim de coordenar os estudos que se faziam necessários para o bom andamento daquela reunião. Esses estudos, elaborados pelas Secretarias de Estado, foram posteriormente, revistos e sumariados, a fim de que os assuntos ali tratados fossem incorporados ao temário paulista.

Entendem o Governo de São Paulo que reuniões periódicas do Presidente da República com Governadores de Estados constituíam uma oportunidade para que fossem discutidos todos os assuntos de interesse imediato, capazes de propiciar elementos à esfera federal, para que sua atuação se fizesse em consonância com os interesses das unidades federadas. Além disso, tais reuniões deveriam servir sempre como fórum, onde fossem ouvidas as opiniões dos diversos Estados sobre os magnos problemas nacionais, bem como onde se colhessem as sugestões a respeito da melhor maneira de enfrentá-los. Daí não se ter limitado, o temário paulista, aos assuntos mais urgentes e de interesse mais imediato para a União e o Estado, mas, além disso, sugerido medidas e providências capazes de equacionar a solução de alguns problemas de caráter mais geral e de mais longo prazo.

Outra oportunidade, para dar conhecimento, à Egregia Assembléia da súmula da agenda daquela Reunião, não seria mais adequada que a da apresentação desta mensagem, na qual se relatam as principais atividades do Executivo, no exercício findo.

EDUCAÇÃO, CULTURA E PESQUISA

ENSINO ELEMENTAR

Comissão Executiva de Assistência Federal à Rede Escolar Estadual — Realiza o Estado um planejamento global de suas redes escolares, o que exige perfeito entrosamento entre a aplicação dos recursos estaduais e federais, em benefício dessa mesma rede. Esse entrosamento poderia ser feito em dinamização dessa Comissão Executiva e a participação, nela, de elementos do Estado, assegurada a desejada conjugação de esforços.

Centro Regional de Pesquisas Educacionais — Nesta oportunidade, em que se estuda o restabelecimento do convênio entre o Estado de São Paulo, o I.N.E.P. e a Secretaria da Educação, faz-se necessário assegurar à administração estadual participação mais efetiva nas pesquisas e nos estudos desse Centro, de maneira a atender às reais e atuais necessidades dos programas educacionais do atual Governo.

Assistência ao Estudante — Com relação à assistência ao estudante, julgamos conveniente a criação, por convênio, de um órgão centralizado que, por contacto direto dos serviços técnicos do Estado com os da União, pudesse coordenar os esforços para oferecer assistência integral ao estudante, incorporando as seguintes atividades.

- a) aquisição e distribuição de material de ensino, principalmente aqueles que permitem desenvolvimento da educação social e cívica;
- b) auxílio às cooperativas escolares;
- c) fornecimento de merenda escolar;
- d) criação de unidades volantes para levantamento sanitário;
- e) instalação de consultórios dentários em cada grupo escolar do Estado; e
- f) concessão de bolsas de estudo nos estudantes necessitados.

Instalação de rádio rural na zona sul do Estado, através da SIRENE — Nas Zonas subdesenvolvidas é este o único recurso que tem tido sucesso na efetivação de um programa de educação de base, como o exigido pela zona citada.

Educação para crianças de capacidade limitada — Estabelecimento de convênios com entidades especializadas existentes no Estado para desenvolvimento de um programa de educação de crianças de capacidade limitada (surdos, mudos, cegos, deficientes mentais, etc.).

Construção e equipamento de unidades escolares na zona rural (CEATREE) — Através de convênio firmado entre a C.N.E.A. e a Secretaria da Educação, estão sendo efetuadas, como primeira etapa, pesquisas que indicarão as áreas menos escolarizadas do Estado e os programas a serem nelas implantados. Solicita-se que se considerem essas áreas como prioritárias para os investimentos do CEATREE.

ENSINO MÉDIO

Construção e Equipamento das Escolas Técnicas Industriais — Solicitação ao Governo Federal no sentido da intensificação das medidas necessárias à conclusão das Escolas Técnicas de São Bernardo, Jundiaí, Santos, Campinas, no cumprimento do convênio entre a União, o Estado e os Municípios, para que se possa, em curto prazo, atender às exigências de mão-de-obra, colaborando no processo de industrialização do Estado.

Construção e equipamento de ginásios vocacionais — o Governo do Estado pretende instalar em 1962, quatro ginásios vocacionais que constituem o primeiro esforço para a melhoria qualitativa do ensino médio. Para isso, pretende a colaboração do Governo Federal, que poderá ser dada pelo Fundo de Ensino Médio ao Fundo Estadual de Construções Escolares do Governo de São Paulo, órgão que centraliza os investimentos educacionais no Estado.

Redistribuição das Inspetorias Seccionais — Estando a Secretaria da Educação do Estado de São Paulo promovendo estudos

para criação e localização de Diretorias Regionais de Ensino, seria conveniente que a sede das Inspetorias coincidisse com as Diretorias, a fim de que houvesse maior facilidade de entrosamento dos respectivos serviços.

Subvenção ao IBECC — Liberação e urgência no pagamento da subvenção autorizada pela Lei Federal n.º 3.872, de 31 de janeiro de 1961.

ENSINO SUPERIOR

Universidade de São Paulo — Maior regularidade no pagamento das subvenções federais, menor burocracia para seu recebimento e sua fixação em bases melhor proporcionadas às suas responsabilidades e encargos.

Institutos isolados de Ensino Superior — Colaboração financeira do Governo Federal para manutenção e ampliação dos Institutos isolados de Ensino Superior custeadas pelo Governo Estadual.

Pontifícia Universidade Católica de São Paulo — Liberação de verbas constantes do Orçamento Federal para o corrente exercício, bem como apoio para aprovação de projetos de lei, em tramitação no Congresso, de interesses dessa Universidade.

Instituto de Reabilitação — O Instituto de Reabilitação vem prestando serviços inestimáveis ao País, havendo mesmo atendido, em seus dois anos de funcionamento, a inúmeros pacientes provenientes de outros Estados e do exterior. Solicita-se colaboração financeira da União para a construção de prédio próprio para o Instituto, orçado já em Cr\$ 60.000.000,00.

Formação de Professores — Estabelecimento de programas patrocinados pela CAPES — Universidades Federais, Universidade de São Paulo, destinadas a formar professores e pesquisadores, bem como intensificar o seu intercâmbio.

Doações estrangeiras — Necessidade de simplificação da burocracia da alfândega no desembaraço de equipamentos recebidos por doação.

Isenção de direitos alfandegários — para material e equipamento didático, destinados aos estabelecimentos de ensino superior e pesquisa, mantidos pelo Governo do Estado.

Estímulo à produção nacional de equipamentos Científicos, mediante:

- a) criação de uma Comissão nacional incumbida de estudar a padronização de instrumentos científicos utilizados pelas entidades oficiais de ensino superior, de forma a permitir a sua produção em quantidades economicamente viáveis;
- b) isenção de direitos aduaneiros às importações necessárias à produção de equipamentos científicos;
- c) financiamento, através do BNDE, às indústrias de equipamentos científicos; e
- d) criação de um órgão nacional de instrumentação.

P E S Q U I S A

Contratos de pesquisas — A Universidade de São Paulo se propõe a realizar, mediante convênio ou contrato com diversos Ministérios, Autarquias e Governos Estaduais, pesquisas nos campos científicos e tecnológicos.

Fundação de Amparo à Pesquisa — Entrosamento entre o Conselho Nacional de Pesquisas e a recém criada Fundação de Amparo à Pesquisa do Governo do Estado de São Paulo, a fim de evitar duplicações e conflitos.

Importação de material Científico — Regulamentação do artigo 28, da Lei federal n.º 1.310, de 15 de janeiro de 1951, com o objetivo de estabelecer a competência do Conselho Nacional de Pesquisas, inclusive por delegação de poderes para fixação de normas que objetivem a simplificação das formalidades relativas à importação de material científico essencial.

Professores Estrangeiros — Convênio entre o Conselho Nacional de Pesquisas, a CAPES e os estabelecimentos de ensino

superior do Estado, a fim de possibilitar a contratação de professores estrangeiros para os setores de pesquisas desses estabelecimentos.

Instituto de Energia Atômica — Desenvolve o Instituto de Energia Atômica trabalhos de suma importância para o incremento das pesquisas atômicas no País. A continuidade da execução de seu programa depende, no entanto, do pronto atendimento do pedido de verbas, encaminhado ao Conselho Nacional de Pesquisas e à Comissão de Energia Atômica.

Navio Oceanográfico — O Instituto Oceanográfico vem desenvolvendo amplo programa de pesquisas, cuja continuação depende fundamentalmente da aquisição de um navio oceanográfico. Todas as providências vêm sendo tomadas para a importação desse barco. Torna-se necessário, no entanto, a colaboração do Governo Federal, sob a forma de apressamento de licenciamento dessa importação e concessão de auxílio financeiro adicional, a fim de completar os recursos estaduais e federais, já dedicados a essa aquisição.

C U L T U R A

Teatros — Estabelecimento de convênio entre a União e o Estado, com referência ao Teatro Broadway em reforma nesta Capital e retorno do Cine Santa Helena à sua condição original de Teatro.

Música — Sugestões para o estabelecimento de convênios entre os Governos da União e do Estado, visando à realização de concertos, réclitas e conferências nas principais cidades do País, com o objetivo de contribuir para a difusão musical e o aprimoramento de nossos meios artísticos.

E D U C A Ç Ã O F Í S I C A E E S P O R T E S

Reexame e atualização do convênio, entre a União e o Estado, estabelecido pelo Decreto-Lei federal n.º 9.091, de 26

de março de 1946, especialmente no que se refere à educação física nos estabelecimentos de ensino secundário.

Legislação esportiva nacional — Esposando as conclusões do congresso das federações esportivas, solicita o Governo de São Paulo a atualização das nossas redes esportivas, de maneira a permitirem maior desenvolvimento da educação física e dos esportes.

Jogos Panamericanos de 1963 — Como o nome do Brasil e o seu reconhecido prestígio no terreno do esporte estarão em evidência nesses Jogos, a serem realizados na Capital bandeirante, necessário se torna que o Governo Federal estude as medidas exequíveis para uma colaboração efetiva com o Estado de São Paulo e Município de sua Capital, visando a dar maior brilho à nossa representação a tão importante encontro desportivo.

SAÚDE PÚBLICA

ERRADICAÇÃO DA MALÁRIA

Para a necessária complementação dos trabalhos da malária, realizados pelo Governo do Estado de São Paulo, recomenda-se:

- a) início, com a possível urgência, das operações de erradicação da malária nas áreas limítrofes do Estado;
- b) aceleração da campanha de erradicação da malária, a fim de que, no início do ano de 1963, estejam as operações instaladas em toda a área malarígena do País.

DOENÇA DE CHAGAS

Estabelecimento, com a extensão necessária, da profilaxia anti-chagástica, em áreas limítrofes ao Estado, com o fito de impedir, no futuro, a reinfestação de áreas trabalhadas em São Paulo.

Regularidade nas contribuições do Ministério de Saúde, relativas ao convênio, com o Governo do Estado, para promoção de pesquisas científicas sobre a doença, as quais vêm sendo realizadas na Faculdade de Medicina de Ribeirão Preto.

ESQUISTOSSOMOSE

Estabelecimento de medidas de âmbito nacional visando a maior eficiência no combate à endemia:

- a) exame da questão de migração de populações;
- b) intercâmbio de informações entre os serviços federais e estaduais;
- c) estudo e planejamento de programas conjugados em todo o território nacional, a fim de que os trabalhos que os Estados realizam não sejam prejudicados pelos demais;
- d) estabelecimento de convênio com o Ministério da Saúde, visando à intensificação das medidas já em execução em território paulista, tanto as referentes aos trabalhos de campo, quanto às pesquisas; e
- e) execução, pelo Governo Federal, de trabalhos de saneamento em zonas do País atingidas pelo mal e desprovidas de recursos.

ASSISTÊNCIA HOSPITALAR

Estabelecimento de lei orgânica de assistência médico-hospitalar no País;

Celebração de convênios com entidades filantrópicas, proporcionando-lhes apoio financeiro que lhes permita melhorar rapidamente seus serviços de assistência médico-hospitalar geral e especializada, especialmente os relacionados ao atendimento de tuberculosos e psicopatas;

Expansão dos serviços médicos dos institutos de previdência, obedecendo as recomendações aprovadas pelo I Congresso da Associação Médica Brasileira, realizado em Ribeirão Preto.

TUBERCULOSE

Facilidades para importação de equipamento radiológico e demais aparelhamento técnico básico, destinados aos institutos estaduais;

Reuniões regulares e periódicas do Serviço Nacional de Tuberculose com os serviços estaduais correlatos, visando a uniformizar as técnicas de diagnóstico, de tratamento, de vacinação BCG etc..

Leis de amparo ao tuberculoso e sua família, mediante atualização das leis vigentes de previdência.

L E P R A

Convênio entre a União e o Estado para manutenção e ampliação do programa de pesquisa que vem sendo realizado pelo Governo de São Paulo.

Programas nacionais de educação sanitária que facilitem a aceitação do doente não contagiante pela comunidade.

Assistência social aos doentes e seus familiares.

Cooperação federal para ampliação dos serviços de reabilitação e reintegração social do egresso.

HIGIENE MENTAL

Constituição de um Grupo de Trabalho para a elaboração de um plano nacional de assistência ao doente mental, em que se evite progressivamente o internamento puro e simples dos enfermos.

Estabelecimento de convênios com as Santas Casas do interior, para instalação de Clínicas Psiquiátricas ou Centros de Reabilitação de doentes crônicos.

Instalação de clínicas semelhantes nos Estados limítrofes de São Paulo, ou colônias de reabilitação nos maiores centros demográficos, a fim de atenuar o afluxo de doentes aos hospitais mantidos pelo Governo Estadual.

V A R Í O L A

Estabelecimento de um plano nacional para erradicação da varíola, mediante:

- a) controle sistemático da vacinação dos recém-nascidos, através do suprimento adequado de vacinas em todo o território nacional;
- b) reaparelhamento dos Postos Sanitários para vacinação nos pontos de passagem obrigatória das migrações internas.
- c) a contribuição do Estado à Campanha, feita através do Instituto Butantã, que está em condições de poder fornecer considerável contingente de vacina seca liofilizada.

SANEAMENTO

ÁGUA E ESGOTOS - CAPITAL

Cessão de um terreno pertencente ao Instituto de Aposentadoria e Pensões dos Industriários (I.A.P.I.) com área aproximada de 147.000 m², situado no município desta Capital e necessário à construção e instalação da Estação de Tratamento de Esgotos de São Cuietano.

Estudo da possibilidade de cessão, ao D.A.E., de parte de área do campo de Marte, junto à Avenida Marginal do Tietê, medindo aproximadamente 250.000 m², para a instalação da Estação de Tratamento de Esgotos da Casa Verde. As obras propostas não trariam prejuízo à construção da segunda pista de serviços daquele aeroporto.

Auxílio financeiro do Governo Federal para obras de estações de tratamento de esgoto da Capital paulista, visando à eliminação do problema de poluição das águas dos rios Tietê, Pinheiros e Tamanduateí.

SANEAMENTO DO MEIO URBANO

Participação da Caixa Econômica Federal e do Banco Nacional do Desenvolvimento Econômico, no financiamento de obras de saneamento de cursos d'água, de combate à erosão, complementando-se assim, o esforço que já vem desenvolvendo a Caixa Econômica do Estado de São Paulo em prol da melhoria das condições sanitárias das comunidades interioranas;

Colaboração da Fundação SESP do Ministério da Saúde e do Departamento Nacional de Obras e Saneamento nos estudos e levantamentos das condições de abastecimento de água nas cidades do Estado de São Paulo, a ser feito pelo D.O.S., em conjunto com a Faculdade de Higiene e Saúde Pública da Universidade de São Paulo;

Participação de técnicos do Departamento de Obras Sanitárias do Estado de São Paulo nos estudos concernentes à estruturação, regulamentação e aplicação do Fundo de Saneamento, cuja criação foi objeto de recente mensagem da Presidência da República ao Congresso Nacional.

SANEAMENTO DO MEIO RURAL

Convênio entre a Secretaria da Saúde do Estado de São Paulo e o Serviço Social Rural para fornecimento de material e recursos financeiros às unidades sanitárias, objetivando o saneamento do meio rural.

CONTROLE DE POLUIÇÃO DE CURSOS D'ÁGUA

Regulamentação e fiscalização federal da poluição de cursos d'água nos Estados limítrofes de São Paulo, tendo em vista o aumento de eficiência do serviço prestado em território paulista.

SEGURANÇA PÚBLICA

POLÍCIA MARÍTIMA

Fornecimento, pelo Governo Federal, de equipamentos especiais para a Polícia Marítima e Aérea de São Paulo, dada a inexistência, neste Estado, de delegacias e comissariados do órgão federal correspondente.

Estabelecimento de áreas e definições de funções da Polícia Marítima e da Alfândega, para ação eficaz contra o contrabando e descaminho, e convênio entre o Estado e a União para o entrosamento das atividades desses órgãos.

Entendimentos entre autoridades aduaneiras e policiais, a fim de que as últimas tomem conhecimento dos inquéritos administrativos instaurados pelas primeiras.

INCÊNDIOS NA ZONA PORTUÁRIA DE SANTOS

Convênio entre a União e o Estado para a prestação de serviços de salvamento e extinção de incêndios a bordo.

Criação da taxa sobre seguros contra incêndios para atender às despesas decorrentes do serviço.

Aquisição de embarcações adequadas para o combate a incêndios.

PROBLEMAS DE RÁDIODIFUSÃO E RÁDIOCOMUNICAÇÃO

Revogação do artigo 9.º do Regulamento aprovado pelo Decreto Federal n.º 21.111, de 1-3-1932, que dispõe sobre a intercomunicação entre as polícias estaduais.

Registro internacional para a estação da Interpol, a fim de possibilitar contacto direto com a sede central em Paris.

Permuta da atual frequência da estação de radiodifusão da Secretaria da Segurança por outra na faixa de 550 a 1.600 ks (captação por qualquer rede comercial).

**PROBLEMAS DO COMÉRCIO
CLANDESTINO DE ENTORPECENTES**

Criação do Departamento Federal de Tóxicos.

Modificação dos artigos 78 e 92 do Código Penal, a fim de se considerar o problema dos tóxicômanos.

Intensificação da vigilância do embarque em aviões comerciais, em aeroportos próximos às fronteiras.

Intensificação de pesquisas científicas sobre a maconha e outras plantas tóxicas.

Destruição das plantações de maconha, existentes em vários pontos do território nacional.

Adoção de outras medidas tendentes a prevenir o problema do comércio clandestino de entorpecentes.

OUTROS ASSUNTOS

Serviço de Polícia Interestadual (Polinter) — Aparelhamento das unidades policiais das outras Unidades da Federação no que concerne a esse serviço.

Contrôle sobre estrangeiros no Brasil — Elaboração de um Código de Estrangeiros.

Problemas de informações policiais — Criação, no Distrito Federal, de órgão incumbido de centralizar as informações sobre criminosos e outros dados que facilitem a investigação criminal.

Código Nacional de Trânsito — Urgência na tramitação do projeto existente na Câmara dos Deputados, substituindo o atual Código Nacional de Trânsito.

JUSTIÇA

**ALTERAÇÕES DA LEGISLAÇÃO
FEDERAL**

Dispensa, na ação discriminatória, da exigência da prova vestibular de domínio do poder público sobre o imóvel discriminado.

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Modificação dos artigos 71 e 117 do Decreto federal n.º 4.857, de 1939, que dispõe sobre registros públicos para atribuir competência nas retificações ao juiz togado da residência do requerente.

Modificação da Lei de Acidentes do Trabalho, objetivando a supressão da exigência do depósito prévio da condenação para a interposição de agravo, quando for empregadora a Fazenda Pública.

Aprovação de projeto n.º 2.628, de 1957, que dispõe sobre a organização e competência das Juntas Comerciais e dá outras providências.

Atualização do Decreto n.º 20.981, de 19 de outubro de 1932, modificado pelo de n.º 22.427, de 1.º de fevereiro de 1953, que regulamenta a função de leiloeiro matriculado (especialmente artigos 19, 37 e 38).

Atualização do Decreto n.º 13.609, de 21 de outubro de 1943, que estabelece disposições relativas ao ofício de tradutor público e intérprete comercial (artigos 2.º e 34, por exemplo).

ELABORAÇÃO E REFORMA DE CÓDIGOS

Constituição de uma Comissão para estudar a reforma do Código de Processo Civil.

Constituição de uma Comissão incumbida de estudar a reforma do Código do Processo Penal.

Reforma do Código de Menores, objetivando conceder aos Estados ampla autonomia no tocante ao regime de assistência e internamento, respeitadas, dessorc, as peculiaridades regionais.

Discussão da conveniência ou não da elaboração de códigos penitenciários estaduais, afastada, de vez, a hipótese de um código penitenciário de caráter nacional, uma vez que a própria Constituição restringe a competência da União à elaboração de normas penitenciárias gerais.

ASSUNTOS DIVERSOS

Serviço Social de Menores — Estabelecimento de convênio entre o Serviço Social de Menores do Estado de São Paulo e o Governo Federal, objetivando o propiciamento de assistência mais adequada à população menor de São Paulo.

Instituto Latino-Americano de Criminologia — Auxílio do Governo Federal para o Instituto Latino-Americano de Criminologia, o qual, conforme reza o convênio estabelecido com as Nações Unidas, deverá conceder bolsas de estudos, não só para brasileiros, como, também, para estrangeiros, bem assim colaborar para o aperfeiçoamento dos meios de defesa social.

Ilhas em rios interestaduais — Ajuste, entre a União e o Estado, de roteiro definitivo e seguro à atuação das respectivas administrações no tocante às ilhas existentes em rios interestaduais.

Registro civil — Regulamentação da matéria pertinente ao registro da população migrante.

TRABALHO E PREVIDÊNCIA SOCIAL

Convênio Trabalhista — Restabelecimento do convênio entre a União e o Estado sobre fiscalização das leis trabalhistas, assistência aos Sindicatos, orientação sindical etc.

Higiene e Segurança do Trabalho — Convênio entre a União e o Estado, pelo qual passariam a ser executados, pela Secretaria do Trabalho, Indústria e Comércio, os serviços de segurança e higiene do trabalho, em consonância com as normas baixadas pelo Conselho Estadual de Higiene e Segurança do Trabalho, que regulamentaria, para o Estado, os dispositivos consolidacionais e acidentários, bem como fixaria normas para campanhas, visando à educação do trabalhador para sua proteção contra os infortúnios do trabalho.

Serviço Estadual de Mão-de-Obra — Estabelecimento de forma de cooperação entre a União e o Serviço Estadual de mão-de-obra piloto no País, a ele se concedendo recursos financeiros para o melhor desempenho de suas funções, bem como se facilitando o acesso aos dados indispensáveis à execução de suas tarefas.

Fundação da Casa Popular — Solução da pendência entre o Estado de São Paulo e a Fundação da Casa Popular sobre aplicação do reconhecimento da taxa de 1% cobrada nos impostos de transmissão "inter-vivos", nos termos de entendimentos em curso.

Unificação das Instituições de Previdência Social — Previdência que deverá possibilitar aos Institutos maiores recursos para elevação do nível de serviço prestado.

ENERGIA ELÉTRICA

Aceitação do programa de eletrificação do Estado de São Paulo, incluído no Plano de Ação, para concessão de financiamentos e de facilidades cambiais e aduaneiras.

Criação de Grupo de Trabalho incumbido de estudar o problema de tarifas de energia elétrica, com vistas à ulterior unificação tarifária na região Centro-Sul do País.

Definição de responsabilidades quanto à regularização de vazão e consequente acumulação de água nas cabeceiras do rio Paraíba, entre o Rio Light e o Departamento de Águas e Energia Elétrica de São Paulo.

Início imediato das obras de regularização, retificação e endicamento do rio Paraíba, a fim de permitir a ampliação da capacidade geradora de energia e aproveitamento da várzea para agricultura.

TRANSPORTE

FERROVIAS

Ramais anti-econômicos — Reinício da aplicação das verbas destinadas à eliminação de ramais anti-econômicos, paralizada que foi pela interpretação dada, pelo Governo Federal, ao artigo 4.º da Lei n.º 3.763, de 14 de abril de 1960, que autorizou o Executivo a abrir crédito de 7 bilhões de cruzeiros para pavimentação da rodovia Rio-Bahia.

Custeio da via permanente — Os deficits crescentes da rede ferroviária, apesar das maciças aplicações do Governo do Estado

na sua modernização e reequipamento, obrigam-no a reivindicar, junto ao Governo Federal, subsídio para custeio da via permanente, o que daria às ferrovias paridade de tratamento com os demais meios de transporte.

Isenção do Imposto de Consumo — Equiparação da situação das estradas de ferro do Estado com as da Rede Ferroviária Federal, que já gozam desse benefício desde 1957.

Transporte de malas postais — Fornecimento, pelo Departamento de Correios e Telégrafos, de recursos para a compra ou construção de carros-correio e estabelecimento de tarifa mínima para cobertura dos custos de operação.

Tronco principal sul — Estreitamento de relações entre a Estrada de Ferro Sorocabana e a Comissão Coordenadora da Construção do Tronco Principal Sul, recentemente criada, em virtude da inclusão, no T.P.S., do ramal entre Itanguá e São Paulo.

Ligação com Brasília — Criação de um Grupo de Trabalho, para estudo das alternativas de traçado que se apresentam e que afinal conduza a uma solução de mínimo custo. Representação do Governo de São Paulo neste Grupo, uma vez que os vários traçados propostos implicam em aproveitamento de estradas de sua propriedade.

Armazéns ocupados por órgãos federais — Liberação de dois armazéns, nas proximidades de São Paulo, com capacidade para 2.300.000 sacas, ocupados, um, pela 2.ª Região Militar e outro, pelo Tribunal Eleitoral, em parte.

Obras em Santos — Acôrdo com a Estrada de Ferro Santos Jundiaí no sentido de utilização de sua faixa para futuro acesso da Sorocabana à COSIPA e à parte nova do porto, iniciada pela Cia. Docas de Santos.

Prolongamento do oleoduto — Prolongamento do oleoduto da E. F. Santos-Jundiaí até o pátio da Barra Funda na E. F. Sorocabana, evitando o transbordo que provoca evasão do transporte do óleo por rodovia.

Ramal de Biguatunga — Solução para o pedido feito em 1957, para a supressão desse ramal, em virtude de ser o mesmo altamente deficitário e de recuperação impossível.

IAPFESP — Atualização dos pagamentos aos inativos das ferrovias estaduais, por parte do Instituto de Aposentadoria e Pensões dos Ferroviários do Estado de São Paulo, de acordo com a nova legislação de 1959.

R O D O V I A S

Estabelecimento de uma cota semanal de asfalto, para atender ao andamento das obras rodoviárias em execução no Estado.

Atualização dos pagamentos dos dividendos da Petrobrás ao DER, que é o segundo maior acionista da empresa.

Regulamentação da carga por eixo e sua implantação, fazendo-se a campanha de repressão das cargas excessivas com a colaboração do DNER.

Resolução do problema de retenção dos pagamentos de convênio, em virtude da questão criada com a portaria do Ministério da Fazenda, referente à selagem dos contratos.

Duplicação da via Dutra — Caráter de urgência para os trabalhos e mandamento e contratação de novos trechos.

BR-77 — Conclusão das obras entre Pindamonhangaba e Campos do Jordão.

A E R O P O R T O S

Aeroporto Internacional de Viracopos — A continuação das obras desse aeroporto depende da manutenção do convênio firmado, nos exercícios futuros. Espera-se, por conseguinte, que sejam atribuídas dotações suficientes para o andamento normal das obras.

Pavimentação do Aeroporto de Ourinhos — Resolução definitiva da pavimentação desse aeroporto, a curto prazo, sendo abandonado o projeto existente de localização de um aeroporto entre Ourinhos e Jacarézinho.

Aeroportos de Araçatuba e Tupã — Exclusão, do Plano de Contenção de Despesas do Governo Federal, das dotações para obras complementares nos aeroportos citados.

Administração e manutenção de aeroportos — Estudos no sentido de ser estendido a todos os outros aeroportos do Estado o sistema de contrato adotado para Congonhas e Viracopos.

Taxa Aeroportuária — Criação de uma Taxa Aeroportuária a ser cobrada em função do número de passageiros embarcados, e destinada a financiar a manutenção e melhoria dos aeroportos existentes.

PORTOS E NAVEGAÇÃO

Pôrto Presidente Epitácio — Entendimentos com o fim de se iniciar a execução do novo pôrto, pelo Departamento de Portos, Rios e Canais, diretamente ou mediante convênio com o Governo do Estado, de acordo com sugestão e projeto anteriormente encaminhado.

Pôrto de São Sebastião — Providências no sentido de serem tomadas medidas, destinadas a, em futuro próximo, transformar o Pôrto de São Sebastião em pôrto auxiliar de Santos. Entre as medidas preliminares se destacam:

- a) — Liberação de verba destinada a estudo.
- b) — Construção do terminal marítimo (Petrobrás).
- c) — Via de comunicação com Santos (BR-6).

Condições de navegabilidade do rio Paraná e a ponte da BR-34 sobre o mesmo rio.

ASSISTÊNCIA E EXTENSÃO RURAL AGRICULTURA

Estabelecimento de fórmula de trabalho em cooperação, mediante convênio entre o Serviço Social Rural e a Secretaria da Agricultura, a fim de evitar duplicação de atividades.

FOMENTO VEGETAL

Restabelecimento do convênio entre o Ministério da Agricultura e a Secretaria da Agricultura, a fim de que esta continue

a executar, como vem fazendo há cerca de trinta anos, os serviços de classificação de produtos agrícolas no território do Estado.

Estabelecimento de data pré-fixada (2.^a quinzena de setembro de cada ano) para a publicação das portarias do Ministério da Agricultura regulamentadoras da comercialização do trigo nacional, a fim de que a comercialização da safra paulista possa ser feita a partir de 1.^o de outubro.

Inclusão de São Paulo no Grupo de Trabalho, criado pelo Ministério da Agricultura, para a elaboração do "Plano da Semente e da Sanidade do Trigo".

Prorrogação do "Acôrdio do Trigo entre a União e o Estado de São Paulo", por um período de mais de cinco anos, face aos bons resultados obtidos.

SERICICULTURA

Estabelecimento de um plano intensivo de fomento à sericicultura, abrangendo todas as atividades da cultura da amoreira e criação do bicho até a industrialização da seda.

Atualização do Decreto-lei n.^o 15.587, de maio de 1944, que regulamenta o comércio e a classificação comercial de casulos e fios de seda, em São Paulo, com o objetivo de:

- a) destacar a parte referente à fiscalização das instalações de beneficiamento, da produção sericícola, cujo regulamento seria objeto de portaria ministerial.
- b) organizar anteprojeto de especificações para classificação e fiscalização da exportação de casulos e fios de seda; e
- c) completar a legislação federal de classificação para o mercado interno e regulamentação das atividades comerciais.

Atualização da Portaria Ministerial 416, de 3 de agosto de 1943, que regulamenta o funcionamento dos institutos particulares de sementagem;

Ajuste entre a União e o Estado, que possibilite melhor treinamento de novos técnicos e aquisição de equipamentos automáticos para maior rendimento dos trabalhos.

DEFESA SANITÁRIA VEGETAL

Liberação de verbas orçamentárias para campanha contra o cancro citrico, que vem sendo empreendida pelo Governo de São Paulo, através de seu Instituto Biológico.

Convênio, entre a União e o Estado, para a extensão da mencionada campanha contra o cancro citrico aos Estados limítrofes de São Paulo, mediante cessão das equipes paulistas especializadas.

DEFESA FLORESTAL

Cessão, ao Governo do Estado, de uma gleba de terra incorporada ao patrimônio nacional por compra havida em 1910, situada entre os municípios de Lençóis Paulista e Santa Bárbara do Rio Pardo e medindo cerca de 29.000 hectares, a fim de que, dentro de seu Plano de Ação, o Governo Estadual possa ali proceder ao plantio de milhões de coníferas.

Reforma do Código Florestal, em consonância com o anteprojeto elaborado pelo Conselho Florestal de São Paulo, com o concurso de todas as organizações e técnicos de estabelecimentos oficiais.

Ampliação da delegação brasileira à segunda Conferência Nacional do Eucalipto, a ser realizada, este ano, em São Paulo.

FOMENTO À PECUÁRIA

Renovação do ajuste entre o Instituto Zootécnico do Governo Federal e o Departamento da Produção Animal da Secretaria da Agricultura, bem como a renovação do acôrdo de serviços públicos relativos ao fomento da produção animal.

Constituição de um grupo de trabalho, com a participação dos setores público e privado dos Estados do Brasil Central produtores de carne, com a tarefa de oferecer um planejamento glo-

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bal da atividade pecuária para toda essa unidade geo-econômica e com a missão de organizar um controle estatístico do comércio interestadual de bovinos destinado ao abate.

COOPERATIVISMO

Atualização do convênio existente entre o Serviço de Economia Rural do Ministério da Agricultura e o Departamento de Assistência ao Cooperativismo da Secretaria da Agricultura de Estado.

Atenção especial aos problemas das cooperativas de crédito, a fim de que se restrinja a abertura de agências à área de atuação da sociedade cooperativa, bem como o estabelecimento de critérios mais rigorosos para apreciação dos pedidos de registro. Propõe o Estado que nos estudos que se processem para o encaminhamento de soluções para os casos apontados, seja convocado o Departamento de Assistência ao Cooperativismo da Secretaria da Agricultura.

P E S C A

Criação de grupo de trabalho de âmbito nacional, integrado por técnicos da esfera federal e estadual e com a colaboração de técnicos de órgão internacional, com o objetivo de planejar, cientificamente, os trabalhos e campanhas de pesquisas marítimas.

O incremento das pesquisas sobre pesca marítima, que se vem efetuando em São Paulo, depende, fundamentalmente, da aquisição de um navio oceanográfico, para o que se espera colaboração adicional do Governo da União (Ver setor "Pesquisas", do temário paulista).

Renovação, por período não inferior a vinte anos, do convênio existente entre a União e o Estado para a entrega à administração estadual, por esse prazo, do Entreposto de Pesca de Santos, face aos ótimos resultados obtidos durante o período experimental de dois anos, objeto do convênio existente. Nesse convênio, o Estado assumiria a responsabilidade de conservação e ampliação do Entreposto, participando o Governo Federal com auxílios financeiros para sua operação.

MECANIZAÇÃO AGRÍCOLA

Estabelecimento de convênio de motomecanização agrícola entre a União e o Estado, a fim de uniformizar a prestação dos serviços, em território paulista, pelos postos de mecanização estaduais e pelas patrulhas mecanizadas do Ministério da Agricultura.

ENSINO AGRÍCOLA

Colaboração financeira do Governo Federal, para ampliação da rede estadual de ensino agrícola, colaboração essa que poderá ser concretizada através da liberação de verbas consignadas no Orçamento Federal do corrente exercício e inclusão de novas verbas no orçamento de 1962.

PESQUISAS AGRONÔMICAS

Entrosamento mais estreito entre o Instituto Agronômico de Campinas e os órgãos do Ministério da Agricultura competentes, especialmente sob a forma de colaboração financeira da União.

ARMAZÉNS E SILOS

Convênio entre a Comissão Executiva de Armazéns e Silos e a Companhia de Armazéns Gerais do Estado de São Paulo (CAGESP), segundo o qual os armazéns e silos que venham a ser construídos, pela primeira, em território paulista, sejam entrosados à rede em execução pelo Estado, ficando a administração dos mesmos a cargo da CAGESP.

CENTRO ESTADUAL DE ABASTECIMENTO

Em vista das obras deste Centro estarem estimadas em 2,4 bilhões de cruzeiros, havendo necessidade de complementação dos recursos próprios do CEASA, propõe o Governo de São Paulo um financiamento do BNDE à referida empresa.

PESQUISAS MINERAIS

Transferência para o Governo do Estado de São Paulo (Instituto Geográfico e Geológico) mediante decreto ou convênio, da atribuição para autorizar, em seu território, a atividade de pesquisa de jazidas minerais, respeitadas as exceções estabelecidas em lei e as conveniências da defesa nacional.

POLÍTICA ECONÔMICA, FINANÇAS E ORÇAMENTO

POLÍTICA ECONÔMICA

Financiamento às exportações — Adoção de providências tendentes a instituir um sistema de financiamento, a médio e longo prazo, para as exportações, principalmente as exportações de bens de capital, bem como diminuição dos entraves burocráticos que dificultam a atividade dos exportadores nacionais.

Financiamento à indústria de bens de capital — Criação de um Grupo de Trabalho destinado a estudar a instituição de um sistema de financiamento de vendas, para o mercado interno, de equipamentos já fabricados no País, com o objetivo de aproveitar as possibilidades recém-abertas pela elevação da taxa de câmbio favorecido, efetuada pela Instrução 204.

Financiamento às indústrias pequenas e médias — Instituição de um sistema de financiamento, a médio e longo prazo, para expansão da média e pequena indústria, através da criação de Carteira Especializada, no Banco Nacional do Desenvolvimento Econômico, ou de constituição de uma subsidiária desse estabelecimento.

Banco Nacional do Desenvolvimento Econômico — Revisão da atual legislação sobre o Fundo de Reaparelhamento Econômico, a fim de que se amplie os recursos do Banco Nacional do Desenvolvimento Econômico, em consonância com as reais necessidades do processo de crescimento da economia brasileira.

Investimentos estrangeiros — Providências no sentido de se eliminarem as disparidades existentes de tratamento cambial entre investidores nacionais e investidores estrangeiros, bem como apressamento dos estudos tendentes à elaboração de um es-

tatuto do capital estrangeiro, que resguarde os interesses de setores industriais já desenvolvidos no País e os interesses maiores do próprio crescimento da economia nacional.

Financiamento do BID — Providências conducentes a concretizar os entendimentos preliminares mantidos pelo Governo do Estado com o Banco Interamericano de Desenvolvimento, visando à obtenção de recursos para:

- a) ampliação do programa de revisão agrária, iniciado por este Governo;
- b) expansão dos sistemas de distribuição de energia elétrica, por parte de concessionários em várias regiões do Estado;
- c) complementação de recursos para o Fundo de Financiamento das Indústrias de Bens de Produção; e
- d) programas de casas populares, a ser realizado pela Prefeitura ou pelo Estado.

QUESTÕES REFERENTES AO SISTEMA CAMBIAL

Letras de importação — A instrução n.º 204, da SUMOC, criou a obrigatoriedade de recolhimento, ao Banco do Brasil S/A., de importância equivalente ao valor do contrato de fechamento de câmbio contra a entrega de letras de sua emissão, com prazo de 150 dias. Essa obrigatoriedade cria graves problemas para seu cumprimento nos governos estaduais e municipais sujeitos que estão, para a realização de sua atividade financeira, à aprovação de orçamentos rígidos que dificultam a realização de transações financeiras dessa natureza. Assim sendo, solicita-se que sejam os Estados, Municípios, Distrito Federal e Territórios, assim como suas autarquias, excluídos da obrigatoriedade daquele recolhimento.

Divisas para importação de equipamentos pelo Estado — Solicitam-se providências junto ao Banco do Brasil no sentido de serem revistas as normas para a concessão de divisas, destinadas à importação de equipamentos por órgãos da administração estadual, que, muitas vezes, não pode atender a determinadas exigências feitas às empresas particulares.

BANCO DO ESTADO

Cartas-patentes para instalação de agências — Solicita-se apressamento da concessão de cartas-patentes para instalação de novas agências bancárias, no Estado de São Paulo e em outros Estados, do Banco do Estado de São Paulo.

Bólsa de Valores — Consolidação da Legislação — Sugere-se a consolidação das leis que atualmente regem as Bólsas e os Corretores de Valores, uma vez que a legislação existente é numerosa, havendo decretos desde 1849 até a presente data, sem a necessária sistematização e consolidação. Por outro lado, há necessidade de atualização dessa legislação, adaptando-a à realidade do nosso mercado de valores.

ATUALIZAÇÃO DA ADMINISTRAÇÃO FINANCEIRA

Orçamento e contabilidade pública — As normas para elaboração, execução e controle do orçamento e contabilidade pública dos governos estaduais e municipais são reguladas pelo Decreto-lei n.º 2.416, de 17 de junho de 1940. Essas normas estão desatualizadas em relação às necessidades de planejamento e coordenação das atividades governamentais. Há estudo realizado pelo Conselho Técnico de Economia e Finanças do Ministério da Fazenda, sob a forma de substitutivo ao projeto de lei n.º 38.052, do Senado Federal, propondo a estrutura e classificação econômica, nos moldes das técnicas apresentadas pelas Nações Unidas. Solicita o Governo do Estado urgência na aprovação desse substitutivo.

ATUALIZAÇÃO DO SISTEMA TRIBUTÁRIO

Sistema tributário nacional — Criação de um Grupo de Trabalho para estudar o sistema tributário nacional e propor medidas de revisão da atual discriminação de rendas, fixada pela Constituição, tendo em vista o fortalecimento dos Estados e Municípios dentro da Federação e a formulação de uma política fiscal para o desenvolvimento econômico.

Contribuição de Melhoria — A cobrança da contribuição de melhoria é regulada pela Lei n.º 854, de 1949, que adota critérios e desce a minúcias de regulamentação que impossibilitam sua execução. Sugere o Governo do Estado a revogação da referida lei, a fim de que possa ser cobrada a contribuição de melhoria.

Imposto sobre minerais — A cobrança desse imposto ainda não foi regulamentada, criando dúvidas sobre a possibilidade ou não de os Estados e Municípios o poderem cobrar, porquanto a sua característica é de imposto único. Sugere o Governo do Estado a aprovação do projeto de lei n.º 3.981, de 1958, calcado em estudos feitos pelo Estado de São Paulo.

Normas sobre imunidade tributária — Sugere o Governo do Estado a regulamentação do artigo 31, inciso V, letra "b", da Constituição Federal, a fim de definir precisamente o que se entende por instituições de educação e de assistência social, porquanto a Lei n.º 3.193, de 1957, não esclarece suficientemente o assunto.

COORDENAÇÃO ENTRE O GOVERNO DO ESTADO E FEDERAL PARA APLICAÇÃO DOS RECURSOS FEDERAIS NO ESTADO

Dotações para aplicação em São Paulo — Sugere o Governo do Estado a inclusão, na proposta orçamentária da União, de dotações de interesse do Estado, diretamente pelo órgão encarregado de elaborar a proposta orçamentária.

Rapidez no pagamento das dotações — Simplificação das exigências burocráticas para recebimento das dotações incluídas no orçamento. Atualmente, em virtude das diversas exigências, o recebimento das dotações só é conseguido no ano seguinte ao de sua inclusão no orçamento, o que prejudica a execução dos programas pré-estabelecidos para aplicação desses recursos.

Planos de Economia — Sugere-se que só sejam incluídas nos planos de economias as verbas sem pronto interesse para o Estado, isto é, as que não decorrem do convênio ou não estejam

vinculadas a obras ou serviços em andamento ou ligadas a setores considerados vitais, tais como desenvolvimento econômico geral, saúde, educação e agricultura.

**EXTENSÃO AOS ÓRGÃOS DO
GOVÃO DO ESTADO DAS
VANTAGENS DE CARÁTER
ALFANDEGÁRIO USUFRUÍDAS
PELO GOVÃO FEDERAL**

Restrições do Decreto-lei n.º 300, de 24 de fevereiro de 1938 — O referido Decreto-lei limita a concessão de isenções e redução de direitos alfandegários, quando se tratar de mercadorias que não forem importadas diretamente, isto é, como consignação nominativa. Baseada nessa restrição, vem a Alfândega cobrando direitos e taxas sobre importações consignadas à ordem do Govão do Estado. Considerando-se, no entanto, que o Estado goza de imunidade tributária, pleiteia-se que seja expedida circular esclarecendo que, face a essa imunidade, os materiais importados pelos Estados, Municípios, Distrito Federal e Territórios são sujeitos às restrições do Decreto-lei n.º 300, de 24 de fevereiro de 1938.

Taxas de Armazenagem — Considerando as demoras na tramitação de processos aduaneiros, decorrentes de exigências bancárias que precedem ao pagamento do frete marítimo, solicita o Govão do Estado a extensão, a suas importações, da isenção de pagamento de armazenagem, durante os primeiros trinta dias, prevista no artigo 12, do Decreto-lei n.º 8.439, de 1943.

Taxa de despacho aduaneiro — Sugere-se que seja estudada a possibilidade de, através de lei expressa, ser concedida isenção da Taxa de Despacho Aduaneiro, criada pela Lei Federal n.º 3.244-57, às importações efetuadas pelos Govãos Estaduais, Municipais, Distrito Federal e Territórios, incluindo as autarquias e empresas de economia mista, com extensão da isenção concedida atualmente à Petrobrás e Novacap.

Transporte de mercadorias importadas — Modificação do artigo 3.º do Decreto n.º 47.225, de 12 de novembro de 1959, que

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obriga o transporte de mercadorias importadas, com benefício de favores governamentais, em navios de bandeira brasileira. A modificação pretendida objetiva restringir essa obrigatoriedade aos casos em que os portos do País exportador figurem como escala de navios brasileiros.

D I V E R S O S

Moeda Divisionária — O Governo tem encontrado dificuldade para obtenção de moedas divisionárias para pagamento do seu funcionalismo, obrigando mesmo a viagem de funcionários ao Rio de Janeiro, para sua obtenção junto à Casa da Moeda. Para a solução deste problema, solicita o Governo Estadual providências no sentido de ser determinado à Delegacia do Tesouro de São Paulo o fornecimento, à Secretaria da Fazenda do Estado, de cédulas de 1, 2, 5, 10, 20 e 50 cruzeiros e de moedas divisionárias.

Sêlo penitenciário — Solicita o Governo do Estado a destinação dos recursos provenientes da arrecadação do Sêlo Penitenciário, de acordo com a sua legislação, ou seja, aplicar 80% no Estado onde foi arrecadado.

OUTROS ASSUNTOS

E S T A T Í S T I C A

Recenseamento de 1960 — Para os censos demográficos e agropecuários, fornecimento de dados preliminares, a curto prazo e, no tocante à apuração definitiva, fornecimento, em caráter prioritário, de dados solicitados pela administração estadual. Quanto ao censo industrial, apressamento e término da coleta.

Serviço Nacional de Recenseamento — Reexame do projeto de lei n.º 4.449-58, em tramitação no Congresso Nacional, que dispõe sobre criação, em caráter permanente, do Serviço Nacional do Recenseamento, a fim de se levar em consideração os interesses das Unidades da Federação no planejamento e apuração dos futuros levantamentos censitários.

Inquéritos estatísticos de iniciativa federal — Maior entrosamento com os órgãos regionais de estatística e cessão de uma via

de todos os instrumentos de coleta ao Departamento de Estatística do Estado de São Paulo.

Federalização dos Departamentos Estaduais de Estatística:

- a) continuação da vigência da Convenção Nacional de Estatística para os Estados que não optem pela federalização dos seus Departamentos Estaduais de Estatística; e
- b) concessão, a título de auxílio pelo Governo Federal, anualmente, a cada Estado que não opte pela federalização, de quantia equivalente a 60% da dotação orçamentária consignada pelo Estado ao seu órgão regional de estatística.

**EXPOSIÇÃO E FEIRAS
COMERCIAIS E INDUSTRIAIS**

A autorização para funcionamento de exposições e feiras industriais e comerciais é dada, atualmente, pelo Ministério da Indústria e Comércio. A fim de disciplinar o funcionamento das referidas feiras e exposições, no Estado de São Paulo, foi sugerido passar aquelas atribuições para a Secretaria do Trabalho, Indústria e Comércio de São Paulo.

**ESTÂNCIAS HIDROMINERAIS
E CLIMÁTICAS**

Colaboração do Governo Federal para a melhoria das vias de acesso e das condições urbanas das estâncias hidrominerais do Estado de São Paulo:

Prorrogação dos termos do acordo celebrado entre o Estado e a União, que delega ao Estado de São Paulo as atribuições de fiscalização expressas no Código de Águas Minerais.

ESPECIFICAÇÃO DAS OBRAS DO PLANO DE AÇÃO-1961

Nos quadros seguintes se mencionam, especificamente, as obras já concluídas e entregues pelo Governo, à população do Estado:

GRUPOS ESCOLARES
CAPITAL

O B R A	B A I R R O	Nº de Salas	Centrais	Crescimento	Orgão executor
GE Raul Fumeca	Salde	10	Abr. 60	Jan. 61	DOP
GE Castro Alves	Santana	12	Fev. 60	Fev. 61	DOP
GE Gláucia Menon	Artur Alvim	6	Jan. 60	Fev. 61	DOP
GE Maria Aires	Figueira de O	12	Abr. 60	Fev. 61	DOP
GE Ediva Maria Biagioni	São Amaro	10	Abr. 60	Mar. 61	DOP
GE Imperatriz Leopoldina	Vila Maria	15	Fev. 60	Mar. 61	DOP
GE Nona Benedita do Refino	Petropolis	10	Abr. 60	Mar. 61	DOP
GE Benedito Estevão dos Santos	Tatinópolis	18	Abr. 60	Abr. 61	DOP
GE Carmelina	Tatapé	15	Abr. 60	Abr. 61	DOP
GE Raul Cardoso de Almeida	Ipiranga	10	Fev. 60	Abr. 61	DOP
GE Rosalia Braga	São Amaro	12	Abr. 60	Abr. 61	DOP
GE Sebastiana da Silva Minho	V. Mandreker	10	Fev. 60	Abr. 61	DOP
GE Tito Prates da Fonseca	Santana	18	Fev. 60	Abr. 61	DOP
GE de Vila Pirituba	Pirituba	15	Jan. 60	Abr. 61	DOP

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CE Adelaide Ferra de Oliveira	Vila Guibermata	12	Abri. 60	Maio 61	DOP
CE Bairro do Sapopemba	Sapopemba	16	Maio 61	Maio 61	DOP
CE de Campo Belo	Campo Belo	8	Maio 61	Maio 61	DOP
CE Vitor Miguel Romano	Sapopemba	11	Abri. 61	Maio 61	DOP
CE 1ª de Artur Alvim	Artur Alvim	18	Abri. 61	Jun. 61	DOP
CE Bairro do Guedes	Penha	6	Jun. 61	Jun. 61	DOP
CE Luiz Antonio Fragoso	Vila Matilde	16	Maio 61	Jun. 61	DOP
CE Vila Niter-Operária	Vila Niter-Operária	10	Jan. 61	Jun. 61	DOP
CE Domingos Quirino Pereira	Vila Operária	18	Abri. 61	Jul. 61	DOP
CE Gerônimo Lopes Chagas	Freguesia do O	20	Fev. 61	Jul. 61	DOP
CE Antonio M. Almeida	Jabiquara	16	Fev. 61	Agô. 61	DOP
CE Fe. José Carvalho	São Miguel	17	Fev. 61	Agô. 61	DOP
CE de Vila Curuçá	Vila Curuçá	10	Fev. 61	Set. 61	DOP
CE Joaquim Leite do Brito	Freguesia do O	18	Fev. 61	Out. 61	DOP
CE do Parque São Lucas	Parque São Lucas	20	Jun. 61	Out. 61	DOP
CE do Uniao Evangelica	São Amaro	10	Fev. 61	Out. 61	DOP
CE de Vila Gustavo	Tuacrevi	16	Set. 61	Out. 61	DOP

Nota: As datas da relação acima, consultadas antes de 1961, deixaram de constar de Memorial de 2º ano do Governo.

GRUPOS ESCOLARES
INTERIOR

OBRA	MUNICIPIO	Nº de Salas	Controlado	Concedido	Órgano emisor
GE 1º de Adamantina	Adamantina	20	Abr. 60	Jun. 61	DOP
GE de Duménil	Agudo	4	Set. 60	Abr. 61	DOP
GE Alfredo Marcondes	Alfredo Marcondes	6	Jun. 59	Dez. 59	IPESP
GE de Auriflama	Auriflama	10	Mar. 60	Fev. 61	IPESP
GE de Babilônia	Babilônia	4	Jun. 58	Abr. 60	IPESP
GE Modesto Messem	Baré	4	Jun. 59	Abr. 61	DOP
GE Diógenes Balsegão	Balsamoré	6	Set. 60	Out. 61	IPESP
GE Delfino Gabriel Monteiro	Bela	8	Jan. 59	Fev. 59	IPESP
GE Prof. Marinho Nogueira	Belaçote	10	Jul. 60	Set. 61	IPESP
GE Paulo Virgílio	Cachoeira Paulista	8	Abr. 59	Fev. 61	DOP
GE Casa dos Coqueiros	Cajati	4	Jul. 59	Jul. 60	IPESP
GE Fátima	Cajati	4	Jul. 59	Fev. 60	IPESP
GE I. de Aguiar	Emília Paulista	8	Jul. 60	Jul. 61	IPESP
GE Distrito de Altamira	Emília Paulista	6	Jul. 59	Dez. 61	IPESP
GE de Babilônia	Emília	6	Fev. 61	Dez. 61	IPESP
GE de Jule	Ourá	4	Set. 59	Agô. 61	DOP
GE General Salgado	General Salgado	8	Mar. 60	Dez. 60	IPESP
GE Taruma	Guataporã	4	Jul. 59	Fev. 60	IPESP
GE José Felix	Guataporã	6	Abr. 60	Abr. 61	DOP

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CE 2ª de Indiatuba	Indiatuba	5	Mar. 60	Jul. 61	IPESP
CE de Irupuk	Irupuk	6	Set. 60	Nov. 61	DOP
CE de Cajati	Jacupiranga	6	Set. 60	Nov. 61	IPESP
CE Bairro União	Luizão	8	Out. 59	Agô. 61	IPESP
CE de Matuporã	Matuporã	8	Jan. 60	Abc. 60	IPESP
CE 2ª B. São Miguel	Matília	10	Mar. 60	Fev. 61	IPESP
CE de São	Mirante Paranapanema	12	Jul. 60	Dez. 61	IPESP
CE Nova	Mogi-Guaçu	5	Dez. 59	Jul. 60	IPESP
CE Capela do Rosário	Mogi-Guaçu	6	Jul. 60	Dez. 60	IPESP
CE Bairro de São Cruz	Mogi-Mirim	8	Jul. 60	Jan. 61	IPESP
CE 2ª de Cordeiro Cruz	Cordeiro Cruz	10	Jul. 60	Dez. 61	IPESP
CE Populina	Populina	5	Jul. 59	Fev. 60	IPESP
CE de São	Pradé Espetado	6	Jul. 59	Mar. 60	IPESP
CE de Itatuaçu	Roberto Vitor	6	Jul. 60	Jan. 61	IPESP
CE Bairro do Estádio	Rio Claro	4	Jul. 59	Fev. 60	IPESP
CE Tereza Rêde	São Cruz Rio Furão	12	Jul. 60	Fev. 61	IPESP
CE Guilherme Andrade	Santa Isabel	10	Jul. 60	Fev. 61	IPESP
CE de Vila Ortega	São Amato	12	Jul. 60	Out. 61	IPESP
CE Prof. O. A. Fica	S. José Rio Preto	4	Jun. 59	Mar. 61	DOP
CE Cel. José Rom	Tupã	6	Agô. 60	Set. 61	IPESP
CE 1ª de Tupã	Tupã	6	Maio 60	Jul. 61	DOP
CE 2ª de Valparaíso	Valparaíso	6			

NOTA: As obras de reedificação, concluídas antes de 1961, deixaram de constar da Mensagem do 2º ano de Governo.

GRUPOS ESCOLARES
AMPLIAÇÕES - INTERIOR

O B R A	M U N I C I P I O	Nº de Salas	Contrato	Condição	Órgão executor
GE José T. de Moraes	Aquai	2	Jul. 61	Out. 61	DOP
GE Chagas Pereira	Apazinda	5	Maio 61	Nov. 61	DOP
GE Eulálio M. de Silva	Bairri	1	Maio 61	Set. 61	DOP
GE Rural Dr. Washington Luis	Belizais	2	Mar. 61	Dec. 61	DOP
GE J. C. A. Botelho	Boitava	2	Set. 61	Ago. 61	DOP
GE João Toledo	Chiquinho	3	Jul. 61	Dec. 61	DOP
GE Osvald F. Paris	Itabera	2	Jul. 61	Dec. 61	DOP
GE Rita M. Barreto	Itobi	3	Fev. 61	Nov. 61	DOP
GE João V. de Melo	Pompéia	2	Out. 60	Maio 61	DOP
GE Cel. José Garcia	Presidente Alves	2	Out. 60	Maio 61	DOP
GE Senador Vergueiro	Sorocaba	4	Jun. 61	Ago. 61	DOP

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GINÁSIOS E COLÉGIOS
INTERIOR

O B R A	M U N I C Í P I O	N.º de Sala	Central	Continuo	Orgão seccional
Unidade de Ensino	Bastos	8	Apr. 58	Jul. 61	IPESP
Unidade de Vila dos Lavadores	Botocatu	10	Jul. 60	Out. 61	IPESP
Unidade de São João Paulista	Edmundo Facchini	6	Nov. 60	Mar. 61	IPESP
Unidade de Maria Fátima	Frederico Facchini	8	Mar. 61	Abr. 61	IPESP
CREN de Lins	Lins	24	Abr. 61	Agos. 61	DOP
CREN de Lins	Lins	8	Jul. 61	Jun. 61	IPESP
CREN de Moji das Cruzes	Moji das Cruzes	9	Out. 61	Nov. 61	DOP
CREN de Monte Apraxizel	Monte Apraxizel	6	Jan. 62	Mar. 61	IPESP
Unidade de São do Sul	Plan do Sul	5	Jan. 62	Jun. 61	IPESP
Unidade de Pinheirópolis	Pinheirópolis	18	Jul. 60	Agos. 61	IPESP
Unidade de Rorópolis	Rorópolis	3	Set. 60	Agos. 61	DOP
CREN de São	São	3	Mar. 61	Nov. 61	DOP
Unidade de Santa Branca	Santa Branca	5	Nov. 61	Jul. 62	IPESP
Instituto Educacional "Leônidas Vianna"	Santa Cruz do Rio Pardo	18	Set. 61	Nov. 61	DOP
Unidade de Terra Roxa	Terra Roxa	8	Set. 61	Nov. 61	IPESP

Nota: As salas da região póima, concluídas antes de 1961, destinam-se ao ensino da Matemática de 2.º ano de Códigos.

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CADEIAS E DELEGACIAS

MUNICIPIOS	Contrato	Conclusão	Órgão executor
Agua da Prata	Jan. 61	Jun. 61	IPESP
Bauri	Jun. 60	Out. 61	DOP
Borboarena	Set. 60	Abr. 61	DOP
Brota	Set. 60	Set. 61	DOP
Crucero	1059	Fev. 61	DOP
Estrela D'Oeste	Set. 60	Nov. 61	IPESP
Jaguariuna	Set. 60	Fev. 61	IPESP
Piraju	Ag. 60	Dez. 61	DOP
Presidente Alves	Nov. 61	Dez. 61	DOP
Santo Antônio da Posse	Set. 60	Mar. 61	IPESP
Taquarubá	Set. 60	Nov. 61	IPESP

F O R U N S

MUNICIPIOS	Contrato	Conclusão	Órgão executor
Capão Bonito	Jun. 57	Jun. 61	IPESP
Francisco	1959	Abr. 61	DOP
Itapira	Dez. 59	Abr. 61	IPESP

UNIDADES SANITÁRIAS

OBRA E MUNICIPIO	Contrato	Conclusão	Órgão executor
Alto Alegre	Jul. 60	Abr. 61	IPESP
Cajuru	Ag. 60	Maio 61	IPESP
Pósto Médico de Caldas	Jul. 60	Maio 61	IPESP
Campos do Jordão	Set. 60	Set. 61	IPESP
Estrela D'Oeste	Ag. 60	Jun. 61	IPESP
Flórida Paulista	Abr. 60	Jan. 61	IPESP
Guaira	Fev. 61	Maio 61	IPESP
Heroulandia	Jul. 60	Jul. 61	IPESP
Iacanga	Nov. 60	Nov. 61	IPESP
Ibipina	Nov. 60	Nov. 61	IPESP
Itapira	Ag. 60	Abr. 61	IPESP
Itapirapava	Mar. 60	Mar. 61	IPESP
Pósto Médico de Leme	Jan. 59	Ag. 59	IPESP
Pósto Médico de Lucianópolis	Jul. 58	Ag. 59	IPESP
Pósto Médico de Marliéropolis	Jan. 59	Nov. 59	IPESP
Mojil-Guaçu	Ag. 60	Fev. 61	IPESP
Mojil-Mirim	Mar. 60	Dez. 60	IPESP
Pósto de Fecundidade de Nhandeara	Abr. 58	Mar. 59	IPESP
Oswaldo Cruz	Ag. 60	Jul. 61	IPESP
Pirapozinho	Nov. 60	Nov. 61	IPESP

UNIDADES SANITARIAS			
OBRA E MUNICIPIO	Contrato	Conclusão	Órgão executor
Pompéia	Mar. 60	Jul. 61	IPESP
Pósto Médico de Rancharia	Jan. 59	Out. 59	IPESP
Pósto Médico de Santa Bárbara	Jan. 59	Out. 59	IPESP
Pósto de Piscicultura de Santa Bárbara D'Oeste	Jan. 59	Jun. 59	IPESP
Salto Grande	Jul. 60	Mar. 61	IPESP
Santa Rosa do Viterbo	Jul. 60	Ag. 61	IPESP
São Simão	Set. 60	Out. 61	IPESP
Taubaté	Mar. 60	Jul. 61	IPESP
Vera Cruz	Mar. 60	Maio 61	IPESP
Vinhedo	Jul. 60	Jan. 61	IPESP

NOTA: As obras da relação acima, concluídas antes de 1961, deixaram de constar da Mensagem do 2.º ano de Governo.

ÁGUA - CAPITAL REDE CONCLUÍDA

BAIRRO	Extensão (m)
1. For Emprelhada	
Centro Industrial do Jaguaré	12.780
Vila Vera	17.580
Itaquera	12.310
Vila Bonilha	17.400
Vila Tatu	9.000
Freguesia do Ó — Vila Aradilla	12.500
Vila Isa — Socorro e Campinas	10.100
Emelindo Matarazzo	4.300
Vila Macdópolis	632
Campo Grande e Vila Alpina	8.500
Ossaco	11.501
São João Clímaco — Vila Formosa	7.644
Vila Barreto e Vila Pereira Barreto	9.520
Vila Euthalia — Emelindo Matarazzo	14.162
Vila Formosa	15.543
Vila Têa — Pedreira	8.732
Vila Guarani — Parque Jabaquara — Vila São Paulo	11.433
Vila Maria Trindade, Zat e Jardim São José	8.640
Vila Matilde	7.258
Subadutora Arthur Alvim — São Miguel	6.999
Vila Carolina e Linha Tronco Casa Verde — Vila Nova Ca- choeirinha	10.000
Linha Tronco p/ Itaquera	6.800
Ossaco — Linha Tronco	8.580
Vila Constança — Parque Vitória — Linha Tronco Fre- guesia do Ó	6.645

ÁGUA — CAPITAL — REDE CONCLUÍDA

M E S	Extensão (m)
2. Por Administração direta	
Janeiro	16.368
Fevereiro	19.000
Abril	16.874
Março	6.038
Maió	26.065
Junho	29.228
Julho	29.042
Agosto	19.604
Setembro	22.030
Outubro	16.803
Novembro	11.956
Dezembro	16.486

ESGOTO - CAPITAL
REDE CONCLUÍDA

B A I R R O	Extensão (m)
1. Por Empreitada	
Coletor Tronco Vila Olímpia	10.027
Coletor Tronco Bom Retiro	3.299
Coletor Tronco Vila California	1.430
Coletor Tronco do Aricanduva	439
Coletor Tronco Baía da Traição	3.169
Coletor Tronco Av. 23 de Maio	718
Coletor Tronco Heliópolis	106
Interceptor Interlagos	670
Vila Olímpia — rede	12.147
Mirandópolis — rede	5.976
Indianópolis — rede	5.723
Vila Operária — rede	10.220
Vila Maria — rede	10.426
Vila Ipojuca — rede	488
Vila Moreira e Vila Romana — rede	525
Vila Moreira — rede	254
Bom Retiro — rede	3.173
Jardim América e Sumaré — rede	288
Chácara Santo Antonio — rede	14.719
Vila São José do Ipiranga — rede	3.129
Vila California — rede	14.908
Vila Aricanduva — rede	4.530
Vila Carrão — rede	5.903

ESGOTO - CAPITAL - REDE CONCLUIDA

B A I R R O	Extensão (m)
Vila Campo Belo — rede	12.885
Vila Acreporto — rede	7.197
Vila Carrão e Vila Nova Manchester — rede	2.808
Vila Manchester — rede	1.007
Vila Congonhas — rede	3.632
Vila Anália — rede	1.495
Brooklin Paulista — rede	1.000
Rua Maria Curupaiti — rede	414
Rua Joaquim dos Reis — rede	273
Rua Heitor Fenteado (Sumaré) — rede	307
Rua das Flandreiras — rede	790

M E S	Extensão (m)
2. For Administração direta	
Janeiro	1.441
Fevereiro	—
Março	1.128
Abril	703
Maió	2.470
Junho	1.974
Julho	2.854
Agosto	1.978
Setembro	1.304
Outubro	477
Novembro	550
Dezembro	657

ÁGUA E ESGOTO
INTERIOR

1 - EMPRÉSTIMOS JÁ INTEGRALIZADOS

MUNICÍPIO	FINALIDADE	Data da Escritura	Valor Cr\$
Aguaí	Esgoto	3- 6-61	20.000.000,00
Agudos	Água	7-10-60	9.600.000,00
Alfredo Marcondes	Água	21-10-60	4.207.000,00
Alvares Machado	Esgoto	23- 9-59	15.339.000,00

AGUA E ESGOTO — INTERIOR

MUNICIPIO	FINALIDADE	Data da Escritura	Valor Cr\$
Alvares Machado	Água e Esgoto	12- 5-61	21.184.000,00
Americana	Água	21-10-60	25.000.000,00
Angatuba	Água e Hidrôm.	6-10-61	8.000.000,00
Aracatuba	Água projeto	7-12-60	200.000,00
Araraquara	Água	10- 6-60	80.000.000,00
Assis	Água	12- 5-61	13.580.000,00
Assis	Galerias Pluv.	30- 6-59	3.000.000,00
Avanhandava	Água	7-12-60	13.700.000,00
Avanhandava	Água	21-10-60	8.500.000,00
Avanhandava	Água	25- 8-61	3.009.170,00
Barretos	Água	10- 8-60	48.000.000,00
Basílio	Hidrómetro	7- 7-61	1.200.000,00
Batatais	Água projeto e E.T.A.	12- 5-61	1.000.000,00
Birigui	Água	10- 6-60	30.000.000,00
Birigui	Esgoto	13- 6-60	30.000.000,00
Boituva	Água	19- 4-60	4.000.000,00
Boituva	Água	21-10-60	3.300.000,00
Boracéia	Água	30- 6-61	5.000.000,00
Botucatu	Água e Esgoto	13- 9-60	10.000.000,00
Botucatu	Água e Esgoto	12- 5-61	5.000.000,00
Braúna	Água	10- 6-60	4.500.000,00
Cabrália Paulista	Esgoto	1-12-59	8.500.000,00
Campanas	Água	1-12-59	80.000.000,00
Campos do Jordão	Esgoto	1-12-59	19.750.000,00
Capão Bonito	Água e Esgoto projeto.	12- 5-61	1.750.000,00
Cardoso	Água	21-10-60	2.419.832,00
Catanduba	Água	4-12-60	5.000.000,00
Cerqueira Cesar	Esgoto	18- 4-60	12.400.000,00
Cerquillo	Hidrómetro	7-12-60	500.000,00
Cravinhos	Água	7-12-60	1.400.000,00
Divinolândia	Projeto Esgoto	30- 8-61	192.000,00
Dois Córregos	Tratamento de Água e Esgoto	27-12-60	1.300.000,00
Dourado	Esgoto	13- 9-60	8.900.000,00
Fernandópolis	Água e Esgoto	10- 6-60	12.000.000,00
Fernaz de Vasconcelos	Água e Esgoto projeto.	7-12-60	1.600.000,00
França	Projeto Esgoto	12- 5-61	2.500.000,00
Gália	Esgoto	20- 7-60	9.000.000,00
Gara	Água	10- 7-60	58.000.000,00
General Salgado	Água	20- 7-60	5.850.000,00
Guapirama	Projeto Esgoto	30-12-60	2.550.000,00
Guaratã	Projeto Esgoto	12- 5-61	400.000,00
Guararapes	Água e Esgoto	1-12-59	16.000.000,00
Ibaté	Água	13- 9-60	4.800.000,00
Igarapava	Água Poços	30- 5-61	1.800.000,00
Indaialuba	E.T.E.	1-12-59	12.800.000,00
Indaialuba	Água projeto	28- 7-60	1.000.000,00

AGUA E ESGOTO — INTERIOR

MUNICÍPIO	FINALIDADE	Data da Escritura	Valor Cr\$
Ipuã	Esgoto projeto	21-10-60	7.500.000,00
Irapuru	Esgoto	7-12-60	500.000,00
Irapuru	Hidrometro	30- 6-61	1.300.000,00
Itapeverica da Serra	Esgoto	20- 7-60	2.500.000,00
Itapeva	Agua	12- 5-61	1.500.000,00
Itururé	Agua	7-12-60	17.000.000,00
Itatinga	Projeto Esgoto	21-10-60	450.000,00
Itatiba	Agua proj. da Estação Trat.	7-12-60	300.000,00
Ituverava	Agua e Esgoto	13- 9-60	3.120.000,00
José Bonifácio	Esgoto	21-10-60	23.500.000,00
José Bonifácio	Agua	30-12-60	3.785.000,00
Jundiaí	Hidrometro	13- 9-60	10.500.000,00
Junqueirópolis	Agua	7-12-60	3.000.000,00
Lavinia	Agua	23- 9-59	2.400.000,00
Lençóis Paulista	Agua	15- 4-60	1.500.000,00
Lins	Agua	7-12-60	28.000.000,00
Marília	Projeto Esgoto	30-12-60	4.500.000,00
Marília	Hidrometro	12- 5-61	14.020.000,00
Matão	Agua e Hidrom.	21-10-60	3.500.000,00
Mirandópolis	Agua e Esgoto projeto	21-10-60	6.100.000,00
Monte Alto	Agua	21-10-60	20.180.000,00
Monte Aprazível	Agua e Esgoto	20- 7-60	1.400.000,00
Monteiro Lobato	Agua e Esgoto	10- 6-60	500.000,00
Murutinga do Sul	Agua	7-12-60	11.400.000,00
Neves Paulista	Agua	21-10-60	2.000.000,00
Nova Aliança	Agua	21-10-60	5.700.000,00
Nuporanga	Agua e Esgoto	21-10-60	4.820.000,00
Olimpia	Esgoto	12- 5-61	4.000.000,00
Oriândia	Esgoto	15- 9-60	2.000.000,00
Oriândia	Agua	20-10-59	31.190.000,00
Oswaldo Cruz	Esgoto	13- 9-60	12.000.000,00
Ouro Verde	Agua	20- 7-60	5.700.000,00
Pacaembu	Agua	7-12-60	16.500.000,00
Paraguassu Paulista	Hidrometro	12- 5-61	2.300.000,00
Paulo de Faria	Esgoto	21-10-60	4.600.000,00
Pedregulho	Projeto Esgoto	21-10-60	650.000,00
Pereira Barreto	Esgoto	10- 6-60	18.700.000,00
Pereira Barreto	Agua	13- 9-60	11.700.000,00
Piedade	Esgoto	13- 4-59	9.650.000,00
Piracicaba	Agua	3- 5-60	58.700.000,00
Pirapólis	Estado de trat. Esgoto	7-12-60	22.300.000,00
Poloni	Esgoto	10- 6-60	12.000.000,00
Poloni	Agua	7-12-60	3.000.000,00
Pompéia	Projeto Esgoto	7-12-60	15.800.000,00
Porto Feliz	Hidrometro	27- 6-61	5.000.000,00
Porto Ferreira	Agua	10- 6-60	31.000.000,00
Potirendaba	Agua	30-12-59	3.600.000,00

ÁGUA E ESGOTO — INTERIOR

MUNICÍPIO	FINALIDADE	Data da Escritura	Valor Cr\$
Potrendaba	Projeto Esgoto	15- 9-61	215.000,00
Presidente Prudente	Água e Hidrôm.	20- 7-60	67.621.500,00
Rancharia	Água	7-12-60	5.200.000,00
Regente Feijó	Água	20- 7-60	3.800.000,00
Regente Feijó	Projeto Esgoto	21-10-50	450.000,00
Ribeirão Bonito	Água e Esgoto	7-12-60	1.900.000,00
Rio das Pedras	Água	21-10-60	4.800.446,00
Salto	Água Estação de Tratamento	20- 7-60	7.179.719,00
São Bernardo do Campo	Água	20- 7-60	100.000.000,00
São Luiz do Paraitinga	Água e Esgoto	10- 6-50	9.650.000,00
São Miguel	Água	21-10-60	15.000.000,00
São Roque	Água	21-10-50	13.500.000,00
Santo Anastácio	Esgoto	29-12-59	5.750.000,00
Santo Anastácio	Hidrometro	13- 9-60	2.000.000,00
Tambaú	Esgoto	29-12-59	6.800.000,00
Tambaú	Água	13- 9-60	5.350.000,00
Taquarituba	Água	10- 4-60	9.450.000,00
Taubaté	Reserv. Água	7-12-60	12.370.000,00
Tupã	Hidrometro	30- 6-61	784.000,00
Urupês	Projeto de Galerias Pluviais	12- 5-61	450.000,00
Valparaíso	Esgoto	13- 9-50	8.100.000,00
Valparaíso	Projeto de Galerias Pluviais	12- 5-61	200.000,00
Vera Cruz	Esgoto	30-12-60	650.000,00
Vera Cruz	Água	11- 8-61	7.540.000,00
Votuporanga	Esgoto	20- 7-60	17.000.000,00
Votuporanga	Água	30-12-60	17.000.000,00

2 — EMPRÉSTIMOS NÃO INTEGRALIZADOS

MUNICÍPIO	FINALIDADE	Data da Escritura	Valor Cr\$
Aguai	Esgoto	30- 6-61	11.000.000,00
Agudos	Água	13-10-61	1.300.000,00
Apiaí	Esgoto	4- 7-51	—
Araçatuba da Serra	Água	12- 5-61	7.375.000,00
Araras	Água	14- 7-61	25.000.000,00
Assis	E.T.A.	22- 9-61	4.100.000,00
Avaré	Esgoto	29-12-61	—
Bariri	Água e Esgoto	12- 5-61	16.550.000,00
Barrutão	E. T. E.	7-12-60	47.000.000,00
Bernardino de Campos	Esgoto	19- 4-60	9.450.000,00
Cafelândia	Esgoto	17-11-61	—
Cajamar	Água	11-12-61	—
Cesário Lange	Água	28-12-61	—
Charqueada	Esgoto	15- 9-61	2.947.322,00

ÁGUA E ESGOTO — INTERIOR

MUNICÍPIO	FINALIDADE	Data da Escritura	Valor Cr\$
Colina	Água	20-12-61	—
Coimópolis	Esgoto	1-12-61	—
Cravinhos	Água	30-12-61	—
Dourado	Água	27-12-61	—
Dracena	Esgoto	28- 7-61	7.210.000,00
Estrêla D'Oeste	Água	7-12-60	10.000.000,00
Fartura	Projeto Esgoto	30-12-61	1.000.000,00
Francos	Água	30- 8-59	75.000.000,00
Francia	Hidrómetro	18- 8-61	—
Garça	Água	12- 5-61	—
Garça	Água	20-12-61	—
General Salgado	Água	28- 5-61	—
Guaçuara	Água	12- 5-61	7.400.000,00
Guaçuá	Água	19- 6-61	3.000.000,00
Guará	Água	20-12-61	—
Guaraci	Água e Esgoto	13- 9-60	10.800.000,00
Guaraci	Esgoto	26-11-61	—
Guararapes	Água	30-12-61	—
Hilândia	Hidrómetro	20-12-59	3.438.020,00
Itararé	Água e Esgoto	10- 6-60	9.410.100,00
Itáim	Água	15- 9-61	2.000.000,00
Itapá	Água e Esgoto	12- 5-61	3.000.000,00
Itatá	Água	20-12-61	—
Itapocorica da Serra	Esgoto	20-12-61	—
Itaquaquecetuba	Esgoto	14-11-61	—
Itaquaquecetuba	Água projeto	14-11-61	—
Itapicoba	Água	20-12-61	—
Itapicoba	Esgoto	20-12-61	—
Itirapua	Água	10-10-61	1.300.000,00
Itu	Água	20-12-61	—
Ituverava	Água	20-12-61	—
Jaboticabal	Água	30-12-61	40.100.000,00
Jacaré	Esgoto	7-12-60	34.000.000,00
Jacaré	Água	30- 6-61	11.300.000,00
Jarinu	Esgoto	1-12-61	—
Júlio Mesquita	Água	20-12-61	—
Junqueirópolis	Água	22- 9-61	—
Lupércio	Água	20-12-61	—
Martinsópolis	Água e Esgoto	1-12-61	—
Mauá	Hidrómetro	10-10-61	—
Miracatu	Água e Esgoto	3-11-61	—
Mogi Mirim	Água	2- 8-59	29.000.000,00
Mogi Guaçu	Hidrómetro	27-10-61	—
Monte Azul Paulista	Água	22-12-61	—
Morro Agudo	Água projeto	6-10-61	—
Oléo	Água	25- 8-59	520.000,00
Ourinhos	Água	21-10-60	61.210.000,00
Palesina	Água projeto	15-12-61	—
Palmital	Água e Esgoto	12- 5-61	13.310.000,00
Parapuã	Água	13- 9-60	19.200.000,00

AGUA E ESGOTO — INTERIOR

MUNICIPIO	FINALIDADE	Data da Escritura	Valor Cr\$
Parqueira-Açu	Água	11-12-61	—
Pedregulho	Esgoto	11- 7-61	8.260.000,00
Pindamonhangaba	Água projeto	17-10-61	—
Pereiras	Projeto Esgoto	30-12-61	—
Pindamonhangaba	Hidrometro	12- 5-61	—
Pirajuba	Água	15-12-61	—
Pirajuba	Água	20- 6-61	5.700.000,00
Poá	Água	20- 7-59	14.000.000,00
Pompeia	Esgoto	20-12-61	—
Pôrto Feliz	Água e Esgoto	12- 6-61	6.260.000,00
Presidente Bernardes	Esgoto	10- 6-60	5.850.000,00
Presidente Venceslau	Esgoto	30-12-61	—
Quatã	Proj. Água Esg.	13-12-60	1.389.865,00
Quatã	Esgoto	29-12-61	—
Regente Feijó	Esgoto	26-12-61	—
Registro	Água	24-10-61	—
Ribeirão Pires	Água	22-12-61	—
Ribeirão Vermelho do Sul	Água	25- 7-61	2.800.000,00
Rifaina	Esgoto	28-12-61	—
Rifaina	Hidrometro	1-12-61	—
Santa Branca	E. T. A.	7-12-60	1.400.000,00
Santa Isabel	Água	8- 9-61	4.000.000,00
Santa Isabel	Esgoto	30-12-61	—
Sta. Rita do Passa Quatro	Água	8-10-61	—
São Joaquim da Barra	Água	7- 7-61	8.800.000,00
São João da Boa Vista	Água e Esgoto	10- 6-60	10.100.000,00
São José do Rio Preto	Projeto Água e Esgoto Hidrom.	20- 7-60	37.040.000,00
São Miguel Arcanjo	Pocos	28-12-61	—
Santo Anastácio	Esgoto	6-10-61	—
Santo André	Água	28-12-61	—
Sarutá	Água	28-12-61	—
Serra Negra	Esgoto	7-12-60	14.000.000,00
Sertãozinho	Projeto Água e Esgoto	1-12-61	—
Severina	Esgoto	11-12-61	—
Silveiras	Água	12- 5-61	89.800.000,00
Sumaré	Projeto Esgoto	30-12-61	—
Suzano	Água	8- 9-61	6.008.000,00
Tanabi	Esgoto	27-12-61	—
Taquarituba	Água	30-12-61	—
Tietê	Hidrometro	21-10-61	3.900.000,00
Tupã	E. T. E.	4- 7-61	15.700.000,00
Tupã Paulista	Água	20-12-61	—
Valinhos	Água	19- 4-60	24.000.000,00
Valparaíso	Água e Esgoto	12- 5-61	19.850.000,00
Vargem Grande do Sul	Hidrometro	21- 7-61	—

NOTA: Na relação, os empréstimos já concedidos que não possuem parcelas retiradas, atingem o valor total de Cr\$ 862.894.000,00.

R O D D V I A S

ESTRADA	TRECHO	Quilome- tragem
1. Pavimentação		
1.1 Empreitada		
Sorocaba-Itapetininga	José Prestes-Itapetininga — 2.º trecho	20,240
Matão-Barretos	4.º trecho — km 402-451	20,700 *
Ribeirão Preto-Igarapava	Rib. Preto-Jardinópolis — S. José da Barra — Rio do Carmo	1,610
Jundiaí-Termas de Lindóia ..	Rio Jaguari-Amparo	4,500 *
Taubaté-Tremembé	Trecho único	1,480
Ribeirão Preto-Igarapava	Rio do Carmo-Rio Grande ..	12,850
Assis-Presidente Prudente	1.º trecho	5,580
Paranapanema-Piraju	3.º trecho	14,400
Assis-Presidente Prudente	2.º trecho	10,000
Paranapanema-Piraju	2.º trecho	1,000
Piracicaba-Tietê	Trecho único	18,500
Jatú-Bauru	Jatú-Rio Tietê	19,800
Adamantina-Draçma	1.º e 2.º trechos	51,000
Mirassol-Monte Aprazível	Trecho único	14,900
Piracicaba-Rio Claro	Trecho único	27,700
Assis-Marília	Assis-Echaporã	16,800
Paranapanema-Piraju	Travessa art. Piraju	7,000
Assis-Marília	Echaporã-Marília	21,100
São José do Rio Preto	São José do Rio Preto-José Bonifácio	27,400
Presidente Prudente-Via Ra- poso Tavares	Vargem Grande-Sorocaba ..	18,000
Marília-Panorama	Tupã-Parapuã	29,300
Ribeirão Preto-Franca	Batatala-Franca	18,800
Via Anhanguera-Santa Rosa do Viterbo	Via Anhanguera-Santa Rita do Passa Quatro	10,800
Presidente Prudente-Presiden- te Epitácio	2.º trecho	41,400
São Paulo-Itapetininga	Trav. ext. Sorocaba	12,200
Lins-Herculândia	Lins-Gelina	16,800
São Carlos-Pórtio Ferreira ..	Aurora-Pórtio Ferreira	9,300
Presidente Prudente-Presiden- te Epitácio	1.º trecho	14,500
Araçatuba-Andradina	Valparaíso-Andradina	47,000
Cubatão-São Sebastião	Trecho da Vila Couto	5,000
Casa Branca-Mooca	Trecho único	6,280
Marília-Panorama	Parapuã-Adamantina	12,000
Marília-Panorama	Marília-Tupã	56,000
Pórtio Felis-Botuvera	Trecho único	4,000
Via Anhanguera-Casa Branca	Trecho único inc. trevo	17,500
São José do Rio Preto-Presi- dente Prudente	José Bonifácio-Salto de Ava- nhandava	3,500

RODOVIAS

ESTRADA	TRECHO	Quilome- tragem
Quebuz-Areles	Trecho único	13,500
Araraquara-Ribeirão Preto ...	Araraquara-Rio Moji Guagu via Washington Luis	2,800
São José do Rio Preto-Prest- dente Prudente	Salto do Avanhandava-Pa- rapuá	24,000
Salto-Campinas via Indaítuba	1.º e 2.º trechos	19,900
Araraquara-Ribeirão Preto ...	Rio Moji Guagu-Ribeirão Preto	15,300
Bauru-Jupia	Andradina-Jupia	3,000
	TOTAL	708,900

(*) Obras concluídas no biênio 55-56 e que deixaram de constar da Men-
sagem do 2.º ano de Governo.

ESTRADA	TRECHO	Quilome- tragem
1.2 Administração direta		
Paulínia-Cosmópolis	Trecho único	9,000
Apiaí-Ribeira	Trecho único	11,200
Tatui-Capela do Alto	Trecho único	9,000
Bauru-Federneiras	Trecho único	9,500
Parus-Franco da Rocha	Trecho único	11,700
Moji das Cruzes-Salesópolis ..	Trecho único	26,000
Caraguatatuba-Ubatuba	Trecho único	29,800
Cachoeira-Cruzeiro via Dutra	Trecho único	2,800
Taubaté-Entrocamento Reden- ção	Trecho único	11,500
São Bernardo do Campo-Rud- ge Ramos	Trecho único	1,600
Jaboticabal-Barraúna	Trecho único	18,600
Bauru-Proximidades Linha		
Paulista	Trecho único	25,400
Lins-Getulina	Trecho único	3,900
Morro Grande-Sítio Pe. Inácio	Trecho único	9,000
Tatui-Catquillo	Trecho único	5,700
Bauru-Iacanga	Trecho único	14,500
Bauru-Rio Turvo	Trecho único	19,500
Dracena-Panorama	Trecho único	10,700
Santa Cruz do Rio Pardo-Rio		
Turvo	Trecho único	7,500
Via Anchieta-São Caetano ...	Trecho único	2,500
Quiririm-Roseiras	Trecho único	14,200
Acessos-Pequenos trechos e melhoramentos		28,600
	TOTAL	286,300

RODOVIAS

ESTRADA	TRECHO	Quilome- tagem
2. Construção		
2.1 Empreitada		
Mococa-Cajuru-Altinópolis	1.ª 2.ª e 3.ª	7,000
Rib. Preto-Paulo de Faria	Olimpia-Pih. dos Santos	1,000
Rib. Preto-Paulo de Faria	Bebedouro-Olimpia	1,700
Piracicaba-Artemis	Trecho único	1,000
Jaboticabal-Monte Alto	Trecho único	3,500
Rib. Preto-Paulo de Faria	Olimpia-Icem	16,400
Pirapózinho-Pôrto Piranga	Trecho único	1,000
Assis-Marlília-Pôrto Fervão	Marlília-Rio Feio	22,500
S. J. R. Preto-Pres. Vargas	Valentim Gentil-Estréla D'- Oeste	10,500
Francis-Araxá	Pedregulho-Rio Grande	5,000
S. J. do Rio Pardo - diviana	Trecho único	12,000
Cubatão-Juquía	Cubatão-Pedro Taques	3,500
Jaú-Ititinga	Jaú-Badri	4,500
Assis-Marlília-Pôrto Perreira	R. Feio-Pôrto Perreira	17,000
Marlília-Panorama	Tupã-Parapua	9,000
Jaboticabal-Monte Alto	Contorno-M. Alto	5,000
Palmital-Pôrto Leopoldina	Trecho único	7,000
Piraju-Pôrto Laranjeira	Piraju-Ragdnópolis	1,000
Rib. Preto-Paulo de Faria	Sertãozinho-Bebedouro	50,300
S. J. R. Preto-Pres. Prudente	Marinópolis-Pres. Prudente	17,000
Cubatão-São Sebastião	Pirapicaba-Guarujá	3,000
Itapira-Diviana	Trecho único	17,000
Marlília-Panorama	Parapua-Adamantina	24,000
Boitava-Tatui	Trecho único	13,000
Caconde-Divinolândia	Trecho único	15,400
Sta. Bárbara D'Oeste-Iracemá- polis	1.ª, 2.ª e 3.ª partes	4,000
Souzas-Cubras	Trecho único	0,700
Nova-Odessa-Piracicaba	Nova Odessa-Sta. Bárbara D'Oeste	9,000
Paraguassu Paulista - Amaden Amaral	Trecho único	7,000
Bigua-Iguape	Trecho único	4,500
Pres. Venceslau-Pôrto Mar- condes	Trecho único	15,000
Total		299,000

ESTRADA	TRECHO	Quilome- tagem
2. Construção		
2.2 Administração direta		
Salto-Estr. de Jundiaí	Trecho único	0,300
Amparo-Itapira	Brumado-Itapira	3,600
Mojli Guaçu-Casa Branca	Mojli Guaçu-Aguas	14,000

RODOVIAS

ESTRADA	TRECHO	Quiloms- tragem
São Roque-Divisas	S. Roque-Cascata	3,700
Via Anhanguera	Marginais	1,000
Franca-Itirapua	Trecho único	2,400
Bofete-Forangaba	Trecho único	2,000
Capão Bonito-Iapeva	Variante de Iapeva	1,100
Tietê-Laranjal Paulista	Passagem de Tietê	0,750
Contorno de Forangaba	Trecho único	4,300
Capela do Alto-Entroncamento		
SP-4	Trecho único	8,000
Tatu-Cerquillo	Trecho único	2,000
Bigua-Iguape	Trecho único	2,100
Tatu-Cerquillo	Variante "B"	3,000
Juquã-Sede Barras	Trecho único	4,900
Bauru-Botucatu	Contorno de Lençóis	0,700
Bauru-Jaú	Bauru-Federnhas	3,500
Araçatuba-Pôrto R. Pardo	Trecho único	10,300
Marília-Paulicéia	Acesso Tupi Paulista	2,800
Via Marechal Rondon	Acesso Agudos	2,500
Estrela D'Oeste-Pôrto Pres.		
Vargas	Trecho único	19,800
Araçatuba-S. J. R. Pôrto	Acesso a Matão	4,600
Via Anchieta-S. Caelano	Trecho único	2,000
Santos-Juquã	Variante Mongaguá	0,730
Bertioga-S. Sebastião	Trecho único	19,400
Peruíbe-Juquã	Pedro de Toledo-BR-2	7,600
Santos-Juquã	Banhagem-Peruíbe	5,400
Santos-Juquã	Variante Raposo Tavares	0,750
S. Sebastião-Bertioga	Trecho São Sebastião-Toque-	
	Toque	5,300
	Total	131,900

PONTES MUNICIPAIS

MUNICIPIO	LOCAL	CONCLUSÃO
Alto Alegre	Rio Feio	Março 61
Alfredo Marcondes	Rio Montalvão lig. c/	
	Caiabu	Junho 61
Alfredo Marcondes	Rio Montalvão lig. c/	
	Flora Rica	Junho 61
Alfredo Marcondes	Rio Montalvão lig. c/	
	Alvares Machado	Junho 61

FONTES MUNICIPAIS

MUNICÍPIO	LOCAL	CONCLUSÃO
Alvares Machado	Bairro dos Macacos	Julho 61
Alvares Machado	Rio São Geraldo	Agosto 61
Altinópolis	Córrego da Cobica	Dezembro 61
Buritizal	Rio Paraitinga	Novembro 61
Cunha	Rio Paraitinga	Janêiro 61
Campos Novos Paulista	Rio Novo	Fevereiro 61
Campos Novos Paulista	Rio Novo (Jacutinga)	Fevereiro 61
Capivari	Rio Capivari	Junho 61
Comorã	Córrego Retiro	Junho 61
Cardoso	Rio Tomazão	Julho 61
Casimiro	Rio Candeia	Agosto 61
Cunha	Rio Itaim	Novembro 61
Cândido Rodrigues	Córrego Água Suja	Novembro 61
Duartina	Ribeirão Serro	Abril 61
Franca	Ribeirão Poço Alegre	Dezembro 61
Franca	Ribeirão Canoas	Novembro 61
Franca	Ribeirão Ponte Nova	Julho 61
Guaratininguá	Rio Piaçui	Março 61
Guatubira	Rio Dourados	Junho 61
Guatubira	Rio Cabeça Comprida	Julho 61
Guatubira	Rio Sapucaí	Outubro 61
Guatubira	Rio Feio	Outubro 61
Guatubira	Córrego Euclides	Outubro 61
Guatubira	Rio Bealim	Outubro 61
Guatubira	Córrego do Moimbo	Dezembro 61
Guatubira	Rio Canoas	Dezembro 61
Guatubira	Córrego Santo Antônio	Janêiro 61
Guatubira	Rio dos Porcos	Janêiro 61
Guatubira	Rio Itaipu	Janêiro 61
Guatubira	Rio Novo Destino	Fevereiro 61
Guatubira	Rio Novo Destino (Barra-quinha)	Fevereiro 61
Guatubira	Ponte de Atracção	Maio 61
Guatubira	Rio Santa Maria	Janêiro 61
Guatubira	Rio Leopoldo	Julho 61
Guatubira	Rio Andalo	Julho 61
Guatubira	Rio Jaguari	Novembro 61
Guatubira	Ribeirão do Carmo	Dezembro 61
Guatubira	Rio Atibaia	Junho 61
Guatubira	Rio Camanducaia	Junho 61
Guatubira	Córrego Rico	Outubro 61
Guatubira	Rio Jacupiranga	Novembro 61
Guatubira	Rio Jacaré	Novembro 61
Guatubira	Rio Taboão	Março 61
Guatubira	Córrego Lagado	Setembro 61
Guatubira	Rio Alambari	Agosto 61
Guatubira	Rio Paraitinga	Novembro 61
Guatubira	Rio Itatiba	Junho 61
Guatubira	Córrego Monte Serrat	Junho 61

PONTES MUNICIPAIS

MUNICÍPIO	LOCAL	CONCLUSÃO
Macaubal	Rio Santa Bárbara	Junho 61
Murutinga do Sul	Córrego do Moimho	Junho 61
Moji das Cruzes	Rio Tietê (pte. Grande) ..	Outubro 61
Monte Alegre do Sul	Rio Camanduaia (Mate- douro)	Outubro 61
Natividade da Serra	Rio Cel. Pires	Janeiro 61
Neves Paulista	Córrego Cachoeira	Junho 61
Ourinhos	Rio Turvo	Julho 61
Pariguera-Açu	Rio Pariguera-Açu	Janeiro 61
Paraguassu Paulista	Rio São Mateus	Março 61
Potirendaba	Rio Espraiado	Março 61
Pianalto	Ribeirão Ferveiras	Junho 61
Pindorama	Córrego Uru	Julho 61
Pedro de Toledo	Rio do Peixe	Agosto 61
Potirendaba	Rio Cubatão	Outubro 61
Palrestina	Rio Formiga	Outubro 61
Pacaembu	Rio Santa Maria	Dezembro 61
Promissão	Córrego dos Patos	Dezembro 61
Pedregulho	Ribeirão Boa Vista	Dezembro 61
Pindópolis	Córrego Legado	Dezembro 61
Pindorama	Córrego do Sapê	Dezembro 61
Quatã	Córrego Água Bonita	Novembro 61
Registro	Rio Carapiranga (porto) ..	Janairo 61
Registro	2.ª s/rio Carapiranga	Janairo 61
Registro	Rio Carapiranga	Janairo 61
Rinão	Rio Quelgado	Abril 61
Ribeirão Bonito	Rio Jacaré-Guaçu	Novembro 61
Regente Feijó	Córrego Azul	Dezembro 61
Salesópolis	Rio Paraitinga	Junho 61
São José da Bela Vista	Rio Saigado	Junho 61
São José da Bela Vista	Rio Buriti	Junho 61
Santo Anastácio	Rio Santo Antônio	Julho 61
Severina	Rio Cachoeirinha	Agosto 61
Salesópolis	Rio Paraitinga	Setembro 61
Tabatinga	Córrego Retiro	Março 61
Torrinha	Córrego do Selim	Junho 61
Tabatinga	Rio Capivara	Junho 61
Tabatinga	Córrego das Pedras	Junho 61
Torrinha	Córrego Pinhelinho	Julho 61
Taquaritinga	Ribeirão dos Porcos	Setembro 61
Tietê	Rio Tietê	Outubro 61
Ubirajara	Rio São João	Novembro 61
Urupês	Córrego Cubatão	Outubro 61
Vargem Grande do Sul	Rio Jaguarí	Dezembro 61

REDE DE EXPERIMENTAÇÃO E
FOMENTO AGROPECUÁRIO

O B R A	M U N I C I P I O	Conclusão
1. Delegacia Agrícola	Franca Lins Paraguape Paulista Santa Cruz do Rio Par- do Taquaritinga	Mar. 61 Out. 61 Maio 61 Jun. 61 Jun. 61
2. Sede de Extensão Agrícola	Jalá	Mar. 61
3. Fazendas Experimentais ...	Nova Odessa Pindamonhangaba	Dez. 60 Fev. 61
4. Recintos de Exposição	Barretos Bragança Paulista Franca	Jan. 61 Out. 61 Jan. 60
5. Postos de Sementes	Avaré Lucélia	Maio 61 Mar. 61
6. Entrepostos de Pesca	Iguape Registro	Jun. 60 Abr. 60
7. Escolas de Iniciação Agrícola	Ibu Monte Aprazível Rancharia	Out. 58 Jul. 59 Out. 59
8. Postos de Mecanização	Araraquara Franca	Mar. 60 Dez. 61
9. Escolas Agrotécnicas	Jabuticabal Jundiaí Pinhal Presidente Prudente Valentim Gentil (Pa- da Jacilândia)	Mar. 61 Abr. 61 Set. 61 Nov. 61 Out. 61
10. Sítios Modelos	Limeira Mirandópolis	Abr. 61 Mar. 61
11. Estações Zootécnicas	Assis * Pernandópolis * Taubaté Itapeva Marília * Santa Rita do Passa- Quatro Santo Anastácio * Tietê	Fev. 61 Out. 61 Mar. 61 Mar. 61 Mar. 61 Abr. 61 Out. 60 Jan. 61

OBS.: (*) Falta instalar energia elétrica.

NOTA: As obras da relação acima, concluídas antes de 1961, deixaram de constar da Mensagem do 2º ano de Governo.

CASA DA LAVOURA

MUNICIPIO	Contrato	Conclusão	Órgão executor
Alvares Machado	Jul. 60	Jan. 61	IPESP
Arelva	Jul. 60	Jan. 61	IPESP
Adimandina	Set. 60	Maio 61	IPESP
Americana	Jul. 60	Mar. 61	IPESP
Avanhandava	Ag. 60	Maio 61	IPESP
Araras	Ag. 60	Ag. 61	IPESP
Arapoatã de Serra	Ag. 60	Nov. 61	IPESP
Avântico de Campos	Fev. 61	Dez. 61	IPESP
Batovi	Fev. 61	Nov. 61	IPESP
Brodoqui	Nov. 60	Jul. 61	IPESP
Barra Bonita	Jul. 60	Jan. 61	IPESP
Buri	Jul. 60	Abr. 61	IPESP
Bastos	Jul. 60	Maio 61	IPESP
Bocinha	Mar. 60	Jan. 61	IPESP
Barrinha	Jul. 60	Jan. 61	IPESP
Cajobi	Jul. 60	Fev. 61	IPESP
Clementina	Ag. 60	Mar. 61	IPESP
Chavantes	Jul. 60	Abr. 61	IPESP
Cosmorama	Jul. 60	Maio 61	IPESP
Cândido Mota	Jul. 60	Maio 61	IPESP
Chicoeira Paulista	Ag. 60	Jul. 61	IPESP
Cordeiro Paulista	Mar. 60	Nov. 61	IPESP
Descalvado	Jul. 60	Jul. 61	IPESP
Echaporã	Ag. 60	Jul. 61	IPESP
Estréia D'Oeste	Jul. 60	Dez. 61	IPESP
Elias Fausto	Mar. 60	Dez. 61	IPESP
Fernando Prestes	Jul. 60	Abr. 61	IPESP
Guará	Nov. 60	Out. 61	IPESP
Guarabi	Nov. 60	Ag. 61	IPESP
Guararêma	Nov. 60	Jul. 61	IPESP
Guaraçá	Jul. 60	Abr. 61	IPESP
Guaraí	Set. 60	Abr. 61	IPESP
General Salgado	Set. 60	Maio 61	IPESP
Guaicara	Jul. 60	Fev. 61	IPESP
Guaiporã	Set. 60	Out. 61	IPESP
Itápolis	Jul. 60	Out. 61	IPESP
Itararé	Nov. 60	Ag. 61	IPESP
Iguape	Nov. 60	Ag. 61	IPESP
Itirapua	Set. 60	Mar. 61	IPESP
Itaja	Jul. 60	Mar. 61	IPESP
Itajobi	Jul. 60	Maio 61	IPESP
Ijuerava	Mar. 60	Mar. 61	IPESP
Indiana	Mar. 60	Mar. 61	IPESP
Iacanga	Jul. 60	Mar. 61	IPESP
Igarapua do Tietê	Jul. 60	Fev. 61	IPESP
Itacemópolis	Set. 60	Jan. 61	IPESP
Itina	Jul. 60	Dez. 61	IPESP
Joãoópolis	Set. 60	Maio 61	IPESP
Junqueirópolis	Ag. 60	Maio 61	IPESP

CASA DA LAVOURA

MUNICÍPIO	Contrato	Conclusão	Órgão executor
Jardópolis	Nov. 60	Jul. 61	IPESP
Lucélia	Jul. 60	Dez. 61	IPESP
Lucianópolis	Jul. 60	Jun. 61	IPESP
Laranjal Paulista	Ag. 60	Maio 61	IPESP
Lancéis Paulista	Ag. 60	Mar. 61	IPESP
Macococa	Mar. 60	Jun. 61	IPESP
Macatuba	Ag. 60	Maio 61	IPESP
Mineros do Tietê	Jul. 60	Abr. 61	IPESP
Mirandópolis	Jul. 60	Mar. 61	IPESP
Monte Alto	Jul. 60	Mar. 61	IPESP
Maracá	Ag. 60	Jun. 61	IPESP
Murutinga do Sul	Jul. 60	Maio 61	IPESP
Mirante do Paranapanema	Jul. 60	Set. 61	IPESP
Morro Agudo	Nov. 60	Set. 61	IPESP
Nova Granada	Ag. 60	Set. 61	IPESP
Nova Aliança	Jul. 60	Ag. 61	IPESP
Nova Europa	Ag. 60	Jul. 61	IPESP
Nuporanga	Jul. 60	Mar. 61	IPESP
Olimpia	Jul. 60	Jun. 61	IPESP
Oswaldo Cruz	Jul. 60	Jul. 61	IPESP
Oscar Bressane	Set. 60	Out. 61	IPESP
Presidente Bernardes	Dez. 61	Nov. 61	IPESP
Presidente Venceslau	Jul. 60	Maio 61	IPESP
Pitangueiras	Nov. 60	Ag. 61	IPESP
Presidente Alves	Jul. 60	Jun. 61	IPESP
Poá	Set. 60	Jul. 61	IPESP
Pirangi	Nov. 60	Jul. 61	IPESP
Pindorama	Jul. 60	Jan. 61	IPESP
Parquera-Açu	Mar. 60	Dez. 60	IPESP
Pedreiras	Jul. 60	Maio 61	IPESP
Pilar do Sul	Mar. 60	Mar. 61	IPESP
Poloni	Jul. 60	Fev. 61	IPESP
Piacatu	Jul. 60	Jan. 61	IPESP
Quatã	Mar. 60	Jan. 61	IPESP
Quebra	Ag. 60	Nov. 61	IPESP
Ribeirão Vermelho do Sul	Nov. 60	Out. 61	IPESP
Ribeira	Nov. 60	Out. 61	IPESP
Rinópolis	Jul. 60	Set. 61	IPESP
Rio das Pedras	Set. 60	Jul. 61	IPESP
Ribeirão Bonito	Mar. 60	Fev. 61	IPESP
Santa Cruz da Conceição	Jul. 60	Fev. 61	IPESP
Santa Rosa do Viterbo	Jul. 60	Abr. 61	IPESP
Santa Rita do Passa Quatro	Set. 60	Abr. 61	IPESP
São José da Bela Vista	Jul. 60	Abr. 61	IPESP
Silveiras	Fev. 60	Jun. 61	IPESP
Sabão	Jul. 60	Abr. 61	IPESP
Santa Cruz das Palmeiras	Nov. 60	Ag. 61	IPESP
São Pedro	Set. 60	Out. 61	IPESP
Talva	Jul. 60	Maio 61	IPESP
Torrinha	Jul. 60	Abr. 61	IPESP

CASA DA LAVOURA

MUNICÍPIO	Contrato	Conclusão	Órgão executor
Itaquarê	Jul. 60	Abr. 61	IPESP
Itapetininga	Jul. 60	Jun. 61	IPESP
Ubatuba	Set. 60	Maio 61	IPESP
Viradouro	Ag. 60	Abr. 61	IPESP

Nota: As obras da relação acima, concluídas antes de 1961, deixaram de constar da Mensagem de 2.º ano de Governo.

OBRAS DIVERSAS CONCLUÍDAS
EM 1961

1. Educação

- Hospital anexo à Faculdade de Medicina de Ribeirão Preto — 200 leitos.
- Edifício de Odonto-Pediatria da Faculdade de Odontologia de Araçatuba.
- Centro de Pesquisas em prótese e cirurgia — Faculdade de Odontologia de Araçatuba.
- Clínica Psiquiátrica do Hospital das Clínicas.
- 2.ª Clínica Odontológica da Faculdade de Piracicaba.

2. Justiça e Segurança

- Pavilhão n.º 9 da Casa de Detenção na Capital. Capacidade — 562 detentos.
- Presídio Feminino do Tremembé. Capacidade — 80 internados.
- Penitenciária Regional de Presidente Venceslau. Capacidade de 400 celas.
- Posto de Bombeiros do Glicério — Capital.

[274]

3. Água — Capital

- Ponte s/enal do rio Grande.
- Reservatório do Sacomã.

4. Água e Esgoto — Região de Santos

- Estação de recalque do Sabão.
- Tubulação, reservatórios e estação Morro do Cruzeiro.

*Senhor Presidente**Senhores Deputados*

Cumprido, assim, com o presente relatório contido na letra "a" do artigo 43, apresento a Vossas Excelências os projetos em consideração.

São Paulo, 14 de março de 1962.

Carlos Alberto
GOVERNADOR

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3. Água — Capital

- Ponte s/canal do rio Grande.
- Reservatório do Sacomã.

4. Água e Esgoto — Região de Santos

- Estação de recalque do Sabão.
- Tubulação, reservatórios e estação de recalque para o Morro do Cruzeiro.

Senhor Presidente

Senhores Deputados

Cumprido, assim, com o presente relato, o preceito constitucional contido na letra "o" do artigo 43, da Constituição Estadual, apresento a Vossas Excelências os protestos de minha mais alta consideração.

São Paulo, 14 de março de 1962.

Carlos Alberto A. de Carvalho Pinto
GOVERNADOR DO ESTADO

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COMPOSTO E IMPRESSO NA IMPRENSA OFICIAL DO ESTADO

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Encl. No. 80 - 3/20/62
Desp. No. 2
From Belém, Pará, Brazil

FINANCE

During February, 1962 the financial situation in the Amazon Valley was reported tight. The local credit sources continue to restrict their financing operations to industry and business. SPVEA released some 50 million cruzeiros to be applied to private and government works in the Federal Territories of Amapá and Rondonia.

It is noted that domestic finance in this area has been adversely affected with the continued increase of the cost of living. Prices of food-stuffs, weekly continue to increase in price while salaries remain static.

TRANSPORTATION

Public transportation in Belém has been always a serious problem. The existing number of busses, with few exceptions, does not offer adequate and efficient facilities to the increasing population of Belém. The present bus fare in Belém is 10 cruzeiros per person. The mayor as a solution to this problem planned the organization of the Companhia Municipal de Transporte Coletivo of Belém. An order of 30 new busses was placed with Mercedes-Benz in São Paulo and the first bus has reached Belém and is undergoing an experimental period. Ten more busses are expected to arrive soon and the balance will arrive in June or July.

With regards to air transportation, the local airline Paraense Transportes Aéreos S. A. has recently put in service two Douglas DC4 aircrafts which the company acquired in the United States from the Douglas Aircraft Corporation. These aircrafts make four trips weekly, with the following schedule: Belém-Brasília-Rio and Belém-Rio-São Paulo-Guiaba.

IMPORTS AND EXPORTS

During February shipments of dried cod and cod fish, fertilizers, dried fruits and farm machinery were received from Europe, Argentina and United States. The export business was active with considerable tonnage of dried hides and skins, lumber, rosewood oil, vegetable oils, oil seeds, gums and black pepper to United States, Argentina and European ports.

Edward J. Holway Jr.
Edward J. Holway, Jr.
American Consul

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

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TO : THE DEPARTMENT OF STATE, WASHINGTON.		March 22, 1962			
REF : CERP, D-10, 12, 16, 17, 18; Congen despatch 373 of April 11, 1961					
ACT INFO Use Only	ARA*	DEF	2	REP	1
		AGR	10	CON	10
		AIR	3	ARMY	5
		CIA	7	NAVY	3
		OSD	3	OSD	3
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		HEW	5		

SUBJECT: General Economic--Annual Message of the Governor of the State of São Paulo to the Legislative Assembly

Summary

Governor CARVALHO PINTO delivered a message to the São Paulo State Legislature on March 14, outlining the activities of the State Government in 1961. It was predicted that the State Plan of Action will be more than fulfilled by the end of 1962. Reforms were carried out in the fields of education, justice, and public security. Electric power programs progressed satisfactorily. Highway construction was intensified. The Agrarian Reform Law was being implemented. The State budget was balanced at 136.6 billion cruzeiros. The internal funded debt and the foreign debt were reduced.

There are enclosed five copies of the message delivered by Governor Carlos Alberto de Carvalho Pinto to the Legislative Assembly on March 14, 1962, in which he outlined the activities of the São Paulo State Government during 1961. Inasmuch as this is the last such message by Professor Carvalho Pinto as head of the São Paulo State Government, the document is far more detailed than in the three preceding years. Emphasis has been placed on the Government Plan of Action as an example of efficient and rational planning to achieve substantial economic growth.

Government Plan of Action

Achievements under the first Plan of Action and plans for the Second Plan of Action are discussed in pages 18 through 43.

Ventura/ADventura/cz Current free market exchange rate is approximately 365 cruzeiros per US dollar.

FORM FS-439 GPO 912586

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OFFICE SYMBOL		TO RM/R

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From São Paulo

It was predicted that the first plan would be more than fulfilled by the end of 1962, despite increased costs brought about by a higher rate of inflation than originally anticipated and the exchange reform instituted by SUMOC instructions 204 and 208.

Education

Institutional reforms were implemented through a program covering the structural reform of the Secretariat of Education, and the establishment of a State Fund for the Construction of Schools. Decentralization was achieved through the organization of Regional Educational Directorates in 10 State zones. Primary and secondary education and industrial schooling were expanded through the construction of schools, and the addition of 5,000 high school teachers to the State payroll. A scholarship program is presently under study. A research program, which was set up in 1960, is expected to start showing results in 1962.

Justice and Public Security

Existing State penitentiaries are overcrowded and the State is now constructing four penitentiaries, one of which was nearly completed by the end of 1961.

Police reorganization and mechanization were developed. Police forces in the municipality of São Paulo now have 1,200 vehicles as compared with 790 units in 1959.

Public Health

Special attention was given to rural and infectious diseases. Malaria is rapidly being eradicated; Chagas' disease and schistosomiasis are being controlled; and treatment of tuberculosis and leprosy is being intensified.

Labor

There were 980 strikes in São Paulo in 1961, against 954 in the preceding year, resulting in the loss of 3,165,140 man-hours of labor.

Electric Power

a. Paranapanema Valley (under supervision of Usinas Elétricas do Paranapanema S. A. - USELPA)

The Lucas Nogueira Garcez power plant at Salto Grande distributed 211,950,295 kilowatt-hours during 1961. The plant has an installed capacity of 68,000 kilowatts. Construction work on

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the Jurumirim power plant (capacity 100,000 kw) was completed in 1961, and the two generating units installed. The Xavantes power plant is under construction. When completed, the plant will develop 300,000 kw. Transmission lines were installed and work on interconnection of power systems was accelerated.

USELPA investments in 1961 totalled 2.77 billion cruzeiros.

b. Rio Pardo Valley (under supervision of Companhia Hidro-elétrica do Rio Pardo - CHERP)

The Limoeiro power plant, with an installed capacity of 14,000 KW, developed 48,828,000 kw-h in 1962. The Euclides da Cunha plant, produced 81,450,000 kw-h, with an installed capacity of 49,000 kw. Construction of the Graminha-Paradouro reservoir entered its final stages. Three sub-stations on the CHERP system are planned or under construction; transmission lines are being set up.

CHERP investments in 1961 totalled 1.84 billion cruzeiros.

c. Tietê Valley (under supervision of Companhia Hidro-elétrica do Rio Pardo - CHERP)

Construction of the Barra Bonita power plant was nearly completed by the end of 1961. Equipment is presently being mounted. Transmission installations are being completed.

The State Government invested in 1961 a total of 5.11 billion cruzeiros in the Tietê Valley power developments.

d. Urubupunga

Centrais Elétricas de Urubupunga SA - CELUSA was organized in January 1961 to supervise and operate the giant Urubupunga power project, whose installed capacity when completed will total 3,000,000 kw, with an estimated production of 15 billion kw-h. The first stage of this development, the Jupia power plant, to develop 1,350,000 kw, will be completed in 1966 at an estimated cost of 50 billion cruzeiros. Preliminary construction work was initiated in 1961.

CELUSA's capital is Cr\$2,131,320,000 held principally by the States of São Paulo, Goiás, Santa Catarina, Paraná, and Minas Gerais.

e. Rural Electrification

The State Government authorized, in 1961, loans to cover rural electrification in the Registro Zone in the Ribeira Valley.

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From São Paulo

Total capacity will be 1464.5 kilovolt-amperes. The Presidente Prudente region will likewise receive financing for works already started. Distribution lines will have a capacity of 842 kv-a. Other programs for rural electrification are under study.

Transportation

Railroads

The most important event in this sector of transportation was the expropriation of the Paulista Railroad by the State Government. This measure was taken because the company could not meet the payroll, following general across-the-board increases in workers' wages, without raising fares and freight tariffs. The Sorocabana Railroad operated at a deficit of 564 million cruzeiros; that of the Paulista Railroad totalled 146 million cruzeiros. Improvements were carried out on those lines, and on the Mogiana, Bragantina, and Araraquara railroads.

Airlines

The acquisition of the Loide-NAB group by the State of São Paulo for incorporation in the State-controlled Viação Aérea São Paulo S. A. - VASP turned the latter company into one of the major lines in Brazil. VASP was reorganized in the course of 1961 and was able to show a profit of 100 million cruzeiros.

Highways

A total of 968 kilometers^{1/} of roads were paved in 1961, while 451 kilometers of roads were built. Priority was given to the construction and paving of roads linking the city of São Paulo with neighbouring states. The State of São Paulo now is linked with the States of Paraná (at Ribeira), Mato Grosso (at Presidente Epitácio), and Minas Gerais (at Igarapava).

Total construction, paving, and repair costs in 1961 were 6.5 billion cruzeiros.

Agriculture

The Agrarian Reform Law was implemented in 1961. First measures were the transfer of the collection and use of the land tax from the State authorities to the municipalities; and the programming of four colonization plans in the municípios (counties) of Marília, Campinas, Meridiano, and Jau. The Marília program is in its final stages of development: A tract

^{1/} 1 kilometer - 0.6214 mile.

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From São Paulo

of farming land was divided into 110 lots of 20 hectares each. Improvements will include housing, animal sheds, wells, chicken houses, hog pens, and electricity. This urban nucleus will also be provided with a school, social and health centers, a cooperative, an animal feed plant, and a rugby field. Cost of a 20-hectare lot (approximately 50 acres) will total Cr\$1,739,698 payable over a period of 16 years.

The São Paulo State Government hopes to obtain financing for its Agrarian Reform program from the Inter-American Development Bank.

The Government is constructing a network of silos (65,000 tons) and warehouses (55,000 tons) for the storage of rice, beans, and corn, which will raise total capacity to 240,500 tons.

Finances

The State budget for 1960 was reported balanced with revenue and expenditures each placed at 136.6 billion cruzeiros. A resounding deficit of some 47 billion cruzeiros which had been anticipated early in 1961 was cleared by higher tax collections and rigid compression of expenditures. The internal funded debt at the end of 1961 was a little less than 13.8 billion cruzeiros. The internal floating debt was given as 41.2 billion cruzeiros. The foreign debt was reduced considerably to US\$663,000 (1958 - US\$3.2 million). The florin and pounds sterling debt was liquidated entirely.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
Consul

Enclosure: *ad*

Copy of Annual Message (1 - Air Pouch)
(4 - Surface Pouch)

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Disp. No. 226
From São Paulo

the importation of Brazilian menthol, calcium chlorate, and fertilizers. The representatives of the Mexican textile industry discussed with officials of the São Paulo Textile Industry Association the possibility of exchanging technical know-how and the sale of cotton and other yarns, and textile machinery.

Comment: As a member nation of the Latin American Free Trade Zone, Mexico has been most active in trying to develop trade with Brazil. No less than six Mexican trade missions have visited São Paulo in recent months.

2. General Economic--Heavy Rainfall Causes Extensive Damage in Interior of São Paulo State

Heavy rains between March 13 and 19 caused extensive property damage in the interior of the State of São Paulo. Traffic on the Regis Bittencourt highway linking São Paulo to Curitiba was paralyzed due to numerous cave-ins and landslides in several points along the roads. Nearly 1000 trucks, some carrying perishable goods, are immobilized. The authorities estimate that traffic will be resumed along the entire road in 30 days only. The Sorocabana Railroad was forced to curtail traffic along its main and several subsidiary trunk lines as rails were washed away and embankments slid onto the road bed. Traffic will be normalized in about 10 days. Several rivers and streams overflowed, damaging rice, banana, and corn cultures, washing bridges away, and flooding towns, some of which were partly evacuated. With highway and railroad traffic partly interrupted, foodstuffs are becoming in short supply.

Comment: Value of the damage has not yet been assessed, but is estimated at between 700 and 900 million cruzeiros/.

3. Public Works--State Government to Expend Five Hundred Million Cruzeiros on Water Supply Systems in Industrial Towns

A contract was signed on March 14 between the São Paulo State Government and the municipalities of Santo André, São Caetano do Sul, and São Bernardo do Campo to expand water supply systems in these cities. The expansion program, to cost 500 million cruzeiros, will be carried out by the State's Water and Sewer Department, and will bring an additional supply of 5 million liters/ of water daily.

Comment: The three cities, all lying close to the city of São Paulo, are important industrial centers which have grown rapidly in recent years. The program to expand water supply facilities is aimed at keeping pace with industrial development in the region.

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Desp. No.
From São Paulo

4. Electric Power--Interstate Commission Studies Rural Electrification

A seminar, promoted by the Interstate Paraná-Uruguay Valley Commission, to discuss problems connected with rural electrification in Central and South Brazil took place in São Paulo March 14 - 18. Representatives from the States of São Paulo, Mato Grosso, Paraná, and Santa Catarina attended, while the State of Rio Grande do Sul was not represented. The States of São Paulo, Minas Gerais, and Santa Catarina are carrying out programs for bringing electricity to rural centers; such programs are still in the planning stages in the other states of the region, where rural electrification is still incipient.

5. Aviation--Commercial Heliport in São Paulo

The first civil heliport in the State of São Paulo is being set up on top of a 350-foot skyscraper in downtown São Paulo. The heliport, with a 1,200 square yard runway, will be used for the taxing of passengers to and from the Viracopos International Airport, near Campinas, some fifty miles from the city of São Paulo.

6. Labor--Utility Workers Receive Wage Increase

Unions representing electricity, gas, telephone and street car workers in São Paulo, Santos, Campinas, and Rio de Janeiro signed a new wage agreement with the public utility companies in the "Light" group and the Companhia Paulista de Força e Luz (Bond & Share). Effective April 1, 1962, the new contract provides for a 45 percent wage increase with a maximum monthly increase of 27,000 cruzeiros and 30 days vacation. The unions had previously won an early reopening of their contract which normally would not have expired until June 1962 (see item 4, despatch 198 of February 9).

Comment: The utility workers were unable to obtain at this time company acceptance of genuine collective bargaining. The utility companies are now petitioning the government for a rate increase to cover the above salary increase.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
Consul

- 1/ The current free market exchange rate is approximately 364 cruzeiros per dollar.
2/ One liter equals 1.0567 quarts.

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GPO 802687

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FR RIO DE JANEIRO

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FROM : Embassy, RIO DE JANEIRO		TO : THE DEPARTMENT OF STATE, WASHINGTON.		March 26, 1962	
REF : CERP C-3		DATE : MAR 31 1962		CU-3	
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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period March 10 - 25, 1962)

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3. Revamping of the Finance Ministry Framework.
4. Draft Law Doubling Compulsory Deposits of Commercial Banks Approved Unanimously by Lower House.
5. Joint Committee on Profit Remittance Bill Meets in Rio.
6. Petrobras Reports New Commercial Oil Well.
7. Petrobras Reports Use of Mandioca Flour in Place of Bentonite.
8. Mataripe Refinery Resumes Operation.
9. Domestic Airlines Initiate Shuttle Service Between Rio, Brasilia, and Belo Horizonte.
10. Heliport for São Cristóvão District.
11. Suspension of New Basis for Calculating Stevedoring Charges.
12. Developments in Soviet Exposition of Industry and Commerce.
13. Israel to Help Brazilian Northeast.
14. Extension of Brazil's Trade Agreement with East Germany.

1. COFFEE EXPORTS:

Coffee exports during the period March 1st to March 15, 1962 were 367,264 bags compared to 680,320 bags exported during the same period last year.

Total coffee exports during the current coffee marketing year (July 1st - March 15, 1962) were 12,856,311 bags compared to 11,810,563 bags

EGON:RAGoldstein/lsc

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Encl. No. 756
Disp. No.
From RIO DE JANEIRO

bags exported during the same period last year. (LYallous)
(UNCLASSIFIED)

2. STABILIZATION PROGRAM SENT TO CONGRESS:

On March 23, the Prime Minister sent to the Congress a program designed to provide the Federal Government with the means to offset, without inflationary effects, a "potential" budgetary deficit for 1962 of Cr\$529 billion. The principal features of the program as reported by the press are: (a) an economy plan calling for cuts of Cr\$60 billion in budgeted appropriations; (b) postponement of payment to the first half of 1963 of the current year's obligations in the amount of Cr\$80 billion; (c) postponement until 1963 of disbursement of existing unpaid obligations in the amount of Cr\$38 billion; (d) a compulsory loan through levying of a 20% assessment on income tax to be paid in fiscal year 1962 on company profits, real estate profits, and withholding taxes, with an estimated revenue of Cr\$20 billion; (e) the emission of Treasury Letters amounting to Cr\$90 billion. The Prime Minister's message also referred to the pending bill which would raise bank reserve requirements (see item 4.) and the question of readjusting rates for certain public services although no specific program was reported with respect to the latter.

(UNCLASSIFIED)

Comment: The stabilization program which would substantially reduce the monetary effects of inflation, has the weakness of consisting principally of postponement of payment of the government's bills with no specific proposal for bringing the budgetary picture closer to balance next year. A further evaluation will be sent by separate despatch after a study of the Prime Minister's lengthy message -- particularly those parts referring to the "inadequate rates for government services" which could provide some of the additional revenue needed to balance future budgets. (JKrisay)

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3. REVAMPING OF THE FINANCE MINISTRY FRAMEWORK:

On March 13, Moreira Salles submitted to the Council of Ministers the changes in the framework of the Finance Ministry deemed necessary for the improvement of that Federal Agency. As reported in the press, the changes would include (a) creation of a Security Division of the Treasury; (b) consolidation of the public internal debt; (c) establishment of tax collection offices in the Federal District and the capitals of several States; (d) expansion of tax administration personnel; (e) collection of Federal taxes by private banks; (f) uniform rates of compensation for employees paid on a fee-sharing basis in addition to their normal salaries. Each of these suggested changes is supported by a statement of reasons and accompanied by a draft bill. The changes as submitted by Moreira Salles were approved by the Cabinet and will now be forwarded to Congress for appropriate action. (JKrisay)

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/Comment:

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Comment: Most of the elements of the planned re-organization concern revisions in the tax administration area. Many of the proposals were formulated during the Quadros administration and are now being pushed forward perhaps partly in response to the increasingly voiced opinion that tax collections should be tightened up before new taxes are imposed. (JKrisay)
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4. DRAFT LAW DOUBLING COMPULSORY DEPOSITS OF COMMERCIAL BANKS
APPROVED UNANIMOUSLY BY LOWER HOUSE.

The Chamber of Deputies approved unanimously on March 22 the draft bill submitted by Representative Daniel Faraco authorizing SUMOC to double the present maximum compulsory deposit requirements of commercial banks. The bill as approved was forwarded immediately to the Senate for final action. It would provide that additional funds deposited with SUMOC as a result of increasing compulsory reserve requirements, could only be released to the Bank of Brazil to cover loans to the Treasury.

(UNCLASSIFIED)

Comment: This bank reserve requirement bill which is expected to soak up from Cr\$30 to Cr\$40 billion this year, is an important element of the stabilization program which the Government is now in process of presenting to the Congress. Its passage by the Lower House by unanimous vote is one of the most encouraging developments in this regard since Quadros' resignation. (JKrisay/WLomayer)

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5. JOINT COMMITTEE ON PROFIT REMITTANCE BILL MEETS IN RIO:

On March 21, the Joint Committee (composed of members of the Chamber of Deputies and Senators) to revise the profit remittance bill approved by the Chamber decided to move from Brasilia to Rio on the ground that the former capital would provide greater facilities for the collection of data and information, as well as be more accessible to witnesses. It is the intention of the Committee to call on the responsible officials of SUMOC, FIBAN, CACEF and Income Tax and Customs Divisions to appear before it. The report of Profit Remittances released by the National Economic Council will also be taken up by the Committee during its deliberations in Rio.

(UNCLASSIFIED)

Comment: After gathering whatever information it can in Rio, the Committee is expected to return to Brasilia where it hopes to be able to present its views on a substitute bill before President Goulart departs for his visit to the U. S. (JKrisay/WLomayer)

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6. PETROBRAS REPORTS NEW COMMERCIAL OIL WELL:

A new oil well was reported during the past week to be producing

/commercial-scale

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commercial-scale quantities from the Tabuleiro dos Martins basin in the suburbs of Maceió, State of Alagoas. The well, drilled on the beach, is producing through natural flow at a reported average rate of 40 barrels a day.
(UNCLASSIFIED)

Comment: This well was not given as much publicity as the Quererê in the Tucano basin, probably because it is not indicative of any great discovery. The reported production rate is small, and the basin is very small structurally. Of interest, however, is the continued publicity given by Petrobrás officials to any discovery purportedly in an area in which Walter Link said no petroleum existed. (ALBansome)

(OFFICIAL USE ONLY)

7. PETROBRÁS REPORTS USE OF MANDIOCA FLOUR IN PLACE OF BENTONITE:

Of interest is the report by Petrobrás of its use since 1959 of farinha de mandioca (edible type) in lieu of bentonite -- imported at high cost from the United States and Europe. A lack of the imported bentonite in 1959 resulted in the experimental use of the farinha, apparently with success, to cool the drill bit and remove cuttings from the well.
(UNCLASSIFIED)

Comment: There seems to be no doubt as to the authenticity of the report. In fact, the company goes so far as to deny that its use of this edible meal -- a staple in the diet of the people -- has resulted in the extremely high price for the product used throughout the Northeast, particularly. (ALBansome)

(UNCLASSIFIED)

8. MATARIFE REFINERY RESUMES OPERATION:

The large refinery at Mataripe, Bahia, has resumed operation -- at least in part -- since its recent shutdown for technical reasons.
(UNCLASSIFIED)

Comment: For some time the Mataripe refinery has been giving trouble, and much publicity has been given to the "criminal" irresponsibility of the North American firm, M. W. Kellogg, which contracted with Petrobrás for expansion of the original plant. A large measure of the difficulty seems to be centered in the "lube oil" section of the refinery which is still inoperative although other difficulties including water supply, power, refrigeration, electrical services, etc. all seem to have taken a share of the blame which also should fall on the type of crude stock being used. In any event, there have been threats of legal action against Kellogg. Additional details are being gathered concerning the refinery problem and present status, and a further report will be made as soon as the information is obtained. (ALBansome)

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9. DOMESTIC AIRLINES INITIATE SHUTTLE SERVICE BETWEEN RIO, BRASILIA, AND BELO HORIZONTE.

On March 12th VARIQ, VASP, REAL, Lóide Aéreo, Cruzeiro do Sul and Panair do Brasil began air bridge (ponte aereo) services between Rio de Janeiro and Brasilia, Rio and Belo Horizonte, and Belo Horizonte and Brasilia. The operations are similar to the Rio-São Paulo air bridge service which has been operating successfully for three years. The joint operations utilize a single counter at each airport; passengers need not make reservations and may use tickets of any of the carriers. There are 130 flights a week on the Rio-Brasilia run and 42 on the Belo Horizonte-Brasilia route.

(UNCLASSIFIED)

Comment: There have been some "growing pains", with the initiation of the new service; mix-ups have occurred and, probably most important, the Viscounts have been taken off the service causing complaints by several deputies and other important personages. (SGAnderson)

(OFFICIAL USE ONLY)

10. HELIPORT FOR SÃO CRISTÓVÃO DISTRICT:

It was announced that the State of Guanabara will have a heliport in the São Cristóvão district. The heliport will be used for various experiments in this field when the Soviet and Brazilian exhibits are held next May. It will also be used in connection with an experimental helicopter service between Rio de Janeiro and the nearby summer resorts of Petrópolis and Teresópolis. (SGAnderson)

(UNCLASSIFIED)

11. SUSPENSION OF NEW BASIS FOR CALCULATING STEVEDORING CHARGES:

During a special meeting of the Council of Ministers held in Brasilia it was decided to suspend the new system for the collecting of increased loading charges in Brazilian ports. (EWEB, Embdasp 574, January 16, 1962). The system had resulted in increases of up to 300% in freight charges. The suspension of the new system will be for sixty days to permit the Ministry of Transport to re-study the problem. (SGAnderson)

(UNCLASSIFIED)

12. DEVELOPMENTS IN SOVIET EXPOSITION OF INDUSTRY AND COMMERCE:

The Soviet freighter Vassili Kechalov, first to arrive in Brazil since the resumption of diplomatic relations with the USSR, docked in Rio de Janeiro on March 11 and began unloading its 1,200 tons of exhibition equipment the next day. Since then, the Soviet exposition (see EWEB, Embdasp 717 of March 13, 1962), has gradually been taking shape, with emphasis on the USSR's latest developments in space and in the peaceful uses of atomic energy.

/Exhibits

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Exhibits illustrating these developments are understood to include a mock-up of a complete space vehicle launching site; under the slogan "Atoms for Peace," there are to be exhibited instruments for the disassociation of the atom, two particle accelerators;-- one for use in an electric power station, another for use in a nuclear-powered ice-breaking vessel, and similar equipment. Rio's first heliport is being constructed at the exhibition site (see item 10). Brazilian and Soviet helicopters will reportedly be used for sightseeing flights over the city.

(UNCLASSIFIED)

Comment: The Soviet exhibition may or may not turn out to be a major event. With five weeks to go to opening date, press coverage, except for a few front page pictures of the Vassili Kachalov and an unidentifiable exhibit structure, is still on inside pages. The Campo de São Cristovão is not a choice exhibition site: transportation to it is poor, parking facilities inadequate, and water and electricity a problem.

The Foreign Office reports that it has been notified by the Pravda correspondent in Rio that Anastas I. Mikoyan will be on hand to open the exhibition. Itamarati added, however, that it has not yet been officially notified of these plans and that it has not issued an official invitation to Mikoyan. (Arenales)

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13. ISRAEL TO HELP BRAZILIAN NORTHEAST:

A Basic Agreement for Technical Agreement between Israel and Brazil, signed in Recife on March 12, by Brazilian Foreign Minister San Thiago Dantas and Israeli Ambassador Yosef Tekoah, makes possible the application of Israeli experience and "know-how" to solving problems of irrigation, particularly in the Brazilian Northeast (see BWER Embdes 426 of November 24, 1961).

The Agreement provides for the interchange of scientists and technicians, the organization of training courses and scholarships, and joint experimentation. As the first practical application of the Agreement, according to Ambassador Tekoah, the Israeli Government will establish in northeastern Brazil a model cooperative village, which is expected to lead to large scale development and to be the basis of an advanced cooperative farming system.

(UNCLASSIFIED)

Comment: In a press statement granted prior to the signing of the Agreement, Foreign Minister San Thiago Dantas indicated that notwithstanding the importance to be attached to the Agreement with Israel, Brazil already has a technical assistance agreement with Czechoslovakia and may possibly enter into such agreements with other nations, including those of the socialist bloc. Additionally, the Foreign Minister mentioned that the study of a similar agreement -- for application in the Northeast -- with Japan is in the advanced stages. (BAGoldstein)

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14. EXTENSION OF BRAZIL'S TRADE AGREEMENT WITH EAST GERMANY:

Through an agreement signed on May 19 by Werther Teixeira, representing the Bank of Brazil, and Georg Kuleff, representing the Deutsche Notenbank, the trade agreement currently in force between Brazil and East Germany was extended for two years. The agreement provides for an exchange between the two countries at a minimum level of US\$ 5 million.

According to the press, the extension will make it possible for Brazil to increase its exports of coffee to East Germany -- exports which were being threatened by East Germany's purchases of coffee, through "Gennussitel", from Colombia, Venezuela, India and Cuba.

(UNCLASSIFIED)

Comment: Earlier reports reflected a reluctance on the part of Brazil to enter into a trade agreement with East Germany, aimed at an exchange level of US\$15 million. Members of the Deutsche Notenbank delegation were said to have been disappointed in negotiations, claiming "difficulties" in reaching an understanding with Brazilian officials and "obstructionism" on the part of Brazilian official agencies. (BAGoldstein)

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For the Chargé d'Affaires a. i.

Robert Bakens

Robert Bakens
Counselor for Economic Affairs

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FROM: Brasilia

TO: Secretary of State

NO: 11, March 27, 3 p.m. (SECTION ONE OF TWO)

PRIORITY

DEPARTMENT PASS POLAD CINCARI

(1) My purpose this message is to call attention prior to arrival of President Goulart in the US, to substantially improved political situation in Brazil since my telegram 1441 December 16, 1961.

(2) From low mark reached near end of last year when political tension was so high as to appear intolerable as result of crisis of confidence which spread through all areas of government and country, present regime has succeeded in establishing status of relative confidence which seemed almost impossible few months ago. President Goulart has assumed political leadership of country leaving economic and administrative control largely to Prime Minister and cabinet. His incursions into the economic field have been confined largely to situations where political element is of great importance. He has succeeded gradually in convincing Brazilians that he seeks moderate though slightly left of center government and based thereon has slowly won support of center groups beginning with his meeting with officers of the Commercial Association of Rio last January. This previously antagonistic association led a veritable parade of business and other sectors of Brazilian elite who claim accept Goulart's protestations of moderation strengthened by cabinet's generally continued conservative orientation. Rural associations have also expressed confidence after several Goulart speeches calling for moderate equitable agrarian reform. This almost unprecedented PRODUCTION FROM THIS COPY IS UNCLASSIFIED

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SUBJECT - Press Release Northeast Program
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Following is text press release Northeast program scheduled for release Friday, March 30, 11 a.m. Washington time. Assume agreement will be signed by hour chosen and that release or version thereof will be issued simultaneously Rio. Urgently need your confirmation hour and GOB agreement release President's letter.

"Brazil and the United States joined today under the Alliance for Progress in a two-pronged program for Northeast Brazil: making a fast start on some of the most critical problems of the impoverished region while laying the foundation for its long-range development.

In one of the most ambitious actions yet taken under the Alliance for Progress, the United States and Brazil are committing a total of 276 million dollars for immediate action as well as for the beginning phase of a long-range development program. The United States' share is 131 million dollars, while Brazil commits the equivalent of 145 million dollars.

The agreement was signed today in Rio de Janeiro. In Washington, President Kennedy released a letter to President Goulart of Brazil expressing deep gratification at the signing. The President wrote:

APPROVING OFFICER

Harris F. Dawson, Jr., LA/BA

DRAFTED BY

CSH/HHH:wh

OFFICE

LA/BA

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3/28/62

AID AND OTHER CLEARANCES

MR. Bayley, AID/PAIS text of
Mr. Goldman, LA/PA
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Mr. Hilton, 1003 (info)

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FROM : AMEMBASSY, Rio de Janeiro

767
NO.

March 29, 1962

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE

REF :

MAR 31 1962

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SUBJECT:

Ambassador Gordon's Conversation with Minister of
Mines and Energy, Gabriel Passos, APR 5 1962

In the course of Ambassador Gordon's call on Minister of Mines and Energy, Gabriel Passos, to discuss principally the oil shale problem (reported on elsewhere), the Minister took the occasion to expound his views on a number of topics; among them, Electrobras and the exploitation of Brazil's vast iron ore reserves.

Contrary to what many believe, the Minister said, the objective of Electrobras is not to establish a national energy monopoly. He hoped, in fact, that the number of private enterprises engaged in the production and distribution of electrical energy would be increased. The function of Electrobras, as he sees it, is to inspect the private firms and to discipline the energy policy of the nation in a way which would assure just rates while at the same time encouraging firms to increase the nation's energy output. One major problem in the energy field, he said, was presented by the existence of hundreds of small firms charging a variety of rates often without any orientation toward the development interests of the region.

His policy toward exports of iron ore, which the Minister elaborated on in response to the Ambassador's comment concerning a recent newspaper article on the subject, was also aimed at bringing about industrial development. Brazil wants to increase its exports of iron ore, he said. To do this, the country needs better transport facilities; both ore-carrying rail lines and a more efficient and more adequate merchant marine. In addition, it needs foreign investment, not just limited to the mining and export of ore, but extending

JKrizay/dh

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Rio de Janeiro

to iron and steel production as well.

As to the transportation problem, the Minister said it was simply too bad that Brazil's rail and merchant freight facilities were in such a sorry state, since the freight business should be a profitable one. These facilities would have to be improved to make Brazil's iron ore competitive in the world market. The development of the freight hauling facilities, in his view, would have to be essentially a national undertaking since "whoever controlled the transportation system of the country, also controlled its economy."

Foreign investment would be needed to develop Brazil's iron ore export potential, however, and would be welcomed under proper conditions. The Hanna Corporation, the Minister stated, only wanted to mine and export. In his view, "anyone can do this." Brazil, however, wanted to develop its iron and steel production capacity along with its iron export capacity. The Germans, Japanese and Belgians, he said, are exporting iron ore from Brazil but are also investing in iron and steel plants. He said he would like to see an American firm invest on the same basis. An investment by an American firm which would include an effort to develop an electro-smelting process in Minas Gerais, for example, would be considered a valuable contribution and there would be no objection to such an effort being tied-in with iron-ore exports. He would anticipate, however, that such an enterprise would gradually export more and more semi-finished iron products.

The Minister said he had discussed this policy with "his old friend" Lucas Lopes (now heading the Hanna Corporation interests in Brazil) and that they had argued about the famous proposed Hanna project exhaustively. He hoped that Hanna would eventually consider a broader undertaking, and that Bethlehem, U. S. Steel or others would also consider investing in Brazil on this basis.

Describing himself as a "nationalist whose nationalism begins and ends in Brazil," Minister Passos stated emphatically that his only interest was in developing the "internal wealth" of his country. In his view, countries succumb to communism, not because of the nationalists, but because they do not

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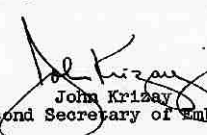
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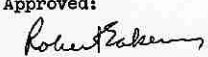
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Rio de Janeiro

succeed in raising the living levels of its people to a point where communism, with its easy answers, no longer has an appeal. It is essential, therefore, that Brazil develop its "internal wealth" and it was his policy to direct foreign investment in Brazil's mineral wealth toward assisting in this task.

For the Chargé d'Affaires ad interim:


John Krizay
Second Secretary of Embassy

Approved:


Robert Eskens
Counselor for Economic Affairs

Cleared in draft with Ambassador Gordon

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0733

UNITED STATES GOVERNMENT

② Memorandum

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① Mr. Wallman

② EST/B

TO : EST/B - Mr. Crane

DATE: April 3, 1962

FROM : REA - William V. Turnage WVT (3)

SUBJECT: Northeast Brazil Agreement (TOAID 440 - 441)

I believe that Furtado is correct in rejecting a joint commission idea for administering the Northeast Program.

371.8

With respect to the question of submitting Sudene plans to the U.S. for approval before or after the Brazilian Congress considers them, it is true that the Brazilian Congress is the supreme authority with respect to any plans in Brazil. However, Furtado must be made to recognize that the U.S. will only support plans which it believes merit such support. Consequently, the U.S. must be able to examine a plan before reaching a decision to support it or its parts. The Charter of Punta del Este states that "The United States will assist those participating countries whose development programs establish self-help measures and economic and social policies and programs consistent with the goals and principles of this Charter." This obviously implies an examination and conclusions with respect to the merits of any programs which the U.S. might support. This does not imply a joint approval with the Government of Brazil but it clearly indicates that the U.S. would have an interest in the programs which it assists in financing. If Sudene is not prepared to consider adjustments in its program to meet our proposals we certainly do not have to supply assistance. The problem for Furtado is not that the U.S. should not approve the plan; it is rather that the U.S. will be in no position to extend aid unless it has examined the plan and found it to be deserving of support. How to assure such U.S. examination and finding is Furtado's problem.

It is true that the Charter of Punta del Este emphasized that planning should be the responsibility of governments themselves and that external assistance would be in support of well conceived programs which included the necessary social reforms and measures for the mobilization of internal resources. The decision concerning the adequacy of a plan however is clearly not one for an aid recipient country to make unilaterally.

With/

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RE A: WVT Turnage: hlc

633.04/1-362
371.8

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-2-

With respect to implementation I agree that we should have no voice in carrying out projects other than those to which we are making a contribution. I also do not see why any special information should be supplied to us with respect to Brazilian expenditures on projects which are not included among those to which we are making a contribution. Presumably, adequate information for our purposes would be available through the Brazilian budget reports, the Annual Review of the IA-ECOSOC and other normal reporting channels.

2 Attachments
TOAID 440,
TOAID 441.

REA:WVTurnage:hlc

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YR 732.00

HANDLING INDICATOR

FOREIGN SERVICE DESPATCH

FROM : AmConGen, RECIFE

170

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 4, 1962

REF :

22 For Insp. Use Only	ACT ION	ARA-4	IN FO	DEF.	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	AID
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SUBJECT: **Weekly Summary No. 7**

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PSYCHOLOGICAL

POLITICAL

1. Political Campaign Developments.

The Communist Party has clearly indicated its support of Miguel Arraes for Governor. Its press organ in Recife, A Hora, issued a strong statement of support this week favoring the candidacy of Recife's Mayor, "the preferred of the masses." In addition, press reports datelined Rio de Janeiro indicated that sixty-six Pernambuco trade unions sent a message to President Goulart in support

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Number corrected in RM/AN per WIROM 330 from Rec'd

FORM 6-61 F5-439 REPORTER GPO 912596

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support of Arraes' candidacy. The message was carried to Rio by six trade union leaders from Recife, who read the message to Goulart and discussed the gubernatorial election with him. Goulart, according to the press, was non-committal at his end of the discussion. Goulart was also non-committal when UDN candidate Joao Cleofas called on him with the probable intention of asking Goulart's support in forming a UDN-PTB coalition based on Cleofas' candidacy for Governor.

Most local observers agreed that Arraes has continued to gain strength throughout the state. As a consequence of this feeling there was increasing speculation that Cleofas would renounce his candidacy in favor of a compromise UDN-PSD (and possible PTB) candidate. It is known to the Consulate General that Governor Cid Sampaio, mindful of Arraes' increasing strength and unimpressed by Cleofas' campaign so far, is ready to withdraw his begrudging support of Cleofas if Cleofas does not pick up strength in the next month or so. The question that remains unanswered is who would be the moderate-conservative candidate in the event of Cleofas' withdrawal and a UDN-PSD compromise. Governor Sampaio still seems inclined toward Secretary of the Treasury Paulo Maciel, but Minister of Agriculture Armando Monteiro Filho would probably have greater acceptance among the various elements that have to be satisfied. In this connection, it seems a strong possibility that Monteiro Filho would be assured of President Goulart's support.

In the only other gubernatorial race in the Consular District, Governor Parsifal Barroso of Ceara sent a personal message to the Consul General giving assurances that Communism would not be an issue in his state. Although it is not yet clear which of the three possible candidates he will support, he asserts that all three have given him assurances of their anti-Communist position. (OFFICIAL USE ONLY)

2. Celso Furtado to be Invited to Visit Czechoslovakia.

According to local press reports, the Government of Czechoslovakia will invite SUDENE Director Celso Furtado to make an official visit to Czechoslovakia on the occasion of the International Fair at Brno. Ferdinand Hadek, identified as the Commercial Attaché of the Czech Embassy, was reported to have stated that the Czech Government had already instructed him to issue the invitation. A number of journalists from this region are to be invited to make the trip with Furtado.

Comment: The Czech economic and commercial effort in Northeast Brazil appears to be assuming sizeable proportions. (See Item 2, Economic) The Consulate General has no precise information concerning Czech political activities in the area, but it may be assumed that the Czechs are not merely disinterested observers of the political scene. Furtado's acceptance of the Czech invitation would have definite political repercussions. At the very least it would confirm the suspicions of many of Furtado's critics (many of them closely identified with Governor Sampaio) that he is a Communist, and would strengthen their resolve to have Furtado ousted from his position as SUDENE Director. (OFFICIAL USE ONLY)

3. State UDN Convention in Alagoas.

The Alagoas branch of the Uniao Democratica Nacional held its annual convention this week, nominating two candidates for the Senate and six candidates for the

Federal Chamber of Deputies. Nominations for the remaining three slots in the Chamber are to be made after consultation with other political parties. Nominated for Senator were incumbent Senator Rui Palmeira and ex-Governor Arno de Melo. Sigismundo de Andrade, Carlos Gomes, Oceano Carliel, Geraldo Sampaio, Armando Lages, and Jose Pereira Lucio were the six nominees for Deputy. De Andrade and Gomes will be running for re-election.

The proposed nomination for Federal Deputy of Pernambuco Governor Cid Sampaio, according to the press, was opposed by a group led by Arnon de Melo. As a result, a decision on Governor Sampaio's nomination was deferred pending further discussions. (UNCLASSIFIED)

Comment: Governor Sampaio's nomination by the Alagoas UDN for a seat in the Congress was supposed to have been a pro forma matter. While it is not likely that the UDN in Alagoas would finally refuse to nominate Sampaio, it now appears that he will be expected to make certain financial and/or political concessions in order to receive a nomination for federal deputy. (OFFICIAL USE ONLY)

ECONOMIC

1. Food Shipments and Continuing High Prices.

The Federal Government has given COFAP (Comissão Federal de Abastecimento e Preços) primary responsibility for co-ordination of food shipments to the Northeast. Several loads of beans, rice and wheat have already arrived from the South. Additional shipments are en route, some from the United States. Basic foodstuffs remain critically short, however, and prices show no signs of falling. (UNCLASSIFIED)

Comment: Though shortages and high prices continue, the sharp edge of the situation has been at least momentarily blunted by the above mentioned efforts to get food into the area and to control prices. The hope that someone is doing something has stretched the aggregate Northeastern patience. The basic problem, however, remains unsolved. (UNCLASSIFIED)

2. Czech Activity.

Czech commercial-economic activity in the area continues to increase. Ferdinand Hadek, the principal Czech representative here has offered SUDENE a 10 million dollar loan "to help Northeastern development programs." Celso Furtado is reported by the press to be studying the offer. Interviewed concerning the proposed loan, Hadek was quoted as saying: "Our only interest is to help Brazil develop. We have no political interest," (sic). Hadek also stated that Brazil and Czechoslovakia have signed a technical assistance agreement, which, however, has not yet been formalized. Under the agreement, a number of Brazilian engineers are to study in Czechoslovakia and Czech technicians will come here to instruct in the use of certain machinery.

Two additional Czechs appeared on the scene this week offering to help SUDENE set up a completely modern textile mill and to re-equip other mills. They have apparently already written orders in the Northeast for some 1100 new textile looms. (UNCLASSIFIED)

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Comment: The Czech effort at economic penetration so far has been subtle and well executed, and has met with general success. They obviously have friends in the Recife press, for every statement and offer of assistance receives three column play. (OFFICIAL USE ONLY)

3. Governor Alves Comments Again on Alliance for Progress.

Interviewed on March 27 before the television cameras of Channel Two's Yankee-baiting program ASCOFAM ao Servico do Nordeste, Governor Aluysio Alves of Rio Grande do Norte commented on the critical economic situation in his state. Having an average monthly consumption of 30,000 sacks (60 kg.) of beans, he said, the state now found itself with less than 3700 sacks on hand. Speculators were blamed for having further aggravated the situation. Alves called on SUDENE and COFAP (Comissao Federal de Abastecimento e Precos) to find immediate solutions, else "the people will not have further patience to bear their misery."

Again criticizing the Bohan report, though in more moderate tones, Alves declared that he entertained "strong hopes for Alliance for Progress," but that "those hopes were now greatly reduced." Though there were some good aspects, he said, the report generally "focused poorly on the fundamental problems of the area." (UNCLASSIFIED)

4. Sugar Harvest Terminating.

The annual sugar crop is almost in and the harvest season for the Northeast officially closes this month. The harvest itself has been relatively good (about 12 million bags (60 kg.) in Pernambuco alone), but exports have been slow and stocks are building up to extremely high levels. As of March 20, Pernambuco had exported almost 2,500,000 less bags than at the same time last year. Consequently, Pernambuco now has on stock almost 3 million more bags than usual for this time of the year. (UNCLASSIFIED)

Comment: Large unsold stocks of the area's major product will have a deleterious effect on the economy as a whole. The sugar industry is already plagued with myriad problems, most of which sugarmen blame on the Federal Government. Decreasing exports and income will further increase their irritation. (OFFICIAL USE ONLY)

5. Private Capital for Area Development.

In an effort to stimulate economic growth, a group of local businessmen have just organized a fund from which to grant credits to small entrepreneurs wishing to establish businesses or industries in the Northeast. Capital for the fund is to be derived from contributions of wealthy landowners and industrialists in the area, and may take the form of money, land, or other capital goods. One landowner has already donated an entire 'engenho' of 2,000 hectares (though it is still too early to determine whether this may become a general pattern). (UNCLASSIFIED)

Comment: Though still in the embryonic stages, the fund is somewhat heartening in that it constitutes at least some glimmer of hope that the wealthy classes in the Northeast are waking up to the realities of the present situation, understanding

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that if they do not use their wealth in a more responsible fashion they may lose it entirely. It should be pointed out, however, that the driving force behind the fund is Joaquin Amadeo, a Cuban born American citizen who is now Vice-President of Bacardi Company in Brazil. Amadeo's drive and enlightened views have given the local businessmen much needed leadership. (OFFICIAL USE ONLY)

PSYCHOLOGICAL

1. President Goulart's impending visit to the United States was covered amply by all three local newspapers, which reported that the conversations with President Kennedy were expected to be unusually frank and helpful. The visit would reflect Brazil's position of leadership in Latin America, which contrasted greatly with the position of Argentina following the ouster of Frondizi. President Kennedy's statements on the Argentine political developments were given prime space, but at least one editorialist wondered whether Washington would treat Argentina's new "military dictatorship" as it treated Fidel Castro's authoritarian regime. (UNCLASSIFIED)

Editorials and arresting headlines continued to appear in the Jornal do Comercio and Diario de Pernambuco on the increasing cost of living and the control of food prices. A Diario da Noite editorial strongly criticized the Comissao de Abastecimentos e Preços for its unrealistic attitude and its lack of effectiveness, and items appeared almost daily on the arrival of food shipments from the South. (UNCLASSIFIED)

2. A jointly sponsored (State-Defense-USIA) press tour consisting of fifteen journalists from Recife and Fortaleza is scheduled to begin on April 8. The group will visit San Juan, Cape Canaveral, Miami, Washington, New York, New Bedford, Mass., Knoxville, Tenn., Woodward, Okla., Amarillo, Texas, Charleston, S.C., and the Canal Zone. Much press, radio, and television coverage is expected from the group during this trip. (UNCLASSIFIED)

Eugene Delgado-Arias
Eugene Delgado-Arias
Consul General

Contributors:

L.C. Kilday
W.S. Smith
D.A. Elleby

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April 5, 1962

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SUBJECT: **Biweekly Economic Review, March 23 - April 5, 1962**

CERP APR 11 1962
 Reference Reporter

D-16 A. D. Ventura

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|----|--|------|---------------|
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| 2. | Finance--S&O Paulo State Savings Bank Finances Purchase of Road Graders by Interior Municipalities | D-12 | A. D. Ventura |
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| 4. | General Economic--Seven State Governors to Attend Economic Development Conference at S&O Paulo | D-10 | A. D. Ventura |
| 5. | Transportation--French Technical Assistance for Reorganization of the S&O Paulo Railway System under Consideration | D-16 | A. D. Ventura |

1. Utilities--Local Reaction to Federal Intervention in Canadian-Owned Companhia Telefonica Brasileira

The intervention of the Federal Government in the company operating the telephone services of the States of São Paulo, Minas Gerais, Guanabara, and Rio de Janeiro engendered surprised feelings, and expectation in São Paulo. The telephone companies are owned by the Brazilian Traction Light & Power Co. of Toronto, Canada.

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FORM 5-81 **FS-439** REPORTER GPO 212586

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Desp. No. 236
From São Paulo

The Governor of the State of São Paulo instructed the Secretary of Justice to study the legal aspects of the intervention in São Paulo's Companhia Telefônica Brasileira CTB, which had been operating telephone service in São Paulo for several years after its contract ended. Talks between the São Paulo Municipality and CTB officers relative to the drawing up of a new contract for the city telephone service (see item 1, despatch 143, of November 3, 1961) were suspended pending clarification of the Federal Government's future plans. The Federal interventor has not yet nominated a representative on the board of São Paulo's CTB but sent an instruction that the telephone service be maintained without the slightest interruption.

2. Finance--São Paulo State Savings Bank Finances Purchase of Road Graders by Interior Municipalities

The São Paulo State Savings Bank signed on March 29 a contract financing the purchase of 30 road graders by 30 municipalities in the State of São Paulo. The loan, repayable over a period of 10 years, totals 226 million cruzeiros. The 11.5-ton road graders, which are manufactured in São Paulo by Caterpillar Brasil S. A. Máquinas e Peças, are equipped with a 115-HP diesel motor and cost 7.5 million cruzeiros each.

Comment: The State Savings Bank will finance the purchase of an additional 50 road graders in 1962. This program was set up by the São Paulo State Government as part of the Plan of Action, with a view to helping small towns of the interior to open new roads giving access to state highways.

3. Foreign Trade--Orange Exporters Concerned at High Freight Rates

In a memorandum to the Governor of the State of São Paulo and the Federal Minister of Industry and Trade, São Paulo exporters of oranges expressed their concern at the high freight rates set by British shipping lines transporting Brazilian oranges from Santos to European markets. The exporters argue that dock charges have risen 10 percent from last year, while freight rates have gone up 45 percent. This makes it difficult for the exporters to compete with the African producers on the European markets.

Comment: The 1962 São Paulo crop is expected to yield a record 25 million cases of oranges, of which 4.5 million cases are destined to the export market.

4. General Economic--Seven State Governors to Attend Economic Development Conference at São Paulo

The governors of the States of São Paulo, Mato Grosso, Goiás, Minas Gerais, Paraná, Santa Catarina, and Rio Grande do Sul

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Desp. No. 336
From: São Paulo

will meet at the First Conference on the Development of Central-South Brazil, to take place in São Paulo April 24 to May 4. The conference is promoted by the Paraná-Uruguay Valley Interstate Commission (CIBPU) and the National Institute of Higher Studies (INES). Problems connected with transportation and highways, electric power, education and public health, housing, agriculture, and industry will be discussed. One of the objectives of the conference is to promote joint action by the governments of the seven states aiming at more rapid economic growth of the area.

5. Transportation--French Technical Assistance for Reorganization of the São Paulo Railway System Under Consideration

A representative of the Société Nationale de Chemins de Fer, of Paris, France, is in São Paulo to study the proposed reorganization of the São Paulo State-controlled railroads (see item 2, despatch 209 of February 23, 1962) under a corporation to be organized under the name FEPASA - Ferroviárias Paulistas Sociedade Anônima.

Comment: According to a São Paulo State Government spokesman, a technical assistance contract between the São Paulo Government and SOFERRAIL--an organization which groups technicians from the Société Nationale de Chemins de Fer--is under active consideration.

For the Minister Consul General:

Scott Lyon
Scott C. Lyon
Consul

1/ Approximate free market rate of exchange: Cr\$340 - US\$1.00.

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GPO 50 2887

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PORTO ALEGRE 73

TO : THE DEPARTMENT OF STATE, WASHINGTON. April 6, 1962

REF : APR - 6 1962

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SUBJECT: Inauguration of Economic and Social Research Institute

On March 23, 1962, a private Economic and Social Research Institute (IPESUL) was inaugurated here, with offices situated at the local Chamber of Commerce building. The inauguration ceremony was attended by Porto Alegre's most prominent businessmen and industrialists.

In a press interview, Sr. Alvaro Coelho Borges, President of IPESUL 1/, stated that the Institute had been organized because it was felt that the local business community should take an active interest in helping to solve economic and social problems. He added that State and country-wide problems will be discussed and examined on a scientific basis and recommendations for improvements will be made to Federal authorities and so demonstrate the possibility of solving social problems in a democratic way, compatible with human dignity.

IPESUL will receive financial assistance in the form of fees from individuals and firms and all studies that may be completed will be made public. IPESUL is particularly interested in the study of the agrarian reform problem.

1/ Also President of the Associação Comercial of Porto Alegre.

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REPORTER: HRLoom/AJKirchhof/zms

FORM FS-439

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Desp. No. 73
From PORTO ALEGRE

Although IPESUL will also be interested in political problems in general, it will not discuss party problems, nor recommend any candidates in the coming election campaign.

Hyman Bloom
Hyman Bloom
American Consul

cc.: Amembassy RIO
Counselor for Consular Affairs, Rio

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AIR POUCH

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FOREIGN SERVICE DESPATCH

832,00/4-962

FROM : Embassy, RIO DE JANEIRO

795

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 9, 1962

REF : CERP C-3

APR 14 1962

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period March 24 - April 6, 1962)DEPARTMENT OF STATE
BUREAU OF
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APR 17 1962

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7. Sulphur Reported in Bahia
8. New Petroleum Find in Beconcavo Basin
9. Another Oil Well in Alagoas
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12. Telex System Links Rio de Janeiro and Porto Alegre
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14. Bill Would Double Tariff on Soda Ash
15. Federal Government takes over Canadian- Owned Companhia Telefonica Brasileira
16. No Developments in Expropriation Case of Companhia Telefonica Nacional.

1. COFFEE EXPORTS:

Coffee exports during the month of March, 1962 were 1,348,245 bags compared to 1,506,335 bags exported during the same month last year.

Total coffee exports during the current coffee marketing year (July 1, 1961 through March 31, 1962) were 15,637,292 bags compared to 12,636,540 bags exported during the last coffee marketing year. (FMG115m)

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From RIO DE JANEIRO

2. CONSOLIDATION OF THE INTERNAL DEBT:

A draft bill setting forth regulations for the consolidation of the Federal internal funded debt was approved by the Council of Ministers and forwarded to Congress. The bill provides for the floating of bonds up to a total of Cr \$150 billion (some \$400 million). These bonds will apparently replace all Federal bonds in circulation and provide funds for the total or partial liquidation of Restos a Pagar (expenditures obligated but not paid) and Exercícios Findos (expenditures obligated in current fiscal years). The bonds will be denominated "Financial Recovery Bonds" and will bear 7% annual interest; be reduced in twenty equal annual installments, and may be used as collateral in Federal transactions. (JKrizay)

(UNCLASSIFIED)

Comment: This measure should be examined in the context of the General Stabilization Program sent to Congress (see EMER Embas 756 of March 26, item 2) designed to provide the Federal Government with the means to offset without inflationary effects a "potential" budgetary deficit for 1962 of Cr\$329 billion. Assuming the legislation is passed, its application in the current fiscal year will probably be limited to consolidating currently outstanding bonds. The fact that the Government plans to issue Cr\$110 billion in voluntary and compulsory loans in addition to postponing payments on existing debts in the amount of Cr\$118 billion makes unlikely the absorption by the money market of the additional bond issuances. In addition, at an interest rate of 7%, such bonds could hardly hope to find ready acceptance until the rate of inflation has been appreciably diminished.

(OFFICIAL USE ONLY)

3. GOVERNMENT TO GRANT CREDIT FOR NEWSPRINT IMPORTS:

The Council of Ministers has approved the resolution permitting the financing of up to 50% of the cost of newsprint imported or purchased domestically for newspapers, books and magazines. The purpose of the financing scheme, according to the Cabinet, is to help small and medium size enterprises adjust to SUMOC Instructions 204 and 208 which eliminated preferential rates for newsprint. The financing will be executed by the Exchange Bureau of the Bank of Brazil and will be in force for a maximum period of three years, starting April 1, 1962, with annual rates of interest of 10%. For loans granted until November, 1962, the amortization period will be three years; from this date until April 1, 1963, the period will be two years; from that date onwards the period will be

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From RIO DE JANEIRO

one year. The consumption in the last previous year will be used as a basis for financing and no single entity may receive financing exceeding Cr\$100 million per year. (JKrizay)

(UNCLASSIFIED)

Comment: The financing scheme with its relatively low interest rates constitutes a form of subsidy for newsprint imports and has been criticized as a step backwards from the exchange reform put into effect in Instruction 204 and 208. In addition, the measure will result in some additional pressure on Bank of Brazil loan capacity, which, pursuant to the government stabilization plan, is supposed to limit increase in outstanding loans to the private sector to Cr\$50 billion this year. If all newsprint users avail themselves of the credit opportunity, Bank of Brazil loans in the amount of about Cr\$4 billion would be needed in the first year for that purpose. However, some of the larger papers, including the Estado de São Paulo, have already indicated that they do not avail themselves of this financing, criticizing the plan as unnecessary and not particularly helpful to lower income papers since the credit limits are based on volume rather than net income of the newspapers. (JKrizay)

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4. COST OF LIVING IN GUANABARA STATE:

The cost of living for Guanabara state during the month of March increased by 2.5% over the previous month, according to the Getulio Vargas Foundation index. The increase recorded for the comparable period last year was 1.8%. Total increase for first quarter 1962 was 8.6% as against 5.1% for the corresponding period 1961. The largest increases in the various sectors were the following: foodstuffs, 10.5% as against 4.3% in 1961; and clothing, 10% as against 10.5% in 1961. During January/March, 1962, substantial price increases were recorded for vegetables, eggs, fish, wheat and corn flour, and dried meat. (WBlomseyer)

(UNCLASSIFIED)

5. BRAZIL'S ECONOMIC GROWTH:

According to Getulio Vargas Foundation estimates, the rate of growth of the Brazilian economy in 1961 exceeded that of 1960 by .5%. (WBlomseyer)

(UNCLASSIFIED)

Comment: Pursuant to these preliminary estimates, the net national product in 1961 exceeded that of 1960 by 7.2%. The increase was distributed among the major sectors of activity as follows: farming (including

/coffee

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coffee) plus 10.2%; industry plus 8.6%; and others plus 4.9%. If, however, the part of the coffee crop which is stockpiled by the Government is excluded, the rate of growth in 1961 drops to 6.3%. It should be noted, that coffee production representing between 7% and 10% of total national product, a bumper crop or a small crop respectively, is an element of extraordinary importance in determining the rate of growth of the economy. (WELmsayer)

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6. STRICTER CONTROL OF MINING ACTIVITIES:

Within the past few days the Minister of Mines and Energy, Gabriel Passos, signed an order for adoption of the following measures by the DNPM (Brazilian National Department for Mineral Production) providing: a) that strict fiscalization (control) be made concerning the granting of mining rights for the development of deposits, and the increase in capital of mining companies; b) that a process of the above nature be handled only after the payment of taxes, imposts, and other fiscal requirements have been duly proved by interested parties; c) that in granting mining rights for the development of mineral deposits, or in the incorporation of these rights within a mining company, a strict review be made of the value given by the parties concerned in the transaction to determine corrections or other measures that may be necessary in the interest of the National Treasury. (ALRansome)

(UNCLASSIFIED)

Comment: Actually this ruling provides nothing more than the laws now require, but it does in effect seem to make mandatory a more close supervision by the DNPM than heretofore was the case. It could mean slower action relative to mining transactions which have been slowed down to a walk anyway in the area of granting development and mining rights. (ALRansome)

(OFFICIAL USE ONLY)

7. SULPHUR REPORTED IN BAHIA:

The mayor of Potiragua recently asked the Minister of Mines and Energy to send a technical man to examine an area in that municipality wherein a deposit of sulphur purportedly was discovered. (ALRansome)

(UNCLASSIFIED)

Comment: This is merely a reported request with no verification of the actual presence of sulphur or the size of the deposit. Because of the lack of known commercial deposits of sulphur in Brazil, any valid discovery with commercial possibilities would be of particular interest. (ALRansome)

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From RIO DE JANEIRO

8. NEW PETROLEUM FIND IN RECÔNCAVO BASIN:

Petrobrás recently announced (reported April 1) the discovery of a new oil-bearing area in the Recôncavo Basin, Bahia. According to the report the well being drilled in the vicinity of Barro had reached a depth of 1,850 meters where oil flowed from the petroliferous sand. (ALRansome)

(UNCLASSIFIED)

Comment:

Apparently no April Fool joke this represents an official announcement from Petrobrás. However, it is not indicative of anything considered of real importance as it is in a known oil-producing basin. (ALRansome)

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9. ANOTHER OIL WELL IN ALAGOAS:

Another well (TM-3-A1) in the same vicinity of the one recently reported at Maceió (TM-2-A1) has been reported as encountering oil sand of about 30 meters in thickness at a depth of 1047 meters. During an 8-hour test the well produced oil at an indicated rate of 22 barrels a day. (ALRansome)

(UNCLASSIFIED)

Comment: This is a very small "well" given more publicity than it would appear to deserve. (ALRansome)

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10. BRAZIL TO BUY L.P. GAS FROM ARGENTINA:

On April 3, 1962, the National Petroleum Council approved a draft of a contract which will allow Petrobrás to import 500,000 metric tons of liquid petroleum gas from Argentina (from the firm Faros, with the State entity, Argentine Gas del Estado, acting as intermediary). The quantity to be imported over a 5-year period, will be paid for by exports of Brazilian products during a one-year period; the total value of the transaction is equivalent to \$34 million. The contract, which remains to be signed by Faros and Petrobrás, provides that the price of the L.P.G. will be \$68.00 CIF any southern port up to Rio, and that 50% of the imported product will be transported by Petrobrás tankers, the alternative of chartered vessels being allowed. (ALRansome)

(UNCLASSIFIED)

11. PROPOSAL TO BRING CEIN UNDER TRANSPORT MINISTRY:

Minister Virgílio Távora of the Ministry of Transport and Public Works has sent a draft of a decree-law to the Council of Ministers which,

/if passed,

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From RIO DE JANEIRO

if passed, would bring under the jurisdiction of the Ministry the Shipbuilding Industry Executive Group (GEIN). (SGAnderson)

(UNCLASSIFIED)

Comment: At the present time the expenses of GEIN, which is an independent policy-making body, are paid for by the Merchant Marine Commission (Conselho Nac. de Marinha Mercante) which has offices next door to it in the same building. Because of political factors the Merchant Marine Commission would like to see GEIN go out of existence and its functions taken over by the Merchant Marine Commission, and the projected transfer would be a way of accomplishing this. On the other hand, the head of GEIN is reported to have considerable influence and may be expected to resist this action. (SGAnderson)

(OFFICIAL USE ONLY)

12. TELEX SYSTEM LINKS RIO DE JANEIRO AND PORTO ALEGRE:

A new telex system linking Rio de Janeiro and Porto Alegre was inaugurated on April 3. The system will accommodate up to 360 messages a minute and is part of the efforts of the Government to increase the number of telecommunication channels between the principal parts of the country. (SGAnderson)

(UNCLASSIFIED)

13. CASTOR OIL SHIPMENT TO U.S.S.R.:

The Foreign Trade Department (CACEX) of the Bank of Brazil confirmed a report that its agency in Fortaleza has granted an export license to the Companhia Industrial de Algodão e Oleos of Fortaleza (WED 1/16/56) for the exportation of 500 tons of castor oil valued at \$152,190 to the Soviet Union. It is also reported from Fortaleza that negotiations are under way for a large bulk shipment of vegetable oils to unspecified Eastern European countries. (DDHamerman/AArezales)

(UNCLASSIFIED)

Comment: Total castor oil exports to the Bloc during January-September 1961 amounted to 1,910 tons: 1,840 tons to the U.S.S.R. and 70 tons to East Germany. Total 1960 exports were limited to 700 tons to Poland. Other vegetable oil exports to the area were negligible during these periods. (DDHamerman/AArezales)

(UNCLASSIFIED)

14. BILL WOULD DOUBLE TARIFF ON SODA ASH:

The Council of Ministers submitted to the Congress last week a bill that would raise "ad-valorem" customs duties on soda ash from 40% to 80%. The Companhia Nacional de Alcalis, the proponent of the bill and Brazil's only producer of soda ash, stated that the tariff increase from 10% to 40%

/granted

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From RIO DE JANEIRO

granted by the Customs Policy Council in June, 1961 has not provided sufficient protection for the domestic industry. (Arenales/DDHamerman)

(UNCLASSIFIED)

Comment: An interesting footnote to this bill is the fact that the Companhia Nacional de Alcalis (CNA) approached the Embassy in late January, 1962 for names of American soda ash manufacturers who were represented in Brazil with a view to importing 15,000 tons of soda ash to supplement its 1962 production in meeting anticipated 1962 demand. CNA, which is government controlled, began producing soda ash in April, 1960 but did not go into continuous production until June, 1961. Its 1960 production was about 20,000 tons; it produced roughly 40,000 tons in 1961, and it estimates that it will produce some 85,000 tons this year. Demand for soda ash has been running around 80,000 tons during the past few years, but the company forecasts close to a 100,000 ton demand this year. The 1960 imports totaled 79,000 tons, of which the United States supplied 26,600 tons; January-September 1961 imports were 57,000 tons, of which the United States supplied 7,400 tons. (Arenales/DDHamerman)

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15. FEDERAL GOVERNMENT TAKES OVER CANADIAN-OWNED COMPANHIA TELEFONICA BRASILEIRA:

In eleven days of fast-moving events, the Canadian-owned telephone company, the Companhia Telefonica Brasileira (CTB), was taken over by the Federal Government in the face of actions of Governor Lacerda of the State of Guanabara who had started similar proceedings in State courts, and a constitutional conflict developed between the Federal Government and the State.

While Governor Lacerda was in the United States, Federal Decree No. 790 was issued on March 27 which requires the prior consent of the Ministry of Transport and Public Works and the National Security Council before an expropriation may take place of any telephone company offering inter-state services. Immediately upon his return on March 30th, the Governor called an extraordinary meeting of the State Legislature and announced on the basis of public utility and necessity as well as social interest the decision to expropriate the CTB under State Law.

Following upon the Governor's decision, the Federal Government, invoking Article 5 XII of the Constitution, announced on April 1st the intervention of the CTB in all states in which it operated--in an act apparently to head off Lacerda's action of two days before. There followed a short period of legal maneuvering in which the Governor initiated separate actions in State Courts to rescind the company's franchise and to take possession of its properties in anticipation of eventual expropriation. The Federal Government claimed federal jurisdiction in the case and the State judges declared themselves unable to assume jurisdiction in view of

/the fact

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From RIO DE JANEIRO

the fact of the Federal intervention. They sent the actions to the Supreme Court in Brasilia stating that this matter was within the Federal judicial system since it was now a conflict involving the State and Federal Governments.

Governor Lacerda immediately filed injunction proceedings in the Supreme Court against the intervention charging infringement of State autonomy as guaranteed by the Constitution. This motion was denied, however, and as of the close of the reporting period the Federal Government was in control of the Company. The intervention was for 180 days during which time a report was to be made to the Federal authorities suggesting ways and means to find a national solution to the telephone problem. (SGAnderson)

(UNCLASSIFIED)

Comment: Governor Lacerda's action was brought about probably because of irritation over Federal decree 790, and also because having State control over the Company would be advantageous in his relations vis-a-vis the Federal Government. On a previous occasion Lacerda had threatened to take over the CTB and the issuance of Federal decree 790 during his absence from the country may well have been timed to thwart this. (SGAnderson)

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16. NO DEVELOPMENTS IN EXPROPRIATION CASE OF COMPANHIA
TELEFONICA NACIONAL:

In regard to the expropriation of Companhia Telefonica Nacional in Porto Alegre, the subsidiary of the International Telephone & Telegraph Corp. (BWER, Embdes 717 of March 13, item 8), negotiations for the establishment of an arbitration procedure to determine the value and means of payment for the property were retarded due to the absence from the Country of the Foreign Minister who was accompanying the President to the United States. (SGAnderson)

(UNCLASSIFIED)

For the Chargé d'Affaires a.i.

Edward J. Bash
Edward J. Bash
Commercial Attaché

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ACTION DEPARTMENT 2439, INFORMATION PARIS 761, RIO DE JANEIRO 5

PARIS FOR EMBASSY AND USRO

Economic Minister has heard that IMF reached agreement on stabilization program with Brazil last week. Would appreciate any information we can make available on nature agreement, implications for future U.S. Aid Program in Brazil, and effect on standby arrangements negotiated last year.

RMR

DOWLING

KHM

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APR 23 1962
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0754

April 23, 1962

Dear Congressman Bennett:

I want to thank you for your communication of April 9 enclosing a letter from Mr. John E. Young of Gainesville, Florida. Mr. Young is interested in obtaining information about Brazil.

It is hoped that the enclosed information sheet will prove useful to Mr. Young. For further material he may wish to contact the Office of Public Information, Pan American Union, Washington 6, D. C., or the Brazilian Embassy, Washington, D. C.

I am returning your constituent's letter for your files. If I may be of any further assistance to you, please do not hesitate to call on me.

Sincerely yours,

Frederick G. Dutton
Assistant Secretary

Enclosures:

1. From Mr. Young.
2. Information sheet.

The Honorable
Charles E. Bennett,
House of Representatives.

2
Approved by R/LK

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ext. 3914

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FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belo Horizonte, Brazil 24

TO : THE DEPARTMENT OF STATE, WASHINGTON. April 11, 1962 *gm*

REF : 12 APR 1962

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SUBJECT: ECONOMIC SUMMARY - Minas Gerais - March 1962

I N D E X

1. COMMUNICATION & TRANSPORT
 - a) Developments in Federal and State Attempts to Gain Control of Telephone and Electric Power Companies (Summary of Condes #23, April 5, 1962)
 - b) Air Bridge between Belo Horizonte-Rio-Brasilia
2. MINERALS
 - a) Iron Ore Policy
 - b) Iron Ore Railroads Improvement Planned
3. PETROLEUM AND PETROLEUM PRODUCTS

Brazilian Petroleum Distribution Corporation-Petrominas
4. MUNICIPAL AFFAIRS

Analysis of Belo Horizonte's Progress and Problems

cc. Couns. for Cons. Affairs/Rio de Janeiro
 Amembassy/Econ Section/Rio de Janeiro

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Disp. No. 24

From Belo Horizonte, Brazil

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1. COMMUNICATION & TRANSPORT

a) Developments in Federal and State Attempts to Gain Control of Telephone and Electric Power Companies
(Summary of Condes #23, April 5, 1962)

The State Government, in an attempt to enforce its claim to control of privately-owned public utilities in Minas Gerais, moved during the weekend of March 31-April 2 to forestall threatening action of intervention or expropriation on the part of the Federal Government against the local electric power and light and telephone companies. Governor Magalhães PINTO feels that the State should be permitted to expropriate them. The State Government has recently given some indication that it might be ready to take the long-planned step of expropriation (See Condes #19, March 19, 1962) which had previously been frustrated by lack of funds.

The Governor, following the lead of Governor Carlos LACERDA of Guanabara, and reacting to reports that the BNDE (National Bank for Economic Development) planned to gain control of the utilities, sent a telegram to President João GOULART pointing out that the interest of the State was preeminent and that the State was capable of operating the utilities through its State-controlled companies.

Comment: - At present (April 9) both public utilities are continuing to operate with no change in management. The respite they are enjoying is occasioned by the inability of the State Government to ignore the Federal Government's plans (Federal troops briefly stood guard at the Telephone Company) and the apparent unwillingness of the Federal Government to push through with its plans at this time in complete disregard of the State's intentions. A protracted court hearing is a possible next step.

The Federal Government has shown less direct interest in the Belo power company than in the Minas telephone company. The Consulate has been informed by a member of CEMIG (Centrais Elétricas de Minas Gerais), the State-controlled power company, that one reason for this difference is that the Federal Government is considering absorbing all of CEMIG into a new federally-controlled company, Eletrobras, which would eventually supply all electric power in Brazil. CEMIG, according to one of its lawyers, Walter Tolentino ALVARES, is quite satisfied with the present plan for Eletrobras which would make it a kind of holding company, leaving considerable local autonomy.

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From Belo Horizonte, Brazil

b) Air Bridge between Belo Horizonte-Rio-Brasilia

The recent establishment of an air bridge between Belo Horizonte-Rio de Janeiro and Belo Horizonte-Brasilia, operated by VARIG, VASP, REAL, LOIDE AEREO, CRUZEIRO DO SUL and PANAIR DO BRASIL has resulted in a reduction of the number of flights in the proportions of 10% and 30%, respectively. This reduction naturally provoked a reaction from frequent users of the services. From the viewpoint of tourist agencies and air lines, however, the establishment of the air bridge has resulted in utilization of a higher percentage of available seats and consequent earlier reservations. They hope that dissatisfaction will disappear as soon as users get accustomed to the new system.

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2. MINERALS / Iron Ore Policy

Minister of Mines and Power, Gabriel PASSOS, addressing the Belo Horizonte Federation of Commerce on March 11, 1962, once again attacked private (essentially foreign) control of mineral extraction and exportation. His chief theme -- "Mineral policy is transportation policy" -- did not conceal his basic antagonism to privately owned and operated firms. In a subsequent "clarification" for the press Passos denied calling for the nationalization of mineral extraction firms; he emphasized that the Government should exercise control by having complete authority to allocate transportation facilities. A bill to give such control to the Government has been presented by Passos.

Comment: - Given the distance from pit to port (averaging about 300 miles through difficult terrain) Passos' theme might be restated: "Transportation control is total control over the iron and steel industry" Companhia Vale do Rio Doce (Brazilian), Federal-controlled, would receive first call on all facilities; those, such as USIMINAS (part-Japanese) and Belgo-Mineira which have contracts with Rio Doce, would get whatever was left over. Passos apparently hopes that control of transportation, being more in line with the Government's avowed intent to take over public utilities, will face less opposition than any more direct interference in mine operations. Although transportation facilities are already denied to undesired competitors of Rio Doce, Passos may feel that he needs tighter control through the expansion of his Ministry's responsibilities before the Government proceeds with any significant improvements in the railroad net.

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From Belo Horizonte, Brazil

MINERALS/b) Iron Ore Railroads Improvement Planned

According to press reports, the chief iron ore export railroads of Brazil, the Vitória-Minas and the Rede Mineira de Viação, are to be improved and the track changed to a standard wide-gauge (1.6 meters--5'3"). Minister of Transportation, Virgílio TAVORA, at the inauguration of the Telex system in Belo, announced that in addition to signing (in the near future) a contract for improvement of the harbor of Angra dos Reis, terminal of the Rede Mineira, he planned to request Cr\$16,000,000 from the Alliance for Progress for reequipping the rail line itself.

Comment: - It is universally conceded that the rail lines need to be improved if ore exportation is to be greatly expanded.

3. PETROLEUM AND PETROLEUM PRODUCTS

Brazilian Petroleum Distribution Corporation-Petrominas

Petrominas (Petróleo Minas Gerais, S.A.) is a private corporation presently capitalized at Cr\$300,000,000, which has been authorized by the National Petroleum Council to distribute petroleum and petroleum products in the fifth and sixth economic regions of Brazil, i.e., Guanabara, Rio, Espírito Santo, Minas Gerais and São Paulo, the northern part of Paraná, and the southern parts of Mato Grosso and Goiás. Initial plans call for construction of 17 service stations on the highways connecting Rio, São Paulo, and Belo. Although the headquarters is in Rio, the financiers are all from Belo Horizonte. They plan to increase their capitalization to Cr\$1 billion in the near future.

Comment: - At the opening of the Belo office this month a number of important Minas politicians were present including the Vice-Governor, the Secretary of Transportation, the Secretary of Education and some State Deputies. The company should have the advantages inherent in its being a national entity in a field dominated by foreign competitors. Should transportation of petroleum come under control similar to those which Minister of Mines and Power, Gabriel PASSOS, is seeking to initiate in mineral transportation, Petrominas would be a logical candidate for preferential treatment by Petrobras.

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Disp. No. 24
From Belo Horizonte, Brazil

4. MUNICIPAL AFFAIRS

Analysis of Belo Horizonte's Progress and Problems

SAGMACS(Sociedade para Análise Gráfica e Mecanográfica Aplicada aos Complexos Sociais), a São Paulo firm which specializes in development planning analyses has, at the Mayor's request, completed a study (+) of Belo Horizonte's past and expected growth to 1980 and made recommendations for changes in city planning and management so as to enable the city government to cope better with the needs of a rapidly expanding population. SAGMACS estimates that "Greater" Belo Horizonte's population will in 1980 reach 3,445,000 or 29% of the population of Minas Gerais (1957, 1,503,000, 13.9%). The population of the city proper plus its two industrial satellites should in the same period increase from 523,000 to 1,891,000.

The proposed improvements, generally illustrated by citing Belo's inadequate provisions as compared with various other cities of similar size in Brazil and abroad, include such features as:

1. decentralized administration with some authority going to new suburban sub-prefects;
2. regional planning commission to coordinate with other nearby communities;
3. a secretariat which would discharge some of the Mayor's responsibilities, thus avoiding bottlenecks;
4. strict zoning regulations;
5. increased revenues

Comment: - The Mayor has given no indications of immediate plans to carry out the reforms called for in this report.

(+) -Published in January 1962 issue (#13) of Revista Brasileira de Estudos Públicos, Univ. of Minas Gerais, Belo Horizonte.

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

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FROM : Amconsulate PORTO ALEGRE

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

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SUBJECT: Monthly Economic Summary - Rio Grande do Sul - March 1962

1. Agricultural Developments
2. Domestic Trade and Commercial Activity
3. Foreign Trade
4. Industry, Investment and Development
5. Transportation and Communications
6. Finance
7. Labor
8. Miscellaneous

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SUMMARY:

The weather in March remained favorable to agriculture. Local Rice Institute established minimum prices of rice to growers for current season. Harvesting of rice is under way, and a drop in production is expected. Poor rice crops in other producing areas in Brazil are indicated. Cattle prices have increased. Large grape production expected. General rise in retail and wholesale sales reported after recent Carnival holidays and some improvement in collection of trade bills. Increase in prices of cattle reported. Increases noticed in some exports of agricultural products. First shipment of rice made to Russia. French-Belgian group is planning to install a pulp mill in Rio Grande do Sul. Impasse reached in negotiations following expropriation of local ITAT subsidiary. Contemplated expropriation of Pelotas Light and Power Company (American and Foreign Power Co's subsidiary) depending on decision from Federal Council of Water and Electric Energy. The "parallel" free market foreign exchange value of the cruzeiro strengthened during the month. The local money market tightened considerably. Management-labor relations remained quiet. Frequent power cuts occurred during the month, although power rates

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Page 2 of

Encl. No.

Desp. No. 76

From PORTO ALEGRE

Have been increased considerably. Official visits were made to this State by the Japanese Ambassador to Brazil, followed by the Czech Ambassador to Brazil.

1. AGRICULTURAL DEVELOPMENTS:

a. Weather Reports - The weather in March remained favorable to agriculture.

b. Rice - The Rio Grande do Sul Rice Institute (IRGA) has approved the following minimum prices for the current crop to growers in the interior:

Japanese (short grain)	@1,300.00 per 50-kilo bag of rough rice
Blue Rose (medium grain)	1,400.00 ditto
Agulha (long grain)	1,500.00 ditto

with 18 percent broken grains and a half percent yellow grains. Meanwhile, harvesting has already begun and it is believed that, unless grainings during the growing season have been perfect, rice production in this State may drop by as much as 15 percent, as compared with last year's production of 920,000 metric tons. Indications are that poor rice crops will be the rule this year in most of the rest of producing areas in Brazil. Local rice dealers continue to hold on to stocks in anticipation of higher prices. It is reported that IBRA will need a \$10 billion loan from the Bank of Brazil in order to guarantee the minimum prices to producers.

c. Beef - Current cattle prices have been increased to @54.00/@55.00 per kilo liveweight, which in turn has increased retail beef prices by @1.00 per kilo. In March 1961, cattle prices were around @40.00 per kilo liveweight. (See Consulate's despatch No.53, item 1, April 6, 1961.)

d. Grapes - Indications are that the almost completed grape harvest will bring a yield slightly larger than initially forecast. Domestic demand for grapes is strong, with prices from @11.00 per kilo upwards.

d. Agrarian Reform - Governor Brizola and President Goulart decided recently to sell part of their farm properties in Rio Grande do Sul to landless farmers. It is stated that prices and terms will be favorable to farmers. President Goulart's offered piece of land includes an area of 1,254 hectares, and Governor Brizola's includes 1,000 hectares.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Indications are that there has been a post-Carnival general

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From PORTO ALEGRE

rise in sales activities covering both retailers and wholesalers, as well as some improvement in collections. Prices of commodities rose during the month owing to the inflationary pressure.

Comparative figures of total sales for February 1962 (latest figure available) and January 1962, and February 1961, are as follows:

(In thousands of Cruzeiros)

<u>February 1962</u>	<u>January 1962</u>	<u>February 1961</u>
38,086,730	26,587,800	25,062,470

Source: Budget Bureau, State Treasury

3. FOREIGN TRADE:

a. Rice - The Soviet freighter "Riongues" called recently in Porto Alegre and Rio Grande do Sul to load 5,700 metric tons of rice. This ship brought a cargo of 12 wild animals destined for a Zoo located in São Leopoldo, near Porto Alegre. The crew members of the "Riongues", which included 6 women, received considerable coverage by the local press.

b. Exports - An increase in exports of pine lumber, hides, rice, and beef has been recorded recently, compared with the same period last year.

c. Cement - Manufacturers of Uruguayan cement recently visited this State and expressed an interest in supplying this area. There is presently a shortage of cement in this State, and local producers seem to be unable to satisfy the requirements of the area. It has been reported that CREE (State Electric Power Commission) has bought 15,000 bags of Uruguayan cement for delivery in the next few days. The price paid for this cement was nearly \$500.00 per 50-kilo bag, which is considered relatively high, but CREE needs this material to continue its construction program of power plants.

4. INDUSTRY, INVESTMENT AND DEVELOPMENT:

a. French-Belgian Investment - It is reported that the French-Belgian group XYLON plans to install a pulp mill in Montenegro, Rio Grande do Sul, seeking to take advantage of the large supply of black Accacia, of which Montenegro is the largest Brazilian producer. Some US\$24 million might be invested in the project. The Consulate will report further developments.

b. State Electrification Program - Power cuts occurred during the month. As the recently inaugurated Charqueadas thermo-electric plant is still on an experimental basis, power cuts for technical reasons have been unavoidable, according to CEE (Comissão Estadual

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de Energia Elétrica). Strong criticism appeared in the local press about the power shortage, which also resulted in a shortage of water. Power rates have been increased 10 percent recently, and are expected to be increased further due to inflation, according to CEEE.

c. Oil Shale - Renewed interest has been expressed in the development of Rio Grande do Sul's potential oil shale deposits. General Hilnor Canguçu of Petrobras arrived in Porto Alegre recently to inspect the area of São Gabriel and start prospecting operations. The Consulate will report the developing situation.

d. The Rio Grandense Light Power Syndicate Ltd. The State authorities have again requested the Federal Council of Water and Electric Energy in Rio de Janeiro to make a favorable and early decision concerning its intention to expropriate the above American & Foreign Power's subsidiary, located in Pelotas. The 50-year contract signed by the State authorities with the American subsidiary will expire on May 17, 1962. The CEEE is now pressing the American company for a reduction in power rates because of the supposedly lower cost of power to be supplied by the new Candiota plant, now in operation in the district of Bage. The details of this intended expropriation have been reported on in previous despatches.

e. Refrigerated Warehouse - It is reported that the Federal authorities have approved a project for expanding Porto Alegre's refrigerated warehouse facilities. Funds amounting to Cr\$7 million will be made available for this project.

5. TRANSPORTATION AND COMMUNICATIONS:

Expropriation of American Telephone Company - In an impasse following the recent expropriation of the local telephone company (IT&T's subsidiary), the State Government has shown no inclination to negotiate over the compensation offered to the IT&T, and has practically left further settlement on this matter in the hands of the State Courts and Federal Government. The injunction filed by the telephone company lawyers has not yet been considered by the State Courts. The Consulate will report on this further. The details of this expropriation have been reported in detail by despatch.

6. FINANCE:

a. Exchange - The Bank of Brazil's fixed official exchange rates during March remained at Cr\$310.00 per dollar buying and Cr\$318.00 per dollar selling for imports, exports and financial transactions.

The "parallel" free market quotations during March strengthened toward the end of the month from Cr\$358.00 per dollar check buying rate, compared with Cr\$368.00 to Cr\$375.00 during February 1962.

Special category dollars sold at auctions during the month

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From PORTO ALEGRE

amounted to \$15,900.00 from a total offered of \$18,600.00, leaving an unsold amount of \$2,700.00. The agio paid was \$662.60 per dollar. No Iron Bloc agreement dollars were sold.

It is reported by a reliable local banking source that exchange activity has picked up somewhat as the result of a large block of cover derived from rice exports.

b. Money Market - It is reported by local banking sources that following the recent Carnival holidays the local money market tightened to the extent of forcing banks to suspend loaning operations. Although a slight improvement has since been reported, available funds are being employed only in the replacement of the maturing discounts of selected clients.

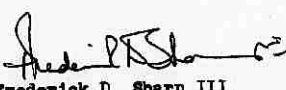
7. LABOR:

Management-labor relations remained quiet during the period under review.

8. MISCELLANEOUS:

a. Important Visitors - On March 19, 1962, the Japanese Ambassador to Brazil, Mr. Keiichi Tatsuke arrived in Porto Alegre for an official visit to the State of Rio Grande do Sul. In a press interview the Japanese Ambassador pointed out that two Rio Grande do Sul products, soybeans, and wool, may interest Japanese importers, depending on the quality and prices, which have to be competitive in international markets. The Ambassador pointed out that up to the present Japan had invested US\$125 million in Brazil.

The Czech Ambassador to Brazil Mr. Miroslav Hruza (or Hruza) arrived in Porto Alegre on March 26, 1962 on an official visit. Official routine calls were made. The Ambassador expressed his country's desire to increase Czech-Brazilian trade and cultural relations. He pointed out that chief Czech imports from Brazil include coffee and cacao; chief exports to Brazil include machinery.


Frederick D. Sharp III
American Consul

cc.: Amembassy RIO

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AIRGRAM

DEPARTMENT OF STATE
(Departmental and Foreign Service)

832.00/41362

A-439 CONFIDENTIAL

TO : Department of State

1962 APR 16 PM 2 39

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : Amembassy, Brasilia Office

DATE: 13 April 1962

SUBJECT: Northeast Resettlement Project

REF : Embtel TOAID 456

Reference telegram reported apparently inspired press stories from Recife taking exception to certain aspects of the Bohan report on problems of the Northeast of Brazil. The probable wide nature of objections to at least one recommendation made therein was indicated in conversation with Deputy Osvaldo Lima Filho, (PTB-Pernambuco) newly elected 1st Vice President of the Chamber of Deputies, now its Acting President. Deputy Lima informed the reporting officer that he was seriously disturbed by the report's unfavorable recommendations regarding the SUDENE project to resettle large numbers of people from Pernambuco in Maranhão to relieve pressures in the former state. When told by the reporting officer that it was his understanding that the recommendation was based on studies indicating that the land in Maranhão is not as fertile as reputed, he admitted that he had not read the report but has asked the Foreign Office for a copy. In any event, he insisted the land in Maranhão is probably Brazil's best for rice culture.

The Deputy's real complaint may be based largely on objections to moving Nordestinos out of the North and Northeast to the South, resulting in what the politicians of the area call depopulation. It may be expected that many Governors, Senators and Deputies will fight any efforts of this nature which in the short run, at least, would result in a decrease in influence of the area on the national scene.

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FORM DS-323

☒ In ☐ Out

Drafted by:

Contents and Classification Approved by:

Clearances:

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Airgram
Brasilia Office

The 1960 census shows a large population increase in many States of the South and stagnancy or insignificant increase in population in the North of the country. A reapportionment bill based on the 1960 census (reapportionment after a census is a constitutional requirement) pending in the Chamber of Deputies the effect of which would be to increase the representation of the southern states heavily, while only slightly increasing the representation of North and Northeast, is finding hard going because of obstructionary tactics by deputies from the North and may not pass in time to affect the October elections.

In view of the foregoing, it may be anticipated that political leaders of the North and Northeast will support resettlement in Maranhão in preference to Goiás or Mato Grosso.

BOND *W*

Distribution: All consulates in Brazil; Amb-DCM; Minecon; Econ, Pol-Rio (5), CF-Rio (3), Brasilia (5), Pol-II.

PRaine/jhm
April 11, 1962

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AIR POUCH		UNCLASSIFIED		For Department Use Only	
HANDLING INDICATOR		812		832-094-1362	
FOREIGN SERVICE DESPATCH				NO.	
FROM : Amembassy RIO DE JANEIRO				April 13, 1962	
TO : THE DEPARTMENT OF STATE, WASHINGTON.				DATE	
REF : CERP C-4				APR 17 1962	
For Dept. Use Only		ACTION		REC'D	
COM-12		10 10 3 7 5 2 2 2		5 3	
4/19		AIR ARMY CIA NAVY OSD OCB USA		75A 8 3	

SUBJECT: MONTHLY ECONOMIC SUMMARY - March 1962

INDEX	Page
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Trade and Industry.....	4
Transportation and Communications.....	5
Minerals.....	6
Petroleum.....	6
Agriculture.....	7
Economic Indicators.....	Enclosure

SUMMARY:

The major economic developments during the month were the publication of the Government's financial and stabilization program, negotiations with the International Monetary Fund to obtain release of stand-by credits negotiated in Washington last May, and the signing of the fourth Title I, P.L. 480 Agreement with the United States. During the month the Federal Government also intervened in the Canadian-owned Companhia Telefonica Brasileira in Rio.

The financial and stabilization program was outlined to Congress by Prime Minister Tancredo Neves on March 23 and draft legislation was submitted for action by Congress. The program is mainly concerned with financing the budgetary deficit estimated for 1962 at Cr\$329 billion. To accomplish this the program proposes postponing some budgetary projects and payment of certain obligations, a compulsory loan through an assessment on income and other taxes, a voluntary loan through emission of Treasury letters, and other measures dealing with changes in the organization of the Finance Ministry. It appears

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U.S. GOVERNMENT PRINTING OFFICE: 1961 O - 812216 (17)

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Disp. No.
From RIO DE JANEIRO

doubtful that Congress will take action on all of the proposals in this election year though legislation directly affecting the budgetary deficit appears to have a good chance of passage. On March 21, the Chamber of Deputies did approve a bill authorizing SUMOC to double present maximum compulsory deposit requirements of commercial banks. The Joint Committee on Profit Remittances completed its hearings in Rio during March and expects to present its views on a substitute bill by the end of May.

The fourth Title I, P.L. 480 Agreement with a value of US \$58.6 million providing for sale of 800,000 metric tons of wheat and 50,000 metric tons of corn for local currency during 1962 was signed in Brasilia on March 15. Of the proceeds of the agreement, twenty percent are to be used for U. S. Government uses. Of the remaining eighty percent, twenty percent will be made available to Brazil in grants and sixty percent in long term loans, with one-sixth of the loan money earmarked for loans to private enterprise.

Business activity during March continued at a seasonally high level expected to last through the next two months. Sales volume appeared to be up about 7% over the previous month and manufacturing activity was also up accordingly.

The cost of living in Rio de Janeiro increased by 2.5% in March compared with a 1.8% increase over the previous month in March, 1961. (SRWeaver)

FINANCE:

Financial activity in the month of March centered around the publication of the Government's financial program which included a stabilization plan, and negotiations with the International Monetary Fund to obtain the release of stand-by credits negotiated in Washington last May. To accomplish the latter, a mission, headed by the Finance Minister went to Washington to present and explain the Government's new stabilization program.

The program was outlined to Congress by Prime Minister Tancredo Neves on March 25 and appropriate draft legislation consisting of twelve separate bills was sent for congressional action. The main features of the program are: a) an economy plan calling for postponement of budgetary projects in the amount of Cr\$60 billion; b) postponement of payment until 1965 of disbursement of existing unpaid obligations in the amount of Cr\$38 billion; c) postponement of payment to the first half of 1965 of current year's obligations in the amount of Cr\$30 billion; d) a compulsory loan through levy of a 20% assessment on income tax to be paid in fiscal year 1962 on company profits, real estate profits and withholding taxes, with an estimated revenue of Cr\$20 billion; e) a voluntary loan through the emission of Treasury Letters amounting to Cr\$90 billion. The Federal Government would thus raise Cr\$238 billion to offset a potential deficit for 1962 of Cr\$229 billion. The Cr\$41 billion not covered by the above measures would be raised through the readjustment of rates for public services, herein

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included rail, merchant marine and postal and telegraph services.

Although the program for stabilization is mainly concerned with the financing of the budgetary deficit, the majority of the twelve bills sent to Congress deal with changes to be introduced in the organization of the Finance Ministry which were deemed necessary for the improvement of the services rendered by that federal agency. The changes would include the consolidation of federal internal funded debt by issuance of securities up to a total of Cr\$150 billion; the authorization to delegate to banks tax collecting responsibility; the establishment of procedures regulating the issuance of federal, state and municipal bonds; the creation of a National Security Division to combat tax evasion, tax and exchange frauds and smuggling; and the establishment of a telecommunication system linking all tax collection points. To complete the financial package, a bill was attached providing for pay increase of military and federal civil service of 40% retroactive to March.

It appears doubtful whether Congress will take action on all of the proposals in this election year. However, some of the pieces of legislation submitted to it, especially those affecting directly the budgetary deficit, such as the voluntary and compulsory loan bills, appear to have a good chance of passage. Passage of the pay raise bill is considered certain.

On March 21, the Chamber of Deputies approved unanimously the bill authorizing SUMOC to double the present maximum compulsory deposit requirements of commercial banks. The approval of this bill is an important element of the stabilization effort and its passage by unanimous vote was looked upon as an encouraging development.

The Joint Committee on profit remittances completed its hearings in Rio during March and returned to Brasilia to take further testimony. It hopes to be able to present its views on a substitute bill by the end of May.

Also during March, the Council of Ministers approved a Resolution for the financing of imports and domestic purchases of newsprint. The financing will be executed by the Exchange Bureau of the Bank of Brazil and will be in force for a maximum period of three years. The measure is considered to be a step backwards from the policy initiated by SUMOC Instruction 204 and will constitute another source of pressure for Bank of Brazil loans. The financing could result in loans for newsprint purchases of about Cr\$4 billion in the first year, if all newsprint users avail themselves of the privilege.

The exchange rate of Cr\$310-318 imposed by the monetary authorities on January 3 was maintained throughout the month of March. According to figures compiled by the Rio de Janeiro Stock Exchange, during March, \$24.7 million were sold in the "unified" exchange market established by SUMOC Instruction 222, whereas sales in the "Cambio" market were reported as \$337 thousand. The corresponding figures for the previous month were respectively \$22.9

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million and \$321 thousand. The rate in the so-called "parallel" market fluctuated around Cr\$360 to the dollar.

Cr\$5 billion was added to circulation during March and the total amount outstanding increased to Cr\$309.9 billion.

The cost of living in the State of Guanabara in March increased by 2.7% over the previous month as compared to 1.8% increase in March last year. (JKrizay-WRLowmeyer)

TRADE AND INDUSTRY:

Business activity continued at a seasonally high level. Retail and wholesale sales in March for the Rio-São Paulo area were up about 7% over February, which in turn was up about 10% over January. Manufacturing activities were also up substantially over the previous month.

According to Conjuntura Economica, the high rate of Brazilian industrial growth in recent years continued in 1961. Preliminary estimates showed that the rate of increase of industrial production in 1961 was the same as for 1960, i.e., 9%. Production of manufacturing industries as a whole was up 8% in 1961 compared to 10% in 1960. There was an expected decline in the rate of increase of certain industrial sectors such as the automobile industry, which increased by 46% in 1959 and 36% in 1960, but by only 11% in 1961. Construction was up 10%, whereas in 1960 it was down 4% from the previous year. Electric power production increased by the same percentage in 1961 as in 1960, i.e., 10%. The mining industry was responsible for a 19% increase in production in 1961, compared to a 9% increase in 1960. Rates of growth of production of manufacturing industries in 1961 were as follows: electrical equipment - 24%, compared with 23% in 1960; petroleum - 22% vs. 19% in 1960; beverages - 16% as opposed to a 3% reduction in 1960; tobacco - 15%, automobile industry - 11%; iron and steel - 11%; textile, cement and leather goods - all 7%; rubber goods - down 13% as compared with a 2% increase in 1960. The displacement of the automobile industry from first place in rate of growth was due to reduced production of heavy trucks, buses and jeeps. Production of passenger cars and utility vehicles, however, increased. The decreased production of the rubber goods industry was due mainly to greatly increased costs of imported raw materials resulting from the exchange reforms of early 1961.

During March announcement was made of three loans totaling US\$34.5 million to the Bank of the State of Guanabara by the Inter-American Development Bank for water supply and sewage systems.

It was reported that the Consórcio Rodoviário Intermunicipal, a company formed jointly by the Goiás State Government's Highway Department and five municipal Governments to undertake road building in the State of Goiás, will import 60 tractors and 30 bulldozers from the Allis-Chalmers Company of Milwaukee under financing arrangements approved by SUMOC. (SHWeaver)

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TRANSPORTATION AND COMMUNICATIONS:

The most important development during March was the intervention in the Canadian-owned telephone company, Companhia Telefonica Brasileira (CTB), by the Federal Government. In a rapid succession of events which started late in the month and carried into April and in which the Governor of the State of Guanabara crossed swords with the Federal authorities, the Brazilian Government by the end of the period was one step closer to ultimate control of inter-state and international telephone facilities.

Earlier, on March 2, Federal Decree No. 640 was issued which set forth the Government's interest in telecommunications by defining them as a basic industry and of especial interest to the promotion of the country's economy and of relevant significance to national security. The National Economic Development Bank (BNDE) was designated the Government's financial agent for the purpose of carrying out the aims of this decree and was authorized to purchase or otherwise obtain the shares of concessionaire companies, and to undertake priority operations for the purpose of developing and re-equipping the industry.

The CTB had been negotiating for some time with the Government of Guanabara and later with the Federal Government for the purpose of arriving at some solution to the problem of increasing telephone services in the State through the formation of a newly-created mixed company whereby the State would become a part owner, presumably a majority one, or would buy out the company completely. While Governor Lacerda was visiting in the United States word reached the State Government that conversations had been going on between the company and the Federal authorities. The State then officially apprised the company, the BNDE, the Bank of Brazil and the National Savings Bank in Rio de Janeiro that any such attempts by these agencies of the Federal Government to take over the company would endanger the company's contractual obligations with the State and would strike at the State's autonomy.

On March 27, Federal Decree No. 790 was promulgated which defined inter-state telephone operations as that provided by a company between two or more adjoining states or by the same company in separate states not necessarily contiguous. Also, it henceforth requires in cases of any change of the corporate structure of a telephone company offering the above services the prior permission of the Ministry of Transport and Public Works as well as of the National Security Council.

The month ended with the abrupt action of Governor Lacerda who, upon the very day he returned from the United States and after calling a special session of the State Legislature, announced the decision to expropriate the CTB in the State on the basis of public utility, necessity and social interest in accordance with the Constitution and state law. (SGAnderson)

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MINERALS:

March was another "quiet" month with respect to minerals, but newspapers continued to publish articles pro and con on the subject of iron ore policy being followed by the Ministry of Minerals (See Monthly Economic Summary for February, Embdes 726 of March 15, 1962). Substantial attention was given to criticism raised by a member of the Legislative Assembly of Minas Gerais, who in a speech against the iron ore policy called it a fatal error.

Considerable publicity was given to a report of a "Work Group" concerning the problems attendant to the exportation of minerals and precious stones. The recommendations would, in effect, if carried out result in a state monopoly for the exportation of precious stones. The primary purpose would be to prevent the admittedly widespread illicit movement of such material with consequent loss of revenue to the Government.

A report of activities of the Companhia Vale do Rio Doce during 1961 was published during the month. The report stated that production of iron ore in 1961 by the company totaled 5,676,184 metric tons including 4,058,603 tons of lump ("run of mine", "pebble", and "gravel") and 1,617,581 tons of fines. This was an increase in total over 1960 of 443,899 tons. Of the quantity produced, 5,008,589 tons were exported. (ALRansome)

PETROLEUM:

Considerable publicity was given in the press during March to reports by Petrobrás of new discoveries of petroleum in Alagoas, (wells TM-2-A1 and TM-3-A1) and in the Recôncavo Basin, Bahia. These reports, though true, appear to reflect either low-yield wells (Alagoas) or petroliferous indications in a known oil-bearing area.

The Mataripe refinery of Petrobrás, in Bahia, continued inoperative during March, reportedly because of technical difficulties with the powerplant. Although the shutdown did not appear to affect seriously available supplies of gasoline, there was a shortage of the higher octane "Azul" type, a large part of which comes from Mataripe.

An advance release of Petrobrás Annual Report for 1961 appeared in "Diário Oficial" of March 9. Highlights in the report were: a) recognition of the problem of industrialization of oil shale, the need to prove reserves and continue development of economic processes for producing oil and gas from shale; b) that the national petroleum industry saved the country in foreign exchange an amount on the order of \$197 million in 1961 compared with \$170 million in 1960; and c) that of 248 wells drilled in 1961 (234 in 1960) 72 were exploratory, 169 development and 7 "special". (Of the total drilled, 15 were in Amazonia, 3 in Maranhão, 14 in Alagoas-Sergipe, 208 in Bahia and 8 in Paraná.) (ALRansome)

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From RIO DE JANEIRO

AGRICULTURE:

Major developments in the agricultural field during March included the signing of the fourth P.L. 480 agreement, a short term shortage of wheat in Rio, the formal presentation of the GERCA Coffee Plan and a critical shortage of some basic food supplies in the Northeast.

The fourth Title I, P.L. 480 agreement providing for sales of 800,000 m.t. of wheat and 36,000 m.t. of corn for local currency during 1962 was signed in Brasilia on March 15. The new agreement for \$58.6 million brings the total of Title I sales of U.S. agricultural commodities to Brazil since the first agreement of November, 1955 to almost \$344 million, including U.S.-financed ocean freight of almost \$39 million. Twenty percent of the proceeds of the new agreement are to be used for U.S. Government uses including agricultural market development and research projects. Of the remaining eighty percent, twenty percent will be made available to Brazil in grants and sixty percent in long term loans (with one-sixth of the loan money earmarked for loans to private enterprise).

The wheat shortage experienced in Rio about mid-March was short-lived due to the diversion of a cargo of Argentine wheat from Santos and the subsequent arrival of two cargoes from the U.S. Argentine wheat contracted for has been slow arriving and resulted in the limitation of bids for the supply of 100,000 m.t. of wheat on March 20 to sources other than Argentina. At that time it was reported that 267,000 m.t. contracted for had not arrived from Argentina.

Only one wheat editel was issued during March. Although it called for 100,000 m.t. only 40,000 was finally purchased - all from the U.S.

The GERCA Coffee Plan providing for the eradication of two billion coffee trees by 1965 and the diversification of the agriculture of the coffee sector was formally presented to the Embassy in late March. It was indicated that presentation would also be made to AID in Washington.

The droughts of last year that affected Northeast food supplies culminated in a rather severe food shortage and spiraling prices about mid-March. This resulted in an immediate request for U.S. food supplies under "Food for Peace" to help relieve the shortages in coordination with Brazil's own efforts. The GOB made use of its own sea and air transportation facilities to move available supplies of rice, beans, cooking oils, manioc flour and dried meat from other sections of the country to the affected area. In addition a Title II agreement was signed on March 23 to furnish 13,000 m.t. of U.S. corn. Four thousand tons of the corn was to be loaded in the U.S. immediately to arrive in Recife about April 16.

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From RIO DE JANEIRO

Latest estimates in March put Brazil's 1962 tobacco harvest at 9% less than the previous year. Heavy rains in the South and a drought in Bahia were the main reasons. Minimum prices to producers were increased another 10%, bringing the total to about 40% above last year's prices. Exports from Bahia in 1961 were almost 40% above a year ago and over 50% above the previous years 1958 and 1959.

Coffee exports through March 31 of the current coffee Marketing Year (7/1/61--6/30/62), were 13.8 million bags compared to 12.6 million during the same period last year. (PMILAM)

For the Chargé d'Affaires a.i.:

Edward J. Bush
Edward J. Bush
Commercial Attaché

Enclosure: *all*
Economic Indicators

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Disp. No. 812
From Rio, Brazil

ECONOMIC INDICATORS

	1961			1962		
	Jan	Feb	Mar	Jan	Feb	Mar
Cost of Living ^{1/} Index (1948 = 100)	866	875	891	1,252	1,279	1,311
Percent Increase Over Previous Month	2.1	1.0	1.8	3.1	2.2	2.5
Sales Tax Receipts						
Billions of Cruzeiros	1.42	1.29	1.59	2.59	2.68	2.82
State of Guanabara	6.49	6.31		9.86	10.66	11.41
State of São Paulo						
Motor Vehicle Production (Units)	10,417	11,330	12,881	10,806	13,365	14,136 ^{2/}
Industrial Consumption						
Electric Power						
Millions of KWH	41.2	39.2	42.3	45.4		378
State of Guanabara	340	533		358		
State of São Paulo						
Civil Construction Licensed						
Thousands of Square Meters ^{1/}	104	158	132	205		
Notes Protested						
Number	2,000	1,600	1,700	1,830	2,075	1,844
State of Guanabara	4,912	4,102		6,408	5,577	5,894
City of São Paulo						
Millions of Cruzeiros	52	43	47	73	75	68
State of Guanabara	113	101		246	201	175
City of São Paulo						
Coffee Exports						
Millions of Bags (60 Kilos)	1.05	1.21	1.51	1.43	1.34	1.35
Bank of Brazil - Last Day of Month						
Billions of Cruzeiros	7,496 ^{3/}	11,455	18,000	3,624	12,000	
Loans to Treasury						
Outstanding Loans to						
Private Sector	178.4	186.4	177.1	285.2	291.1	
Rediscount to						
Commercial Banks	21.8	15.8	19.0	30.6	27.9	
Cash Holdings	8.5	9.7	8.8	11.5	12.3	
Compulsory Reserves,						
Commercial Banks	42.0	43.8	46.3	67.3	69.3	
Outstanding Bank of						
Brazil Letters	14.7			69.3	82.5	
Currency Outstanding	201.6	207.9	214.9	305.0	310.0	

^{1/} State of Guanabara.

^{2/} State of São Paulo only.

^{3/} Bank of Brazil loans to Treasury are recorded on an annual basis, on the basis of SUMOC estimates. Cumulative figures covering past years are of no significance since outstanding Treasury debt is periodically written off.

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HANDLING INDICATOR

FOREIGN SERVICE DESPATCH

FROM : Amconsulate, CURITIBA

52.

NO

APR 19 1962

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 18, 1962

DATA

REF CERP Section C-4

20 For Dept. Use Only	ACTIVITY	INFO	DEP.	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	11
	COM-12			AGR	COM	FRB	INT	LAB	TAR	TR	XMB					
				REC'D	AIR	ARMY	CIA	NAVY	OSD	OCB	USIA	NSA				
4-25-62					1	3						5	3			
					10	3	7	6	2	2	2					
					5	9	3	3		8	3					

SUBJECT: ECONOMIC SUMMARY FOR FEBRUARY-MARCH 1962

I SUMMARY

I SUMMARY

Paraná and Petrobras finally signed a contract for paving of the São Mateus do Sul road and there were indications that the pilot oil shale plant in that city would be ready in twenty months. Ambassador Lincoln Gordon's favorable references to the project during his visit to Curitiba were well received by Paraná officials.

Further signs of progress were seen as Paraná purchased equipment from General Electric for four electric substations in Northern Paraná.

Coffee shipments were good and the cotton harvest is big. Prices rose on many essential items and demands for wage increases became more insistent.

II AGRICULTURE:

1. Coffee:

Nearly 300,000 bags of coffee were shipped from Parana^{gua} during February, and 235,000 bags during March. No statistics are available on shipments from Antonina, Sao Francisco do Sul or Foz do Igua^{çu} but they are believed to have been small.

The President Sergio FRAZAO visited Curitiba in connection with a touring coffee exhibit and was received with something less than enthusiasm. His policies are regarded by many here as "anti-Parana".
cc: American Embassy, Rio de Janeiro
 " , Brasilia

cc: American Embassy, Rio de Janeiro
" " Brasilia

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FORM 56-100 REPORTER

FORM 4-61 **FS-439** GPO 912526

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

FILED
MAY 10 1962

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Disp. No. 51
From AmConsulate, Curitiba

Sources: "Diário do Paraná" - March 2, 1962
"Estado do Paraná" - Feb. 13, 1962
"Gazeta do Povo" - Feb. 11, 1962

2. Lumber

A million cubic feet of lumber were shipped to Europe through Paranaguá on February 5. The major part of the shipment went to England. Although the size of the shipment pleased local lumber circles, increased ocean freight rates to Europe and North America were viewed as a possible obstacle to future expansion of lumber exports.

Sources: "Estado do Paraná" - March 3, 1962
"Gazeta do Povo" - Feb. 6, 1962
"Ultima Hora" - March 3, 1962

3. Other Commodities

The cotton harvest started in March with predictions that 100,000 tons will have been harvested in Paraná by June. The state government has been promoting cotton cultivation through the distribution of seeds and financing measures. It has been doing the same with regard to wheat growing. With favorable climatic conditions a 375,000 bag crop can be expected. According to press reports the State Secretariat of Agriculture is "studying the possibility" of importing 5000 tons of wheat and rye seeds from the Carpathian region of Poland. A number of Polish farmers from the interior of Paraná are said to have requested the Secretary of Agriculture to do so.

The corn crop is also coming to market. Initial transactions showed corn being sold at 1,100 cruzeiros per 60 kilo bag.

Sources: All newspapers

III MINERALS

Oil Shale:

On February 9, Petrobras and the Government of Paraná signed an agreement for the paving of the Curitiba-São Mateus highway. The cost is 500 million cruzeiros, 360 million of which will be borne by Petrobras. The pilot plant in São Mateus will take twenty months to complete and assuming that results are favorable an elaborate (for this area) industrial park will, in all probability, be set up to exploit the bi-products of the oil shale (nitrogen and sulphur, among them).

Sources: "Diário do Paraná" - Feb. 9, 23, 1962
"Estado do Paraná" - Feb. 9, 1962
"Gazeta do Povo" - Feb. 9, 1962

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IV LABOR AND THE COST OF LIVING:

1. Stevedore Strike:

Parana stevedores went on strike from February 24 to 26 in protest against an act of violence reportedly committed by union leader Joao Marques da Silva. Da Silva is said to have shot the leader of a rival union, Adevaldo Marques Barbosa. Da Silva has been accused of embezzlement and the accusation has resulted in his displacement as President of the Sindicato of "Ensacadores". Regional Labor Delegate Miguel Baithmann nominated an interventor to take his place.

Sources: "Gazeta do Povo" - Feb. 25, 27, 1962
"Tribuna do Parana" - Feb. 24, 27, 1962

2. Wage Demands:

Parana secondary school teachers are demanding an increase which would raise their salaries to 33,000 cruzeiros a month, with 16,000 a month for elementary school instructors. An additional 10% for every three years of service is also requested.

Store clerks want a 32 to 58% rise over January 1961 salaries. Employers are offering 18 to 40%, depending on present salaries. No accord has been reached.

The weavers union is also seeking a new salary scale with substantial increases, but, here again, no agreement has been concluded.

Discontent among retired Parana and Santa Catarina railroad workers continues as the result of the Federal Government's failure to pay pensions. The government still owes six months of the 1960 payments, seven months of the 1961 payments and two months of this year's payments. The Federal Minister of Finance and the superintendent of the Parana and Santa Catarina railway have come under heavy attack.

Sources: "Ultima Hora" - Feb. 8, 16, 26, 1962
"Estado do Parana" - March 2, 8, 13, 17, 1962
"Tribuna do Parana" - March 1, 9, 13, 14, 22, 27, 1962

3. Parana Labor Congress:

The Second Parana Labor Congress was held in Curitiba from March 8 to 10 with some 300 delegates in attendance. Motions supporting land reform, profits remittance legislation and expropriation of utilities were passed. Against Communist opposition a "charter of principals" invoking "Mater et Magistra" was adopted.

On March 10 about fifty delegates attending the Congress visited Governor Ney Braga to express their protest against Communist monopolization.

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of the debates, and to inform the Governor that they were considering abandoning the Congress. Mr. Braga told the delegates that abandonment is exactly what the communists want and enjoined them to return to the Congress and make themselves heard. They did and their return appears to have saved the Congress from total domination by the Communists.

Sources: Personal Observation and
"Diário do Paraná" - March 9,13,15,1962
"Estado do Paraná" - Feb.14; March 13,1962
"Tribuna do Paraná" - March 9,13,16,1962
"Ultima Hora" - Feb.8; March 8,10,12,13,1962

4. Cost of Living:

Although there is no reliable statistical organ in Paraná or Santa Catarina there was a very noticeable increase in living costs during February and March. Rice was up about 50%. Fruits and vegetables, milk and meat were also increased. Milk, after rising to 40 cruzeiros a liter, was dropped to 35 by the Paraná Price Control Office. The enclosed table gives cost-of-living statistics for Curitiba.

V TRANSPORTATION AND COMMUNICATIONS:

1. Ports:

Although some dredging work has been done in Paranaguá the access channels remain undredged and dangerous for large vessels. The channels are scheduled for dredging "in the near future" and when the work is completed ships of 25,000 tons will be able to enter the port.

Sources: "Diário do Paraná" - Feb.7,11,1962
"Estado do Paraná" - Feb. 6,11,1962

2. Highways:

A 100 meter section of BR-2 (Curitiba-S.Paulo) caved in during March interrupting traffic for over a week. Other sections of the highway have enormous pot-holes. A dirt detour was hurriedly built allowing the piled-up traffic to pass. Delays of two and three hours are reported innaking the 270 mile trip.

Paraguay, which enjoys "free port" facilities in Paranaguá, is very interested in the construction of BR-35 (Curitiba-Guarapuava-Foz do Iguaçu) which has been underway for about thirty years. Paraná's Secretary of Public Works has been invited to sanction to exchange views on the subject with Paraguayan authorities.

Sources: "Diário do Paraná" - Feb.6,9,13 - March 13,1962
"Gazeta do Povo" - Feb.14; March 17,1962
"Ultima Hora" - Feb.9,16; March 15,1962

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3. Electricity:

COPEL, (Companhia Paranaense de Eletricidade) the Paraná state-controlled electric company, has purchased US\$720,000 in equipment from the International General Electric Company and Cr\$60,000,000 in equipment from General Electric S/A of São Paulo. Payment for the material will be made over a period of five years. Guarantees have been advanced by the Banco Comercial do Paraná and the Banco Mercantil e Industrial do Paraná. The machinery will be used in installing substations in Londrina, Apucarana, Maringa and Alto Paraná. Total capacity of the substations will be 60,000 kilowatts.

Sources: "Estado do Paraná" - March 3, 1962
"Gazeta do Povo" - Feb. 11, 11; March 14, 1962

VI INDUSTRY:

Tractor Factory:

The directors of Deutz do Brasil S/A of São Paulo visited Paraná in early March and spoke with Governor Braga about the possibility of installing a tractor and road scraper factory in this area. The firm already has such a factory in São Paulo and an assembly line in Belo Horizonte. No comments were made about the results of the discussions.

Sources: "Diário do Paraná" - March 3, 1962
"Estado do Paraná" - March 3, 1962

Encl. att. M. M.

George M. Scanlan
George M. Scanlan
American Vice Consul

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GPO 802157

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Desp. No. 54
From: AmConsulate, Curitiba

COST OF LIVING STATISTICS

CURITIBA

April 1962

1) HOUSING (Unfurnished)

Small house for couple (preferred)	} Cr\$20,000,00-25.000,00
Small house for couple (medium preferred)	
3 bedroom house for family (preferred)	} Cr\$35,000,00-40.000,00
3 bedroom house for family (medium preferred)	
Small apartment for couple (preferred)	} Cr\$15,000,00-20.000,00
Small apartment for couple (medium preferred)	
3 bedroom apartment for family (preferred)	} Cr\$25,000,00
3 bedroom apartment for family (medium preferred)	} Cr\$35,000,00

2) UTILITIES

Electric Current - 1st 100 KWH - Cr\$1,80
Gas 13 kilo tank - Cr\$560,00
Telephone - Allowance of 10 calls per month over which
individual pays Cr\$5,00 per call. Average bill 420 cruzeiros per month.

3) EQUIPMENT (Casa Hermes Macedo)

6-1/2 cu.ft.refrigerator - local - MA	
7-1/2 cu.ft.refrigerator - local - Macstar	Cr\$ 62.450,00
9 cu.ft.refrigerator - local (standard) Macstar	Cr\$ 78.000,00
9-1/2 cu.ft.refrigerator - local (de luxe) Kelvinator	Cr\$ 85.200,00
Imported refrigerator - MA	
10-1/2 cu.ft.refrigerator-local (G.E.)	Cr\$121.300,00
11 cu.ft.refrigerator - local (de luxe) Frigidaire	Cr\$107.500,00
11 cu.ft.refrigerator - local (super luxe) Frigidaire	Cr\$122.700,00
Washing Machine (Bendix) - 5 types	Cr\$69.300,00 to Cr\$123.200,00

4) CLOTHING MAINTENANCE

Household Laundry - per kilo - per item
Laundering Man's white shirt - Cr\$50,00
Dry Cleaning man's suit - Cr\$170,00
Re-soling and heeling man's shoes - Cr\$500,00

5) SERVANTS (average sub-Manager)

Housemaid - Cr\$4.500,00
Cook - Cr\$6.000,00
General - Cr\$4.500,00

6) FOOD (Casa Rodolphe Senff)

1 dozen eggs (best) Common - Cr\$140,00 - Granja - Cr\$160,00
1 kg. sugar - Cr\$40,00
1 kg. coffee - Cr\$56,00
1 kg. sliced bacon (Swift) - Cr\$450,00
1 liter milk "Tipe Granja" - Cr\$ 38,00

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- 1 liter milk "Special" - Cr\$ 38,00
- 1 kg. flour - Common Cr\$56,00 - Special - Cr\$80,00
- 1 kg. butter - Cr\$520,00
- Powdered Ninho - 1/2 kg. Cr\$198,00 - 1 kg. Cr\$396,00
- 1 kg. potatoes - Cr\$32,00
- 1 kg. filet mignon - Cr\$170,00
- 1 kg. contrafilet - Cr\$220,00

7) LIQUOR AND REFRESHMENTS (Casa Rodolpho Senff)

- Ballantine Scotch Whisky (liter) - Cr\$3.800,00
- Canadian Club Whisky (rth) - NA
- Seager's Gin (liter) - Cr\$ 248,00
- Beer (Pilsen Extra) - Cr\$ 45,00
- Coca Cola - Small bottle - Cr\$ 15,00
- Coca Cola - Large bottle - Cr\$ 20,00
- Agua Tonica - per bottle - Cr\$ 15,00

8) - MEDICAL

- House Call - Cr\$1.000,00
- Office Call - Cr\$ 700,00

9) - TRANSPORTATION

- Lotação - NA
- Taxi Fare - Cr\$30,00 each meter Cr\$5,00
- License Plates - up to 1,300 kg (new car) up to 100 HP Cr\$850,00 - Cr\$900,00
- License Plates - over 1,300 kg (new car) over 100 HP Cr\$900,00 - Cr\$1.500,00
- Gas - Esso per liter (common type) Cr\$25,00
- Gas - Esso per liter (high octane) Cr\$35,00
- Lubrication - Esso Station - Cr\$470,00
- Tires - 670 x 15 all makes - Cr\$6.919,00 - White Wall - Other Cr\$5.766,00
- Tubes - 670 x 15 all makes - Cr\$1.350,00
- Battery - 15 plates - Cr\$6.640,00

10) - DRUGSTORE (Minerva S/A)

- Kleenax - large box - Cr\$135,00
- Aspirin - per tube - Cr\$100,00
- Colgate Toothpaste - large size - Cr\$144,00
- Palmolive Soap - large size - Cr\$78,00

11) - MISCELLANEOUS

- Cigarettes Carton (Chesterfield) Cr\$1.100,00
- Cigarettes Local (Albany - Hollywood) Cr\$ 450,00 Carton
- Newspapers Cr\$ 10,00
- TIME Magazine Cr\$ 80,00
- Lunch (in moderate rate restaurant) Cr\$ 375,00

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AIR POUCH		UNCLASSIFIED		For Department Use Only	
HANDLING INDICATOR		FOREIGN SERVICE DESPATCH		832.00/4-1962 APR 19 1962	
FROM : Amcongen São Paulo		241		NO.	
TO : THE DEPARTMENT OF STATE, WASHINGTON.		April 19, 1962		DATE	
REF : CERP, C-3					
19 For Repl. Use Only		ACR-5		INSTR	
REC'D		4-30		3	
AIR		ARMY		CIA	
NAVY		OSD		OCS	
USA		WFO		WFO	
DEPARTMENT OF STATE		BUREAU OF		INTER-AMERICAN AFFAIRS	
MAY 2 1962					
SUBJECT: Biweekly Economic Review, April 6 - 19, 1962					

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3. Public Utility--São Paulo Mayor Authorizes Increased Telephone and Gas Rates D-16 A. D. Ventura
4. Social Welfare--Pension Institute to Provide One Billion Cruzeiros for Housing Program in São Paulo D-17 A. D. Ventura
5. Finance--Local Bank Enters Petition in Creditors' Agreement D-12 A. D. Ventura
6. Agriculture--Record São Paulo Cotton Harvest Forecast for 1962 D-10 W. G. Thorburn D-14

1. Industry--São Paulo Motor Vehicle Manufacturers Attend Second Meeting of Brazilian-Mexican Automotive Industries in Mexico

Representatives of the eight São Paulo manufacturers of motor vehicles were members of the Brazilian delegation

Adventura
ADventura/cz

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FORM F5-439 GPO 912596		For Department Use Only - To be Filled In on Yellow Original ONLY	
ACTION ASSIGNED TO: ARA		ACTION TAKEN: No Action	
NAME OF OFFICER: EST/6 June		DATE OF ACTION: 5-2-62	
DIRECTIONS TO RM/R: file			

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Disp. No. 241
From São Paulo

the Second Meeting of the Brazilian-Mexican Automotive Industries, which took place at Mexico City April 9 - 13. As a result of these conversations, it was decided to set up a Working Group of the Brazilian-Mexican Automotive Industries, and an agreement--the Declaration of Mexico--was drawn up, calling for larger Brazilian investments in the Mexican automotive industry and vice versa, within the limits set by Brazilian and Mexican legislation; joint action of the Brazilian and Mexican automotive industries with international financing organizations; creation of a Free Trade Interamerican Consultative Committee; and action by the Brazilian and Mexican Federal Governments to grant maximum facilities to maritime transport between the two countries.

Comment: Representatives of the São Paulo automotive industry are pleased at the interest shown by Mexico in importing Brazilian auto parts for Mexican auto and truck assembly operations, and feel that substantial trade can be developed.

2. Electric Power--Local Companies Bid for Construction Work on Urubupunga Power Project

The call for tenders for construction work on the Jupia power plant--the first phase of the giant Urubupunga power project on the Paraná River--closed on April 16 at the offices of Centrais Elétricas de Urubupunga - CELUSA, in São Paulo. Six bids were submitted by Brazilian companies for construction of a reinforced concrete dam, a spillway, a generator room, floodgates, and a power substation. Bids varied from a low of 5.4 billion cruzeiros to a high of 17.3 billion cruzeiros.

Comment: It will be at least a month before CELUSA completes comparative studies with a view to awarding the construction contracts. The company is still studying bids submitted by foreign groups in March covering the supply and financing of machinery and equipment for the Jupia plant.

3. Public Utility--São Paulo Mayor Authorizes Increased Telephone and Gas Rates

The Mayor of São Paulo signed a decree on April 13 authorizing the city telephone and gas companies to raise their tariffs an average of 27.2 percent and 12 percent respectively. The new rates are effective April 1, 1962.

Comment: The rate increases were authorized to enable the two public utility companies to cover higher operating costs resulting from an across-the-board wage increase of 45 percent granted their workers in March 1962.

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From São Paulo

4. Social Welfare--Pension Institute to Provide One Billion Cruzeiros for Housing Program in São Paulo

Registrations of applications for loans from the São Paulo Workers' Retirement and Pension Institute (IAPF) under the national housing program were opened in São Paulo on April 16. The local Institute has set up a budget of one billion cruzeiros for distribution in 1962 among those of its paying members who wish to acquire their own houses. IAPF financing will be 60 times the minimum monthly wage (which is 13,440 cruzeiros a month in the city of São Paulo). Installment payments by beneficiaries, over a period of 20 years, will be 25 percent of the actual minimum wage. IAPF will thus be able to finance the purchase of at least 1260 popular houses in 1962.

Comment: The São Paulo housing program is part of a nationwide program to extend loans in the value of 32 billion cruzeiros during 1962.

5. Finance--Local Bank Enters Petition in Creditors' Agreement

Banco A. E. Carvalho S. A. of São Paulo entered a petition in creditors' agreement on April 5, 1962. Bank officers state that the bank will pay in full all its creditors on basis of semi-annual payments over a period of two years.

Comment: Local banking circles estimate that Banco A. E. Carvalho S. A. overextended its credit, raised money at usurious rates of interest to meet immediate obligations, and resorted to a petition in creditors' agreement when it was unable to negotiate a long-term loan from the Bank of Brazil. It is believed that the value of deposits with the bank is between 700 to 800 million cruzeiros.

6. Agriculture--Record São Paulo Cotton Harvest Forecast for 1962

Latest reports put the 1962 production of cotton in the Consular District (States of São Paulo, Goiás, and Mato Grosso) at 270,000 metric tons, of which the São Paulo crop is expected to yield 250,000 metric tons. This is the highest production level attained since 1955. The cotton is very high in quality, being about one and a half grades above any of the past four harvests.

The guaranteed minimum price to the farmer is 605 cruzeiros per arroba (33 pounds). However, in previous years, farmers received from ginners from 14 to 50 percent more than the minimum levels. Growers are now asking for 800 to 1,000 cruzeiros per arroba.

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From Sao Paulo

Comment: With the current exchange rate for export operations set at 310 cruzeiros per dollar, and because at least half of the current harvest will be exported, ginners have indicated that they cannot pay more than 700 cruzeiros per arroba, unless the cruzeiro exchange rate is adjusted downward. The expectation that the rate may be revised in the near future prompted arrangements for deferred payment. However, farmers strapped for cash want cash payment.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
Consul

1/ Approximate present free market rate of exchange: Cr\$345 - US\$1.00.

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HANDLING INDICATOR

FOREIGN SERVICE DESPATCH

832.00/4-1962

830

FROM : Amembassy, Rio de Janeiro

NO.

April 19, 1962

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE
APR 26 1962

REF : CERP C-3

19 For Dept. Use Only	ACTION NOV 5	RM/R	REP	AF	ARA	EUR	ME	CU	INR	E	P	IO	18
		COM	FRS	INT	LAS	YAR	YR	XMB					
		AIR	ARMY	CIA	NAVY	OSD	OCB	USA	10	3			
		REC'D	4-28	35	14	20	3	10	3				

SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period April 7 - 19, 1962)

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DEPARTMENT OF STATE
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MAY - 1 1962

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3. Telephone Rates.
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5. Exploration for Salt in Rio Grande do Norte.
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11. Federal Lottery to be Reestablished.
12. New Budget Procedure for 1963.
13. Level of Investment Without Exchange Cover in Brazil.

1. COFFEE EXPORTS:

Coffee exports during the month of April 1962 through the 18th were 268,075 bags compared to 390,283 bags exported during the same period last year.

/Total coffee

ECON:RAGoldstein/lsc

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FS-439
REPORTER

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ACTION ASSIGNED F-5710	ACTION TAKEN no action
NAME OF OFFICE SYMBOL jwu	DAYS OF ACTION 4-1-62
DIRECTIONS TO R/R file	

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From RIO DE JANEIRO

Total coffee exports during the current coffee marketing year (July 1, 1961 to April 10, 1962) were 14,105,367 bags compared to 13,026,823 bags exported during the past coffee marketing year. (LYellouz)

(UNCLASSIFIED)

2. STATUS OF TELEPHONE COMPANY INTERVENTIONS:

The question of the ultimate disposition of the intervened Canadian-owned Companhia Telefônica Brasileira (CTB) and the American-owned Companhia Telefônica Nacional (CTN) in Porto Alegre remained pending throughout the review period.

On April 10 the Federal Government issued Decree No. 881 which would permit it to take part in any legal case involving an intervention, seizure or change in an operating franchise or corporate set-up of a company offering interstate or international services.

(UNCLASSIFIED)

COMMENT: This latest move on the part of the Federal Government appears to be a further step toward eventual take-over of all important telephone systems in the country and to have been taken to strengthen its position should its actions be challenged in court. (SGAnderson)

(UNCLASSIFIED)

3. TELEPHONE RATES:

Despite Federal intervention of the CTB, telephone rates in Rio de Janeiro and the city of São Paulo were raised by the local authorities to compensate for salary increases awarded to the workers, the increase in Rio being 26% and that in São Paulo, 27.2%. (SGAnderson)

(UNCLASSIFIED)

4. BREAK IN FREIGHT RATE STRUCTURE OF BRAZIL FREIGHT CONFERENCE:

Stevedoring charges on certain export products were increased on April 16 when the Council of Ministers, after several suspensions, approved a Merchant Marine resolution of last November which allows the basis of such charges to be changed from that on weight to that on volume.

The members of the Brazil Freight Conference have had to impose surcharges amounting in some cases of up to \$4 per ton to cover these increased costs. The Council of Ministers ruled, however, that such products would be carried by Lloyd Brasileiro at the previous rates, i. e., without the surcharges.

(UNCLASSIFIED)

COMMENT: This amounts to a break in the freight rate structure of the Conference and it is too early to assess the effects on the other members. (SGAnderson)

(UNCLASSIFIED)

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From: RIO DE JANEIRO

5. EXPLORATION FOR SALT IN RIO GRANDE DO NORTE:

According to a press report, a mixed company of considerable size is being formed by SUDENE for the purpose of exploitation of salt in Rio Grande do Norte. Nearly all the present salt producers are participating in the raising of capital for the enterprise in excess of Cr\$1 billion. The company reportedly will be the only salt producer and will enter the national and international market at competitive prices. Ten million cruzeiros already have been released by SUDENE for initial expenses. (ALRansome)

(UNCLASSIFIED)

6. ZINC DISCOVERY:

The Institute of Industrial Technology in the State of Minas Gerais, revealed in a press release that zinc deposits discovered in the municipality of Paracatu are calculated at 35 million tons valued at approximately Cr\$10 billion. The "ore" which reportedly is a 27-percent zinc oxide, is considered highly commercial.

(UNCLASSIFIED)

COMMENT: This is another "discovery" report which probably contains a modicum of truth, based on the source, but also probably has a high "index of exaggeration". Nevertheless any such report, even if watered down considerably, would be of interest and is worth following up. An attempt at verification is being made. (ALRansome)

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7. PETROBRAS TO ENTER PLASTICS FIELD:

The President of Petrobras recently reported to the press that a petrochemical industry to be realized soon in Bahia will be as diversified as possible, and is going to manufacture plastics as raw material for industries to be established there. The inclusion of the plastics plant in conjunction with the petrochemical complex to be constructed, is dependent only on the results of a market survey.

In this same announcement, the president also stated with respect to petroleum developments that: (1) the Querend well in Tucano may be able to produce 400 barrels daily, but it is necessary to pump gas because there is not a good pressure in the well; (2) the rig that drilled the Querend has been removed for drilling in a new nearby location; (3) Petrobras lacks geophysicists and has advertisements in foreign magazines for contracting such technical personnel.

(UNCLASSIFIED)

COMMENT: Mr. Mangabeira continues to publicize the exploits of Petrobras and advertise possible fields for further development. But, it is of particular interest to note the admission of a lower productive rate for Querend than first

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stated (1,440 bbl/day) and that gas pressure is low. This tends to confirm first impressions reported previously. (ALRansome)

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8. WORKING GROUP REJECTS PROPOSAL FOR EXIMBRAS, SUGGESTS CREATION OF ANONYMOUS SOCIETY AND BANKING ORGANIZATION TO HANDLE TRADE WITH BLOC:

A Working Group designated by the Foreign Minister to study Brazil's trade with the bloc has rejected a proposal for the creation of Eximbras, a state entity.

The report of the Working Group, which was presented in a meeting which took place on April 11, 1962, analyzes Brazil's trade with the socialist countries of East Europe, reviews the problems inherent in this trade, and discusses two possible solutions to these problems:

1) the creation of Eximbras, which while not constituting a monopoly, would be of a state nature, and would have as "shareholders" the federal government, the States of the Union, the regional developmental groups, the Bank of Brazil, the BNDE (National Economic Development Bank), and the IEC (Brazilian Coffee Institute). Eximbras, in the interests of expanding Brazil's trade with East Europe, would enter into import and export financing.

The Working Group, in rejecting the proposal for Eximbras, pointed out that despite the substantial difficulties existing in trade between Brazil and the bloc, such trade is developing in a satisfactory manner, and that the creation of Eximbras would not overcome the chief obstacles presently confronting trade with East Europe -- on the Brazilian side, lack of national economic planning, and on the side of the socialist countries, lack of a governmental organ which might serve as a competent "interlocutor" for their trade and diplomatic missions in Brazil. Finally, the Working Group considered that the Creation of Eximbras would be considered superfluous, since there already exist within Brazil's administrative structure, entities capable of dealing with trade with the socialist countries.

2) the second solution to which the Working Group gave consideration, and which is the approach the Group recommends, calls for the creation of an anonymous society, similar to France's National Center of Foreign Trade, made up of representatives of private industrial, banking, importing and exporting groups, which would attempt to promote Brazil's trade with all countries, and particularly socialist countries. Paralleling the creation of this society, there would be formed a banking organization, which could be the Export Bank whose constitution is at this time in legislative process; alternatively, the banking organization could be established in the Bank of Brazil itself, with the restructuring of certain departments (Embdes 821 of April 17, 1962). (BAGoldstein)

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COMMENT: The proposal to create Eximbras, a state entity, has been the subject of severe criticism in the press and on the part of commercial and industrial groups since the plan was first announced in late 1961. Public reaction has pointed out that Brazil's trade with East Europe is not a viable one and that creating a state entity to handle that trade would be useless since such a course of action would result in a margin of statism that would be incompatible with Brazil's economy. Acknowledging the difficulties of Brazil's carrying out transactions with countries having planned economies, critics of Eximbras have pointed out that trade with the bloc -- which, they recommend be kept within reasonable limits -- should be the concern of a private organization, devoted to the development of trade relations with all countries, and not a state organism at the service of the socialist countries. (BAGoldstein)

(UNCLASSIFIED)

9. BRAZIL'S BILATERAL TRADE AGREEMENT WITH SPAIN TERMINATED:

Brazil's ten year trade agreement with Spain expired on April 1, 1962. As a consequence, trade between the two countries will now be conducted within a system of free convertibility. Various provisions with respect to the transition in the trade arrangement were approved by Brazilian and Spanish authorities in negotiations which took place in Madrid.

(UNCLASSIFIED)

COMMENT: The total value of Brazil's trade with Spain from 1951 through 1961 has been approximately \$356,174 with Brazil's imports accounting for \$169,930 and her exports valued at \$186,244. (BAGoldstein)

(UNCLASSIFIED)

10. LAFTA - BRAZIL EXTENDS CONCESSIONS TO PRODUCTS ORIGINATING IN COLOMBIA:

An executive decree, published on April 16, 1962, provides that effective April 1, 1962, the treatment foreseen in the National List of Brazil (LNB), will be extended to the importation of products specified in the List, when they originate in Colombia, a new adherent to the Treaty of Montevideo. (BAGoldstein)

(UNCLASSIFIED)

11. FEDERAL LOTTERY TO BE REESTABLISHED:

According to press reports, the Federal Lottery will resume its drawings next June for the first time since drawings were suspended in August 1961. Tickets will be sold directly to the public by the Federal Savings Banks, as well as by selected vendors. Under the system which existed prior to suspension, the Government contracted with concessionaries assessing the lottery ticket vendors a surcharge and thereby making tremendous illegal profits. (WRIomeyer)

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COMMENT: The execution of the lottery through the Federal Savings Banks will build up a special fund to be used for public works in the municipalities. 70% of the face value of the tickets will be awarded in winnings; 15% will be given as a commission to the Savings Banks and the balance will be deposited in the special fund to be used for water supply and sewage projects, schools and hospitals. Drawings will be held twice a week with 40,000 tickets each yielding Cr\$60 million of which Cr\$42 million (70%) is to be awarded in prizes. The stoppage of the lottery has reportedly represented a loss of revenue to the National Treasury of some Cr\$ 800 million since August 1961, when the lottery under the old system was discontinued. (Wblomeyer)

(UNCLASSIFIED)

12. NEW BUDGET PROCEDURE FOR 1963:

According to press reports, the 1963 budget proposal will be drafted along lines entirely different from those used for previous budgets. The 1963 budget proposal will recommend global appropriations for each particular area or sector (as the Northeast drought area or the São Francisco Valley) instead of breaking up the appropriations by items as roads, dams, bridges and the like. The distribution of the amounts appropriated would be left to the discretion of the heads of the agencies concerned, under the proposed system. (Wblomeyer)

(UNCLASSIFIED)

COMMENT: The new system should constitute an important improvement in the techniques for the preparation of the budget and in particular should provide the Executive Branch with more budget planning flexibility. As a practical matter, under Art. 48 of the Accounting Code the Executive Branch may incur expenditures not appropriated for, for undertakings of urgent necessity. The government thus already has a substantial amount of flexibility in executing the budget. However, the existence in the budget of appropriations for specific projects mostly of a local nature has made it difficult for the Finance Ministry to resist pressures for the release of these funds. The old system made it particularly difficult to carry out economy plans effectively.

The Executive's efforts to achieve a simplified budget will undoubtedly be resisted by the Congress which has always found the detailed budget a useful political tool. (JKrizay)

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13. LEVEL OF INVESTMENT WITHOUT EXCHANGE COVER IN BRAZIL:

Investments licensed by CACEX (Foreign Trade Bureau) as imports without exchange cover under former SUMOC Instruction 113 during March amounted to \$1,400 thousand. The investments were concentrated mainly in the metallurgical sector which received \$909 thousand or 65% of the total invested. The contributing countries were Italy, 33%; United States, 32%; Belgium, 13; and Western Germany, 12%, among others. (Wblomeyer)

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COMMENT: The negative effects on capital inflow resulting from the political crisis of last August and the passage of a rigid profit remittance bill in late November appear to have been overcome, at least as far as imports of equipment without exchange cover are concerned. It will be recalled that the amount invested in January 1962, \$356,000, was the lowest ever recorded since the beginning of the system of importation of equipment without exchange cover. This level was followed by \$2,374 thousand and \$1,400 thousand invested, in February and March respectively, amounts which are more or less in line with the \$2 million monthly average recorded in 1961. (WBlomeyer)

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For the Ambassador

Robert Eskens

Robert Eskens
Counselor for Economic Affairs

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TRADE AND INDUSTRY

During March 1962, there was a slight shortage of basic food items caused by delays in receiving orders placed in southern markets. These orders were filled but ships were scarce and departures from southern ports were postponed. This situation brought about an increase in prices of some items and caused a drop of the sales volume during that period. The supply of vegetables in Belem's market has been adversely affected by two factors. One was the heavy rainfall that damaged the gardens and orchards thus limiting production; the other, is the revised schedule of vegetable prices recently established by the state authorities which the producers do not accept, although it increased the wholesale and retail prices to more than 40%.

Since March 6, 1962 the wheat flour in the Amazon Valley has been rationed. The reason for this rationing is that the wheat mill, Ocim do Brasil S. A., the only supplier of wheat flour to the states of Para and Amazonas and Federal Territories of Amapa, Acre, Rondonia and Rio Branco, had its quota of raw wheat for 1962 cut 35% of the quantity allotted in 1961, or 38,961 tons, by a decision of the Servico de Expansao do Trigo (Wheat Expansion Program). With the increasing consumption of wheat flour in the Amazon Valley, the tonnage now released for this area will be insufficient to meet the needs of the population. It is feared that the shortage of wheat will bring about a "black market".

The Para Commerce Association has taken this matter up with the state authorities and it was planned that a joint committee of the state officials and businessmen of the Amazon Valley will go to Brasilia to discuss this matter with the Wheat Expansion Program and Federal government officials in order that an adequate supply of wheat may be allotted to this region.

At the same/

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From Belém, Para, Brazil

At the same time efforts will be exerted to obtain, as soon as possible, the delivery of 7,700 tons of wheat that constitutes the undelivered balance of the 1961's quota.

There was a shortage of fresh fish in Belém during March and it is foreseen that this situation will go through April. This time of the year is not considered favorable for fishing because the constant rainfall. The state CCAP (Supply and Price State Commission) approved an increase in price of fish delivered by the retailers to the consumers; the increase was 30% over the previous rates. The fishermen demanded an increase of the price of fish delivered to retailers; this was not granted. Most of fishermen then stopped activities in protest. The lack of fish led to a "black market" and small quantities of fish appeared on the market at a price over that officially approved.

No change has been noticed in the situation of credit to industry and business during March, 1962. Promises of credit facilities have been announced by the government credit sources, however, nothing definite regarding this has been established to the present date.

FINANCE

The financial situation of the Amazon Valley during the period under review was tight. The federal government financial sources such as Banco de Brasil (Bank of Brazil), Banco de Crédito da Amazonia (Amazon Credit Bank) and SEVEA (Superintendency of the Amazon Economic Valorization Plan), continue to restrict financing to industry and business although several announcements have been made that measures are being taken to provide funds to several private and governmental activities. Only private financing sources continued to help commerce and industry on a limited basis.

It was announced that the president of the Banco de Crédito da Amazonia (Amazon Credit Bank), Mr. Raimundo de Alcantara Figueira, recently had a meeting with the president of the Banco Nacional de Desenvolvimento Econômico (National Economic Development Bank) Mr. Leocadio de Almeida Antunes, and proposed measures by which both banks will establish a plan to give effective and adequate financial assistance to the small and medium industries of the Amazon Valley. A special section will be established in the Amazon Credit Bank in Belém and Manaus for this purpose. The operations will be carried out in two ways: 1) direct financing from the National Economic Development Bank to the enterprises, the Amazon Credit Bank acting only as an intermediary; 2) operations granted directly by the BNA, but titles discounted by the BNDE. If the program in Belém and Manaus proves to be satisfactory this service will be extended to all BNA's agencies in Brazil, as required.

The Interamerican Development Bank, has extended an invitation to the governor of Para to attend a meeting in Buenos Aires on April 23 to 26, at which time various requests for financing in this state will be studied. The governor and his secretary of finance will attend this meeting.

Transportation

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From Belem, Para, BrazilTRANSPORTATION

It has been announced by the Para state governor that Minister of Transportation and Public Works, informed him of the approval of the project for the construction of a modern port at Icoaraci, seven miles from Belem. The new port will be constructed for use by ocean going vessels since it offers docking conditions at all times regardless of tide. Icoaraci is connected to Belem by highway and railroad. The port of Belem is expected to be re-conditioned and re-equipped so that it will continue to be of service to river boats which do not require great depth to dock in.

Starting March, 1962 the government shipping companies Lloyd Brasileiro and Companhia Nacional de Navegação Costeira, increased the price of fare on their vessels by 100% and 80%, respectively. A ticket Belem to Rio de Janeiro in first class costs now 28 and 25 thousand cruzeiros, respectively.

The "Volta Redonda", a 5,400 tons vessel constructed at the Inhauma shipyard in Rio de Janeiro for the Serviço de Navegação da Amazonia e Administração do Porto do Para - SHAPP, the Belem port authority, has been delivered. The inaugural trip of this vessel is scheduled to leave Rio de Janeiro on April 25, stopping at São Luis (Maranhão), Belem (Para) then proceeding to Manaus (Amazonas). Another vessel of the same size and capacity named "Campo Grande", constructed by the same shipyard, will be delivered soon. These vessels will operate the following line: Porto Alegre (Rio Grande do Sul), Rio de Janeiro (Guanebará), São Luis (Maranhão), Belem (Para) and Manaus (Amazonas).

The directors of the local airline Paraense Transportes Aéreos S. A. are taking steps to establish the line Belem-Manaus which will be useful to this region. The Paraense hopes to be operating this flight by the beginning of May, 1962.

IMPORT AND EXPORTS

In March, 1962 a considerable tonnage of cargo from abroad was received at this port. The shipments consisted of dried milk, fertilizers, cod fish, machinery and newsprint from Europe and United States. Outgoing shipments of Brazil nuts, rosewood oil, black pepper, gums, vegetable seed oils and oil seeds, hides and skins to Europe, Argentina, United States and Japan reached to a high level.

The Moore-McCormack's vessels have changed their schedules; their ships now stop in Belem in their way back to United States from southern Brazil. This change is considered of great advantage for the local exporters.

RECENT VISITORS

Starting on a tour of Brazil, Mr. W. A. Burleson, general manager of the Allis Chalmers Manufacturing Company for the Latin America, arrived in Belem on March 18. Mr. Burleson had the opportunity to visit the Companhia Paraense de Máquinas - CIMAQ - the exclusive distributor of the Allis Chalmers machinery for the states of Para and Amazonas. According to Mr. Burleson statements

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he was impressed/

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From Belem, Para, Brazil

he was impressed with CIAQ's works in this area.

Messrs. Clarence Dauphinot Jr., president, David Beaty III, superintendent and Gilberto Valle de Araujo, director of the Deltec S.A., Investimentos, Credito e Financiamento, recently visited the Amazon Valley. The Deltec maintains an office in Belem and the purpose of this visit was to communication with state governments as well as the industrial and financial circles to see the possibilities of increasing the Deltec's activities in the Valley. The group seemed enthusiastic about the prospects of the economic development of this area.

Edward J. Holway, Jr.
Edward J. Holway, Jr.
American Consul

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

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DELEGATION LOOKING FORWARD TO DISCUSSING BRAZIL SITUATION ESPECIALLY NORTHEAST PROGRAM WITH HINMAN MAY 11. VIEW PROBABILITY OTHER DELEGATIONS WOULD TEND TO SHIFT DISCUSSION TO BROADER PROBLEMS BRAZIL SITUATION WE DO NOT CONSIDER INFORMAL MEETING WITH OTHER DAC DELEGATIONS ADVISABLE NOW. FOR REASONS WHICH FOLLOW, RECOMMEND HOWEVER WASHINGTON CONSIDER SUCH MEETING LATER DATE WHEN US PREPARED TO DISCUSS OVER-ALL BRAZIL SITUATION WITH EUROPEAN PARTNERS.

RMR

1. BRAZIL PROBABLY MOST INTERESTING LATIN AMERICAN COUNTRY TO EUROPEANS FOR BOTH ECONOMIC AND POLITICAL REASONS. THEY ALREADY HAVE STAKE IN COUNTRY BECAUSE OF CONSIDERABLE PRIVATE INVESTMENT AND GOVERNMENT CREDITS.

2. ON OCCASION FEBRUARY MEETING AD HOC COORDINATING GROUP ON LATIN AMERICA ATTENDED BY MOSCOSO, EUROPEANS, ESPECIALLY FRENCH, PRESSED US AS TO WHETHER WE WOULD BE READY DISCUSS BRAZIL IN DAC. WE TOLD THEM WE WOULD NOT BE READY UNTIL APRIL. FOLLOWING THAT MEETING US SIGNED MAJOR AID AGREEMENTS WHICH OCCASIONED COMMENT BY FRENCH REPORTED CEDTO 745 WHICH PROBABLY INDICATIVE FEELING OF OTHER DAC MEMBERS. LATER ASKED EUROPEANS BILATERALLY TO TAKE SHORT-TERM ACTION IN SUPPORT BRAZILIAN STABILIZATION PROGRAM, A REQUEST WHICH HAS ENCOUNTERED COOL RECEPTION IN SOME EUROPEAN CAPITALS.

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Labor Day speech delivered at Volta Redonda (symbol Brazil's "economic emancipation") and awaited as major political pronouncement President Goulart asked Congress for special laws authorizing next Congress amend constitution to enable enactment basic reforms and modification present political system.

Measures urgently needed, according Goulart, include laws controlling cost living, regulation profit remittances, and agrarian, banking, electoral and tax reform. "Many these reforms", said Goulart, "cannot be effectively achieved if 1946 constitution not first changed". Since "constitutional reform usually requires two sessions", Goulart asked present Congress grant candidates to be elected October "powers enabling them promote it".

These powers would also enable new Congress "review our political structure in atmosphere less charged than that of past September. While presidential system had defects, parliamentary system "has some also". What is needed is "not extreme constitutional solutions, but wisely agreed upon formulas, by which excesses corrected and effort made strengthen authority, giving it at same time precise limits and defined responsibilities". These statements suggest Goulart's interest in constitutional reform not to restore presidential system -- under which he would be definitely ineligible re-election -- but rather to obtain more authority under present parliamentary system, which provides for indirect election president by Congress and does not clearly exclude re-election.

It had been wisely anticipated Goulart's speech would represent move to left in order balance his wooing of center during past months.

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From São Paulo

Two of the largest corporations in Brazil--Indústrias Reunidas Francisco Matarazzo S.A. and Sociedade Anônima Indústrias Votorantim published their annual reports for the year 1961 during the period under review. After discussing the political, financial, and economic highlights of 1961, both companies indicated confidence in the continued economic development of Brazil. However, whereas Matarazzo stressed the importance of the Alliance for Progress and the need for Brazil to keep the door open to foreign investments as sources of funds for Brazil's social and economic development, Votorantim advocated austerity and renewed efforts by Brazilians of all classes to achieve the same aims, thereby relegating the assistance rendered by foreign capital to a position of secondary importance. The report advocates a shift of local investments away from nonproductive expenditures to essential production goods and a vigorous export drive. Votorantim also insists that the Brazilian economy must be defended from willful dumping operations and "all occult maneuvers which are severely punished in civilized countries."

2. Foreign Trade--Cuban Ambassador Indicates his Country's Interest in Purchasing Brazilian Motor Vehicles

The Cuban Ambassador to Brazil visited Governor Carvalho Pinto on April 26, when he expressed Cuba's interest in developing trade with Brazil, especially through the purchase of Brazilian passenger cars, jeeps, and tractors.

Comment: According to a prominent local businessman, it is doubtful that significant trade with Cuba can be developed, mainly because Brazil has little need for the few products Cuba can export. This opinion will be put to the test after the ten-member committee from the Cuban Foreign Ministry, which is expected to arrive in Brazil early in May, puts the finishing touches to the Trade Agreement between Brazil and Cuba. Triangular trade between Cuba, the Communist countries, and Brazil may be considered.

3. Industry--Plant to Manufacture Electronic Equipment Inaugurated in São Paulo

S. A. Philips do Brasil, a wholly-owned subsidiary of N.V. Philips Gloeilampenfabrieken of Eindhoven, Holland, inaugurated its new industrial complex at Guarulhos, near São Paulo. The new plant is composed of a metalurgy car unit, a component-making unit, and an assembly shop for electronic and electric equipment, including radio receivers, television sets, tape recorders, and record players and changers. The plant is reported to be the largest of its kind in Latin America.

Comment: The Philips organization has long been established

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in São Paulo. In other plants in the São Paulo area, the company manufactures electric and fluorescent lamps, and lighting fixtures and equipment.

4. Agriculture--Higher Minimum Guaranteed Prices for São Paulo Cotton May Have Adverse Effects on Exports

A presidential decree on May 1 revised upward the minimum guaranteed price on cotton grown in the State of São Paulo from 605 cruzeiros to 760 cruzeiros per arroba (33 pounds) on grade 5 (regular) seed cotton, and from 2,234.20 cruzeiros to 2,731 cruzeiros for type 5 lint cotton.

Comment: The new minimum guaranteed prices were set following pressure exerted by cotton growers. This measure, however, is expected to have some adverse effect on cotton exports as ginners and exporters claim they cannot compete on the international cotton market unless a more favorable exchange rate for cotton export operations is established by the authorities. The present rate is 310 cruzeiros per dollar.

5. Foreign Trade--Sabin Vaccine from Yugoslavia for São Paulo Anti-Polio Campaign

A Yugoslav laboratory was awarded the contract for the supply of three million doses of Sabin vaccine for use in the São Paulo State Government's campaign against poliomyelitis. The Yugoslav firm was chosen after its bid at public tender was deemed more advantageous (13.70 cruzeiros per unit) than offers from British and Belgian laboratories. Other determining factors were short delivery terms (5 days from sight), and the good quality of the product, as ascertained by a representative of São Paulo's Butantã Institute, who travelled to Europe to visit the installations of the three bidders. It is reported that the Yugoslav vaccine will also be acquired by the State Governments of Goiás and Minas Gerais in their anti-polio campaigns.

Comment: The São Paulo anti-polio campaign, which started in January (see item 6, despatch 183 of January 12) is now entering its second stage. While funds covering the cost of the vaccine will be provided by the Federal Ministry of Health, the São Paulo State Government will expend 100 million cruzeiros to vaccinate for the second time some 560,000 children in the city of São Paulo, and another 1.2 million children in the interior of the State.

6. Industry--Tractor Factory Inaugurated near São Paulo

Valmet do Brasil S. A. Indústria e Comércio de Tratores, in which Valmet Oy of Finland holds a controlling interest,

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From São Paulo

inaugurated its tractor-making plant at Mogi das Cruzes, near São Paulo, on April 27. Plant capacity is 4,000 wheel tractors annually. Except for the most intricate parts, 98 percent by weight of the tractor is composed of locally-manufactured parts.

Comment: Although it now officially inaugurates its plant, Valmet started its manufacturing activities nearly two years ago. At first, the company assembled CKD (completely knocked down) tractors imported from Finland. Such imports were discontinued late last year when most of the tractor parts began to be manufactured locally.

7. Foreign Trade--Representatives of the Mexican Electrical Equipment Industry in São Paulo

A delegation of seven Mexican businessmen representing the Mexican electrical equipment industry has been in São Paulo since May 1 on a five-day visit. The Mexicans will study the Brazilian electrical industry with a view to developing trade in electrical products between Brazil and Mexico within Latin America's Free Trade Zone. The visitors met with directors of the Federation of Industries of the State of São Paulo (FIESP) and officers of the São Paulo Association of the Electric and Electronic Goods Industry, and will visit major industrial plants in the São Paulo area.

Comment: In the past few months, Mexico has sent several trade missions to Brazil and has indicated that it plans to expand trade relations with Brazil substantially.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
Consul

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0806

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FOREIGN SERVICE DESPATCH

832.00/5-762

FROM : Embassy, Rio de Janeiro

861

May 7, 1962

TO : THE DEPARTMENT OF STATE, WASHINGTON.

MAY 10 1962

REF : CERP C-3

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period April 21 - May 4, 1962)

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2. "13th Month" Pay Bill Passes Chamber.
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7. Potash to be Produced in Rio Grande do Norte.
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9. Brazilian Iron Ore Policy Considered Successful by Passos.
10. Overseas Navigation Co-ordinating Council Holds First Meeting.
11. Brazil and Bolivia to Improve Transportation Between their Countries.
12. Parand Asks Companhia Telefonica Nacional for Appraisal of its Assets.
13. Developments in Bi-Lateral Air Agreement Negotiations.
14. Soviet Exposition of Industry and Commerce.

1. COFFEE EXPORTS:

Coffee exports during the month of April 1962 were 1,268,898 bags compared to 1,322,459 bags exported during April 1961.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS

MAY 14 1962

ECON:BAGoldstein/lsc

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From Rio de Janeiro

Total exports during the current marketing year (July 1, 1961 through April 30, 1962) were 15,106,190 bags compared to 13,958,999 bags exported during the same period of the last coffee marketing year. (Lyalouz)
(UNCLASSIFIED)

2. "15 MONTH" PAY BILL PASSES CHAMBER:

The Chamber of Deputies passed unanimously and sent to the Senate a bill which would require all employers to pay their employees a Christmas bonus equal to 1/12 of earnings for each month's services during the year. A similar bill was rejected by the Congress last December notwithstanding strong labor union pressure and an abortive red-led strike in São Paulo broken only after prompt action by Governor Carvalho Pinto.
(UNCLASSIFIED)

COMMENT: The press reports that, this year, the bill has the support of President Goulart who reportedly wired his expression of satisfaction to the Chamber upon its passage. If true, this would explain the rapidity with which the measure passed. The bill is considered to have a good chance of passing the Senate, although the necessity for substantial modifications to correct a number of vaguely described provisions of the Chamber version may make it impossible to bring the measure to a vote before intensive election campaigning begins in June.

The bill, if effective this year, would add substantially to pressures for additional credit and make it difficult for the monetary authorities to maintain the limits on credit expansion planned within the stabilization program. A further danger lies in the possibility of the measure being applied to Federal employees thereby adding a further Cr\$20-30 billions to the budgetary deficit. (Krizay)
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3. CHAMBER APPROVES FOUR MAJOR FINANCIAL BILLS:

On May 4, the Chamber approved four major financial bills: (a) a wage increase for public sector employees, (b) authority to issue a compulsory loan, (c) authority to increase the ceiling for Treasury bonds and bills to Cr\$130 billion (the so-called "voluntary loan"), and (d) authority to consolidate the Government's floating debt up to Cr\$150 billion. The wage increase bill provides a basic increase of 40 percent. In addition, the family allowance for each dependent is increased from Cr\$1,000 monthly to Cr\$2,500 monthly, with a provision that the allowance for any dependent in excess of three will be increased to Cr\$3,000 effective January 1, 1963. The wage increase bill would be retroactive to April 1, rather than March 1 as originally contemplated by the Government. However, the increase in the family allowance was not contemplated by the Government and raises the total cost of the wage measure to an amount that is probably at least Cr\$10 billion in excess of the

/Cr\$82 billion

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Cr\$82 billion allowance for wage increases that was calculated as part of the stabilization planning for 1962. The press quotes Tancredo Neves as expressing dissatisfaction with the cost implications of the bill and as indicating that the Government was studying the possibility of using the item veto.

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COMMENT: These four financial bills are all part of the Government's financial proposals that were reported in Embassy Despatch 796 of April 9. As reported earlier, legislation to increase reserve requirements of commercial banks has already been approved. The four bills passed by the Chamber and the bill passed by the Chamber a few days ago providing for a thirteenth month bonus for employees in the private sector will now be forwarded to the Senate. While the Senate tends to be more conservative in financial matters than the Chamber, it is difficult to predict whether in an election year it will be inclined to exert a moderating influence. (RVEKorp)

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4. DOUBLING OF COMPULSORY BANK RESERVE REQUIREMENTS APPROVED BY CONGRESS:

On last April 26, Congress approved the bill passed by the Chamber of Deputies on March 22, 1962 authorizing SUMOC to double the compulsory reserves of Commercial Banks. The bill was one of the key elements in the Administration's Stabilization Program.

(UNCLASSIFIED)

COMMENT: The increase in compulsory reserves of Commercial Banks is one of the elements of the Government's financial program, designed to bring inflation under control. It should be pointed out that an increase in compulsory reserves will not necessarily generate additional funds which could be used to offset the budgetary deficit, since banks may increase their reserves by subscribing to the securities the government hopes to issue, if the voluntary loan bill is passed. It is expected that all of the increase in commercial bank reserves will take this form in view of the attractive features to be offered by these securities as compared to the deposits to the account of SUMOC. (see Embdes 796, April 9, 1962).

An additional consequence of this law is that it will reduce the participation of Commercial Banks in lending and investment activities in relation to the Bank of Brazil, which is not affected by the act. (WELowmeyer/JKrizay)

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5. 1963 FEDERAL BUDGET:

The proposal submitted by MASP to the Cabinet of Ministers for the 1963 Federal Budget Proposal forecasts a Cr\$300 billion deficit. Revenue was

/estimated at

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estimated at Cr\$590 billion and expenditures were placed at Cr\$800 billion, leaving a Cr\$210 billion deficit to which an additional Cr\$90 billion in pay raise costs would be added.
(UNCLASSIFIED)

COMMENT: The prospects for the 1963 Federal Budget as presented by the budget proposal are even more discouraging when one takes into account that, in the execution of this year's budget, some Cr\$118 billion of postponed payments will be carried over to the first half of 1963. With this carry over, plus increasing costs not accounted for in the DASP estimate (i.e. pay raise costs expected to exceed Cr\$90 billion on an annual basis), the potential cash deficit in 1963 could run well over Cr\$400 billion, as compared with Cr\$329 this year. (WBlomeyer/JKrizay)

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6. NEW BRAZILIAN-SOVIET TRADE AGREEMENT BEING NEGOTIATED:

The Soviet Minister of Foreign Trade, Nicolai Patolitchev, presently visiting Brazil for the inauguration of the Soviet Industrial Exposition, has been meeting with Brazilian Foreign Minister San Tiago Dantas and other officials for discussions on a trade agreement to be signed shortly by the two countries. The new agreement will become effective upon the expiration (December 31, 1962) of the trade agreement now in force.

According to the press, the Soviet Minister will not be able to sign the new agreement during his visit, as had been hoped, because of insufficient time to complete necessary studies and other preliminaries; it is expected, however, that at the conclusions of negotiations next week, a protocol will be signed which will include new lists of products to be exchanged and which will serve as a basis for the new agreement.

(UNCLASSIFIED)

COMMENT: Patolitchev's announcement that bilateral trade between Brazil and the USSR, currently running about US\$40 million a year, could be increased to US\$100 million seems especially optimistic in view of the rather discouraging assessment of Brazil-USSR trade relations, made earlier by the Chief of the Soviet Trade Delegation in Brazil, Viktor Azov, and in view of increasing public reaction to "the truth about trade with the Soviet Union" (see Embdes 837 of April 24, 1962). (BAGoldstein)

(UNCLASSIFIED)

7. POTASH TO BE PRODUCED IN RIO GRANDE DO NORTE:

According to a press report, an important project of Companhia Comercio e Navegacao which operates Salina Unidas (salt mine) at Macau, Rio Grande do Norte, has just been completed in the planning stage. The company expects to obtain 5,000 metric tons of potassium chloride (muriate of potash), 60,000 tons of gypsum, and 45,000 tons of magnesium hydroxide and oxide from the processing of 500,000 tons of salt and 125,000 tons of limestone annually.

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COMMENT: Inasmuch as Brazil lacks potash among the three basic fertilizer materials, any development towards filling the demand is particularly important. This project appears worthwhile and bears watching. (ALBansome)
(UNCLASSIFIED)

8. SALT TO BE IMPORTED FOR THE ALKALI INDUSTRY:

The National Association of the Alkali Industry has requested the Minister of Industry and Commerce that imports of about 30,000 metric tons of salt be permitted within a five-month period until Brazilian salt producers may be able to supply the product in accordance with technical requirements of caustic soda producers. These producers may have to shut down operations owing to a shortage of salt having a required magnesium content reportedly obtainable only after a treatment period of 6 months. Because the salt mines of Rio Grande do Norte were practically destroyed by floods last year, the salt producers are now delivering "green" salt which is inadequate for alkali production.

(UNCLASSIFIED)

COMMENT: The Brazilian Salt Institute has been against the plan of importation, using the argument that such a step is not necessary. (ALBansome)
(UNCLASSIFIED)

9. BRAZILIAN IRON ORE POLICY CONSIDERED SUCCESSFUL BY PASSOS:

Minister of Mines and Energy, Gabriel Passos, considers the successes within the framework of the iron ore policy one of the highest points in his career in the Ministry of Mines. Cia. Vale do Rio Doce has developed so much that it will soon have its own fleet to export the ore. He goes on to state that it is necessary for iron ore exports to be made through CVRD (a State enterprise) which will not take profits out of the country. If the Government allowed exports to be made by foreign companies, profits would leave the country with the iron ore and leave only holes indicating exhausted mines. Reportedly he stated also that export orders obtained by CVRD alone show that the iron ore policy is right.

(UNCLASSIFIED)

COMMENT: These statements purportedly were made by Passos following his return to active work after surgery. Specific details regarding the surgery or the true state of his health have not been ascertained. The "horn blowing" regarding the iron ore policy follows a previously prescribed pattern. Judging from comments from a variety of sources, the mining industry's "wait and see" attitude may turn into a "give up and go home" retreat in certain quarters unless a change in policy is forthcoming. (ALBansome)

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10. OVERSEAS NAVIGATION CO-ORDINATING COUNCIL HOLDS FIRST MEETING:

The Overseas Navigation Co-ordinating Council (CCNE), which was established by Decree No. 549 of February 1, 1962 (despatch 811, April 13; BMER, Embdes 615 of January 30, 1962), held its first organizational meeting on April 26, 1962.

(UNCLASSIFIED)

COMMENT: It is reliably reported that the Minister of Transport and the President of the Merchant Marine Commission in prepared statements declared that the GOB should determine ways by which Brazilian ships could obtain a greater share of cargoes to and from Brazil. (SGAnderson)

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11. BRAZIL AND BOLIVIA TO IMPROVE TRANSPORTATION BETWEEN THEIR COUNTRIES:

The Ministers of Foreign Affairs of Brazil and Bolivia held several meetings to discuss mutual problems and in a joint communiqué issued on April 26 agreed on several steps to be taken by both countries. Regarding transportation it was decided that a joint technical committee should be established to study the over-all transportation system existing between their two countries. This committee will start working within 30 days after the Brazilian Government submits a report on the matter to the Bolivian Government. The Brazilian Government has suggested to the Federal Railroad Network (RFFSA) that it hand over to Bolivia 15 steam locomotives and it asked the BNDE (Banco Nacional de Desenvolvimento Economico) to study the possibility of financing the acquisition by the Bolivian Government of Brazilian-made railroad equipment. As to fluvial transport, it was decided to implement the preliminary protocol on permanent navigation of Brazilian-Bolivian rivers which are part of the Amazon system, which has already been ratified by the Congresses of both countries. There will be established a special committee provided for by article 1 of that document, and Brazil will open a special credit of 10 million cruzeiros for the purpose. Referring to air transportation it was decided that negotiations should be undertaken to implement the existing agreement with a view to establishing as soon as possible services between La Paz, Rio de Janeiro and São Paulo.

(UNCLASSIFIED)

COMMENT: The establishment of better transportation between Brazil and Bolivia will give the latter country an outlet to the Atlantic as a counter-weight to its current difficulties with Chile. (SGAnderson)

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12. PARANÁ ASKS COMPANHIA TELEFÔNICA NACIONAL FOR APPRAISAL OF ITS ASSETS:

Governor Ney Braga of the State of Paraná requested the Companhia Telefônica Nacional (which also owned the recently expropriated telephone company in Porto Alegre) to submit a report estimating its assets for the purpose of expropriation. The firm's concession covers services in 84 municipalities in the State and the director of the company informed the press that

/the expropriation

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the expropriation of the firm's assets would cost approximately 2 billion cruzeiros. The Company has replied to the Governor asking for a delay in the date of submission of such an estimate in view of the imminence of a solution to the problem of general take-over of all foreign-owned telephone properties in the country by the national government. (SGAnderson) (OFFICIAL USE ONLY)

13. DEVELOPMENTS IN BI-LATERAL AIR AGREEMENT NEGOTIATIONS:

The 1947 bi-lateral air agreement between the Scandinavian countries (SAS) and Brazil which had been denounced last November and which had been under negotiation for renewal, was extended until next October at which time conversations will be resumed. In the meantime SAS will be permitted one flight a week for the transport of passengers between the Scandinavian capitals and Rio de Janeiro. The Directorate of Civil Aviation (DAC) has scheduled negotiations with the following countries: Netherlands (it is expected that KLM will be granted rights similar to those given to SAS), Switzerland (Panair wants to resume flights to Zurich), France (question of capacity), Italy (problem of routes), Argentina (the agreement of 1948 was never approved by the GOB and should be finalized and with Panama).

(UNCLASSIFIED)

COMMENT: In the case of Panama, following the Latin American Regional Civil Aviation Conference (CRAC) in Bogota last February VARIG requested passenger privileges in Panama on its route up the west coast of South America to Mexico and California. The Panamanian Government in return requested equal rights to Rio de Janeiro for Aerovias Panama Airways (APA). The Brazilian Government reluctantly granted such rights on a provisional basis pending negotiations for a bilateral agreement which should take place within 8 months from the CRAC Conference. (SGAnderson)

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14. SOVIET EXPOSITION OF INDUSTRY AND COMMERCE:

The Soviet Exposition of Industry and Commerce (see ENER Embdes 756, March 26, 1962) was opened as scheduled on May 3 by Soviet Foreign Trade Minister N. S. Patolichev and Soviet Ambassador Tchernichov in the presence of Foreign Minister San Tiago Dantas, Minister of Commerce Ulysses Guimarães, Guanabara Governor Carlos Lacerda, Pernambuco Governor Cid Sampaio, and a host of other Federal and State officials. Others prominent among the 2,000-odd opening ceremony guests included veteran communist leader Luis Carlos Prestes and his daughter Anita.

Patolichev, in a statistics-spattered speech, took cognizance of the fact that few Brazilians know the USSR or its products, stressed that the Exposition had brought the USSR to Brazil for the first time, and added that it was the USSR's hope that the Exposition would herald increased and close commercial ties between the two countries.

/President Goulart

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President Goulart, accompanied by his small son, and Prime Minister Tancredo Neves visited the Exposition for an hour on May 5.

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COMMENT: The opening ceremony was held under a downpour of rain that all but drowned out the speakers and caused the Soviet Ambassador to cast frequent and anxious glances at the pavillion's ceiling, on which moisture spots had appeared. Comments overheard among the diplomatic contingent included one murmured "Deus é Brasileiro" (God is a Brazilian). Tchernichov gently chided Ambassador Gordon the next day about the "American rain" that began pouring down just at opening time.

Foreign Minister Dantas, who did not speak, sat somberly and silently through the proceedings and left immediately after the speeches. Lacerda, who was led by Patolichev on a conducted tour of the exhibits, remained singularly (and no doubt deliberately) unimpressed. He gently refused a souvenir linotype slug of his name in Russian which a Soviet linotypist had made for him on the spot. President Goulart also rejected souvenirs, although his son left with an armful.

To American eyes, some of the many exhibits (space equipment, industrial scale models) are interesting but far from overwhelming; some (books, theatre arts) are dull and unimaginative; others (consumer goods, fashions) are pathetic. Comments heard from Brazilian viewers indicate that local feeling, at least among sophisticated or relatively sophisticated Brazilians, is one of overall disappointment coupled with superiority. Brazilians seem to feel that they themselves could have put on a better, showier exhibition, particularly as concerns consumer goods, automobiles and much of the industrial equipment shown. Women seem to find the fashion show ridiculous. The space exhibit does not seem attractive enough to overshadow deficiencies in other areas.

On the other hand, some of the comments written in the Exposition's guest book seem to indicate that a moderate number of the estimated 20,000 visitors a day are favorably impressed.

Press coverage has been restrained, stressing the personalities of visiting Brazilian dignitaries rather than the exhibits themselves, and editorial comment has so far been minimal.

/The Embassy's overall

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PORTO ALEGRE

83
NO.

May 8, 1962
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, C-4

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SUBJECT: Monthly Economic Summary - Rio Grande do Sul - April 1962

1. Agricultural Developments
2. Domestic Trade and Commercial Activity
3. Foreign Trade
4. Industry, Investment and Development
5. Transportation and Communications
6. Finance
7. Labor
8. Miscellaneous

FILED
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SUMMARY

April weather was reported favorable to agriculture. The rice harvest is in full swing. Bank of Brazil assures financing of current rice crop. Hog prices have shown a downward tendency. Bank of Brazil promises financial assistance for expansion of soybean industry. A general increase in turnover is reported by wholesalers and retailers. The Rio Grande do Sul Meat Institute announces an exportable beef surplus. Two Uruguayan firms interested in moving their plants to this State. Japanese and local Government officials discuss possibility of installing small and medium Japanese industries in Rio Grande do Sul. Industry and commerce leaders in Novo Hamburgo and Caxias do Sul concerned about current credit restrictions in those areas. The Charqueada thermal plant, near Porto Alegre generates 36,000 Kw. Telex system inaugurated between Porto Alegre and Rio de Janeiro. The "parallel" free market foreign exchange value of cruzeiro continued to strengthen during April. Little change is reported from previous month in local money market. Management-labor relations remained relatively quiet. Sanitation improvements planned in Rio Grande do Sul by Federal Government. Officials

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visits made to Rio Grande do Sul by Ministers of Labor and Navy. Porto Alegre Municipal Government reports small surplus in 1961 budget.

1. AGRICULTURAL DEVELOPMENTS:

a. Weather Reports - The weather in April remained favorable to agriculture.

b. Rice - Harvesting is reported in full swing under excellent conditions. IRGA's (Rio Grande do Sul Rice Institute) basic purchasing price has been set at \$1,300.00 per 50-kilo bag of rough rice. The Financing of Rio Grande do Sul's current rice crop has been assured by the Bank of Brazil, although it will only finance on the basis of \$1,111.70 per bag. In view of this, it is stated that IRGA plans to pay growers \$1,000.00 at sight for each bag of rough rice, and pay the balance of \$300.00 at 120 days. Under this plan IRGA is confident that it can secure all the financing it needs for this year's rice crop, approximately \$5 billion. In fact, IRGA believes that buyers may offer more attractive prices to the growers, thus reducing the volume handled by IRGA. Reports continue to indicate sharply reduced rice crops in most of the rest of the country, and the exportable surplus of this commodity for the current year will probably be insignificant. According to local trade sources, the export price of milled rice is presently above international market quotations.

c. Hog Industry - Recent wholesale hog prices to breeders showed a downward tendency; the average price last February being \$87.80 per kilo liveweight, compared with March's average price of \$81.90. Producers attribute this drop to speculation on the part of middlemen, because the market prices of pork products have not decreased.

d. Soybeans - After a recent visit to the soybean producing areas of Rio Grande do Sul, the Director of the Industrial Department of the Bank of Brazil promised to study the problem of financing the local cooperatives to expand production and facilitate the marketing of soybeans. A projected plan would also include the financing of two soybean oil refineries. It is interesting to note that soybean production is growing in importance, while wheat production in the State has dropped drastically.

e. Milk - Prices of milk to the consumer were increased in April from \$23.00 to \$27.00 per liter in Porto Alegre. Milk producers stated that the high prices of cattle feed were responsible for this increase.

f. Agrarian Reform - The situation in Rio Grande do Sul now appears to be that of watchful waiting. Landless farmers are expecting allocations of land from the areas recently expropriated

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by the State Government. Such expropriations have been previously reported on in detail by despatch. The local Federation of Rural Associations of Rio Grande do Sul (FARSUL) has now publicly opened fire on the Governor of the State, blaming him for rural unrest and agitation.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Retailers and wholesalers report a general increase in turnover in both physical volume and cruzeiros. It is also reported that trade bill collection delays, in general, appear less frequent. It is believed that suppliers are exerting increasing pressure for liquidation of past due receivables. During the week preceding the Easter holidays, the State, particularly Porto Alegre, was visited by a great number of Uruguayan tourists on a buying spree. It is estimated by the local retail trade that Uruguayan tourists spent nearly \$1 billion in Porto Alegre during the holidays.

Comparative figures of total sales for March 1962 (latest figure available) and February 1962, and March 1961, are as follows:

(In thousands of cruzeiros)

<u>March 1962</u>	<u>February 1962</u>	<u>March 1961</u>
42,058,590	38,086,730	25,030,528

Source: Budget Bureau, State Treasury.

3. FOREIGN TRADE:

The Rio Grande do Sul Meat Institute reports that this year there is an exportable surplus from this State of 30,000 metric tons of frozen and canned beef. However, it is reported that the local packing houses Swift, Armour, and Anglo have not yet started their slaughtering for export because of apparently lower prices prevailing in international markets.

4. INDUSTRY, INVESTMENT AND DEVELOPMENT:

a. Uruguayan Investments - Uruguayan representatives of a firm making plastic venetian blinds, visited Porto Alegre recently and expressed an interest in moving their plant to this area. The firm's equipment is valued at US\$32,000.00, and there is additional equipment on order from Italy, which would increase production capacity to approximately 12,000 square meters per month.

A group of Uruguayan manufacturers of bottle caps is also interested in selling and moving its factory from Montevideo to Rio Grande do Sul. Representatives stated that manufacturing equipment

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will be installed, ready for operation, at a price of about US\$200,000.00 - payment acceptable in cruzeiros. The Uruguayan industrialists are also ready to participate in the venture with 1/3 of the capital invested, the remaining 2/3 of the capital to be controlled by local industrialists. Production capacity is claimed to be 530,000 bottle caps per day.

b. Japanese Investment - The State Secretary of Economy, who recently returned from a trip to São Paulo, stated that while in that city he was approached by officials of the local Japanese Technical and Industrial Cooperation Office. The Japanese expressed an interest in studying the possibility of installing small and medium wool, rice and coal processing industries in Rio Grande do Sul. The State Secretary plans to invite to Rio Grande do Sul the Japanese Trade Mission which is scheduled to visit Brazil in May.

c. Leather Industry - Due to local credit restrictions, tanners located in the area of Novo Hamburgo have appealed for financial assistance from the Bank of Brazil to facilitate the purchase of needed hides from frigoríficos and jerked beef establishments in the State.

Likewise, industrial and commercial leaders of Caxias do Sul have appealed for financial assistance from the Bank of Brazil, due to rigid credit restrictions in that important area.

d. Refrigerated warehouse - The installation of a refrigerated warehouse is contemplated in Caxias do Sul. The Minister of Agriculture visited that city recently and stated that the required funds would be made available to start construction work on the warehouse.

f. State Electrification Program - An additional hookup of equipment generating 18,000 Kw. was recently announced at the Charqueadas thermal plant, near Porto Alegre. This plant is now able to generate 36,000 Kw.

f. Firms Responsible for Primary Education - Governor Brizola signed a decree on April 6, in accordance with the provisions of Federal law, requiring that companies with more than 100 employees must provide free primary school education to workers and their children.

5. TRANSPORTATION AND COMMUNICATIONS:

a. American Telephone Company - On April 18 the local expropriated CTN (IT&T telephone subsidiary) was officially integrated into the Cia. Rio Grandense de Telecomunicações (CRT), the mixed telephone company controlled by the State Government. The details of this action were reported in previous despatches. The State courts are expected to make a decision in May on the injunction filed by CTN's

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lawyers.

b. Telex System Links Porto Alegre and Rio de Janeiro - A telex system linking Porto Alegre and Rio de Janeiro was inaugurated on April 3 by Governor Brizola. The system is said to be capable of accommodating up to 360 messages a minute. This is part of the effort of the Federal Government to increase the number of telecommunication channels linking the principal areas of the country.

6. FINANCE:

a. Exchange - The Bank of Brazil's official exchange rates during April remained at \$310.00 per dollar buying and \$318.00 per dollar selling for imports, exports, and financial transactions.

The "parallel" free market quotations during April strengthened to \$348.00 per dollar check buying rate toward the end of the period, compared with \$358.00 in March 1962.

Special category dollars sold at auctions during the month under review amounted to \$9,100.00 from a total offered of \$24,800.00, leaving an unsold amount of \$15,700.00. The agio paid was \$662.60 per dollar. No covenant dollars were sold.

Despite restrictive exchange controls, local banks have been able to secure small amounts of exchange cover.

b. Money Market - Local banking sources report that, basically, there has been little change from the previous month in the local money market. Banks continued to limit loaning operations to discount of self-liquidating trade bills for selected clients, and are maintaining conservative cash positions in view of the expected increase in SUMOC compulsory deposit requirements.

7. LABOR:

Management-labor relations remained relatively quiet during April.

8. MISCELLANEOUS:

a. Rio Grande do Sul Construction Projects. It is reported that Rio Grande do Sul will shortly begin work on construction jobs amounting to \$1 billion. The Federal Department of Public Works and Sanitation (DNOS) is planning work for the following construction jobs: 1) the Vacacai-Mirim Dam, 2) the Maestra Dam near Caxias do Sul, 3) irrigation canals for a mobile dam near Camaqua, 4) dredging and improvement of the Sinos River, 5) channeling and improvement of the Sapiranga Creek, 6) continuation of channeling and improvement of the Pepino Creek in Pelotas, and 7) execution of topographic and hydrographic projects and studies throughout the entire State. The Consulate will report further on the above projects as they firm up.

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b. Important Visitors - On a recent visit to Rio Grande do Sul, the Minister of Labor mentioned that the Federal Government is greatly interested in a National Housing Project for Brazil, which contemplates the construction initially of 100,000 houses in the country in 1962. He also stated that it is planned to use Alliance for Progress aid for this project.

c. Municipal Government - The Porto Alegre Municipal Government's 1961 budget was balanced, and even showed a small surplus of \$45 million, according to the Mayor of Porto Alegre. As reported in the press, this is considered remarkable, since previous Municipal administrations have always shown large deficits. It should also be noted that Municipal property taxes for 1962 were raised by approximately 40 percent.


Frederick D. Sharp III
American Consul

cc.: Amembassy RIO

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SUBJECT: BRAZILIAN NATIONAL ACCOUNTS.

Additional copies can be obtained if the Department or other Washington agencies desire.

John Krizay
Second Secretary of Embassy

Approval: Robert Eakens
Robert Eakens
Counselor for Economic Affairs

Encl. six (6) copies - "Revista Brasileira de Economia".

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TO	THE DEPARTMENT OF STATE, WASHINGTON.											11 MAI 1962				
REF																
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SUBJECT: ECONOMIC SUMMARY - Minas Gerais - April 1962

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1. MINERALS
 - a) Certainties and Uncertainties about the Future of Mining in Minas Gerais
 - b) Usiminas - Financial Problems
 - c) Nickel Production in Minas Gerais
2. COFFEE

Brazilian Coffee Institute Approves Soluble Coffee Production
3. THE COST OF SCHOOLING
4. FINANCE

Banco do Desenvolvimento de Minas Gerais-BDMG

(BEGIN OFFICIAL USE ONLY)

1. MINERALS -a) Certainties and Uncertainties about the Future of Mining in Minas Gerais

Foreign mining circles in Minas Gerais have invested themselves with a general air of gloom. The problems are old: the Government is giving preferential treatment to companies

cc. Couns. for Cons. Affairs/Rio de Janeiro
 Anembassy/Econ Section/Rio de Janeiro

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From Belo Horizonte, Brazil

which are wholly national; transportation facilities are denied to foreign companies; claims filed remain unregistered and no new mining permits are issued. All this somehow seems much worse when the name of the Minister of Mines and Energy, Gabriel Passos, is invoked. Mining circles are only too familiar with his hostility and his plans to concentrate a greater degree of control in his Ministry (See Gondes #24, April 11, 1962).

In April and early May the mining companies have witnessed a great deal of new journalistic activity surrounding the long standing desire of the State of Minas Gerais to obtain a larger share of the profits from mining (See this Despatch, USIMINAS). Although the press battle was purely political and none of the foreign mining companies is directly involved, it is just one more indication of the confused circumstances under which they must operate.

Against this background of obstruction and confusion there is little evidence of increased activity in foreign mining circles. Staffs are small and there is much talk of "getting out". Prospects are belittled with discussion of the unfavorable location of the deposits, decreasing interest in high grade ores, and the depressed world market. But the ores are fabulous and most will probably hang on so as not to lose their rights.

Two methods of reducing losses or turning a profit, subcontracting and diversification, seem to offer good prospects. The first is achieved by operating through small Brazilian firms. Companhia Mineração Novalimense (Hanna) has for some time leased parts of its property so that, in conformity with Brazilian laws governing retention rights, all its holding would be worked every year. According to Hanna's chief representative here, there is a new plan now going into operation whereby the Brazilian companies leasing the properties will resell their ores to Hanna after shipping them to Rio. This will get around the difficulty Hanna has had in getting permission to load its own ores aboard railroad cars.

Mueller Company (Netherlands), a large iron ore exporter, also depends on Brazilian firms for its profits. The Company itself operates at a net loss but this is more than counterbalanced by the profits made through Brazilian companies in which it owns a minority interest and for which it provides technical assistance and marketing facilities. Mueller has now decided to diversify. Following the recent visit of one of its home office directors, the decision was made to make a major investment in tin extraction and smelting near São João del-Rei. Because of the relatively higher value of the ore per pound, transportation offers less of a problem than with iron ore -- if necessary it can be flown from mine to smelter and from smelter to port. There is a large enough national market to absorb all production during the initial stages (the goal is self-sufficiency in five years) and the national market will doubtless be protected

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against any fluctuation in the world market or against high production costs here. Mueller sees the possibility of eventually putting its tin on the world market as the ore itself is competitive under "normal" conditions.

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MINERALS-b) Usiminas - Financial Problems

At the close of the reporting period, USIMINAS, the Brazilian-Japanese steel mill scheduled to start production during the second half of 1962, obtained assurance that it would receive from the BNDE (National Economic Development Bank) advance delivery of Cr\$ 2.2 billion. The money comes from the recently approved increase in the BNDE's subscription (See Condes #17, of March 8, 1962).

This advance, reportedly, was made possible after USIMINAS made strong representations to President Joao Goulart and to Prime Minister Tancredo Neves. The amount, to be received in three portions, within the next 30 days, is expected to alleviate the enterprise's present financial difficulties which result, at least in part, from the fact that the State of Minas Gerais, as well as the Companhia Vale do Rio Doce, have so far paid in only 10% of their share of the capital increase, thus causing the company to fall behind at least two months in payment of obligations and salaries. Having reached the most intensive phase of its program, USIMINAS' monthly expenditures have risen to an estimated Cr\$ 1.5 billion. These problems, coupled with the political activities connected with forthcoming elections, caused a local paper to launch an avalanche of alarming articles, one of which predicted an imminent collapse of the whole project. One officer of USIMINAS, nevertheless, declared to the Consulate that there is absolutely no cause for alarm. He admitted that the company is facing transitory difficulties, but stated that these facts would not have any significant effects on the solid credit and steady financial stand of USIMINAS, which, he said, continues to receive full support from both the Federal and State governments. He said further that USIMINAS had reached the "point of no turning back" and that, therefore, the accomplishment of its ends could no longer be detained. A Belo Horizonte bank informed the Consulate that, despite the late payments, the Company continues to enjoy an excellent credit from its suppliers and in the mercantile and financial circles, and reassured that the project is being carried out normally.

As reported previously, USIMINAS' project calls for a production of 600 tons of steel ingots at the "Intendente Camara" plant, on the first stage. Two papers, however, reported lately that BNDE and USIMINAS had begun studies and made preliminary agreements with the Japanese group aiming at increasing the initial production capacity to 1000 tons.

The increased capital stock (Cr\$ 18 billion) continues to be

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40% owned by the Japanese group, while the Federal controlled organizations: BNDE, Companhia Vale do Rio Doce, ACESITA and Companhia Siderurgica Nacional hold 35% and the State of Minas Gerais --including the State's official banks-- possess 24.8%. The remainder, a little more than 1.1% of the stocks is owned by private capital.

Comment: - It is evident that the financial problems of USIMINAS are serious and that the Cr\$ 2.2 billion advanced are not enough to solve these problems. Nevertheless USIMINAS is so near completion that these difficulties cannot now stop it.

One side effect of the loan has been the public revelation of the Minas Government's financial impotence. This has, for the time being, closed off speculation, apparently politically inspired, that the state was prepared to assume control of USIMINAS and certain other enterprises by purchasing federally held shares. It is now obvious that the Governor's long standing desire to control these enterprises is not backed by any financial resources.

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MINERALS - c/- Nickel Production In Minas Gerais

Usina Morro do Niquel S.A., of Pratapolis, expects to begin production around the middle of this year, reports an economic periodical. The plant's production capacity of nickel is intended to take care of the entire country's demands at present, and also the increase estimated for many years. Usina Morro's plant installations are, reportedly, among the most modern in the world.

2. COFFEE - Brazilian Coffee Institute Approves Soluble Coffee Production

In April 1962, the IBC (Brazilian Coffee Institute) made public its approval of three bids for the production of soluble coffee, including one submitted by Companhia Industrial de Café do Brasil - SOCAFE-, of Belo Horizonte.

Other approved bids are from São Paulo and Paraná. SOCAFE, capitalized at 40 million cruzeiros, virtually all of which is privately-owned Minas Gerais capital, has already initiated construction of its plant on a four-acre lot at the industrial center "Cidade Industrial de Contagem", on the outskirts of Belo, and expects to start production of high and standard grade export type soluble coffee within 12 to 18 months. It will use first quality coffee beans grown in south Minas Gerais and plans to export all its production, some in vacuum sealed metal foil packages. SOCAFE claims that it has already purchased part of its equipment from Germany and from Brazilian manufacturers.

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From Belo Horizonte, Brazil

3. THE COST OF SCHOOLING

In late April secondary students in Belo Horizonte went on strike, thus extending their Easter vacations while protesting against the 40% increase in tuition instituted at the beginning of the school year. Earlier efforts to go on strike had been frustrated by a lack of enthusiasm. When the strike finally occurred there was some initial violence by youths who mingled with the students. This apparently embarrassed the students and made them more reserved in subsequent demonstrations. The students shifted their emphasis from striking against the schools to striking for Federal assistance to pay part of the tuition increase. When, in early May, it became apparent that this would be granted, the strike ended.

Comment: - The chief importance of this comparatively quiet strike is as an indicator of the rapid transmission of pressures (from teachers to parents to the Federal government) in the wage and price spiral.

4. FINANCE / Banco do Desenvolvimento de Minas Gerais -BDMG-

A decree signed on April 13 by Governor Magalhães Pinto gives legal status to the Banco do Desenvolvimento de Minas Gerais -BDMG, (Development Bank of Minas Gerais), an old aspiration of previous state administrations.

BDMG's authorized capital of 500 million cruzeiros will be obtained from the "Taxa de Serviço de Recuperação Econômica", a public reinvestment state tax. The board of directors will be appointed by the Governor. The date BDMG will go into operation has not yet been announced.

The basic purpose of BDMG is to provide for medium and long term low interest financing to projects which the State administration considers to be of fundamental importance in the promotion of the State's economic development. The bank intends to act as a mediator for such projects in the concession of credits from national and foreign sources.

Comment: - This is an attempt to duplicate locally the Banco Nacional do Desenvolvimento Econômico (National Development Bank), and, therefore, to obtain for the State a greater degree of control over economic development.

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Edmund A. da Silva
Edmund A. da Silva
American Consul

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Congress of the United States
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Washington, D.C.

May 15, 1962 196

Sir:

The attached communication
is sent for your consideration.
Please investigate the statements
contained therein and forward me
the necessary information for re-
ply, ~~returning the enclosed corre-~~
~~spondence with your answer.~~

Your truly,

Abner W. Sibal M. C.

Encl.

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③ 5/16/62

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Request for info
re economy
of Brazil
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Thomas FALVEY

0830

5/19/62

Dear Mr. Sibal:

Thank you for your information that you sent to me. I have a few more questions on Brazil, however.

1. Has the exchange reform started by Quadros been continued? What progress has been made against inflation since Aug 25, 1961 when he resigned.
2. How much has the U. S. Private firms invested in each of the following: ✓
 - a. Manufacturing
 - b. Petroleum
 - c. Public utilities
 - d. Trade
3. In what fields of trade is this invested the most? ✓
4. How much meat is shipped from Brazil to the U. S. and what is its value? ✓
5. Do all our embassy personnel speak Portuguese? ✓
6. What is the percentage of illiterate people as opposed to literate people in Brazil? 53-47
7. Is our foreign aid there doing much good. ~~Marketing program is good.~~
8. What is the average per capita income in Brazil?

I thank you.

Sincerely,

Thomas Falvey
P. O. Box 214
Stamford, Connecticut

0831

May 25, 1962

Dear Congressman Siball:

Thank you for your communication dated May 15, 1962 with which you enclosed a letter from Mr. Thomas Falvey of Stamford, Connecticut requesting answers to several questions about Brazil.

Answers to Mr. Falvey's questions follow:

- Q. Has the exchange reform started by Quadros been continued? What progress has been made against inflation since August 25, 1961 when he resigned?
- A. The exchange reform initiated under the Quadros regime was continued with slight revision until recently when the exchange system was liberalized even further. Although the rate of inflation has continued at about the same rate as under Quadros, we are hopeful that the new measures proposed by the Goulart Administration will reduce this rate substantially.
- Q. How much have U.S. private firms invested in the following: manufacturing, petroleum, public utilities, and trade?
- A. According to the most recent statistics (1960) U.S. firms had invested \$953 million in Brazil. Manufacturing accounted for \$515 million, petroleum distribution \$76 million, public utilities \$200 million, and trade \$130 million.
- Q. What field of trade has the most investment?
- A. Retail merchandizing. For example, Sears Roebuck has nine stores in Brazil.
- Q. How much meat does Brazil export to the U.S. and what is its value?
- A. In 1960 Brazil exported 3,256 metric tons of canned beef valued at \$2.6 million.
- Q. Do all of our Embassy personnel speak Portuguese?
- A. Every new officer assigned to the Embassy or to a Consulate undergoes at least three months of intensive (six hours a day) language

The Honorable
Shor V. Siball,
House of Representatives.

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ARA:EST/S. G.M. Sutton — H

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instruction before he assumes his official duties. This is usually enough to insure a good working knowledge of Portuguese. Language classes conducted at our Embassy in Rio de Janeiro are open also to other members of the staff and to families of Embassy employees.

Q. What is the literacy rate of Brazil?

A. According to the best informed estimates, in 1960 about 5% of the population over nine years of age was illiterate.

Q. Is our foreign aid doing any good?

A. In 1961 the Government of Brazil was nearing financial bankruptcy principally because of unpaid international obligations coming due within a short time. At that time substantial financial assistance was provided Brazil from U.S. and international sources. It is believed that this averted financial chaos and a possible economic collapse. The United States recently signed an agreement with Brazil under which we will provide \$131 million in grants and loans, under the Alliance for Progress for the development of the depressed northeast sector of Brazil. This money will be used for projects involving health, education, water supply, and irrigation. Similar Alliance for Progress projects to provide assistance for the people of Brazil in combating the causes of social unrest are under way or scheduled for other areas of Brazil.

Q. What is the per capita income of Brazil?

A. The national per capita annual income of Brazil in 1960 was \$265. However, there is a striking disparity between cities such as Rio de Janeiro and São Paulo, which have per capita incomes of over \$800, and Northeast Brazil with a per capita income figure of about \$100 a year.

I hope that this information has been of assistance to you. If you have any further questions on this subject, please do not hesitate to write me.

Sincerely yours,

Frederick C. Dutton
Assistant Secretary

Clearances:

AID - Mr. Dawson (draft)
REA - Mr. Sinn (phone)

ARREST/Bureau 5/23/62

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MAY 18 1962

FOREIGN SERVICE DESPATCH

FROM : Amcongen, São Paulo

277

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 18, 1962

REF : CERP, C-3

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SUBJECT: Biweekly Economic Review, May 4 - May 17, 1962

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Reporter

- | | <u>reference</u> | <u>reporter</u> |
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| 2. Labor--Chemical Workers Win Strike Against Petrochemical Companies at Cubatão | D-17 | J. Liebof |
| 3. Foreign Trade--Soviet Trade Mission to Brazil Visits São Paulo | D-13 | A. D. Ventura |
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| 5. General Economic--Shortage of Black Beans, Rice, Sugar, and Flour in São Paulo | D-10 | A. D. Ventura |

1. Finance--Commercial Association Opposed to Artificial Rate of Exchange, Advocates Return to Exchange Reform

The Commercial Association of São Paulo sent a note to the Prime Minister warning against the social and economic difficulties that may arise from maintaining the artificial exchange rate (310-318 cruzeiros per US\$1.00) established by the Government in January. The note advocates a return to the fluctuating free market for exchange, along the lines of the exchange reform which instituted last year by SUMOC instructions 204 and 208. The note points out that the artificial rate is discouraging exports while stimulating imports. Producers of exportable goods, especially agricultural products, are caught in a profit squeeze between inflation-ridden costs and a fixed rate of exchange. Private banks, which are forced to limit their exchange operations to the artificial rate, have been forced to reduce their activities in that field. The drop of revenue from exports at a time when exportable imports are rising is a negative factor in the country's economy. The note concludes with a

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expression

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From Amongen, São Paulo

expression of concern at the ever widening gap between the artificial exchange rate and the true value of the cruzeiro and hints that further delay in returning to a free exchange policy will only spur inflation to higher levels, thus creating serious social problems.

Comment: The note of the Commercial Association reflects the views of a large segment of the local business community, which for many months has favored a return to the exchange reform implemented by the Quadros government.

2. Labor--Chemical Workers Win Strike Against Petrochemical Companies at Cubatão

A fifteen-day strike by the Cubatão Chemical Workers Union against four American-owned petrochemical companies ended on May 9 after both sides accepted Governor Carvalho Pinto's conciliatory proposal. The city of Santos was completely paralyzed on May 8 by a general strike in support of the chemical workers. The union originally demanded a 35 percent wage increase plus danger and health differentials, six-hour shifts, and other fringe benefits enjoyed by workers in the neighboring Government-owned Petrobrás refinery at Cubatão. The final settlement provided for a 25 percent wage increase plus most of the differentials, six-hour shifts and other fringe benefits asked by the workers. The American-owned companies involved were Union Carbide do Brasil, Companhia Brasileira de Estireno (Koppers), Alba (Borden International) and Companhia Petroquímica Brasileira COPEBRAS (Columbian Carbon Co. and Celanese Corp. of America).

Comment: The Regional Labor Tribunal's ruling against the union on the ground that the current contract was valid until October 1962 had no effect in the final settlement. The companies mentioned were in a difficult position since their better-than-average wages and other benefits were far below those granted by the adjoining Government monopoly, based on political rather than economic considerations. The union has often reiterated its demand for eventual Federal Government expropriation of the petrochemical companies.

3. Foreign Trade--Soviet Trade Mission to Brazil Visits São Paulo

The Soviet trade mission, which came to Brazil to inaugurate the Soviet Industry and Trade Fair at Rio de Janeiro, visited São Paulo May 4-5. The party was composed of 50 persons and was headed by the Soviet Foreign Trade Minister, Mr. Nikolai S. PATOLICHEV. After a courtesy call on Governor CARVALHO PINTO, the mission visited the State Institute of Agronomy at Campinas and the local Mercedes Benz and Volkswagen motor vehicle plants.

Despite the size and importance of the Soviet delegation, surprisingly limited press coverage was given to the visit, which was generally ignored by the local business community.

4. Finance--São Paulo State Government Requests Financing from Inter-American Development Bank

The Governor of the State of São Paulo officially requested on May 5 the Inter-

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Inter-American Development Bank - IDB to extend a 25-million dollar loan to help build and equip the Jupia power plant--the first stage of the giant Urubupunga power project on the Parana River. Some days earlier the IDB president had visited Urubupunga and had discussed the possibility of extending a loan with officers of Centrais Elétricas de Urubupunga S.A. - CELUSA. Other State-controlled organizations that have requested IDB loans are: CEASA-Centro Estadual de Abastecimento S.A. (State Supply Center), which wants six million dollars for cold-room equipment to be imported from abroad; CAGESP-Companhia de Armazens Gerais do Estado de São Paulo (State Warehouse Company), which needs 700 thousand dollars to import materials required for the Santos port granary; and CAIC-Companhia Agrícola Imobiliária e Colonizadora (Agricultural Development Company) which requested five million dollars for its program of agricultural mechanization in the State of São Paulo.

5. General Economic--Shortage of Black Beans, Rice, Sugar, and Flour in São Paulo

Black beans, rice, sugar, and flour are in short supply in São Paulo. There has been considerable public outcry against the local agency of the Federal Price Control Commission (COAP). Because of a small bean crop this year, beans have practically disappeared from retail outlets, and such insignificant quantities as are occasionally available are sold at prohibitive prices (200 cruzeiros per kilo). Large scale speculation by black market operators in a maneuver to force a price increase in rice and sugar is responsible for the scarcity of these staples. Flour is being sold under the counter at prices ranging from 40 to 60 percent above the control price. COAP, together with São Paulo price control authorities, is studying the possibility of importing large supplies of black beans from abroad, probably from the United States, and is taking measures to ensure an adequate supply, in the near future, of flour, sugar, and rice for São Paulo.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
Consul

1/ Present free market exchange rate: about 360 cruzeiros per U.S. dollar. One kilo equals 2.206 pounds.

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GPO 802887

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SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - APRIL, 1962

The supply of fish in Belém, which has been scarce since the beginning of the year, declined further during April. It is reported that besides being an unfavorable season for fishing, fishermen have limited their activities in an effort to force an increase in price. The same problem prevail in the fresh meat supply for this city. Cattle dealers and slaughterers have been pressing the state and municipal authorities to increase the price of meat delivered to butchers, which in turn will cause an increase for the consumers. Since the authorities have been reluctant to grant an increase, the number of cattle brought to the official slaughterhouse has gradually diminished causing hardship to the population of Belém. Wheat flour continued to be rationed and no wheat flour product other than bread is being manufactured in the Amazon Valley. A slight shortage of beans and sugar has been noticed with prospects of greater shortages in sugar in the coming months. Retail prices of beans, sugar, bulled rice, dried beef, dried shrimp, butter, lard and powdered milk, have continued to rise causing a definite hardship on many. All these conditions have unfavorably reflected on the sales volume which merchants reported unsatisfactory during April.

During April, 1962 several new shops were opened in Belém. Most of them deal in household electric appliances, radios and television sets, wooden upholstery furniture, and footwear.

Interstate shipments, both incoming and outgoing, by air and sea, were reported active during April. DEPARTMENT OF STATE

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BUREAU OF
INTER-AMERICAN AFFAIRS Finance/
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Disp. No. 86 - 5/20/62
From Belém, Para, Brazil

FINANCE

No change has occurred in the financial situation of the Amazon Valley; it continues tight. The state treasury of Para has been forced repeatedly to postpone payment of salaries of state personnel.

In April, local customs held several auctions of smuggled merchandise. Nylon articles, transistor radios, shirts, outboard motors, film projectors, tape recorders, electrical household appliances, and Japanese slippers were auctioned. The value of the auctioned items amounted to approximately 15 million cruzeiros.

Two representatives of the Japanese bank "Banco da América do Sul S. A." with headquarters in São Paulo, Brasil, visited the Para governor and expressed their intention to establish an agency in Belém. The agency of the Banco da América do Sul S. A. will be inaugurated in this city in a near future.

IMPORTS AND EXPORTS

During April, 1962 imports into the Amazon Valley were negligible. The export business was active with large tonnages of Brazil nuts, black pepper, hides and skins and rosewood oil to the United States, Europe, Argentina and Japan through the ports of Belém and Manaus.

TRANSPORTATION

The governor of Para stated that according to instructions of the federal Minister of Transportation and Public Works, studies regarding the construction of the sea port at Icoaraci, will be ready in September permitting construction work to start in October. Also, the Departamento Nacional de Estradas de Rodagem - DNRE - was authorized by the same ministry to start plans immediately to construct a highway of 16 kilometers to connect the port of Icoaraci to the Belém-Brasília highway.

HEALTH

The first dose of Sabin vaccine has been applied to the infantile population of Belém in a total approximately 100,000 children. The second dose was started on the latter part of April, 1962.

The local Delegado Federal de Saúde (Health Federal Delegate) who also is the coordinator of the Vaccination Executive Committee in this state, has declared that the vaccination against polio throughout the interior of Para will start next July. For this, they are acquiring 100,000 doses of Sabin vaccine from Yugoslavia. It was explained that the American Sabin vaccine is usable for only 5 days after its preparation, while that of Yugoslavian origin lasts for 30 days. This peculiarity of the latter will permit it to be safely used during the long trips the vaccination groups have to make to the most remote interior points of Para.

Immigration and Colonization/

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Encl. No.
Esp. No. 86 - 5/20/62
From Belem, Para, BrazilIMMIGRATION AND COLONIZATION

The Para government has initiated plans to settle 500 families of Japanese farmers along the Belem-Brasilia highway in the state of Para. The Itamarati (the Brazilian Foreign Office) has now informed the governor that the Japanese Foreign Office has decided to send two technicians in agriculture and colonization to inspect the lands prior to the arrival of its colonists.

The local newspapers have noted the fact that southern industrialists, bankers and farmers, are making considerable investments in the Araguaia river area in the southern part of the state of Para. This is known to be one of the most rich geo-economic region of Para. The Para state government and the Superintendency of the Amazon Economic Valorization Plan (SPVEA) are willing to give their cooperation to the construction of a highway with 270 kilometers connecting the Barreira do Campo to Conceição do Araguaia and a subsequent connection with the Belem-Brasilia highway.

Edward J. Holway, Jr.
Edward J. Holway, Jr.
American Consul

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

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GPO 802667

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FOREIGN SERVICE DESPATCH		926											
FROM : Embassy, Rio de Janeiro		NO.		May 21, 1962									
TO : THE DEPARTMENT OF STATE, WASHINGTON.				MAY 24 1962									
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5-25-62		30	15	20	3		8	3	2				

SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period May 5 - 18, 1962)

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- Coffee Exports.
- SUMOC Approves Major Financial Measures.
- Senate Approves Pay Raise For Military And Civil Servants.
- Stabilization Measures Pass Senate.
- Salt Institute States No Lack Of Salt.
- Gabriel Passos Interprets The Law On Mining Authorizations.
- An "ATOMOBRA" To Be Created.
- New Refining Plant To Be Built Near Porto Alegre.
- Tax Exemption For Hotel Construction.
- Cruzeiro do Sul Convair Crashes.
- Request For Loan By Domestic Airlines.
- Operating Concession of American and Foreign Power's Subsidiary Expires.
- Soviet Exposition of Industry and Commerce.

1. COFFEE EXPORTS

Coffee exports during the month of May through the 17th were 517,388 bags compared to 579,644 bags exported during the same period last year.

Total coffee exports during the current coffee marketing year (July 1st, 1961 through May 17, 1962) were 15,623,578 bags compared to 14,538,643 bags exported during the same period of the last coffee marketing year.

ECON:BAGoldstein/lsc

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From Rio de Janeiro

2. SUMOC APPROVES MAJOR FINANCIAL MEASURES

On May 18 and 19 SUMOC (Superintendency of Money and Credit) approved the following major financial measures:

- 1) Exchange policy has been modified to introduce more realistic rates and greater freedom.
- 2) Commercial bank reserve requirements raised from 14 percent to 22 percent on demand deposits and from 7 percent to 14 percent on time deposits. Marginal reserve requirements on new deposits until new average level reached has been set at 40 percent.
- 3) The progressive reduction in the deposit which importers must make with the Bank of Brazil has been suspended at its current 100 percent level.

(UNCLASSIFIED)

COMMENT: The full implications of the change in the exchange system are not yet known. The Bank of Brazil moved its exchange rate from Cr\$310 buying, Cr\$318 selling (a level maintained for over four months) to Cr\$350 buying, Cr\$359.3 selling per dollar on the morning of May 21. Presumably under the new policy, the Bank of Brazil will be more flexible in adjusting its rates to market conditions.

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3. SENATE APPROVES PAY RAISE FOR MILITARY AND CIVIL SERVANTS -

The Senate approved on May 18 the bill originating in the Chamber of Deputies providing for a 40% pay increase for military and civil servants retroactive to April 1. The bill will now return to the Chamber for action on some 25 Senate amendments. The action of the Chamber, which can now act only on the Senate amendments, will be final.

(UNCLASSIFIED)

COMMENT: The pay increase, except for the large increase in the family salary (from Cr\$ 1,000 per month to Cr\$ 2,500 per month) is roughly within the limits the Administration demanded. The additional cost of the family salary increase is expected to be about Cr\$ 15 billion, and the total cost, Cr\$ 95 billion this year.

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4. STABILIZATION MEASURES PASS SENATE

The measures providing for the compulsory loan based on income taxes of juridical persons, the voluntary loan consisting of Treasury bonds with a cost-of-living provision, and the bill permitting the funding of the existing Government floating debt passed the Senate last week. These measures had passed the

/Chamber

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Chamber earlier but, since the Senate added some amendments to the bills, it will be returned to the Chamber for final action. Chamber action will be limited to the amendments and will be final. (JKrizay)

(UNCLASSIFIED)

COMMENT: The most important amendment made by the Senate was the elimination of two provisions in the Chamber version of the compulsory loan law which would have added an additional 5% on to the 20% assessment against income taxes for use in building "popular housing" and which would have required the registration by all Brazilians of all property owned domestically or abroad. (JKrizay)

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5. SALT INSTITUTE STATES NO LACK OF SALT

Recently the National Association of the Alkali Industry requested official permission to import salt on grounds that Brazilian producers were unable to furnish the necessary salt in accordance with technical requirements of the caustic soda producers (see BWER, Embdes 861 of May 7, 1962, item 8). Subsequently, the President of the Brazilian Salt Institute publicly condemned the request for importation as unnecessary and stated that there were in the country approximately 700 thousand tons of salt, a quantity sufficient for normal human consumption, cattle raising, and industrial use.

(UNCLASSIFIED)

COMMENT: If the stockpile figure is valid then the argument against importation seems sound as there appears to be no technical reason why a so-called six-month treatment period is necessary to cure "green" salt. It could be an economic "play" of some sort by the alkali producers against the salt producers, reason unknown. (ALRansome)

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6. GABRIEL PASSOS INTERPRETS THE LAW ON MINING AUTHORIZATIONS

Mines and Power Minister Gabriel Passos in a recent statement said that the largest iron ore wealth is held by foreign groups disguised as nationals, the same as with the most productive manganese deposits. This statement was made in connection with a request for mining authorization wherein Passos considered, as an indispensable requirement, proof of Brazilian nationality by members of companies wishing to obtain such authorization to operate in the mining field.

Contrary to counter claims, the Minister stated that in his opinion the interpretation of constitutional and legal texts should be inspired by the principle that public interest be considered above private interests, and that the constitutional provisions (Arts. 152, and 153, par. 1) were prepared for the purpose of assuring Brazilians the handling of their own mineral wealth as a factor of development of the country. The Minister said further that he had felt "the tough resistance of the administrative authorities" to the progressive usurpation of Brazil's mineral wealth, and had submitted to the Chamber of Deputies a constitutional amendment providing that authorizations or concessions for the above

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purpose could only be granted to Brazilians or essentially Brazilian corporations.
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COMMENT: The above is "more of the same" but in slightly stronger language than heretofore. It is indicative of the reason why new mining development is still on dead center in Brazil - and why, reportedly, some 6,000 "pesquisas" (authorizations for prospecting and mining) are piled up with no action. However, there are vocal critics of which the National Federation for Industry is one. The President, Domicio Velloso, requested the Minister to take measures against the present slow procedure given to processing the authorizations. He stated that such delays caused great losses to industry threatened by paralysis owing to lack of raw materials. An exaggeration, perhaps - a straw in the wind, possibly.

Of interest in the entire matter is a report that Sr. Passos will be relinquishing his post at the end of July to become a senatorial candidate from Minas Gerais. (ALRansome)

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7. AN "ATOMOBRA" TO BE CREATED

According to a recent press release, statutes are being drafted for a future "Atomobras" (Energia Atômica do Brasil, S. A.), to be organized on the lines of Petrobrás for the development of peaceful atomic energy in Brazil. The Brazilian Government is considering the construction of a reactor in the middle south with a power production potential equal to the Paulo Afonso waterfall. Several international organizations are interested in obtaining the contract for construction of the reactor which, purportedly, will cost in excess of \$100 million.
(ALRansome)

(UNCLASSIFIED)

8. NEW REFINING PLANT TO BE BUILT NEAR PORTO ALEGRE

Ground-breaking ceremonies were held recently (May 4, 1962) at the municipality of Canoas, 15 km. from Porto Alegre, to initiate, officially, work on the Alberto Pasqualini refinery of Petrobrás. The plant, to be completed within 30 months, will have a daily production capacity of 35 thousand barrels ~~approximately~~ sufficient for the needs of all of Rio Grande do Sul when combined with the Ipiranga refinery. Eventually a petrochemical industry will be developed in conjunction with the refinery. (ALRansome)

(UNCLASSIFIED)

9. TAX EXEMPTION FOR HOTEL CONSTRUCTION

Governor Carlos Lacerda of the State of Guanabara, has sent to the State Legislative Assembly a draft law providing for tax exemption of hotels for tourists. The tourist hotels must have at least 50 rooms with private telephone and bath

/with each

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with each room besides the normal services for a first class hotel. This tax exemption must be applied for by the interested party within five years from the date the law is published and will be valid for 15 years from the date the hotel starts operating.

(UNCLASSIFIED)

COMMENT: This new law was drawn up for the principal purpose of encouraging the construction of new hotels in Rio de Janeiro as the city does not have enough of them to accommodate all the tourists that come here. (SGAnderson)

(UNCLASSIFIED)

10. CRUZEIRO DO SUL CONVAIR CRASHES

On May 9 a Cruzeiro do Sul Convair 240 upon coming into the airport at Espirito Santo hit a hill a glancing blow and upon touching down on the runway burst into flames. Twenty-four people were killed, there being only one survivor. The cause of the crash has not yet been determined but according to expert opinion it would appear to be pilot error. (SGAnderson)

(UNCLASSIFIED)

11. REQUEST FOR LOAN BY DOMESTIC AIRLINES

Representing the principal domestic airlines, the President of VARIG, Sr. Rubem Berta, called at the Embassy on behalf of the group stating that the airlines, in order to continue operating, were badly in need of spare parts and would need a large loan to cover the dollar costs thereof. They will present a loan application for \$ 32,000,000 which, if granted, would be drawn down over a period of two years. The types of planes covered by such a loan are DC-3's, Convairs, Constellations, etc. (SGAnderson)

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12. OPERATING CONCESSION OF AMERICAN AND FOREIGN POWER'S SUBSIDIARY EXPIRES

The operating concession of American and Foreign Power's subsidiary in Pelotas, Rio Grande do Sul, expired on May 17. Governor Brizola in earlier public statements had said he was going to take over this facility, as he had I. T. and T.'s telephone company in Porto Alegre, as soon as the Federal Government gave him permission to do so. The GOB, however, did not grant this permission, and instead the Minister of Mines appointed a committee to study and bring the inventory of the power company up to date.

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COMMENT: In the case of power companies, authorization to transfer ownership is required from the Council of Waters of the Ministry of Mines and Energy. In naming a committee to evaluate and bring up to date the inventory of the subsidiary, the Federal authorities reportedly may be stalling for time in the face of pressures brought by Brizola for a quick decision. The GOB is working toward a national solution of all foreign-owned utilities in the country and may wish

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to defer action in this case until such determination is made. (SGAnderson)
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13. SOVIET EXPOSITION OF INDUSTRY AND COMMERCE

The Soviet Exposition, which opened on May 3 (BWER - Embdes 861, May 7, 1962, item 14), has unexpectedly become the talk of the town with the discovery late Saturday night (May 19) of a bomb secreted among the industrial exhibits. The bomb did not explode, but its discovery and the attendant investigations have been given wide front-page and special coverage in the Rio press and have provoked statements from federal and state officials of all levels. Guanabara State Governor Lacerda ordered the Exposition closed down on Sunday (May 20) in the interest of public safety. It is scheduled to reopen on May 22.

Attendance at the Exposition has been far below pre-opening published expectations of 100,000 visitors a day. An Exposition spokesman last week claimed attendance of 800,000 during its first two weeks, but the left-wing newspaper Ultima Hora later estimated total attendance at 200,000.

The Exposition has, in the past week, become the subject of increasing hostility in the press and in statements made by public officials. Comments have ranged from attacks on its basic purpose (propaganda) and its "technicians" (spies), to gentler statements admiring certain achievements, but expressing the wish that they had been reached under a free society. Included in all comment has been the proud statement that Brazil now produces, in better quality, much of the equipment shown.

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COMMENT: The bomb was reportedly set by a reserve officer in the Brazilian Air Force who has participated in at least two plots against the Government and is said to be mentally unbalanced. This issue is being reported separately.

The Exposition has so far been not too successful. The Embassy's most generous estimate of the number of visitors it has drawn (through May 19) is 120,000. This figure compares quite unfavorably with the very conservative estimate that some 200,000 people saw Colonel Glenn's spacecraft *Friendship 7* during its 52-hour exhibition in Rio (May 4-6).

The Soviet manager of the commercial bureau at the Exposition complained last week to the press that orders were not being placed by Brazilian businessmen as expected.

/The unanimous

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The unanimous impression of Embassy personnel (American and Brazilian) who have visited the Exposition is that it is far below expectations, that Brazilian industry can produce much of the equipment shown in better quality, and that its products will not meet with much commercial success in Brazil. (Aaranales)
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For the Ambassador

Robert Eakens

Robert Eakens
Counselor for Economic Affairs

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FOREIGN SERVICE DESPATCH

FROM : American Consulate, Curitiba 58 NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. May 22, 1962

REF : CERP Section C-4. MAY 22 1962

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SUBJECT: ECONOMIC SUMMARY FOR APRIL 1962

SUMMARY

Coffee exports slower during the month. Paraná state estimated to produce 64% of entire Brazilian coffee crop next year. - Bids for soluble coffee plant running into trouble. - Mate shipments from Paraná down. Stocks building up in Paranaguá. - Crisis in cotton prices with rioting breaking out in Assai. - Rami prices also weak. - Lumber exports slow, with exporters reducing stocks. Report of new investment in paper industry.

Port of Paranaguá in need of dredging. - State government of Paraná asks highway financing be included under Alliance For Progress. São Paulo-Curitiba highway in poor condition. - Paraná governor prepares way for government direction or control of telephone company. - Agreement signed for construction of the Capivari-Cachoeira hydro-electric development. Seven Falls plant and Garcia plant capacity also to be increased. Ponta Grossa to receive increased power supplies by end of year.

Paraná clerks, nurses, bus and truck drivers, and weavers are all agitating for wage increases. - The Second Paraná Labor Union Congress passes several motions bearing on national and international issues. - The cost of living continued to increase with housing and clothing costs leading the way.

cc: American Embassy, Rio de Janeiro (2)
American Embassy, Brasilia

Allen Noble
Hans Kock
Allen Noble:kkk:jk

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Disp. No. 58
From: AmConsulate, Curitiba

I. AGRICULTURE

1. Coffee

April coffee exports from Paraná were somewhat slower over earlier periods. Approximately 200 thousand bags left the port of Paranaguá for overseas destinations, and 70 thousand bags were shipped to other Brazilian ports. During the 1961/1962 coffee crop year, Paraná has consistently been the number one producer with an output, up to the end of April, of 17.5 million bags. This represents about 50% of the entire Brazilian production, contrasted with 33% from São Paulo state, the second largest producer. It is officially forecast that for the 1962/1963 coffee year, Paraná will produce about 64% of the Brazilian total of 25.6 million bags.

Only three of the bids for installation of a soluble coffee plant in northern Paraná (between Londrina and Cambé) have received approval by the federal authorities. The concern, Companhia Cacique de Café Soldvel S/A., will be in a position to process 100,000 bags of coffee per year.

Sources: "Diário do Paraná", Curitiba, April 3, 17, 25, 1962.
"Gazeta do Povo", Curitiba, April 22, 29, 1962.
"Ultima Hora", Curitiba, April 9, 1962.
Personal observations and conversations.

2. Mate

Only 3.5 million kilos of mate were shipped from Paraná during the month of April. 2.6 million kilos of the total were exported to foreign countries. Exports to Argentina dropped by over 50% from the level of previous months, while Chile became the second market after Uruguay. The export quotas imposed last October by the National Mate Institute are preventing local mate exporters from fulfilling orders from abroad. Representatives from fifteen producer associations in Paraná recently met and directed an appeal to governor BRAGA for assistance in repealing the quotas. There are approximately 600,000 kilos of mate in the port of Paranaguá unable to be exported due to present restrictions. This situation may be alleviated since the National Mate Institute has extensive plans for stimulating foreign sales, including four international expositions (Seattle, Minneapolis, Milan, and Hannover).

Sources: "Diário do Paraná", Curitiba, April 14, 1962.
"Gazeta do Povo", Curitiba, April 14, 1962.
"Ultima Hora", Curitiba, April 24, 1962.
Personal observations and conversations.

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3. Cotton

The cotton crop is being harvested in northern Paraná and the 1962 crop is estimated at 370 thousand tons crude, 100 thousand tons ginned. All available labor supply is being utilized for the harvest since the present pay scale brings an average of 160 cruzeiros per arroba collected. Paraná state governor Ney BRAGA sent telegrams to the federal authorities, including president João GOULART, urgently asking for a higher price to be paid planters so as to avoid economic injustice (the present "cotton-dollar" only benefits intermediaries) and social unrest. In 1961, planters received 630 cruzeiros per arroba, this year only 650, although production costs have gone up 300%. Seeds and insecticides also have been extremely expensive. The official minimum price per arroba is 405 cruzeiros. According to local agricultural economists, the minimum price should be established at no less than 900 cruzeiros to be of value in protecting the interests of planters. In response to rumors and statements forecasting low cotton prices, rioting broke out in Assaí, the center of the Paraná cotton culture.

Sources: "Diário do Paraná", Curitiba, April 11, 29, 1962.
"Estado do Paraná", Curitiba, April 8, 11, 13, 15, 29, 1962.
"Gazeta do Povo", Curitiba, April 11, 12, 29, 1962.
"Tribuna do Paraná", Curitiba, April 11, 12, 17, 1962.
"Ultima Hora", Curitiba, April 3, 11, 23, 1962.

4. Rami

Rami culture is facing the same problem as cotton. The Paraná Association Of Rami Planters requested federal authorities to up the official minimum price. They allege that, for the time being, two trusts (Sanbra and Anderson Clayton) have been buying up a considerable part of the crop at unreasonably low prices. Presently, three to four crops per year in Paraná total about 10 thousand tons, 95% of Brazil's total output. Production can easily, in a short space of time, be increased to 100 thousand tons. The rami price is now 95 cruzeiros per kilo (fibers). Principal buyers are São Paulo, Germany, Japan, France, and Switzerland. An unconfirmed press information has it, that an unidentified American group showed interest in investing 300 million dollars in northern Paraná rami culture. The report, like most local newspaper accounts of this type, is probably considerably exaggerated.

Sources: "Estado do Paraná", Curitiba, April 22, 1962.
"Ultima Hora", Curitiba, April 13, 1962.

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5. Lumber

Exports of both pine and hardwood remain slow, but there has been some noticeable reduction in the large stocks being accumulated in the port areas, since there is an increased tendency for local banks to negotiate export exchange at a premium. Exports to Argentina have been reduced due to the political situation in that country, but European shipments have held up well. The Executive Committee of the National Pine Institute met on April 24 to study both quantitative control of exportable lumber and means whereby forest reserves will be maintained. A salesyard (entrepoto) reportedly will be established in Curitiba, and an integrated paper industry will be jointly operated by the states of Paraná, Santa Catarina, and Rio Grande do Sul.

Sources: Personal observations and conversations.

II. TRANSPORTATION & COMMUNICATIONS

1. Ports

The port of Paranaguá urgently needs dredging. The inner port basin along the docks has recently been dredged to 23 feet depth, but the access channel is still in poor shape (21 feet depth at maximum). An Argentine cargo vessel recently ran aground and could not be saved. This incident received widespread publicity in Paraná newspapers and was rather unfavorable to the port of Paranaguá. It is also claimed that there is a lack of shipping space from Paranaguá, since most lines prefer neighbor ports, especially Santos.

A new port for ocean-going vessels will reportedly be built by the Brazilian Navy at Anhatirim near Florianópolis, Santa Catarina.

Sources: "Estado do Paraná", Curitiba, April 29, 1962.
"Estado", Florianópolis, April 26, 1962.
"Notícia", Joinville, April 25, 1962.

2. Highways

The Paraná government asked federal president GOULART to include 9 billion cruzeiros of financing for completion of the "coffee road" (Paranavai-Apuarana-Ponta Grossa-Curitiba-Paranaguá) in his summary of projects for Alliance For Progress aid to be presented to the American government.

The new BR-2 highway Curitiba-São Paulo is frequently interrupted by earth slides and cave-ins; its cost amounted to 12 billion cruzeiros, and further billions will be needed.

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From AmConsulate, Curitiba

for constant repairs and essential improvements. It is rapidly becoming apparent that the roadbed was not properly prepared and that provision for drainage was almost entirely neglected.

In Santa Catarina, work is going on to complete improvements of three important highways, São Francisco do Sul-Joinville, Itajaí-Joinville, and Blumenau-Rio do Sul.

Sources: "Diário do Paraná", Curitiba, April 3, 1962.
"Estado do Paraná", Curitiba, April 5, 13, 26, 29, 1962.
"Tribuna do Paraná", Curitiba, April 3, 1962.
"Estado", Florianópolis, April 25, 28, 1962.

3. Telephones

On April 9, 1962, Paraná governor BRAGA sent a message to the state legislative assembly requesting authority to permit the state to participate in a mixed public-private company controlling telephone service throughout the state. While BRAGA has been careful not to make any further statement, the Paraná public works secretary commented that expropriation of the American-owned I.T. & T. subsidiary would be the last recourse. He further mentioned that expropriation was not advisable at present, because of a lack of available technicians to maintain a system, and the lack of funds to finance such a measure, since the telephone company has indicated that its assets presently amount to approximately two billion cruzeiros. BRAGA's intention is considered in some quarters to be a move to institute a legal basis for close governmental supervision of telephone service, rather than a foreshadowing of expropriation.

Sources: "Diário do Paraná", Curitiba, April 10, 17, 1962.
"Tribuna do Paraná", Curitiba, April 10, 1962.
"Ultima Hora", Curitiba, April 10, 1962.

4. Electricity

Paraná governor Ney BRAGA signed an agreement with the federal government providing for the construction of the 230 thousand kilowatt hydro-electric plant at Capivari-Cachoeira. Its total cost will amount to 13 billion cruzeiros, 3 billions of which will be carried by the federal and 10 billions by the state government, the latter through financing by the National Economic Development Bank (BNDE). The first stage of the plant (115 thousand kilowatts) is scheduled to be completed within five years.

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From AmConsulate, Curitiba

The federal council of ministers approved funds for the amplification of the Seven Falls hydro-electric pilot plant at Guaira; the plant's capacity will be increased from 1,500 to 6,000 h.p. at a cost of 252 million cruzeiros.

Through installation of a 140 kilometer transmission line from the Figueira thermo-electric plant to Ponta Grossa at a cost of 800 million cruzeiros, this town will by the end of this year receive a supply of 20 thousand kilowatts instead of the present 6 thousand.

The Garcia power plant in Santa Catarina, which will supply Florianopolis and the coastal area, will now be completed after a long period of interruption.

Sources: "Diário do Paraná", Curitiba, April 17, 1962.
"Estado do Paraná", Curitiba, April 4, 17, 18, 1962.
"Gazeta do Povo", Curitiba, April 4, 6, 18, 22, 1962.
"Tribuna do Paraná", Curitiba, April 4, 18, 1962.
"Ultima Hora", Curitiba, April 3, 18, 1962.
"Noticia", Joinville, April 17, 1962.

III. LABOR

1. Labor Demands

Paraná clerks and their employers did not reach a wage agreement, during the reporting period. For months, clerks have been asking for substantial increases, now approaching 55% on the last collective work contract levels of mid-1961. The local clerical union is not too combative so that strike or similar measures are unlikely to occur. There is almost no press support for this labor demand. Union leader João MARCASSA is reported to have been invited for an AID visit to the United States.

Curitiba nurses (male and female) are threatening to strike if an increase of 50% on present salaries is not granted very soon.

By the end of April, Paraná bus and truck drivers put in a demand for a general 60% rise of present wages.

Curitiba weavers (mostly female workers) are asking for a 45% increase on their present wages which, in many cases, have remained unchanged since October 1961. Information is unclear inasmuch as a few sources give the increase demand as being 60%. Employers are reluctant, and only one important local factory counter-offered a 30% rise. It seems probable, however, that some wage increase will eventually be granted.

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By the end of April, employees of Companhia Telefônica Nacional, the I.T. & T. subsidiary in Paraná, presented their claim for a 75% salary increase on the present tariff, which has remained unchanged since July 1961. The company's counter-offer, establishing a 50% increase and improved fringe benefits, was rejected.

Sources: "Diário do Paraná", Curitiba, April 28, 1962.
"Estado do Paraná", Curitiba, April 24, 26, 27, 1962.
"Gazeta do Povo", Curitiba, April 13, 28, 1962.
"Tribuna do Paraná", Curitiba, April 5, 24, 25, 26, 27, 28, 1962.
"Ultima Hora", Curitiba, April 13, 27, 28, 1962.

2. Labor Meetings

Further to the Second Paraná Labor Union Congress held in Curitiba during the second half of March 1962, it is now reported that motions on the following issues were approved: land reform, limitation of royalty remittances, expropriation of electricity and telephone companies, electricity state monopoly (Eletrobrás), protection for oil state monopoly (Petrobrás), non-exportation of radioactive minerals, workers-students-alliance, public school, retirement from the OAS, National Wheat Institute, labor union for rural workers, air transport state monopoly, industrialization.

By the end of April, the Fourth Santa Catarina Labor Union Congress was opened in Joinville. American labor attaché John T. FISHBURN attended.

A number of festivities have been scheduled for May 1, the Brazilian Labor Day. Francisco dos ANJOS, a former ICA exchange visitor to the United States (1960) and now president of the non-communist National Labor Front, was barred by the organizers and the bank employees union from delivering an address to the Curitiba labor audience on May 1.

Sources: "Ultima Hora", Curitiba, April 21, 28, 1962.
"Notícia", Joinville, April 27, 1962.

IV. DOMESTIC TRADE & COMMERCIAL POLICY

1. Cost Of Living

The price spiral and the inflation of the cruzeliro continued during the reporting period. Housing and clothing costs began a steady climb during April and by the end of the month had reached record levels. This represents a significant change

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from the usually conservative behaviour of these two cost elements.

Although the price of pork dipped somewhat, meat in general continued to be expensive. Since the regional price control office froze milk and black beans prices, these commodities have tended to be in shorter supply.

Official statistics indicate a 15% rise on the cost of living in Paraná state during the first three months of 1962. The total rise during 1961 was 62%. During the first three months of 1962, rice went up 92%; black beans, 11%; cucumber, 88%; eggs, 50%. In addition to the likelihood of further food price increases, transport and telephone tariffs are likely to be upped soon. Curitiba area housewives have collected 70 thousand signatures on a petition to president GOULART which asks for drastic measures to hold the price line.

Sources: "Diário do Paraná", Curitiba, April 27, 1962.
"Estado do Paraná", Curitiba, April 19, 1962.
"Gazeta do Povo", Curitiba, April 4, 1962.
"Tribuna do Paraná", Curitiba, April 21, 1962.
"Ultima Hora", Curitiba, April 26, 1962.

Arthur W. Feldman
Arthur W. Feldman
American Consul

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INCOMING TELEGRAM

Department of State

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6:37 p.m.

Action
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FROM: Rio de Janeiro

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TO: Secretary of State

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NO: 2764, May 23, 3 p.m. (SECTION ONE OF TWO)

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Following main points conversation with Moreira Salles
May 22, in addition item reported EMBTEL 2761;

1. Finance Minister said basic economic situation good (production, employment) and he encouraged by financial actions taken over weekend. (EMTELS 2739, 2743 and 2755). However, he admitted concern about recent political developments, particularly deterioration governmental authority in face eligibility problem and widely expected reorganization of Cabinet by July 7 at latest, and quite likely sooner. Said would urge President Cabinet reorganization should take place immediately and not await constitutional date.

2. Finance Minister explained his view new exchange policy as giving complete freedom to exchange market, with exception such temporary arrangements as may be made in attempt limit pressures on market from financial remittance arrears accumulated past few months. Bank of Brazil will be very flexible in adjusting its rates to market. On coffee policy, confirmed reports IBC dissatisfied with government policy for coffee financing as expressed SUMOC 227 (EMTEL 2755). However, SUMOC 227 to be in effect until final agreement reached with IBC, and possibly thereafter. Finance Minister said main problem was purchase price for Parana coffee. Any case contribution quota would be kept at level (from \$21 to \$23 per bag) which would net anti-inflationary

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FROM	American Consulate General RECIFE										186		
TO	THE DEPARTMENT OF STATE, WASHINGTON.										May 24, 1962		
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SUBJECT: Brief Review of the Present Economic Situation in the Northeast

1. Politico-Economic

a. Food Shortages

The near complete disappearance of basic food items such as beans, corn, dried beef, etc. during the past month, coupled with high prices, resulted in hunger marches and the sacking of several interior markets by thousands of hungry peasants. A result of exceptionally late rains, poor storage and transportation facilities and reduced seasonal imports of food, the shortages were further aggravated by speculators who bought up and held stocks off the market. Thoroughly alarmed by mounting discontent, several state governments confiscated food stocks for placement on the market at low prices and initiated various other emergency relief measures. At the May meeting of the SUDENE Deliberative Council, they brought considerable pressure to bear against SUDENE to declare an area-wide state of emergency. Though reluctant apparently because it feared relief funds released by a blanket state of emergency decree would end up in the pockets of corrupt politicians, SUDENE finally agreed to a compromise, declaring a state of emergency to exist in those areas most hard hit by the drought. The Federal Government sent observers to the Northeast, and in response to their reports authorized several emergency measures, including a CR \$500 rotating fund for SUDENE to use in relief projects. SUDENE, for its part, arranged for large shipments of food into the area, much of it under the Food for Peace Program. Several shipments have already arrived and additional arrivals are expected all during the month of June. In mid May the local price control agency, COAP, fixed prices of beans, corn, dried beef, and other staples, and called upon the people themselves to enforce the ceiling by refusing

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Encl. No.
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From Amconsul RECIFE

to pay more and by immediately informing the authorities of price violations.

As of May 23, the situation in the Northeast remained serious. Food shipments, emergency work projects to take up the unemployment slack, and other measures should ease conditions in time. Moreover, heavy rains have fallen in some areas, helping considerably with the problem of water supply. Unfortunately, in certain localities within this consular district and in Sergipe rains were so heavy that a new calamity resulted: floods. Too, the rains came too late to save most crops. Food shortages can be expected to remain a problem in the Northeast, therefore, at least until the new crop year.

b. SUDENE

SUDENE is coming under increasing attack by disgruntled state politicians, landowners and even former friends, disillusioned by the fact that conditions have not improved appreciably during the past year. State politicians have watched while 1.) SUDENE became the agency for overall co-ordination of area development, 2.) Alliance for Progress funds, which many of them wanted for themselves, went instead to SUDENE, and now 3.) almost all emergency food shipments must also go through SUDENE for distribution rather than directly to the state governments. Each new manifestation of SUDENE authority has added to their irritation. In Pernambuco, discussions between the Consul General, AID officials, SUDENE representatives and the Governor's staff seem to have resulted in a greater understanding and spirit of co-operation between SUDENE and Governor SAMPAIO's camp. In most of the other states, however, the politicians, not enamored of SUDENE to begin with, appear to be now fingering their axes and eyeing vengefully both CELSO FURTADO and his fledgling organization. At best, SUDENE seems to be in for rough weather during implementation of its Master Plan's first stage.

2. Financial Conditions

a. Cost of Living

Prices continued to climb disastressously. Food prices rose an average of 50 per cent in only four months, with mandioca flour going up 500 per cent and beans 250 per cent. The cost-of-living as a whole was estimated by the Pernambuco COAP to have risen 42 per cent in the Recife area in some six months. As during the same period most wages remained static, the hardship worked on the average wage earner was severe.

b. Credit

During April and May credit remained extremely restricted in this area. The seasonal between crop credit squeeze became even tighter as banks moved to place themselves in a better position to meet anticipated withdrawals for income tax purposes and the expected increase in

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compulsory deposit requirements. Even prime names were unable to find sufficient funds as loan liquidations were only partially replaced by new operations. Barring an unlikely infusion of Federal funds in substantial quantity, the credit situation will become more restricted during the months ahead.

c. Currency Exchange

Dollar-Cruzeiro exchange rates in this area changed little between January and May of 1962. The official rate remained pegged at CR \$310 to the dollar, while "free-market" rates fluctuated around CR \$350, falling at one point as low as CR \$335. The CR \$350 buying and CR \$359.30 selling rate reported to have been established by SUMOC and the Banco do Brasil on May 21, however, threw the exchange market in Recife into confusion. As late as the close of business on May 23 no Recife bank had received instructions as to what rate they should use. Between the 21st and the date of this writing, therefore, banks here have refused to handle currency exchange transactions at all. The "free market", meanwhile, jumped sharply, fluctuating around CR \$400 as of May 24.

As yet, the Consulate General has received no official notification of exactly what action has been taken by the Banco do Brasil.

3. Agriculture

a. Sugar

The 1961/62 sugar harvest is over in the Northeast. Pernambuco's production reached approximately 13,000,000 bags (60kgs). Stocks on hand grew during April and May until well over 6,000,000 bags were piled up in Cooperativa warehouses, almost 4,000,000 bags more than at this time last year. Part of the pile up resulted from lack of transportation, part from slow sales and low prices on the international market. By May 21, however, well informed sources were reporting that the market was normalizing and that there no longer appeared to be any problem with the sale of crystal sugar, which was expected to be totally disposed of by the end of August. The exportation of demerara is being processed at a moderate rate. The authorities controlling sale and export, moreover, have decided to keep some 2,000,000 bags of sugar stored for future exportation to the United States, hopefully to trade for wheat, if agreement is reached on the Brazilian proposals.

b. Sisal

A weak foreign market resulted in slipping internal quotations. The year's harvest now in course should be nearly the same as last year's, depending on the rains. Foreign sales are threatening to collapse, however, if the projected maritime surtax is put into force on July 30th.

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4. Business Conditions

The latter part of April and early May saw a marked retraction in general business movement. Payments have been slow for many months, but sales had remained fairly good. The current fall off would seem therefore, to be due not only to extremely short bank credit, but also to the unstable economic situation in the interior. Traditional interior outlets for Recife firms reportedly cut back sharply on purchases in the face of falling demand, scarce money, and a preference for cash rather than goods during the current crisis.

5. Labor

Unemployment, an acute and chronic problem in the Northeast, was further aggravated by the effects of the drought. Lack of rural employment opportunities, accompanied by food shortages, led to a movement of desperate peasants toward the urban centers, where they simply increased the ranks of the unemployed.

Eugene Delgado-Arias
D. Eugene Delgado-Arias
Consul General

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June 1, 1962
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SUBJECT: Biweekly Economic Review, May 18 - May 31, 1962

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2. Foreign Trade--Canadian Trade Mission in São Paulo D-13
3. Industry and Trade--Industrialists Discuss Problems at Annual Convention D-14
4. Trade with Soviet Bloc--Advertisements for Soviet Manufactured Goods in São Paulo Papers D-15
5. Labor--Construction Workers Receive Wage Increase D-17

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUN 1 1962

1. Finance--Favorable São Paulo Reaction to Recent Federal Government Financial Measures

Financial measures, announced by the Federal authorities on May 19, aiming at reducing inflation of credit and a return to a more realistic rate of exchange, were generally well accepted by the local business community. Some objections were voiced against the regulation raising the compulsory bank deposits with SUMOC to 22 percent of the value of bank customers' demand deposits and 14 percent of time deposits on the grounds that the already tight credit facilities would now become even more stringent. Confidence was expressed that the new rate of exchange would be instrumental in raising exports, especially of cotton, to higher levels.

The free market rate of exchange followed the trend set by the rate for financial operations. Speculative operations pushed the free market buying rate

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From Amcogén, S. Paulo

rate for dollars to 407 cruzeiros per U.S. dollar on May 25, but it has since rallied to 385/400 cruzeiros per U.S. dollar.

2. Foreign Trade--Canadian Trade Mission in São Paulo

A trade mission representing Canada's heavy machinery industry visited São Paulo May 19-24. The party was composed of seven businessmen, whose companies manufacture generators and transformers, rolling mills, petroleum refinery equipment, locomotives, and paper and pulp-making equipment. The visitors indicated at a press conference that they were particularly interested in studying hydro and thermoelectric power developments in Brazil. They visited the giant Urubupunga power project, the first stage of which is under construction on the Paraná River. The party also met with officers of the Federation of Industries of the State of São Paulo (FIESP) and of the Commercial Association to discuss means of developing trade in heavy machinery and other products between Canada and Brazil.

3. Industry and Trade--Industrialists Discuss Problems at Annual Convention

The XII Convention of the Industrialists of the Interior (of the State of São Paulo) took place at Botucatu May 25-29. The convention was attended by hundreds of businessmen from all parts of the State of São Paulo, as well as representatives of the Federal, State, and local governments and of the Federation of Industries of the State of São Paulo and other trade associations. Problems besetting Brazilian industry and business were discussed and a list of recommendations expressing the views of the Convention will be sent to the Federal authorities.

Comment: Speechmakers at the final plenary session expressed concern at some of the measures taken by Congress and the Federal Government in recent months (decision to expropriate foreign public utility companies; the profit remittance bill; the "right-to-strike" bill) which are deemed to be injurious to the growth of the local industry.

4. Trade with Soviet Bloc--Advertisements for Soviet Manufactured Goods in São Paulo Papers

Some advertisements for water-borne craft, passenger cars, buses, and trucks of Soviet origin have appeared in the São Paulo press since the opening of the U.S.S.R. Industry and Trade Fair at Rio de Janeiro. The ads invite prospective buyers to obtain further information from the Soviet Trade Delegation to Brazil in Rio de Janeiro, or else to write directly to V/O Sudimport or V/O Avtoexport, at Moscow.

5. Labor--Construction Workers Receive Wage Increase

Construction workers in the State of São Paulo received a 50 percent wage increase under the terms of a new agreement signed May 21, 1962. The agreement, with an effective date of May 1, 1962, also provided for a maximum monthly increase of 18,000.00 cruzeiros¹ and minimum monthly increases of approximately 1,500 cruzeiros. ¹Current free market rate of exchange is approximately 398 cruzeiros per U.S. dollar.

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zeiros for laborers and 2,500 cruzeiros for skilled workers. Construction workers in the cities of Campinas and Santos were the only ones in the State not covered by this agreement.

Comment: This is one of the highest percentage increases granted in the São Paulo area. While negotiations were replete with the usual strike threats, no work stoppage occurred.

For the Minister Consul General:

Scott Lyon
Scott C. Lyon
Consul

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period May 19 - June 1, 1962)

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUN 12 1962

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3. Federal Savings Banks To Finance Purchases Of Automobiles.
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5. Cost-Of-Living Increase In Guanabara State.
6. Imports Without Exchange Cover During April.
7. Revenue From Customs Tax In 1961.
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10. Petrobras Faces Severe Crisis.
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12. Increase In Output Of Nickel And Ferronickel In Minas Gerais Projected.
13. Diamonds Again In Mato Grosso.
14. More On Iron Ore In Pernambuco.
15. Soviet Exposition Of Industry And Commerce Closes.
16. West German Economic Assistance For Brazil.
17. Commission Created To Coordinate Alliance For Progress Projects.
18. Canadian Heavy Equipment Industry Mission Visits Brazil.

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From Rio de Janeiro

1. COFFEE EXPORTS

Coffee Exports during the month of May 1962 were 1,104,402 bags compared to 1,139,314 bags exported during the same month last year.

Total coffee exports during the current coffee marketing year (July 1, 1961 through May 31, 1962) were 16,210,592 bags compared to 15,098,313 bags exported during the same period of the past coffee marketing year. (Lyaloux)
(UNCLASSIFIED)

2. CEILING OF 12% PER YEAR ON THE INTEREST RATE

The Chamber of Deputies has approved a bill which establishes that interest rates must never exceed 12% a year, regardless of the nature of the contract, loan or transaction. Under the terms of the proposed bill, the lenders commission could not exceed 10% of the interest charges.
(UNCLASSIFIED)

COMMENT: The law currently prohibits interest rates on loans in excess of 12% but this limitation is by-passed by the assessment of various commissions, collection fees, etc. The effort to make the legal interest rate effective is based on an erroneous belief that lower interest rates would contribute to monetary stabilization. If it were enforceable, of course, it would actually encourage borrowing and credit expansion. As a practical matter, however, even should the bill pass the Senate, it would be difficult to enforce and would seriously complicate bank operations and distort the lending pattern. (Wblomeyer/JKrizay)
But who would be willing to lend under these conditions? (OFFICIAL USE ONLY)

3. FEDERAL SAVINGS BANKS TO FINANCE PURCHASES OF AUTOMOBILES

The Federal Savings Bank reportedly has initiated a financing scheme for the purchase of automobiles. The scheme provides for a 20 per cent down payment, the balance to be paid off in 48 installments bearing a monthly interest rate of one per cent. The operating funds were set at Cr\$ 200 million (some \$500,000). According to press reports the purchase of 112 vehicles will be financed within the next 30 days for use as taxis. The car model being financed is a simplified version of the regular Aero Willys built at the plant of Willys do Brasil S. A., a subsidiary of Willys Overland Corporation. It is also reported that in addition to professional drivers, newspapermen, engineers, lawyers, doctors and Navy officers are among those who may qualify for the scheme.
(UNCLASSIFIED)

COMMENT: Federal Savings Banks' resources, intended primarily for financing the purchase of low cost housing by individuals, are quite limited. This scheme, principally a gesture to the automobile industry, which constantly complains that its expansion possibilities are limited as a result of lack of means of financing, will reduce even further the Savings Banks' ability to carry out its intended purpose. (Wblomeyer/JKrizay)
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From Rio de Janeiro

4. STATE OF MINAS GERAIS TO FLOAT CR\$ 30 BILLION IN HIGHWAY BONDS

According to press reports, the government of Minas Gerais intends to float CR\$ 30 billion in highway bonds with the guarantee of a banking network. The press stated that the bond issue would feature annual lottery drawings for a six-year period (the bonds are redeemable in 15 years) with prizes running as high as CR\$ 200 million together with redemption at a value double the original face value as a means of making these bonds attractive.

(UNCLASSIFIED)

COMMENT: The capital market in Brazil is practically untouched. In spite of the high rate of currency depreciation (30% per annum) there are still some individuals who keep savings accounts bearing 6% per year, but personal savings generally take the form of purchases of land or real estate. This is an effort to divert savings of that type to fund the operations of the State.

The issue, if it develops as the press reports, will compete with the federal governments' voluntary loan issue now authorized by the Congress, which contains the attraction of periodic cost-of-living adjustments in face value. It is doubtful that in light of the federal voluntary loan issue, plus other programs for funding the federal deficit in the private sector, the State of Minas will be able to float the entire issue in one year. Indeed, the Consulate at Belo Horizonte reports that State officials would be satisfied if CR\$ 7 billion would be subscribed to in 1962. (Wblomeyer/JKrizay)

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5. COST-OF-LIVING INCREASE IN GUANABARA STATE

The cost-of-living for Guanabara State during the month of April increased 2% over the previous month, according to the Getulio Vargas Foundation index. The increase recorded for the comparable period last year was 4.4%. Total increase for the first four months 1962 was 9.8% as against 9.3% for the corresponding period of 1961. The largest increases in the various sectors during April 1962 were: furniture and utensils 4%; health and sanitation 2.7%; and foodstuffs 1.9%.

(UNCLASSIFIED)

COMMENT: The comparison with last April is somewhat fallacious in that last year's increase came on the heels of a major reform (SUMOC Instruction 204) which eliminated various subsidies and market distortion. (Wblomeyer/JKrizay)

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6. IMPORTS WITHOUT EXCHANGE COVER DURING APRIL

Investments licensed by CACEX (Foreign Trade Bureau) as imports without exchange cover under former SUMOC Instruction 113 during April amounted to \$1,860 thousand. The investments were concentrated mainly in the basic industries sector which received 91% of the total invested. The breakdown by industrial sectors, was: metallurgical \$816 thousand; automotive \$725 thousand; and

/chemical

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chemical \$150 thousand. Among the contributing countries were Germany 45%; Italy 18%; Uruguay 8%; and The Netherlands 7%. (WBlomeyer)
(UNCLASSIFIED)

COMMENT: The level of imports without exchange cover during April is more or less in line with the \$2 million monthly average recorded in 1961 and compares favorably with the \$1,370 thousand average for the first quarter of 1962. (WBlomeyer)
(UNCLASSIFIED)

7. REVENUE FROM CUSTOMS TAX IN 1961

According to press reports during 1961 the revenue collected from the Customs tax totalled Cr\$ 30 billion. This amount represents an 82% increase over the budgetary estimate (Cr\$ 16.4 billion) and was 70% more than the revenue collected from this source in the preceding year (Cr\$ 17.6 billion).
(UNCLASSIFIED)

COMMENT: The increase in Customs tax collections in 1961 is due, principally to the fact that the fiscal dollar (the dollar rate at which Customs duties are assessed) increased throughout the year from Cr\$ 174.00 in January to Cr\$ 310.77 in December 1961. (WBlomeyer)
(UNCLASSIFIED)

8. GOVERNMENT APPROVES DECREE ON EXPROPRIATION OF FOREIGN-OWNED UTILITIES

The President has signed the long-awaited decree concerning the transfer of all foreign-owned utility firms in the country to national ownership. Although it has not yet been published in the *Diário Oficial*, press summaries report that the bill contains the following provisions: a commission of three appointed by the President will be set up to study and report to the Council of Ministers on the companies to be taken over. The commission will negotiate with the companies in regard to the conditions and form of reimbursement to the share-holders, which agreements will have to be submitted for approval of the Council of Ministers. The following principles will prevail: 1) there will be a down payment of not more than ten (10) per cent of the total award; 2) balance to be paid off on a long term basis out of earnings of the company taken over; 3) repayment should require the smallest amount possible of foreign exchange; 4) a commitment by the concessionaire company to reinvest in the country in economic development projects approved by the National Planning Commission of not less than seventy-five (75) per cent of the amount received as indemnization. (A further limitation in this connection which is not yet entirely clear reportedly would prohibit reinvestment in any field in which a Brazilian enterprise is already operating).
(UNCLASSIFIED)

COMMENT: Although it is too early to assess the reaction on the foreign utilities, on the surface, the conditions established by the new decree appear to be quite onerous and involve more limitations on re-investment than had been expected. (SGAnderson)
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9. INCREASES IN COASTWISE FREIGHT RATES

The Merchant Marine Commission has authorized basic increases in coastwise freight rates in order to mitigate the effects of perennial deficits in the operations of Brazil's merchant marine which in 1961 attained Cr\$ 20 billions, and in 1962 is estimated to rise to Cr\$ 22 billions.

The increases are to take place in two parts - the first half (already effected) on May 21, and the second half on September 21. The purpose of the raise is to eliminate the present subsidies granted to coastwise shipping companies ("pequena" cabotagem up to 1,000 kms. (600 miles) will not be effected and subsidies will continue to be paid these small operators) and to shipyards for repairs and replacement services.

(UNCLASSIFIED)

COMMENT: The Merchant Marine Commission estimates that the total increase in the cost of goods (landed prices) as a result of the higher freight rates will range from 0.8 to 5.0 per cent. (SGAnderson)

(UNCLASSIFIED)

10. PETROBRAS FACES SEVERE CRISIS

On Friday, June 1, it was stated in the press that Sr. Mangabeira, President of Petrobrás, was due for dismissal. This action reportedly was taken at a meeting of the Council of Ministers held the day before, and it was further stated that a military strongman familiar with the problems of petroleum would be named as successor. Specifically mentioned as the candidate was General Ernesto Geisel, who reportedly fills the above qualifications; during eight years he was the Army representative on the National Petroleum Council. Another candidate for possible consideration was named as Colonel Crisanto Figueiredo. — named by Attache tel as Communist.

The crisis in the State petroleum monopoly came to a head suddenly as the result of a series of measures taken by Sr. Mangabeira that caused an open revolt of the engineers and technicians of Petrobrás who as a group had voiced dissatisfaction with Sr. Mangabeira since his appointment following dismissal of his predecessor, Sr. Geonísio Barroso, on January 5. According to critics, the acts of Sr. Mangabeira which precipitated the crisis included a recent rescission of the contract with two North American drilling firms (Heny Williams and Drillco) that had been operating in Alagoas; a contract with Faros, S. A. for Argentine L. P. G. (500,000 metric tons from Argentine State enterprise Gaz del Estado, at \$68.00 per ton, c.i.f.); a proposed contract with a firm called "PETRONAL", of undetermined background, for 120 million barrels of crude for over a 5-year period from a Middle-Eastern source; the supplying of fuel oil directly to the Navy at a purported price higher than previously charged by private distributors who, in turn, obtained the oil from Petrobrás; and finally, the prohibiting of a foreign group participating in oil shale investigation.

/In a written

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From Rio de Janeiro

In a written memorial signed by the directors of all technical groups in Petrobrás, the dismissal of Mangabeira was demanded, and as a sign of protest against the policy of direction of the company these engineers - all occupying high-level positions - handed in their resignation.

The first act of Sr. Mangabeira was to turn to the Armed Forces for engineers to replace those who had resigned, but he was turned down. The resignations of General Artur Levi, Superintendent of the Duque de Caxias refinery (near Rio) and Sr. Oto Martins de Lima, Superintendent of the Presidente Bernardes refinery (at Cubatão) were accepted. As replacement for the former, General Hilnor Canguçu, previously head of Petrosix, (oil shale development section of Petrobrás) was named, and for the latter, Commander Carlos Alberto Dévila Zavattaro was designated. Other positions remain to be filled. General Canguçu accepted the new post, but the reception of the refinery personnel reportedly was cold and almost hostile.

(UNCLASSIFIED)

COMMENT: It has been suspected for some time that the unseemly situation was due to come to a head and break open. Obviously, Sr. Mangabeira, both from the standpoint of probable incompetence as an engineer and administrator, and inability or unwillingness to heed advice and recognize danger signals, maneuvered himself into an untenable position. At present the situation is completely unsettled. It is significant, however, that General Canguçu in being appointed to the job as Supt. of Duque de Caxias refinery leaves open the important position as head of Petrosix. On the basis of the future appointee to this vacancy, the development of oil shale in Brazil could either again be delayed seriously or it could be accelerated. (ALRansome)

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11. PASSOS PROPOSES REORGANIZATION PLAN

A projected plan for the reorganization of the Ministry of Mines and Energy has been submitted by Minister Gabriel Passos to the Chamber of Deputies. The plan purportedly takes into consideration the peculiarities of the political, social, and economic nature of the Ministry of Mines and Energy and incorporates improvements in the overall plan of administration based on the first year of operation of the new Ministry.

For the purpose of permitting close coordination between the major segments of the Ministry as related to the various aspects of the Brazilian economy, a National Council of Mines and Energy is envisioned whose members will include representatives from the several departments of the Ministry, and the following with a 2-year term of office: a representative of the Army General Staff; two representatives from the CNI (National Federation of Industry); and two from the CNII (National Federation of Industrial Workers) the last four to be elected.

The plan includes a departmentalization of specific projects of the Ministry under the guidance of special "superintendencies" which will cover initially the following categories: iron ore, water and electric energy, nuclear energy, coal, petroleum, mineral waters and hand-mining operations.

/Under the above

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Under the above concept the present National Petroleum Council, National Nuclear Energy Commission, Executive Commission for the National Coal Plan, and the Permanent Commission for Mineral Waters will be absorbed within the above specialized "superintendencies". The National Council of Water and Electric Energy's duties will be taken over by the National Council of Mines and Energy.
(UNCLASSIFIED)

COMMENT: The fact that Passos has come forth with a reorganization plan is not at all surprising; it is an "occupational disease" that all administrators seem to get sooner or later in an attempt to improve the operation of their particular sphere of responsibility. Whether this plan if it is approved and implemented, will accomplish this purpose remains to be seen. Lacking complete details at this early stage makes comment somewhat questionable. However, it is apparent that iron ore is given priority recognition along with coal and petroleum in the minerals field, but that other types of mining such as manganese, copper, lead, gold, etc. are overlooked or included in the general category of "hand-mining operations". Just where Petrobrás fits within the operational pattern under the petroleum "superintendency" is not clear, particularly now that that company is undergoing its "crisis". Nor is it specified how the all-important problem of oil-shale development will be handled -- whether separately or as part of petroleum.

Overall, the plan is pretty drastic in its changes. What will happen to Atomobrás and Eletrobrás, and how will they fit within the pattern? Opposition to Passos' ideas is most certain to emerge, and the end result of this project could be considerably different from this initial version. (ALRansome)

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12. INCREASE IN OUTPUT OF NICKEL AND FERRONICKEL IN MINAS GERAIS PROJECTED.

It was reported recently that reserve quotas of electric energy to be supplied by Central Elétrica de Furnas were solicited by two firms, "Cia. Niquel do Brasil" and "Morro do Niquel". The basis for these requests for more energy are plans for increased production of ferro-nickel. Reportedly Cia. Niquel do Brasil, which operates in Liberdade, southeast Minas Gerais, plans to increase ten-fold to 3,000 metric tons per year its present annual capacity of about 300 tons of ferro-nickel. Morro Niquel, Mineração Indústria e Comércio, a Bank of Indochina group (French) is also interested in mining nickel in Brazil. As evidence of interest, the "Morro do Niquel" increased its capital with the expressed aim of completing its installation at its industrial site with the assembly of an electric refractory smelting furnace and undertaking mineral exploration on its property locally called "Morro do Niquel" or "Morro Pelado" in Petropolis, Minas Gerais. According to the report an initial plant capacity for treating about 7 tons of ore per day will eventually be increased to 36 tons. Thus the initially requested quota of 4,000 KVA of electric energy will increase an expected 5-fold by 1965. (ALRansome)

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From Rio de Janeiro

13. DIAMONDS AGAIN IN MATO GROSSO

Reports have been made in the press of the existence of a large diamantiferous area in the Municipality of Chapada dos Guimarães, Mato Grosso. A great number of strangers reportedly are arriving in the area from other parts of the country, and the mining prospects are increasing daily.

(UNCLASSIFIED)

COMMENT: The report -- unconfirmed -- is not surprising. So-called diamond discoveries, more frequently than not, represent promotional development of diamantiferous ground and cause migration of fortune-hunters and "garimpeiros" in a fashion that has been more or less standard for many years. (ALRansome)

(UNCLASSIFIED)

14. MORE ON IRON ORE IN FERNAMBUCO

In the Bi-Weekly Economic Review of February 13, 1962 (Emdesp 640) a report was noted relative to a 10 million-ton discovery of iron ore at São José do Belmonte; no particulars were available. Recently another report was published in which the composition of the ore was stated to be predominantly hematite of varying grade, from 60-65% Fe. Apparently further topographic and geologic mapping is being undertaken to determine the economic possibilities of the deposit.

(UNCLASSIFIED)

COMMENT: No mention of tonnage was made and it is probable that the original figure was exaggerated. Mineralization reportedly extends for 15 km. with a variable width of from 6 to 15 meters, but this cannot necessarily be translated into an ore reserve total with such facts as are presented. (ALRansome)

(UNCLASSIFIED)

15. SOVIET EXPOSITION OF INDUSTRY AND COMMERCE CLOSES

The Soviet Exposition ended its one-month run on June 3. Attendance rose sharply after the bomb scare on May 19 (HMER, Emdes 926 May 21, 1962) and its attendant publicity attracted many visitors. Rio's press estimates that some 500,000 persons viewed the exposition, and its commercial director claims that 1,200 commercial "encounters" were held with Brazilian businessmen.

(UNCLASSIFIED)

COMMENT: The unexploded time-bomb at the Soviet show provided Rio with one of its more interesting side-shows of the month. Many public officials visited the exposition after May 19 to demonstrate their non-association with "acts of terrorism" of any kind. The press was unanimous in its condemnation of the bomb, while many papers simultaneously denounced the exposition as a "Trojan horse". This issue, as well as a roundup of the exposition, is being reported separately.

The commercial effectiveness of the exposition cannot yet be judged. Some papers report that commercial "transactions" negotiated amounted to some \$20 million, but no details are available. One sector, however, seems to have no doubt

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Desp. No. Rio de Janeiro
From

doubt concerning the event's effectiveness. Posters placed on walls in downtown Rio read: "Results of the Exposition: 300 (Soviet) Agents". (Arenales)
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16. WEST GERMAN ECONOMIC ASSISTANCE FOR BRAZIL

A West German Economic Mission, headed by Ambassador Hans-Ulrich Granow, arrived in Brazil on May 24 for a four to five week stay to negotiate consular, cultural, and technical assistance agreements and to discuss with Brazilian authorities the application of DM 200 million (US\$50 million) for development projects. Reportedly some 34 projects, presented by private and public entities and approved by the Brazilian Government, have already been forwarded to Bonn for its consideration. It is further reported that more than 60% of the US\$50 million loan has been earmarked for Brazil's Northeast, in accordance with an agreement reached between the representatives of the two countries. (BAGoldstein)
(UNCLASSIFIED)

17. COMMISSION CREATED TO COORDINATE ALLIANCE FOR PROGRESS PROJECTS

The Council of Ministers has approved a decree creating an Alliance for Progress Coordinating Commission (COCAP) to handle matters related to the application of the US aid program.

COCAP will be made up of five members, named by the President, by appointment by the Prime Minister, and will be subordinate to the Council of Ministers. In accordance with the decision of the Council of Ministers, the secretary-general of the new commission will be José Luiz Bulhões Pedreira, who is also the secretary-general of the National Planning Commission (CONPLAN), thus providing liaison between the two commissions and making possible better coordination of Alliance for Progress plans with overall national planning. (BAGoldstein)
(UNCLASSIFIED)

18. CANADIAN HEAVY EQUIPMENT MISSION VISITS BRAZIL

A Canadian mission, headed by Thorsten Ehnsson of the Canadian Ministry of Trade and Industry, and made up of representatives of the Canadian heavy equipment industry, visited Brazil in late May.

/The mission

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Disp. No. 971

From Rio de Janeiro

The mission had toured all of Latin America, studying market possibilities for heavy equipment. Although, according to a press interview, the mission did not expect "utopian" results, it did have hopes of an appreciable increase in relations between Brazil and Canada with regard to trade in this particular area of industry. (BAGoldstein)

(UNCLASSIFIED)

For the Ambassador

Robert Eakens

Robert Eakens

Counselor for Economic Affairs

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FROM : AMEMBASSY, RIO DE JANEIRO

982

June 5, 1962

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP C-1

JUN 17 1962

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		AIR 6	ARMY 16	CIA 3	NAVY 3	OSD 3	OCB 3	USIA 8	NSA 3					

SUBJECT: POLITICO-ECONOMIC ASSESSMENT - BRAZIL

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FORM 6-51 FS-439

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Disp. No. 982
From: AMEMBASSY, Rio

SUMMARY ASSESSMENT

Brazil is going through a difficult period. There is uncertainty and indecision with respect to major political and economic problems. The hope for strong and effective leadership, which a while back it looked as if President Goulart might come to exercise, now seems lost in the politics of the election campaign. The general situation is not as discouraging as it was six months ago, but fundamental solutions to Brazil's principal political and economic problems at best will have to await the outcome of the October elections. Yet, the prospects of some measure of financial stabilization this year are better as a result of several major actions taken toward the end of May.

The situation on the political side reflects the heritage of the compromise, weak government by which possibly even bloodshed was narrowly averted at the time of the precipitate and still unexplained resignation of President Janio Quadros in August, 1961. It is also strongly influenced by the elections which will be held October 7, the first since last year's political crisis, when all of the seats in the Chamber, two-thirds of those in the Senate, and several important Governorships will figure in the contest. A third political factor contributing to the uncertainty is the impending resignation of the existing Cabinet, including the Prime Minister, at least by July 7 in order that most of the members may run for elective office in October, as well as the character of the Cabinet which will emerge. On the economic side, the high rate of inflation and general economic instability, with prices and wages chasing each other in the classic manner, has led to greater recognition of the urgent need for stabilization as Brazil's number one problem.

While Brazil is accustomed to a high rate of inflation, the 45 per cent rise in consumer prices last year and the danger that 1962 could be even worse have stimulated planning and action on stabilization by the present Government. Brazil's inflation is rooted primarily in large Government deficits financed by the printing of money. In March the Government estimated the potential cash deficit at Cr\$329 billion or 42 per cent of estimated expenditures of Cr\$778 billion. At this level it would be the largest cash deficit in Brazil's history. This is two and a half times the cash deficit in 1961 and slightly exceeded the currency in circulation on May 31.

A program has been developed to finance most of this year's deficit by non-inflationary means and to reduce other inflationary pressures by certain financial measures. On the fiscal side these objectives are being sought by some actual reduction in

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FILE

June 6, 1962

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Dear Linc:

I have been following developments in the Northeast and am generally encouraged by the progress thus far. There is one matter, however, which causes me some concern and on which I should value your judgment.

Both the SUDENE plan and the Bohan report have skirted very gingerly the problem of land tenure. The Ligas Camponesas, on the other hand, have constantly called for land redistribution.

I gather that SUDENE's attitude reflects the feeling that land reform is politically too sensitive a subject to tackle directly and that the right approach is to get going successfully on other fronts, demonstrate accomplishment, and win the public support which may make land reform feasible. This approach also holds that land distribution by itself, without an expansion of a variety of support ng facilities and services, would have little economic value.

Our position, as I understand it, is to work as closely as possible with SUDENE, consciously choosing it as the instrument through which our aid will be channeled. This means following its view on the land problem.

The Honorable
Lincoln Gordon,
American Ambassador,
Rio de Janeiro, Brazil.

Handled by DIA

(1)

SR: C Bowler

S/S-RO

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- 2 -

What troubles me is that by following this course -- and I would agree that it probably is in most respects the wisest course to follow -- we may be missing an opportunity to hasten the kind of agrarian reform which in the long run is essential to the region's economic and political health. Might not SUDENE welcome our encouragement of more equitable land tenure patterns? Would not our pressure for reform itself help make such reform more politically feasible?

As you well know, by "land reform" I mean much more than land redistribution. I agree completely that distribution alone is almost meaningless. But, properly carried out, expanding land ownership can be the heart of an integrated program of community organization and individual participation which can yield rich results both economically and politically.

This problem concerns me also because of its implications for Latin America as a whole. If we fail to press for the principles of Punta del Este in Northeast Brazil, will our silence not weaken our hand elsewhere?

Although I know these views are familiar to you, I think you may be interested in a recent speech of mine before the White House Conference on Conservation in which I spelled them out in some detail.

I am looking forward to seeing you in August in Salvador.

With my warmest regards,

Sincerely,

S/S-RO

JUN 11 1962

A true copy of signed original

/s/ Chet

Chester Bowles
President's Special Representative

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SR:

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32
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Department of State

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TO: Secretary of State

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NO: 2878, June 7, 6 p.m. (SECTION ONE OF THREE)

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1. Political honeymoon reported my telegram Brasilia 11 of two months ago is over and this may be useful point attempt reassessment despite confusion of Cabinet change. Three principal factors: (A) political campaign on in earnest making for political instability; (B) imminent Cabinet change raising questions institutional stability; and (C) continued inflation, food shortages and sporadic violence in north and northeast making for social unrest.

2. Factor (A) has led President (first in mild May 1 and subsequently in demagogic May 14 Santos speech) seek hold popular base by recreating version of old image of soak-the-rich Jango, heir to Vargas mantle with favors to popular masses and especially labor. (He reportedly admitted to Carvalho Pinto that he had probably gone too far in latter speech but did not intend let Quadros become "owner" of worker dissatisfaction.) Doubtless also hoping ease pressure from Left including recent Communist attacks. Predictably, Right and Center thought they saw once again Goulart's true pink coloration, although in fact his May 1 prepared speech followed line State of Union message which was universally praised.

(B) Imminent Cabinet change resulting from ineligibility after July 7 of Ministers seeking election October 7 has caused serious slowdown government administration. For this reason Cabinet has lost most of its authority, and most Ministers primarily occupied electoral considerations. Buck-passing

/has

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FROM : Amconsulate PÔRTO ALEGRE

86

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 7, 1962

REF : CERP, C-4

DATE
JUN - 8 1962

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SUBJECT: Monthly Economic Summary - Rio Grande do Sul - May 1962

1. Agricultural Developments
2. Domestic Trade and Commercial Activity
3. Foreign Trade
4. Industry, Investment and Development
5. Transportation and Communications
6. Finance
7. Labor
8. Miscellaneous

FILED
JUN 27 1962

SUMMARY

The weather in May remained favorable to agriculture. The current Rio Grande do Sul rice crop is expected to be equal to the previous one, while poor crops are expected in other producing states. Rio Grande do Sul's current soybean crop is meeting competition from other oilseeds, particularly peanuts from São Paulo's large crop. Due to retail price controls, black beans have almost disappeared from the local market. A sugar mill is planned for Rio Grande do Sul. Sales in May are reported satisfactory. Manufacturers are feeling the pinch of tight money conditions. Industry and Commerce leaders are concerned over credit restrictions imposed by Federal authorities. It is expected that the introduction of more realistic rates of exchange will facilitate exports of agricultural products from this State. Renewed interest in local investment has been expressed by West German group and closer trade relations sought by Czechoslovakia. The State Power Commission (CEEE) has increased power rates in face of rising costs for fuel, other materials, and salary increases. The local money market was reported tight. Management-labor relations remained relatively quiet during the period under review.

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Disp. No. 86
From PORTO ALEGRE

1. AGRICULTURAL DEVELOPMENTS:

a. Weather Reports - The weather in May remained relatively favorable to agriculture.

b. Rice - It is now fairly certain that Rio Grande do Sul's current rice crop will be about the same as in 1961, or roughly 900,000 metric tons of unhulled rice. Indications are that, in all other producing States, with the possible exception of Goias and Minas Gerais, rice crops have been poor and the outlook is for a general shortage of this commodity throughout Brazil. As an outcome of the situation, rice dealers and growers are holding out for higher prices and there have been reports of black market transactions for shipments to the north. To keep local rice out of such operations the state control agency (COAP) has prohibited all out-of-state shipments.

c. Soybeans - The current crop, harvested early this year, estimated at 300,000 metric tons, is encountering difficulty in moving to consuming centers. Strong competition is reported, particularly from Sao Paulo peanuts. Sao Paulo reports a surplus of 162,500 metric tons of peanuts. A minimum price of \$1,260.00 per 60-kilo sack, with 14 percent moisture, delivered to the ports of Porto Alegre, Rio Grande and Pelotas, has been established for financing the soybean crop by the Bank of Brazil.

d. Black Beans - Rio Grande do Sul is now harvesting the so-called "little crop", estimated at 300,000 to 400,000 sacks (60-kilo sacks). The main crop will begin to be harvested in December. This "little crop" is reported to be of good quality due to favorable weather conditions. However, due to the retail price of \$40.00 per kilo set by the local price control agency (COAP), no black beans are being received in Porto Alegre from producing areas in the interior. The only black beans available are from confiscated stocks discovered hidden in Porto Alegre. Black beans have been sold by merchants in the interior for prices as high as \$2,900.00 per 60-kilo sack.

e. Sugar - The creation of a sugar industry is planned for Rio Grande do Sul to be centered in the district of Osorio, near Porto Alegre. The State's present sugar consumption amounts to 4 million sacks per year. The expansion of the State's present sugar cane crop will be encouraged by local authorities.

f. Agrarian Reform - It has been reported that a large landholder in Rio Grande do Sul has offered for sale to landless farmers, under the Government's agrarian reform program, 1,000 hectares of land situated in the district of Encruzilhada do Sul.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

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Encl. No.

Desp. No. 86

From PORTO ALEGRE

Both retailers and wholesalers appear satisfied with the current volume of sales, but collections are beginning to slow again, and the manufacturers are feeling somewhat the pinch of tight money conditions.

Comparative figures of total sales for April 1962 (latest figure available) and March 1962, and April 1961, are as follows:

(In thousands of cruzeiros)

April 1962

41,752,590

March 1962

42,058,590

April 1961

26,711,750

Source: Budget Bureau, State Treasury

No doubt the inflationary spiral has been responsible for the considerable increase in the cruzeiro-value of sales in 1962.

3. FOREIGN TRADE: Due to ^{the} recent introduction of more realistic rates of exchange strengthening the U.S. dollar, the local Meat Institute is hoping that export of frozen and canned beef from this State will be resumed.

Due to ^{expected} shortage of rice throughout Brazil, the export possibility for local rice seems to be ruled out.

4. INDUSTRY, INVESTMENT AND DEVELOPMENT:

a. Credit Problem - Industry and commerce leaders of Rio Grande do Sul are concerned over the credit restrictions imposed by Federal authorities. In hopes of bringing some credit relief to this State, local bankers and businessmen are getting groups to appeal to the Federal Government for larger rediscount facilities.

b. Trade with Czechoslovakia - Recent visitors to this State were the Commercial Counselor of the Czechoslovakian Embassy, and the head of the Foreign Trade Department of the Czechoslovakian Ministry of Commerce. They discussed the possibility of closer trade relations between Rio Grande do Sul and Czechoslovakia. The Consulate will report further developments.

c. German Investment - Representatives of the German group "Henschel-Naumann Gepp S/A" recently called on Governor Brizola. This group is looking into the possibility of manufacturing locomotives in Rio Grande do Sul. Discussions will be continued between the German group and local authorities. The developing situation will be reported by the Consulate.

5. TRANSPORTATION AND COMMUNICATIONS:

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From PORTO ALEGRE

a. Reduction in Federal Funds - There has been a strong local reaction against the decision of the Federal Government to cut from 23 to 40 per cent the funds originally appropriated for the construction and improvement of highways, railways and other public works in Rio Grande do Sul. This cutback is considered serious as a great number of workers will be thrown out of work and it will otherwise adversely affect the local economy.

b. American Telephone Company - On May 22, the local courts unanimously rejected the injunction filed by the local IT&T subsidiary against the expropriation of its property by the State. The Consulate will continue to report on this subject by despatch.

6. FINANCE:

a. Exchange - On May 21 the Bank of Brazil moved its exchange rate from \$310.00 buying, \$318.00 selling, a level maintained for several months, to \$350.00 buying, \$359.30 selling per dollar. The free market rate quoted by the local commercial banks late in May was \$362.10 per dollar check buying rate, up from \$348.00 in April.

Special category dollars sold at auctions during the month under review amounted to \$22,800.00 from a total offered of \$24,800.00, leaving an unsold amount of \$2,000.00. The agio paid was \$662.60 per dollar. No covenant dollars were sold.

b. Money Market - The local money market was reported tighter than last month. Banks are holding back on loaning operations because of increased SUMOC (Superintendency of Money and Credit) compulsory deposits, and forthcoming income tax payments.

c. Government Finance - The bank of Rio Grande do Sul and the State Government signed a contract on May 4, whereby a credit was opened in the Bank for account of the State, in the amount of \$250 million, called "Advance against Budget Receipts."

7. LABOR:

Management-labor relations remained relatively quiet during May. However, commercial employees are again bargaining with employers for an increase in salary rates due to rising living costs.

8. MISCELLANEOUS:

a. Oil Refinery - During his recent visit to Rio Grande do Sul on May 3 Mr. Francisco Mangabeira, President of Petrobras, inspected the location selected for the Rio Grande do Sul oil refinery to be constructed by Petrobras in the district of Canoas, near Porto Alegre. Work has progressed slowly because of initial

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valuation problems with the owners of the expropriated land.

b. State Electrification Program - An increase of 5 per cent per month in power rates has been put into effect by the State Power Commission (CEEE) starting in June and extending through November. CEEE states that this total increase amounting to 30 percent is caused by rising costs for fuel, other materials, and salary increases. CEEE also announced an accumulated deficit of approximately 63 billion.

For the Principal Officer

Hyman Bloom
Hyman Bloom
American Consul

cc.: Amembassy RIO

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FOREIGN SERVICE DESPATCH

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FROM : AMCONSUL, Belo Horizonte

33
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 8, 1962
DATE

REF : ---

ACTION	DEPT.
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SUBJECT: ECONOMIC REPORT (No Monthly Summary for May, 1962) LAD-6 OSD-3 Army-6
Navy-3 NSA-3 USIA-8
A-3 CAB-4 FAA-5

The Consulate will not prepare a monthly economic summary for May. The chief occurrences of a local nature were not of major significance (the Banco da Lavoura successfully weathered the efforts of a local entrepreneur to shade public faith and cause a run on the bank; a new iron ore exporting firm was framed but there was no indication when it would get into operation; a Japanese consortium signed a 15-year contract with Companhia Vale do Rio Doce for export of 50 million tons of iron ore; The State Government talked vaguely about taking over commercial aviation in Minas Gerais.) Despite some activity, frenzied or lethargic, little has happened locally to change the situation described in previous reports. Increased cost of living and food shortages which became more acute during the month form part of a general problem in Brazil and have been reported elsewhere.

Jon S. Lodeesen
Vice Consul
For the Principal Officer

cc. Cons. for Cons. Affairs
Ambassy/Rio de Janeiro/Econ Section

FILED
JUN 27 1962

JSLodeesen/pk
REPORTER

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833.00/6.862

FOREIGN SERVICE DESPATCH

FROM : American Consulate, Curitiba 62

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 8, 1962

REF : CERP Section C-4

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SUBJECT: ECONOMIC SUMMARY FOR MAY 1962

SUMMARY

Frost reduces 1962/1963 coffee crop expectations. Coffee financing system will result in payment of 3 to 3.5 billion cruzeiros to Paraná state. - Mate producers satisfied with official minimum price. - Cotton crop amounts to 90,000 tons of cotton wool and 54,000 tons of cottonseed. Growers unhappy over official minimum price. - Sigatoka outbreak on banana plantations along littoral. - Paraná legislature protests lumber export quotas.

Fundição Tupy receives 560,000 dollar loan for expansion.

Contracts let for BR-2 repairs. - Electricity rationing begins in Curitiba. Santa Catarina government purchases 201,100,000 cruzeiros worth of shares of Blumenau power facility. - Curitiba telephone company adds 950 new lines, but still has long waiting list.

Stevedore strike in São Francisco do Sul averted. Intra-union dispute results in 48 hour stevedore strike in Paranaguá. - Paraná teamsters, Curitiba clerical workers, and Santa Catarina commercial employees gain substantial wage increases. - Curitiba weavers settle for small wage hike. - Curitiba telephone company grants conditional wage increases.

Cost of living continues to rise. - Seven new banks in Curitiba.

cc: American Embassy, Rio de Janeiro (2)
American Embassy, Brasília

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FORM 6-61 FS-439 GPO 312596

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End. No.

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From AmConsulate, Curitiba

I. AGRICULTURE1. Coffee

During May 1962, 248,135 bags of Paraná coffee were shipped through the port of Paranaguá to foreign markets and 43,945 bags to other Brazilian ports. 6,000 bags were exported via the port of Antonina. A frost on May 30, 1962, reportedly affected northern Paraná coffee plantations so that the 1962/1963 crop may be 3% less than expected (Armazens Gerais Ferroviários S/A. had forecast a 14,575,437 bag crop). On May 29, 1962, the Brazilian Coffee Institute approved the system of financing for the 1962/1963 crop; 85% of the value of the expected crop will be pre-financed by payments to individual growers, as compared with 80% during the previous crop year. The state of Paraná will receive from the Institute 250 cruzeiros per bag, which means that approximately 3 to 3.5 billion cruzeiros will be available for state assistance to coffee culture and improvements in the coffee area. Nothing has been reported yet in connection with Paraná planters' demands for a 2,000 cruzeiros minimum price per bag of coffee in pod form and for funds for combat against the "broca" (a plant disease which is having some effect in northern Paraná).

Sources: "Diário do Paraná", Curitiba, May 8, 23, 31, 1962.
"Estado do Paraná", Curitiba, May 23, 27, 30, 31, 1962.
"Gazeta do Povo", Curitiba, May 27, 1962.
"Ultima Hora", Curitiba, May 29, 1962.
Personal conversations.

2. Mate

Mate producers showed satisfaction over the official minimum price fixed by the National Mate Institute at 350 cruzeiros per arroba (32 lbs.) delivered at Curitiba. Certain segments of the press in Curitiba and several Paraná politicians expressed support of the Paraná mate cooperatives' campaign against the present individual quota system which favors a few traditional and big mate firms and limits the cooperatives' possibilities for expansion.

Sources: "Estado do Paraná", Curitiba, May 5, 1962.
"Tribuna do Paraná", Curitiba, May 24, 1962.
"Ultima Hora", Curitiba, May 10, 1962.

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3. Cotton

Picking of the Paraná cotton crop came to an end during May. The total crop amounted to 90,000 tons of cotton wool and 54,000 tons of cottonseed. Paraná is now Brazil's second producing state. The new official minimum price of 754 cruzeiros per arroba (32 lbs.), previously 605 cruzeiros, did not satisfy planters who are insisting on 800 to 900 cruzeiros. Although no further rioting occurred, the atmosphere in northern Paraná production centers Assaí and Paranavaí continues tense.

Sources: "Diário do Paraná", Curitiba, May 4, 12, 18, 29, 1962.
"Estado do Paraná", Curitiba, May 1, 4, 12, 13, 15, 1962.
"Gazeta do Povo", Curitiba, May 12, 1962.
"Tribuna do Paraná", Curitiba, May 2, 11, 12, 14, 1962.

4. Bananas

Paraná banana plantations at Morretes, Paranaguá, Serra Negra, and Guaraqueçaba have been attacked by the "sigatoka" disease (cercosporiosis). Measures to combat the spread of the disease have not been undertaken, largely due to the recent 40% cut in federal agricultural funds.

Sources: "Diário do Paraná", Curitiba, May 23, 1962.
"Estado do Paraná", Curitiba, May 5, 1962.
"Tribuna do Paraná", Curitiba, May 5, 30, 1962.

5. Lumber

At the request of the Paraná state legislative assembly, protest telegrams were sent to the federal government to point out the injustice of the present export quota system for lumber. The present system, established by the National Pine Institute, whose president, Herminio Tissiani, is from Santa Catarina, is based upon quotas allotted to each state. Whereas Paraná produces 49% of Brazil's sawn lumber, Santa Catarina 42%, and Rio Grande do Sul 9%, the export quotas establish 23% for Paraná, 44% for Santa Catarina, and 33% for Rio Grande do Sul. As a result of this pressure, the Institute subsequently announced that Paraná's claim for an increased quota would be considered and export quotas would probably be brought into line with present stocks in the ports. This action would increase Paraná exports by 25%.

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Sources: "Diário do Paraná", Curitiba, May 19, 25, 1962.
"Estado do Paraná", Curitiba, May 15, 17, 1962.
"Gazeta do Povo", Curitiba, May 15, 26, 1962.
"Tribuna do Paraná", Curitiba, May 15, 1962.
"Última Hora", Curitiba, May 15, 17, 1962.

II. INDUSTRY

1. Fundição Tupy

Fundição Tupy S/A., of Joinville, Santa Catarina, was granted a 560,000 dollar loan by the Interamerican Development Bank. This amount will finance 34% of expenditures connected with the installation of an additional foundry. By 1964, this new foundry will produce 3,600 tons of car, truck, and tractor spare parts per annum. Tupy will employ an additional 500 workers. When this plant reaches full capacity, Brazil is expected to save about 500,000 dollars of exchange per year now spent on the importation of automotive spare parts.

Sources: "Estado", Florianopolis, May 18, 1962.
"Notícia", Joinville, May 24, 1962.

III. TRANSPORTATION & COMMUNICATIONS

1. Highways

The deplorable state of the BR-2 highway Curitiba-São Paulo caused the Federal Highways Department to contract with three road construction firms for immediate repair works. Traffic is slow but continuing now. However, weather conditions, which cause frequent earth slides and cave-ins, coupled with the basically poor engineering of the original road, will make further considerable expenditures inevitable for the upkeep of this road which has already cost 13 billion cruzeiros.

The local press prominently played up the possibility that the Alliance For Progress will contribute to the completion of the 706 kilometer "coffee road" in Paraná, which will link up the northern Paraná coffee area with Curitiba and the port of Paranaguá. The Curitiba-Ponta Grossa part is ready and is in excellent condition. Curitiba-Paranaguá is under active construction, and Ponta-Grossa-Porto São José will still have to be built (BR-104). By the end of May 1962, the Paraná Highways Department director, together with American and Brazilian engineers, inspected the entire future route of the "coffee road" from Paranaguá to Porto São José at the Mato Grosso border.

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Sources: "Diário do Paraná", Curitiba, May 12, 17, 20, 1962.
"Estado do Paraná", Curitiba, May 22, 27, 1962.
"Gazeta do Povo", Curitiba, May 16, 22, 1962.
"Tribuna do Paraná", Curitiba, May 15, 22, 26, 31, 1962.
"Ultima Hora", Curitiba, May 9, 15, 21, 26, 1962.

2. Electricity

Allegedly due to drought, which is causing constant dropping of the water level at nearby dams, Companhia Força e Luz do Paraná (an American & Foreign Power subsidiary) instituted electricity rationing for Curitiba. The rationing involves all districts of the city with the exception of the immediate downtown area. No electricity is provided between 11:30 a.m. and 1:30 p.m. on weekdays, between 11:30 a.m. and 5:30 p.m. on Saturdays, and between 5:30 a.m. and 5:30 p.m. on Sundays. Such drastic rationing has resulted in renewed attacks against the company on the part of the nationalist press and politicians.

Companhia Força e Luz do Paraná entered an agreement with Santa Catarina's SOTELCA, of Tubarão, which provides for the supply to Curitiba of 18,000 kilowatts for the first year and 25,000 kilowatts for the second year, subject to the construction of a transmission line.

Studies regarding two hydro-electric plants near Campo Mourão, Paraná, have been completed; the plants are supposed to be ready by 1966 and will supply parts of western and northern Paraná with 25,100 kilowatts.

Japan's Overseas Electrical Industry Survey Institute completed studies on the Seven Falls hydro-electric plant project with a maximum capacity of 1,000,000 kilowatts. A Japanese engineer stated that 336,150,000 dollars (US) would be needed to build this plant.

The Santa Catarina state government purchased 201,100,000 cruzeros worth of shares of the Empresa Força e Luz de Santa Catarina, of Blumenau, which will help to improve the services and output of this company which supplies the Itajaí Valley area with electricity.

Sources: "Diário do Paraná", Curitiba, May 15, 19, 24, 1962.
"Estado do Paraná", Curitiba, May 5, 1962.
"Gazeta do Povo", Curitiba, May 1, 4, 5, 22, 23, 1962.
"Tribuna do Paraná", Curitiba, May 5, 17, 19, 24, 1962.
"Ultima Hora", Curitiba, May 11, 17, 21, 22, 23, 24, 1962.
"Estado", Florianopolis, May 18, 1962.
"Notícia", Joinville, May 8, 22, 1962.

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3. Telephone

Companhia Telefônica Nacional, Paraná section (an International Telephone & Telegraph subsidiary), is presently installing 950 additional telephone lines in Curitiba, which will bring the number of lines to a total of almost 6,000. Approximately 14,000 Curitiba citizens and firms are on a "waiting list" for a telephone. The company, under the pressure of inflation and employee salary demands, has been asking for a 20% tariff increase. Considerable press speculation, of a rather inconclusive nature, has appeared about negotiations between the Brazilian government and the I.T. & T. regarding the sale of the company to the Paraná state.

Sources: "Diário do Paraná", Curitiba, May 8, 11, 18, 1962.
"Gazeta do Povo", Curitiba, May 11, 1962.
"Ultima Hora", Curitiba, May 2, 3, 9, 10, 11, 14, 21, 1962.

IV. LABOR

1. Stevedores

A strike of the São Francisco do Sul stevedores, originally scheduled for May 11, 1962, was avoided at the last minute when the federal authorities promised to investigate the payment due the stevedores from the merchant marine fund. The merchant marine fund payment makes up approximately half of the stevedores' earnings.

The port of Paranaguá was the scene of a 48 hour strike and rioting of 1,800 stevedores, on May 28 and 29. The stevedores' union leader was recently fired on the grounds of an 8 million cruzeiros embezzlement charge and alleged involvement in an attempted murder. The officially appointed interim administration of this union now has been accused of embezzlement, too. Strike and riot were settled with a promise of elections for a new union leader and administration within the next thirty days.

Sources: "Diário do Paraná", Curitiba, May 30, 1962.
"Gazeta do Povo", Curitiba, May 30, 1962.
"Ultima Hora", Curitiba, May 28, 29, 30, 1962.
"Estado", Florianopolis, May 6, 1962.
"Notícia", Joinville, May 1, 10, 1962.

2. Drivers

After a fortnight of bargaining, Paraná trucking company employees, on May 21, 1962, were granted the following

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From AmConsulate, Curitiba

increases effective in ninety days: 40% on the professional minimum salary for drivers, 30% on the professional minimum salary for office and workshop employees, and 20% on the wages for warehouse workers. Although the employees' initial demands were considerably higher, this present agreement has been reached surprisingly early.

Sources: "Diário do Paraná", Curitiba, May 5, 10, 20, 29, 1962.
"Estado do Paraná", Curitiba, May 11, 22, 1962.
"Tribuna do Paraná", Curitiba, May 5, 11, 15, 22, 1962.
"Ultima Hora", Curitiba, May 9, 11, 17, 22, 1962.

3. Weavers

Terminating a long and listless period of negotiations, Paraná weavers managed to receive the lowest wage increase ever granted in this district: 10% on present wages immediately, further 2% coming August, and a final 3% in September 1962. A serious threat of strike was eliminated, but weavers are rather unhappy over their bad bargain. However, textile workers have in the past received small periodic increases so that their demands in the present situation lacked urgency. The labor leaders, undoubtedly, realized this in settling for such a modest increase.

Sources: "Estado do Paraná", Curitiba, May 13, 16, 31, 1962.
"Tribuna do Paraná", Curitiba, May 3, 5, 11, 22, 31, 1962.
"Ultima Hora", Curitiba, May 8, 14, 23, 28, 1962.

4. Clerks

Curitiba's oldest wage increase campaign, that of commercial employees, came to an end on May 15, 1962. Increases ranging from 25 to 55% on salaries in effect during January 1961 were granted, retroactive to March 1, 1962.

As of May 1, 1962, commercial employees in Florianopolis, Santa Catarina, received a 40% increase on the October 1961 salary level, with a maximum increase of 6,000 cruzeiros per month.

Sources: "Estado do Paraná", Curitiba, May 23, 1962.
"Gazeta do Povo", Curitiba, May 25, 1962.
"Tribuna do Paraná", Curitiba, May 15, 1962.
"Estado", Florianopolis, May 25, 1962.

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From: AmConsulate, Curitiba

5. Telephone Employees

Employees threatening with strike (the last strike occurred in July 1961) forced the Companhia Telefônica Nacional, Paraná section (an I.T. & T. subsidiary), to agree to raise their present salaries by 60% as of June 1, 1962. An additional 100 cruzeiros per year of service longevity bonus was also agreed upon. However, the company conditioned this increase to a rise of the telephone tariff.

Sources: "Estado do Paraná", Curitiba, May 9, 10, 1962.
"Gazeta do Povo", Curitiba, May 19, 1962.
"Tribuna do Paraná", Curitiba, May 8, 9, 1962.
"Ultima Hora", Curitiba, May 4, 7, 8, 29, 1962.

V. DOMESTIC TRADE & COMMERCIAL POLICY

1. Cost Of Living

Curitiba wheat traders and bakers warned on May 2, 1962, that unless the official maximum price on wheat and bread is increased these items may become short. During the reporting period, black bean supply was irregular to insufficient, with the price doubling from 35 to 70 cruzeiros per kilo, and finally pegged at 50 cruzeiros by the Paraná price control office (70 cruzeiros in Santa Catarina). Export of beans from Paraná and from Santa Catarina to the big Brazilian consumption centers was prohibited to avoid local shortage, but prohibition was lifted at the end of the month. Smuggling of black beans to São Paulo and Rio de Janeiro, where this commodity brings exorbitant prices, has been lively. There are constant rumors of impending wheat, rice, and sugar shortage in Curitiba, without any reason for shortage existing other than that of price increase maneuvers. Milk supply to the Curitibaanos continues 5,000 liters per diem below demand, a not unusual phenomenon for this winter season; however, dairy farmers and milkmen are also engaged in pushing through a milk price rise from 35 to 42 cruzeiros per liter. Within one or two months, the official maximum price on the following commodities is likely to be increased: flour, bread, macaroni, milk, butter, cheese, cold cuts, sugar, and salt.

The interstate and interurban passenger bus fares were upped 14% as of May 15, and the interstate cargo transport tariff has been increased by 40% as of June 1, 1962. The Paraná telephone tariff is likely to be raised by 28%. Barbers and beauty parlors in Curitiba are charging 30% more as of mid-May. The only known price drop was that of mullets in Curitiba fish shops, from 180 to 130 cruzeiros per kilo, due to an unusually good fishing season in Santa Catarina coastal waters and heavy exports from Florianópolis to Curitiba.

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Sources: "Diário do Paraná", Curitiba, May 5, 10, 11, 15, 19, 20, 23, 24, 27, 30, 31, 1962.
"Estado do Paraná", Curitiba, May 3, 9, 10, 12, 15, 16, 17, 18, 19, 25, 26, 1962.
"Gazeta do Povo", Curitiba, May 6, 8, 9, 10, 17, 19, 25, 1962.
"Tribuna do Paraná", Curitiba, May 3, 8, 10, 14, 16, 17, 18, 19, 25, 1962.
"Ultima Hora", Curitiba, May 4, 10, 11, 15, 16, 17, 18, 21, 26, 30, 1962.
"Notioia", Joinville, May 18, 22, 1962.
Personal observations.

VI. FINANCE

1. Money & Exchange

Credit continues tight as local banks proceed cautiously in view of probable increases in SUMOC reserve requirements. Competition for deposits in this market has increased considerably with the announcement of the opening of seven new branches of Paulista, Mineiro, and Gaucho banks in addition to the founding of three new local banks.

The exchange market remains paralyzed with exporters presently negotiating cover at a premium of 20 to 30 cruzzeiros per dollar.

Source: The First National City Bank Of New York, Curitiba agency.

Allen G. Noble
Allen G. Noble
American Vice Consul

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In a declaration given to La Nación, which published it on May 31, 1962, former Economy Minister Federico Pinedo took issue with the statement of Minister Alsogaray in a broadcast of May 28 that internal prices would have to undergo adjustment to establish a new balance in relation to the devaluation of the peso. Dr. Pinedo declared that this is an erroneous concept that can lead to grave consequences. When it was decided to abandon Central Bank support of the peso (a decision taken in early April while Dr. Pinedo was Economy Minister), the peso was over valued, stated Dr. Pinedo. The peso had already lost an appreciable part of its purchasing power of two years ago because of internal inflation, so that effective devaluation had already taken place. The only item on which the peso price remained stable over the two years was the dollar. For that very reason people bought foreign exchange in large quantities, draining away the Central Bank's international reserves.

Dr. Pinedo then proceeded to expound sound money practices, to deplore the confusion that expansion of means of payment is the effect instead of the

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cause of inflation, and to reject the argument that because wages go up more money must be created. Easier money merely makes less resistance to major wage demands and promotes the inflationary cycle. Dr. Pinedo stated that the current illiquidity comes in large part from exaggerated economic expansion (a thesis Alsogaray has strongly propounded). He conceded that all the current financial difficulties cannot be solved by means of a rigorous policy of monetary restriction. Yet he was still less prepared, he said, to admit that the difficulties can be cured, or even alleviated, by copious injections of money into the economic system. Experience shows that illiquidity is a constant and almost inseparable companion of the creation of large amounts of money in order to take care of fiscal necessities. Artificial creation of money cannot be admitted for any reason and must at all cost be avoided, Dr. Pinedo declared.

II. Reply by Alsogaray

In an open letter of reply printed in the local newspapers on June 5, Alsogaray declared that Dr. Pinedo picked out his (Alsogaray's) comment on price levels "made in very general terms and with the object of providing general public information", and went on from there to discuss totally different problems like inflation, illiquidity, etc. Moreover, he continued, Dr. Pinedo's declaration, being entitled "Dangerous Economic Concepts", makes it inevitable that the reader associates the criticism about the price level statement with other economic problems. Additionally, the declaration on these multiple problems appears directed specifically against the present Economy Minister, stated Alsogaray.

He shared some of the views expressed by Dr. Pinedo and disagreed with others, said Alsogaray. He had no time to enter into theoretical polemics, but wished to make two reflections. If Dr. Pinedo had made a public campaign a year ago against inflationary causes it would have been much more useful. Secondly, he recently had the opportunity (as Minister of Economy) to put his ideas into practice, but abandoned the game at the first difficulties. He himself did not think of giving up until he had exhausted the ultimates possible, said Alsogaray. He added cryptically that Dr. Pinedo during his term of office had taken some measures that it would be worth discussing some day.

Alsogaray expressed the opinion that Dr. Pinedo could make a useful contribution by directing his commentaries to those really useful of them. Dr. Pinedo need not fear that he (Alsogaray) would unleash an inflationary cycle. The Minister suggested that the country's situation was sufficiently serious to warrant his making these observations publicly to Dr. Pinedo.

III. Retaliation of Pinedo

Dr. Pinedo felt called upon to reply to the Minister's public letter. His reply was reported in La Nación of June 10. He observed that Alsogaray had not answered the arguments set forth by his (Pinedo's) declaration. He said he had been campaigning against inflationary policies for many years, including the period of Alsogaray's former service as Minister of Economy. If these expositions did not come to Alsogaray's attention, Alsogaray was to blame, not Pinedo. As for his resignation, Dr. Pinedo asserted that it was not a case of getting out at

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the first difficulties but of resigning because of fundamental disagreement with the Government's political program. Before accepting the post he had explained his views of the solution indicated for the "constitutional crisis" and had made it clear that if the Government did not share these views he would not remain in the Cabinet.

Taking up Alsogaray's line about the country's serious situation Dr. Pinedo declared that he considered the situation sufficiently serious for all Argentines to desire Alsogaray success, "even those who have never had sympathy for him and even those whose sympathy he undertakes to alienate." END UNCLASSIFIED.

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IV. COMMENT

The interchange is an example of Alsogaray's sensitivity to criticism, especially from persons of reputation, and his tendency to tactless rebuttal on a personal level. He has made, and continues to make, enemies because of a want of reserve.

Alsogaray in the first couple of broadcasts on the economic situation following his resumption of duties as Minister of Economy did oversimplify things by explaining the price rises then in progress as an inevitable adjustment to the new rate of exchange. He mentioned no other causes for price increases--such as, for example, the general import surcharge of 20% imposed in April 1962--and did seem to suggest that there is a mathematical ratio between the internal price level and the foreign exchange rate. However, while Alsogaray might have been more adroit in his presentation, he was talking in layman's terms for the general public. The Minister, far from accepting price increases in proportion to the peso's devaluation, now urges voluntary wage and price freezes, at least for an interim period while the country strives to resolve its financial difficulties.

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Henry A. Hoyt
Henry A. Hoyt
Chargé d'Affaires ad interim

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FOREIGN SERVICE DESPATCH

FROM : Amcogen São Paulo 310 NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. June 14, 1962 *Opn*

REF : CERP, C-3 *PC-13 AED-4*

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From São Paulo

1. Petrochemicals--Petrobrás President in Favor of Cancelling Contracts for Supply of Refinery Materials to Petrochemical Companies

Mr. Francisco MANGABEIRA, president of the Government petroleum monopoly, Petróleo Brasileiro PETROBRAS, visited Petrobrás' Presidente Bernardes refinery at Cubatão, São Paulo, on June 4. Addressing refinery workers, he advocated cancellation of contracts drawn up some years ago by Petrobrás and local petrochemical companies. According to Mr. Mangabeira, some of the contracts guaranteed the industry supply of Petrobrás refinery materials at fixed prices for ten years or more. Due to inflation, these prices are now 5 to 6 times less than current international prices. Earlier, the left-wing secretary-general of the Santos City Labor Council had attacked "international trusts" and called for Government expropriation of the petrochemical companies.

During a press interview that day, Mr. Mangabeira indicated that he was in favor of the Government acquiring control of private petroleum refineries and that studies in that direction are under way. He blamed "international trusts" for provoking the internal problems now besetting Petrobrás. Referring to Brazilian imports of Soviet oil at prices higher than prices quoted by other foreign suppliers, Mr. Mangabeira suggested that the price difference could be eliminated if the Brazilian Coffee Institute IBC would reduce the price of Brazilian coffee exported to the Soviet Union.

Comment: The four petrochemicals plants in the Cubatão area are operated by U. S. owned or controlled corporation. During the recent strike of petrochemicals workers (see item 2, despatch 277 of May 18) local labor leaders had agitated for their expropriation by the Federal Government.

2. Industry--Important Manufacturer of Railway Rolling Stock Submits Petition in Creditors' Agreement

Material Ferroviário S. A. MAFERSA of São Paulo, an important maker of railway rolling stock, submitted a petition in creditors' agreement for total liquidation of its debts in two installments within the next twenty-four months (see Congen Telegram 635 of June 13). With assets at 2.2 billion cruzeiros and liabilities at 5.2 billion cruzeiros, this represents probably the highest creditors' agreement ever requested in Brazil. MAFERSA manufactured railway passenger and freight cars, forged wheels and axles for locomotives, passenger cars, and trucks, bus seats, and aluminum and stainless steel window frames and shutters. It operated under several licensing agreements with French and U. S. firms, namely The Budd Company of Philadelphia, Pennsylvania; Heywood-Wakefield Company of Gardner, Massachusetts; and The Adams & Westlake Company of Elkhart, Indiana.

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Comment: Local financial circles report that MAFERSA's financial position had become increasingly difficult in recent months. Recently, the National Economic Development Bank BNDE withdrew its support. As a result, the firm was unable to meet an immediate commitment of 300 million cruzeiros and had no alternative than to request creditors' agreement proceedings, according to a company officer.

3. Finance--Federal Government Guarantees Financing of up to US\$80 million for Urubupunga

At the request of São Paulo Governor Carvalho Pinto, the Federal Cabinet on June 7 authorized the Treasury to guarantee financing of up to US\$80 million covering the purchase of machinery and equipment destined to the giant Urubupunga power project on the Parana River.

Comment: The São Paulo State Government is still studying the bids for the supply and financing of equipment for the Jupia power plant (Urubupunga first stage) submitted in March by several foreign groups (see item 2, despatch 241 of April 19). It is probable, however, that at least part of the Treasury guarantee will be used in connection with financing that may be extended by the group or groups that eventually are awarded the equipment contract.

4. Industry--Volkswagen Inaugurates Foundry

Volkswagen do Brasil S. A. Indústria e Comércio inaugurated on June 1 its light metals foundry shop. Using magnesium and aluminum alloys, the company plans to manufacture a wide range of parts for its motor vehicles. The new facilities, totalling some 7,200 square meters, are located alongside Volkswagen's automobile plant at São Bernardo do Campo, near São Paulo. They include 20 electric furnaces with capacity for molting and forging up to 11 metric tons of magnesium and 6 metric tons of aluminum daily. According to a company officer, the new forge plant is the most modern in Latin America, and one of the best equipped in the world.

Comment: The new facilities will enable Volkswagen do Brasil to raise the local parts content, by weight, of its vehicles to nearly 98 percent.

5. Railroads--Governor Requests Subsidy for Paulista Railroad

The Governor of the State of São Paulo sent a message to the Legislative Assembly on June 5 requesting a subsidy of 2.861 billion cruzeiros for the Paulista Railroad. The message cited claims for higher wages by Paulista workers, as well as rising costs in general, as the cause of the railroad's financial difficulties.

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Comment: The recently published annual report for 1961 of the Paulista Railroad showed a deficit of about 147 million cruzeiros for the first half of 1961, and about 513 million cruzeiros for the second half of the year. Inability of the railroad's private owners to meet claims for higher wages without raising fares was a major cause of the State Government's decision to expropriate the Paulista in June of 1961.

6. Trade Fairs--National Heavy Machinery Industry Fair in São Paulo

The Third National Heavy Machinery Industry Fair opened in São Paulo June 8. Over 180 manufacturers exhibited their products, which include heavy electrical equipment, railway freight and passenger cars, automatic high-speed lathes, machine tools, road building equipment, rolling mills, and machinery for the paper and textiles industry. The fair is well organized, and attendance is high. It is expected that some 600,000 persons will have visited the fair before it closes on June 24. Exhibitors are hoping to develop trade with member states of the Latin American Free Trade Zone, and contacts are being maintained with trade representatives of Mexico, Argentina, Columbia, and Chile, who attended the opening.

7. Foreign Trade--Australian Trade Mission in São Paulo

Members of a 39-man Australian Trade Mission visited São Paulo June 5 - 9. Purpose of the visit was to study possibilities of developing trade between Brazil and Australia. The Australians wish to expand their sales of steel, zinc, tin, lead, agricultural machinery, and wheat in exchange for Brazilian coffee, Paraná pine, cocoa, carnauba wax, quartz crystals, and cotton fibers and cloth.

Comment: The Australian trade mission is travelling throughout Latin America in an effort to open new markets, reportedly in anticipation of reduced trading with Great Britain following the latter's entry in the European Common Market.

8. Foreign Trade--Mexican and Venezuelan Trade Missions Visit São Paulo

The Ministers of Industry and Commerce of Mexico and Venezuela, Raul Salinas LOZANO and Godofredo GONZALES, visited the Federation and Center of Industries of the State of São Paulo on June 9. The Mexican Minister was accompanied by a mission of seventeen businessmen from his country who are currently visiting industrial centers of Brazil in an effort to develop more trade between the two countries. Representatives of the Banco Nacional de Desenvolvimento Econômico BNDE, the Executive Group for the Automobile Industry - GEIA, and one of the Brazilian delegates to the Permanent Committee of the Latin American Free Trade Zone joined the

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directors of the Federation in welcoming the visitors. Numerous endorsements of greater trade among Latin American nations were made by various speakers, according to press reports.

Comment: For an opinion by a Federation director on the value of trade missions, see Congen despatch 299 of June 11, 1962.

9. Inflation--Prices Rise in São Paulo

Prices of foodstuffs, services, and manufactured goods continued to rise rapidly during May and so far in June. Meat, rice, beans are up 5 to 20 percent as compared with April. Prices of construction materials, especially cement, have gone up by an average of 10 percent. Taxi fares have been increased by approximately 32 percent. Dock and freight charges have increased. Companhia Docas de Santos announced a 35 percent increase in dock charge plus an additional charge of 3 percent in order to meet increases in dockers' wages; interstate trucking and bus companies have raised rates and fares by 20 to 40 percent. Rentals under new leases have reportedly gone up an estimated 5 percent. Increasing concern at the rapidly rising prices of essential goods is being expressed by the local business community and the press.

10. Labor--Santos Gas Workers Win Concessions in Illegal Strike

An eight-day strike of gas workers in Santos ended June 12 with an agreement whereby the Santos Gas and Electricity Company made several concessions regarding differentials for overtime and unhealthy work. The strike had been declared illegal by the Minister of Justice since the wage contract signed on March 9, 1962, was valid until March 31, 1963. The principal issue separating the gas company and the Santos Local Union of Public Utility Workers was the union's demand for a reduction from eight hour to six hour shifts. The new agreement provided for a committee to study means of introducing the six hour shift. Threats of sympathy strikes by the Santos City Labor Council and gas workers in São Paulo and Rio in support of the Santos gas workers did not materialize.

Comment: It remains to be seen whether this new example of the reopening of a valid contract will set a precedent for workers in other industries.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

- 1/ Approximate free rate of exchange: \$1.00 - 424 cruzeiros.
- 2/ 1 square meter - 1,550 square inches.

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FOREIGN SERVICE DESPATCH

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FROM : Amembassy, Rio de Janeiro

NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 15, 1964

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SUBJECT: MONTHLY ECONOMIC SUMMARY - 1962

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SUMMARY

Several important economic developments took place during the month. In the financial field exchange policy was modified and more realistic rates introduced, commercial bank reserve requirements were raised, and Congress passed stabilization measures providing for a compulsory

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From Rio de Janeiro

and a voluntary loan and for funding of existing Government floating debt as part of a bill to raise the pay of military and civil servants by 40 per cent. On May 30 a decree was signed establishing a procedure under which foreign-owned public utilities will be acquired by the Brazilian Government. A commission is to be named to study utilities to be taken over, negotiate with the present owners and report the results of their endeavors to the Council of Ministers for approval.

Other developments included announcement of Government incentives to encourage investment in the Northeast and in the aircraft equipment and cold storage industries, the installation of an Agrarian Reform Council chaired by the Minister of Agriculture, and a crisis in the presidency of Petrobrás.

Business conditions continued good during the month with sales volume in Rio and São Paulo up about 10 per cent over the previous month. Motor vehicle production was up considerably, about 18 per cent, from the previous month.

The cost of living in Rio de Janeiro increased by 3.6 per cent in May over the previous month compared with a 1.4 per cent increase in May of 1961. The total increase for the first five months of 1962 was 14.3 per cent compared with an 11.2 per cent increase for the same period in 1961. (SHWeaver)

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From Rio de JaneiroFINANCE

May was an eventful month in the financial field. The exchange policy was modified and more realistic rates were introduced in the market with the promise of less rigidity in maintaining the rate. Commercial bank reserve requirements were raised from 14 per cent to 22 per cent on demand deposits and from 7 per cent to 14 per cent on time deposits. The progressive reduction in the deposit which importers must make with the Bank of Brazil has been suspended at its current 100 per cent level, with the importer now receiving only 50 per cent of the value of the deposit in Bank of Brazil letters. The contribution quota for the coffee crop year 1961/62 was raised to \$23.00 per bag of coffee. The 40 per cent increase for military and civil servants retroactive to April 1 was passed by the Congress and was awaiting Presidential action. A bill confirming the ceiling of 12 per cent on the interest rate and limiting bank commissions to 10 per cent of interest charges was approved by the Lower House. The stabilization measures providing for a compulsory loan and a voluntary loan and the bill permitting the funding of the existing government floating debt passed the Congress as part of the pay raise bill. The Federal Savings Banks initiated a financing scheme for the purchase of automobiles and the State of Minas announced its intention of floating Cr\$30 billion (now US\$70 million) in highway bonds.

The Bank of Brazil moved its exchange rate from Cr\$310 buying and Cr\$318 selling (a level maintained for over four months) to Cr\$350 buying, Cr\$359.30 selling per dollar on the morning of May 21. Commercial banks were informally urged to follow the new Bank of Brazil rates within a spread of 1 per cent. The Bank of Brazil adjusted its rates to Cr\$349.80 buying and Cr\$359.30 selling on May 28 and again to Cr\$349.60 buying and Cr\$358.90 selling on May 31.

The rate in the so-called "parallel" market fluctuated between Cr\$375.00 and Cr\$400 to the dollar.

SUMOC Instruction 225 raising the level of compulsory reserve requirements to 22 per cent and 14 per cent for demand and time deposits, respectively, excluded banks operating in the Northeast and certain other areas which will remain at 14 per cent and 7 per cent. That SUMOC did not go to the maximum limits permissible reflects concern that credit would be tightened too severely during a period when loans are needed to move crops to market. Marginal reserve requirements on new deposits until the new level is reached have been set at 40 per cent. Treasury letters issued under the voluntary loan legislation shall not be eligible for meeting the increased reserve commitments. Instead, special Treasury letters are to be issued which commercial banks may purchase in meeting their new reserve requirements.

SUMOC Instruction 226 suspended the monthly progressive reduction of 10 per cent of the deposit requirement at 100 per cent and limited the delivery by the Bank of Brazil of import letters to 30 per cent of the value of the deposit, until September 30, 1962. Previously, the importer received letters for the

/total value

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total value of his deposit.

SUMOC Instruction 227 raised the contribution quota from \$22 to \$23 for the coffee crop year 1961/62. This quota may be adjusted when exchange rate fluctuations influence international coffee prices. The Instruction also reduces from 80 to 60 per cent the proportion of the balance to be surrendered by commercial banks to the Bank of Brazil after deduction of the contribution quota. At the same time, the exchange rate at which coffee earnings may be applied was raised from Cr\$310 to Cr\$350 per dollar thus giving the exporter a greater cruzeiro earning, in spite of the higher contributive quota. Also the level of support price for both exportable and non-exportable grades was raised.

The 40 per cent pay increase for military and civil servants, retroactive to April 1 is roughly within the limits the Administration demanded, except for the large increase in the family salary (from Cr\$1,000 per month to Cr\$2,500 per month) and a broader application of the raise than had been requested. Some aspects of the pay raise bill extending its benefits to temporary employees of autarchies as well as to some permanent employees of those entities are expected to be vetoed by application of the partial veto provision.

The Chamber of Deputies has approved a bill continuing the interest rate ceiling at 12 per cent per year, regardless of the nature of the contract, loan, or transaction, but providing additionally that the lenders' commission could not exceed 10 per cent of the interest charges. The bill, widely opposed in banking and financial circles, is now pending in the Senate.

The Federal Savings Bank reportedly has initiated a financing scheme for the purchase of automobiles. The scheme provides for a 20 per cent down payment, the balance to be paid off in 48 instalments bearing a monthly interest rate of one per cent. The operating funds were set at Cr\$200 million (some US\$500,000). The car model being financed is a simplified version of the regular Aero Willys built at the plant of Willys do Brasil S. A., a subsidiary of Willys Overland Corporation.

The Government of the State of Minas Gerais announced a Cr\$55 billion issue of highway bonds with guarantees of major banks and featuring semi-annual lottery drawings for a six year period (the bonds are redeemable in 15 years) with prizes running as high as Cr\$200 million together with the redemption at a value double of the original face value as a means of making these bonds attractive. An intensive advertising campaign, emphasizing principally the lottery features of the scheme, has been undertaken.

Cr\$10 billion were added to effective circulation during May as the total amount of currency outstanding increased to Cr\$323.8 billion. The cost of living in the State of Guanabara increased in May by 3.8 per cent over the previous month. Total increase for the first five months of 1962 was 13.5 per cent as against 11.2 per cent for the corresponding period of 1961. (WBlomayer/JKrizay)

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TRADE AND INDUSTRY

Business conditions continued to be good in May with sales volume up about 10 per cent over the previous month in Rio and São Paulo. Industrial production appeared to have increased considerably from the previous month also.

Principal developments in the field of industry were announcements of Government incentives to encourage investment in the Northeast and in the aircraft equipment and cold storage industries. There were indications of a growing Brazilian ability to export certain manufactured goods to other South American countries. At the same time Brazil continued to equip her railroads with imported locomotives. Announcement was also made of the beginning of several new industrial projects.

Attention has been called to a provision in the law establishing the SUDENE development plan for the Northeast which gives reduction in income tax of up to 50 per cent to companies reinvesting their profits or investing in industries considered by SUDENE to be of interest to the region. This benefit, however, is limited to firms composed 100 per cent of Brazilian capital and in which there is no foreign participation of record with SUMOC. Another incentive to industry in the Northeast is the special program of the Banco do Nordeste for financing small companies. As an experiment the Bank's Industrial and Investment Department is granting loans of from three to five years to assist in the expansion of companies established in the Northeast. The largest loan of this kind so far given has been to the Companhia de Ferro-Ligas da Bahia for US\$298,000. Exemption from federal import taxes is also given to imports of equipment for approved industrial projects.

The Prime Minister has approved a recommendation of the Minister for Air that exchange, taxation and financing concessions be granted to companies establishing manufacturing facilities for aircraft equipment.

A contract for the sale to the Uruguayan Railroad of 150 freight cars valued at US\$1.8 million was signed on April 14. The Brazilian manufacturers are the Companhia Industrial Santa Matilde, the Companhia Brasileira de Material Ferroviário (COBRASMA), and the Fabrica Nacional de Vagões.

The Rede Ferroviária Federal (RFF) has estimated that in addition to the 500 broad gauge locomotives it had received by the end of 1961, it will need 400 meter-gauge units to complete the conversion to diesel electric traction of the network. The cost of these locomotives, including spare parts will be about US\$80 million. Financial arrangements have already been made for the purchase of 110 locomotives expected to arrive this year, and it was recently announced that a credit of US\$10 million had been obtained from Canada for purchase of a further 56 locomotives which will be used in the Northeast.

Preparatory work has been started by Petrobrás for the laying of the Rio de Janeiro - Belo Horizonte oil pipeline. Pipe-laying is expected to begin

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in September and should be completed in about two years. The pipeline, 365 km. long, will have an initial throughput of 70,000 barrels of petroleum daily, increasing eventually to 100,000 barrels.

The Banco Nacional de Desenvolvimento Economico (BNDE) has given a guarantee to the Centrais Eletricas de Minas Gerais (CEMIG) covering DM 14 million for the purchase of equipment from Western Germany for the Três Marias hydro-electric plant.

It was announced that IBM do Brasil - Indústria de Máquinas e Serviços will soon begin to manufacture electronic computers in Brazil. (SHWeaver)

TRANSPORTATION AND COMMUNICATIONS

The most important development in this field during the month was the signing on May 30 of decree No. 1106 by which there was established a procedure under which foreign-owned public utilities will be acquired by the Brazilian Government. A five-man commission was created, the members to be appointed by the President, to study the utilities to be taken over, negotiate with the present owners and to report the results of their endeavours to the Council of Ministers for approval. According to the decree, an immediate payment of ten per cent will be made to the company(s) and the balance will be paid over an extended period of years from the earnings of the expropriated properties. Any agreement should call for as little foreign exchange remittance as possible. As part of the settlement the companies will obligate themselves to reinvest seventy-five (75) per cent of the proceeds in economic development projects approved by the National Planning Commission.

The concession of American and Foreign Power Corporation's subsidiary in Pelotas, Rio Grande do Sul, expired on May 17 and there were indications that the company would be taken over by the State as soon as the necessary approval had been obtained from the Federal Government. In the case of power companies, such as Pelotas, authorization to transfer ownership requires prior approval of the Council of Ministers of the Ministry of Mines and Energy. The Minister appointed a Committee to study and bring the inventory of the Pelotas company up to date, and the company continued in possession of its property awaiting the eventual take-over under the provisions of Decree No. 1106. (SGAnderson)

MINERALS

Although nothing of primary importance occurred in the mineral industry field during May, Sr. Gabriel Passos, Minister of Mines and Energy, made news with two press releases. In the first one he interpreted the law on mining authorizations and added more emphasis to his oft-repeated policy that public interest should be considered above private interests (See Bi-weekly Economic Review, May 5 - 18, 1962). Significant was his statement that he had submitted a constitutional amendment to the Chamber of Deputies providing that

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authorizations or concessions for mineral exploration and mining could only be granted by Brazilians or essentially Brazilian corporations.

The second public release concerned a plan for reorganization of the Ministry of Mines and Energy wherein there would be established a National Council of Mines and Energy and a departmentalization which would absorb or abolish numerous existing entities (See Bi-weekly Economic Review, May 19-June 1, 1962).

There has been no further news relative to the state of the Minister's health or his reported plans for candidacy for Senator from Minas Gerais.

In petroleum the major news item of the month has been the developing crisis in Petrobrás which finally came to a head with the reported dismissal of Sr. Mangabeira by May 31, but with no confirmation (See Bi-weekly Economic Review, May 19-June 1).

Just prior to month-end - to fill a vacancy resulting from one of the wholesale protest resignations by technical personnel of Petrobrás - Sr. Mangabeira appointed General Cangúdi to replace General Levi as Superintendent of the Duque de Caxias refinery near Rio. This move is significant because General Cangúdi had been head of Petrosix, the Petrobrás unit involved in the development of oil-shale processing and the pilot plant located at Tremembé. General Cangúdi had just returned from an extended trip to Europe during which time he was learning foreign techniques in oil-shale operations. What this means in relation to the future continued development of oil shale in Brazil is problematical. There has been no indication of who his successor might be. (ALRansome)

AGRICULTURE

Major agricultural developments during May included the installation of an Agrarian Reform Council, chaired by the Minister of Agriculture, the issuance of a special decree for cold storage warehouses, the first arrival of wheat under the Fourth PL 480 Agreement and the issuance of Edicts for 200,000 metric tons of wheat. Estimates compiled for the 1962 harvest of Brazil nuts, 1961/62 sugar production and coffee exports are also indicated. Shortages of some basic food products continued.

The Agrarian Reform Council was sworn in on May 28. The Minister of Agriculture is chairman and meetings are planned for each Tuesday. The work of the council, according to the Vice-President, will be to prepare the ground for the agrarian reform and find solutions for the problems that are preventing passage of an agrarian reform law by Congress.

Decree No. 51,457 of April 12, concedes favors to individuals and companies who build, install, and operate cold storage in localities approved by the Ministry of Agriculture. Favors include financing by official banks

/of up to 80%

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of up to 80% of the capital, financing products purchased for storage, exemption from federal taxes, except income, and customs duties on necessary imports for 10 years and priority for purchase of land belonging to the Federal Government.

The first shipload of wheat under the Fourth PL 480 Agreement of March 15, providing an additional 800,000 metric tons, arrived in Rio May 29. Previous shipments to Brazil under Title I of PL 480 have exceeded 3.9 million metric tons, over 1.4 million of which arrived in calendar year 1961. Wheat supplied to Brazil under this US Food for Peace program in 1961 was more than equal to an average shipload of 10,000 metric tons arriving every three days.

Brazil issued two additional Editais to purchase wheat near the end of May. The Edital for 140,000 metric tons, any origin, had been issued previously and all bids rejected. The other Edital was for an additional 60,000 metric tons of Argentine wheat, bringing the total for the year from that source to 480,000 metric tons. Bids are due June 6.

Sugar production through March of the 1961/62 crop year had reached 54.9 million bags, about 94% of total planned production of 58.5 million bags. Production through March was 5 per cent and 12 per cent respectively above the corresponding figures for 1960/61 and 1959/60.

The preliminary trade estimate of 1962 Brazil nut crop is 25,000 metric tons, 15,000 of which is from the State of Par . This size crop, if confirmed, would be only one-half as large as in 1961. The sharp reduction is due primarily to the life cycle of the Brazil nut tree and the low water level on the Amazon and Tocantins Rivers making less area accessible to pickers.

The papers continue to report shortages of beans and rice in the major consuming areas of Rio and S o Paulo. A US bean trade representative arrived in Rio May 14, but subsequently departed without the GOB having reached a decision on imports. The press, in general, continues to report that the commodities are available if established prices were more realistic, but the government refuses to change the prices. More recently, local shortages of sugar and milk have appeared. The Northeast problem apparently has settled down with the announced shipments of food under the special "Food for Peace" programs for that area.

Coffee exports through May 31 of the current marketing year (7/1/61 - 6/30/62) were 16.2 million bags compared to 15.1 million during the same period a year ago. (LFT:Thomason)

For the Ambassador

Robert Eakens

Robert Eakens
Counselor for Economic Affairs

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ECONOMIC INDICATORS

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	1961			1962		
	Mar	Apr	May	Mar	Apr	May
Cost of Living ^{1/}						
Index (1948 = 100)	891	930	943	1,311	1,337	1,388
Percent Increase Over Previous Month	1.8	4.4	1.4	2.5	2.0	3.8
Sales Tax Receipts						
Billions of Cruzeiros						
State of Guanabara	1.59	1.62	1.80	2.82	2.94	3.23
State of S ^{to} Paulo		7.85	8.87	11.41	11.75	13.11
Motor Vehicle Production (Units)	12,881	12,454	13,195	14,128	14,773	17,512
Industrial Consumption						
Electric Power						
Millions of KWH						
State of Guanabara	42.3	42.7	46.4	45.4	48.3	
State of S ^{to} Paulo		353	356	374	377	
Notes Protested						
Number						
State of Guanabara	1,700	1,600	1,600	1,844	2,161	1,900
City of S ^{to} Paulo		4,971	4,969	5,894	5,721	7,279
Millions of Cruzeiros						
State of Guanabara	47	46	41	68	108	71
City of S ^{to} Paulo		128	129	175	154	564
Coffee Exports						
Millions of Bags (60 Kilos)	1.51	1.32	1.14	1.26	1.27	1.10
Bank of Brazil - Last Day of Month						
Billions of Cruzeiros						
Loans to Treasury ^{2/}	18.0	14.4	29.9	18.9	25.5	
Outstanding Loans to Private Sector	177.1	178.2	183.0	301.6	303.6	
Rediscount to						
Commercial Banks	10.0	9.3	10.2	29.3	29.2	
Cash Holdings	8.8	7.9	10.7	18.0	11.1	
Compulsory Reserves, Commercial Banks	46.3	44.8	43.7	71.7	74.2	
Outstanding Bank of Brazil Letters		34.6	37.1	85.9	84.8	
Currency Outstanding	214.9	220.9	224.9	310.0	313.8	

^{1/} State of Guanabara.

^{2/} Bank of Brazil loans to Treasury are recorded on an annual basis, on the basis of SUMOC estimates. Cumulative figures covering past years are of no significance since outstanding Treasury debt is periodically written off.

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period June 2 - 15, 1962)

1. Coffee Exports.
2. The Northeast To Benefit Through The Income Tax.
3. Senate Rules Committee Report On Substitute Thirteenth Month Salary Bill.
4. 40% Pay Raise Bill Enacted.
5. Federal Decree Prohibits Further Hiring Until December 31.
6. Dismissal Of Workers To Be More Difficult?
7. Airlines Increase Tariffs.
8. VARIG Turns Down Convair 990's But Accepts Electras.
9. Eletrobrás Activated.
10. Priorities Established For Installation And Transfer Of Telephones In CTE System.
11. Petrobrás Crisis Still Unsettled.
12. Concessions for the Aircraft Equipment Industry.
13. Australian Trade Mission Visits Brazil To Study Market.
14. GATT Decision Favorable to Brazil.

1. COFFEE EXPORTS

Coffee exports during the month of June 1962 through the 16th were 395,090 bags compared to 546,185 bags exported during the same period last year.

/Total coffee

ECON:BAGoldstein/lsc

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Total coffee exports during the current coffee marketing year (July 1, 1961 through June 16, 1962) were 16, 605,582 bags compared to 15,644,498 bags exported during the same period of the last coffee marketing year. (Lilalcuz)
(UNCLASSIFIED)

2. THE NORTHEAST TO BENEFIT THROUGH THE INCOME TAX.

The Cabinet of Ministers has approved a decree establishing that companies with 100% Brazilian capital may deduct up to 50% from the income tax to which they are subject for expansion of or re-investment in industry regarded by SUDENE as of interest to the Northeast area. The decree implements Article 34 of Law 3,995 of December 14, 1961, which approved SUDENE's master plan. The amounts deducted from the income tax shall be deposited with the Banco do Nordeste S. A. and may only be released with SUDENE's consent. If no plan or project is submitted by the depositors within a three year period, the deposits shall be considered as federal revenue. The law confines its benefits to domestic companies by requiring that applicant companies shall have no participation of foreign capital in their paid-in capital or participation of companies with foreign capital registered by SUMOC.

(UNCLASSIFIED)

COMMENT: It had been hoped that the implementing decree would define more leniently the reference to Brazilian firms. As the decree reads, it appears to exclude entirely subsidiaries of foreign firms, even though they may be incorporated in Brazil. The interpretation included in the decree is another development discouraging to foreign investment, which under the terms of the Punta del Este Charter is counted on to provide a large share of external assistance considered necessary for the development of Latin America. (JKrizay/WBlomeyer)
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3. SENATE RULES COMMITTEE REPORT ON SUBSTITUTE THIRTEEN MONTH SALARY BILL.

The Rules Committee of the Senate approved a report favoring a substitute to the thirteen month pay bill which passed the Chamber of Deputies by unanimous vote in May (EMER, Embdes 861, May 7, 1962, item 2).

(UNCLASSIFIED)

COMMENT: The substitute reportedly would make the effects of the bill somewhat milder by allowing the bonus to be paid in three installments and by permitting corporations to deduct amounts paid out for such bonuses from taxable profits. (JKrizay/WBlomeyer)
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4. 40% PAY RAISE BILL ENACTED.

President Joao Goulart signed into law a bill granting a 40% pay increase to civil servants and the military, to be effective as of April 1. Eleven items

/were vetoed

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were vetoed/aw the effect/excluding from its benefits all personnel without permanent status, the Federal legal service and the personnel of NOVAGAP, among others. A 5% compulsory loan on income tax to be used for a "Popular Housing Fund" was also vetoed.

(UNCLASSIFIED)

COMMENT: The expenditures arising from this law will amount to some Cr\$ 95 billion in current fiscal year if all of the Executive vetoes are sustained by Congress. By including among the beneficiaries of the pay raise the personnel of all Federal autonomous and semi-autonomous Federal agencies, the port and merchant marine administered by the Union, and the personnel assigned to Federal territories, Congress surpassed by Cr\$ 15 billion the original Cr\$ 80 billion set as a ceiling by the Administration for the pay raise. Should all the vetoes be rejected by Congress, expenditures would be increased by an additional Cr\$ 12 billion. (WBlomayer)

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5. FEDERAL DECREE PROHIBITS FURTHER HIRING UNTIL DECEMBER 31.

President Goulart signed on June 13 a decree prohibiting until December 31, 1962 further hiring by government agencies as well as by autonomous and semi-autonomous enterprises which are subsidized by the federal government.

(UNCLASSIFIED)

COMMENT: The decree is designed as a tool to end the fantastic wave of election-year hiring which has taken place in recent months. It does not affect the legal authority of the government which has always been able to hire or not to hire as it deemed necessary, but it may have the psychological effect of discouraging prospective applicants, thereby relieving the tremendous pressure on the various federal agencies for election-year jobs. In addition, it provides government agencies with a convenient excuse to turn down job applicants.

Ironically, the edition of the Diário Oficial carrying the decree also published a list of over 1,000 new appointments. (JKrizay/WBlomayer)

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6. DISMISSAL OF WORKERS TO BE MORE DIFFICULT

President Goulart has signed a new Law, No. 4,066 effective June 5, 1962, which states that an employer may not fire an employee with more than one year of service without the presence of a representative of the employee's union, or of the Ministry of Labor or of the Labor Courts.

(UNCLASSIFIED)

COMMENT: The significance, and probable ways of interpreting and administering this law, will be reported as soon as adequate information is available. (JTFishburn)

(UNCLASSIFIED)

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From Rio de Janeiro

7. AIRLINES INCREASE TARIFFS

On June 12, all airlines increased their rates for passengers and cargo by 20%. (SGAnderson) (UNCLASSIFIED)

8. VARIG TURNS DOWN CONVAIR 990's BUT ACCEPTS ELECTRAS

It is reported that VARIG is not accepting delivery of three Convaair 990's which were ordered by REAL before the two Brazilian carriers were merged; however, it is ready to accept the five Electras purchased some time ago from American Airlines. These planes are destined to replace the Company's Convairs on its domestic routes. Refusal to accept the 990's means that the inauguration of VARIG's Los Angeles-Tokyo segment of its Rio de Janeiro - Tokyo route will be postponed until the beginning of next year by which time VARIG expects to have acquired additional Boeing 707's. VARIG has also decided to establish a regular air cargo service with other countries in this hemisphere. (UNCLASSIFIED)

COMMENT: It is understood that VARIG feels that the 990's would not be suitable for operations into Bogotá. (SGAnderson) (OFFICIAL USE ONLY)

9. ELETRORAS ACTIVATED

President Goulart on June 11th officially installed Eletrobras, the Brazilian Power Company which was created by Decree No. 3890-A of April 25, 1961. (UNCLASSIFIED)

COMMENT: As the Government's program to nationalize the foreign-owned public utility companies moves forward, this is a logical act since Eletrobras will probably become the supervisory agency controlling and possibly operating companies. (SGAnderson) (UNCLASSIFIED)

10. PRIORITIES ESTABLISHED FOR INSTALLATION AND TRANSFER OF TELEPHONES IN CTE SYSTEM

The Council of Ministers issued a decree establishing the norms by which the Companhia Telefonica Brasileira (CTE) shall grant priority for the installation and transfer of telephones throughout its system. Priority will be granted in the following order: federal departments; hospital establishments and doctors; schools, orphanages and old people's homes; newspapers, radio and television stations; military and civil authorities; industrial and commercial establishments considered to be of public interest; other cases of unquestionable public

/interest

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/interest

or of extreme necessity, at the discretion of the "interventor". Transfer of telephones shall have preference over the installation of new ones. The Federal "interventor" of the CTB drew up a program by which during the next five years there will be an increase of 500,000 telephones distributed as follows: Guanabara: 200,000; São Paulo: 280,000; Minas Gerais: 50,000; Rio de Janeiro: 30,000; and Espírito Santo: 10,000. (SGAnderson)

(UNCLASSIFIED)

11. PETROBRAS CRISIS STILL UNSETTLED

News reports during the past two weeks have been many and varied on the subject of Petrobrás and the problem of that State-owned monopoly. Essentially these stories can be summarized as follows:

1. Sr. Mangabeira remains as President with the apparent backing of President Goulart until at least a new Cabinet is formed.

2. Sr. Mangabeira continues to encounter great difficulty in filling high-level technical and supervisory positions left vacant or subject to replacement as a result of the technical-professional personnel revolt which is still in progress.

3. The petroleum workers union during a convention meeting June 9 - 11 in Salvador called attention to grave dangers to Petrobrás from the international trusts, "among which are Shell and Esso", and came forth with a 7-point manifesto. This statement includes the principles of a monopoly on importation of petroleum and its derivatives, monopoly on bulk distribution, expropriation of private refineries and petrochemical industries; completely supports the "courageous attitudes" of the present president of Petrobrás (Mangabeira); repudiates any person named for the job as Minister of Mines and Energy who does not ascribe to these principles; and states that a proclamation will be considered jointly with engineers and technicians about all names indicated for the Minister of Mines and Energy position, including Sr. Glycon de Paiva.

4. Among several names mentioned as possible candidates for the position of Petrobrás president, Colonel Albino Silva seems to be in a favored position from the standpoint of the military who are taking a position of increasing concern relative to the Petrobrás crisis.

(UNCLASSIFIED)

COMMENT: The boiling oil of the petroleum monopoly continues to bubble more furiously than ever, and it appears obvious that Mangabeira's days are numbered. The workers manifesto is not surprising in its attitude, except for the mention of Sr. Glycon de Paiva and what would seem to be acceptance of his name as a possible candidate as Mines and Energy head. What the workers want in the way of expropriation could have serious results if it were allowed to happen, but this does not appear likely. Nevertheless, all these forces continue and there is room for concern. Sr. Glycon de Paiva, considered to be an honest and sincere individual, would be a good man for the Mines and Energy job, on the basis of competent "know-how" in the mineral industry field. (ALRansome)

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12. CONCESSIONS FOR THE AIRCRAFT EQUIPMENT INDUSTRY

The Prime Minister has approved a recommendation of the Minister for Air, that exchange, taxation and financing concessions should be granted to companies manufacturing aircraft equipment under programs approved by GEIMA (Grupo Executivo da Industria do Material Aeronautico).

(UNCLASSIFIED)

COMMENT: By these concessions the Brazilian Government hopes to stimulate the development of an aircraft manufacturing industry, probably beginning with manufacture of a light plane. (SEWeaver)

(UNCLASSIFIED)

13. AUSTRALIAN TRADE MISSION VISITS BRAZIL TO STUDY MARKET

An Australian trade mission, made up of 44 members representing finance, trade, and industry -- the largest mission ever sent abroad -- visited Brazil early in June. Headed by Donald MacKinnon, former Australian Ambassador to Brazil, the group entered into discussions and negotiations designed to increase trade between the two countries.

In 1961 Australia imported approximately US\$5 million in Brazilian products, for the most part made up of Parana pine and vegetable oils; Brazilian imports totaled approximately US\$270 thousand. The principal products which Australia is hopeful of placing in the Brazilian market are steel, agricultural machines, tinplate, pedigree sheep and pasture seed. In addition, arrangements may be undertaken for the exchange of agricultural technicians.

According to the press, the head of the mission is reported to have said that Australia is increasing her per capita consumption of coffee, and if Brazil were to advertise this commodity, a promising new market could open in Australia. (BAGoldstein)

(UNCLASSIFIED)

14. GATT DECISION FAVORABLE TO BRAZIL

The GATT Council has unanimously approved the Brazilian stand against the proposal of Great Britain to concede preferential tariff treatment to the importation of bananas from dependent territories.

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COMMENT: Considerable publicity has been given to Brazil's "victory" in the banana question, with recognition being made of the great importance of this GATT decision, "since it prevents the establishment of a precedent that could be extended to other products, with obvious harmful effect on Latin American economies". (BAGoldstein)

(UNCLASSIFIED)

For the Ambassador

Robert Eakens

Robert Eakens
Counselor for Economic Affairs

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FROM : Amconsul, BELEM, PARA, BRAZIL 92
TO : THE DEPARTMENT OF STATE, WASHINGTON. June 20, 1962
DATE

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REC'D 6/30			AIR	ARMY	CIA	NAVY	OSO	OCB	USIA	NSA						

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - MAY, 1962
JUL 3 1962

DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

The supply of beans and sugar is almost depleted in this region. The shortage of beans is the consequence of the small production in the southern and northeastern producing centers. The present shortage of sugar is due to the sinking of the Argentine flag cargo vessel "Sud Argentina" on the coast of the Maranhão. There were 65,000 bags of sugar aboard consigned to the port of Belém and Manaus. The retail prices of beans and sugar rose to Cr\$170 and Cr\$70 per kilogram, respectively. In general, retail prices of all eatables are constantly increasing. This situation continues to worsen as a result of the recent increase of freight rates of coastal shipping by 53% authorized by the Brazilian Merchant Marine Commission. Since the only means of cargo transportation from the southern to the northern ports in the maritime, this freight increase will certainly affect adversely the domestic trade in the Amazon Valley.

Although some shipments of raw wheat were received during May, wheat flour continues to be rationed throughout the Amazon Valley.

With an increase of ten cruzeiros on the kilogram of fish delivered by the fishermen to the retailers, recently granted by the COAP (State Supply and Price Commission) the supply of fish to Belém has been improved.

The Brazilian Coffee Institute has decided to install in Belém a modern coffee roasting plant; as a result coffee will be delivered to the local roasters half-roasted. This is a measure to avoid contraband of crude coffee to the Guianas.

* US\$1.00 is officially valued at Cr\$350.

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Dep. No.
From Belém, Pará, Brazil

FINANCE

The financial situation in the Amazon Valley has shown no signs of improvement during May, 1962. Credit is still restricted; commerce and industry are facing serious problems because of this. The announced financing facilities by the official credit sources has not materialized up to the present time. The recent increase of 53% on coastal shipping will contribute to affect the financial situation in this region as the prices of all products received from other states of Brazil will be increased.

The Serviços de Navegação da Amazonia e Administração do Porto do Pará - SMAPP - increased its rates 100% for fares and freight.

The water consumption rate in Belém recently was increased from 90 to 350 cruzeiros per month for domestic use.

All these happenings have contributed for a tight financial condition in this region, especially in domestic finance.

AGRICULTURE

The Inspeetoria Regional de Fomento Agrícola do Pará (Regional Agricultural Development Office) an agency of the federal ministry of Agriculture, signed an agreement with SPVEA (Superintendency of the Amazon Economic Development Plan) to expand the cacao culture in this region. The principal point of this agreement is the establishment of a course on cacao culture which will be held at the farmers' training post in Santarém, Pará. This course will be for three months and will cover all facets of cacao culture.

INDUSTRY

It has been announced in the local newspapers that the federal senate has approved a bill exempting from income tax and its "adicional", for 20 years, the rubber products and jute processing industries already established or to be established in the Amazon Valley. The same bill assures equal exemption for small industries which manufacture or process rubber, jute and similar fibers, and vegetable oil seeds.

It has been also announced that Brazilian Foreign Office has called a meeting with the working group assigned to study all the industry projects to be financed by the Fundo de Desenvolvimento Alemão (German Development Funds). The project Papellamazon, a paper manufacturing industry in the state of Amazonas, was considered of first priority to receive financing.

RECENT VISITORS

During May, Dr. Jorge Felner da Costa, general director of the Touring Center of Portugal and commercial attache to the Portuguese Embassy in Brazil visited Belém. The purpose of Dr. Felner da Costa's visit was to open an

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From Belen, Para, Brazil

agency of the Touring Center of Portugal.

During the same period this region was visited by the Brazilian ministers of Labor and aeronautics who came to inspect the matters concerned to their respective offices.

Edward J. Holway, Jr.
Edward J. Holway, Jr.
American Consul

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

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FOREIGN SERVICE DESPATCH

FROM : **MINCONSEL, Belo Horizonte** 36

TO : **THE DEPARTMENT OF STATE, WASHINGTON.** June 21, 1962

REF : **-** AID-11

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R E C D	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
6/27	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5

SUBJECT: **THE ARAXÁ CONFERENCE OF STATE GOVERNORS**

After a couple of postponements, the State Governors met at Araxá, western Minas Gerais, on June 8-10 to discuss economic and political problems of nationwide import. The Conference was promoted by Governor Magalhães PINTO of Minas Gerais and, the Consulate is informed, had the complete support of President João GOUVEIA.

Although the President was not present at the Conference, he sent a representative. Of the 21 Governors, 18 were personally present, and the other three -- those of Espírito Santo, São Paulo, and Rio Grande do Sul -- were represented.

The Governor of Espírito Santo was absent for genuine reasons of health. Governor BRIZOLA, of Rio Grande do Sul, is said to have decided not to go to the Conference in order not to get entangled with Guanabara's Governor Carlos LACERDA, an adversary he apparently fears. As it turned out, Governor Brizola's representative, his ultra-nationalist Secretary of the Interior Brochado da Rocha, got into a heated argument with Governor Lacerda over the question of whether Communism or Fascism posed the greatest danger to the country. Governor Lacerda argued that the Conference should emphasize the danger of Communist subversion, and Brochado contended that on the contrary Fascism should receive the emphasis. The question was finally resolved in typical fashion by Governor Magalhães Pinto who proposed the inclusion of both anti-Communist and anti-Fascist resolutions and suggested that the emphasis should be on the need for basic reforms.

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From Belo Horizonte

The absence from the meeting of São Paulo's Governor Carvalho PINTO is reported to have been motivated by the fear that his presence at the Conference would tend to deflect the spotlight from his electoral campaigning since by and large the issues to be debated there coincided with his own.

1. Purposes of the Meeting

Aside from the personal motivations on the part of the main protagonists, the Conference was animated by a desire to: 1) focus the weight of public opinion on the urgent need to find solutions for the present economic and political crisis; 2) compel the Federal Government to move forward from its static position; and 3) sharpen the issues for the electoral campaign. The bulk of the Conference was taken up with the discussion of economic and political proposals leading to the formulation of recommendations to the Federal Government for their enactment. Most of them dealt with basic reforms in the country's economic, political, and administrative institutions and policies.

The outline of a National Emergency Plan, the main purpose of which will be the procurement and control of food supplies for the population, was proposed by Governor Magalhães Pinto and approved by the Governors. As was the case with the recommendations, the implementation of this plan was left up to the central government. Implicit in these recommendations was the requirement or expectation of increased responsibility and rights for the states.

2. Recommendations on Basic Reforms

Following is a summary of the main recommendations made by the Conference:

- 1) Control of inflation as a fundamental prerequisite to the restoration of normalcy. Reforms are virtually impossible if inflation is not brought under control;
- 2) Electoral reform to institute the single ballot for all elections, circumvent government and economic influence in elections, and mechanize balloting procedures;
- 3) The political party system to adopt primary elections for elective executive offices, and the selection of candidates to be made under the direction of the electoral tribunals which will watch over party finances. The existence of a party is to depend on its ability to elect a specified minimum number of Federal deputies;
- 4) Agrarian reform policy to be designed so as to guarantee an adequate return to the farmer and better living conditions to the worker. While the central government is to be the policy-making body, the state will implement that policy. Agrarian reform is to extend to the rural worker, after necessary adaptations, the labor legislation that applies to the urban labor force. Land is to be made available to the worker, through expropriation if necessary, with compensation provided in the form of national bonds and shares in public

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FOREIGN SERVICE DESPATCH

FROM : Amcongen São Paulo

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JUL 3 1962
832.00/6-2862

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 28, 1962

REF : CERP, C

20 For Dept. Use Only	AC T I O N	I N F O	D E P.	R M/ R	R E P	A F	A R A	E U R	F E	N E A	C U	I N R	E	P	I O
COM-12					1		9					5	3		11
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					AIR	ARMY	CIA	NAVY	OSD	OCB	USIA	NSA			
					5	10	3	12		8	3				

SUBJECT: São Paulo Quarterly Economic Review - Second Quarter 1962

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SUMMARY

Business conditions during the second quarter of the year were marked by a pronounced seasonal upswing. There were indications, however, that impetus would slow down in coming months. Money became progressively tighter, mainly due to recent Government anti-inflationary measures. Some doubt as to their effectiveness in slowing down currency issues was expressed. The rate of exchange, which was adjusted downward in May was expected to contribute to higher exports while curbing imports. The cruzeiro weakened considerably on the free market, in part due to uncertainty in some quarters as to the outcome of political maneuvering toward the formation of the new Federal Cabinet. With fewer Bank of Brazil import notes in circulation investors of short-term funds turned to other sources of profit.

ADventura/cz

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Concern was expressed at the poor state of the economically important São Paulo-Curitiba highway. A subsidy of nearly 3 billion cruzeiros for the Paulista railway was requested. A new "mixed" corporation was formed to distribute electricity in certain areas of the State of São Paulo. New foreign investments in industry appear to have decreased in recent months, though some industrial expansion programs were announced or completed. Coffee and cotton exports are expected to be substantial. Several foreign trade missions visited São Paulo during the quarter. The automotive industry plans to develop trade with Mexico. Agricultural production is high with crops larger than last year, but some supply difficulties due to inflation and speculation have developed. The Agricultural Development Fund will expend seven billion cruzeiros. Labor unrest in the face of zooming cost of living continued, although there were relatively few strikes.

BUSINESS ACTIVITY

Wholesale and retail trade during the second quarter of the year continued at a high level. Sales and consignment tax collections totalled 11.7 billion cruzeiros in April and soared to 13.1 billion cruzeiros in May, beating all past collection records. Manufacturing activity maintained a pronounced seasonal upswing. The automotive industry increased its output which reached an all-time high of 17,276 units manufactured in May. Other industries generally held up to past satisfactory records, but the note of optimism which had prevailed during the first five months of the year was more cautious in June. There is some indication that industrial output may even be reduced somewhat in the near future in anticipation of a possible decline in consumption which, however, has not materialized to date. Operating costs, especially the prices of raw materials, are increasing rapidly, thus forcing a rise in selling prices while salaries of white-collar workers have not followed the trend and will probably not increase substantially until September or October. The widening gap between prices and wages is, therefore, expected to influence consumer buying downward. In anticipation of a decline in sales, inventories are being replaced more cautiously than in previous months.

The rate of inflation continued high during the quarter, with cost-of-living increasing 2.9 percent in April and 3.9 percent in May.

The trade association of textile manufacturers of São Paulo sought and obtained considerable newspaper publicity during most of the quarter in regard to the industry's desire for aid from the Federal Government in replacing its obsolete machinery with up-to-date equipment. The publicity campaign was based mostly on the study of Brazil's textile industry by the United Nations Economic Commission for Latin America, the text of which was

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released during the quarter. ECLA found, inter alia, that only 20.8 percent of the cotton spinning machines and 31.5 percent of the cotton looms of Central and Southern Brazil are up-to-date. The wool, jute, and linen sectors of the textile industry likewise have a high proportion of obsolete equipment, while the synthetic and man-made fibers sector is in a more favorable situation. ECLA found that Brazil's textile industry needs to spend 220 million dollars for purchase of new machinery and renovation of some existing machinery. Nearly 100 million dollars would need to be spent on imported machinery, according to ECLA. Expenditures of such size by textile manufacturers would not be possible without liberal aid from the Federal Government, according to the São Paulo textile association. (See Congen Despatch 254 of April 17, 1962, and 312 of June 15, 1962.)

Another recent ECLA study indicates that Brazil's paper and pulp industry (a large part of which is located in São Paulo) will require, between 1961 - 1970, new equipment in the value of 140 million dollars. Most of this equipment, according to the report, can be provided locally.

FINANCE

The credit situation tightened considerably in São Paulo in May and June, after SUMOC instruction 225 raised compulsory reserve requirements of commercial banks to 22 and 14 percent of demand and time deposits respectively (see item 1, despatch 284 of June 1). The instruction, widely commented on by São Paulo banking and financial circles, foresees the progressive increase in reserves aiming at supplying additional resources to the Bank of Brazil. Some concern at its effectiveness to deter increase of currency in the issue has, however, already been expressed locally: being clearly anti-inflationary in aim this measure should have been complemented by restriction of government expenditures which, instead, were increased recently when salaries of civil servants and military personnel were raised 40 percent. Local businessmen contend, therefore, that they are being hurt unnecessarily since inflation is not otherwise being curbed effectively.

New credit requests were being made in June by São Paulo importers who complained of higher financial commitments following implementation of SUMOC instruction 226. While maintaining until September the requirement that importers deposit with the Bank of Brazil the cruzeiro equivalent of foreign exchange purchased for future delivery, the instruction reduced the negotiable portion of the deposit in Bank of Brazil Import Notes from 100 percent to 30 percent. According to local banking circles the Federal authorities thus attained their objective of reducing the number and value of import notes in circulation without, however, reducing revenue to the Government from cruzeiro deposits of exchange contracts for

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import transactions.

For many months, Bank of Brazil import notes had been very much in demand on the São Paulo financial market because they offered a return of 30 to 34 percent per annum. Throughout the month of June, however, after SUMOC instruction 226 came into force, there were fewer notes in circulation while demand remained high. The premium gradually lowered and levelled at 27 - 28 percent, and São Paulo's "hot money" began to look to other sources of short-term profit. So far, finance and acceptance companies have mainly benefited with brisk sales of their financial papers at rates approximating the import notes discount rates. Trading in corporate stock, which had been insignificant in the past two years because of relatively low returns (12 to 20 percent per annum) picked up slightly and stock quotations inched up in June. This, however, is expected to be a phenomenon of short duration as speculative trading of dollars on the free market of exchange is believed to offer more lucrative, if more risky, returns.

The local business community was relieved when the financial rate of exchange--which had been maintained at 310 - 319 cruzeiros per US dollar (for buying and selling transactions respectively) since January 1962--was lowered to 359 - 359.30 cruzeiros on May 21. Shortly after the new rates were announced boneco operations, which had been going on for several months, were reported to have slowed down and the premium paid on such illegal activity dropped from an average of 22 to 25 cruzeiros per dollar to an estimated 10 - 12 cruzeiros. However, exchange for financial transactions from both the Bank of Brazil and private banks was available only in limited quantities, and it is believed that boneco operations will continue for some time.

The free (parallel) market of exchange reacted unfavorably after the financial rate of exchange was adjusted. For some time, early in June, it was hoped that it would remain constant at 400 cruzeiros per dollar, but the rate has weakened further and is now at approximately 426 cruzeiros in São Paulo. Uncertainty in some quarters as to the outcome of political maneuvering toward the formation of the new Federal Cabinet early in July is said to have contributed to forcing the free market rate downward.

At the request of Governor Carvalho Pinto, the Federal Cabinet on June 7 authorized the Treasury to guarantee financing of up to US\$80 million covering the purchase of machinery and equipment destined to the giant Urubupunga power project on the Paraná river. No response has so far been forthcoming to a request made in May by the Governor to the Inter-American Development Bank for a US\$25 million loan to help build and equip Urubupunga's first stage--the Jupia power plant.

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INFRASTRUCTURE--TRANSPORTATION, COMMUNICATIONS, and ELECTRICITY

The Federal Government on May 18, 1962, authorized the National Department of Highways to spend one billion cruzeiros for urgently needed repairs on the new 400-kilometer highway linking São Paulo with Curitiba. This highway, which is the only fully paved road from São Paulo to southern Brazil, has only been open for about one year, but it has deteriorated badly. Newspapers of São Paulo urged the Government to move quickly to save the highway, which apparently was not constructed properly. (See Congen despatch 287 of June 4, 1962.)

The Governor of São Paulo requested the Legislative Assembly in June to grant a subsidy of 2,861 billion cruzeiros for the Paulista Railroad. Higher labor costs, as well as rising costs in general, were cited by the Governor as the causes of the railroad's financial difficulties. A bill for reorganizing the Paulista, which was expropriated by the State Government one year ago, and São Paulo's other three important State-owned railroads is currently awaiting the attention of the Legislative Assembly. In an effort to reduce administrative costs, the bill would unify the Paulista, Sorocabana, Araraquara, and Mogiana Railroads into one public corporation to be known as PEPASA - Ferrovias Paulistas S/A. According to officials in the Secretariat of Transportation and Public Works, where the bill was drafted, the Legislature will probably take action on the bill before the end of 1962.

São Paulo Light S/A published its annual report for 1961 on April 28, 1962. The company's profits for 1961 represented a return on invested capital of around two percent. Except for some rate increases to provide additional revenue in amounts equal to certain specific increases in costs, such as higher labor costs, no general increase in rates has been authorized since 1956, in spite of the fact that the cruzeiro has been in continuous decline during that period. The low rates imposed by Federal regulation, combined with the continuous talk of nationalization of public utilities, caused uncertainty as to the future of São Paulo Light. (See Congen despatch 293 of June 5, 1962.)

On May 30, 1962, a new "mixed" corporation was established to distribute electricity in certain areas of the State of São Paulo where present distribution facilities are deemed inadequate. The State Government will own a controlling interest in the company, but individuals and local government entities in areas desiring better electricity distribution facilities will also be invited to purchase shares. The company is to be known as Bandeirante de Eletricidade S/A - BELSA. Its capital will be 850 million cruzeiros at such time as all of its stock has been sold.

The Mayor of São Paulo announced on May 30, 1962, that the city government and the Brazilian Telephone Company had resumed

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negotiations in regard to a new contract. He said that the uncertain future of the company leaves both the city government and the company "somewhat up in the air," and he expressed the hope that the Federal Government will shortly make known its exact intentions regarding telephones.

NEW INVESTMENTS

The number of new foreign investments in industry decreased considerably in recent months. However, several firms announced or completed industrial expansion programs during the period under review:

Union Carbide do Brasil S. A. expanded the polyethylene facilities at its plant near Cubatão. Annual production capacity was raised from 4,700 to 11,000 metric tons. The company uses ethylene supplied by the nearby Petrobrás refinery at Cubatão and, whenever necessary, makes its own ethylene from alcohol.

Valmet do Brasil S. A., in which Valmet Oy of Finland holds a controlling interest, inaugurated its tractor plant at Mogi das Cruzes, near São Paulo. Plant capacity is 4,000 wheel-tractors annually.

Pirelli S. A. Companhia Industrial Brasileira will expend nearly 1 billion cruzeiros to put up and equip a plant in São Paulo to double its present production of rubber manufactured goods. Pirelli recently raised its registered capital from 3 to 7 billion cruzeiros through the incorporation of new machinery and equipment and the revaluation of other fixed assets.

Indústria Brown Boveri S. A. of São Paulo, a subsidiary of S. A. Brown Boveri of Baden, Switzerland, will receive machinery and equipment in the value of US\$1,376,009 to expand its production of heavy electric power equipment, including transformers, generators, and electric turbines. The local company has been manufacturing this type of equipment since 1957.

S. A. Philips do Brasil, a wholly owned subsidiary of N.V. Philips Gloeilampenfabrieken of Eindhoven, Holland, inaugurated its new industrial complex at Guarulhos, near São Paulo. The new plant is composed of a metallurgical unit, a radio component unit, and an assembly shop for electronic and electric equipment, including radio receivers, television sets, tape recorders, and record players. The plant, one of the four operated by Philips in São Paulo, is reported to be the largest of its kind in Latin America.

Volkswagen do Brasil S. A. Indústria e Comércio inaugurated its light metals foundry. Using magnesium and aluminum alloys, the company will manufacture a wide range of parts for its motor

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vehicles, thus raising their local parts content, by weight, to nearly 98 percent. The new facilities at São Bernardo do Campo include 20 electric furnaces with capacity for molting and forging up to 11 metric tons of magnesium and 6 metric of aluminum daily.

Traubomatic Indústria e Comércio Ltda. was established in São Paulo with a capital of 50 million cruzeiros to manufacture automatic lathes. The local company is owned by Traub Maschinenfabrick of Reichenbach, Germany, and Traub's Swiss subsidiary at Dielsdorf, and by a São Paulo company, Still S. A. Sociedade Técnica de Instalações.

FOREIGN TRADE

Coffee exports from the port of Santos totalled 725,145 bags (132 lbs. each) in April, and 458,236 in May. Figures for the entire month of June are not released yet, but it is estimated that exports for that month will have totalled some 480,000 bags, thus adding up to about 10 percent more than in the second quarter of 1961.

Cotton exports got off to a late start mainly because of the foreign rate of exchange which was adjusted downward only on May 21. Bank of Brazil's Foreign Trade Department (CACEX) set an export quota from the 1962 southern harvest at 150,000 metric tons. It is expected that some 70,000 tons will be exported in June and July as compared with approximately 40,000 tons in the same period last year.

Several trade missions visited São Paulo during the quarter: these included two Mexican missions, representing Mexico's electrical equipment and heavy machinery industry (May 1 - 5 and June 7 - 11); a Venezuelan industrial mission (June 8 - 12); 50 representatives from the Soviet trade mission of the Rio de Janeiro Soviet Industry and Trade Fair who visited São Paulo May 4 - 5; a Canadian heavy machinery industry (May 9 - 24); and an Australian fact-finding mission (June 5 - 9). This is the highest number of foreign trade missions to visit São Paulo in such a short period of time in the last few years, and indicates increased interest abroad in the potential of the Brazilian market.

Representatives of the eight São Paulo manufacturers of motor vehicles attended the Second Meeting of the Brazilian-Mexican Automotive Industries at Mexico City April 9 - 13. Groundwork was laid to develop trade between Brazil and Mexico of auto parts and components. According to local auto industry officers Brazil's exports to Mexico of this type of products may expand considerably in coming months.

The Third National Heavy Machinery Fair in São Paulo, which ran June 8 to 24, attracted considerable interest from foreign

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prospective buyers, especially Mexico, Venezuela, Argentina, and Chile. It is reported that several large export contracts are contemplated.

The São Paulo Federation and Center of Industries started preparing its position on the extent of further tariff concessions on various products which should be offered by Brazil at the forthcoming negotiations in August in Mexico, where a second round of concessions under the Latin American Free Trade Zone will be discussed. The Federation invited interested manufacturers to submit their views. As a result of the first concessions which went into effect on January 1, 1962, there has been a slight increase in exports of São Paulo industrial products to Free Zone countries. One of the major results thus far of the Free Trade Zone has been an increased interest by São Paulo industrial firms in export possibilities.

AGRICULTURE

Agriculture ran into some difficulties in São Paulo during the second quarter of 1962 because of inflation and the poor handling of the foreign exchange situation.

In order to secure favorable returns, farmers, wholesalers, and retailers hoarded staple foods until their price demands were met. The artificially low exchange rate made exportable items, such as cotton and peanuts, too costly to be exported in spite of surpluses.

Cotton production in South Brazil is now estimated at 330,000 metric tons, 235,000 metric tons of this amount coming from the Consular District. This is the highest production level since 1954. At least half of the Southern crop has to be exported at world market prices. Since the price was too high to export, the ginners found it very difficult to pay the farmers more than the legal minimum. The farmers who were accustomed to receiving from 20 to 50 percent more than the minimum price, and with rising production costs, because of inflation, protested vigorously in order to obtain their expected prices. Most of the cotton purchases therefore were done on future payments, in the hope that the exchange rate would be freed in order to permit exports. The market was not freed but the legal minimum was lowered which brought the price of Brazil's exportable cotton in line with other producers. As a result, gins paid farmers better prices and the crisis was overcome.

Local peanut prices are still too high in terms of other currencies and unless a subsidy is paid or the exchange rate freed to permit exports, the Government will be obliged to purchase up to 100,000 metric tons of peanuts.

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There have been and continue to be considerable difficulties as regards shortages and an apparent shortage of staple foods. Sometime ago the Secretariat of Agriculture of São Paulo, after making a survey, found out that there would be a shortage of beans in São Paulo and set out to purchase from other States as well as import from external sources these requirements. When it was known that there would be a shortage, prices began to rise and even though COFAP is exercising some controls, they continue to rise.

There is no shortage of such items ~~such~~ as rice, sugar, milk, but from time to time they have been kept off the market in order to insure price increases. As a result of these and other tactics, the total agricultural situation as well as the economic situation has deteriorated and any series of events might precipitate another crisis.

With the exception of coffee and beans, agricultural production including meat and livestock in the Consular District continues upward and should attain a level in 1962 above that of 1961.

Seven billion cruzeiros will be made available to the Agricultural Development Fund under the Plano de Ação. The present administration will, no doubt, exploit its features to gain popular support for its candidate for Governor who, until recently, was the São Paulo State Secretary of Agriculture. This Development Fund was proposed some time ago but ran into difficulty in the legislative body of the State. At that time the total budget was 1 billion cruzeiros. The Agricultural Development Fund not only provides credit to farmers but also provides for the development of industries related to agriculture.

LABOR

During the reporting period labor unrest in the face of the zooming cost of living continued, although there were relatively few major strikes.

Two significant strikes in the Santos area occurred despite the existence of valid wage contracts. These were:

a) A fifteen-day strike by the Cubatão Chemical Workers Union against four US-owned petrochemical companies which ended in a virtually complete union victory on May 9 after both sides accepted the Governor's conciliatory proposal. The union originally demanded a 35 percent wage increase plus differentials, working conditions and fringe benefits granted by the neighboring government-owned Cubatão Petrobrás refinery. The final settlement included a 25 percent wage increase plus most of the workers' other demands. The authorities did not enforce two identical decisions by the

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Regional Labor Tribunal against the union. Before, during, and after the strike the union repeatedly insisted on Federal Government expropriation of the petrochemical companies. The city of Santos was completely paralyzed on May 8 by a general strike in support of the chemical workers.

b) An eight-day strike of Santos Gas Workers which ended June 12, with an agreement providing for several concessions by the company with respect to overtime and unhealthy work differentials. Because of the existence of a valid work contract, the strike had been declared illegal by the Ministry of Justice.

Other strikes during the second quarter included one lasting over a month by a group of unions against the J. J. Abdalla industrial combine for unpaid back wages and termination of other abuses.

Important wage settlements during the reporting period included a 45 percent increase for electricity, gas, telephone and streetcar workers in São Paulo, Santos and Campinas, and a 50 percent increase for construction workers throughout São Paulo state, except the cities of Campinas and Santos. These two increases were obtained without resort to strikes.

São Paulo labor unions of varying political orientation maintained steady pressure during the reporting period for congressional approval of the proposed laws providing for a one-month Christmas bonus and a family bonus.

With considerable attendant publicity, São Paulo agencies of the Social Security Institutes received applications from workers for loans for housing construction in conformance with the Labor Ministry's workers housing program. The São Paulo agency of the Industrial Workers Social Security Institute (IAP), largest of the group, reported that it had received 33,566 applications from São Paulo City, and expected an approximately equal number from interior cities. This agency will have at its disposal initially about one billion cruzeiros for housing loans to workers in this state, which would provide approximately 1,250 workers with the maximum loan of Cr\$800,000 each. The local agencies of the other smaller social security institutes will have correspondingly lesser amounts at their disposal for workers' housing loans.

On May 23 the São Paulo Regional Housing Commission was established to coordinate the planning and activities of various public and private entities participating in the housing program. Among other objectives the commission hopes to stimulate the organization of workers housing cooperatives into which Alliance for Progress funds may be channeled.

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The State Government published a report containing labor force data for the city of São Paulo based on a door-to-door survey made in late 1961. This report shows total unemployment in the city of São Paulo at that time to be approximately 2 percent.

A labor university (UNITRA) providing free evening extension courses in basic labor law for laymen began operations in São Paulo city and in interior cities during May 1962. These courses are aimed primarily at the workers with emphasis on present and potential labor leaders.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

Enclosure: *Att. M.M.*
Economic Indicators

- 1/ Approximate free rate of exchange on June 28: Cr\$ 426 equal US\$1.00.
- 2/ The boneco operations result from the scarcity on the local market of exchange destined for financial transactions (restricted in principle to a daily trading of 30 percent of the amount of exchange sold by private banks for importations or passed on to the Bank of Brazil on the previous day). Thus, parties desirous of obtaining, without delay, exchange at the financial rate pay a premium "under the counter" to ensure that they will receive preferential treatment.
- 3/ 1 kilometer - 0.6214 mile.

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ECONOMIC INDICATORS							
	January	February	March	Total First Quarter	April	May	Cumulative Total (Jan. through May)
Revenue of State of São Paulo from Sales & Consignment Tax (billions of cruzeiros) 1/							
1962	9,855	10,658	11,412	31,925	11,752	13,113	56,800
1961	8,490	6,309	7,818	20,617	7,854	8,874	37,345
Total State Revenue from Taxes (billions of cruzeiros) 2/							
1962	10,996	12,021	12,715	35,732	12,865	14,207	62,804
1961	7,276	7,034	8,252	23,162	9,151	9,817	42,130
Electric Power Con- sumption of Industry in State of São Paulo (millions of kWh) 3/							
1962	350	378	374	1,110	377	374	1,861
1961	340	333	382	1,055	353	356	1,714
Motor Vehicle Pro- duction in State of São Paulo (in units)							
1962	10,627	13,327	14,005	37,959	14,681	17,276	69,916
1961	10,165	11,193	12,727	34,085	12,166	12,848	59,099
Petitions in Bank- ruptcy in City of São Paulo (in numbers) 4/							
1962	44	73	65	182	50	88	320
1961	52	47	54	153	63	68	284
Petitions for Creditors' Agreement in City of São Paulo (in numbers) 5/							
1962	9	9	4	22	6	6	34
1961	3	8	13	24	2	6	35

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Page 2 of 3 Ref. No. 327 From São Paulo		January	February	March	Total First Quarter	April	May	Cumulative Total (Jan. through May)
Notes Protested in City of São Paulo (in numbers) ^{1/}								
1962		6,408	5,577	5,894	17,879	5,721	7,279	30,879
1961		4,912	4,102	4,944	13,958	4,971	4,969	23,898
Notes Protested in City of São Paulo (millions of cruzeiros)								
1962		286	201	175	622	154	564	1,340
1961		113	101	126	340	128	129	597
Licensed Construc- tion in City of São Paulo (in thousands of square meters)								
1962		243	234	367	864	379		
1961			not available			not available		
Cost of Living Index: Statistical Dept. of the City of São Paulo (weighted average; base 1951 = 100) ^{2/}					Percentage increase Jan. 1 through March			Percentage increase since January 1
1962		1,127	1,163	1,201	12.1	1,236	1,284	19.8
1961		774	786	824	10.3	850	862	15.6
Notes								
1/ Revenue figures are based on a sales and consignment tax rate of 4.2 percent. 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.								
3/ Data on petitions in bankruptcy, petitions for voluntary settlements, and notes protested refer solely to the City of São Paulo, and reportedly represent over 80 percent of total bankruptcy and settlement petitions and notes protested in the State of São Paulo.								

See report

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Notes

5/ The Cost of Living Index put out by the Statistical Department of the Sao 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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FROM : Amcongen São Paulo

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 28, 1962

REF : CERP, C-3

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1. Finance--Free Market Rate of Exchange Weakens in São Paulo D-12 A. D. Ventura
2. Finance--São Paulo Wholesalers and Retailers Refuse to Pay Local Tax D-12 A. D. Ventura
3. Public Works--New Bridge is Longest in São Paulo D-16 D. P. Mann
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1. Finance--Free Market Rate of Exchange Weakens in São Paulo

(Begin UNCLASSIFIED)

The cruzeiro wavered and weakened on the free exchange market in São Paulo. The rate dropped from an average of 415 cruzeiros per dollar (buying rate) at the start of the third week in June to an all-time low of 445 cruzeiros on June 26. (End UNCLASSIFIED)

Comment: (Begin OFFICIAL USE ONLY) Local banking circles attribute the drop to wide-spread concern and uncertainty as to the result of political maneuvering toward the nomination of the new Prime Minister following the resignation of the Federal Cabinet on June 26 in accordance with a constitutional

Adventura/cz

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ACTION ASSIGNED TO: ARA	ACTION TAKEN: NA	DATE OF ACTION: 7/1/62	DIRECTIONS TO RM/R: file
NAME OF OFFICER	OFFICE SYMBOL: EST/6-RC		

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proviso. They say that public uncertainty is such that reports of some troop movement to Brasilia triggered off a short run on São Paulo banks on June 25. (End OFFICIAL USE ONLY)

(Begin UNCLASSIFIED)

2. Finance--São Paulo Wholesalers and Retailers Refuse to Pay Local Tax

Wholesalers and retailers in São Paulo have started a campaign to postpone or avoid payment of the Industry and Profession Tax to the São Paulo Prefecture on the grounds that recent changes in the tax structure have raised their contribution by as much as 1000 percent. In the past week 30 court injunctions have been pressed against the Prefecture, and another 50 companies are expected to resort to court action within the next few days. It is reported that the important Commercial Association supports the traders' claims, and has offered them the services of its Legal Department.

The Prefecture has warned the traders that unless payment of the tax is effected shortly, it may not be able to meet payrolls, and may be forced to curtail public works projects.

Comment: The Industry and Profession Tax, originally a State tax, was transferred to the Prefecture in December 1961. It is estimated that collections in 1962 would total some 8 billion cruzeiros.

3. Public Works--New Bridge is Longest in São Paulo

Completion was announced of the Carvalho Pinto Bridge over the Paranapanema River at a point approximately 160 miles west of the city of São Paulo, between the towns of Avaré and Itai. Two-thirds of a mile in length, the new bridge is the longest in the State of São Paulo. It was made necessary by the construction of the Jurumirim hydroelectric dam, upstream from which the Paranapanema is changing from a relatively small stream into a sizeable reservoir of water. The bridge was built jointly by two São Paulo firms, Construtora Mauá Ltda. and C. F. Franco Engenharia Ltda.

4. Foreign Trade--Swift Urges Incentives for Meat Exports

The annual report for 1961 of Companhia Swift do Brasil was published on June 19, 1962. The report indicated that in 1961 over ninety percent of Swift do Brasil's sales were in the domestic market, but stated that with adequate incentives--especially realistic exchange rates--Brazilian meat exports could gradually rise in future years. The report said that there exists in Brazil a substantial unused capacity of meat processing and

refrigeration facilities. Furthermore, Brazil enjoys natural conditions for meat production at costs which should enable it to compete effectively in international meat trade, the annual report said.

Comment: The annual report indicated profits of between eight and nine percent, in terms of the 6,078 billion cruzeiros of assets shown on the balance sheet.

5. Foreign Trade--State of Sao Paulo to Promote Annual International Industrial and Trade Fairs

Governor CARVALHO PINTO and Federal Industry and Trade Minister Ulisses GUIMARAES on June 25 signed the contract by which the Federal Government authorized the Sao Paulo State Government to promote international fairs. The authorization is valid for a period of ten years and foresees an International Industry and Trade Fair every year. (End UNCLASSIFIED)

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

1/ Approximate free rate of exchange: \$1.00 - 434 cruzeiros.

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832.00/7-362

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20		DEPARTMENT OF STATE		832.00/7-362	
AIRGRAM		OFFICIAL MESSAGE		FOR RM USE ONLY	
A-5		NO.		HANDLING INDICATOR	
TO : DEPARTMENT OF STATE		1962 JUL 9 AM 9 47		1962 JUL 7 AM 9 29	
FROM : Ambassador, RIO DE JANEIRO		ACTION: <i>STP</i>		ANALYSIS & DISTRIBUTION	
SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period June 16 - 29, 1962)		INFO: <i>file RHC</i>		BRANCH	
REF: CERP C-3		DATE: July 3, 1962		<i>HRW</i>	
INDEX		3, 6, 9		<i>EST/B</i>	
1. Coffee Exports.					
2. 15th Month Christmas Bonus Pay Raise Approved By Senate.					
3. Profits Remittance Committee Report.					
4. Aviation Notes.					
5. Lloyd Brasileiro Inaugurates Line To Nigeria.					
6. Provisions Governing Commission For the Nationalization Of Public Utility Concessionaire Enterprises.					
7. Brazil-Argentina Trade.					
8. Passes Passes.					
9. Danger of Mining Concession Cancellation.					
10. New Plant For Hanna?					
11. New Pastories For Superphosphates.					
12. Coffee Eradication Plan Underway (GERCA Plan)					

1. COFFEE EXPORTS					
Coffee exports during the month of June 1962 were 1,160,828 bags, compared to 1,028,343 bags exported during the month of June 1961.					
Total coffee exports during the 1961/62 coffee marketing year were 17,371,420 bags compared to 16,126,656 bags exported during the 1960/61 coffee marketing year. (LXallous)					
(UNCLASSIFIED)					
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Drafted by: <i>ECOM:RAGoldstein/lsc</i>		Contents and Classification Approved by: <i>Robert E. Ekins</i>		☒ In ☐ Out	
Clearance:					

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2. 15th MONTH CHRISTMAS BONUS PAY RAISE APPROVED BY SENATE

On June 27, the Senate approved the bill to grant workers of industry, commerce, transport, etc. a Christmas bonus equal to one month's pay. The bill had previously been approved by the Chamber of Deputies and now awaits the President's signature -- which is certain. (Embdes 1061 of June 29, 1962)
(UNCLASSIFIED)

COMMENT: All organized labor, Communist and non-Communist led groups supported this bill. Some companies have long given Christmas bonuses, but not many as large as a month's pay. The receipt of an extra month's pay at Christmas time will increase the festive spirit of the working class at that time. Its influence on inflation, total production, purchasing power, etc. cannot be estimated with accuracy, even though industries will, as far as possible, pass the increased costs along to the consumers in the form of higher prices. While most private commercial, industrial, transport and public utility activities are affected, it is not yet clear whether or not such activities as domestic service and farm workers are included. (JFishburn)

(UNCLASSIFIED)

3. PROFITS REMITTANCE COMMITTEE REPORT

The reporting member of the Joint Congressional Committee on the Regulation of Profits Remittances, Senator Nery de Sá, has published his long awaited report on the profits remittance bill passed by the lower house of Congress last November (Brant bill). The report, which apparently is a compromise of the views of Nery de Sá and leftist Deputy Sergio Magalhães would remove many of the more onerous provisions of the Brant bill but would still place various restrictions on foreign capital including an 8% restriction on speculative capital or capital destined for the production of luxury goods or services. It would be left to the Council of Ministers in consultation with the National Economic Council to define these categories. Also SUMOC would be authorized to place temporary restrictions on imports and remittances of foreign firms in periods of serious balance of payments difficulties. Investments in less-developed regions of the country as well as activities considered important to development would be encouraged through exemptions from various restrictions. The proposal also requires registration of assets held by Brazilians abroad and restricts foreign firms access to credits or credit guarantees from Brazilian state or federal government-owned credit institutions as well as those categorized as mixed economies.

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COMMENT: There still appears to be some maneuvering in process with respect to the provisions of the bill and additional amendments may be made in the Senate. It is reported that Deputy Daniel Farnes is working to soften further some of the restrictive features. It would not seem likely in the circumstances that the bill will complete the legislative process before elections. (JKrisay)

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