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MARCH, 2001

**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, 1900-1963

Department of State Decimal Files 732, 832, and 932

Sheet1

INTERNAL AFFAIRS BRAZIL, 1960-1963	
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Roll 20	832.424/9-2662-932.30/2-2862
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- 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
- .2352 Sugar beet { of food, etc., see 8**31
- .236 Garden crops (vegetables, such as Lettuce, Tomatoes, Potatoes, Pepper, Nutmeg, Spices, Pulses, Dandelion, etc.)
- .237 Fruits
- .2371 Citrus fruits
- .2372 Berries, Currants
- .2373 Grapes, Raisins
- .2374 Figs
- .2375 Olives
- .2376 Bananas, Plantains
- .2377 Nuts, Coconuts (Copra), Palm kernels
- .2378 Other fruits, Apples, Apricots, Cherries, Dates, Nectarines, Peaches, Pears, Persimmons, Pineapples, Plums, Quinces
- .238 Flowers, Bulbs

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

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

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

8**256	Other mining products
.2561	Salt
.2562	Sulphur
.2563	Potash
.2564	Sodium nitrate, Saltpeter
.2565	Asphalt
.2566	Lime and cement
.2567	Phosphates
.2568	Asbestos
.2569	Bauxite
.257	Quarries, Quarrying
.26	Engineering, Architecture. For housing, see 8**02
.261	Public works, Public construction. For harbors, docks, and ports, see 9**734
.2611	Buildings, Markets, Market places
.2612	Roads, Highways, Bridges. For railroads, see 9**712
.2613	Parks, Playgrounds
.2614	Public utilities, Electricity, Water, Gas, Power dams
.2615	Sewerage, Disposal plants
8**30	Manufactures, Manufacturing
.31	Foods
.311	Meat and slaughterhouse products, Meat packing
.312	Dairy, fish, fowl and game products, Ice cream. For milk, cream, and eggs, see 8**2423 and 8**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
- .394 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** .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, Felicitations 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, Tomadoes, 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)

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

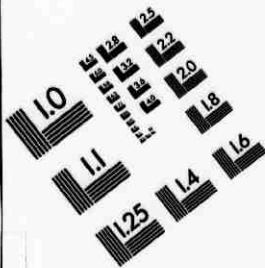
- 9** .726 Sale, Purchase (** indicates nationality of purchaser), Charter, Registration, License, Libel
- .727 Documentation and inspection, Cargo, Manifests, Bills of health, Entry and clearance
- .73 Water transportation, Merchant vessels, Merchant marine, Yachts (includes all water transportation 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

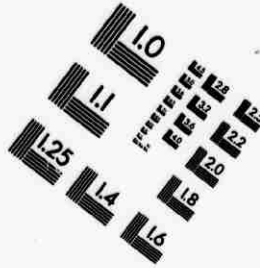
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.841	Medical aspects of radiology, radioscopy, chemistry, and biology including warfare
.85	Electronics (communications devices, radar, sonar, etc.)
.86	Engineering
.861	Civil engineering
.8611	Sanitary and public health engineering
.862	Mechanical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



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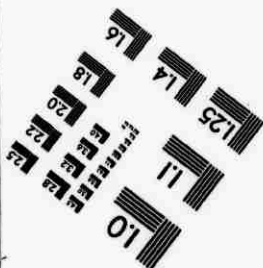
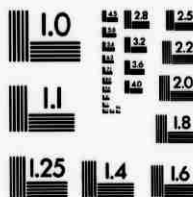
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FROM: Rio de Janeiro

TO: Secretary of State

NO: 813, October 11, 8 a.m. (SECTION ONE OF TWO)

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UNNUMBERED.

MEXICO CITY FOR HERBERT MAY

Reference: Department telegram 870

With elections out of way, GOB near future likely make fundamental choices direction economic and financial policies. Continuing acute shortage exchange and mounting inflation appear rapidly forcing Goulart and Cabinet such decisions. Choice broadly between A) support financial stabilization measures of type Calmon trying institute, with all that implies increased possibilities external help, or B) severe exchange controls, increasingly regimented economy and attempts widen economic relations with Soviet bloc.

Nevertheless, Goulart may well try avoid long as possible final commitment one or other above lines policy, or Congress (such as by refusal pass tax legislation this year) may make clear-cut choice difficult. At moment appears as if GOB will make some efforts consistent with choice A. Early phases this effort may well be in grey area in which some worthwhile actions taken, but over-all implementation and quality may remain short of comprehensive program that could be fully endorsed by US separately, or with IMF. Such situation would pose delicate problems for US, but may create opportunities in which judicious use moderate financial assistance for balance payments could effectively strengthen and encourage elements in GOB working for stabilization. Situation could well develop in three phases as

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ASSIGNED TO	DATE	DATE	DIRECTIONS
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Rec'd: October 11, 1964
ACTION: 6:00 p.m.
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AIRGRAM

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A-418

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NO.

HANDLING INDICATOR

TO : Department of State

1962 OCT 15 AM 11 13

RM/AN

ANALYSIS & DISTRIBUTION
BRANCH

FROM : Amembassy RIO DE JANEIRO

DATE: October 12, 1962

SUBJECT : MONTHLY ECONOMIC SUMMARY - September, 1962

REF : CERP C-4

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Finance..... 3

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Economic Indicators..... Enclosures

SUMMARY

Political events continued to dominate economic developments during the month with the resignation of the Brochado da Rocha Cabinet on September 13, the fixing by Congress two days later of January 6, 1963 as the date for a plebiscite to decide between presidentialism and parliamentarism, and the appointment on September 16 of a provisional cabinet headed by Sr. Hermes Lima, the former Minister of Labor. Political confusion was accompanied by a largely ineffective call for a general strike to support the demand for a plebiscite.

Principal economic developments during the month were the appointment of Sr. Celso Furtado as Minister-Without-Portfolio in charge of planning, preparation of a new stabilization program by Finance Minister Miguel Calmon, and publication of the profits remittance bill which

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Rio de Janeiro
Airgram No. A-418
October 12, 1962

lication of the Profits Remittance law and the passage of an Anti-Trust bill.

Principal developments during September in the field of industry were announcement of the signing of a contract with Italian firms for financing of US\$56 million for the Urubupunga hydro-electric project, announcement that the programs submitted by two Japanese-owned companies to manufacture small agricultural tractors in São Paulo had been accepted, and announcement of the granting of a US\$3.4 million loan by the U.S. Agency for International Development to Companhia Pernambucana de Borracha Sintetica - COPERBO. Other developments included inauguration of the first 70,000 kw generating unit at the Jacui hydro-electric plant in Rio Grande do Sul, and in the field of foreign trade, announcement of an order for four Caravelle 6-R aircraft from France by Viação Aérea São Paulo (VASP).

In mid-September the directors of the Centrais Elétricas de Urubupunga (CEIUSA) announced that they had signed a contract with a group of Italian electrical equipment manufacturers for 35 billion lira (about US\$56 million) for equipment and loans for the Jupia first stage of the Urubupunga hydro-electric project. Repayment will be over eighteen years with interest at six per cent. The Acting Governor of the State of São Paulo recently stated that complementary work at Jupia is now completed and that construction of the dam itself will now begin.

It was announced on October 3 that the Executive Group of the Agricultural and Road Building Equipment Industry (GEIMAR) approved programs submitted by two Japanese-owned companies to manufacture small agricultural tractors in the State of São Paulo. Iseki-Maquinas Agricolas Comercio e Industria - will manufacture two-wheeled tractors with 5 and 7 hp engines for use in coffee, rice, jute, and pepper plantations with local parts content initially at 75 per cent of weight. Initial production will be 100 units monthly. Another company, Marukyu - Industria de Maquinas Agricolas Ltda - will continue to produce the 5 and 6 hp tractors it has been manufacturing for the last two years.

On September 24 a loan agreement for US\$3.4 million was signed between the U.S. Agency for International Development and Companhia Pernambucana de Borracha Sintetica (COPERBO). The loan will be used for purchase of equipment for a synthetic rubber plant which will produce polybutadiene from alcohol in the city of Cabo, Pernambuco. It will be repaid over ten years at 5 per cent interest. Total cost of the project is estimated at US\$33 million and is being financed by the State of Pernambuco (US\$11.5 million); National Economic Bank (US\$6.5 million); French banking houses Credit Lyonnais and Comptoir National d'Escompte de Paris (US\$6 million); Inter-American Development Bank (US\$3.5 million) and three U.S. private companies, Firestone Tire and Rubber Co., Union Carbide, and Rohm and Haas (US\$2.5 million). The Lummus Company, a U.S. engineering firm, is preparing designs and specifications of plant and equipment with major construction being done by Brazilian contractors. The plant will produce 25,000 tons of polybutadiene rubber annually, equal to about half of Brazil's present annual rubber imports.

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ECONOMIC INDICATORS

Enclosure 1
AmEmbassy, RIO

	1961			1962		
	July	Aug	Sept	July	Aug	Sept
Cost of Living ^{1/} (index 1948 = 100)	968	1,012	1,059	1,515	1,562	1,577
Percent Increase:						
Over Previous Month	1.6	4.5	4.7	5.5	3.1	1.0
Since Beginning of Year	14.2	19.3	24.8	24.8	28.6	30.0
Sales Tax Receipts (cruseros-billions)						
State of Guanabara	1.74	1.93	1.77	3.45	3.96	3.61
Cumulative for Year	11.21	13.14	14.91	20.96	24.92	28.53
State of São Paulo	8.66	9.14	8.87	14.47	16.05	15.28
Cumulative for Year	54.41	63.55	72.42	84.48	100.53	115.81
Motor Vehicle Production (units)	12,089	11,630	10,420	18,176	18,551	
Cumulative for Year	84,291	95,921	106,341	104,195	122,746	
Electric Power - Industrial Consumption (KWH-millions)						
State of Guanabara	47.4	47.7	46.1	48.7	49.1	
State of São Paulo	371.0	383.0	384.0	462.0		
Cement - Factory Sales (metric tons - thousands)	391	409	387	415	438	
Cumulative for Year	2,662	3,071	3,459	2,762	3,200	
Notes Protested Number (thousands)						
State of Guanabara	1.7	2.0	1.1	1.8	1.8	1.8
City of São Paulo	5.3	3.6	3.6	6.8	6.0	6.0
Value (cruseros-millions)						
State of Guanabara	67	68	89	99	76	70
City of São Paulo	144	110	112	254	213	213

^{1/} State of Guanabara

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Enclosure 2
AmEmbassy, RIO

	1961			1962		
	July	Aug	Sept	July	Aug	Sept
Foreign Trade (dollars-millions)						
Imports (CIF)	125.0	142.6	116.3	118.0 ^{2/}	110.0 ^{2/}	104.0 ^{2/}
Cumulative for Year	836.9	979.5	1,095.8	787.0 ^{2/}	897.0 ^{2/}	1,001.0 ^{2/}
Exports (FOB)	128.2	153.4	120.1	95.6	91.0 ^{2/}	90.0 ^{2/}
Cumulative for Year	750.0	903.4	1,023.5	655.6	747.0 ^{2/}	837.0 ^{2/}
Coffee Exports (million of bags - 60 kilos)	1.48	1.97	1.60	1.27	1.31	1.27
Cumulative for Marketing Year Beginning July 1	1.48	3.44	5.05	1.27	2.78	4.05
Bank of Brazil (last day of month; cruzeiros-billions)						
Loans to Treasury ^{2/}	45.4	53.7	54.9	81.6	94.5	
Outstanding Loans to Private Sector	200.0	211.1	227.6	328.6	350.0	
Rediscount to Commercial Banks	17.9	21.2	29.6	30.1	29.2	
Cash Holdings	9.6	13.4	19.4	21.1	15.7	
Compulsory Reserves, Commercial Banks	34.0	35.3	36.6	82.4	88.4	
Outstanding Bank of Brazil Letters	67.7	70.7	64.9	67.1	67.4	
Currency Outstanding	230.8	268.8	288.8	368.8	373.8	413.8

^{2/} Provisional^{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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Page 2
Airgram A-434
Rio de Janeiro

Vidigal said that he had made it very clear he would accept the Ministry only if he were given a free hand and if he could name and control the principal financial officers of the Government, including the Presidents of the Bank of Brazil and of the BNDE. ^{1/}

The Policies of President Goulart

Vidigal and Quartim Barbosa held a relatively hopeful view about the possibilities of convincing Goulart that a sound anti-inflationary policy should be followed. They felt that in the end, particularly if the October 7 elections reflected continuing strength of the center forces, the President would increasingly tend toward establishing a working relationship with moderate opinion and would discard the advice of the more radical and nationalistic people surrounding him. They admitted that Goulart was illiterate in economic matters but thought that he understood well enough the simple principle that a government could not continually spend more than it took in.

Both Vidigal and Quartim Barbosa were refreshing in their assertion that if a leftist, nationalist, and statist trend were to continue, they were not going to stand idly by. They had continued faith in the ability of Brazil to grow into a mature and liberal democracy and they were ready to fight with whatever means available to accomplish this end. Both minimized the tendency for capital flight (they claimed that such flight as has taken place has reflected mostly transfers on the part of recent arrivals to Brazil, such as refugees from World War II, and not by people who had firm roots in Brazil). They said that for people like themselves, with a tremendous emotional, family and property at stake in Brazil, there was no alternative except to stay and to fight for the kind of country they believe in.

Growth Rate of the Economy

Those interviewed indicated that their experience tended to contradict the preliminary findings of the Getulio Vargas Foundation (based on available data for the first half of 1962) that economic growth was slowing down in Brazil. ^{2/}

^{1/} This was very similar to what Dr. Vidigal told the Ambassador during the Ambassador's last visit to São Paulo.

^{2/} See Item 3, Embassy's A-367 and August, 1962 issue of "Conjuntura Econômica" published by the Getulio Vargas Foundation.

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Airgram
Rio de Janeiro

All indicated that in São Paulo, at least, the boom was continuing unabated and that if there was any validity to the Getulio Vargas Foundation's findings, these must reflect the situation in the rest of the country. Mr. Almeida Barbosa was critical of the statistical basis for the Foundation's analysis, feeling it was based on inadequate data, and in some instances gave undue weight to developments in Guanabara.

From the point of view of economic growth, the principal worry in São Paulo appeared to be the fear that Brazil's exchange difficulties would lead to a cutting-off or to a reduction in supplies of essential imports used by the industrial complex of São Paulo.

For the Ambassador:

Ralph V. Kopp
Ralph V. Kopp
Financial Attache

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TO : DEPARTMENT OF STATE 1962 OCT 19 AM 11 59

INFO: RIO DE JANEIRO

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BRANCH

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
OCT 22 1962

DATE: October 27, 1962

FROM : Amcon SÃO PAULO

SUBJECT: Governor-Elect of State of São Paulo Expounds Plans to Improve São Paulo Economic and Social Position.

REF : CERP, D-10, D-18

The governor-elect of the State of São Paulo, Dr. Adhemar de Barros, in an informal conversation with the reporter, spoke about some of his plans to improve the economic and social position of the State of São Paulo, and indirectly, of Brasil. The conversation took place at a dinner party given in the honor of the governor-elect by his son, Mr. Antonio Mendes de BARROS, on the night of October 14.

Dr. de Barros started off the conversation by saying that his election, by a wide margin of votes over his strongest opponent and long-time political enemy, Dr. Janio da Silva Quadros, was proof that the people of the State of São Paulo were not particularly interested in a nationalistic government of leftist tendencies. He believes that communism can be defeated so long as the "belly of the people" is full, and says that one of the first measures he will implement when he takes office at the end of January 1963 is to see to it that the local population does not go hungry. He argues that the basic staples of the population are rice and beans which have long been in short supply at prohibitive prices. Shortages have deliberately been engineered by unscrupulous intermediaries and black market operators, while the State government has not taken energetic action to supply minimum quantities of rice and beans at controlled prices in times of shortages, according to Dr. de Barros. The governor-elect plans to set up a mixed company whose basic responsibility will be to buy, both in the State of São Paulo and neighboring states, rice, beans, and other cereals in large quantities, store these foodstuffs in State-owned warehouses (which now lie half-empty), and feed them on the local market as soon as shortages develop. In order to reduce the

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of June 22 and airgram A-71 of September 21). In an aside to a friend who had joined the conversation, he referred to the Santos City Council as "eighteen idiots" who are able to order a strike and "stop" the city of Santos whenever they feel like it, and promised that he would "make things go hard" for them when he took office.

Dr. de Barros concluded the conversation by saying that he is carefully picking his Cabinet. He said he had strong hopes of having an excellent Secretary of Finance. Although not citing his name, he said the man he has in mind is one of the most brilliant young financiers in São Paulo and Brazil today. Presumably he was referring to prominent banker and ex-Secretary of Finance of the State of São Paulo (1960-1961) Gasto Bueno VIDIGAL, who was rumored at the dinner party as being Dr. de Barros' first choice for the post of Secretary of Finance.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

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TO : DEPARTMENT OF STATE

1962 OCT 26 AM 11 24

INFO: RIO DE JANEIRO

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

DATE: October 19, 1962

FROM : Amcoagen, SÃO PAULO

SUBJECT: Biweekly Economic Review, October 5 to October 18, 1962

REF : CERP, C-3

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
OCT 26 1962CERP
Reference

A.D. Ventura

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2. Finance--State Savings Bank Extends Loan to Power Companies D-14
3. Aviation--VASP Buys British Aircraft; Builds Largest Hangar in Brazil D-12
4. Foreign Trade--Canadian Trade Mission in São Paulo D-16
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6. Labor--Santos Commercial Workers Win 70 Percent Salary Increase D-16
7. Labor--São Paulo Shoe Workers Strike Fight for Wage Increase D-17
1. Industry--Volkswagen to Invest 20 Billion Cruzeiros in Local Subsidiary. D-17

The director superintendent of Volkswagen do Brasil Indústria e Comercio, of São Bernardo do Campo, announced on October 6 that the

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firm will import machinery and equipment in the value of 20 million marks (approximately 2.5 billion cruzeiros^{1/}) without exchange coverage from its parent company, Volkswagenwerk GMBH, of Wolfsburg, Germany. Within the next two years the German firm will invest the equivalent of an additional 20 billion cruzeiros in an expansion program which would make the local subsidiary the largest auto maker in Latin America. Volkswagen is planning to raise its production from the actual 245 units to 400 daily, thus aiming at supplying not only the Brazilian consumer market but also member nations of the Latin American Free Trade Association.

Comments: The Volkswagen expansion program is one of the first major foreign private capital investments announced so far this year. As yet most foreign businessmen maintain an attitude of uncertainty as to the future of foreign investments in Brazil.

2. Finance--State Savings Bank Extends Loan to Power Companies.

The São Paulo State Savings Bank on October 5 extended to the São Paulo State controlled Usinas Elétricas do Paranapanema (USELPA) and Companhia Hidroelétrica do Rio Pardo (CHERP) loans totalling 330 million and 388 million cruzeiros respectively. The power companies will expend these sums on improvement and expansion of their electric power distribution systems.

Comment: In recent months, the São Paulo State Savings Bank increasingly has contributed funds to the economic development programs undertaken by the Carvalho Pinto Administration within the framework of the Government Plan of Action.

3. Aviation--VASP Buys British Aircraft; Builds Largest Hangar in Brazil.

Viação Aérea São Paulo-VASP, the domestic airline controlled by the São Paulo State Government, announced that, in addition to 4 Caravelle jets (see item 2, airgram A-93 of October 5) it has ordered 10 Viscount turbo-prop aircraft from Vickers Armstrong Ltd., of London, England. The planes will be delivered between November 1962 and February 1963.

^{1/} Approximate free market rate of exchange Cr\$650 equal US\$1.00.

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Comment: VASP acquired Loide Aéreo Nacional early this year (see item 4, despatch 183 of January 12) and thus became one of the major domestic lines, controlling approximately 25 percent of the country's air traffic and serving 64 Brazilian cities, including all state capitals. Loide equipment, however, is generally obsolete, and VASP is actively replacing it with more modern aircraft. Ground facilities are likewise being improved. The new VASP hangar at São Paulo's Congonhas airport, built at a cost of 200 million cruzeiros was inaugurated on October 5. With a covered area of 3,750 square meters, part of which to house some of the VASP operational offices, the new hangar is reported to be the largest in Brazil.

4. Foreign Trade--Canadian Trade Mission in São Paulo.

A seven-man fact finding mission, representing Canada's electronic industry, visited São Paulo October 12-16. The party visited manufacturing facilities of the major communications and electronic firms in the São Paulo area, before travelling to Rio de Janeiro on another lap of their journey throughout Latin America. The Canadians reportedly were impressed with the technical achievements of the local electronic industry and studied market potential with a view to expanding trade with Brazil.

5. Transportation--Chilean Shipping Line to Link Santos to Uruguay, Argentina, Chile and Perú.

Representatives of Compañía Chilena de Navegación Interoceánica, of Valparaíso, Chile, announced the inauguration of a freight service to link Santos and other Brazilian ports, to Uruguay, Argentina, Chile and Perú. The shipping line owns six 7,000 ton freighters which, every fortnight, would depart from Santos, and stop at Rio de Janeiro, Paranaguá, Montevideo, Buenos Aires, Punta Arenas, Talcahuano, Valparaíso, Antofagasta, and Arica, before docking at Callao in Perú. The journey would last some forty days.

Comment: One of the factors affecting the expansion of Brazilian trade with member nations of the Latin American Free Trade

1/ 1 square meter equals 1550 square inches

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10/19/62

Association is the lack of adequate shipping facilities. Although of relatively little importance, the new Chilean freight service is a first constructive step toward the development of trade between LAFTA nations.

6. Labor--Santos Commercial Workers Win 70 Percent Salary Increase.

The union representing workers in commercial establishments in Santos reached agreement on October 16 with employers providing for a 70 percent salary increase effective October 1, 1962. The new contract, to run until March 31, 1963, specifies a maximum monthly increase of Cr\$ 40,000, and contains special provisions for workers earning a fixed salary plus commission.

Comment:

The foregoing increase is the highest reported in this area. The unusual 6-month contracts validity period is indicative of a growing tendency among unions to protect workers' salaries from rapid devalorisation stemming from the current rampant inflation by providing for more frequent wage negotiations.

7. Labor--São Paulo Shoe Workers Strike, Fight for Wage Increase.

After prolonged unsuccessful negotiations and a 1-day strike called by the São Paulo Shoe Workers on October 18, union and employer representatives reached agreement on a new contract providing for a 58 percent wage increase effective October 24 with a maximum monthly increase of Cr\$ 25,000. This agreement affects an estimated 25,000 shoe workers in the city of São Paulo.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

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DATE: October 24, 1962

OCT 26 1962

RBA/10/12

TO : DEPARTMENT OF STATE

INFO: RIO DE JANEIRO

FROM : Amcongen, SAO PAULO

SUBJECT : Sao Paulo Opinion on Current Economic Problems

REF : CERP, D-10

This airgram records a conversation among a group of well-informed American businessmen in Brazil and two Consulate General officers on current economic problems. The group included the President of the American Chamber of Commerce in Sao Paulo, an officer of a locally established American bank, and representatives of several of the most important American-connected firms in Brazil; some of the opinions expressed may be of interest to the Department.

The group agreed that the two most serious current economic problems in Brazil were inflation and nationalistic-leftist attitudes in the national government.

With respect to inflation, they said that the rate which had prevailed until the last year had not been intolerable, and may even have stimulated the economy. Currently, however, the excessive rate of inflation was creating serious problems. One businessman reported, for example, that some months ago his working capital amounted to about 80 percent of one month's operations. Now his working capital, with the same cruzeiro value, amounted to only 50 percent of a month's operations. Credit was more and more difficult to obtain. Sooner or later the lack of credit would curtail business operations. It was said that the first crucial point would be reached toward the end of this year when it became necessary to pay the thirteenth month Christmas bonus required by recent law. It was estimated that this payment for all eligible employees in Brazil would reach about 100 billion cruzeiros, and it was hard to see where this amount could be obtained. Illustrating the difficulty of credit at the present time, the banker mentioned that the current definition

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Sao Paulo
A-170
10/24/62

of long-term credit was credit of more than 120 days, and that, in fact, such credit was not available from commercial banks. From other lending institutions, he said, an A-1 firm might get a loan for 180 days at 40 percent on an annual basis.

Concurrent with and related to the problem of inflation, the businessmen remarked, was the increasingly critical shortage of foreign exchange that Brazil is experiencing which jeopardizes essential imports. As these problems become more acute, one participant remarked, he was convinced that Brazil would reach a severe crisis within six months. The others agreed, only adding that the crisis would arrive sooner, probably within three months. The opinion was unanimously expressed that it would be better for the crisis to arrive sooner rather than later, while the United States, as they said, still had a number of friends in influential places. They all agreed that it would be a mistake for the United States to postpone the crisis by extending additional balance of payments loans.

The group made no review of the national political attitudes which they considered to be a current problem, but it was implicit that they were thinking of such recent measures as the remittance of profits law. They deplored specifically the tendency of the Federal Government to intervene more and more in economic and business affairs, since, at the level of maturity and competence in public administration prevailing in Brazil, such intervention inevitably meant graft and inefficiency on an increasing scale. For this same reason, one businessman mentioned, the current expropriation of public utilities is a tragedy, for it will mean, quite aside from considerations of justice to the previous owners, deterioration of service and of plant and increasing deficits of operation.

Concerning the Alliance for Progress, the businessmen expressed the opinion, for reasons evident in the previous paragraph, that the United States should seek to maximize aid to non-governmental entities, and, in particular, minimize participation of the federal government. The suggestion was also made that aid be limited to those states the governors of which were friendly to the United States.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

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TO : DEPARTMENT OF STATE

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ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy, RIO DE JANEIRO

DATE: October 25, 1962

SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period October 6 - 19, 1962)

REF : CREF C-3

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FORM 4-62 DS-323

Drafted by:

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Contents and Classification Approved by:
Robert E. Adams

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Rio de Janeiro

1. COFFEE EXPORTS

Coffee exports during the period October 1 - 17, 1962 were 598,522 bags, compared with 875,602 during the period October 1 - 19, 1961.

Total exports during the period July 1 - October 17 of the current marketing year were 4,650,725 bags, compared with 5,925,737 bags exported during the period July 1 - October 19, 1961. (LThomasson)

(UNCLASSIFIED)

2. WHEAT PURCHASES

Brazil purchased 10,000 metric tons of U. S. wheat on October 11 under the terms of Edital 30-62 which was issued for 100,000 tons, any origin. Edital 31-62, which provided for the purchase of 60,000 metric tons from Argentina on October 18, has been postponed until October 25. (LThomasson)

(UNCLASSIFIED)

3. MIGUEL CALMON STABILIZATION PROGRAM

Finance Minister Miguel Calmon revealed on October 11 the outlines of his proposals to the Cabinet for "reversing the inflationary trend". The program outlined, which extends to the end of 1963, calls for the following:

- (1) - For 1962. A possible cash deficit of Cr\$295.7 billion is projected with total issuances of new paper money for the year projected at Cr\$137.9 billion (an increase of 46.9% over the December 1961 level). The objective for 1962 is to keep the rate of inflation at some level defined only as "well below 50%". The usual formula of cutting expenditures and subsidies, raising public services rates, and postponement of disbursements would be employed in achieving this objective.
- (2) - For 1963. Calmon projects a potential budgetary expenditure level of approximately Cr\$1.6 trillion, a figure which includes some Cr\$216 billion in unpaid bills from past years plus an unspecified amount to cover another federal pay raise. Estimated receipts are Cr\$655 billion and the probable cash deficit is projected as Cr\$607 billion, the financing of which, according to the program, would entail the issuance of Cr\$250 billion in new paper money, for an increase of 58% in paper money in circulation and an increase of 5% in prices. The objective for 1963 is to achieve a "substantial reduction in the rate of inflation" through an economy plan which would reduce disbursements to Cr\$1.155 trillion and a tax increase (including principally a hike in indirect taxes) which would increase revenues by Cr\$200 billion. The cash deficit would thus be reduced to about Cr\$300 billion.

(UNCLASSIFIED)

COMMENT: The Calmon Plan, seems to be designed to do no more than prevent the inflationary trend from spiralling. Although it emphasizes substantial tax increases, no emphasis was placed on reducing expenditures and it represents, in effect, another step in the direction of a growing public sector.

/Even

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Even this Plan, with its limited objectives, is reportedly running into opposition in the Cabinet where there is reported to be strong resistance to consumption tax increases and elimination of the recently begun food subsidies.

Nonetheless, the Embassy has been advised informally that, in spite of Cabinet opposition, a tax-hike would be requested during this session of Congress. Most observers doubt, however, that the present "lame duck" Congress will enact such an increase. (JKrisay/WBLOWMEYER)

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4. BRAZIL TO TRANSFER \$60 MILLION IN GOLD TO NEW YORK

According to press reports, the National Security Council (composed of all Cabinet members and the Military Chiefs-of-Staff) authorized on October 19 the transfer of \$60 million of Brazil's gold reserves to the Federal Reserve Bank of New York. The transfer was explained as a preparatory step for a loan application to be made by Brazil with the Federal Reserve Bank or the International Monetary Fund designed (1) to offset current deficits of certain items of the balance of payments, and (2) to meet obligations arising from unpaid imports.

(UNCLASSIFIED)

COMMENT: This transfer reportedly will leave Brazil with about \$10 million in uncommitted gold reserves. The action virtually removes the last hint of flexibility in Brazil's foreign exchange reserve position. (JKrisay/WBLOWMEYER)

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5. ISSUANCE OF FEDERAL BONDS FOR "FINANCIAL RECOVERY" REPORTEDLY SUSPENDED

The issuance of 150 billion cruzeiros in bonds for Financial Recovery (Títulos de Recuperação Financeira) authorized by Law 4,069 of June 11, 1962 and implemented by Decree 1,592 of September 13, 1962, is reported to have been halted by Finance Minister Calmon. The Financial Recovery bonds are designed to unify the funded internal debt and to settle Treasury debts to contractors incurred in past fiscal years. Only a small portion of the bond issue had been floated before Calmon's action.

(OFFICIAL USE ONLY)

COMMENT: These bonds were to have been redeemable in 50 instalments over a period of 50 years. Bearing an interest rate of only 7% in an economy experiencing an annual rate of inflation of 40% or more, contractors accepting payment in this form obviously would be receiving far less in real terms than the contract value; the bonds would, in effect, constitute a rather heavy tax on government creditors. In addition, given that these bonds would be negotiable and could be used by commercial banks in lieu of cash in building up to new reserve requirements, their issuance would not be contributive to any tightening of the money supply. (JKrisay/WBLOWMEYER)

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6. HEAD OF NATIONAL TREASURY RESIGNS

Afonso Almiro, head of the National Treasury (under the Ministry of Finance), has submitted his resignation to Finance Minister Calmon. The move was described as indispensable for the implementation of Calmon's stabilization program, which is raising strong opposition in certain sectors in view of the unpopular measures contemplated. Almiro had been an important figure in working out a re-organization of the Finance Ministry, and in particular its tax collecting branches.

(UNCLASSIFIED)

COMMENT: The floating of Financial Recovery bonds (see item 5), in which Almiro was deeply interested and which was suspended by Calmon, was reported to have been one of the important points on which Almiro differed with Calmon. The Embassy is informed, however, that the two clashed also on numerous other issues.

Almiro was a highly respected public official who was identified with efforts to create an efficient tax-collection system, which he considered a better means of increasing revenues than the tax increase proposed by Calmon. His replacement reportedly is Castro Viana, Brazilian Treasury representative in New York. (JKrisay/WBlossmeyer)

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7. IMPLEMENTATION OF PROFIT REMITTANCE LAW AWAITED

The Bank Inspection Department (FIBAN) of the Bank of Brazil temporarily suspended all private financial remittances abroad, except those under Certificates of Exchange Priority and remittances to service external loans registered with SUMOC. This suspension is to be in effect pending the implementation of Law 4,131, published on September 27, 1962 (Law Restricting the Remittances of Profits).

(UNCLASSIFIED)

COMMENT: It may be recalled that the Law provides that SUMOC should issue implementing regulations and that the registration of all foreign companies (and of Brazilian companies with foreign participation operating in Brazil) shall be effected within 180 days from the date of publication of the law. These implementing regulations have not yet been issued, but forms and instructions for the registration of capital are expected to be issued in the near future. (JKery/WBlossmeyer)

(UNCLASSIFIED)

8. RUMANIA PROPOSES TO EXPLORE AND DRILL FOR BRAZILIAN PETROLEUM

It was recently reported in the press that the Brazilian Government was examining with interest a proposition received from the Rumanian Government which would assist Brazil in achieving self-sufficiency in petroleum. According to the report, the Rumanians propose to explore and drill oil wells in Brazil over a period of nine years and deliver to Petrobras all production obtained. Payment would be made in iron ore for services rendered, and at the end of the nine years all equipment used by the Rumanians would become the property of Petrobras.

(UNCLASSIFIED)

COMMENT: The proposition, purportedly delivered by a Rumanian diplomat to Brazilian authorities in Brasilia, has not been officially acknowledged. Such a proposition might be workable from the technical and exchange standpoint, but it would be to the decided advantage of Rumania. Brazil could get a lot of dry holes, used equipment, and "experience" in exchange for good iron ore, and at the same time open the door for a large number of "technicians" to enter the country. Interestingly enough, it is known that Mines Minister Eliaser Batista is preparing to visit various European countries, including Rumania, at the end of the month. (ALRansome)

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9. MANGABEIRA REPORTEDLY FAVORS NATIONALIZATION OF PETROLEUM DISTRIBUTING COMPANIES

In release from Curitiba of October 18, Francisco Mangabeira, President of Petrobras, was quoted as saying that he was for nationalization of all foreign distributors of petroleum and its derivatives. Sr. Mangabeira, who had just attended a conference on the subject of "The Economic Emancipation of Brazil and Oil Shale of São Mateus do Sul", also referred to the danger of a "lock-out" by foreign companies in the distribution of gasoline during the pre-election period, and classified this procedure as pure and simple sabotage by the "international petroleum trust".

(OFFICIAL USE ONLY)

COMMENT: The foregoing represents only part of a series of quoted statements by the Brazilian state oil monopoly president which continue to reiterate what appears to be a planned policy of vilification of foreign oil firms. The purpose could be considered two-fold: one - to lay blame as a cover for internal administrative and technical shortcomings -- and, two - a continuous campaign pointing towards eventual nationalization and complete submergence of competition. Certainly the accusations regarding the planned "lock-out" etc. are unfounded. (ALRansome)

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10. VASP PURCHASES FOUR CARAVELLE

VASP (Viação Aérea São Paulo) has recently purchased four Caravelles from Sud-Aviation with an option for two more at a later date. The first plane is expected shortly and the remaining three will be received in May, July and September of 1963.

(UNCLASSIFIED)

COMMENT: VASP thus joins VARIG, Panair do Brasil and Cruzeiro do Sul in buying Caravelle equipment (all Rolls Royce powered) as high speed replacements for their older American short and middle range planes. This trend may be expected to continue until American manufacturers come out with a competitive middle-range jet aircraft. (SGAnderson)

(OFFICIAL USE ONLY)

11. GUANABARA'S GOVERNOR LACERDA PURSUING PLANS FOR RIO SUBWAY SYSTEM

Federal Transport Minister Hélio de Almeida and Guanabara State Governor Carlos Lacerda issued a statement authorizing a joint Transportation Committee to draw up plans for the construction of a subway and the modernization of suburban railroad transportation facilities serving the city of Rio de Janeiro. The two officials reached an understanding concerning a joint federal and state effort to provide the State with an urban transportation system comparable to those in other large world capitals.

Governor Lacerda has gone to France to talk with officials and private entities in Paris with a view to possibly obtaining French technical assistance and financial aid for the construction of a combined subway-surface rapid transit system for Rio.

(UNCLASSIFIED)

COMMENT: The President of Transaco Cie. Francaise de Transactions Internationales - representing French suppliers and subway engineers - visited the Embassy recently inquiring into the possibility of obtaining financial support on a long-term loan basis for local costs involved in the projected subway system. Details of this visit are being reported separately. (SGAnderson)

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12. GOVERNMENT ESTABLISHES PRIORITIES FOR TAKE-OVER OF FOREIGN OWNED UTILITIES

According to the press the Council of Ministers on October 12 approved the list of priorities for the nationalization of foreign-owned public utilities, as follows:

1. Telephones.
2. Telecommunications services.
3. Production and distribution of electrical energy.
4. Production and distribution of gas.

/It was

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It was also reported that the respective authorizations had already been transmitted to the Commission for the Nationalization of Public Utility Enterprises (CONESP) for the commencement of negotiations with the interested parties in order to reach a basis for the discussion of conditions.

(UNCLASSIFIED)

COMMENT: Should these priorities be held to, it would mean that the telephone and telegraph interests of IT and T would be attended to before the electrical power generation and distribution interests of American and Foreign Power (AMFORP). In fact, however, it appears that AMFORP's negotiations with the Brazilian Government are further advanced than those of IT and T.

(SGAnderson)

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13. EXECUTIVE GROUP FOR MOTION PICTURE INDUSTRY REORGANIZED

The Executive Group for the Motion Picture Industry (GEICINE), by decree signed October 17, has been reorganized and is henceforth put under the presidency of a representative of the Ministry of Industry and Commerce.

(UNCLASSIFIED)

COMMENT: GEICINE, which used to be divided into two groups, in which both the Government and the motion picture industry were represented, now becomes an official government committee with an Advisory board composed of members of the industry, technicians and cultural entities. These members are still to be designated by the Minister of Industry and Commerce.

(SGAnderson)

(UNCLASSIFIED)

14. THREE NEW TANKERS ORDERED FROM BRAZILIAN SHIPYARD

The Merchant Marine Commission has ordered three 10,000-ton tankers from the Japanese-owned shipbuilding company Ishikawajima de Brasil, thus giving impetus to the expanding Brazilian tanker fleet.

(SGAnderson)

(UNCLASSIFIED)

15. THIRD PAN AMERICAN CONGRESS OF SALES EXECUTIVES

The Third Pan American Congress of Sales Executives, sponsored by Sales and Marketing Executives -- International and attended by some 350 persons, was held in Rio de Janeiro during October 14-18. The approximately 120 non-Brazilians present represented seven other Latin American countries and the United States (including Puerto Rico). The Congress concentrated on marketing techniques, with particular reference to sales and marketing potential and development under the Latin American Free Trade Association (LAFTA) and the Alliance for Progress. Major speakers included USAID/Brazil Director Jack B. Rubish and former President of Brazil Juscelino Kubitschek.

/The Congress

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Robert Eaker

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ANALYSIS & DISTRIBUTION
BUREAU

FROM : Amcongen SAO PAULO DATE: October 26, 1962

SUBJECT: Conversations with Adhemar de Barros

REF :

Enclosed are two memoranda of conversations reflecting views of São Paulo Governor-elect Adhemar de Barros as expressed to 1) Vicente Ribeiro, a Brazilian businessman who reported his conversation to the Consul General and 2) three officers of the Consulate General who called on Adhemar today.

Daniel Braddock
Minister Consul General

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DMBraddock/SCLyon/XXXXXX/imw
Oct. 26, 1962

Contents and Classification Approved by:

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AGR	COM	FRB	FROM : Amconsul RECIFE			DATE: October 29, 1962		
10	10	2	SUBJECT: Probable Immediate Impact of Arraes Victory on Pernambuco Economy.					
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Reaction among Pernambuco business and industrial circles to MIGUEL ARRAES' victory in the gubernatorial elections varies from near panic to watchful waiting, with the latter being the most generally. Many wealthy usineiros are talking of selling everything they own and leaving the state. Some have already started depositing as much hard currency as possible in foreign banks. Another group of usineiros and businessmen seem to be reacting more positively than those who talk of leaving, saying instead that they plan to remain in Pernambuco, to hold on to their interests and to work actively against Miguel Arraes. By far the most general reaction so far, however, is one of distrust and caution tempered by an unwillingness to take any drastic measures until the attitude and objectives which are to characterize the Arraes administration become clear.

Thus, while the general line of immediate reaction may result in some exodus of capital, it is more likely that its most pronounced manifestation will be in a very sharp drop in new investments of any kind. Aside from a certain percentage of usineiros, most businessmen do not seem to be moving to transfer existing capital investments to other areas at this time. They do, however, contemplate holding off on increasing present investments or entering into new ventures until such time as they may feel more confidence in Arraes' intentions. For example, BACARDI International's new plant here has been so successful that the company planned to nearly double the plant's capitalization, and, in so doing, also its production. Such plans were predicated on a CLEOPAS victory, however, and have now apparently been cancelled. Too, it is most unlikely now that

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Drafted by: *MS Smithtag*

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Willis Overland will choose Pernambuco as the site for its big new plant, as had been hoped.

Investment growth has never been very marked in Pernambuco anyway and thus a fall off in private capital inflow will not have an effect at once immediate and disastrous on the state's economy. If continued over a more extended period of time, of course, it will quite decidedly retard the state's industrialization and further discourage business. Moreover, a reduction in new investments is, or will be, particularly unfortunate in view of the fact that investments were just beginning to pick up. Between June of 1941 and June of 1942 capital investments resulting from the registration of new firms in Pernambuco averaged only CR \$63 million monthly.** During the past three months--July, August and September--the monthly average jumped to CR \$110 million, with CR \$125 million having been registered in August, a month in which all indications pointed to a Cleofas victory. Other factors contributing to the increase were article 34 of the SUBSISTE Law and tax reductions also offered by the State Government. During the last week in September and the first week in October, however, growing discouragement in the Cleofas camp, and general pre-election jitters prompted a sharp drop in both new registrations and investments, and also in recapitalizations. This slump can be expected to continue at least for the next few months. Whether or not it continues after that time or proves only a passing phase will depend upon Arraes' success in reassuring business (at least Brazilian business interests), and,--though perhaps only as a temporary tactic--in creating an image of himself as moderate reformer. It seems likely that this will be one of his first moves. Indeed, he has already issued a statement assuring business that private enterprise will be respected. Some businessmen have expressed themselves as slightly encouraged. For the time being, however, most can be expected to proceed with extreme caution.

**Figures reported by First National City Bank of New York

Eugene Delgado-Arias
D. Eugene Delgado-Arias
American Consul General

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TO : DEPARTMENT OF STATE

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ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy RIO DE JANEIRO

DATE: October 31, 1962

SUBJECT: BROADER APPLICATION OF GOVERNMENT'S POWER TO
INTERVENE IN THE ECONOMY AUTHORIZED.

REF :

I - INTRODUCTION

Under authority granted by Legislative Decree No. 9 of August 27, 1962, giving the Executive branch power to "extend and alter current legislation pertaining to intervention in the economic domain", the Federal Government has proceeded to enact a series of "Delegated Laws" the net effect of which will be to greatly enhance the Government's control over the economy. The principle objective of these delegated laws is to provide the government with the necessary means of "assuring the free distribution of essential goods and services to the consumer."

The Federal Government has always had the authority to intervene in various phases of economic life and these new delegated laws do not enlarge that authority. What is new, however, is the provision for the establishment of four (4) new government-dominated corporations (autarquias) to carry out this intervention. Once these autarquias are established and functioning, the government will, for the first time, have the tools for carrying out the intervention it has long been authorized to do.

II - SUNAB - The Coordinating Body.

The central organ of the new establishment is called the Superintendencia Nacional do Abastecimento (National Supply Superintendency) or SUNAB. SUNAB is itself set-up as a fed-

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eral autarquia supported by annual budgetary appropriations plus such special credits as the executive branch may wish to open under its authority to incur expenditures not appropriated for.

In SUNAB will be concentrated practically all of the interventionary powers previously scattered about various ministries and federal agencies. For example, it will be empowered to:

- a) Carry out the maintenance of stocks to regulate the market.
- b) Discipline transportation and distribution services.
- c) Fix prices (both ceiling and minimum)
- d) Fix supply quotas when necessary of agriculture and fishing products considered essential to food processing industries.
- e) Set export quotas.
- f) Establish regulation of warehouses and public sales rooms.

The main mission of SUNAB will be to carry out the national plan for the supply of essential products and to execute delegated law No. 4. Under the authority provided for in this law, SUNAB is authorized to intervene in almost every phase of the economy in the pursuit of its objectives. It may purchase for the purpose of warehousing distribution or sale: foodstuffs, livestock, fish and fowl, popular shoes and clothing, medicines, farm machinery, trucks, jeeps, tractors, barbed wire, ordinary wire, cement and sheet metal. It may also appropriate any goods and services necessary to carry out its objectives.

SUNAB itself will be less of an operating organ than a policy-making and coordinating body. It will replace (absorbing the personnel) a host of control agencies such as the infamous COFAP, the Consultative Committee on Wheat and a number of scarcely known organs. It will also have technical supervisory control over such organizations as the Sugar and Alcohol Institute and the Brazilian Salt Institute (though not the Coffee Institute).

III- INTERVENTION TO BE CARRIED OUT BY THREE (3) NEW AUTARQUIAS.

For the actual execution of the delegated laws, however, there has been established, also by delegated law, one autarquia under SUNAB and authority has been granted SUNAB to establish two more. The autarquia already established is the Comissão de Financiamento da Produção (CFP) which already existed as an independent body. Its function will be (as it has been) to carry out the federal price support program. However, in becoming an autarquia, its resources will be substantially enlarged. It is now guaranteed a budgetary

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appropriation of Cr\$ 5 billion per year for four (4) years, Cr\$ 1 billion from the sale of Treasury letters, plus the guarantee of Bank of Brazil loans in the amount of three times the above annually. With these funds the CFP will purchase or finance crops for the purpose of maintaining price supports.

To assist in the price support program but mainly to carry out the national supply program, SUNAB is authorized to set up two (2) additional autarquias; the Brazilian Foodstuff Company (Companhia Brasileira de Alimentos) and the Brazilian Warehousing Company (Companhia Brasileira de Armazenamento). The former would be permitted an initial capital of Cr\$ 5 billion; the latter, of Cr\$ 20 billion. In each case the Federal Government would own 51 per cent of the capital. The Brazilian Foodstuff Company would be guaranteed a budgetary appropriation of at least Cr\$ 1 billion per year to be added to the Federal Government's capital share. Both companies would be given an initial special credit of Cr\$ 2 billion. Both organizations would operate exempt from all taxes as would SUNAB.

The Brazilian Foodstuff Company, under the delegated law authorizing its creation, would serve as a market regulator (presumably attempt to hold down prices) or serve areas not sufficiently supplied by private means. It would be permitted to buy, transport, sell, make loans, import or export foodstuffs to accomplish its objectives. The Armed Forces and other Government Agencies would be obliged to request bids of the Brazilian Foodstuff Company for their needs and, in fact, to give it favored consideration "in like circumstances".

The Brazilian Warehousing Company would be empowered to build and operate a national system of warehouses, silos and refrigeration plants and to issue negotiable paper to producers for products deposited in these warehouses. It is also provided that these negotiable papers are rediscountable at the Bank of Brazil at favored rates - an element which could make a tight monetary policy even more difficult to put into effect.

IV - PROSPECTS.

SUNAB has scarcely begun functioning and, in fact, its head has not yet been named. It is reportedly running into difficulties over whether the Executive, in establishing it, went beyond the powers delegated to it by the Congress. It seems likely, however, that it will survive and become an increasingly important force in the Brazilian economy.

Assuming that it will grow as a force in the Brazilian economy, one must consider it to be a development not only with little to commend it, but also full of dangers. From the political standpoint, with the establishment of autarquias empowered and equipped to distribute essential goods wherever SUNAB sees fit the power of the Central Government over the states will undoubtedly be strengthened. From an eco-

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nomie point of view, the trend toward socialism will be furthered.

The price support program, in isolation, could bring some benefits in terms of stimulating development of the much neglected agricultural sector if flexibly executed.

It will be recalled that a price support program was decreed in the early days of the Quadros administration but the government then did not have the facilities to carry it out. Presumably, the CFP, operating as an autarquia under SUNAB with a guaranteed source of funds, will be able to acquire the facilities it needs and will carry out a more vigorous operation.

The entire program, however, implies not only keeping prices up at the producer's level but keeping them down at the retail level. So long as inflation continues, at least, such a program could lead to serious price distortions from which it will be difficult to escape. In the process, the government makes up the difference between producer's support price and the retail price at the expenses of adding further to the budgetary deficit and the forces of inflation. It is, in fact, doing this now with respect to rice, beans and sugar and has been doing it for years with respect to railroad rates. With four new government autarquias, financed by appropriations and Bank of Brazil credit guarantees, dealing in the supply and distribution of all essential goods, one can expect that there will be an increasing number of such operations.

A more serious danger is the prospect that private distributors would be caught in a squeeze if this program were carried out to anything approaching the extent of the authority granted SUNAB and its subordinate bodies. Private firms would be thrown in direct competition with a government firm operating on a tax free basis at subsidized prices with no need to respond to price-cost factors, - a competition which the private firms could not meet unless also subsidized themselves.

This is not to say that the private distributors are in any danger of immediate extinction. The amounts of appropriations, special credits and loans indicated in the authorizing laws do not seem to portend an operation of that magnitude. However, under the prevailing accounting code, the executive may expend almost any amount of funds without appropriations so that there would appear to be no limitation on the extent to which, the Government might wish to exercise its interventionary authority.

For the Ambassador,

[Signature]
John Krizan
Second Secretary of Embassy

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ACTION/REMARKS				DEPARTMENT OF STATE		832.00/10-3162 NR 811.0032 FOR RM USE ONLY	
AIRGRAM				A-177		OFFICIAL USE ONLY	
NO.				HANDLING INDICATOR			
TO : DEPARTMENT OF STATE				62 NOV 2 PM 4 51			
INFO: RIO DE JANEIRO				DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS ANALYSIS & DISTRIBUTION NOV 5 1962		RIV/AN BRANCH	
FROM : Amcongen, SÃO PAULO				DATE: October 31, 1962			
SUBJECT : Proposed Formulation of Planning Program for Valley Development				REF : CERP, Section D-18			
A representative of the Harza Engineering Company informed the Consulate General that his firm has submitted to the Governor of Goiás a report offering the services of that company as general consultants in the formulation of a planning program for the development of the Araguaia and Tocantins River Basins in Central Brazil. The program would include the survey and evaluation of the natural resources, forestry, fish, wildlife and recreation, and population. It would involve the elaboration of a master plan for the orderly development of the Basins to insure the optimum utilization of resources, with indication of priorities for further investigations, detailed studies and design of various projects. The states which include the basins of the Araguaia and Tocantins Rivers, Goiás, Mato Grosso, Maranhão, Para and the Federal District (Brasília), have established a river basin commission, CIVAT - Comissão Interestadual dos Vales do Araguaia e Tocantins - for the planning and execution of development works within the Basin. These rivers extend for about 1,700 kilometers, beginning near Brasília and extending northward to Belem. The width of the two river basins is about 500 kilometers, and they cover over 670,000 square kilometers. This area is generally considered to have substantial development possibilities, particularly in agriculture. The representative of the Harza Engineering Company estimated that formulation of the master plan for valley development would require about three years, and could be finished in 1965. Before that time selected individual projects, which would clearly fit into the master plan, could be initiated.							
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Drafted by:				Contents and Classification Approved by:			
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Sao Paulo
10/31/62

plan, might be initiated.

The report and offer of Harza Engineering Company services did not include a budget for planning costs. The company representative estimated, however, that costs would range from one to one and one-half million dollars per year for the three years required. The representative said that when he presented the report to the Governor of Goias, he did not discuss how the costs of the planning study (still less of the execution of the projects) would be financed. He did offer the technical help of the Harza Engineering Company in preparing a request for financing the planning costs from any appropriate source. Assuming the offer of consulting services by Harza is accepted, there is much likelihood that the Governor of Goias, or CIVAT, will seek such financing from AID.

The Harza officer said he received the impression that the initial reaction of the Governor to the report was favorable. The report was delivered on October 23. On the following day the members of CIVAT were installed. On this occasion, which also marked a local political celebration, former President Kubitschek was present and was said to have evinced interest in the program as favoring his goal of developing the region around Brasilia.

In this proposed project the Harza Engineering Company is associated with the Brazilian enterprise Hidroservice, Grupo 1701, Rua Mexico 11, Rio de Janeiro.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

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Sao Paulo A-122
11/1/62

The strike came to an end after a negotiation board, headed by the President of the Regional Labor Court and the Federal Minister of Labor, settled on a 60 percent increase over the November 1961 salaries, with a 31,000 cruzeiro cut-off, plus an additional 17 percent increase in wages with a 10,000 cruzeiro ceiling, to be paid as of May 1, 1963. The new contract runs until November 3, 1963.
(End UNCLASSIFIED)

(Begin OFFICIAL USE ONLY) Comment: The strike was not legal inasmuch as the previous contract did not expire until November 4. The increase arrived at, while above the employers' offer, was within the range they had been prepared to accept. (End OFFICIAL USE ONLY)

(Begin UNCLASSIFIED)

2. Investments--Japanese Banker Deplores Inflation in Brazil.

In the course of a press interview on October 22, Mr. Jun-ichi Furusawa, president of Japan Export-Import Bank, said that the rate of inflation in Brazil, if not curbed, could put a brake to Japanese investments in Brazil. Mr. Furusawa is reported as having referred to inflation as being so discouraging that Japanese private groups might curtail their investments in this country if inflation continues to spiral upward.

Comment: The comments of Mr. Furusawa, whose bank is financing various industrial programs in Brazil, reflect the increasing reluctance of Japanese investors to finance new manufacturing programs in Brazil in the face of rising inflation. A recent example was the withdrawal of a Japanese offer to furnish some 42 million dollars of machinery and loans for the Jupia hydroelectric plant of the Urubupunga project (see item 2, A-42 of August 24) when the Japanese manufacturers failed to obtain Japanese Government financial support.

3. Industry--Inauguration of Factory of Barber-Greene do Brasil

A factory of Barber-Greene do Brasil, representing an investment of about 300 million cruzeiros, was inaugurated on October 26. The American firm already produced various types of its road-building equipment under contract in Brazil, and the percentage of value represented by Brazilian manufacture was reported to be 96 percent. The new plant will permit amplification of the types of equipment produced and of the proportion of local production in the final product. The firm estimates that the plant in its first year of operation will permit the economy of two million dollars of foreign exchange.

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11/1/62

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Comment: During the last year adverse political developments, notably the passage of the Remittance of Profits Law, have caused much reluctance on the part of foreign investors to proceed with plans, and few investment projects have been consummated in recent months. Questioned on this point, one of the owners of the parent American firm said that the current adverse climate had been given careful thought. The determining factor had been the consideration that if the investment were not made without delay, the opportunity would have been lost. (End OFFICIAL USE ONLY)

(Begin UNCLASSIFIED)

4. Agriculture--States of Goiás and Mato Grosso to Benefit from Federal Loans to Agriculture.

According to a news despatch from Brasilia the States of Mato Grosso and Goiás will benefit in the value of 7 billion cruzeiros from a federal agricultural expansion program, which will make available some 35 billion cruzeiros in 1963 to develop production of cereals in these two states and in Minas Gerais, Rio de Janeiro, Espírito Santo and Rondonia. The news despatch reports that small farmers in Goiás will thus receive loans totalling 4 billion cruzeiros to increase crop productivity. Accent is laid on rice production which, in 1963, is expected to exceed 20 million 120-pound bags. With local consumption estimated at 10 million bags, the excess will be exported to the important consumer centers of São Paulo, Rio de Janeiro, Belo Horizonte, and Recife. Rice and wheat production will also be increased in Mato Grosso where federal loans will be approximately 3 billion cruzeiros.

5. Petroleum--Petrobrás to Distribute Gasoline and Refinery By-Products.

The first service station put up by the national petroleum monopoly, Petróleo Brasileiro PETROBRAS, at Cubatão, State of São Paulo, established record sales in the first month of its operation, according to a Petrobrás spokesman. Figures cited indicate sales of 34,300 gallons of regular grade gasoline, 16,000 gallons of high octane gasoline, and 12,000 gallons of diesel oil.

Comment: A local Petrobrás official told the reporter that, for over a year, the company had been studying the advantages to be derived from the direct sale to consumers of gasoline, diesel oil, and lubricants, in competition with traditional distributors such as Esso, Atlantic, Texaco, Shell, and the local Ipiranga. The Petrobrás officer

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11/1/62

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said the Cubatão experiment has proved conclusive, so that Petrobrás now intends to submit for the approval of the National Petroleum Council a program to put up its own service stations in the State of São Paulo, and grant franchises to concessionaires covering the retail of its by-products.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

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4				INFO: RIO DE JANEIRO, BRASILIA		ANALYSIS & DISTRIBUTION BRANCH	
L	PBO	AID		FROM : Amconsul RECIFE		DATE: November 1, 1962	
3				SUBJECT: In First Post-Election Press Interview Governor-elect Miguel Arraes Says Pernambuco Will Not Deal With Alliance for Progress.			
AGR	COM	FRS		REF :			
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PMA-5-1				Governor-elect MIGUEL ARRAES held his first post-election meeting with the press on Saturday, October 27. The interview covered a variety of subjects, ranging from public housing in Recife to the forthcoming plebiscite to the blockade of Cuba, and was well attended by local journalists, journalists from other states in Brazil, and even several foreign television and newspaper reporters. Those who had expected Arraes to utilize this initial meeting with the press to make a conciliatory approach to the forces that opposed his election and fear his rule were proven mistaken. A vague and platitudinous prepared statement issued at the beginning of the conference contained little that would further antagonize his opponents, but in his extemporaneous replies to questions Arraes betrayed a line of thought which is certainly extreme leftist-nationalist and on several issues closely parallels the Communist position. On foreign investment, for example, Arraes promised to greet with open arms those foreign concerns "that come to form part of the region's economy without the remittance of profits abroad." On the organization of rural workers, he gave equal weight to the rural syndicates sponsored by the Church and the "traditional Ligas Camponesas." On the solution of agrarian problems, Arraes called for the elimination of the middleman, implying that this function would be assumed by the State. Possibly the most significant portion of the Enclosure: <i>AB</i> Selected Excerpts of Governor-elect Arraes Press Conference of October 27, 1962.			
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Dated by: <i>U1</i>				Contents and Classification Approved by:		☒ 1a ☐ On	
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Amconsul RECIFE

interview was his reply to a question concerning his education policy, in which he promised to expand the activities of the Communist-front Movimento de Cultura Popular over the entire state. Finally, his answer to a question concerning the visit of President KENNEDY was correct but decidedly cool.

From the point of view of immediate United States interests, the interview is most important for what Arraes had to say on the subject of the Alliance for Progress and Pernambuco's future participation in the Alliance. Declaring the SAMPAIO administration housing project, one in which USAID and the IBD are cooperating, to be "totally wrong and demagogic," Arraes stated that his government would deal with the Alliance only through SUDENE and the Ministry of Foreign Affairs. Pernambuco's outstanding Alliance agreements, he said, would be reviewed by SUDENE and either terminated or maintained in accordance with the best interests of the country. Arraes based his insistence that future Alliance undertakings be through SUDENE or the Itamarati on his alleged understanding that state governments are constitutionally incompetent of dealing with foreign powers.

Eugene Delgado-Arias
D. Eugene Delgado-Arias
American Consul General

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TO : DEPARTMENT OF STATE 1232 NOV 21 PM 2 44

INFO: RIO DE JANEIRO, BRASILLIA, SAO PAULO

ANALYSIS & DISTRIBUTION
BRANCH

FROM : Amconsul RECIFE

DATE: November 5, 1962

SUBJECT: Weekly Summary No. 19

REF :

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1. Arraes' Comments on Alliance for Progress Draw Quick Response
2. Miguel Arraes Cancels European Trip -- To Wed Shortly
3. Bill to Increase Number of State Deputies Introduced

ECONOMIC

1. SUDENE Meeting
2. COPERBO

PSYCHOLOGICAL

POLITICAL

1. Arraes' Comments on Alliance for Progress Draw Quick Response

Governor-elect MIGUEL ARRAES' widely-reported comments on the Alliance for Progress at his October 27 press conference (See ConGen Airgram A-41) drew a number of

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Amconsul RECIFE

of quick retorts and strong dissensions from Pernambuco officials and from two other Northeastern governors. JORDÃO EMERENCIANO, Chief of Pernambuco's Civil Household, was the first to reply to Arraes. In a lengthy statement issued to the press on Saturday, November 2, Emerenciano eloquently explained the "spirit of action" that moves the Alliance and the Alliance's concept of partnership, defended the right of state governments to participate directly in the Alliance, and criticized the Arraes-articulated concept that SUDENE alone has the competence to decide on nationally-and-internationally-financed development projects. The next day, MARCO ANTONIO de ALCANTARA, head of Pernambuco's housing section, rebutted Arraes' criticism of the state housing project, stating that the critical remarks were based on ignorance of the project's aims. At the same time, Governor ALVIZIO ALVES of Rio Grande do Norte told the Recife press that Arraes' comments betrayed a lack of knowledge and understanding of the Alliance. Alves also maintained that Arraes had erred in his assertion that state governments could not deal directly with Alliance officials. Governor PARSIFAL BARROSO of Ceara followed Alves with a strong defense of the Alliance for Progress and a dig at those who fail to perceive the benefits to the Northeast of the Alliance. Next, the leader of the Governor's bench in the State Assembly introduced the question for debate by defending the aims of the Alliance and denouncing Arraes. After a lengthy threshing by both sides, the question was dropped only to be picked up briefly by Recife's municipal council.

The incident at least proves that the Alliance for Progress does have some stout defenders in the Northeast. (OFFICIAL USE ONLY)

2. Miguel Arraes Cancels European Trip -- To Wed Shortly

Press reports out of Rio de Janeiro indicate that Governor-elect Miguel Arraes has cancelled his trip to Europe. Local rumor had it that the trip would have taken Arraes to France, Czechoslovakia, and possibly one other Iron Curtain country. Though the reason specified for the cancellation was Arraes' desire to devote himself to a study of the problems he will face as Governor of Pernambuco, it is probable that his forthcoming wedding was also a factor. Arraes, the widowed father of eight children, is to marry Miss MADALENA SABOYA FIUZA, possibly within the next week. Though Miss Saboya is not well known in Recife, she is reported to be a native of Ceara, a resident of Rio de Janeiro, and a former professor at the Sorbonne. (OFFICIAL USE ONLY)

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TO : DEPARTMENT OF STATE

1962 NOV 12 PM 2 22

RM/AM
ANALYSIS & DISTRIBUTION
BRANCH

FROM : Embassy, RIO DE JANEIRO

DATE: November 6, 1962

SUBJECT : BIWEEKLY ECONOMIC REVIEW (Period Oct. 20 - Nov. 2, 1962)

REF : CERP C-3

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
NOV 13 1962

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3. Implementation of Profit Remittance Bill.
4. "Thirteenth Month" Bonus Will Not Be Financed by the Bank of Brazil.
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6. Another Iron-Ore Export "Deal".
7. Brizola Reportedly Wants Petrobras Presidency.
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9. Federal Railroad Network Directors Meet.
10. Pan-American Inaugurates Non-Stop Rio - New York Flight.

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Contents and Classification Approved by:

Robert Eakens

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See attached A-520 for contents
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Rio de Janeiro

1. COFFEE EXPORTS

Coffee exports during the month of October 1962 were 1,715,069 bags compared to 1,438,998 bags exported during October 1961.

Total coffee exports during the current coffee marketing year, July 1 through October 31, 1962, were 5,767,272 bags compared to 6,485,424 bags exported during the same period of the 1961/1962 marketing year. (LThomason)
(UNCLASSIFIED)

2. WHEAT PURCHASES

Brazil purchased the last 60,000 metric tons of wheat from Argentina on October 25 under its commitment to purchase a total of 700,000 tons from the 1961/62 crop. Delivery is scheduled for November 15 to December 15, 1962. Brazil also purchased 80,000 tons of wheat from the U. S. against previous proceeds from sugar on October 30. The completion of these purchases and the provisions for an additional 600,000 tons under the October 4 amendment to the March Title I agreement should provide ample wheat for the next few months. (LThomason)
(UNCLASSIFIED)

3. IMPLEMENTATION OF PROFIT REMITTANCE BILL

On October 31 SUMOC issued Instructions 231 and 232, dated October 24, implementing the profit remittance bill. The Instructions set forth the procedures for (1) the registration with SUMOC of all foreign companies (and of Brazilian companies with foreign participation operating in Brazil) for profit remittance purposes, and (2) the registration of property held by Brazilian individuals and legal entities abroad. (JKrisay/WBlomeyer)
(UNCLASSIFIED)

COMMENT: The implementing instructions concern themselves only with the technicalities of registration and contribute nothing to clearing up the conflicts and contradictions in the law. It is understood that the instructions were deliberately issued in general terms so that revisions would not be necessary should the Krieger amendment (which eliminates, among other things, the flat 10% restriction on remittances) be approved by the Congress.
(JKrisay/WBlomeyer)

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4. "THIRTEENTH MONTH" BONUS WILL NOT BE FINANCED BY THE BANK OF BRAZIL

The Chief Advisor of the Finance Minister denied earlier announcements to the effect that the Bank of Brazil would finance private enterprises for the payment of the 13th month Christmas bonus to wage earners in accordance with the law passed early this year (See HER, Embassy Airgram A-5, July 3, 1962).
(UNCLASSIFIED)

COMMENT: Notwithstanding this denial, payment of the 13th month bonus will bring tremendous pressures for additional credit and make it difficult for the Bank of Brazil to refuse to rediscount paper based on commercial bank loans for this purpose. The magnitude is such that it is doubtful that the private banking system will be able to accommodate such a demand for credit in one month without assistance. It is unlikely, therefore, that the Finance Ministry will be successful in preventing the Bank of Brazil from financing at least part of the burden. To the extent that it does accommodate these credit needs, an additional inflationary burden will be added. (JHR/say/WBLOWMYER)
(OFFICIAL USE ONLY)

5. BRAZIL IMPLEMENTS LAFTA INDUSTRIAL COMPLEMENTATION AGREEMENT IN CALCULATING AND DATA PROCESSING MACHINES

By Decree 1451 of October 11, 1962 published in the Diario Oficial of October 17, 1962, Brazil implemented the industrial complementation agreement signed in Montevideo on July 20, 1962 with Argentina, Chile and Uruguay. The agreement calls for elimination of all duties and restrictions on trade of calculating and data processing machines and equipment between these countries.
(UNCLASSIFIED)

COMMENT: This is the first industrial complementation agreement entered into by Brazil under the Latin American Free Trade Association (LAFTA). The agreement is expected to be important to several firms which manufacture, assemble and import calculating and data processing machines in Brazil, including IBM do Brasil, Burroughs do Brasil S. A., Remington Rand do Brasil S. A., Olivetti Industrial S. A. and Facit S. A. Several of these firms are expected to arrange complementary manufacturing and/or export plans with related organizations located within the LAFTA countries. (SHE/weaver)
(UNCLASSIFIED)

6. ANOTHER IRON-ORE EXPORT "DEAL"

According to an unconfirmed press story of October 30, Minister of Mines and Energy Eliseu Batista, currently traveling in Europe, reported from Amsterdam that negotiations had been completed between Mannesmann Mineraçao S. A. and the Von Thyssen Group for the acquisition by the latter firm of Brazilian iron ore. The conditions of the contract were purportedly such the

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Rio de Janeiro

same as these recently worked out between the Companhia Vale do Rio Doce and the Companhia Siderurgica Belgo-Mineira (see HEB, Embassy Airgram A-406, Oct. 9, 1962), but details were not announced. The value of the ore was stated to total two billion dollars.

(UNCLASSIFIED)

COMMENT: Such an agreement between two private firms for the exportation of iron ore could be indicative of a strengthening realization by the Brazilian Government of the practical economic necessity that iron ore be exported by other than government-owned entities. This aspect is given emphasis by the fact that the announcement was reported to have been made by Batista, and it was definitely given the stamp of approval by the press as necessary to the country's development. No mention of the volume or time limit of the contract was made, but it would seem that either the contract is a very long term one or that the value figure of two billion dollars is in the realm of fantasy. (ALBansome)

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7. BRIZOLA REPORTEDLY WANTS PETROBRAS PRESIDENCY

The press reported from Porto Alegre that Rio Grande do Sul Governor Leonel Brizola, who was elected to the Federal Chamber of Deputies from Guanabara on October 7, is embarked on an all-out campaign to become president of Petrobras. The purported reason that he does not want to take his Chamber seat is that he will not have a sufficient congressional bloc to carry out his projects. It was speculated that, as a last resort, Brizola would take either the Ministry of Transportation or the Ministry of Mines and Energy.

(UNCLASSIFIED)

COMMENT: This report brings into the open and enlarges upon what was originally a rumor that the highly nationalistic Brizola wanted the Mines and Energy post. His presence in any one of the three posts would be unfortunate from the standpoint of foreign interests in the future development of Brazil's natural resources. It is thought in certain Brazilian circles, however, that Brizola's chances of success in his attempts to capture any of these positions are not good. Nevertheless, there is an element of concern considering Brizola's political aspirations. (ALBansome)

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Rio de Janeiro

8. POLISH TRADE MISSION EXPECTED

Poland's Minister of Foreign Trade is reportedly scheduled to arrive in Brazil at the end of November to discuss possibilities of increasing Brazilian-Polish trade. The Polish Embassy in Rio, which released this item to the press, commented that the two countries should easily be able to step-up their bilateral trade to around \$100 million a year.

(UNCLASSIFIED)

COMMENT: According to official Brazilian statistics, two-way trade with Poland amounted to \$55 million in 1960, \$30 million in 1961 and \$4.5 million during January-June 1962. In prospect, and presumably to be topics of discussion with the Minister, are a \$10.5 million helicopters-for-coffee arrangement (details to be reported separately) and a reported Polish proposal to supply equipment and machinery for Brazil's coal industry through the Comissão Executiva do Plano da Carvão. (Arenales)

(UNCLASSIFIED)

9. FEDERAL RAILROAD NETWORK DIRECTORS MEET

A conference of the directors of the 18 railroads that compose the Federal Railroad Network (BdE Ferrovias Federal, S. A.) was held in Rio de Janeiro at the end of October. Important matters dealt with included reequipment and the necessity of completing the dieselization of the railroads, the acquisition of 2,000 freight cars of national manufacture in the shortest possible time, and the establishment of maintenance shops for rolling stock.

Other items dealt with at the conference were the proposed suppression of 375 kms. of branch lines considered to be uneconomical, the removal of some 579 kms. of rails along ways where traffic had already been suspended and the re-structurization of passenger fares and freight rates in an effort to decrease the heavy railroad deficit that burdens the federal budget -- a deficit which this year is expected to amount to approximately 84 billion cruzeiros. The full report of the meeting is expected to be issued in January 1963.

(SGAnderson)

(UNCLASSIFIED)

10. PAN AMERICAN INAUGURATES NON-STOP RIO - NEW YORK FLIGHT

On November 1st Pan American Airways inaugurated a once weekly non-stop night flight from Rio to New York. By using the new fan jet Boeing 707 - 321B, the trip will be made at an altitude of 39,000 feet in approximately 9 hours.

/Comment

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AmConsulate, Curitiba

III. MINERALS

1. Coal

The Santa Catarina Government is studying the improvement of the economic and social situation in the State's coal area. For many years, claims were made that Santa Catarina is supplying coal without obtaining the benefits it deserves. Almost 400,000 people, 20% of the State population, are directly or indirectly concerned with coal production, which is South Santa Catarina's most important economic activity. The Government plans to seek federal aid for improved social assistance, electrification, and the installation of basic industries in that area.

Source: "Noticia", Joinville, October 26, 1962

2. Iron Ore

An unconfirmed report in the Curitiba newspaper "O Estado do Paraná" of October 25, 1962, says that a group of American capitalists purchased the iron ore mines at Antonina, Paraná, from their previous owners, a firm by the name of CENAL. In recent months, American geologists have done research work in the Antonina iron ore area, which makes the press information rather interesting. The report also stated that the new American owners will recruit 2,000 local workers for the mining. A blast-furnace operating on the electro-magnetic process would be installed until such time as the nearby Capivari-Gachoeira 230,000 kilowatt power plant can supply electric power in abundance.

Source: "Estado do Paraná", Curitiba, October 25, 1962

IV. INDUSTRY

1. Miscellany

Paraná State-appointed agronomists, together with representatives of the Department of Agriculture and the State-owned CODEPAR investment company, are studying projects in North Paraná for the processing of rami and cotton and will decide on future CODEPAR financing for the creation of industries in this area.

An important Santa Catarina textile industry will install a branch factory in Curitiba. For this purpose, 30% of its machinery and workers will be transferred from Joinville to Curitiba. Until now, Curitiba has hardly any textile factories, but Northeast Santa Catarina is one of Brazil's outstanding industrial areas in this field.

The Santa Catarina Government is giving high priority

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to the industrial development of the Itajaí Valley area, already highly industrialized and with a good availability of skilled labor. The State Economic Development Bank and the National Economic Development Bank were asked to provide loans for the amplification and installation of clothing and pharmaceutical industries in Joinville, Brusque, and Blumenau.

Since rich phosphate deposits of high grade were found at Anitápolis, less than 100 kilometers from Florianópolis, Santa Catarina, the Government founded a company to manufacture phosphate fertilizer. No further information has so far been obtained about this industrial project.

Sources: "Estado do Paraná", Curitiba, October 25, 1962
"Tribuna do Paraná", Curitiba, October 3, 1962
"Ultima Hora", Curitiba, October 29, 1962
"Notícia", Curitiba, October 9, 1962

V. LABOR

1. Port Workers

Strikes are a constant threat to operations in the port of Paranaguá. Port transport workers and drivers are fighting for the privilege of exclusive transportation in the port area, which the warehouses and the Coffee Center refuse to grant alleging that the charge for this work is excessive. Port pilots insist on better pay and threaten to strike. Stevedores may eventually stage a sympathy strike to support the indemnification claim of five of their companions against the Brazilian Coffee Institute and a Santos coffee trading firm. Meanwhile, Londrina coffee warehouse workers returned to work on October 4, 1962, after a week's strike on the issue of pay for holiday work. Despite the uncertain labor situation in the production area and in the port, coffee shipments continue lively and reached almost record figures in October.

Sources: "Ultima Hora", Curitiba, October 1, 2, 5, 26, 27, 1962

2. Transport Workers

Brand transport workers launched on October 25, 1962, the following wage increase campaign: a monthly salary of 27,500 cruzeiros for drivers, 25,000 cruzeiros for supervisors, 20,000 cruzeiros for ticket-collectors, and a 70% increase of the present wages of office and workshop personnel. They also insist on the payment of the thirteenth monthly wage prior to mid-December, and on a 150% pay for overtime.

Sources: "Gazeta do Povo", Curitiba, October 26, 27, 1962
"Ultima Hora", Curitiba, October 20, 1962

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3. Beverage Workers

Workers in the Curitiba beverage industries were granted wage increases as of September 1, 1962. Monthly wages under 15,000 cruzeiros were increased by 35%; between 15,000 and 20,000 cruzeiros by 30%; between 20,000 and 25,000 cruzeiros by 25%; and over 25,000 cruzeiros by 20%. This measure was expected after the recent increase in beverage prices.

Sources: "Estado do Paraná", Curitiba, October 5, 1962
"Tribuna do Paraná", Curitiba, October 5, 1962
"Ultima Hora", Curitiba, October 6, 1962

4. Carpentry Workers

After threatening to strike on the issue of their 75% wage increase demand, Curitiba carpentry and furniture workers were granted a general 60% increase as of October 1, 1962, and a further 20% increase as of April 1, 1963.

Sources: "Estado do Paraná", Curitiba, October 2, 4, 1962
"Tribuna do Paraná", Curitiba, October 1, 3, 1962
"Ultima Hora", Curitiba, October 3, 4, 1962

5. Construction Workers

Curitiba construction workers, after a long campaign for a 70% increase for skilled and 60% for unskilled labor, were granted 59% and 55% respectively on the October 1961 levels, as of September 16, 1962. Further 20% and 10% increases will be granted with the future rise of the official minimum wage.

Sources: "Estado do Paraná", Curitiba, October 2, 4, 17, 1962
"Tribuna do Paraná", Curitiba, October 4, 17, 1962
"Ultima Hora", Curitiba, October 2, 5, 1962

6. Paper Workers

The 3,500 workers of Indústrias Klabin de Paraná de Papel e Celulose, of Monte Alegre, went on strike from October 9 to 12, 1962, on the issue of their 71.6% wage increase demand. With the interference of the State Labor Secretary, the strike was settled with a 56% increase on present wage levels.

Sources: "Diário do Paraná", Curitiba, October 10, 1962
"Estado do Paraná", Curitiba, October 2, 5, 12, 1962
"Gazeta do Povo", Curitiba, October 9, 10, 11, 1962
"Tribuna do Paraná", Curitiba, October 9, 11, 12, 13, 1962
"Ultima Hora", Curitiba, October 4, 6, 8, 9, 10, 12, 13, 1962

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7. Printers

A request for a 90% increase on their present wages, which have been unchanged since November 1961, was made by the workers in Curitiba printing shops and newspapers. The workers are inclined to go on strike.

Sources: "Estado do Paraná", Curitiba, October 25, 1962
"Gazeta do Povo", Curitiba, October 19, 25, 1962
"Ultima Hora", Curitiba, October 25, 27, 1962

8. Journalists

Joining their wage demand with that of the printers, Curitiba journalists asked for a 90% increase and for annual vacations of thirty days. They also ask an additional 500 cruzeiros monthly per year of service. Employers made a counter-offer of increases from 40 to 60% on the June 1962 levels. This was not accepted; however, a strike is unlikely to occur, and employers may eventually improve their offer.

Sources: "Estado do Paraná", Curitiba, October 30, 31, 1962
"Tribuna do Paraná", Curitiba, October 24, 27, 1962
"Ultima Hora", Curitiba, October 16, 1962

9. Radio Employees

Alleging that previous promises were not kept by their employers and based on the cost of living rise, the employees of the Curitiba radio station PRB-2 asked for immediate concession of 40 to 60% increases on present salaries and went on strike. The strike was called off after six hours, when the employers agreed to raise the monthly salaries below 20,000 cruzeiros by 40%, the ones below 30,000 cruzeiros by 20%, and the ones above 30,000 cruzeiros by 10%.

Sources: "Estado do Paraná", Curitiba, October 7, 1962
"Ultima Hora", Curitiba, October 8, 1962

10. Teachers

Paraná teachers claim that in 17 of Brazil's 22 States the teachers are better paid than in Paraná. They asked the State Government for an improved classification, which would mean better pay; a proportional bonus after ten and twenty years of service; and paid retirement after 25 instead of 30 years of service. The State Government appears willing to grant the teachers' request.

Sources: "Diário do Paraná", Curitiba, October 25, 1962
"Ultima Hora", Curitiba, October 16, 1962

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11. Official Minimum Wage

The nation-wide demand for an increase in the official minimum wage level, now 10,080 cruzeiros a month in Paraná and slightly less in Santa Catarina, continues drawing lively support here. The President of the Paraná Federation of Labor Unions is afraid that a delay in decreasing new levels might cause serious consequences including a general strike. He also fears the Federal Government might neglect the surveys on the increased cost of living submitted by the labor entities of several States, which may result in unfair treatment to certain areas such as Paraná. The local delegate of the Labor Ministry believes that the official minimum wage for Paraná will be increased by 60%. Labor unions occasionally mention the necessity of a 100% rise.

Sources: "Estado do Paraná", Curitiba, October 3, 1962
"Gazeta do Povo", Curitiba, October 5, 1962
"Tribuna do Paraná", Curitiba, October 4, 1962

VI. FINANCE

1. Money and Exchange

The money market has tightened considerably and loaning operations in general have been curtailed. The exchange market is quiet, and exchange operations are generally being liquidated on a prompt basis which has further contributed to a cash shortage in the banks. Local retail firms are actively engaged in pre-seasonal inventory buying. Sales are reported to be good, and collections are normal. The following are the comparative figures on clearings in Curitiba:

	September 1962	August 1962	September 1961
number of checks	112,652	132,129	83,334
amount (cruzeiros)	19,408,518,339	21,236,162,428	9,514,236,986

A new Curitiba bank, Banco Indústria e Comércio do Paraná S/A., listed the following progress since its opening on July 1, 1962:

date	no of bank accounts	total money deposits
July 31, 1962	423	Cr\$ 60,055,000.00
Aug. 31, 1962	678	Cr\$ 108,767,000.00
Sept. 30, 1962	859	Cr\$ 165,557,000.00

The Paraná Statistics Office reports that there are presently 513 agencies of bank establishments in this State, 471 of which in the interior and 42 in Curitiba. Towns with the highest number of bank agencies, after Curitiba, are Londrina with 22, Paranaguá with 21, Maringá with 20, Arapongas with 17, and Cambé with 14.

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Sources: "Estado do Paraná", Curitiba, October 9, 25, 1962
The First National City Bank Of New York

VII. TRANSPORTATION AND COMMUNICATIONS

1. Seaports

Despite its manifold technical deficiencies, bad weather, and continuous labor problems, the Paranaguá port movement is lively. During the first eight months of 1962, 2,049,381 bags of coffee were shipped through Paranaguá, and merchandise totalling 209,258,614 kilos left and 364,749,251 kilos entered the port. During the same period, the Port Administration had an income of 228,119,230 cruzeiros.

During August 1962, the following import shipments were discharged in Paranaguá:

<u>Procedure</u>	<u>Weight in kilos</u>	<u>Number of Volumes</u>
Argentina	4,453,225	16,042
Germany	631,223	12,248
Belgium	551,305	4,122
United States	314,992	3,985
Netherlands	226,595	6,101
France	152,390	5,000
Great Britain	566	7
Italy	71	1
total	6,380,367	47,506

The export shipment figures during August 1962 were:

<u>Destination</u>	<u>Weight in kilos</u>	<u>Number of Volumes</u>
United States	15,663,718	268,301
Argentina	3,275,610	152,028
Germany	986,156	22,652
Chile	937,206	36,372
Uruguay	766,500	26,130
Netherlands	544,500	9,000
Great Britain	472,408	21,411
Canada	461,312	7,625
Sweden	90,750	1,500
France	86,857	1,534
Denmark	45,850	1,035
Puerto Rico	24,076	2,115
TOTAL	23,354,943	549,703

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The following principal goods of domestic origin and procedure were unloaded during August:

gasoline	17,287,175 kilos
diesel oil	15,386,204 kilos
fuel oil	4,132,725 kilos
kerosene	2,209,262 kilos
aviation gasoline	772,015 kilos
jute	202,000 kilos
coal	190,000 kilos

Trade associations asked the Merchant Marine Council to increase the number of domestic cargo ships stopping at Paranaguá, since there is considerable lack of shipping space for North Brazilian ports. As a result of the personal efforts of the Paraná State Governor and other authorities and associations, the National Company for Coastal Navigation ("Costeira") promised to include Paranaguá in its itinerary for the new luxury passenger and cargo vessels of the "Princesa"-class.

The Paraná Government continues to request better telegraphic communication facilities for Paranaguá, including the installation of telax. The Port Administration is engaged in speeding up measures to dredge the Southeast access canal to the port.

Three times during October 1962, the Port Administration accepted public bids, the first for the purchase of eight clam-shell loading and unloading shovels of 34 to 45 cubic feet each, the second for the installation of a new electric power system in the port area, the third for the construction of a 200 cubic meter drinking water reservoir.

Sources: "Diário do Paraná", Curitiba, October 3, 11, 16, 24, 30, 1962
"Estado do Paraná", Curitiba, October 3, 13, 24, 30, 1962
"Gazeta do Povo", Curitiba, October 9, 10, 13, 16, 24, 30, 1962
"Tribuna do Paraná", Curitiba, October 3, 30, 1962
"Ultima Hora", Curitiba, October 4, 5, 10, 11, 12, 1962

2. Airports

New and improved roads and more comfortable bus traffic as well as the high cost of air travel are believed to be the reason for the diminution of air traffic at Curitiba's Afonso Pena Airport, which dropped from third position in 1957 to seventh at present. The State Statistics Office published the following data regarding the passenger movement:

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MEMORANDUM OF CONVERSATION

Date: December 11, 1962

PLACE: Offices of O Estado de São Paulo

SUBJECT: Brazilian Economic Problems Threaten to Provoke Revolt.

PARTICIPANTS: Frederico Heller, Economic Editor of the Estado de São Paulo.
Richard C. Desmond, Economic Officer, American
Consulate General, São Paulo.

Copies to: Amembassy Rio (2cc)
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INR (lcc)
Central Files

The reporting officer called on Sr. Heller to ask his opinion on current issues of importance to São Paulo businessmen, notably availability of credit to pay the "thirteenth month" Christmas bonus, inflation and shortage of foreign exchange.

Sr. Heller commented on these problems in rather summary fashion. He said the problem of credit shortage would be met without difficulty in view of the expansion in the money supply accompanying the great increases in currency issue that are taking place and will continue until the end of the year. These increases will naturally give a further impetus to inflation. With respect to foreign exchange, Sr. Heller's remarks seemed to imply the conviction that the United States would feel impelled to provide under any circumstances a minimum of aid sufficient to continue the flow of essential imports. He attributed the recent rise in the parallel rate of the dollar in part to political tension and in part to a tendency of some people, faced with the prospect of stricter tax collections, to put money into dollars. He expressed doubt that the official rate would be adjusted before the plebiscite in January.

Asked about the attitude of São Paulo businessmen to current economic developments, Sr. Heller said the majority of the classes produtoras hoped and expected a military coup to take place about June or July, if the rise in the cost of living continued unabated. This estimated timing was based on a rate of inflation that prevailed somewhat earlier. If inflation continued at the rate of the last few weeks, the estimated

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timing would be advanced to April or May. As evidence to support the likelihood of these expectations, Sr. Heller asserted that General Pery Bevillacqua recently told one of the General's cousins who is a colleague of Heller's on the staff of Estado, that unless the rise in the cost of living was curbed, the only solution for Brazil would be for its generals to follow the Argentine example and take things into their own hands. Heller said economic factors likely to provoke a revolt were internal, notably inflation, and not external, since the military had little understanding of foreign exchange or balance of payments. However, should lack of foreign exchange result in curbing imports of essential materials, so that the economy was seriously affected, this would accelerate the coming of the crisis.

Following the coup, it was expected that the Government would be placed in the hands of a moderate conservative such as Juracy Magalhães.

Asked as to the probable attitude of Governor-Elect de Barros if a coup should materialize, Heller said that Adhemar was conservatively inclined and courageous and would undoubtedly support it. He remarked that in spite of Adhemar's past record, there was much hope among the classes produtoras that he would provide a good state government, and Adhemar would probably try hard to justify this hope.

Heller said he could not appraise the likelihood that the national administration would be successful in slowing the rate of inflation. President Goulart had said he expected to reduce the inflation in 1963 to 30 percent. The President is, however, a poor administrator, and left to his own devices would probably not carry out an effective anti-inflationary program. If he should appoint a capable man like San Thiago Dantas as Minister of Finance, and give him sufficient authority, a reduction of inflation could be attained.

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INFO: RIO DE JANEIRO

DEPARTMENT OF STATE
ANALYSIS & DISTRIBUTION
BRANCH
BUREAU OF
INTER-AMERICAN AFFAIRS
DEC 19 1962

FROM : Amcoagen, SÃO PAULO

DATE: December 14, 1962

SUBJECT: Biweekly Economic Review, November 30 to December 13, 1962.

REF : CERP, C-3

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1. Domestic Investments --São Paulo Businessmen Study Investment Opportunities in Northeast Brazil.

Twenty five prominent São Paulo businessmen travelled to Recife, State of Pernambuco, at the invitation of the Superintendency for the Development of the Northeast (SUDENE) to discuss possible São Paulo investments in various agricultural and industrial programs in Northeast Brazil. The Volkswagen representative pledged construction of a motor vehicle assembly plant at Recife; one of Brazil's major toy-makers, with head offices in São Paulo, promised to put up a plant to make plastic toys in Salvador, State of Bahia; a fully equipped Industrial Training School was donated by an important São Paulo maker of automatic lathes; and funds to insure its continued operation were pledged by other businessmen. The objectives of the recently formed São Paulo enterprise NORCASA - Nordeste, Colonização e Alimentação S.A. (see Airgram A-136 of November 9) were explained to SUDENE officials. NORCASA promoters are planning to raise a capital of 6 billion cruzeiros to be subscribed by a number of prominent São Paulo businessmen and industrialists. Other possible investments, including a steel products fabricating mill, a cotton gin, a dairy processing plant, a bus body assembly plant, and several textile mills, in the States of Ceará, Bahia, and Pernambuco were discussed.

Comment: One of the reasons why Paulista businessmen are now showing interest in setting up manufacturing facilities in the Northeast is related to a provision of the SUDENE master plan which promises substantial income tax concessions to physical persons and Brazilian corporations investing funds and equipment in Northeast Brazil. This provision is aimed at encouraging private capital investments from other parts of Brazil to the area where SUDENE is responsible for the supervision, coordination and control of all Federal development activities. Response from São Paulo got off to a slow start, but is now gathering momentum.

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2. Minerals -- Goiás State Government Seeks Transfer of Nickel Concession Mining Rights.

The Governor of the State of Goiás, Mr. Mauro BORGES, has approached the Federal Minister of Mines and Energy with a view to promote the transfer of mining rights on a nickel concession held by São Paulo businessman and federal deputy from Pernambuco, José Ermirio de MORAES, to Metais Goiás S.A. METAGO, a 100 million cruzeiro corporation, 98 percent owned by the Goiás State Government. Governor Borges claims that although Mr. de Moraes purchased the property some 15 years ago, he has not extracted nickel to date, and turned down a Goiás State request that he put up a nickel processing plant on the concession. The ore bed under dispute, reportedly one of the largest in the world, is located 120 miles north of Brasília, near the town of Niquelandia. According to Governor Borges a total of 10,000 metric tons of high-grade nickel with a 5 percent metallic content could be processed annually. (End UNCLASSIFIED)

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Comment: It is doubtful that Mr. de Moraes will lose mining rights on the nickel ore bed. Mr. de Moraes controls the important Votorantim group, major producers of aluminum in Brasil, and is very influential in high political circles. To appease the Goiás State Governor he may agree, eventually, to process some nickel in the Niquelandia area. (End OFFICIAL USE ONLY)

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3. Aviation -- French Aircraft Maker Indicates Intent to Manufacture Helicopters in Brasil.

Mr. Charles Marchetti, engineer and representative of the French aircraft manufacturer, Sud Aviation, of Toulouse, visited São Paulo to study the possibility of manufacturing the company's "Alouette 2" helicopter in Brasil. Sud Aviation has already made 1,000 such aircraft and sold 860 units to 33 countries. Mr. Marchetti considers the Brazilian market potentially interesting and stated that Sud Aviation would be willing to make the Alouette in Brasil -- probably in São Paulo -- under a joint venture with Brazilian private capital, or eventually with the participation of the Brazilian government.

Comment: Sud Aviation is well known in São Paulo since domestic airlines ordered and now use the Caravelle jet the company produces. Recently, Sud Aviation sold four Caravelle 6-R aircraft to the important local airline, Viação Aérea São Paulo, which also took out an option

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for an additional two aircraft (see item 2, Airgram A-93 of October 5). It is not impossible that the "feelers" put out by the Sud Aviation representative may find response from local capitalists.

4. Freight -- Interstate Trucking Companies Increase Freight Rates.

The Association of Interstate Highway Freight Truckers announced that freight rates on all goods -- except cereals, fresh vegetables and petroleum products -- transported by its associates were raised 40 percent as of December 5. The Association alleges that the increased rates were prompted by the higher cost of trucks (whose list prices increased 100 percent in the past twelve months), tires (up 65 percent), lubricants (up 40 percent), and increased taxes.

Rates covering transportation of petroleum products are set by the National Petroleum Council (CNP), and the truckers now threaten to paralyze all highway transportation of these products unless the CNP authorizes an immediate increase of freight rates on all types of petroleum products.

Comment: The increase in freight rates, the first in the past thirteen months, is considered to be justified, although its inflationary impact is deplored in local trade circles.

5. Finance -- São Paulo Municipal Budget for 1963.

The Mayor of São Paulo sanctioned the Municipal Budget for 1963. The budget places expenditures at 51.8 billion cruzeiros, and revenue at 45.3 billion cruzeiros, thus reflecting a deficit of 6.5 billion cruzeiros. The Municipal Chamber, which approved the budget late in November, also authorized the Mayor to undertake credit operations to cover the projected 1963 deficit.

Comment: The budget will probably be unbalanced by at least an additional 3 billion cruzeiros to meet cost-of-living increases in the salaries of government employees, now under consideration by the Municipal Chamber.

6. Industry -- Swedish Truck-making Plant Officially Inaugurated by President of the Republic.

The President of the Republic, together with the Governor of the State of São Paulo, on December 8 officially inaugurated the truck manufacturing plant of Scania Vabis do Brasil S.A. at São Bernardo do Campo, near São Paulo.

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Comment: Although officially inaugurated only now, Scania Vabis do Brasil S.A. has been manufacturing heavy-duty trucks in Brasil since July 1960, first on rented premises in the city of São Paulo, later on its own plant at São Bernardo do Campo. The company is controlled by Scania Vabis A.B. of Sodertalje, Sweden, and represents a Swedish crown investment equivalent to approximately 800 thousand dollars, plus over 600 million cruzeiros. Plant capacity, which has not yet been attained, is 2,000 units annually.

7. Trade with Soviet Bloc -- Polish Foreign Trade Minister in São Paulo.

Mr. Witold Trampuszynski, Polish Foreign Trade Minister, visited São Paulo November 29-30. At a meeting with directors of the Federation of Industries of the State of São Paulo (FIESP) the Polish minister stated that the purpose of his visit to Brasil was to develop trade between Poland and Brasil, which had fallen off in the past two years. Poland is in a position to export ships, tractors, rolling mills, automatic lathes, textile machinery, agricultural implements, steel laminates, in exchange for Brazilian minerals, including manganese and iron ore, cotton, coffee, sisal, hides, and vegetable oils, according to Mr. Trampuszynski. (End UNCLASSIFIED)

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Comment: According to a prominent businessman who attended the meeting at FIESP, most of the products Poland wishes to export to Brasil are already manufactured locally on a large scale and at competitive prices, and unless barter transactions are developed, Polish-Brazilian trade will not expand substantially in the next few years. (End OFFICIAL USE ONLY)

8. Trade With Sino-Soviet Bloc -- Chinese Trade Mission Visits São Paulo.

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The trade mission from Communist China currently touring Brasil arrived in São Paulo on December 7 and on December 12 was still here. Local officials of the Bank of Brasil have been arranging activities for the mission.

The mission claims it is especially interested in promoting the sale of Chinese textile machinery and the purchase of Brazilian cotton, according to the Consul General of the Republic of China in São Paulo

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who doubts whether any significant trade will result from the mission's visit. Important business organizations such as the Commercial Association, which normally comes into the picture when a foreign trade group visits this city, as well as most of the local newspapers, have ignored the Communist Chinese mission upon the request of the Chinese Consul General, according to that official. Likewise, the sizable local Chinese community, which is by and large a fairly prosperous business community, has ignored the visitors. (End OFFICIAL USE ONLY)

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9. Foreign Investment -- Governor-elect de Barros Contacts German Steel and Fertiliser Manufacturers.

According to a report in O Estado de São Paulo of December 6, concerning various activities in Germany of Governor-elect Adhemar de BARROS, he is seeking contacts with the German steel industry. Such contacts, the report said, "may redound in benefit of COSIPA." The Governor-elect is also seeking German investment in fertiliser plants for São Paulo. O Estado attributed its information to United Press International and France Presse. (End UNCLASSIFIED)

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Comment: Governor-elect de Barros reportedly hopes to buy the Federal Government's controlling interest in the COSIPA steel plant under construction near Santos, and then resell such control to some foreign private steel company such as US Steel or Krupp (Congen A-143 of November 16, 1962). Implementation of this plan would, of course, be contingent upon the willingness of the Federal Government to relinquish its control over COSIPA. (End OFFICIAL USE ONLY)

(Begin UNCLASSIFIED)

10. Industry -- Swedish Firm Makes Hard Metal Tool Bits in São Paulo.

Stora Kopparberg do Brasil S.A. inaugurated on December 4, at São Bernardo do Campo, a plant to make hard metal tool bits. The company is a wholly owned subsidiary of Stora Kopparbergs Bergslags, of Sweden, until now a major supplier to Brazil of tool bits. Using tungsten carbide processed from raw materials obtained in large quantities in Northeast Brazil, the local company plans to produce initially some 10 metric tons annually of hard metal tool bits. Eventually, it will raise plant capacity to 30 tons a year.

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Sao Paulo
A-182
12/14/62

13. Labor -- New Wage Agreements Follow 60 Percent Increase Trend.

São Paulo glass workers reached agreement with their employers on a new contract providing for a 60 percent wage increase up to a maximum monthly increase of 27,300 cruzeiros. The one year agreement also establishes an additional 15 percent increase up to a monthly maximum of 8,000 cruzeiros at the end of six months. São Paulo airline ground personnel, including administration and aircraft maintenance workers, received a 60 percent wage increase up to a maximum monthly increase of 80,000 cruzeiros.

Comment: The agreements mentioned above follow the trend toward 60 percent increases evident in the majority of wage agreements in the São Paulo area during the last two months.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

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32
INCOMING TELEGRAM

Department of State

PERMANENT RECORD COPY

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Control: 9326
Rec'd: December 18, 1962
12:32 a.m.

ARA

FROM: Rio de Janeiro

Info

SS

TO: Secretary of State

SR

NO: 1154, December 17, 8 p.m. (SECTION ONE OF TWO)

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PRIORITY

1. Ambassador, Kubish and Korp met with Celso Furtado December 15. Meeting arranged by Goulart who, in December 14 talk with Ambassador, indicated wanted Furtado present preliminary description his economic-financial plan, thus giving US opportunity make comments at early stage.

2. Furtado began by saying Brazil's problems have been due political crises and absence firm and consistent economic and financial policy. Stated understandable in circumstances that Brazil's image abroad greatly tarnished. He had been charged by President develop technical plan for next three years which would set forth policies and actions for this interim period, while not yet being long-term plan on which work continuing. Once plebiscite over, Furtado expects establishment permanent presidential cabinet charged with implementation firm program. However, his job finished when plan drafted and submitted. Did not know whether would be asked serve in next cabinet to help implement plan. Said would agree serve only if plan unequivocally adopted as government policy. Furtado believes good possibility Goulart will announce plan prior to plebiscite and that, COB will also send to Congress proposals agrarian, tax, banking and administrative.

3. General objectives of plan are keep annual GNP growth next three years about 7 percent level achieved recent years while bringing average annual cost of living increase to 25 percent in 1963, 15 percent in 1964 and about 10 percent in 1965.

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NAME OF OFFICER: R. J. Bunker	REPRODUCTION FROM THIS COPY IS PROHIBITED UNLESS "UNCLASSIFIED"		

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-2- 1154, December 17, 8 p.m., from Rio de Janeiro (SECTION ONE OF TWO)

in 1965. Aims roughly at continuation recent annual ex post relationships gross investment as percentage GNP (said was 18 percent) and relative shares private and public investment in GNP.

4. Plan calls for holding down federal budget cash expenditures in 1963 to about 1,000 billion cruzeiros (as against his calculation potential expenditures about 1,500 billion cruzeiros). Includes provision 40 percent increase wages government employees 8-9 months of year. Government would adopt formal "plan for executing budget" under which each Ministry given allocations within overall expenditure ceiling. This would take into account estimated increase costs during year, so that upward adjustments would not be tolerated. Government investment provided under expenditure ceiling supposedly adequate preserve investment at level needed achieve desired GNP growth. Budget allocations would be made within quarterly fiscal and monetary budgets designed even out cash flows during year, thus avoiding end of year hump.

5. With government revenues at 700 billion cruzeiros, Furtado estimates cash deficit 300 billion cruzeiros. Believes this can be financed by (a) 140 billion sale treasury bills tied to import deposits (current import deposit "float" would be increased this amount through rise exchange rate and lengthening 150-day term for cash deposits to one-year term on treasury bills,) or alternatively bank of Brazil notes which would be used if present legislative request increase ceiling treasury bills from 130 billion cruzeiros to 400 billion cruzeiros not approved (b) 50 billion cruzeiros miscellaneous counter-inflationary operations (presumably coffee account etc.) (c) 110 billion cruzeiros issuance new paper currency. This would keep increase new monetary issue, consistent with roughly 25 percent inflation,

assuming

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-3- 1154, December 17, 8 p.m., from Rio de Janeiro (SECTION ONE OF TWO)

assuming 7 percent GNP growth rate.

6. Furtado did not elaborate further on monetary and credit sector, except to say thought would not be much restrictive pressure on private banks so that privately financed investment would continue more or less as before. (Not clear what ceiling intended bank of Brazil credit to private sector).

7. On external side, plan based on principle that Brazil total external debt, short-and long-term, should not increase. (Here Furtado made curious reference to belief that IMF would rather see growth rate decrease than overall indebtedness increase. We tried our best to disabuse Furtado of this. Suggested problem was shifting debt composition into longer-term, which could be facilitated generous terms used AID loans). Furtado said that balance of payments problem 1963-1965, after taking into account "normal private capital flow and project credits at past levels," about \$1.5 billion, being sum medium and long-term debt amortization obligations, interest, swaps and commercial arrears.

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-2- 1154, December 17, 8 pm (SECTION TWO OF TWO), from Rio
prospective members new cabinet.) We indicated interest in
obtaining details earliest possible.

Comments

10. Furtado made persuasive presentation and appeared show proper concern for early and methodical implementation of plan, for preservation role private enterprise and need restore external confidence in Brazil's ability steer itself in rational manner. Tried give impression all pieces of plan fitted together and had been thoroughly studied by entire government including Finance Ministry, Sumoc, et cetera. Presentation suffered from use general magnitudes rather than exact figures and in absence complete supporting data cannot judge whether all pieces of plan, in fact, fit together; questions that come to mind include whether (A) keeping budget expenditures to one trillion cruzeiros realistic (B) Furtado underestimating level imports needed to preserve current growth level and particularly to take full advantage rapidly changing world technology (C) plan gives sufficient weight to better regional distribution GNP increments (D) plan takes sufficiently into account internal monetary effects balance of payments deficit and most likely forms in which external aid potentially available.

11. We emphasized to Furtado (A) desirability detail on how plan's objectives would be carried out after 1963 (B) that only very limited amount of external assistance could take the form simple debt postponement and that plan should be flexible enough allow various forms of possible aid (on technical problems and internal monetary effects of aid operations Furtado indicated GOB fully prepared discuss them in joint technical negotiations), and (C) importance we attached preservation normal flow private investment. On latter point Furtado commented felt profit remittance law not great bar to capital inflow and had sufficient loopholes permit investors adjust. One way or another, law would not be permitted hinder development Brazilian economy.

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ORIGIN/ ACTION

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DEPARTMENT OF STATE

AIRGRAM

832.00/12-1962

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TO : DEPARTMENT OF STATE 1962 DEC 26 PM 12 17

FROM : AmEmbassy, RIO DE JANEIRO

SUBJECT : BIMENLY ECONOMIC REVIEW (Period December 1-14, 1962)

REF : CERP C-3

ANALYSIS & DISTRIBUTION
BRANCH

DATE: December 19, 1962

INDEX

1. Coffee Exports.
2. Domestic Food Supplies.
3. Wheat Imports.
4. Negative Effects Of The Profits Remittance Bill.
5. Congress Approves Law Authorizing The Issuance Of Cr\$ 5,000 Paper Currency Notes.
6. Bank Reform Bill.
7. Inspectorate To Supervise The Collection Of Federal Taxes.
8. Reduced Duties Authorized For Special Importation Of Cold Rolled Steel Sheets And Tinplate.
9. Minister Of Mines Stresses Importance Of Increasing Iron Ore Exports.
10. Brazil Seeks Means Of Having More Gold.
11. Chinese Communists Reportedly Plan Exhibit In Rio.

*Inde - no action
RFA/EST/B
1/2/63
R. J. Burton*

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FORM 4-62 DS-323

Drafted by: **ECON:AArenales:lsc**

Contents and Classification Approved by: **Robert Eakens**

Clearances:

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Rio de Janeiro

1. COFFEE EXPORTS

Coffee exports during the period December 1 through December 16, 1962 were 733,484 bags compared to 837,013 bags exported during December 1-12 a year ago.

Total coffee exports during the current coffee marketing year (July 1 - December 16) were 8,211,536 bags compared to 8,826,744 bags exported during the period July 1 - December 12 of the preceding marketing year. (LThomasson)
(UNCLASSIFIED)

2. DOMESTIC FOOD SUPPLIES

The controlled maximum selling prices of beans at the wholesale and retail level, in effect since January 1962, were released by Portaria No. 1048 effective December 13. The controls were removed in view of the large crop now forthcoming from the November-January harvest in the southern states.

Rice supplies in Rio continue to be short and erratic with distribution currently being carried out by the military. The situation will no doubt continue until such time as purchase, shipment and other problems connected with moving the rice from the surplus producing centers of the South are adequately resolved.

Meat supplies continue to be threatened by the various actions concerning the policy of the Government (COFAP) to freeze selling prices at the levels existing on July 1, 1962. Some meat packers in São Paulo have obtained a court injunction against the established prices and several other actions are apparently pending or underway. The final outcome is unclear. (LThomasson)
(UNCLASSIFIED)

3. WHEAT IMPORTS

Brazil purchased only 10,000 tons of wheat on December 5 under Edital 37-62, which called for 80,000 tons. Another 70,000 tons of Title I wheat was purchased on December 13 and offers to purchase 40,000 tons from Argentina are due December 19. Over 400,000 tons of Title I wheat remain to be purchased under the amendment to the Fourth Agreement. There is also the commitment to purchase a large quantity from Argentina, whose harvest should be well underway. (LThomasson)
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4. NEGATIVE EFFECTS OF THE PROFITS REMITTANCE BILL

According to press accounts, official figures released by Finance Minister Miguel Calmon indicate that foreign investments dropped from \$266 million in 1961 to an anticipated \$62 million for the entire year of 1962. The reports blamed the decline on the Profits Remittance Law. (JKrizay/WBlomeyer)

(UNCLASSIFIED)

5. CONGRESS APPROVES LAW AUTHORIZING THE ISSUANCE OF CR\$ 5,000 PAPER CURRENCY NOTES

According to press, Congress has approved a bill authorizing the printing of 5,000 cruzeiro notes as well as the issuance of coins in values up to Cr\$ 500. The new notes and coins are to be issued immediately after the bill is signed by President Goulart.

(UNCLASSIFIED)

COMMENT: The purpose of the law is, of course, to facilitate financial transactions which have become extremely cumbersome. The largest note in circulation today is of Cr\$ 1,000, the value of which, at the present rate of exchange, is slightly over \$1. The façade under which the law was put forward (advertising a "strong cruzeiro"), and long-standing official reluctance to authorize the issuance of Cr\$ 5,000 notes, are indicative of the Government's unwillingness to acknowledge the continuing drop in value of the cruzeiro. Even the provision in the bill permitting the issuance of new coins at 1/100th of their present metallic value (e.g. Cr\$200 coins will have the same metallic value as the Cr\$2 coins) contains a gratuitous paragraph stating that this valuation is only temporary and will be restored to its original metallic relationship "as soon as conditions warrant". (JKrizay/WBlomeyer)

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6. BANK REFORM BILL

The press reported that Nery Galvão, President of the Bank of Brazil, will submit a substitute to the Bank Reform Bill now pending in Congress. The Nery Galvão version will be cleared by the Finance Minister and reportedly will represent the administration's views on bank reform.

(UNCLASSIFIED)

COMMENT: As previously reported (HER, Embassy's A-205, August 17, 1962, Items 3 and 4), bank reform was one of the 22 items for which the Executive requested a delegation of powers on August 11, 1962. The request essentially envisaged the strengthening of SUMOC as the central banking authority through the transfer to SUMOC of a number of functions and divisions of the Bank of Brazil, and was rejected by the Congress on the basis that a bill dealing with the subject, and bearing an "urgent" label, was already on the agenda of the Chamber of Deputies. The bill now pending in Congress is the Nogueira da Gama (PTB-Minas Gerais) substitute which has been approved in first reading. To this substitute, Daniel Peracio (PSD-Rio Grande do Sul) introduced several

/amendments

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amendments approved by the Special Committee handling the Bank Reform Bill. The bill was subject to other new amendments on the floor and was sent back to the Special Committee. At this point, bank employees staged a strike with the twofold purpose of (1) paralyzing the advancement of the bill, which was considered damaging to the interests of Bank of Brazil employees, and (2) killing the Sergio Marinho (PSD-Guanabara) bill which would deprive bank employees of their rights to the 15th month "bonus" on the grounds that they are already receiving a similar Christmas bonus. The strike ended with a pledge by President Goulart to withdraw the Faraco substitute from the agenda and to prevent the approval of Sergio Marinho's bill. (WBlomeyer)

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7. INSPECTORATE TO SUPERVISE THE COLLECTION OF FEDERAL TAXES

Finance Minister Miguel Calson has instructed the head of the National Treasury to establish committees to supervise and control the collection of Federal taxes in Brasilia and all State capitals. It shall be incumbent upon these committees to lay down plans for joint action with States and Municipalities to improve collection methods and to set up stricter procedures for tax inspection. Committee members are to consist of income tax, consumption tax and import duty inspectors, in addition to the heads of the income tax, internal revenue and customs departments. (JKrizay/WBlomeyer)

(UNCLASSIFIED)

8. REDUCED DUTIES AUTHORIZED FOR SPECIAL IMPORTATION OF COLD ROLLED STEEL SHEETS AND TINPLATE

Due to the limited production capacity of the Companhia Siderurgica Nacional, the Customs Policy Council has authorized a duty reduction from 20 percent to 5 percent ad valorem for imports of 80,000 metric tons of cold rolled steel sheets of less than 1.6 mm in thickness and of 50,000 metric tons of tinplate during the next year. The authorization was published in the Diário Oficial of December 12, 1962 as Customs Policy Council Resolution No. 274. In order to obtain the reduction importers must present a declaration from the Companhia Siderurgica Nacional stating its inability to supply these products. The duty reduction for these tonnages will apply only to imports made under exchange cover certificates issued up to November 10, 1963.

(UNCLASSIFIED)

COMMENT: The Companhia Siderurgica Nacional, at present the only Brazilian producer of tinplate and thin cold rolled sheets, has an annual capacity of about 200,000 metric tons of cold rolled sheets and 150,000 metric tons of tinplate. The duty reduction is intended to facilitate supply of these essential raw materials to food processors and home appliance and automobile manufacturers. A similar importation of sheets and tinplate was effected directly by the Companhia Siderurgica Nacional in 1959-1960. (SHweaver)

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9. MINISTER OF MINES STRESSES IMPORTANCE OF INCREASING IRON ORE EXPORTS

Upon his return to Brazil from an extended tour through Europe, Minister of Mines and Energy Eliesser Batista da Silva told the press that the agreements developed during his tour abroad elevate Brazil to the position of an iron ore exporter nation in the world market. He added that iron ore is becoming a substitute for coffee as an export item.

(UNCLASSIFIED)

COMMENT: Sr. Batista was understandably proud of his accomplishments as an iron ore salesman, but it will be a long time before ore displaces coffee as Brazil's major export item. Nevertheless, it is significant that open official recognition is being accorded the rapidly growing importance of iron ore as a means of acquiring foreign exchange. Also encouraging is the acknowledgement that Brazil needs to assure itself of a part of the world market for this commodity before it is too late. (ALRansome)

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10. BRAZIL SEEKS MEANS OF HAVING MORE GOLD

A decree recently signed by the President and the Council of Ministers created a six-man commission to study and recommend (within 30 days) ways and means of immediately increasing the official acquisition of gold. Also to be studied are methods to increase production of the metal in Brazil in the shortest possible time. The Commission is composed of representatives of the Ministry of Finance, the Federal Service for Prevention and Repression of Infractions against the National Treasury, the Bank of Brazil, BUNOC, and the Ministries of Mines and Energy and Aeronautics.

(UNCLASSIFIED)

COMMENT: Although this action did not evoke much publicity or public interest, it is noteworthy because it is indicative of Brazil's desperate need for foreign exchange. Just how the desired results are to be accomplished remains to be seen. The only present major sources of gold are the Morro Velho lode mine and the numerous small placer operators scattered throughout the country. Output from the Morro Velho has continued more or less unchanged over the years, and its total output is already being purchased by the government. Much of the placer gold is reported to be sold clandestinely. (ALRansome)

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11. CHINESE COMMUNISTS REPORTEDLY PLAN EXHIBIT IN RIO

The Embassy has been informed by the directors of the Museum of Modern Art in Rio de Janeiro that the Chinese Communist trade mission presently in Brazil has approached the Museum with a view towards holding an "art and industrial" exhibit

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in the unfinished 6,500-square-meter Museum building during July-August 1963. The Chinese are reported to have offered to complete the exterior of the building, at an estimated cost of \$30,000, in return for rental-free exhibition rights. The Museum added that the Chinese said that they would send in "exhibition personnel" and begin their preparations in March or early April of next year.

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COMMENT: There had been rumors that the Chinese Mission (see HER, Embassy's A-658, December 5, 1962) was negotiating for an exhibition site in São Paulo. A Museum director stated the Board is vehemently opposed to any such use of the Museum building but that there were strong pressures building up from the (un-identified) "left". (Arenales)

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For the Ambassador

Robert Eakens
Robert Eakens
Counselor for Economic Affairs

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ORIGIN/ACTION		DEPARTMENT OF STATE		732.00 / 12-1962	
ARA-4		AIRGRAM		XLR 832.00	
		A-29		OFFICIAL USE ONLY	
		TO : DEPARTMENT OF STATE		Air Pouch	
				HANDLING INDICATOR	
		FROM : Amconsul PORTO ALEGRE		DATE: DEC 1 1962	
		SUBJECT: PORTO ALEGRE WEEKLY SUMMARY No 35			
		REF :			
		1. Meneghetti's Cabinet 2. Peace Corps Volunteers Withdrawn 3. Brief State Civil Servants Strike Terminates 4. Governor Brizola's Activities 5. Military Developments 6. Economic Notes			
		<u>1. Meneghetti's Cabinet</u> After considerable backing and filling and many logrolling sessions between parties forming the ADP coalition, Governor-elect Ildo Meneghetti finally announced his State Cabinet on December 15, as follows: Secretary of Interior and Justice: Deputy Coelho de Souza (PL) Secretary of Public Security: Otavio Cardoso (PL) Secretary of Treasury: Emilio O. Kaminski (PRP) Secretary of Administration: Antonio Pires (PRP) Secretary of Public Health: Helio Helbert dos Santos (PSD) Secretary of Economy: Deputy Daniel Faraco (PSD) Secretary of Agriculture: Adolfo Antonio Fetter (PSD) Secretary of Education: Prof. Zilah Totta Secretary of Labor: Arnaldo da Costa Prieto (PDC) Secretary of Public Works: Joao Magalhaes Filho (UDN) Chief of Civil Household: Plinio Cabral Deputy Chief of Civil Household: Jose Garrastazu Private Secretary: Carlos R. dos Santos Chief of Military Household: Colonel Orlando Pacheco			
		FORM 4-62 DS-323		OFFICIAL USE ONLY	
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Drafted by:		EDSharp/zms 12/18/62		Contents and Classification Approved by:	
Classified:				EDSharp	

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PORTO ALEGRE

Deputy Chief of Military Household: Major Nabuco Rodrigues Martins
State Attorney General: Dr. Jose Barros de Vasconcelos
Commander of Brigada Militar: Colonel Otavio Frota
Chief of Staff-Brigada Militar: Colonel Raul de Oliveira

The Consulate has been told by informed sources that this selection is considered to be most fortunate as the Meneghetti forces have carried out their declared intention of putting together an administration made up of talented and forward looking men. Three other comments heard in praising the selection are that not one State party director was named, that they are all qualified technicians, and that really for the first time people from the interior of the State have been picked for a State Cabinet. Among the outstanding choices are, of course, Deputy Daniel Faraco, banker Emilio Kaminski, and agronomist Adolfo Fetter. Public relations specialist, Plinio Cabral, should have the know-how to keep old Meneghetti from falling into publicity traps.

2. Peace Corps Volunteers Withdrawn

Early last week the six Peace Corps volunteers stationed in RGS were brought to Porto Alegre bag and baggage, by their sponsoring organization ASCAR (Associação Sulina de Crédito e Assistência Rural) and on Thursday they departed in their own vehicles for Rio. ASCAR's parent group ABCAR (Associação Brasileira de Crédito e Assistência Rural) had received a request from State Agricultural Secretary João Caruso for their withdrawal on a technicality, stating that the Government of RGS had not been consulted prior to their assignment here. This move was obviously taken at the insistence of Governor Brizola who for some time has been attacking the presence of the Peace Corps in Brazil as a paramilitary organization bent on subverting the internal order of the country. No press coverage attended their withdrawal and the first public disclosure of the volunteers' departure came during Brizola's weekly Friday night broadcast when he announced their withdrawal at his request, taking some 10 minutes of the 2 1/2 hour monologue to say that these "FBI trained" youths were training as intelligence specialists for the United States Government and that they would become completely knowledgeable on all aspects of the area in which they operate. He said in effect that they were not really technicians since they were not graduated in any technical field and their activities could only be suspect particularly since they traveled with "these trunks, the contents of which no one ever sees". Brizola reiterated that he was to make a representation to the Brazilian Security Council on the Peace Corps in the near future. The Consulate believes that Governor Meneghetti will be receptive to the return of the Peace Corps to RGS if and when approached after his inauguration as Governor.

3. Brief State Civil Servants Strike Terminates

The strike of bureaucrats which was, incidentally, illegal terminated after 48 hours last week. The fact that Meneghetti accepted

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manufacturers and importers credit in excess of their minimum requirements. Local industrialists continued to strain their credit in an effort to purchase as much raw material as possible before the new minimum wages force prices upward even further. As a result, short and medium term loans now often bear an interest rate of 4 to 4.2 percent monthly. Businessmen who earlier in the quarter had expressed doubts as to their ability to pay the compulsory Christmas bonus without dangerously stretching their line of credit now received assistance from the Bank of Brazil. Manufacturers who ordinarily transact business with the Bank were financed payment of the bonus in two equal parts. It was noted in most quarters that the Bank paid out freshly printed paper money of relatively low denomination. (500 or 200 cruzeiro notes). A large number of small or medium sized industries in the industrial cities of Santo André and São Caetano do Sul and in the interior of the State were reported not to have received Bank of Brazil financing, and some of these companies are said to have paid the bonus to their employees in IOU's and promissory notes redeemable in thirty days.

Demand for commercial paper of finance companies -- already quite active in the past two years -- developed substantially in anticipation of tax legislation to be enforced next year on such transactions. Interest in local corporation stock, which had increased during the third quarter after a two year slump, now quickened and brisk trading ensued, especially in November and December, while daily averages inched upward. Tax increases, approved by Congress on November 28, were generally deplored by the São Paulo business community which argued that private initiative will suffer a setback from the clamp down next year on bearer share profits (withholding tax to go from 28 percent to 45 percent of profits), the tax on commercial paper discounts (15 percent withholding tax), and increases in the consumption tax.

A São Paulo investment project which received some publicity during the quarter is Brazilian Alliance for Progress, a program of Governor-elect Adhemar de BARROS under which São Paulo capital equipment, funds, and credit would be channelled to underdeveloped Northeast Brazil to expand its incipient industry and improve social conditions. A bank or fund, Banco Paulista de Investimentos (São Paulo Investment Bank) would be formed with a capital subscribed equally by the São Paulo State Treasury, the business community, and private investors. Some local businessmen are now interested in investing capital and equipment in Northeast Brazil, and have already formed a corporation, NORCASA Nordeste, Colonização e Alimentação (see airgram A-136 of November 9), while a delegation of 25 prominent businessmen recently travelled to Recife, State of Pernambuco, at the invitation of the Superintendency for the Development of the Northeast (SUDENE) to study investment and financing opportunities.

The bill covering the 1963 budget of the State of São Paulo

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Rio

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(see item 1, airgram A-93 of October 5) was approved by the State Legislature in November. Revenue is placed at 275 billion cruzeiros, while expenditures are forecast at 281 billion cruzeiros.

INFRASTRUCTURE

Electricity -- The Jurumirim hydroelectric project on the Paranapanema River, construction of which was commenced in 1956, the Graminha dam on the Pardo River, commenced in 1958, and a sizable power transmission sub-station at Botucatu were all inaugurated by the Governor of São Paulo during the month of December.

The Jurumirim project has generating capacity of 100,000 kilowatts. Electricity from Jurumirim will reach the city of São Paulo via a transmission line to Botucatu, where a new sub-station links the power distribution systems of the State's major public and private electricity companies. The Graminha dam will stabilize the volume of flow in the Pardo River so that the generating capacity at two downstream hydroelectric dams (Armando de Salles Oliveira and Euclides da Cunha) can be increased by some 63,000 kilowatts. The additional generators are reportedly now being installed, as is also the case with some generators at Graminha itself, where the generating capacity will be 70,000 kilowatts. Thus the total new generating capacity resulting from the projects which were inaugurated will, when fully installed and operating, total some 233,000 kilowatts.

Although an increment of some 230,000 kilowatts of generating capacity might resolve the electricity problems of some Brazilian states, additional capacity of this order is modest in comparison with São Paulo's growing requirements, and the city of São Paulo and adjacent industrial areas face the threat of an electricity shortage in 1963. Moderate rationing may be initiated early in 1963. The extent to which an electricity crisis may develop or be avoided depends upon how much further delay there may be in completing the giant Furnas hydroelectric project on the Rio Grande in the State of Minas Gerais, as well as when new power transmission lines are completed to link Furnas with the distribution system of São Paulo Light. Furnas, a joint project of the Federal Government and the States of São Paulo and Minas Gerais, plus some other shareholders, will have a capacity of 1,200,000 kilowatts when completed. One of its directors recently announced that the tests of the first generator unit should be completed in June of 1963.

Transportation -- São Paulo's State-owned railroads continued during this quarter to expand the routes over which truck trains

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are operated, and by early in 1963 it will be possible to ship a loaded truck by train from the city of São Paulo to most areas of the State, as well as into the neighboring States of Paraná and Mato Grosso. Truck train service, which was first started on an experimental basis by the Paulista railroad on August 1, has proven far more popular among truck operators than railroad directors believed possible, and there is now some hope that added revenue from truck trains may make a significant contribution to reduction of the deficits of the State railroads.

The Federation of Industries of the State of São Paulo was active during the quarter in connection with transportation problems and their solution. It appointed a special committee to study the chronic port congestion at Santos, and sponsored a "Railroad Week" to publicize and support a bill before the State Legislature which would unify the various State-owned railroads into a single public corporation, Ferrovias Paulistas S/A - FEPASA. The port committee blamed the Federal Government and labor unions for much of the difficulty at Santos and proposed various measures to alleviate the congestion, while the speakers sponsored by the Federation during "Railroad Week" were unanimous in their praise of the FEPASA bill.

Communications -- The severe shortage of telephones in the city of São Paulo - approximately 400,000 business firms or individuals are said to be seeking telephones - caused a considerable amount of comment and some controversy in the City Council, but the Mayor of São Paulo acknowledged that no significant progress had been made toward solving the problem. Both the Mayor and the Council consider that federal intervention of the Companhia Telefônica Brasileira, a component of the Canadian-owned "Light Group," is retarding progress. A delegation of Council members is planning to go to Brasília to urge President Goulart to end the intervention and to abandon the idea of nationalizing the telephone company (Congen A-186 of December 21, 1962).

FOREIGN TRADE AND EXCHANGE

Early in October an instruction from Fiscalização Bancária - FIBAN of the Bank of Brazil suspended temporarily remittance of profits abroad in accordance with federal law 4131. Since then, no royalty payments, or payments for technical assistance have been remitted abroad.

The São Paulo free market rate of exchange fluctuated widely during the quarter. The rate which had stood at 650 cruzeiros per dollar at the beginning of October weakened to an all time low of 820 in the first days of December before recuperating to about 780 cruzeiros per dollar toward the end of the quarter.

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Ris A-194

12/28/62

Unfounded rumors that the financial rate of exchange would be lowered early in December from 460-475 (buying and selling) cruzeiros per dollar to 520-545 cruzeiros encouraged some speculative transactions, which, however, were of relatively short duration.

Boneco^{1/} operations were still being reported in São Paulo, but the premium which a few months ago was as high as 70 cruzeiros per dollar had dropped to an average of 20-25 cruzeiros. Despite increased exports of coffee in October and November, there were no reports of cambio portugues^{2/} activity.

Coffee exports from São Paulo, which had remained at low levels during the third quarter, picked up substantially in October when 709,000 132-pound bags were shipped out, and in November, when exports totalled 806,000 bags.

Abnormally rainy weather for this time of the year was responsible for periods of congestion of the port of Santos, which resulted in costly delays in movement of goods.

Two Canadian trade missions, representing Canada's electronic and chemical industries, visited São Paulo in October and November. This reflects increased Canadian interest in opening markets in Brazil, probably to fill the lacuna which will develop if Canadian exports to Great Britain should decrease substantially after the latter country's entry into the European Common Market.

The Polish Trade Minister and a Communist Chinese trade mission visited São Paulo in December. The Chinese appeared eager to buy substantial quantities of Brazilian cotton.

The French Sud Aviation, makers of the Caravelle jets, sold four such aircraft to the large domestic airline Viação Aérea São Paulo - VASP, which took out an option for an additional two Caravelles. VASP also purchased 10 used British Viscount turboprop aircraft from British European Airways BEA.

1/ Boneco operations result from the scarcity of exchange 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.

2/ Cambio portugues: a transaction whereby coffee exporters buy exchange on the free market to make up the small difference between the authorized minimum export prices and the buyer's quotations.

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Rio A-194

12/28/62

LABOR

Most wage agreements in the São Paulo area expired during the reporting period, and with the cost of living shooting up unabated, in many cases negotiations were lengthy and acrid. Although more strikes occurred than in the corresponding period of 1961, most were of short duration and there was relatively very little violence. Occupational categories which went out on strike included the São Paulo City shoe workers, São Paulo City metalworkers, printing trades workers, sugar refinery workers, bus drivers in interior cities, meat packing workers and Santos coffee grinders.

The majority of the agreements negotiated in the months October-December provided for wage increases of 60 percent. However, the most significant difference between the new agreements and the previous ones was the provision, found in about half the agreements concluded during the reporting period, for a specified additional wage increase at the end of six months. This precedent was first set by the metalworkers in São Paulo city (the largest occupational category) who obtained a provision for such an additional increase following a two day strike. Other occupational categories soon followed suit. Some weeks later, the Regional Labor Tribunal for the first time handed down a decision in a wage dispute calling for a similar additional increase at the end of six months. The innovation thus acquired legal status.

Workers to receive an additional wage increase after six months included the following categories: São Paulo city metalworkers, textile workers, meat packing workers, coffee grinders, glass workers, plastic workers, São Paulo City commercial workers, and Cubatão petrochemical workers.

The rate of these additional increases varied from 10 to 20 percent. In the special case of the Cubatão petrochemical workers, the rate of additional increase after six months is to be determined by averaging three cost-of-living indices. Some observers believe that the additional increase represents an important step in the direction of the "salário móvel," meaning frequent automatic wage increases geared to the rise in the cost of living.

AGRICULTURE

Supplies of basic food staples continued deficient in São Paulo throughout the quarter, with rice, beans, and occasionally meat, sugar and milk, obtainable mainly on the black market. The local agency of the Federal Price Control Commission was considered largely responsible for these shortages because of an unrealistic price-setting policy (some prices have not been altered since January 1962).

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Rio A-194

12/28/62

It was announced that the States of Mato Grosso and Goiás will benefit to the value of 7 billion cruzeiros from a federal agricultural expansion program aimed at developing production of cereals. Small farmers in Goiás will thus receive loans totalling 4 billion cruzeiros to increase crop production. Accent is laid on rice production which, in 1963, is expected to yield 20 million 132-pound bags. With local consumption estimated at 10 million bags, the excess will be exported to the important consumer centers of São Paulo, Rio de Janeiro, Belo Horizonte, and Recife. Rice and wheat production will also be increased in Mato Grosso where federal loans will be approximately 3 billion cruzeiros.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

Enclosure: *act*
Economic Indicators

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ECONOMIC INDICATORS - 4th Quarter, 1962

Item	Total			Cumulative	
	First Quarter	Second Quarter	Third Quarter	October	November
Revenue of State of São Paulo from Sales & Consumption Tax (billions of cruzeiros)	31,935	40,085	45,795	18,364	17,856
1962	20,617	25,000	26,670	10,415	9,865
1961					
Total State Revenue from Taxes (billions of cruzeiros)	35,732	41,306	49,824	20,135	19,118
1962	23,162	28,241	29,752	12,655	10,984
1961					
Electric Power Consumption of Industry in State of São Paulo (millions of KWH)	1,110	1,153	1,344	419	N.A.
1962	1,005	1,079	1,138	372	372
1961					
Motor Vehicle Production in State of São Paulo (in units)	37,959	47,259	52,011	18,050	17,095
1962	34,085	36,695	33,503	12,655	13,571
1961					
Petitions in Bankruptcy in City of São Paulo (in numbers)	182	215	223	74	79
1962	153	194	149	63	59
1961					
Petitions in Creditors' Agreement in City of São Paulo (in numbers)	22	24	29	4	1
1962	24	20	17	5	3
1961					

ECONOMIC INDICATORS - 4th Quarter, 1962

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ECONOMIC INDICATORS - 4th Quarter, 1962 (cont)

Item	Total			Cumulative		
	First Quarter	Second Quarter	Third Quarter	October	November	Total (Jan. through Nov.)
Notes Protested in City of São Paulo (in numbers)						
1962	17,879	19,159	18,736	5,887	5,315	66,976
1961	13,958	14,920	12,468	6,460	4,922	52,728
Notes Protested in City of São Paulo (millions of cruzeiros)						
1962	622	973	680	205	192	2,672
1961	340	395	366	393	160	1,654
Licenses Construction in City of São Paulo (in thousands of square meters)						
1962	864	1,214	1,387	492	432	4,389
1961	2,121	1,933	2,340	710	680	7,784
Cost of Living Index -- City of São Paulo (weighted average base 1951 equals 100)						
1962	12.1	34.2	41.3	1,558	1,638	52.8
1961	10.3	17.9	29	1,001	1,049	40.4

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- Notes
- 1/ Revenue figures are based on a sales and consignment tax rate of 4.2 percent.
 - 2/ Excluding accounts computed at year end.
 - 3/ Electric Power Consumption covers sales by the two main companies (São Paulo Light S/A - Serviços de Electricidade; Cia. Paulista de Força e Luz), which together account for over 98 percent of total power supplied to industry in the State of São Paulo.
 - 4/ Data on Petitions in Bankruptcy, Petitions for Voluntary Settlements, and Notes Protested refer solely to the City of São Paulo, and reportedly represent over 80 percent of total bankruptcy and settlement petitions and notes protested in the State of São Paulo.

ECONOMIC INDICATORS - 4th Quarter, 1962 (cont)

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Sao Paulo A-193
12/28/62

and additional quantities of petroleum are imported to make up the difference between local output and consumption requirements. According to the distributors, the following factors were largely responsible for the recent supply shortages of petroleum products:

- 1) repeated production stoppages at the Cubatão and Capuava refineries;
- 2) inadequacy of the Santos à Jundiaí pipeline, through which flows a large proportion of the crude consumed in the São Paulo area, and which broke down several times this year, requiring extensive repair;
- 3) low reserves at refineries which are quickly depleted when demand for petroleum products increases suddenly;
- 4) avoidable delays in importing sufficient quantities of petroleum and petroleum derivatives to supplement local production. (End UNCLASSIFIED)

(Begin OFFICIAL USE ONLY)

Comment: Some local observers now believe that PETROBRAS wants to control the distribution of petroleum products throughout Brazil. As a means toward that end, and in order to explain recurrent shortages of high octane gasoline in São Paulo, PETROBRAS' President, Mr. Francisco MANGABEIRA, has accused petroleum distributors of laxity and inefficiency. The fact that the larger distributors are foreign-owned makes them perfect targets for Mr. Mangabeira's nationalistic attacks. There can be little doubt, however, that the distributors can hardly be held responsible for the supply problems which have developed in recent months. (End OFFICIAL USE ONLY)

(Begin UNCLASSIFIED)

It should be noted that distributors import only lubricants and aviation fuel, while PETROBRAS controls production and importation of gasoline, kerosene, diesel oil, fuel oil, asphalt, solvents, and liquified petroleum gas.

2. Labor -- Plastic Industry Workers Receive 60 Percent Wage Increase.

Workers in the plastic industry on December 17 reached agreement with employers providing for a 60% increase over

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Sao Paulo-193
12/28/62

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salaries in effect in January 1962 up to a maximum monthly increase of 25,000 cruzeiros. The agreement also specifies an additional 15 percent increase at the end of six months.

Comment: This agreement follows the pattern established in most recent wage negotiations in this area.

3. Electric Power -- New Hydroelectric Dam and Power Transmission Substation Inaugurated.

On December 15, 1962, the Jurumirim hydroelectric dam on the Paranapanema River (Congen despatch 300 of June 12) was officially inaugurated by the Governor of the State of São Paulo. The plant has two generators, each with a capacity of 50,000 kilowatts. Most of the electricity produced at Jurumirim will be consumed in the city of São Paulo and adjacent towns, being transmitted via a new power transmission line some 160 miles in length, after which distance it links with the São Paulo Light system.

The new line from Jurumirim passes through an electric transmission substation near Botucatu, which was also inaugurated on December 15.

Comment: The Botucatu substation is described as the "electrical heart" of the State of São Paulo as it links the several public and private power transmission systems of São Paulo Light, Companhia Paulista de Força e Luz (American & Foreign Power), Usinas Elétricas de Paranapanema, and Companhia Hidroelétrica do Rio Pardo (the latter two companies are owned mainly by the State of São Paulo). Eventually a transmission line to be constructed from the Urubupunga projects on the Paraná River will carry electricity from that source to the Botucatu substation.

4. Communications -- São Paulo Teleprinter Service to Expand.

The São Paulo teleprinter service will expand its activities in January 1963 when it will link the cities of São Paulo and Brasília, according to an announcement made by the Governor of the State of São Paulo. Capacity of the new communication service will be 1,000 circuits.

Comment: The São Paulo teleprinter service was installed early in 1962 (see item 183 of January 12, 1962) to link, by means of micro waves the cities of São Paulo and Rio de Janeiro. Transmissions are also effected to cities of the State of São Paulo by using telephone lines of the Companhia Telefonica Brasileira.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

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DEPARTMENT OF STATE

AIRGRAM

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TO : DEPARTMENT OF STATE

632 JUN 6 AM 11 55

Rio de Janeiro-1 Brasilia Office-1
Rio-1 Belo Horizonte-1 Curitiba-1
Recife-1 Salvador-1 Santos-1 Sao Paulo-1

FROM : Amconsul PORTO ALEGRE

DATE: JAN 2 1963

SUBJECT: PORTO ALEGRE WEEKLY SUMMARY No 37

REF :

1. President Goulart Visits Porto Alegre
2. ADP's Troubles Continue
3. Plebiscite
4. Pay Raises for RGS Government Workers
5. Bombing Incident
6. Governor Brizola's Activities
7. Political Notes
8. Economic Notes

1. President Goulart Visits Porto Alegre

In a brief but busy 7-hour visit to Porto Alegre last Saturday, President Goulart, radiating confidence and goodwill, addressed a convention of RGS municipal officials; inaugurated the new TV-Gaucha station here, and conferred privately with Governor-elect Meneghetti.

Goulart was met at Salgado Filho Airport by an enthusiastic crowd chanting "nao" in support of his plebiscite views, and by Governor Brizola, who left the President's side only during the conference with Meneghetti. Porto Alegre's Mayor Loureiro da Silva also greeted Goulart with thanks for past Federal Government cooperation and a pledge of his support in the plebiscite.

At the municipal officials' convention and the TV inauguration Goulart:

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AIRGRAM A-32
PORTO ALEGRE

1. Promised to reduce inflation with a "three-year plan" which will not require "outside aid" and which will not slow Brazil's rate of development;
2. Urged all eligible to vote in the plebiscite;
3. Referred to the purchase from Poland, of a 200,000 kilowatt thermoelectric power plant for RGS, defended commerce "with the entire world", and noted that Brazilian trade with the USSR had increased from U.S.\$20 million to U.S.\$100 million during the past year;
4. Promised the municipal officials that a threatened slash in the cities' share of Federal income tax receipts would not take place; and
5. Made an appeal for non-partisan cooperation from the municipal officials.

The Goulart-Meneghetti conference was, on the surface, a love feast. After the meeting Meneghetti expressed his complete satisfaction with their talk and said they had agreed that he would forward his plans requiring federal aid to Brasilia. Goulart, in turn, pledged his full cooperation with the Meneghetti administration. Ultima Hora, waxing almost lyrical, described a picture of Goulart, Brizola and Meneghetti as the "Alianca pelo Rio Grande" and wrote that Meneghetti was impressed by Goulart's "good will". The Diario de Noticias, in an interesting interpretation, praised Meneghetti for rising above partisan politics where the welfare of the State is concerned.

Comment: Goulart's expressions of good will and campaign-like promises created a generally good impression here where, for the time being, his words may be taken as deeds. In his dealings with Meneghetti he is caught in a cleft stick since, however reluctant he may be to aid Meneghetti's administration, he cannot turn his back on his own State. It is possible that Meneghetti's support for presidentialism (see Plebiscite, below), which has angered some of his supporters, was in the nature of a quid pro quo for Goulart federal aid. In the meantime, rumors and unconfirmed reports persist that Goulart and Brizola plan federal intervention in RGS to prevent the new state administration from taking office. Unlikely as this now appears, it would be possible to manufacture a justification for intervention by fomenting strikes and disturbances between now and the end of the month.

2. ADP's Troubles Continue

Last week the PTB announced it would not support the PL's bill to limit the Governor's powers (see Weekly Summary No 36, A-30). Senators Mem de Sa and Daniel Krieger attempted to mediate the difficulties between Meneghetti and the PL, and other elements of the ADP (PSD, PDC, PRP and UDN) announced their full support of Meneghetti and his cabinet choices.

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32
INCOMING TELEGRAM

Department of State

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NO: 1243, JANUARY 2, 6 PM

TRADITIONAL PRESIDENTIAL NEW YEAR'S EVE SPEECH, DELIVERED IN MONOTONE BY GOULART OVER NATION-WIDE RADIO-TV HOOKUP, IMPRESSED AS DESIGNEDLY DULL AND UNALARMING, SO VAGUE, MODERATE, AND INOFFENSIVE WAS CONTENT.

MAIN BURDEN WAS RELATIVELY UNSPECIFIC EXPOSITION 1963 PLANS FOR ECONOMIC DEVELOPMENT. SAYING BRAZIL NO LONGER UNDERDEVELOPED COUNTRY BUT ONE IN "PRE-DEVELOPMENT" STAGE, GOULART PROMISED "FUNDAMENTAL CONCERN OF GOB" WOULD BE CONTAINMENT OF INFLATION. GOVERNMENT, BUSINESS, LABOR BLAMED FOR CAUSING CURRENT "INFLATIONARY PROCESS". "PARTICIPATION PRIVATE INITIATIVE" IN ECONOMY WOULD BE PRESERVED, GOULART SAID, AND FOREIGN INVESTMENT WHICH CAME WITH "SINCERE AIM PARTICIPATING OUR EFFORTS TOWARD DEVELOPMENT" WOULD BE WELCOME.

RE FOREIGN POLICY GOULART USED FAMILIAR "INDEPENDENCE" AND SELF-DETERMINATION SLOGANS BUT BALANCED THIS WITH PROFESSION OF LOYALTY TO "COMMITMENTS WE HAVE FREELY ASSUMED".

ALLIANCE FOR PROGRESS, US, WESTERN DEMOCRACIES AND COMMUNISM WERE NOT MENTIONED.

GORDON

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0209

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TO : DEPARTMENT OF STATE

FROM : AmEmbassy, RIO DE JANEIRO

SUBJECT : BIWEEKLY ECONOMIC REVIEW (Period December 15 - 28, 1962)

REF : CERP C-3

DATE : January 3, 1963.

1963 JAN 6

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JANUARY 7 1963

ANALYSIS & DISTRIBUTION

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1. Coffee Exports.
2. Wheat Purchases.
3. Meat Situation.
4. Outline Of Furtado Three-Year Development Plan Revealed.
5. Administrative Reform Planned By The Government.
6. Working-Group To Study Banking Reform.
7. SUMOC - Director Resigns.
8. Prices Of Basic Pharmaceutical Products To Be Fixed, Others Freed.
9. Brazil Suffers Two More Aircraft Disasters.
10. Two Small Domestic Airlines Merge.
11. Maritime Strike "Sputters On".
12. Brazil Establishes COLESTE, Coordinating Group For Trade With The Bloc.
13. Soviet Trade Mission Arrives To Negotiate New Trade Agreement.
14. Brazil And Nationalist China Sign Trade Agreement.

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Checked by: ECON:BA Goldstein:lsc

Contents and Classification Approved by: Robert Bakens

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AIRGRAM
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Rio de Janeiro

COMMENT: The recovered altimeter revealed an erroneous setting of approximately 200 feet too high which could have indicated to the pilot that his plane was higher than it actually was. (SGAnderson)

(OFFICIAL USE ONLY)

10. TWO SMALL DOMESTIC AIRLINES MERGE

Sadia S. A., Transportes Aéreos, and Salvador Transportes Aéreos, S. A., recently merged and now are offering DC-3 services to 54 cities extending from Porto Alegre in the South to Fortaleza in the North. Both of these companies are subsidized by the Government as many of their lines are included in the "rede de integração nacional" - "national airline network". (UNCLASSIFIED)

COMMENT: Thus, two more small domestic operators join forces to streamline operations and reduce costs. (SGAnderson)

(UNCLASSIFIED)

11. MARITIME STRIKE "SPUTTERS ON"

On December 21 four national unions of a) Ships Officers, b) Ships Engineers, c) Carpenters, d) Storerroom Handlers commenced a strike for higher wages. A national investigatory commission had been authorized on September 21 to report within 90 days regarding the complaint of the unions' leaders that tug boat employees on the lines between Rio and Niteroi are now being paid higher salaries than comparable officers on national and international lines. The commission was not named until October 11 and a report has been promised for January 11, 90 days from the date the commission was named. The commission is headed by President Goulart's Labor Adviser, Gilberto Crockett de Sá.

The leader of the strike is Serapião Nascimento, the President of the National Union of Ships Officers, an anti-Communist and long a thorn in the side of the Communists. The unions of Engineers and Carpenters are also led by non-Communists, although the Storerroom Handlers are in the hands of the Communists.

As of December 28 the Communist-led National Confederation of Workers in Maritime, River and Air Transport and the National Federations of Stevedores and Longshoremen have condemned the strike as interfering with the nation's well-being. The strike was quickly declared "illegal" and may be "petering out", although reports regarding its effectiveness are contradictory.

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COMMENT: The strike presented the government with a fine opportunity to appear to get tough with labor and its exaggerated wage demands -- as long demanded by some anti-Communist newspapers -- and to do so against a set of non-Communist leaders. Nevertheless, the government has not yet taken any drastic steps against the strike leaders, beyond declaring the strike illegal.

/Some wage

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AIRGRAM

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Rio de Janeiro

negotiations with bloc trade agencies had been found to be cumbersome and generally unsatisfactory.

Although the "expanded markets" argument evoked considerable press comment on the undesirability, in general, of bilateral trade, the disadvantages of trading in inconvertible currencies, and the already sizeable "frozen" balances existing in Brazil's favor in its trade with the bloc, COLESTE now provides the mechanism for the expansion of such trade. (BAGoldstein)

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13. SOVIET TRADE MISSION ARRIVES TO NEGOTIATE NEW TRADE AGREEMENT

A delegation from the Soviet Foreign Trade Ministry arrived in Brazil on December 28 to negotiate a long term bilateral trade and payments agreement. Headed by Sergei Martunov, the delegation includes Victor Ivanov, Yuri Ivanov, Boris Carpov, Vladimir Cutusov and Vladimir Gratchev.

Until the new agreement becomes effective, trade between the two countries will continue to be regulated by the provisions of a 1959 agreement, originally due to expire December 31, and now extended until the conclusion of the new agreement (see Embdes 377 of November 6, 1961 and Embdes 934 of May 23, 1962). (UNCLASSIFIED)

(BAGoldstein)

14. BRAZIL AND NATIONALIST CHINA SIGN TRADE AGREEMENT

A one year trade agreement between Brazil and the Republic of China was signed on December 28 by Prime Minister Hermes Lima and Chinese Ambassador Ti-Tsun Li. The treaty provides for the facilitation of trade between the two countries, payments in US dollars or any other freely convertible currency which the parties may agree to accept, certificates of origin and quality, and the granting to products of each country, destined to the other, of treatment no less favorable than that granted to similar products originating in or destined to any other country, in regard to exchange rate, export and import licensing and other measures pertaining to foreign exchange, with certain exceptions enumerated in the agreement.

Saying that the agreement "opens a new field for Sino-Brazilian economic cooperation", Ambassador Li commented that although trade between the two countries is at present modest, he is hopeful that commercial interchange "will gradually grow in volume to the benefit of our respective free economies". (BAGoldstein) (UNCLASSIFIED)

For the Ambassador

Robert Bakens
Robert Bakens, Jr.

Counselor for Economic Affairs

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Sao Paulo
1-202

Cultivation of bananas is a principal economic activity in much of the littoral. Some paved highways now under construction, plus the Petrobras facilities for receiving shipments of petroleum, under construction at São Sebastião, are the major projects outside of Santos and Cubatão which portend greater prosperity for the littoral.

São Paulo's coastal region may have been more prosperous in the eighteenth and nineteenth centuries than in the present century, during which its economy has been largely stagnant. A recent magazine article about the region said that some abandoned ruins of once-elegant plantation residences attest to former prosperity. Sugar cane was the principal crop on the plantations, and some coffee was grown. The slave trade was an additional and important source of income. Toward the end of the last century, the littoral for various reasons, including the abolition of slavery, went into an economic decline from which it has never recovered.

In his instructions to various State agencies for a quick survey of the littoral, Governor Carvalho Pinto requested, inter alia:

- (1) an opinion on the feasibility of making medical care available via launches to residents of isolated coastal villages and settlements on offshore islands
- (2) suggestions on how to make agricultural extension service more dynamic, introduce the cultivation of tea, and improve the banana culture
- (3) suggestions on how farmers could be aided in their complicated and confusing disputes over land titles
- (4) an opinion on the advisability of creating a special development fund for the valley of the Ribeira River, a stream in the southern part of the littoral where the coastal plain broadens to around 75 kilometers in width
- (5) an opinion on whether the State Government should finance the construction of some resort hotels, in order to attract more tourists to the littoral's beaches
- (6) information on the prospects for starting a rural electrification program

For the Minister Consul General

Richard C. Desmond
Richard C. Desmond
Consul

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RM/R

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1266, JANUARY 4

PRIORITY

ATTN ASSISTANT SECRETARY MARTIN

FOLLOWING IS TRANSLATED TEXT (UNNECESSARY WORDS OMITTED) GOULART STATEMENT HANDED N Y TIMES DE ONIS JANUARY THREE AND FRONT PAGED O GLOBO SAME DATE:

BEGIN TEXT I FULLY BELIEVE IN SUCCESS OF POLICY OF PROGRESSIVE CONTAINMENT OF INFLATION THAT BRAZIL IS GOING TO PUT INTO EFFECT WITHNE-ESTABLISHMENT OF PRESIDENTIAL SYSTEM OF MINISTER CELSO FURTADO AND WITH COOPERATION OF OTHER MINISTERS AND ECONOMIC SPECIALISTS OF GOVERNMENT, WE COMPLETED PREPARATION OF GOVERNMENT'S THREE-YEAR PLAN WHICH WILL BE APPROVED AND PUT INTO EFFECT BY CABINET AFTER JANUARY 6.

IT IS AN OVERALL PLAN FOR BALANCED DEVELOPMENT OF BRAZILIAN ECONOMY PRINCIPAL OBJECTIVES OF WHICH ARE PROGRESSIVE REDUCTION OF BURDEN OF INFLATION AND MAINTENANCE OF INCREASE IN GROSS NATIONAL PRODUCT OF ABOUT SEVEN PER CENT.

NEED FOR A PLAN HAS BEEN URGED FOR A LONG TIME BY BRAZILIAN PUBLIC OPINION AND IS ALSO IN LINE WITH DECISION TAKEN BY AMERICAN STATE IN SUBSCRIBING TO CHARTER OF PUNTA DEL ESTE, BASIS OF ALLIANCE FOR PROGRESS. WITHIN FRAMEWORK OF THIS CHARTER, PLANS MUST BE NATIONAL ONES, THAT IS, DRAFTED BY COUNTRIES AS EXPRESSIONS OF THEIR NEEDS AND LEGITIMATE ASPIRATIONS OF THEIR RESPECTIVE PEOPLES. THE BRAZILIAN PLAN WILL DECLARE IN FIRST PLACE OUR FIRM CONVICTION THAT WE HAVE TO SEARCH IN OUR OWN ECONOMY FOR FUNDAMENTAL RESOURCES FOR OUR DEVELOPMENT, AND THAT BASIC HELP, WITHOUT WHICH NO OTHER CAN BE FRUITFUL, IS SELF HELP.

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ACTION	ASSIGNED TO: <i>AKA/LS/5/16</i>	TAKEN	DATE OF ACTION	DIRECTIONS TO RM/R
NAME OF OFFICER	<i>AKA/LS/5/16</i>	<i>nam</i>	<i>1/14/63</i>	<i>file</i>
OFFICE SYMBOL	<i>AKA/LS/5/16</i>	<i>FTB</i>		

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-2-, 1266, JANUARY 5, FROM RIO DE JANEIRO

AT SAME TIME PLAN REFLECTS CONVICTION THAT DEVELOPMENT DEPENDS ON CHANGES IN SOCIAL STRUCTURE WHICH CAN BE REACHED ONLY WITH BASIC REFORMS ESPECIALLY FOCUSED ON HUMAN IMPROVEMENT BY MEANS OF EDUCATION AND PUBLIC HEALTH. AMONG SUCH REFORMS, AGRARIAN REFORM HAS A SPECIAL PLACE TO IMPROVE SOCIAL DISTRIBUTION OF LAND, GRADUALLY DOING AWAY WITH UNPRODUCTIVE LARGE LAND-HOLDING ESTATES AND PROMOTING FAIR SYSTEM OF AGRICULTURE AND INCREASE IN PRODUCTIVITY.

BRAZILIAN PLAN DOES NOT FAVOR EXPANSION OF STATE INITIATIVE AT EXPENSE OF PRIVATE ENTERPRISE. ON CONTRARY IT STIMULATES PRIVATE INITIATIVE AND MAINTAINS DURING THREE-YEAR PERIOD SAME PROPORTION OF PARTICIPATION OF PUBLIC RESOURCES IN ECONOMIC ACTIVITY OF COUNTRY.

THERE ARE NO RESTRICTIONS OR DISCRIMINATIONS AGAINST FOREIGN CAPITAL, WHICH IS WELCOME IN DEVELOPMENT EFFORTS OF COUNTRY AND WHICH CAN RELY ON LEGAL GUARANTEES THAT WERE NEVER DENIED IT IN A COUNTRY WHOSE JURIDICAL SYSTEM IS BASED ON PRINCIPLE OF SUPREMACY OF LAW AND INDEPENDENCE OF COURTS.

I AM CERTAIN THAT THREE-YEAR PLAN WILL BRING NEW AND EXTREMELY POSITIVE POSSIBILITIES IN THAT WHICH CONCERNS US, STIMULATION OF ALLIANCE FOR PROGRESS, CLEARLY PRESENTING BRAZILIAN PROBLEMS AND SYSTEMATIC USE OF OUR OWN RESOURCES.

WITHOUT NATIONAL PLANS LIKE ONE WE WILL NOW HAVE OPPORTUNITY TO EXECUTE, IT WOULD BE DIFFICULT TO CARRY OUT ALLIANCE FOR PROGRESS WITHIN SPIRIT AND PURPOSE OF CHARTER OF PUNTA DEL ESTE SIGNED BY BRAZIL.

BRAZILIAN PEOPLE START YEAR 1963 CONFIDENT OF FUTURE AND STRENGTHENING OF DEMOCRATIC IDEALS AND AMERICAN SOLIDARITY. OUR GOVERNMENT RELIES ON PUBLIC OPINION AND FREE ELECTIONS, DEMOCRATICALLY CARRIED OUT, AND I HAVE FAITH THAT EXAMPLE OF BRAZIL, ITS FIRMNESS IN RESPECT TO DEMOCRATIC LEGALITY, EVEN IN MOMENTS OF POLITICAL CRISES, WILL BE HELPFUL TO WHOLE HEMISPHERE AND WILL ALWAYS FIND UNDERSTANDING, WHICH HAS NEVER BEEN LACKING FROM PEOPLE OF UNITED STATES. IT IS WITH PLEASURE THAT I TAKE

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-3-, 1266, JANUARY 5, FROM RIO DE JANEIRO

OPPORTUNITY OF NEW YEAR TO SALUTE, IN PERSON OF PRESIDENT
KENNEDY, NOBLE AMERICAN PEOPLE WITH WHOM BRAZILIAN PEOPLE ARE
UNITED BY TIES OF TRADITIONAL FRIENDSHIP. END OF TEXT.

DE ONIS STORY AS FILED BEING TRANSMITTED USIA VIA PRESS WIRELESS.

GORDON

MQG:22

BROUGHT TO ATTENTION
OF EST/B - MR. BURTON
1/6/63 BY *Ch. Sullivan*
ATTN DUTY OFFICER

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ACTION				DEPARTMENT OF STATE		832.00/1-863	
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24				AIRGRAM		46 UNCLASSIFIED	
TO : Department of State, Washington				DATE: January 8, 1963		AIR POUCH HANDLING INDICATOR	
FROM : American Consulate, Curitiba				SUBJECT: CONSUL'S "FOOTSTRAP OPERATION" FOR UKRAINIANS IN BRAZIL		BUREAU OF INTER-AMERICAN AFFAIRS	
REF :				JAN 10 1963		JAN 10 1963	
The Consul and his family accompanied by the BPAO and his wife recently visited the largest Ukrainian colony in Brazil as the result of an invitation issued the Consul by Ukrainian Bishop Jose Martenetz. The colony is about 200 kilometers west of Curitiba and is approachable only in dry weather. Prudentopolis, the city, lies in a once very fertile agricultural area which was first settled by Ukrainians about 50 years ago and is now merely existing with an agricultural population of about 15,000, of which about 10,000 are of Ukrainian descent. There are no industries in the city other than several very small lumber mills, the lumber industry having moved on. Cattle, wheat, hogs and potatoes are the main crops but poor marketing facilities are the main depressant factors. The outward appearance of the city gives one the impression of a place left behind by the onward march of man's exploitation of natural resources. There are no paved streets or modern health facilities even in the hotel or in newly constructed homes. The main street consists of a few shops set up in residential buildings and dust is prevalent everywhere. The outstanding feature of the city is a very large Ukrainian Catholic church built in the Russian orthodox style, a large Roman Catholic Church, a large finished seminary for girls and a large unfinished one for boys of Ukrainian descent. The Ukrainian Church although a member of the Roman Catholic Church, maintains certain traditional and folkloric rites and privileges. cc: AmEmbassy, Rio Mr. Henderson, AmEmbassy, Rio AmEmbassy, Brasilia Brazilian Desk Officer							
FORM 4-62 05-323				UNCLASSIFIED		FOR DEPT. USE ONLY	
Drafted by: AWFeldman:bb				Contents and Classification Approved: AWFeldman			
Clearances:							

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Page 2 of 3
Encl. No. 46
Disp. No. 46
From: Air Consulate, Curitiba

The reception given the official party during the visit was most impressive. Each school vied with the other in putting on talent shows of typical folkloric Ukrainian dances and singing. Each of the four schools visited also prepared typical full course meals and showed exhibits of Ukrainian embroidery to welcome the guests. A large American flag was made by hand for the occasion and was displayed in each of the school auditoriums. The Consul expressed his sincere appreciation for the reception at each school and then spoke on the importance of the Alliance for Progress and on U.S. - Brazilian relations. Each talk, by necessity, had to be different to meet the comprehension level of the audience addressed. The next day, the Consul's wife decided to do some shopping and visited the four shops in town. To her surprise, she found that not one had any Ukrainian embroidery for sale but that they did have stocks of embroidery of lesser interest and poorer quality made in Ceara, a Brazilian state in the northeast, many hundreds of miles away.

This information was discussed and the Consul decided that if the Ukrainians showed any interest, he would sponsor and organize an exhibit of their handiwork in order to arouse interest in this work and perhaps even stimulate thereby a small industry. The Bishop was consulted and as a result of his enthusiastic endorsement, steps were immediately taken to arrange an exhibit. Mr. Slavin, the Bi-National Center Grantee in Curitiba offered space; USIS offered its full support; and Cultural Affairs Officer Boehrer attended and spoke at the inauguration of the exhibit. On the opening night, a one hour program of Ukrainian folk dancing and singing was offered by costumed groups. Following which, the exhibit area, which was very tastefully organized with mannequins in native costume and a beautifully decorated altar, was officially opened. About one thousand visitors were checked in during the ten day exhibit and about three hundred persons ordered articles to be made from the samples which were on display. The Consul in talks given in the area during the exhibit mentioned the need to support such an effort for by so doing Brazilians were not only helping Brazilians to develop economically but were also strengthening the folkloric traditions of a minority group which is capable of producing handiwork comparable to the best of the rest of the country.

The Ukrainians being mainly an agricultural people were completely unprepared for the favorable reaction and interest shown in their work and thus had not produced any items for immediate sale. Since the work is all done laboriously by hand and requires considerable time the sales were somewhat less than they might have been had articles been available for immediate sale. For instance, it takes about four months to embroider an average sized table cloth. In any event, the Ukrainian colony is now busy at work producing the orders received. Highly emotional expressions of gratitude at U.S. interest in them as a people have been publicized.

Remembering the questions once asked of him by Ukrainians concerning the possibility of Alliance aid to help establish an industry in embroidery, the Consul spoke of this situation to the Director of the Southern Brazilian States Development Bank. The latter became enthusiastic about the possibilities involved in helping establish a new industry and asked to be placed in contact with the Ukrainian group. This the Consul arranged and at the meeting, it became apparent that although the road to receiving financial assistance had some obstacles, these were not insurmountable. The Director expressed his willingness

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From AmConsulate, Curitiba

to cooperate fully in guiding and advising the group. The Consul made it clear that he was neither playing an official role in this negotiation nor was he accepting any responsibility and that he was only acting as the catalyst between the two elements involved and would play no role in any developments which might come about. His position was accepted and is being respected.

It was only through the enthusiastic cooperation of Grantee Slavin, and the Bi-National Center, the Ukrainian Church and its members and Mr. Netto of the local USIS staff that this operation was able to achieve the success it did. A definitely favorable impact has been made on a minority group, which numbers about 220,000 in Brazil. The U.S. participation in this operation has been commented upon very favorably by local authorities and business leaders and attention has thereby been drawn to the possibility of developing, with very little financial aid, latent but existing human resources.

Arthur W. Feldman

Arthur W. Feldman
American Consul

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GPO 502667

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NO. A-209 CONFIDENTIAL AIR POUCH
HANDLING INDICATOR

TO : Dept. of State *Cm*

FROM : Amcongen SAO PAULO DATE: January 9, 1963

SUBJECT : Conversations with Mr. John S. Richards and Dr. Paulo Ayres Filho.

REF :

Enclosed are two memoranda of conversations reflecting the views of John S. Richards, President of American Chamber of Commerce in Brazil (São Paulo) and representative in Brazil of R. C. A., and Dr. Paulo Ayres Filho, Brazilian banker and industrialist who is also one of the top executives of Instituto de Pesquisas Economicas e Sociais (IPES). Both conversations took place on January 8, 1963 with Minister Consul General Braddock.

Daniel M. Braddock
Daniel M. Braddock
Minister Consul General

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FORM 4-62 DS-323

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Drafted by: DMBraddock/mec Jan. 9, 1963 Contents and Classifications Approved by:

Classified by:

DMB

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Page 1 of Encl. 1
S&O Paulo A-209

MEMORANDUM OF CONVERSATION

DATE: January 8, 1963

PLACE: Office of Minister Consul General Braddock

SUBJECT: Various Subjects

PARTICIPANTS: John S. Richards, Pres. of American Chamber of Commerce in Brazil (S&O Paulo) and representative in Brazil of R. C. A. Minister Braddock.

Copies to: Amembassy Rio (2 cc)
ARA (1cc)
INR (1 cc)
Central files (2 cc)

Minister Braddock took the initiative for arranging the meeting. In reply to various subjects raised by him, Mr. Richards expressed the following views:

Cooperation between the American Chamber and the Federação de Industrias do Estado de São Paulo: A luncheon meeting had been held between the top executives of the two organizations, as a result of which the Chamber had indicated three Americans, Mr. Paul Albright (Squibb), Mr. William Kelleher (Sears), and Mr. Richards (RCA) for positions as FIESP Directors offered by Mr. Raphael Neschese, President of FIESP. Closer ties were being sought.

Political Situation: Goulart would attempt to strengthen his position during January, before the new Congress met and the new State Governors took office. There was a very large number of Brazilians, including practically all the S&O Paulo business community, who were surfeited with Goulart and would like to see him deposed. They were not yet united among themselves. Moreover, any attempt at a coup would be inopportune pending the election of the President of the new Chamber of Deputies, who alone could be regarded as the legitimate successor to the President in the absence of a Vice President. The opposition was therefore concentrating now on getting a sound conservative elected as head of the Chamber. If the President made any drastic move in the direction of imposing an extremist left government on the country, or if the economy began to fall apart, a rightist coup, spearheaded by the military, might well take place. Mr. Richards thought this probably the best solution as he considered Goulart hopeless.

Celso Furtado's Three Year Plan: The objectives of the plan were not bad, but the plan was "window dressing" for our benefit, as the Government had neither the intention nor the capability of carrying it out.

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ORIGINATOR ACTION

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DEPARTMENT OF STATE

AIRGRAM

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NO.

TO : DEPARTMENT OF STATE

1963 JAN 19 AM 9 11

INFO: RIO DE JANEIRO, SAO PAULO, BRASILIA

ANALYSIS & DISTRIBUTION

FROM : Amconsul RECIFE

DATE: January 10, 1963

SUBJECT: Weekly Summary No. 28

REF :

732.00/14063

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2. Russian Wheat Shipment
3. Dredging Operations to Cease

PSYCHOLOGICAL

POLITICAL

1. Northeast Votes No in Plebiscite

In accordance with all predictions the Northeast joined with the rest of Brazil on January 6 to vote a resounding disapproval of the Ato Adicional and the parliamentary system. Initial results of the plebiscite voting showed a "No" vote preponderance of ten to one and final results only increased the "No" majority. Total abstention was high --- between 35% and 55% in most cities --- but not as high

FORM 4-62 DS-323

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Amconsul Recife

as anticipated. Null and blank votes together fell just short of 10% of the total number of votes cast.

Results of the voting in Recife, given below in round numbers, provide a fair illustration of how the Northeast felt about parliamentary government.

<u>NO</u>	<u>YES</u>	<u>NULL AND BLANK</u>	<u>ABSTAINED</u>
130,000	9,000	16,000	98,000

Comment: By local press standards, one of the most notable features of the plebiscite voting was the high number of votes declared null. Votes were nullified for a number of reasons but primarily because the voters ignored the ballot's question and used the ballot instead to express their feelings about the present government and its leaders. A great number of obscenities were reported. One voter, apparently not given to profanity, recorded a simple: Goulart, Naq; Maria Teresa, Sin.
(OFFICIAL USE ONLY)

2. First Strike of Rural Labor Unions

The first strike involving one of Pernambuco's rural labor unions was called this week in the vicinity of Vitoria de Santo Antao, Pernambuco with the purpose of forcing a landowner to sell his property to his workers. Although violence threatened to break out during the first few hours of the strike, the strike leaders (primarily Padre PAULO CRESPO) the landowner, and state police made a concerted effort to keep peace, and after three days the issue was resolved by compromise.

There have been several other peasant-landowner disputes in the same general area within the past few weeks involving elements of both the rural labor unions and the Ligas Camponesas. One landowner, according to the press, has received notice from JOEL ARRUDA CAMARA of Ligas Camponesas fame (See Weekly Summaries Nos. 7 and 9) that his properties are to be invaded within the near future.

Comment: Rural labor union strikes may now be expected to increase; Padre Crespo and the peasants he has organized have few other means of seeking a redress of grievances. It is known that Padre Crespo will do everything possible to keep strikes peaceful in nature but if tension rises high enough some violence would seem to be unavoidable. (UNCLASSIFIED)

3. Changes in Military Commands

It was announced this week that Brigadier General JOSE SENIAL MONTEIRO LINDENBERG, Commander of the 1st Engineer Group, has been relieved of his command and will take up new duties with the Army General Staff

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ORIGIN/ACTION			DEPARTMENT OF STATE		832-091-1/63	
AIRGRAM NO. A-210 UNCLASSIFIED 1963 JAN 17 AM 8 57 INFO: RIO DE JANEIRO FROM: Amcogen, SÃO PAULO SUBJECT: Economic Goals -- Minister Furtado Speaks on Objectives of Three-Year Plan at Meeting with São Paulo Businessmen REF: CERP, D-10, D-18; ConGen Airgram A-206 of January 9			HANDLING INDICATOR DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS JAN 18 1963			
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Sao Paulo A-210

in the preparation of those sections of the plan devoted to the expansion of industrial activities. Mr. Furtado replied that because of the time element (the plan was prepared in less than two months, and submitted to the Cabinet December 15, 1962) there had been no time to contact the classes produtoras. Nor was it deemed essential to do so inasmuch as the plan was general in scope and was aimed mainly at underlining government support to those specific industries (such as the siderurgical industry) whose development demand massive investments beyond the means available to local private enterprise.

In reply to a query regarding the rescheduling and consolidation of the foreign debt, Mr. Furtado explained that only part of the 2.7 billion dollars outstanding was repayable at short term, and that talks would be held with Brazil's foreign creditors to permit payment of the most pressing debts over a longer period of time. The Minister expressed the opinion that creditors would readily accept such a consolidation which, in the long run, would not only be beneficial to Brazil, but also to their own interests.

Referring to foreign investments, Mr. Furtado stated that a government policy of austere discipline of investment and expenditures would encourage foreign capital to Brazil. Asked to give his personal opinion of the profits remittance law, the Minister stated he thought it too generous in permitting an annual remittance abroad of 10 percent of the original dollar investment, but that some of the negative clauses -- which have been detrimental to Brazil abroad -- had not been conceived in an "intelligent manner." He added that, should he be required to modify the law, he would reduce the percentage of profits to be remitted abroad, and eliminate the more ambiguous portions of the law.

Mr. Furtado was evasive in replying to a question as to why the government -- hard pressed to raise investment funds for application in some sectors of the economy -- should insist on the expropriation of foreign-owned public utilities, especially the electric power companies, rather than permitting their expansion through public stock issues. The Minister said that the three-year plan strictly adhered to the line of action adopted by the government, and solely planned the utilization of

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funds to ensure continued economic growth.

Replying to a query as to whether the tax reform program tended to lower the purchasing power of the rich and medium classes, or force them to invest in public investments, the Minister pointed out that government participation in transportation, communications, electric power, and other public programs must be maintained at approximately the same levels as in previous years, and that in order to obtain sufficient funds to ensure their continuity, the government would have to draw on that portion of the population that could best afford it. Digressing from the subject, Mr. Furtado said that one of the aims of the plan was to provide the working population with salaries and wages that would increase in relation to real gains in economic productivity, independently of upward salary adjustments due to increased cost-of-living.

Comment:

The meeting was held in an atmosphere of friendship and mutual respect. Interest in the plan was denoted by high attendance, which remained constant during the long period while Mr. Furtado explained the goals of the three-year program, and answered the numerous questions raised by the businessmen.

It is the impression of the reporter and ConGen officers who attended the conference that the São Paulo businessmen were kind to the Minister when they did not express their justifiable doubts that inflation could be reduced nearly 50 percent in 1963, an important point on which the entire structure of the plan is based. On the other hand, it was mentioned in some circles that Mr. Furtado may have tailored some of his remarks and statements (i.e. his opinion on the profits remittance law) to the tastes of his audience, in an effort to obtain the support of the São Paulo business community to his plan.

The Minister expounded on his plan at length and with great determination. By stressing that this is the first time an economic development plan has been prepared in Brazil, Mr. Furtado indirectly played down the role of previous administrations (especially the Kubischek administration and its programa de metas). His statement that Brazil's foreign debt has become unwieldy and unredeemable in its present form because in the past loans had been negotiated mostly in times of crises and at terms not compatible to Brazil's foreign exchange availabilities

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appeared to be thrusts at former finance Ministers, some of whom are economists of renown who support more traditional economic theories than those advocated by Mr. Furtado.

By and large, the meeting went a long way to dispel some of the concern of the São Paulo business community. Fears that the plan would set down directives leading to an economic dictatorship by the State have now been allayed to a great extent. Nor is the plan now considered to be much more radical in essence than previous similar government projects. Some observers believe that the planners have carefully thought-out several constructive measures which would contribute to an improvement of Brazil's social, economic, and financial position.

The major doubts that are still expressed in São Paulo's business, economic, and financial circles, are that the plan can be successfully executed. Some of those doubts were reflected in a recent editorial in one of the conservative dailies, which pointed out that just a few days after Mr. Furtado had emphasized the need for a disciplined and concerted drive to slow down inflation, the Federal Minister of Labor was already voluntarily advocating the immediate implementation of an inflationary measure: the sliding salary scale (salario movel), whereby wages would be adjusted frequently and automatically in accordance with cost-of-living levels.

For the Minister Consul General

Richard C Desmond
Richard C. Desmond
Consul

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ORIGIN/SECTION			DEPARTMENT OF STATE			732.00/1-143		
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L	FO	AID	ANALYSIS & DISTRIBUTION			BRANCH		
AGR	COM	FRB	FROM : Amcogen, SÃO PAULO			DATE: January 11, 1963		
INT	LAB	TAR	SUBJECT: Carvalho Pinto Regards Furtado Plan As Good First					
TR	XMB	AIR	REF : CERP, D-18 and Congen A-210 of January 11, 1963					
ARMY	CIA	NAVY						
ORD	UMA	NSA						
12	8	3						
File RM/IC 2/4/63 R J Burton No action			On January 9, 1963, São Paulo's Governor CARVALHO PINTO expressed his views on the Federal Government's proposed three year plan (the Celso Furtado plan), stating that he had been invited by President GOULART to study it and comment upon it. The Governor indicated satisfaction that acceptance of the idea of careful planning for economic development, which was a guiding principle of his administration in São Paulo, is growing in Brazil. He said that on reading the Furtado plan he was impressed at once with similarities between it and his own Plan of Action, but that his words should not be taken as constituting a blanket endorsement of it. He also said that one of his first impressions of the Furtado plan was the unequal level of its planning for various sectors, going into detail as it does regarding such matters as education but merely mentioning a few general goals for some other sectors such as public health. The Governor said the Furtado plan does not face up to the basic necessity of a unified financial command with full authority to discipline the investments to be made by various Federal agencies, including the public corporations (autarquias). He recommended closer attention to this need. Whether Carvalho Pinto may accept the post of Federal Minister of Finance is being widely discussed in São Paulo. His comment on the need for unified financial command will doubtless be construed as a possible indication of the terms on which he might accept.					
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Dated by: ECON DPM:ah:lc 1/11/63			Contents and Classification Approved by:					
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Sao Paulo

thirteenth month Christmas bonus. A number of strikes, generally of short duration, occurred. Threatened major strikes of municipal bus and streetcar workers in the cities of São Paulo and Santos were avoided by a last minute agreement between the public transport companies and the unions setting up a time schedule for payment of the bonus. On January 9 the São Paulo Regional Labor Tribunal in its first decision on the subject upheld the legality of the decree issued in mid-December 1962 regulating the law which instituted the thirteenth month bonus.

Comment: On balance the amount of labor unrest was less than that which might have been expected given the wide-spread confusion regarding payment of the bonus.

9. Labor -- Various occupation 21 categories win wage increases.

Chemical workers in Santo André-São Bernardo-São Caetano industrial satellite cities received a 60 percent increase over wage levels of one year ago. Shoe workers in the interior city of Franca received a 65 percent wage increase up to a monthly maximum increase of 25,000 cruzeiros effective January 1, 1963. Employees of São Paulo radio and television enterprises won a 60 percent increase up to a monthly maximum of 14,000 cruzeiros. The São Paulo municipal council and the mayor both approved a new wage schedule for municipal employees effective January 1 providing for an average increase of approximately 60 percent. Insurance company employees signed an agreement with their employers providing for a 60 percent wage increase effective January 1, with minimum and maximum monthly increases of 12,000 and 50,000 cruzeiros respectively and an additional increase of 20 percent in July 1963.

For the Minister Consul General

Richard C. Desmond
Richard C. Desmond
Consul

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TR	RMB	AIR	FROM : AMCONSULATE, SALVADOR DATE: January 11, 1963		
ARMY	STA	NAVY	SUBJECT: Weekly Summary, Salvador		
OSD	USA	NSA	REF		
12	8	3	POLITICAL:		
The October 7, 1962 election results having been confirmed finally by the Regional Electoral Tribunal, certificates of election (diplomas) were issued to the successful candidates in a ceremony on the evening of January 10. Governor-elect Antonio Lomanto Junior flew back from Rio, where he went on January 8 for political consultations and to make arrangements for his trip to the United States on board the SS Brazil which sails January 11. Speaking after receiving his "diploma," Lomanto stated the occasion marked the crowning point of his political career which started seventeen years ago in Jequié when he was elected alderman. He said he felt humble before the responsibilities placed on him but he was not afraid of the task and would not deceive the Bahian people who had elected him. Alluding to a previous speech by oppositionist Vieira de Melo (PSD) who said he would carry on constructive criticism of the new administration, Lomanto said he would be a Governor of all the Bahian people after April 7 when he assumes office and intends to have a peaceful and constructive government which can count on the support of all. He will not tolerate hindrances, he warned, and will denounce to the people those who attempt to block governmental action. He said he was particularly concerned with expanding production of all sectors of the economy, especially agriculture. <u>Comment:</u> Lomanto is already facing political maneuvers which threaten to curtail his efforts. The failure of President Goulart to show up for the publicized visit to Jequié on January 3 no doubt hurt his standing somewhat. The real reasons for Goulart's change of mind have not yet been divulged, but there have been hints to the effect that Antonio Balbino,					
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TO : DEPARTMENT OF STATE 1963 JAN 21 PM 2 08
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RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 22 1963

FROM : Amcongen, SÃO PAULO DATE: January 16, 1963
SUBJECT: Northeastern Governors Will Attend Development
Conference in São Paulo, January 22-24, 1963
REF :

São Paulo's Governor CARVALHO PINTO and Governor-elect Adhemar DE BARROS will confer in São Paulo with Governors and Governors-elect from Brazil's underdeveloped Northeastern states on what technical, scientific, and financial assistance that region can anticipate receiving from São Paulo. Governor MAGALHÃES PINTO of Minas Gerais, as well as various Federal officials including Minister Celso FURTADO, will also participate in the conference, which is being organized by the Instituto Nacional de Estudos Superiores (INES). Ambassador Lincoln GORDON will address the Governors and other officials on the morning of January 24, and President GOULART will speak before the same audience on the evening of that date.

The agenda for the conference provides for (1) a review of the development planning for the Northeast,

1/ INES has announced that the following Northeastern Governors plan to be present: Newton BELLO of Maranhão; Alusio ALVES of Rio Grande Norte; Pedro GODIN of Paraíba; and Luis CAVALCANTI of Alagoas. Governors-elect who plan to attend, according to INES, are Miguel ARRAIS of Pernambuco, Virgilio TAVORA of Ceará, Petronio PORTELA of Piauí, Seixas DORIA of Sergipe, and LOMATO Junior of Bahia.

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including prospects for industrialization and improvement of agriculture, as well as aspects of the region's infrastructure; (2) São Paulo's probable contribution to Northeastern development, including measures which may be taken to stimulate a flow of investment funds from São Paulo, scientific and technical exchange programs, and financing from special funds in the Bank of the State of São Paulo; and (3) Federal money, foreign funds, and other resources available for Northeastern development.

For the Minister Consul General

Richard C. Desmond
Richard C. Desmond
Consul

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ORIGIN/ACRON

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ANALYSIS & DISTRIBUTION
BRANCHDEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 22 1963

DATE: January 16, 1963

FROM: AmEmbassy, RIO DE JANEIRO

SUBJECT: BIMONTHLY ECONOMIC REVIEW (Period December 29, 1962 -
January 11, 1963)

REF: CERP C-3

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2. Domestic Food Supplies.
3. Major Problem Confronts Brazil-USSR Trade Negotiations.
4. Brazil To Import 100 Thousand Tons of Soviet Wheat.
5. Ishikawajima Shipyard Delivers Another 5,800 TON Ship.
6. Shipping Conferences Headquarters Moved From New York to Rio.
7. US Aid Loan To Companhia de Carbonos Coloidais Of Bahia.
8. Brazilian Mining Association Formed.
9. Petrobrás In Difficulty Again.
10. New State Iron-Ore Export Company Considered.
11. Strikes Hit Shipyard, Bus Companies And Private Banks.
12. 65 Per Cent Increase In Currency In Circulation In 1962.

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FORM 4-62 DS-323

Drafted by:

ECON:BAGoldstein:lsc

Contents and Classification Approved by:

Robert Eakens

Clearances:

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Rio de Janeiro

1. COFFEE EXPORTS

Coffee exports during the month of December were 1,475,760 bags compared to 1,723,412 bags exported the same month last year.

Total coffee exports during the current coffee marketing year (July 1 - December 31, 1962) were 8,956,062 bags compared to 9,713,133 bags exported during the same period of the 1961/62 coffee marketing year. (LYallous)

(UNCLASSIFIED)

2. DOMESTIC FOOD SUPPLIES

Black beans, which had been in short supply since May, 1962, are now plentiful in the local markets whereas rice supplies are still erratic. Rice prices were liberated by COFAP last week on a CLD (cost, profit, and other expenses) basis which established a maximum profit margin of 5% for wholesalers and 10% for retailers. The terms of the liberation evoked serious protests in some quarters, however, and apparently brought about the replacement of President Max do Rego Monteiro of COFAP this week by Army Major Nasir Nasser. Official ceiling prices are still in effect for meat and a shortage of supplies persists. (LTHomasson)

(UNCLASSIFIED)

3. MAJOR PROBLEM CONFRONTS BRAZIL-USSR TRADE NEGOTIATIONS

Press accounts suggest that a major problem confronting the Brazil-USSR trade agreement negotiations (see BMER A-755, January 3, Item 13) is the surprise demand made by the Soviets in behalf of their permanent trade mission. According to one source, the Soviets requested diplomatic status for their resident mission; another version reports that the Soviets asked for an increase in their staff to four times the present number, "in view of the Soviet intention to centralize in Brazil the entire Soviet trade effort for all Latin America". (A 1961 Protocol establishing a permanent Soviet trade mission limits the number of members to ten --- see Embdes 377, November 6, 1961).

Reportedly, the Brazilians were caught completely off guard and replied that they were without authority to decide on a matter of a political nature since their instructions related exclusively to the negotiation of a trade and payment agreement. The report suggests that the matter will be "resolved in a future session", after the Brazilian delegation has been given appropriate instructions, although no guesses were hazarded as to what the instructions will be. (BAGoldstein)

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4. BRAZIL TO IMPORT 100 THOUSAND TONS OF SOVIET WHEAT

While negotiations are going on for the establishment of a Brazil-USSR long term bilateral trade and payments agreement (see item 3), representatives of CACEX (Foreign Trade Department of the Bank of Brazil) and the Soviet EXPORTKLEB signed a contract, valued at US\$7.3 million for the supply of 100,000 tons of Soviet wheat in exchange for coffee, cotton, cacao, vegetable oils, hides, and sisal. The first shipment of 30,000 tons is expected to arrive in February, 40,000 more tons are scheduled for March delivery, and 30,000 for April.

The contract is the fourth such to be signed by Brazil and the USSR, and was undertaken in accordance with the terms of a 1959 agreement.

In addition to purchasing wheat from the USSR, Brazil has made arrangements to obtain wheat from Argentina and the US: Edital 1/63 for 50,000 tons of Argentine wheat is due January 16 and, it is reported, Brazil has agreed to purchase 84,500 metric tons of US wheat against manganese ore under Edital 44/62 of January 10. Of the 120,000 tons of Title I reported as purchased under Edital 41/62 on December 29, 20,000 tons were rejected on the basis of price. This 20,000 was reissued under Edital 2/63 and purchased on January 10. (FELIAM/BAGoldstein)

(UNCLASSIFIED)

5. ISHIKAWAJIMA SHIPYARD DELIVERS ANOTHER 5,800 TDW SHIP

On January 9 the Ishikawajima shipyard delivered to the Merchant Marine Commission a third ship in the 5,800 TDW class being constructed under the program to provide the Serviço de Navegação Amazonica e Administração do Porto do Pará (SNAAPP), with a modern merchant marine. This ship, the "Cidade de Belém", a sister to the "Volta Redonda" and the "Cidade de Manaus" will enter service in the Amazon Valley and down the coast as far as Santos. (SGAnderson)

(UNCLASSIFIED)

6. SHIPPING CONFERENCES HEADQUARTERS MOVED FROM NEW YORK TO RIO

On the same date there was inaugurated in Rio the new headquarters of three important Northbound Freight Conferences whose headquarters had been in New York City for the last 27 years. These Conferences are: Brazil-U.S.-Canada, Mid-Brazil-U.S.-Canada and the North Brazil-U.S.-Canada. They comprehend 15 important shipping lines including Moore McCormack and Delta. The new President of the Conference is Comandante Carlos Bezerra de Miranda, a former Brazilian naval officer.

(UNCLASSIFIED)

COMMENT: The change in location of headquarters of these Conferences was a result of the suggestion of Sr. Moacir Monteiro Neto, Director of the Lloyd Brasileiro, who threatened to withdraw Lloyd Brasileiro from these Conferences if the change did not take place. (SGAnderson)

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Rio de Janeiro

7. US AID LOAN TO COMPANHIA DE CARBONOS COLOIDAIS OF BAHIA

Announcement was made on January 10 of a loan of US\$2 million by the United States Agency for International Development to Companhia de Carbonos Coloidais, a private company of Salvador, Bahia. The loan will be used to purchase machinery and equipment in the United States for construction of a carbon black plant using residual oils from the Petrobrás refinery in Salvador as raw material. The plant will have a capacity of 15,000 metric tons per year of carbon black, practically all of which will be used by the rubber industry. The loan will be repaid in eight years at 5-3/4 per cent interest. Total cost of the plant will be US\$6.15 million, the company itself providing the equivalent of US\$4.15 million. Phillips Petroleum International of the United States has licensed the manufacturing process to be used and will provide technical and operating assistance to the company. The plant, preliminary construction of which has already begun, is expected to be completed in about 18 months.

(UNCLASSIFIED)

COMMENT: This loan is the first dollar loan to a private company in Brazil made by US AID under the Alliance for Progress program. In September, 1962, US AID lent US\$3.4 million to COPERBO, Companhia Pernambucana de Borracha Sintética, controlled by the Government of the State of Pernambuco, to build a plant near Recife for production of 25,000 metric tons yearly of polybutadiene synthetic rubber from ethyl alcohol. (SHWeaver)

(UNCLASSIFIED)

8. BRAZILIAN MINING ASSOCIATION FORMED

On November 14, 1962, a group of interested Brazilians met to discuss a constitution for a proposed Associação Brasileira de Mineração (Brazilian Mining Association). As a final development of that meeting the fledgling association published its statutes and avowed purposes on January 10, 1963, and became an active forum as spokesman for the mining industry in Brazil. Professor Alberto Ribeiro Lamago, Geologist of the Departamento Nacional da Produção Mineral, is the first president of the newly organized body.

(UNCLASSIFIED)

COMMENT: Until now there has been no mineral industry "voice" in Brazil such as is found in the United States under the banner of the American Institute of Mining, Metallurgical, and Petroleum Engineers. Whether this forum and spokesman for the mineral industry, struggling to develop and advance over the hurdles of politics and nationalism, will proceed in the direction as avowed, remains to be determined. The initial publicity given to statements of the Association indicates an outspokenness that augurs well, and the stated objectives are laudable. (ALRansome)

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9. PETROBRAS IN DIFFICULTY AGAIN

Recent press articles have reported the financial problems of Petrobrás as admitted by the company president, Sr. Francisco Mangabeira, before the Inquiry Commission of the Chamber of Deputies. More recently publicity has been given to the shortages of gasoline at various points throughout Brazil, but particularly in the north and northeast. In defense against criticism, Sr. Mangabeira has reiterated in the press, and over the radio and TV, that much progress has been made by the State-owned company, and that the fault for gasoline shortages lies with the private distributing companies.

(UNCLASSIFIED)

COMMENT: There seems to be no doubt that Petrobrás is in financial "hot water". One alternative for solving this problem, stated by Mangabeira, would be to raise prices of derivatives by 40-50%. This is reasonable, as current gasoline prices at today's level of inflation are ridiculously low. Mangabeira's rather desperate-sounding defense publicity are more words than fact which actually weigh heavily for the distributors. The problem is primarily one of transportation which is in the hands of Petrobrás. There is a feeling that Mangabeira will not last too much longer.
(ALRansome)

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10. NEW STATE IRON-ORE EXPORT COMPANY CONSIDERED

According to a recently published article, the Council of Ministers has under consideration a proposal from the Minister of Mines and Energy for the creation of a new State company for the exportation of iron ore from the Paraopeba Valley (in the western part of the "iron quadrilateral" in Minas Gerais). Forming the new entity would be the Cia. Vale do Rio Doce, Cia. Siderúrgica Nacional, Estrada de Ferro Central do Brasil, Metais de Minas Gerais (METAMIG - State government mining autonomy), FERROBEL (autonomy of the Prefeitura de Belo Horizonte) and private mining companies in the region. The plan would include the construction of an ore-loading port near Rio de Janeiro.

(UNCLASSIFIED)

COMMENT: This is the first public notice of the Minister of Mines and Energy plan for such ~~mineral exportation~~ ~~mineral exportation~~ ~~mineral exportation~~ a group of exporters including a port facility which would presumably include Cia. de Mineração Novalimense (Hanna Company). Hanna has been discussing this or a similar plan for a mixed-company combine as a possible solution to much of its problems in Brazil.
(ALRansome)

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Rio de Janeiro

11. STRIKES HIT SHIPYARD, BUS COMPANIES AND PRIVATE BANKS

On December 27 the Ishikawajima shipyard was closed down by the workers who protested against the management firing four employees. Management stated that the case was before the labor court and refused to re-employ the fired workers. As a result the strike still continues.

On Thursday, January 10, at midnight, personnel of 12 bus companies in Rio de Janeiro, State of Guanabara, went out on strike. The union is striking over non-payment of the 13-month bonus. The government has authorized the owners to increase their fares and as a result the strike should be of short duration.

On Friday, January 11, personnel of 5 private banks went on strike in an effort to secure an additional month's (Christmas) bonus. The National Confederation of Workers in Credit Institutions (CONIEC) may select other banks for this type of action in the immediate future. (RShapiro)

(UNCLASSIFIED)

12. 65 PER CENT INCREASE IN CURRENCY IN CIRCULATION IN 1962

According to official Brazilian government sources, Cr\$85 billions were added to currency in circulation in the month of December bringing the year's total increase to approximately Cr\$200 billion or 65 per cent.

(UNCLASSIFIED)

COMMENT: The record breaking December issuance was attributable to, (1) usual increased liquidity demands connected with Christmas buying, (2) customary heavy year-end federal budgetary expenditures and (3) financing offered by the Bank of Brazil to cover expenditures in connection with the 13th-month wage.

Actual issuances reached the figure higher than Cr\$ 85 billion during the month, but part of the return flow to the banks was withdrawn from circulation before the end of December. The Finance Ministry had earlier stated that a "substantial" part of the December issuance would flow back to the banks in January, but in view of the additional credit demands which will result from the minimum wage hike effective January 1, it is doubtful that there will be any net withdrawals during the month of January. (JKrizay)

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For the Ambassador

Robert Eakens

Robert Eakens

Counselor for Economic Affairs

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TO : DEPARTMENT OF STATE 1963 JAN 21 PM 5 06

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : Anembassy, RIO DE JANEIRO

DATE: January 16, 1963

SUBJECT: MONTHLY ECONOMIC SUMMARY - BRAZIL - December 1962

REF : CBRP C-4

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FEB-5 1963

SUMMARY

A strong increase in inflationary pressures resulting mainly from payment of the Government decreed thirteenth month Christmas bonus salary for commercial and industrial workers dominated economic developments during December. The cost of living in Rio increased by 8.2 per cent, the highest monthly increase since February, 1959. Total increase in the cost of living in Rio for 1962 thus came to 52.7 per cent, the highest annual increase yet recorded, surpassing even the 51.9 per cent increase of 1959. Credit expansion by the Bank of Brazil to finance payment of the thirteenth month salary plus heavy Government year-end expenditures resulted in issue of Cr\$85 billion in currency. Inflationary pressures were expected to continue strong over the next two to three months with the entry into effect on January 1, 1963 of new minimum wage scales about 60 per cent higher than present levels.

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Drated by: EOCN:SHWeaver:od

Contents and Classification Approved by: Robert Bakens

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Business conditions were generally good during the month with Christmas buying at record levels resulting from payment of the thirteenth month salary. Industrial production was also generally satisfactory though there had been little increase from the previous month. Export levels remained lower than those of 1961 and the existence of a substantial balance of payments deficit continued to preoccupy the monetary authorities.

An important development in economic policy was the announcement and release of preliminary information on the three-year development plan prepared by Minister-Without-Portfolio Celso Furtado which called for a progressive reduction in the rate of inflation over a three year period while maintaining a growth rate of around 7 per cent per annum. Externally the plan calls for loans or rescheduling of debt amounting to US\$1.5 billion over three years in order to maintain present import levels without increasing existing total external debt outstanding. (SHEAVER)

BUSINESS ACTIVITY

While business conditions were generally satisfactory during the month, inflationary influences were strongly felt. Christmas sales were boosted by payment of the thirteenth month Christmas bonus salary and generally reached record levels. Sales volume in Sao Paulo, however, was not quite as high as expected, having increased by only 6 per cent from November, and it is thought that some wholesale and retail dealers were holding out for higher prices expected in January and February. Participation of the Bank of Brazil in financing payment of the thirteenth month salary for private commercial and industrial workers considerably eased this requirement for many firms, but others were unable to make payment by the December 20 deadline and may face threats of strikes until payment is made. The inflationary impact of the thirteenth month salary and the forthcoming increase in the minimum wage was evident in the rapid increase in prices generally. At the end of the month the Companhia Siderurgica Nacional announced a 17 per cent increase in the prices of steel less than two months after increasing them by an average 21 per cent in November. Prices of food, particularly rice and meat, increased even faster when price control measures led to some withholding of stocks from the market with many purchasers only able to buy in the black market at prices up to 200 per cent higher than the official prices. (SHEAVER)

FOREIGN TRADE

Principal developments in foreign trade during the month were the continuance of a substantial adverse trade balance in spite of some improvement in coffee exports in October and November, the establishment of a Coordinating Group for Trade with the Soviet Bloc and the arrival of a Soviet Trade Mission, and a prospective importation of some 196 agricultural crawler tractors.

/As of September

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As of September, the latest month for which figures are available, Brazil's foreign trade deficit for 1962 amounted to US\$176 million with imports totalling US\$1,062.2 million and exports US\$886.2 million. In 1961 the comparable figures were a deficit of US\$72.3 million with imports totalling US\$1,095.8 million and exports US\$1,023.5 million. The improvement in coffee exports in October and November may reduce this deficit somewhat. Since mid September the Bank of Brazil has maintained its dollar buying rate of 460 and selling rate of 475 while during the same period the parallel market rate has gone from about 670 to 800 cruzeiros to the dollar. It has been alleged that maintenance of this rate has had an unfavorable effect on exports. Another result has been an increase in the "boneco" or unofficial premium paid for exchange purchased from commercial banks from Cr\$10 - Cr\$20 to Cr\$70 - Cr\$100 per dollar.

By Decree 1,880 of December 14 COLESTE (Grupo de Coordenação do Comercio com os Países da Europa Oriental) was created to coordinate and promote trade with the Soviet bloc. Its first task will be to negotiate a new bilateral trade and payments agreement with the Soviet Union. For this purpose a Soviet Trade Mission arrived on December 28. Until a new long term agreement becomes effective, trade between the two countries will continue to be regulated by the 1959 agreement, originally due to expire December 31, 1962, and now extended.

Orders for 196 heavy agricultural crawler tractors will be placed abroad in virtue of a US\$4.5 million loan by the Inter-American Development Bank to the Companhia Agricola, Imobiliária e Colonizadora - CAIC, an agricultural development company owned by the State of São Paulo. The loan, announced in late December, will be used to set up 30 agricultural machinery stations in the State of São Paulo, including purchase of 196 imported crawler tractors. (SH/Weaver)

FINANCE

During the month of December, Brazil's basic financial problems of inflation and balance of payments continued to preoccupy public and private sectors, and major attention was focused on the long-heralded three-year development plan of which a first glimpse was given to the public on December 30, 1962. Other developments were: (a) the establishment of a working group to report on banking reform, (b) Octavio Bulhões' resignation as Director of SUMOC, and (c) a record new currency issuance of Cr\$85 billions.

The Furtado Three-Year Development Plan proposes that Government investments be maintained at present programmed levels for 1963 while limiting total government expenditures to slightly over Cr\$ 1 trillion, - about Cr\$700 billion less than "potential" expenditures projected. Receipts are estimated slightly over Cr\$700 billion. Two thirds of the remaining deficit of Cr\$300 billion would be financed by non-inflationary means. Externally, the plan calls for loans or rescheduling of debts amounting to \$1.5 billion over 3 years in order to maintain present import levels without increasing existing total external debt outstanding.

/The plan

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The plan also calls for greater emphasis on the agricultural sector, an easier rediscount policy for financing capital investments, a vastly stepped-up educational program, large public outlays for transportation, communications, electrical energy and petroleum development programs, as well as an extensive program for research regarding the nation's mineral resources. The program was presented to the nation by the President on December 31 as the "Government's Program". The main objective of the plan is to achieve a gradual reduction in the rate of inflation while maintaining the growth rate at around 7 per cent per annum.

The working group established by the President of the Republic to report within 30 days on the various bills pending in Congress on the reform of the Brazilian banking system is being presided over by the Minister of Finance with representatives of SUMOC, the Bank of Brazil, National Economic Development Bank and the employers and employees of private banking establishments. The group reportedly will come up with the administration's views on the matter, which presumably will be presented to Congress in the next session, as suggested by the Furtado Development Plan.

The Council of Ministers on December 27, 1962 accepted the resignation offered by Octavio Bulhões, Executive Director of SUMOC, after he had been severely criticized by Labor Party leaders for having characterized the Profits Remittance Law as a "crime against the nation". Julio Avelar, Director of the Rediscount Department of the Bank of Brazil, was appointed to replace Bulhões, who was the last of the Quadros appointees in high position in the financial area.

Addition to currency in circulation in December amounted to roughly Cr\$85 billion, bringing the year's increase to approximately Cr\$200 billion of 65 per cent over the level in effective circulation on December 31, 1961. The unprecedented increase in December resulted from heavy end-of-year budgetary expenditures and the financing offered by the Bank of Brazil to cover thirteenth month salary expenses.

The cost-of-living index of the Getulio Vargas Foundation for December registered an increase in the State of Guanabara of 8.2 per cent over the previous month. Total increase for 1962 was 52.7 per cent as against 43.2 per cent in 1961. (J.Krizay/W.Blonieyer)

INDUSTRY

Industrial production in December, while generally satisfactory, appeared to have increased little if at all from November and hence to have been down slightly from the record level of October. Some manufacturers may have held back sales in order to take advantage of higher prices expected in January and February. The beginning of limited rationing of electricity in the city of São Paulo in November which reduced industrial consumption of electric power by

/about 4 per cent

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about 4 per cent in that month and continued into December, also resulted in lower industrial production. Supply of electricity is not expected to be normal in São Paulo before the entry into operation of the Furnas hydroelectric facilities about July, 1963.

While there was little substantial foreign investment being made at the present time, the principal developments in the field of industry during the month were the beginning of an important new petrochemical installation in Bahia and indications of interest in the possibilities of installing a new medium size steel mill in Minas Gerais. Elsewhere several firms also were engaged in or announced expansion plans. Petrobras, the Government petroleum monopoly, announced the beginning of construction of a Cr\$10 billion petrochemical complex connected with its refinery in Bahia. The installation is intended to produce 200 tons of ammonia and 100 tons of urea daily. There were indications of interest in establishing a medium size steel mill in Minas Gerais utilizing the low quality pig iron made by a considerable number of small producers of the western part of the State. The German Krupp firm was reported interested in setting up a mill with a capacity of 100,000 tons which would remelt the pig iron and improve its quality, thus making it more appropriate for the manufacture of steel. In this same area a small new steel mill at Itauna with an electric furnace constructed by Brown Boveri S.A. of São Paulo was expected to begin operations in January, 1963. In São Paulo, Scania Vabis do Brasil S.A., a subsidiary of the Swedish Scania Vabis company, inaugurated a new bus and truck factory, having begun production in temporary quarters in July, 1960. Minersa S.A. announced plans to build a factory in the industrial city of Santa Luzia near Belo Horizonte to produce machinery for the mining, steel, and construction industries with technical assistance from Dutch and Italian firms. (SHWeaver)

TRANSPORTATION AND COMMUNICATIONS

Brazil suffered two more aircraft disasters during the month when on the night of December 14 a Panair do Brasil Constellation crashed and burned in the Amazon jungle some 50 kms. from Manaus killing all 47 people on board. Nine days later, also at night, a VARIG Convair 240 upon approaching the airport at Brasília, while in the approach pattern to land, crashed into a wooded area sheering off both wings of the plane. This unusual happening probably saved the lives of the 40 people on board as both wings subsequently caught fire while the fuselage bumped on and was badly damaged. The only fatality in this accident was the pilot who was killed, but many of the passengers were seriously injured and were taken to hospitals in Brasília.

Torrential rains during December, in many places the highest on record, interrupted highway traffic in several localities in the country. Route BR-4 from Rio de Janeiro to Bahia which is in the process of being paved throughout its entire extent, suffered landslides which not only delayed construction, but made parts of it at one time or another impassable during most of the month. Only on January 1

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of the new year was the highway opened again to traffic after being blocked for nearly two weeks. The principal highway from Rio de Janeiro via Belo Horizonte to Brasilia - BR-7 - was blocked when high waters on the Rio Prata, north of the capital of Minas Gerais, weakened the foundations of the bridge over that river, and when a bus was crossing it at night a section of the bridge collapsed throwing the bus into the river with a resultant high death toll. Subsequently, it was necessary to detour many miles to the next place where a crossing was possible. The Army Engineer Corps has since erected a Bailey bridge which permits light vehicles to make the crossing, but heavier trucks must still take a circuitous route to cross the river.

Progress was made in the negotiations aimed at resolving the problems created by the expropriation of the IT and T properties by the State of Rio Grande do Sul in February 1962 and the prospects were promising for resolving the remaining questions involved in January. (SGAnderson)

MINERALS AND PETROLEUM

Little of note took place in the minerals industry during December. Sr. Eliezer Batista da Silva, Minister of Mines and Energy, following return from his extended tour of Europe as an iron-ore salesman for Brazil, reported success and presaged a distinct change in policy with respect to exports of this commodity from that espoused by his predecessors. What eventual effect this will have officially as regards foreign capital participation in and development of iron ore in Brazil for export remains yet unclear and probably will continue so until the several legal cases still pending that relate to this problem are finally adjudicated.

During the last month of 1962 the Petrobrás pot appeared to boil over again. Newspaper articles began to voice concern over the financial state of the State-owned monopoly as the result of statements made before the Inquiry Commission of the Chamber of Deputies holding hearings relative to Petrobrás and the administration of the president, Sr. Francisco Mangabeira. Following accusations and denials, Sr. Mangabeira admitted that the company was faced with financial difficulties. Along with this was a running account in the press by the company head that Petrobrás had attained great levels of accomplishments despite its difficulties, and that the problems of gasoline shortages at many places throughout the country was the fault of the private distributors of petroleum derivatives. The revealing and spectacular character of the ^{inquiry}subsidized during Christmas and the week prior to the plebiscite vote without any clear-cut conclusion. (ALRansome)

LABOR

The month of December was highlighted by threatened strikes over payment of the 13-month Christmas bonus and payment of the new minimum wage as well as an unusual maritime strike.

A national decree was issued setting the minimum wage for various regions of Brazil to be effective January 1, 1963. The percentage increase granted varies from 56% in Guanabara to a 77% increase in Belo Horizonte. The new minimum wage

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runs from a high of 21,000 cruzeiros in Guanabara and São Paulo to a low of 9,000 cruzeiros for the rural sections of the State of Piauí.

On December 18 the administration of the federal railroads, Rede Ferroviária Federal, granted its workers a "Christmas" bonus which varies between 16,000 cruzeiros and 35,000 cruzeiros, to be paid after January 5, thus averting a threatened strike. (All private commercial and industrial workers were to receive the Christmas bonus by December 20th).

On December 10 the leftist-controlled National Confederation of Workers in Credit Institutions (CONIEC) called a 1-day political strike against the Bank Reform Bill.

Telegraph operators received an interim 26% increase in salary as well as certain additional fringe benefits. Ground personnel of airlines received an increase in wages averaging about 60%.

On December 27 the Ishikawajima shipyard in Rio was closed down by the workers who protested against the management firing four employees. Management stated that the case was before the labor court and refused to re-employ the fired workers. As a result the strike still continues.

A maritime strike was called on December 21 by four National unions. These unions insist on the same re-classification of wages recently granted the employees on ferries running between Rio and Niterói. The unions involved are: Ship's Officers, Engineers, and Stowage Handlers. The Carpenters Union pulled out of the strike due to government pressure. On December 28 the Maritime, River and Air Transport Workers National Confederation and the National Stevedores Federation condemned the strike. The government called it an "illegal strike" and replaced the strikers with Navy personnel aboard many ships. Although the ships involved (several hundred) are operating, reports indicate that the Navy personnel are not very well qualified to handle merchant ships and as a result the owners' costs are soaring. To date, two offers of settlement have been rejected by the striking unions. The owners have cancelled the strikers' contracts and the latter face possible loss of their "lifetime" jobs, a very severe penalty in Brazil. (BShapiro)

AGRICULTURE

Major happenings in the agricultural field during December included the establishment of a National Cotton Council, the liberation of the price of beans, the continuation of rice shortages, a worsening in meat supplies, the purchase of 220,000 metric tons of wheat and a decline in coffee shipments.

A National Cotton Council was created by Decree on December 18 with its principal objectives to plan and carry out Brazil's cotton policy. The Minister of Industry and Commerce in a speech reported in Correio da Manhã on December 19 had recommended the creation of Cotton and Wheat institutes. Other recommendations were to modernize and improve the Salt, Mate, and Pine Wood Institutes and the

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basic law of the Sugar and Alcohol Institute. It was further recommended that the Institute of Cocoa of Bahia and the Rio Grande Rice Institute be transferred to the Federal Government. The implementation of all these recommendations would consolidate practically all major institutions of this type under the Federal Government.

Any fixed prices for beans, of all types throughout Brazil, were eliminated by CORAP Portaria of December 11. Due to the largest harvest in recent years it was considered wise to not interfere in the marketing. Maximum consumer prices for rice remained in force throughout December and maximum prices for beef were reestablished by Portaria of December 10 at the levels existing in the first week of July, 1962. Most supplies tended to worsen throughout the month.

Brazil purchased 170,000 metric tons of U. S. wheat under Title I of PL 480 during the month and 50,000 tons from Argentina. Preliminary imports of wheat from all sources during 1962 totalled 2.4 million tons. The U. S. supplied 1,305 thousand tons under a combination of title I, sugar/wheat, cash and barter. Argentina furnished 717,000 tons and Russia 390,000. Domestic supplies provided about 100,000 tons.

Coffee exports during the month totalled 1,475,760 bags as compared to 1,723,412 bags during December a year ago. Total exports during the first half of the current marketing year (July 1 - December 31, 1962) were 8,936,062 bags compared to 9,713,133 bags exported during the same period last year. (LThomasson)

For the Ambassador

Robert Eskens

Robert Eskens
Counselor for Economic Affairs

Enclosure: Economic Indicators

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Enclosure 1
Amembassy, RioECONOMIC INDICATORS

	1 9 6 1			1 9 6 2		
	Oct	Nov	Dec	Oct	Nov	Dec
Cost of Living ^{1/} (index 1953=100)	647	685	708	946	999	1081
Percent Increase:						
Over Previous Month	4.9	5.9	3.3	2.9	5.6	8.2
Since Beginning of Year	31.2	38.9	43.6	33.6	41.1	52.7
Sales Tax Receipts ^{1/} (cruzeiros-billions)						
State of Guanabara	2.1	2.2	2.5	4.4	4.4	5.2
Cumulative for Year	17.0	19.2	21.7	33.0	37.4	42.6
State of São Paulo	10.4	9.9	10.5	18.4	17.9	19.0
Cumulative for Year	82.8	92.7	103.2	134.2	152.0	171.0
Motor Vehicle Production (units)	12,893	13,767	12,797	18,128	17,096	
Cumulative for Year	119,234	133,001	145,798	155,601	173,729	
Electric Power - Industrial Consumption (KWH-millions)						
State of Guanabara	46.1	46.2	46.4	51.5	51.4	
State of São Paulo	372.0	371.0	371.0	419.0	421.0	
Cement-Factory Sales (metric tons - thousands)	419	413	413	488		
Cumulative for Year	3,878	4,291	4,704	4,143		
Notes Protested						
Number (thousands)						
State of Guanabara	1.8	1.7	1.8	1.7	1.4	1.5
City of São Paulo	6.5	4.9	6.4	5.9	5.3	5.2
Value (cruzeiros-millions)						
State of Guanabara	53	103	108	89	72	80
City of São Paulo	393	160	230	205	192	209
Licensed Imports of Equipment Without Exchange Cover (dollars-millions)	0	0.9	1.7	2.5	1.3	1.5
Cumulative for Year	36.6	37.5	39.2	17.7	19.0	20.5

^{1/} State of Guanabara

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Enclosure 1
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Ambassy, Rio

	1 9 6 1			1 9 6 2		
	Oct	Nov	Dec	Oct	Nov	Dec
Foreign Trade (dollars-millions)						
Imports (CIF)	112.8	133.7	117.7	110.0 ^{2/}		
Cumulative for Year	1,208.6	1,342.3	1,460.1	1,172.0		
Exports (FOB)	124.1	123.3	132.1	110.0 ^{2/}		
Cumulative for Year	1,147.6	1,270.9	1,403.0	996.0		
Coffee Exports (millions of bags - 60 kilos)	1.44	1.50	1.72	1.72	1.71	1.48
Cumulative for Marketing Year Beginning July 1	6.49	7.99	9.71	5.77	7.48	8.96
Bank of Brasil (last day of month; cruzeiros-billions) ^{3/}						
Loans to Treasury	66.3	73.0	128.8	111.8	155.7	
Outstanding Loans to Private Sector	242.8	258.5	279.8	399.9	418.1	
Rediscount to Commercial Banks	25.4	28.5	33.4	46.1	46.2	
Cash Holdings	14.7	8.7	13.3	16.2	17.6	
Compulsory Reserves, Commercial Banks	42.9	54.7	61.0	111.7	107.1	
Outstanding Bank of Brasil Letters	62.0	62.0	67.8	77.7	82.7	
Currency Outstanding	288.8	288.8	313.8 ^{4/}	413.8	423.8	508.8
Exchange (cruzeiros to dollar; check selling rates)						
Bank of Brasil						
High	307	307	307	475	475	475
Low	295	307	307	475	475	475
End of Month	307	307	307	475	475	475
Exchange Houses, Rio						
High	345	370	450	670	725	820
Low	295	343	368	600	630	730
End of Month	345	358	390	640	720	795

^{2/} Provisional^{3/} Bank of Brasil 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.^{4/} Cr\$5 billion of this amount was placed in a sterilized SUMOC account.

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ORIGIN/ACTION			DEPARTMENT OF STATE			832.00/1-1863		
COM-12			22 AIRGRAM					
RM/R	REP	AF	47			UNCLASSIFIED		
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TO : Department of State, Washington, D.C. U.S.A. 150 JAN 25 AM 7 25 Jm

FROM : American Consulate, Curitiba, Paraná, Brazil DATE: January 17, 1963

SUBJECT : ECONOMIC SUMMARY FOR DECEMBER 1962

REF : OERP Section C-4

I. SUMMARY

The demand for banking credit during December 1962 was heavy. Area firms were generally successful in obtaining the banking credit required for their normal needs. The Banco de Brasil financed the various firms requesting aid to meet the thirteenth month salary. Christmas sales exceeded expectations. Exchange movements remain limited due to "bonese" payments ranging from 60 to 80 cruzeiros per dollar.

Labor agitation was limited in scope, and the State Governments showed increased activities in public work projects.

Paraná ranked second to São Paulo in 1960 (the latest statistics) by having foreign capital investments of 7.1 million dollars to the latter's 63 million.

Paraná retained its position in 1962 as the second largest cotton producer in Brazil.

/II.

cc.: Brazilian Desk, Washington (1)
American Embassy, Rio de Janeiro (1)
Counsellor of Embassy for Consular Affairs, Rio (1)
American Embassy, Brasilia (1)

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II. AGRICULTURE

1. Coffee

398,575 sixty kilo bags of Paraná coffee were shipped during December through the port of Paranaguá, whereas 638,110 bags were shipped during November. Of this, 379,575 bags were shipped abroad and 19,000 bags to other Brazilian ports. In addition, 20,000 bags were shipped from Antonina to Macaé, and 30,000 bags were shipped to Recife. The total shipped through the Paraná seaports of Paranaguá and Antonina from July 1 to December 31, 1962, amounts to 3,035,927 bags.

A symposium of Paraná coffee farmers was held in Londrina, North Paraná, in mid-December, and suggested the creation of coffee planters' cooperatives to solve labor and social problems as well as to exercise their influence in obtaining a more favorable economic policy for producers.

Sources: "Diário de Paraná", Curitiba, December 4, 12, 13, 18, 19, 23, 27, 1962
"Estado de Paraná", Curitiba, December 6, 13, 27, 29, 1962
"Gazeta do Povo", Curitiba, December 6, 11, 13, 27, 1962
"Tribuna de Paraná", Curitiba, December 6, 1962
"Ultima Hora", Curitiba, December 6, 11, 17, 22, 24, 29, 1962
Feliciano Guimarães & Cia., Curitiba
Guarneri, Machado & Cia., Curitiba

2. Mate

The present export quota system, which provides for major export quotas of processed mate to the principal markets, greatly benefits the traditional mills in Paraná which handle almost 90% of exports. The fifteen cooperatives that export unprocessed mate have large stocks which they are unable to sell in sufficient quantities to foreign markets. The Calce Furtado project provides for foreign sales by the National Mate Institute which would be entitled to requisition private firms' stocks for this purpose when necessary. The Paraná mate cooperatives are protesting the Furtado project.

Sources: "Diário de Paraná", Curitiba, December 16, 1962
"Gazeta do Povo", Curitiba, December 16, 1962
"Ultima Hora", Curitiba, December 7, 11, 1962
Meirelles, Souza & Cia. Ltda., Curitiba

3. Wheat

Following requests made over a period of ten years, Banco de Brasil is finally purchasing the Paraná wheat crop, which is plentiful and will amount to approximately 1% of the total

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Brazilian crop. 1.5 billion cruzeiros have been allocated for this purpose in Paraná, and the planters will receive 2,570 cruzeiros per sixty kilo bag with a specific weight of 76 and a minimum humidity of 13%. A Curitiba press editorial pointed out the possibility of fraud. Since imported wheat, which receives a special subsidy, costs almost 1,000 cruzeiros cheaper than that locally produced, the mills may "nationalize" their imported stocks to obtain illegal profits.

Sources: "Diário de Paraná", Curitiba, December 6, 30, 1962
"Estado de Paraná", Curitiba, December 6, 7, 1962
"Gazeta do Povo", Curitiba, December 6, 1962
"Tribuna de Paraná", Curitiba, December 6, 7, 22, 1962
"Ultima Hora", Curitiba, December 7, 8, 1962

4. Rye

The Statistical Department of the Federal Ministry of Agriculture reported that Paraná continued to be Brazil's number one rye producer State in 1961. Of Brazil's total 19,200 ton crop, Paraná produced 12,140 tons, and Santa Catarina was runner-up with 4,570 tons.

Source: "Diário de Paraná", Curitiba, December 5, 1962

5. Barley

The director of Banco de Brasil's Rural Credit Department asked the Paraná and Santa Catarina Governments to increase the planting of barley in their States. The Banco de Brasil increased its financing of the barley crop from 30% to 60% of its value. The import of barley may suffer future restrictions.

Sources: "Diário de Paraná", Curitiba, December 11, 1962
"Gazeta do Povo", Curitiba, December 12, 1962
"Notícia", Joinville, December 8, 1962

6. Beans

Since the 1962/1963 bean crop now being harvested is plentiful, the Paraná and Santa Catarina Governments permitted the export of beans to other Brazilian States. Local shortages have almost been eliminated, and the municipal authorities will control the sale of beans to avoid future domestic shortages. The Banco de Brasil will buy the crop at the following prices: 5,127 cruzeiros per sixty kilo bag of white beans; 4,847 cruzeiros per sixty kilo bag of brown beans; and 4,567 cruzeiros per sixty kilo bag of black beans.

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Sources: "Diário de Paraná", Curitiba, December 2, 6, 7, 8, 11, 13, 22, 30, 1962
"Estado de Paraná", Curitiba, December 13, 16, 1962
"Gazeta de Povo", Curitiba, December 2, 7, 8, 12, 27, 28, 1962
"Tribuna de Paraná", Curitiba, December 7, 8, 17, 22, 1962
"Ultima Hora", Curitiba, December 8, 13, 17, 1962
"Notícia", Joinville, December 2, 1962

7. Potatoes

The present Paraná potato crop is estimated to be about 1.5 million sixty kilo bags, almost half of which can be shipped to other Brazilian consumer States. The federal authorities have not established minimum prices of 600 to 1,500 cruzeiros per bag as requested by the Paraná State Government. 200,000 bags will be bought and sent to Northeast Brazil. It is expected that this will help stabilize prices somewhat. However, the effort to obtain minimum prices will continue to be made.

Sources: "Diário de Paraná", Curitiba, December 4, 11, 15, 27, 30, 1962
"Estado de Paraná", Curitiba, December 2, 4, 18, 22, 1962
"Gazeta de Povo", Curitiba, December 12, 18, 22, 29, 1962
"Tribuna de Paraná", Curitiba, December 7, 11, 22, 1962
"Ultima Hora", Curitiba, December 12, 15, 18, 20, 27, 1962

8. Rami

In view of super-production of rami in Paraná, the Paraná State Department of Agriculture asked the federal authorities to take measures to prevent the economic collapse of rami production. Specifically, permission was requested to increase exports. São Paulo consumers are reportedly against increasing the export of rami to foreign countries because this would cause higher prices in the domestic market.

Sources: "Diário de Paraná", Curitiba, December 1, 1962
"Gazeta de Povo", Curitiba, December 1, 2, 1962

9. Bananas

Practically nothing has been done to date to combat sigatoka (cercosporiosis) which heavily attacked banana plantations in coastal Paraná. A requested 50 million cruzeiro federal fund has as yet not been granted. The Paraná Government is willing to carry out counter measures, but the mountainous terrain of the affected area makes dusting by airplanes difficult if not impracticable. At present, the financing of equipment and assistance by technicians is being studied.

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Sources: "Diário de Paraná", Curitiba, December 11, 29, 1962
"Tribuna de Paraná", Curitiba, December 14, 1962

10. Timber

Statistics show that, despite economic difficulties, Argentina bought 52.2% of the total exported and thus continued Paraná's number one buyer of pine during 1962. The United Kingdom followed with 22.5%. Europe including the United Kingdom purchased 39% of the Paraná pine exported, and the remaining 8.8% went to Australia and to the United States.

The Paraná and Santa Catarina lumber circles are in open revolt against the National Pine Institute and its Lumber Export Coordinating Council (COEN). They insist that the COEN's sales agent in Great Britain be replaced because he favored Rio Grande do Sul exporters, that Rio Grande do Sul pay indemnization for exceeding its export quota, and that the Curitiba lumber "entreposte" be included in Institute financing.

Ponta Grossa lumber industrialists announced that they will not pay the 8% increased taxes due the National Pine Institute for lumber transactions, alleging that the Institute is inept and has neglected reforestation in Paraná.

The president of the National Pine Institute, during a visit to Curitiba, promised that reforestation in Paraná will, as of now, receive more attention, and that the Institute plans the installation of a paper factory to make use of the State's natural resources.

The National Pine Institute authorized a special monthly quota of 2.5 million square feet to be exported through Paraná's fluvial port of Foz de Iguaçu from November 1962 to April 1963.

The Paraná Government paid an ancient debt of 70 million cruzeiros to the National Pine Institute by granting that Institute a 2,000 alqueire area in the Lavanjeiras do Sul municipality for the creation of a reforestation park.

As of January 1963, contraband of timber to other Brazilian States via the Paraná River will be combatted. The State Government disclosed that this contraband presently causes a loss of 60% in State taxes.

Sources: "Diário de Paraná", Curitiba, December 1, 6, 7, 8, 18, 27, 1962
"Estado de Paraná", Curitiba, December 4, 7, 29, 1962
"Gazeta do Povo", Curitiba, December 4, 8, 13, 15, 23, 25, 30, 1962
"Correio de Paraná", Curitiba, December 29, 1962
"Tribuna de Paraná", Curitiba, December 7, 11, 29, 1962
"Ultima Hora", Curitiba, December 3, 4, 1962

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To alleviate the anticipated shortage in Curitiba in mid-1963 (the dry season), the State-controlled COPEL electric power company has ordered three GM diesel-electric power plants producing 10,500 kilowatts for installation by March 1963. The municipality has donated land, and the CODEPAR State holding and financing company will loan 466,491,266.00 cruzeiros of the necessary total investment of 777,485,444.00 cruzeiros.

The Figueira thermo-electric power plant is now in the experimental stage and will supply electric power to Central Paraná beginning in February 1963. Its 20,000 kilowatt initial capacity will subsequently be increased to 120,000 kilowatts, and its power will be supplied to South and Coastal Paraná. Figueira's (UTELFA) work capital was increased from 300 million to 2 billion cruzeiros. Ponta Grossa will receive power from Figueira through the local concessionary Companhia Prada de Eletricidade, a Brazilian private company.

The 14,000 kilowatt hydro-electric power plant at Salto Grande de Iguaçu is nearing completion. This plant will supply electric power to the southern and central municipalities of União da Vitória, Palmas, Guarapuava, Mallet, São Mateus do Sul, and Prudentópolis, among others.

The Swiss Government offered financial assistance to the Paraná Government for the purchase of electric power equipment by the State's COPEL and UTEFA electric power companies. The Soviets are interested in the Sete Quedas hydro-electric project, the plans of which were proposed by the Marcondes Ferraz engineering firm. It is estimated that less than 1 billion dollars would be needed to complete this project. Previous projects were drawn up by Japanese and by Brazilians.

The electrification plan of the Santa Catarina Government requires investments totalling 5.5 billion cruzeiros. In 1963, the State's electric power potential should be 351,980 kilowatts, as compared with 92,531 kilowatts in 1960. The Government's five year electrification plan can now be implemented through financing received from the South Brazil Economic Development Council and Bank which, on December 20, 1962, allocated a further 700 million cruzeiros for this purpose.

Sources: "Diário de Paraná", Curitiba, December 1, 6, 7, 27, 28, 29, 30, 1962
"Estado de Paraná", Curitiba, December 1, 2, 6, 8, 9, 12, 25, 27, 28, 29, 30, 1962
"Gazeta do Povo", Curitiba, December 6, 8, 16, 18, 22, 25, 28, 29, 30, 1962
"Tribuna de Paraná", Curitiba, December 1, 7, 12, 29, 1962

/"Ultima Hora"

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"Ultima Hora", Curitiba, December 1, 5, 6, 7, 10, 13, 15,
24, 29, 1962
"Estado", Florianopolis, December 4, 23, 1962
"Noticia", Joinville, December 22, 28, 1962

VIII. DOMESTIC TRADE AND COMMERCIAL POLICY

1. Electricity and Water

As of November 23, 1962, Curitiba's Companhia Força e Luz de Paraná (an American and Foreign Power subsidiary) increased its rates by 55%. This drew heavy criticism and caused renewed expropriation demands.

In order to stimulate voluntary water rationing, the water tax in Curitiba was increased from 3 to 12 cruzeiros a cubic meter or fraction thereof.

Sources: "Diário de Paraná", Curitiba, December 29, 1962
"Gazeta do Povo", Curitiba, December 29, 1962
"Tribuna de Paraná", Curitiba, December 6, 1962
"Ultima Hora", Curitiba, December 6, 1962

2. Bus Fares and Transport Costs

As of January 1, 1963, the Florianopolis passenger bus fares will be increased by 50%, the Paraná interurban passenger bus fares by 28.5%, and the inter-State bus fares are likely to be increased, too, in the near future. On January 1, 1963, the cost of freight in Paraná and Santa Catarina will be increased by 40%. Taxicab fares in Curitiba are under study.

Sources: "Diário de Paraná", Curitiba, December 4, 16, 27, 1962
"Estado de Paraná", Curitiba, December 23, 25, 1962
"Gazeta do Povo", Curitiba, December 27, 29, 1962
"Tribuna de Paraná", Curitiba, December 17, 22, 1962
"Ultima Hora", Curitiba, December 24, 26, 1962
"Estado", Florianopolis, December 4, 1962
"Noticia", Joinville, December 21, 1962

3. Flour and Bread

Curitiba bakers allege that their wheat flour supplies are 20% short of the monthly total of 28,000 bags, which the Supply and Price Control Office guaranteed them. The spaghetti industries, too, claim that there is a flour shortage. The public has not actually experienced a bread and pastry product shortage. Flour shortages and the beginning of black market transactions were reported in Joinville and Itajaí, Santa Catarina.

/Sources:

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Sources: "Gazeta do Povo", Curitiba, December 15, 1962
"Ultima Hora", Curitiba, December 4, 1962
"Noticia", Joinville, December 4, 1962

4. Rice

Paraná and Santa Catarina have not received the rice they were promised by the Rio Grande do Sul Rice Institute. The shortage, especially in Paraná, continues to exist, since Rio Grande do Sul prefers to sell its rice to Guanabara for a higher price.

Sources: "Diário do Paraná", Curitiba, December 7, 1962
"Noticia", Joinville, December 4, 1962

5. Sugar and Salt

The retail price of sugar in Paraná went up from 55 to 60 cruzeiros a kilo and the retail price of salt from 30 to 40 cruzeiros a kilo. Further increases of up to 15 cruzeiros a kilo, for both commodities, are expected in January 1963.

Sources: "Estado do Paraná", Curitiba, December 4, 1962
"Tribuna do Paraná", Curitiba, December 4, 1962

6. Christmas Business

Christmas sales were greater than ever, resulting from the obligatory thirteenth month salary and extended credit facilities. Although prices were between 30 and 100% higher than during the 1961 season, sales in Curitiba were up 15% in volume and 300% in value. Some shops, selling clothing and shoes, had either empty shelves or refused to sell any more of their stocks.

Sources: "Gazeta do Povo", Curitiba, December 12, 13, 25, 1962
"Tribuna do Paraná", Curitiba, December 15, 24, 1962
"Ultima Hora", Curitiba, December 6, 26, 27, 29, 1962

IX. FOREIGN TRADE AND COMMERCIAL POLICY

1. Paraná Foreign Trade

According to the State Statistics Office, Paraná imported during 1961 917.4 million cruzeiros of wheat, 792.7 million cruzeiros of gasoline, 386.7 million cruzeiros of diesel oil, 132.8 million cruzeiros of other oils, and 119.3 million cruzeiros of tractors. Gasoline, oil, and oil derivatives made up 76.8% of imports in weight and 40.8% in value. Since Paraná's own wheat crops are increasing considerably and since there is a possibility of oil production at São Mateus do Sul, importation of these commodities may gradually diminish in the future.

/Source:

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Source: "Correio do Paraná", Curitiba,
December 29, 1962

2. East Germany

On December 4, 1962, an East German trade mission visited the Santa Catarina Governor and representatives of the Government and the State's industry and commerce. The East Germans offered all types of machinery, including roadbuilding and textile machinery, technical assistance, and favorable payment conditions. The possibility of investments was also discussed.

Sources: "Estado", Florianopolis, December 5, 1962
"Noticia", Joinville, December 9, 1962

3. Red China

A Red Chinese trade mission of six, accompanied by two high-ranking Banco do Brasil officials, visited Curitiba on December 13, 1962. They visited the Paraná Governor and, invited by the State Government, they visited Assaf in North Paraná, Brazil's most important cotton producing municipality. They offered total or partial purchase of the North Paraná cotton crop at a compensatory price, payable either in pound sterling or in dollars or by a barter transaction of textile and agricultural machinery. There are no reports concerning the mission's success. However, since the majority of cotton stocks is in the hands of firms with strong American ties (Sanbra; Anderson Clayton), and since the small producers and cooperatives will hardly be in a condition to satisfy the quantitative demands of the Chinese, it is doubted that the mission was successful.

Sources: "Diário do Paraná", Curitiba, December 12, 1962
"Estado do Paraná", Curitiba, December 12, 1962
"Gazeta do Povo", Curitiba, December 12, 1962
"Ultima Hora", Curitiba, December 12, 13, 1962

Arthur W. Feldman

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Comment: Doria is to assume office on January 31. After that, while he can still blame the past administration for leaving no money in the till, he will have to contend with the Legislative Assembly, which Machado blames for passing measures carrying expense burdens without providing for revenues.

Bahian Financial Troubles: The State Government of Bahia has reported that its income is increasingly insufficient to pay public employees, and that it is therefore applying for a Federal loan for this purpose. Despite this situation, a recent bill authorizing the hiring of doubtfully needed additional employees was signed amidst newspaper criticism by the governor. Happily, a similar but even more flagrant bill sank under mounting criticism in the municipal chamber of Salvador.

Comment: Political hirings by lame duck administrations are, of course, a fact of Brazilian public life, and are not exactly unknown elsewhere.

ECONOMIC:

New lead refinery: A working group charged with selecting the site of a Petrobras "tetra-ethyl" lead refinery in the Salvador bay area has decided to locate the plant in Santo Amaro, at the northern end of the bay. Work on the plant is expected to begin soon.

Cocoa shippers' troubles continue: Shippers are afraid that their contracts for the sale of cocoa presently stocked at the port of Ilheus will shortly be cancelled. Because of the high stevedore charges previously reported in our weekly summaries, foreign vessels no longer load cargo at the port of Ilheus. Brazilian government-owned national vessels will, however, still accept cargo from there. However, the four week old national maritime strike has almost called a halt to shipping by this source even though some ships are being operated by Brazilian naval crews. Since the time of delivery specified in many of the contracts was the end of December, the Bahia Cocoa Trade Commission has addressed telegrams to President Goulart and the Ministers of Finance and Transportation requesting that urgent relief measures be taken.

New carbon black plant: The press announced the grant of a two million dollar credit to the Companhia de Carbonos Coloidais for the construction of a carbon black plant in the Salvador area.

Gasoline Prices: The 70% rise in the price of regular gasoline and 150% rise in high test gasoline which went into effect during the week has brought a general howl of consternation.

Comment: While a price increase had been expected, the size of the jump took consumers by surprise and has caused considerable speculation over the implications of this measure on the general cost of living.

Harold M. Midkiff
Harold M. Midkiff
American Consul

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ACTION			DEPARTMENT OF STATE			732.111/1-2363 XZ 811.0032 832.00 FOR RM USE ONLY		
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NEA	CU	INR	INFO : BRASILLIA, RIO DE JANEIRO			ANALYSIS & DISTRIBUTION		
E	P	IO	FROM : AmConGen., SAO PAULO			DATE: January 23, 1963		
4			SUBJECT : Outgoing Governor of São Paulo Gives Opinions on Political and Economic Situation in Brazil and on Alliance for Progress.					
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			Summary: The Governor of São Paulo recently reiterated his support for the Alliance for Progress, and referred to foreign private investment in Brazil as "indispensable." He called for better relations with the U.S., while also advocating an approximation with Russia to benefit Brazil's trade and economic development. He indicated that he was not a candidate for office (evidently thinking especially of the Finance Ministry) and that he wished to return to private life, though he left open the possibility that he might be drafted for public service. The Governor of the State of São Paulo, Professor Carlos Alberto Alves de CARVALHO PINTO, expressed opinions on key Brazilian problems during a press conference January 16, 1963. The opinions expressed by the Governor are of interest in view of the possibility that he will continue to be an important political figure in Brazil and also because of the possibility that he might be available for an international role in connection with the Alliance for Progress, which seeks to achieve goals in many countries of Latin America similar to those he has been so signally successful in achieving in São Paulo. The Governor, whose term will end January 31, enjoys wide respect for the probity of his administration and his success in implementing a four-year Plan of Action, which is an outstanding example of what can be achieved in economic development					
FORM 4-62 DS-323			OFFICIAL USE ONLY			FOR DEPT. USE ONLY		
Drafted by: SCLyon/el 1/21/63			Contents and Classification Approved by:			☒ In ☐ Out		
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and social welfare in Latin America.

Highlights of the Governor's statements, as quoted in the press, include the following points.

Alliance for Progress. "The Alliance for Progress, as acknowledged by President Kennedy, is capable of being reformulated so as to be less a welfare activity, less paternalistic, and more objective and global in regard to the needs of the underdeveloped countries.

"It is in precisely the present economic and financial situation that the use of the resources of the Alliance for Progress is most necessary. But we must create administrative and political conditions which are tranquil and insure good and impersonal use of resources."

Foreign investments. "I regard the collaboration of foreign capital in our country as indispensable in order for Brazil to attain a leading position among the great nations."

Foreign Relations. The Governor called for "better relations with the United States, our traditional friends," but said it is also desirable to have "an approximation with Russia, on reciprocal terms, which will be advantageous to us in regard to our economic development and in our trade relations."

Concerning Cuba, he said: "The preservation of national sovereignties is a basic principle....and does not justify acts of aggression, interference, or injunctions of any kind which violate this basic norm of international relations."

Three Year Plan. He characterized the Federal Government's Three Year Plan, recently drawn up by Celso FURTADO, as "opportune" and "well oriented," although incomplete or sketchy in some regards. The essential, he said, is to start putting it into execution without delay and with firmness and courage. He emphasized the need for a coordinated approach, pointing out that individual measures, such as doing away with subsidies on petroleum imports, can do harm unless other measures are also carried out as part of a carefully planned program.

Presidentialism. He applauded the "maturity" shown by the Brazilian electorate in the referendum of January 6, when it voted for the return of presidentialism, "which I believe is the regime most compatible with our socio-economic situation." He advocated doing "everything possible to hasten the return of the regime which the people desire."

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AIRGRAM

DEPARTMENT OF STATE

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TO : DEPARTMENT OF STATE

1963 FEB 8 AM 8 57

INFO: RIO DE JANEIRO

RM/AN
ANALYSIS & DISTRIBUTION
SEARCH

FROM : Amconsul RECIFE

DATE: January 24, 1963

SUBJECT: Six Months Economic Summary: July 1, 1962 - January 1, 1963.

REF : Recife's A-12 dated July 31, 1962

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FEB 25 1963

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I. Summary

The six month period between July 1, 1962 and January 1, 1963 recorded some short term improvement in the general economic situation in the Northeast, though the basic problems remain. Cotton and sisal crops are promising, and sugar production, though down from last year, should remain at a fairly respectable level. Business, which had suffered a sharp slump up until November, by year's end was experiencing an energetic recovery (resulting largely from inflationary conditions, however, which undercut profits). Credit, extremely tight until the last two months of the year, eased off noticeably by January. The inflationary spiral continued its ever upward trajectory without check and various estimates placed the increase in cost-of-living over the last six months in this area at about 30 per cent, with an estimated increase of 65 per cent for 1962 as a whole. Because of the inflationary spiral and generally unsettled conditions, the investment climate remained poor. However, some new industries are beginning to express increased interest in the Northeast, and various tax reduction schemes offer interesting possibilities for domestic investment. SUDENE figures quoted in the new Plano Trienal, moreover, indicate that the Northeast's share of total private capital investments for the country as a whole rose from 1.9 percent in 1958 to 5.1 percent in 1961, still obviously woefully small. Other figures

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quoted in the same plan show that income in the area has also risen slightly (though so slightly as to be almost imperceptible). The Northeast's share of the Gross National Income (GNI) was only 13.9 per cent in 1955, for example, but had risen to 15.9 per cent by 1960. Of course, a 2 per cent increase over a five year period is not particularly encouraging. Moreover, the area's 1960 share is actually smaller than that of 1950, when the Northeast enjoyed 16.4 per cent of the GNI. The increase from 1955 to 1960 is significant, nonetheless, not only in that it points up at least some small improvement, but also because it indicates that the trend toward declining income has been reversed; this inasmuch as the area's share of the GNI dropped steadily from 1950 to 1955, and then from that year forward began a slow climb. Per capita income followed a similar pattern. In 1950 per capita income in the Northeast was only 48.5 per cent of the per capita income figure for Brazil as a whole. This had dropped to 42.9 per cent by 1955, but from that year forward saw steady improvement. By 1960 the Northeast's percentage was 50.6 per cent of the national average, a definite improvement over what it had been in 1950. Even so, per capita income in the Northeast is still less than \$100 (US), one of the lowest figures in the western world for an area of this size and population.

Alliance for Progress made some headway during this six month period, with most progress concentrated in the social development fields.

In sum, the economic situation in the Brazilian Northeast during the past six months, though still most depressing, was at least no worse, and in some ways reflected improvement over the six months between January and July of 1962.

II. Agriculture

a. Sugar

Though the 1962-63 sugar season officially opened in the Northeast on September 1st, most usinas did not begin large scale cutting until several weeks later. Not only was the cutting delayed this year, but due to late rains the crop itself is expected to be considerably smaller than last year's. Pernambuco's overall production can be expected to drop from 13,290,000 bags (60 kg.) to between 11 and 12 million, with both Alagoas and Paraiba also reporting reduced production figures. Yield per unit of land and per unit of cane also continues to drop.

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operating in Alagoas. Eight wells were producing in commercial quantities, having a combined production potential of 500 barrels a day. Production is held well below that level, however, by a lack of storage space. Four additional wells are potential producers, but have been capped off as their production rate is too low to justify their operation.

b. Dry Hole in Pernambuco

Petrobras' exploratory well in the Pernambuco sertão, near Ibimirim, was capped off the last of December after having reached a depth of approximately 6,000 feet. The second well drilled by Petrobras in Pernambuco, it was, like the first, a dry hole.

c. Lobster Exports

The lobster season (to the extent that a "season" exists in the Northeast) began in September. By the first of October, 490,607 lbs. of lobster had been shipped to New York through the port of Recife at the official price of US \$.80 per pound, a welcome source of foreign exchange.

d. Japanese and French Fishing Boats

During late November and early December customs officers in Recife temporarily impounded several Japanese fishing boats for investigation, charging them with violations of their agreement with the Brazilian Government. During mid-December, too, port authorities refused to sell fuel to two Japanese boats, supposedly on the grounds that they had been illegally selling their catches outside Brazil, a violation of the agreement.

In late July two more French fishing boats lobstering off the Northeastern coast were arrested and brought into port. As in previous cases, they were well outside the three mile limit, but on the continental shelf. Brazilian authorities again emphasized that for purposes of protection of fisheries and mineral deposits they do not recognize the three mile limit. Instead they claim jurisdiction out as far as the edge of the continental shelf, in this area about 40 miles off shore.

IV. Transportation and Communications

a. Port Facilities: Dredging Ceases

Port of Recife authorities announced the end of December that dredging operations in the harbor had been halted due to the failure of the National Department of Harbors, Rivers and Canals to conclude a new contract with the dredging company. Recife's port facilities are congested at best and even with the dredge at work the harbor was silting badly. Several ship captains have reported difficulty in maneuvering within the harbor and unsafe depths alongside some of the wharfs. If dredging operations are discontinued over a protracted

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Sao Paulo A-223

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Reporter

(13) General Economic -- Governor
Direct Addresses São Paulo Industry
Leaders.

D-10
D-18

A.D. Ventura

1. General Economic -- End of Subsidy on Petroleum Products
and Wheat Provokes Steep Price Rise.

The São Paulo cost-of-living/in 1962 ^{increased} by 51.8 percent, probably the highest annual increase yet recorded in Brazil, and since it far outstripped Rio de Janeiro's increase of 52.7 percent for the same period, was viewed with rising concern by São Paulo's business community and the public in general. Now, however, some anxiety is being expressed in São Paulo at the chain reaction triggered off by the increases in the prices of petroleum and wheat products resulting from the cancellation of the import subsidies on these products and the establishment of new controlled prices ranging from 60 percent to 125 percent higher than the prices previously enforced. Local observers fear that the psychological factors and speculative activity following this government measure may raise inflation in São Paulo during January and February to the highest monthly levels ever reached. This situation might be aggravated even further if reports that the authorities plan to ease bank credit are substantiated.

So far, freight charges by interstate truckers have been increased 45 percent, cab fares 66 percent, liquified petroleum gas 48 percent, macaroni products 55 percent and it is estimated that the cost of bread will go up an average of 40 to 50 percent. A number of manufactured goods which directly or indirectly depend on petroleum by-products or are transported over any substantial distances, are already being sold at wholesale and retail levels at prices ranging from 8 to 35 percent above early January list prices.

Comment: The local business community generally indicated its approval of the government move to end import subsidies as a first step toward an eventual stabilization of the economy, and compared it in scope to the exchange reform instituted by SUMOC instruction 204 during the QUADROS administration. Now, however, several observers point to an apparent inconsistency with one of the aims of the FURTADO three-year plan (see A-206 of January 9 and A-210 of January 11) which foresees a drop of

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10. Labor -- Wage Increases Continue Around 60-65 Percent.

São Paulo ceramic industry workers received a 63% wage increase up to a monthly maximum increase of 25,000 cruzeiros under a new one-year agreement effective January 1, 1963. The agreement also provided for an additional 15% increase at the end of six months. Office employees in São Paulo newspaper and magazine publishing houses also won a 63% increase over wage levels of January 1962 in a new one year agreement to take effect January 1, 1963. Santos laundry and dry-cleaning workers received a 60% wage increase effective January 1, 1963.

11. Labor -- Companies to Pay Bonus in Addition to Compulsory Xmas Bonus.

The São Paulo Regional Labor Tribunal decided on January 16 by a 4-3 margin that companies which customarily paid Christmas bonuses to their workers would still have to continue paying these bonuses in addition to the thirteenth month bonus established by law in July 1962. This decision will affect many companies in this area, including a considerable proportion of the American firms.

Comment: Many unions are now expected to demand payment to workers of bonuses paid in previous years but eliminated in December 1962 with the implementation of the mandatory thirteenth month bonus.

12. Labor -- Taxi Fares in São Paulo Increase 66 Percent.

Following the sharp increase in gasoline prices resulting from the Federal Government's removal of foreign exchange subsidies for petroleum imports, the majority of São Paulo taxicab owner-drivers suspended work for three days 1/. Negotiations between the unions representing the owner-drivers and the chief of the São Paulo Traffic Division led to agreement on a 66 percent fare increase.

1/ The owner-drivers claimed that they would be operating at a loss under the old fares and the new gasoline prices.

13. General Economic -- Governor Elect Addresses São Paulo Business Leaders.

At a banquet offered in his honor by the São Paulo business community (*classes produtoras*) on January 23, Governor elect Adhemar Pereira de Barros outlined his pet economic assistance program Aliança Brasileira para o Progresso

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AIRGRAM

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A-59

TO : DEPARTMENT OF STATE

JAN 25 1963

INFO: Amembassy, Rio and Brasilia

Recife-1

FROM : American Consulate, Salvador

DATE: January 25, 1963

SUBJECT: Weekly Summary, Salvador

POLITICAL:

Governor-elect Lomanto's frenetic action in returning to Brazil on the day he arrived in New York (January 22) has been the subject of considerable local speculation. The press, kindly, has not played up the event so far. However, one of the local radio stations with leftist, anti-Lomanto leanings carried a severely critical statement this morning ridiculing him.

Comment: Lomanto has shown himself in a bad light by hopping back to Brazil and being ineffective in what is fairly well known to have been his effort to oppose or at least offset Antonio Balbino's influence in the national government. It is apparent that he has prejudiced his standing in national affairs, and his effort to gain prestige before embarking on his administration has had a severe set-back. This lends even greater importance to his visit to the United States and elsewhere. While his erratic movements have not made it any easier to be well received, he will need to capitalize on his contacts abroad, and it is hoped a good program can still be worked out for him.

Governor Juracy Magalhães, who has been in Rio de Janeiro for the past few days, is reported optimistic over

DEPARTMENT Please pass to Recife.

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Rio de Janeiro

3) The Ombus strike of a few bus lines in Rio was finally settled. The companies agreed to pay the 15th month bonus. Part of the money will be paid immediately and the balance will be paid within 90 days. (NHapiro)
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4. NEW ADMINISTRATIVE REFORM SUBMITTED - THEN WITHDRAWN FROM CONGRESSIONAL AGENDA

Instead of the Administrative Reform Bill setting up four new ministries (see BUREL Sub's A-755, January 5, item 5), a different measure setting up two new ministries mysteriously appeared on the Congressional agenda last week slated for urgent consideration. This new measure made no mention of a Ministry for Planning which had been the most significant feature of the previous bill, but provided for two new ministries: (1) a Communications Ministry with responsibility essentially for functions pertaining to communications now under the Ministry of Transport and (2) an Interior Ministry with responsibility for such things as flood control and Indian Affairs but under which, curiously enough, would fall all state operated banks including the Bank of Brazil.
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COMMENT: Despite the fact that the bill was presented as an urgent piece of legislation, before any congressional action was taken, it was withdrawn from the agenda, just as mysteriously as it had earlier the same day been presented. Administrative Reform will now presumably be left for the next Congress after the new Minister for Administrative Reform, Amarel Peixoto has had an opportunity to study the situation. (JHrisay)
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5. NEW PRICES FOR PETROLEUM PRODUCTS

On January 17, 1963, the government increased the import rate for petroleum products from Cr\$518 to \$1.00 to the current Bank of Brazil rate of Cr\$475 to \$1.00. Concurrently, internal prices of all petroleum products were raised an average of 70% and the "fiscal dollar" used in applying the single tax on fuels was brought into line with the current fiscal dollar rate applied to other imports. In Rio de Janeiro, prices of gasoline were increased from Cr\$22.1 to Cr\$36.7 per liter for low-octane gasoline and from Cr\$30.2 to Cr\$42.2 per liter for higher octane. The press announced the measure as "the first action in the execution of the Furtado-Three-Year-Plan". In taking the action, the National Petroleum Council announced the private distributors would be required to remit to the Bank of Brazil the difference between the present and previous value of existing petroleum stocks.
(UNCLASSIFIED)

/Comment

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0310

AIRGRAM
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Page 5
A-868
Rio de Janeiro

7. KRIEGER AMENDMENT PROFIT REMITTANCE BILL REJECTED BY CHAMBER COMMISSION

On January 21, the Committee on Constitution and Justice of the House unanimously ruled that Senator Krieger's proposed amendment to Profits Remittance Law (already approved by the Senate) was unconstitutional because it originated in the Senate while the Constitution provides that financial bills should originate in the Chamber of Deputies. The Committee action remains to be acted on by the entire Chamber. If the Chamber concurs in the Committee report, this action would effectively kill the Krieger Amendment. If on the other hand, it does not concur, the bill would be returned to the Committee for further action and thereafter to other appropriate Committees before further Chamber action on the amendment itself. Should the present Chamber not act on the bill - which seems likely in view of absence of quorum - the bill could be reactivated in the new Chamber which will assume its duties some time after January 31, at the request of any Deputy.

(UNCLASSIFIED)

COMMENT: It may be recalled that the Krieger Amendment, unanimously approved by the Senate, is designed to eliminate certain onerous provisions of the Profits Remittance Law, principally the 10% profits remittance limitation and the provision excluding reinvested profits from the base on which remittances would be calculated. By all accounts, the outlook for eventual passage of this amendment appear dim. (Krisay/Welshmyer)

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8. GOULART MAKES NEW APPOINTMENTS IN THE FINANCIAL FIELD

On January 24, the Senate approved the names of Ambassador Octavio Dias Carneiro, Minister Miguel Oscar de Almeida and Hugo de Araujo Faria to become, respectively, Directors of SUMOC, the Foreign Trade Bureau and the Rediscout Department, both departments of the Bank of Brazil. The outgoing officials are Julio de Souza Avellar (SUMOC and Rediscout Department) and Antonio Arnaldo Gomes Taveira (Foreign Trade Bureau). It will be recalled that Senate approval of financial authorities is required by a clause in the Profits Remittance Law.

(UNCLASSIFIED)

COMMENT: Both Dias Carneiro and Miguel Oscar are career diplomats. Carneiro was Minister of Commerce and Industry in the Parliamentary Cabinet that resigned after Congress restored the Presidentialist system, and is a well known economist with good reputation. Miguel Oscar was deputy to Ambassador Roberto Campos in Washington and also enjoys a good name as an economist. Hugo de Araujo Faria was assistant to former Prime Minister Brochado da Rocha. (Krisay/Welshmyer)

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AIRGRAM
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A-368
Rio de Janeiro

12. ADDITIONAL RESERVES OF TIN IN RONDONIA

According to a recent news release large new reserves of cassiterite have been discovered along the banks of the Rio Madeira, Territory of Rondonia. These reserves, reportedly in an area of interest to the Cia. Estanifera Brasileira, are accessible by the Madeira-Mamoré railroad.

(UNCLASSIFIED)

COMMENT: Although not confirmed, this item has more than the semblance of truth to it. Alluvial tin (cassiterite) is being mined in Rondonia and continuing reports from reliable sources result in the area of occurrence being widened. As yet any ledge source for the tin remains unreported and the probability is that the mineral is the result of concentration from the pre-Cambrian series underlying much of the area. (Albansome)

(UNCLASSIFIED)

13. MEXICO AND BRAZIL TO EXCHANGE PETROLEUM PRODUCTS

Representatives of Mexico's "Pemex" and Brazil's "Petrobras" (both state petroleum organizations) have been meeting during the past two weeks to consider the exchange of products and to draw up plans for the "complementary" expansion of both national industries.

Among subjects being considered are the exchange of petrochemical products, the export of Brazilian synthetic rubber, the possibility of an exchange of Mexican hydrogenated fertilizers for Brazilian phosphates, the exchange of technical know-how, the training of Brazilian engineers in Mexico, and the possibility of Pemex purchasing manufactures and capital goods in Brazil.

In speaking of Pemex and its accomplishments, Paschoal Gutierrez Boldan, president of the organization noted that 25 years ago Pemex was unable to meet the needs of internal consumption, while today, it is capable of not only exporting its products, but of investing capital in other countries. According to Pemex's president, the organization's production increased from 50,000 barrels daily in 1958, the first year of operation, to its present capacity of 360,000 barrels. (MAGoldstein)

(UNCLASSIFIED)

COMMENT: Mexican exports to Brazil during 1962 showed a considerable increase over the level of the previous year: for January through September (the latest official figures available) Brazil imported from Mexico US\$ 1,891,004, as compared to US\$877,648 for the same period in 1961. Brazil's exports to Mexico for the nine month period in 1962 were US\$225,197 as compared with US\$191,774 for 1961. Prospects for further increased trade between the two countries are good as plans are being made for a new trade and navigation agreement and for a meeting (the third) of representatives of countries' automobile industries. (MAGoldstein)

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Page 3
A-368
Rio de Janeiro

13. BRASIL SUFFERS MORE AIR ACCIDENTS

A. On January 16 a Cruzeiro do Sul Convair carrying 40 passengers in the Ponte Aérea (shuttle) service between Rio de Janeiro and São Paulo crashed into three houses about 6 kms. from Congonhas airport when attempting an emergency landing. The latest count indicates 14 people were killed including three crew members and two passengers, the remainder being victims who were in their own homes at the time of the crash. The plane was attempting a landing with the port engine out and was in communication with the control tower during the manoeuvre but contact with the plane stopped just before the crash.

(UNCLASSIFIED)

COMMENT: This latest in a spate of civil aviation disasters has caused a hue and cry to be raised in the press against flying conditions in Brazil. Complaints ranged from the demand for the resignation of the Director of the Civil Aeronautics Directorate (DAC) to reorganization of the DAC, to the provision of more modern instrument landing facilities at the country's airports and better maintenance of the planes.

(UNCLASSIFIED)

B. Unverified reports told of a crash of two Cessnas in the State of Mato Grosso shortly after the Cruzeiro disaster, but nothing further was heard in this instance. A week later, January 22, another Cruzeiro Convair crashed in Paraíba, but this time there were no fatalities although there were reportedly numerous injuries.

COMMENT: This latest aviation accident was kept from the press and was learned of through Pan American when the latter was endeavoring to arrange its usual charter of a Cruzeiro plane from Rio to São Paulo as a branch of its through service beyond this city. (SGAnderson)

(UNCLASSIFIED)

14. COMISSÃO DE ESTUDOS RELATIVOS A NAVEGAÇÃO AEREA INTERNACIONAL - (CERNAI) - HAS NEW PRESIDENT

The CERNAI has a new President in Brigadeiro Clóvis Travassos who took office on December 4, 1968. Brigadeiro Travassos in a recent meeting of the CERNAI confirmed the dates for consultations with the following international airlines: SAS-March 18; Air France-April 18; Alitalia-May 18; and Lufthansa-June 4.

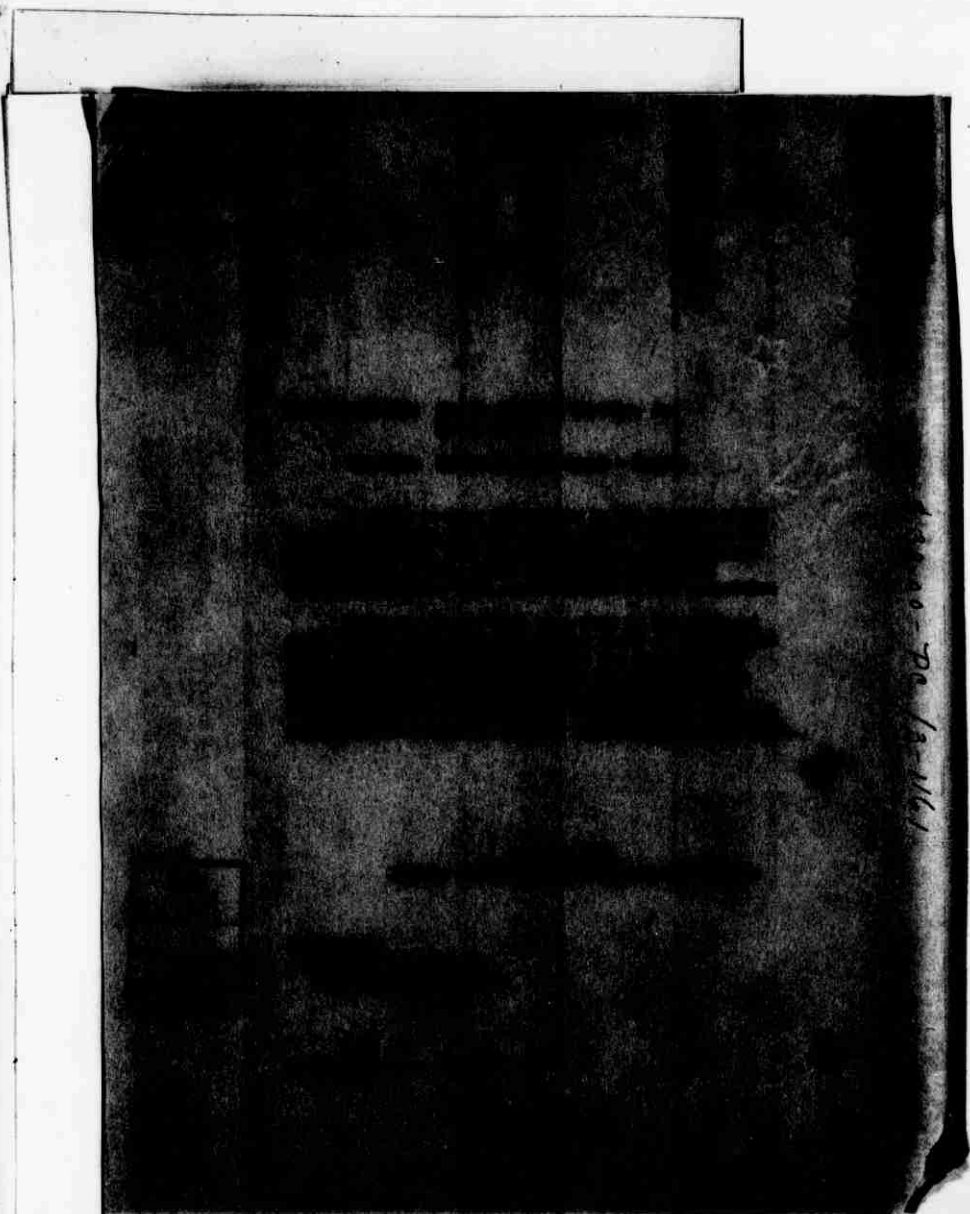
(UNCLASSIFIED)

COMMENT: Brigadeiro Travassos was formerly Minister of Aviation and Director of the DAC. He is considered friendly toward the United States. (SGAnderson)

(UNCLASSIFIED)

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03 18

INCOMING TELEGRAM

Department of State

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Action

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Control: 4452

Rec'd: April 7, 1961
7:32 p.m.

ICAPC

Info

FROM: Rio de Janeiro

ARA

TO: Secretary of State

BFAC

ICA

NO: 1352, April 7

RMR

PRIORITY

FROM SACCIO FOR SHRIVER

JOINT EMBASSY/USOM MESSAGE

Program proposals pouched March 29, arrived Washington
March 31. Invoice A-237, Bag B-4605.Duplicate sent airpouch No. D-7692, invoice A-246 April 7.
Presume arrival April 10.

CABOT

MRJ/4

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0322

UNCLASSIFIED (Security Classification)		DO NOT TYPE IN THIS SPACE 832.00-PC/7-1461
FOREIGN SERVICE DESPATCH		
FROM : AMEMBASSY RIO DE JANEIRO	35 DESP. NO.	JUL 18 1961 July 14, 1961
TO : THE DEPARTMENT OF STATE, WASHINGTON.		
REF :		
20 For Dept. Use Only	ACTION PC-13 REC'D 7-25-61	DEPT. IN Y OTHER C/A-10 USIA-10
SUBJECT: PEACE CORPS Peace Corps Visit (4-S Club Project Proposal)		

There is attached FTI a report on the recent preliminary survey of possibilities for using Peace Corps volunteers in 4-S Club work in Brazil. The Report was prepared by the USOM technicians who participated in the survey with Messrs. Derek Singer and George Coleman, of the Peace Corps and Mr. Warren Schmidt of the National 4-S Club Foundation. The Report includes translations of the "Proposal" sent by ABCAR to the state extension services and the questionnaire by which the state services will indicate formally their interest in Peace Corps 4-S teams and the support they are willing to provide such teams.

It will be noted that ABCAR hopes to be able to inform the National 4-S Club Foundation of the results of this inquiry by July 20, 1961.

For the Ambassador:

Robert W. Herder
 Robert W. Herder
 Acting USOM Director

L. Clapp
 L. Clapp, F. Barber

Enclosures: *all N.M.*
 Report by USOM

UNCLASSIFIED		LWS
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AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

CONTINUATION

Page 3 of Encl. 1

Paragraph No. 33

Rio de Janeiro

TO: DIRECTOR, INTERNATIONAL COOPERATION ADMINISTRATION

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At these conferences Mr. Coleman gave a brief explanation of the purpose and objectives of the U.S. Peace Corps Program and the requests they had had for assistance from several countries. Mr. Schmidt followed with a brief description of the proposal to recruit teams of young men and women (20 to 30 years of age) who would be used to assist local extension agents in the development of 4-H Club work and programs. These young people would have farm back-ground, have taken vocational agriculture and home economics in high school, been active 4-H Club members, and as adults, 4-H club community leaders. They would be given 3 months training and orientation in the United States, with emphasis on language, and then sent to Brazil.

These presentations were followed by discussions of the 4-H Club program in the state, how the teams might be used, at what level, supervision, transportation, housing, counterparts, activities, etc.

In all cases the Peace Corps Team and its proposal was well received. The Extension Directors expressed their willingness to cooperate and the desire to use a limited number of teams. If successful, they would certainly want more teams in the future.

The most important features of the meetings and discussions are listed below:

1. The eight states indicated they could use a minimum of 18 teams and a maximum of 25. Bahia and Espirito Santo will be contacted later but it was thought they would not use more than one team each.
2. The states were quite willing to use non-college teams, although several expressed a preference for college graduates. They emphasized the need for maximum practical experience in 4-H club work.
3. None of the states would be able to provide jeeps for the Peace Corps teams.
4. All of the states were ready to provide office space, secretarial help, plus the fuel and operating expenses for a Jeep.

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AIRGRAM

Page 3 of Encl. 1 Encl. No. 15 Date of Revision

INTERNATIONAL COOPERATION ADMINISTRATION

CONTINUATION

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5. It was understood and agreed that the state extension services would supervise the work of the Peace Corps teams.
6. ~~That states would not be able immediately~~ to provide 4-H Club agent counterparts for the Peace Corps teams. Mostly they would be located at regional extension offices, and from there would work with the local extension agents in developing all phases of their 4-S club program.
7. If the Peace Corps teams were successful, the states expressed the desire for the program to continue longer than two years.
8. The states did not think it was practical to give U.S. training to Brazilian counterpart extension agents. It might be possible to send a few Brazilian after the program had been in successful operation 6 months or longer.
9. The states did not want the Peace Corps teams to arrive until after January 15, 1962.

A meeting was held with ABCAR the morning of June 23 with the following people present:

1. Dr. João Napoleão - President ABCAR Junta
2. Dr. Marcos Pereira - Director Executive - ABCAR
3. Dr. Vicente Albuquerque - State Extension Dir. - Goiás
4. Santiago Apedaca, AIA & OAS
5. George Coleman, Peace Corps
6. Warren Schmidt, National 4-H Club Foundation
7. Lester Clapp - Chief Extension Advisor
8. Robert Warrens - Deputy P&A Officer
9. Helen Bjorklund - Home Economics Advisor
10. Fred Barber - Extension Advisor, Training

The Peace Corps representatives gave a report of their trips and meeting with the state extension services. The information they had secured was discussed by the group in some detail. Dr. Napoleão and Dr. Marcos felt that the proposal was sound and the Peace Corps teams could provide much needed assistance in developing Brazil's 4-S Club program at a more rapid rate.

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ABOAR agreed to serve as liaison between the affiliated states and the National 4-H Club Foundation, and in general to coordinate this program with all agencies and parties who will be involved.

ABOAR also agreed to take the responsibility for sending a copy of the Peace Corps representatives' proposal, attached, to the states, so that they would know the status of the program. With this report there would be a short questionnaire for each state, which when filled out and signed by the Extension Director, would serve as an indication of a state's interest in having Peace Corps Team (s) to assist in the development of their 4-H Club programs.

Not later than July 20, ABOAR expected to transmit these requests to the National 4-H Club Foundation.

Attached as annexes are the above mentioned Peace Corps proposal; the questionnaire; letter of transmittal to the states.

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AIRGRAM

Page 5 of Encl. 1 Document No. 15 Date 20 January 1962

INTERNATIONAL COOPERATION ADMINISTRATION

AIRGRAM**CONTINUATION**

FOR DIRECTOR, ICA	NO. 15	Security Classification UNCLASSIFIED	Page 5
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PROPOSED**BRASIL 4-S CLUB****PEACE CORPS PROJECT****INTRODUCTION**

During the period June 7-23, 1961, representatives of the U.S. Peace Corps Program; the National 4-H Club Foundation, Washington, D. C., NEA; and the Interamerican Rural Youth Program of IRL, conferred with the officials of ABCAR and the Extension Directors of eight State Affiliates regarding the possibilities of instituting a Peace Corps project to help support the development of the 4-S Club Program in Brazil. The following is a general summary of the proposed 4-H Club Peace Corps project resulting from this investigation.

GENERAL DESCRIPTION OF PROJECT**I. Purpose**

To provide Peace Corps volunteers, as described below, to work as Extension 4-S Club technicians, principally, at the Municipal level to assist local Extension agents with the development of their 4-S Club work.

II. Sponsoring U.S. Organization

- A. The Peace Corps, Washington 25, D.C. - A new U.S. Government agency set up to provide volunteer workers to work on social and economic development abroad.
- B. The National 4-H Club Foundation, 7100 Connecticut Ave., Washington 15, D.C. - A private organization closely associated with the 4-H Club Movement in the United States, which proposes to contract with the Peace Corps to carry out the Brazilian 4-S Club Peace Corps project.

III. Duration of Program

While this program is being set up initially for a two year period, consideration is being given to continuing it for 4 to 6 years or longer.

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IV. U.S. Volunteers

The U.S. Peace Corps volunteers would work in teams of one young man and one young woman, 20-30 years of age. They would be from farm backgrounds; have considerable 4-H Club experience as both members and leaders; and have at least a high school education, including training in agriculture or home economics, and possibly, even some Extension work experience in the United States.

Volunteers will be enlisted for two year assignments. Following three months of training, they would be assigned to work abroad for 21 months. Special attention will be given to language training. So that they can work directly with the local people.

All the expenses of the U.S. volunteers would be paid by the National 4-H Club Foundation.

V. U.S. Project Supervisors

- A. National Supervisor - A national project leader will be provided to give general supervision to the project in Brazil.
- B. Area Supervisors - It is suggested that three area supervisors assist with the supervision of the program - one in the North, one in the Central states and one in the South. These supervisors would be responsible for the training personal health, morale and welfare of the U.S. volunteers, but would not be responsible for the work supervision of the volunteers.

VI. Volunteer Work Assignments and Supervision

The basic job of the volunteers is to work as a regular Extension technician, under the supervision of an appropriate Brazilian Extension supervisor (local, regional or state) as decided by the State Extension Director. The volunteers are not to be used as program "advisors" or to be responsible for the supervision of any other extension workers. They may assist with training programs, if requested, but generally will assist with the training of Extension workers in the 4-H field, principally, by demonstration or example.

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Page 7 of Encl. 1 Paragraph No. 15 Via Air Mail
INTERNATIONAL COOPERATION ADMINISTRATION

CONTINUATION

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The principal areas to which the U.S. volunteers might contribute are:

- (1) Assisting with the recruitment, selection and training of local voluntary 4-S Club leaders;
- (2) Providing specific technical guidance, assistance and training to club members in carrying out their projects;
- (3) Helping to promote and train members in carrying out result and method demonstrations;
- (4) Helping to arrange for exhibits of members projects;
- (5) Assist with club organization officer training and recreation;
- (6) Help with the preparation of 4-S club materials

It is suggested that a detailed program and plan of work be set up for the guidance of each U.S. volunteer team.

VII. Brazilian Counterparts

Whenever possible, it is hoped that full-time Brazilian Counterparts will be provided to work with the U.S. volunteers, as a team. However, when this is not feasible, the volunteers will be working cooperatively, with local, regional or state extension workers, as assigned. Consideration is being given to the possibility of giving two or three months of special training in the United States, at the Peace Corps expense, to Brazilian Extension technicians working as full-time counterparts of the U.S. volunteers.

VIII. Support of State Extension Program

As a contribution to this project, each participating state will be asked to provide the following support to each U.S. volunteer team:

1. Necessary office and secretarial facilities
2. Fuel and maintenance of jeep
3. Salary and other expenses of Brazilian Extension Counterparts of U.S. volunteer teams.

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ABCAR
CONTINUATION

Report of the ABCAR Extension Service

DATE: **1964-1965** SECURITY CLASSIFICATION: **UNCLASSIFIED**

- | | |
|---------------|--|
| January 16-20 | - U.S. volunteers orientation in Rio |
| January 22-27 | - U.S. volunteers orientation by Extension Service in assigned State. |
| February | - Volunteers assigned to local or regional offices to establish living quarters and get acquainted with local situations, extension program and personnel. |
| March | - One week area emergency re-orientation meetings of U.S. volunteers and Brazilian counterparts by area supervisors and others concerned. |

III. Evaluation

It is proposed that a specific evaluation program be set up cooperatively by the National 4-H Club Foundation, ABCAR, ETA and the State Extension staffs, in order to measure the results of this program.

IV. Removal of U.S. Volunteers

It should be understood that, as volunteers, the U.S. Peace Corps volunteers are free to return home at any time, should this become necessary. If for any reason it is felt that a volunteer should be sent home, any one of the following parties shall feel free to suggest this action. It is then suggested that these five parties jointly make the necessary decision in this regard:

- (1) The State Extension Service involved
- (2) ABCAR
- (3) The National 4-H Club Foundation
- (4) The U.S. Embassy in Brazil
- (5) The Peace Corps

SECURITY CLASSIFICATION: **UNCLASSIFIED**

12-2-104 (7-50)

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Page 10 of 10
INTERNATIONAL COOPERATION ADMINISTRATION
CONTINUATION
FOR
SECURITY CLASSIFICATION
UNCLASSIFIED

PROPOSAL TO ABCAR
FOR THE USE OF U.S. PEACE CORPS TEAMS
IN DEVELOPING 4-S CLUB WORK

The following information is needed from each State Extension Service in order to complete arrangements for recruitment and training of volunteer workers.

1. Name of your state _____
2. How many teams (one man and one woman) are you requesting?

3. Where would your team (s) be located?
 - a. Name of Local Office (s)

 - b. Name of Regional Office (s)

 - c. In the Central Office _____

SECURITY CLASSIFICATION
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AIRGRAM

Page 12 of Encl. 1 Encl. No. 12 Date 21 January

AIRGRAM

CONTINUATION

NO. 12

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Letter to 8 Affiliates
Contacted on Peace Corps Program

In a meeting held June 23, 1961, in the ABCAR office with representatives of ICA, National 4-H Club Foundation, Peace Corps, Interamerican Rural Youth Program and the President and Director of ABCAR, the Peace Corps and National 4-H Club Foundation representatives made a detailed report of the visit they made with the eight States Extension Services.

At this meeting these representatives expressed their sincere thanks and appreciation for the cooperation and hospitality they received from the State Extension directors and technicians with whom they came in contact.

After hearing this report, ABCAR continues to have great interest and hope for a program of this type to become a reality. Assistance of this type, if properly utilized, can create a great impact in the improvement and development of the 4-H Club program in Brazil.

In order to proceed with the next steps, in developing this project, it was decided at this meeting to prepare a Summary of the points discussed with the States and the results of these discussions.

The National 4-H Club Foundation needs the information contained in the questionnaire, as soon as possible, in order to conclude contractual arrangements with the Peace Corps. ABCAR has agreed to obtain this information and forward it to the National 4-H Club Foundation, by July 20, therefore, we would appreciate receiving this information by July 15.

ABCAR DIRECTOR

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INCOMING AIRGRAM

Department of State

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Date Sent: July 21, 1961

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Info

FROM: Ambassador, Rio de Janeiro

TO: SecState Wash. D.C.

NO: A-27

JUL 24 10 25 AM '61

PEACE CORPS

Reference letter George Coleman to Tyson.

Written requests have been received from seven of the Brazilian state extension services for a minimum of 12 Peace Corps teams and a maximum of 22. It is understood that a team will consist of a man and woman with farm background, and experience in 4-H club work who will assist Brazilian extension agents at the field level, in the development of 4-H club work.

State	Lin. No. Teams	Ext. No. Teams
1. Paraíba	2	2
2. Pernambuco	3	4
3. Espírito Santo	2	2
4. Minas Gerais	6	9
5. Goiás	1	1
6. Rio de Janeiro	1	1
7. Santa Catarina	3	3
Total	18	22

We are confident the State of Ceará will request 1 team and Rio Grande do Sul 2 teams. The State of Bahia may request 1 team.

Requests from the above states will be forwarded as soon as received.

CABOT

Ferber, R/Tyson

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Department of State

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PAGE 2 OF 2Info FROM: ANEmbassy, Rio de Janeiro
TO: SecState Wash. D. C.
NO. A-49Date Sent: August 5, 1961
Rec'd:

Aug 14 10 39 AM '61

CIA-15
USIA-15
PEACE CORPSReference letter George Coleman to Tyson and airgram
A-27 dated July 21.

Written requests have been received from three additional state extension services for Peace Corps Teams.

State	Min. No. Teams	Max. No. Teams
1. Ceará	1	1
2. Bahia	1	1
3. Rio Grande do Sul	1	1
Total	5	6

No further requests are expected.

For the Ambassador

Leonard J. Saccio
USCM-DirectorFAB
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MEMORANDUM FOR THE RECORD

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98. [Illegible]

99. [Illegible]

100. [Illegible]

UNITED STATES Department of State

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Classification

1961 AUG 11 PM 9 26

06889

SENT TO: Embassy RIO DE JANEIRO

PHOTO 2

REF A-37.

832.00 PC
XR 611.327

Believe "El Salvador" appears instead of "Brazil" first para note text contained regram. Please make correction.

Rusk (Grant)

RUSK

832.00 PC / 8-11-61

ICA 20

IKK

PG/OC:Resubmitted 8/11/61

FDS/LA:DSinger (by phone) 8/11/61
FDS/LA:OCopess, (by phone) 8/11/61
States:WIllness (by phone) 8/11/61
States:WIllness (by phone) 8/11/61

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0345

INCOMING TELEGRAM

Department of State

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46

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Action

Control:

16529

Rec'd:

August 22, 1961

7:36 p.m.

PC

Info

FROM: Rio de Janeiro

SS

TO: Secretary of State

L

ARA

NO: TOPEC 2, August 22, 6 p.m.

E

BFAC

ICA

P

PRIORITY

USIA

INR

CIA

NSA

OPRL

FOR DEREK SINGER

RMR

Reference: PECTO 1

Meeting today with Acting Director ABCAR resulted in drafting of letter ABCAR will send Foreign Office requesting Foreign Office note to Embassy approving substance of 4-S club project. Andrade, president ABCAR, however, will not return Rio until Thursday at which time letter will be forwarded Foreign Office. Embassy-USOM will also follow-up with Foreign Office when ABCAR letter is sent. ABCAR representative anticipates no difficulty in securing Foreign Office letter to Embassy.

Information requested by Singer telephone call Herder as to municipios where personnel will be stationed follows. Locations chosen by Brazilians offer best facilities to be found in these states. ABCAR advises 28 locations listed represent maximum possibility, probably final number will be between 24 and 28.

State Ceara, Fortaleza;

State Espirito Santo, Santa Tereza, Alegre;

State Bahia, Feira de Santana, Alagoinhas;

State Rio Grande do Sul, Ijuí, Gaurama, Santa Cruz do Sul;

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

833.66-PC/8-2261

JUL 9 1 41 PM '61
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0346

7

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-2- TOPEC 2, August 22, 6 p.m., from Rio de Janeiro

State Santa Catarina, Joacaba, Criciuma, Indaial;

State Estado do Rio, Nova Friburgo;

State Goias, Anapolis;

State Paraiba, Guarabira, Campina Grande;

State Minas Gerais, Ponte Nova, Teofilo Otoni, Machado, Uba,
Formiga, Belo Horizonte, Curvelo, Varginha, Juiz de Fora;

State Pernambuco, Garanhuns, Surubim, Caruaru, Salgueiro.

Will advise status close of business Friday, August 25.

BOND

LM

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0347

INCOMING TELEGRAM

Department of State

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55-52

OFFICIAL USE ONLY

Action

Control: 19407
Rec'd: August 25, 1961
7:41 p.m.

PC FROM: Rio de Janeiro
Info

SS TO: Secretary of State

L NO: TOPEC 3, August 25, 7 p.m.
ARA
E
BFAC
ICA
P
USIA
INR
CIA
NSA
OPRL
RMR

Reference: TOPEC 2; PECTO 1

Meeting with Abcar today resulted following information:

1. Unable make any Brazilians available for US training period December 15 - January 15. Possibly trainees available next May.

2. Abcar prefers to contact Foreign Office personally instead of by letter as reported TOPEC 2. Expect favorable decision Foreign Office.

Will advise soonest.

BOND

LRR

832.00 PC/15-25-61

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FILED
DEC-4 1961

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

FILE-DC-1

0348

32

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHANGE TO

UNCLASSIFIED

Classification

196 NOV 6 PM 8 44

02764

Origin

XXXXXXXX

Info

ACTION: Amembassy RIO DE JANEIRO PECTO 14

FOR SHRIVER

REF: Lima TOPEC 14

110.402-PC/11-16
XA 8411D.00-PC

90 persons with degrees agriculture or related areas have volunteered PC and are theoretically available. Term "Farm Background" referenced cable too indefinite for meaningful analysis with present questionnaire.

Re Frank Sloan: Moyers just received word he has declined due "personal situation."

Rusk

RUSK

RIO Pecto 14

832.00pc/11-661

1

Drafted by:

PC:EXSEC:Wickert:ocs:11-6-61

Telegraphic transmission and

classification approved by:

PC - Paul F. Geren, Acting Director

Cleanest:

PCV/S : WICKERT

UNCLASSIFIED

Classification

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FORM
2-69 DS-322

0359

32

INCOMING TELEGRAM

Department of State

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54
Action
PC
Info
ARA
ATD
RMR

OFFICIAL USE ONLY

Control: 4511
Rec'd: November 7, 1961
11:26 p.m.

FROM: Rio De Janeiro
TO: Secretary of State
NO: TOPEC 9, November 7, 6 p.m.

FOR SINGER AND GRAYSON FROM COLEMAN

Reference PECTO 12 urge station wagons since will transport two PCVs and two-four counterparts plus audio-visual equipment and agricultural demonstration materials.

Reference PECTO 13 arranging Brazil training per schedule. Visiting Foreign Ministry today discuss final note of agreement wording. Will transmit any change text for approval.

GORDON

MRJ

RIO
Topic 9

832.00-PC/11-761

X A 110.4-PC

FILED
11-3-1962

CLASSIFIED

(2)

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ASSIGNED TO	DATE OF ACTION		
NAME OF OFFICER			
OFFICE SYMBOL			

0361

32
INCOMING TELEGRAM

Department of State

ACTION COPY

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53-H

Action

OFFICIAL USE ONLY

Control: 5122

Rec'd: November 8, 1961
6:17 p.m.

PC

Info

FROM: Rio-de-Janeiro

TO: Secretary of State

SS

L

NO: TOPEC 10, November 8, 1 p.m.

ARA

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SINGER AND KUNZ FROM COLEMAN.

Following is text draft note of agreement resulting from negotiations November 7 with Minister Pimenta-Bueno, Acting Assistant Secretary for Economic Affairs, Foreign Ministry and Raul de Vicenzi, Chief of Protocol, Foreign Ministry. Departures from previous text necessitated by present political situation: Pimenta-Bueno insists suggested text (Joint State/PC Message A-37 of August 9) would require Congress approval which would delay PC projects indefinitely, whereas if PC agrees to operate within existing overall cooperation program can do so by exchange of simple notes. Request reply today by telephone to permit exchange at Foreign Ministry-Shriver meeting November 9. Where original paragraphs of A-37 remain same have indicated by paragraph number and "as is". Recommend concurrence as will not affect PC image, PC representative will have office outside Embassy, will administer projects separately from AID with mutual consultation on program development with AID and Embassy staff. Ambassador concurs.

BEGIN TEXT

Excellency: I have the honor to refer to arrangements with respect to the men and women of the United States of America who volunteer to serve in the Peace Corps and who, at the request of your Government, would live and work for periods of time in Brazil. Your Government has indicated that it

would

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NAME OF OFFICER	ACTION	TO RM/R	
OFFICE SYMBOL			

0363

RIO
Topic 10

832.00-PC/11-861

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-2- TOPEC 10, November 8, 1 p.m., from: Rio-de-Janeiro

would welcome these Peace Corps volunteers and volunteer leaders, who would participate in a program of mutual exchange of knowledges and skills with the men and women of your country who are engaged in important projects of economic and social development in such fields as education, health, agriculture and housing.

I have the honor to propose the following understandings with respect to the Peace Corps: 1. As is.

2. The Government of Brazil will receive a Peace Corps representative and such staff and other personnel as are acceptable to the Government of Brazil, who will discharge functions with respect to Peace Corps programs as members of the staff of the American Embassy. The Peace Corps activities would be recognized as a part of the existing overall cooperation program of the two Governments.

3. As is, but add at end of sentence, "in accordance with existing agreements".

4. The Government of Brazil will exempt Peace Corps volunteers, volunteer leaders and other personnel accepted hereunder from immigration fees, and from income tax on all income derived from their Peace Corps work and from sources outside Brazil, from social security taxes and from all other taxes, charges and fees except (A) sales taxes or other charges or fees included in the prices of goods and services, and (B) license fees; and will exempt volunteers, volunteer leaders and other personnel accepted hereunder from all customs duties, fees and charges on their personal property introduced into Brazil at or about the time of their arrival.

5. As is.

6. As is.

Closing paragraphs, as is.

END TEXT

GORDON

DMJ/1

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0364

32 **OUTGOING TELEGRAM Department of State**

INDICATE: ☐ COLLECT
☐ CHARGE TO

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Classification

NOV 9 PM 6 31

04399

SENT TO: AMEMBASSY RIO DE JANEIRO NIACT PECTO 20
REF: TOPEC 10

Info:

VERBATIM TEXT

or ~~PC Director~~
Ambassador/authorized sign note. Text follows:

QUOTE Excellency:

I have the honor to refer to arrangements with respect to the men and women of the United States of America who volunteer to serve in the Peace Corps and who, at the request of your Government, would live and work for periods of time in Brazil. Your Government has indicated that it would welcome these Peace Corps volunteers and volunteer leaders, who would participate in a program of mutual exchange of knowledge and skills with the men and women of your country who are engaged in important projects of economic and social development in such fields as education, health, agriculture and housing.

I have the honor to propose the following understandings with respect to the Peace Corps:

1. The Government of Brazil will accord equitable treatment to Peace Corps Volunteers and Volunteer Leaders, both as to their persons and their property; afford them, particularly in case of need, full aid and protection; and fully inform and consult and cooperate with representatives

①

Drafted by: RSK
PC:GC - RRMH/cf 11/9/61

Telegraphic transmission and classification approved by: ARA-RWoodward RW

Clearance:
PC:PDO/LA-WWWarner wfw
PC:PDO-WWAggins
PC:PGeran

State:L-Emaurer
AID:GC-DEronheim
L/MS - KMalmborg

(substance) RSK/Em
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Classification

FORM 2-59 DS-322

0365

TELEGRAM
Page 3 of 3
To Rio de Janeiro

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Classification

the time of their arrival.

5. Funds ~~introduced~~ introduced into Brazil in connection with Peace Corps programs shall be convertible into the currency used in Brazil at the highest rate which is not unlawful in Brazil.

6. Appropriate representatives of the Government of the United States of America and the Government of Brazil may make from time to time such arrangements with respect to Peace Corps Volunteers and Volunteer Leaders and Peace Corps programs in Brazil as appear necessary or desirable for purposes of implementing this agreement.

Finally, I have the honor to propose that, if these understandings are acceptable to the Government of Brazil, this note and Your Excellency's reply note concurring therein shall constitute an agreement between our two Governments which shall enter into force on the date of your Excellency's reply note and which shall remain in force until ninety days after the date of written notification from either Government to the other of intention to terminate it.

Accept, Excellency, the renewed assurance of my highest consideration.

END QUOTE

As stated Coleman/Kuhn telecon, language para 2 does not explicitly accord PC personnel customs/tax exemptions. Advise willingness GOB to sign supplemental letter giving interpretation para 2 as according ~~xx~~ same exemptions as accorded Embassy personnel comparable rank or grade.

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Rusk
for

RUSK

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32

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHANGE TO

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Classification

961 NOV 9 AM 11 48

04107

Origin

~~SECRET~~

Info

ACTION: Ambassador RIO DE JANEIRO PRIORITY PCTO 17

FOR SHIVER

PCTO 16, November 8., Third paragraph:

"third, that number of POVs initially involved in such a program not exceed 150 with 50 repeat 50 cited as preferred figure by some;

Rusk Bm

RUSK

Reviewed by RMJ

① *JK*

Bm

Drafted by: PC:JWMiller:gc:11/9/61

Telegraphic transmission and classification approved by:

PC:Bradley H. Patterson, Jr. ExecSec

Classroom:

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NO Pct 17 832.00. PC/11-961

0368

32
INCOMING TELEGRAM

Department of State

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45

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Action

Control: 6929

Rec'd: November 12, 1961
6:41 AM

PC

FROM: Rio de Janeiro

Info

SS

TO: Secretary of State

L

ARA

NO: TOPEC 13, November 11, 5 P.M.

AID

P

USIA

Department telegram PECTO 20.

INR

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RMR

In order avoid congressional criticism possible violations Brazilian law in tax exemption language, Peace Corps agreement modified today with concurrence Shriver and signed accordingly. Modifications as follows:

Paragraph 3, sentence order inverted to begin with last clause "In accordance with existing technical cooperation agreements, or any agreements which may supersede them, the GOB will exempt etc."

Paragraph 4 rewritten as follows: "The Government of Brazil will grant free official visas for the entrance of the Peace Corps Representatives, volunteers, volunteer leaders and other personnel accepted hereunder. The allowances for maintenance and travel received from the USG by the Peace Corps volunteers, volunteer leaders, and other personnel accepted hereunder are, in accordance with existing law, not subject to income tax or any other taxes except (A) sales taxes or other charges or fees included in the prices of goods and services, and (B) license fees. Likewise, the personal property introduced into Brazil at or about the time of their arrival by volunteers, volunteer leaders, and other personnel accepted hereunder will not be subject to any custom duties, fees and charges in accordance with existing law."

Paragraph 5 revised as follows: "Funds introduced into Brazil in connection with Peace Corps programs shall be convertible into the currency used in Brazil at the best lawful rate in Brazil for financial transactions."

(2)

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

RIO TOPEC 13

832.00-PC/11-1161

NR 611.324

1962

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-2- TOPEC 13, November 11, 5 P.M. from Rio de Janeiro

Additional paragraph 7 introduced at Shriver's request:
"It is understood that Peace Corps staff, volunteers, volunteer leaders, and other personnel accepted hereunder will not be entitled to diplomatic privileges or immunities.

GORDON

LSA

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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Verbatim Text

1061 DEC 19 PM 6:54

08916

Origin

SENT TO: Amembassy RIO DE JANEIRO PECTO

32

Info

Ref: Topec 13

832.00-PC/11-1161
LR 611324

A. Final text PC note ~~unclear~~ unclear as to exemptions intended.

Ambiguity ~~unclear~~ troublesome in view of (a) para 4 language, which implies that only exemptions granted are those available under existing law but does not state whether QTE existing law UNQTE includes TC agreements or only internal law Brazil, and (b) para 7, which states no privileges/immunities intended. QTE privileges/immunities UNQTE normally understood include certain exemptions from existing law, e.g., customs/tax exemptions. Problem made more acute by existence state and local taxes.

B. Exchange supplemental letters with GOB appears ~~desirable~~ to confirm mutual understanding of note. Text below ~~intended~~ clarify intent important points. Propose you exchange letters unless you believe undesirable. Letters will not repeat not be published.

QTE

Excellency: I have the honor to refer to the agreement relating to the Peace Corps program effected by an exchange of notes signed at Rio de Janeiro on November 11, 1961, and to record my Government's understanding of the meaning of certain provisions therein.

Dist: ~~PC~~ RSK:RSK:12.12.61

Telegraphic transmission and classification approved by:

ARA: Mr. Barall

Character:

PC:OC:WADelano
PC:PCO/LA:JVaughn
D:PC:RSShriver

L/E K
L/T

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FORM DS-322

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1. As stated in paragraph 2 of the Agreement, the Peace Corps activities are to be recognized as part of the existing technical cooperation program of our two governments. Accordingly, the phrase "in accordance with existing law" appearing in paragraph 4 of the Agreement is understood to ~~include all Brazilian~~ ^{include all Brazilian} law applicable to technical assistance and related activities ~~between our two Governments~~ ^{in effect from time to time} relating to such activities. ~~in effect from time to time~~

2. Under paragraph 2 of the Agreement, the Peace Corps Representative and staff will be received by the Government of Brazil as members of the staff of the Embassy of the United States of America. They will accordingly receive the same treatment with respect to the payment of taxes and customs duties as is accorded personnel of comparable rank or grade of that Embassy.

3. The second sentence of paragraph 4 of the Agreement provides that the allowances for maintenance and travel received from the Government of the United States of America by Volunteers, Volunteer Leaders and other personnel accepted by the Government of Brazil are, in accordance with existing law, not subject to income tax or any other taxes except certain specified classes.

(a) Payments "received from" the Government of the United States of America ^{are} ~~is~~ understood to include payments whose source is the Government of the United States of America, including those disbursed by a voluntary agency or other institution under a contract financed by that Government.

(b) Payments to Volunteers and Volunteer Leaders for maintenance and travel are generally called "allowances," while payments to other personnel engaged in activities under the Agreement are not. Accordingly, the phrase

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INCOMING TELEGRAM

Department of State

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Action

Control: 1725

EC

Rec'd: DEC. 4, 1961
1:35pm

Info

FROM: RIO DE JANEIRO (VIA POUCH)

TO: Secretary of State

NO: TOPEC UNNUMBERED, NOVEMBER 30

DR. SPENCE MEMO OCTOBER 24 BRAZIL MEDICAL CONTACTS

COLEMAN REQUESTS STATUS PLANNED SURVEY BRAZIL. DR. FORNEY ADVISES NOT NECESSARY HAVE FORMAL SURVEY DUE AVAILABILITY SESP HEALTH UNITS TO PCVS. COLEMAN PLANNING TRIP TO CENTRAL STATES DUTY LOCATIONS BEGINNING DECEMBER 5, FOLLOWED BY VISIT SOUTHERN LOCATIONS. PLAN VISIT NORTHEAST POINTS EN-ROUTE WASHINGTON APPROXIMATELY DECEMBER 15. COULD COMBINE THESE WITH MEDICAL SURVEY IF MEDICAL OFFICER AVAILABLE AND PC/W STILL PLANS OWN SURVEY.

BOND

RCD

FILED
FEB 9 - 1962

①

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Topec UNN

832.00-PC/11-3061

0377

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Page No. 3
Despatch No: 454
From: Rio de Janeiro

	<u>Subtotal</u>
1 Hydroelectric Plant Maintenance Technician	
1 Power Substation Assembly Technician	
2 Well Driller Technicians	13

Agricultural:

5 Poultry Farmers	
1 Poultry Genetecist	
2 Cotton Farmers	
2 Citrus Growers	
2 Vine and Wine Growers-Producers	
2 Soil Conservationists	
2 Mechanized Farming Technicians	
2 Irrigation Specialists	
1 Dairy Cattleman	
2 Rice Growing Technicians	
7 Agriculture Extension Workers	
2 Pisciculturists	
1 Home Economist	31

Social Work:

7 Social Work Assistants	7
--------------------------	---

Cooperatives:

5 Cooperative Technicians	5
---------------------------	---

Crafts:

1 Weaving Technician	
1 Leatherwork Technician	2

Audio-Visual:

1 Audio-visual Aids Technician	
1 Multilith Operator	2

Administrative:

4 PCVLs (to be adjusted after more detailed exploration)	4
--	---

TOTAL 64

Recommendation: Request clearance for further development, as Commission has strong, ongoing program of important economic significance, which would be made more effective through PCV staff. Consider stationing PC Rep in Belo Horizonte or Brasilia to oversee this project and others to come. (Form 103 to be forwarded.)

3. Catholic University of Rio de Janeiro requests 23 PCVs to assist in Vocational School and Social Work Program, the Institute of Psychology, the Engineering School, the Institute of Physics and in secondary school teaching programs.

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Page No. 7
Despatch No.
From: Rio de Janeiro

structure, which then becomes a vehicle for receiving technical assistance and materials for sanitation, water, health, and education services. This project will be pursued next week through discussions with Dr. Arthur Rios and Josefina Albano, prime forces in the slum improvement campaign. Potential number: 20.

General Considerations on Program Development

Despite limited time thus far for program exploration, and despite the fact that certain major areas, such as education and cooperative development, have not yet been touched on at the federal level, it is evident that the limit for placement of volunteers in Brazil is really the limit of funds available for this country within total PC resources. PC Rep will concentrate on education project proposals during December. Several requests for very small number of PCVs have not been included in this summary as notfeasible.

Press

Very favorable editorial appeared on November 23 in Diario de Noticias, a Rio daily which is not usually pro-American, a copy of which was forwarded to Director, PC/W.

Administrative

PC Rep is awaiting necessary authorization of documents from PC/W before able to lease desirable office space near Embassy, consisting of two small offices and conference room at US\$150/month, which is below the usual rental and can be shared with 4-H project director. The aforementioned documents are also necessary for secretary. Preparing a memo of understanding with Embassy and AID staff re support services anticipated for first PC project and general operations.

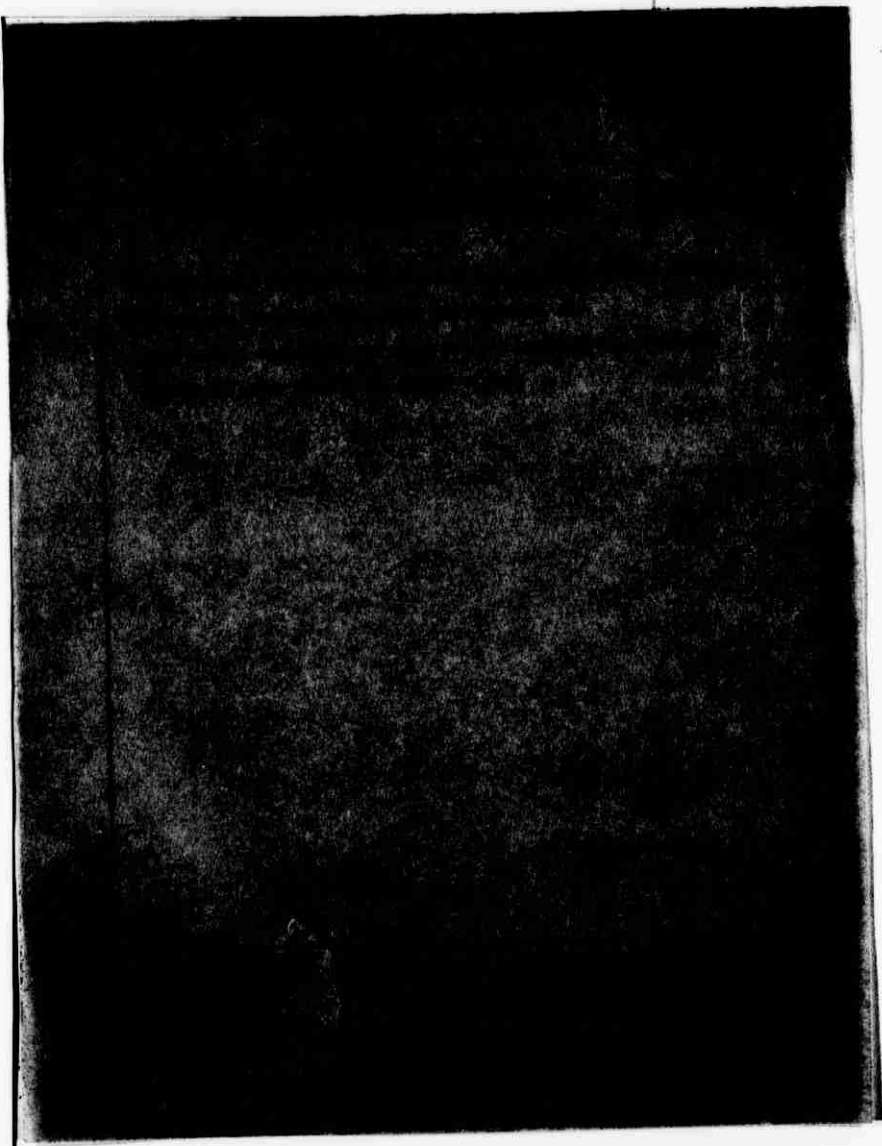
For the Ambassador:


George M. Coleman, Jr.
Peace Corps Representative

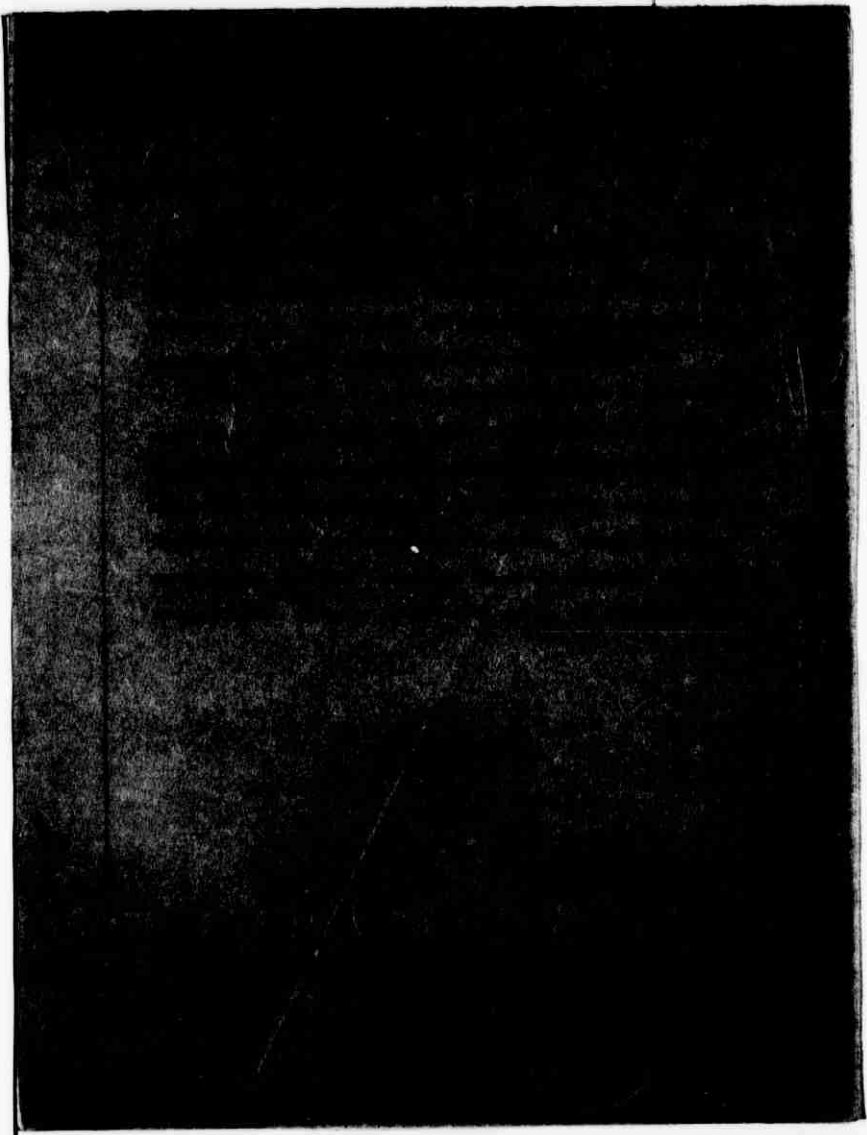
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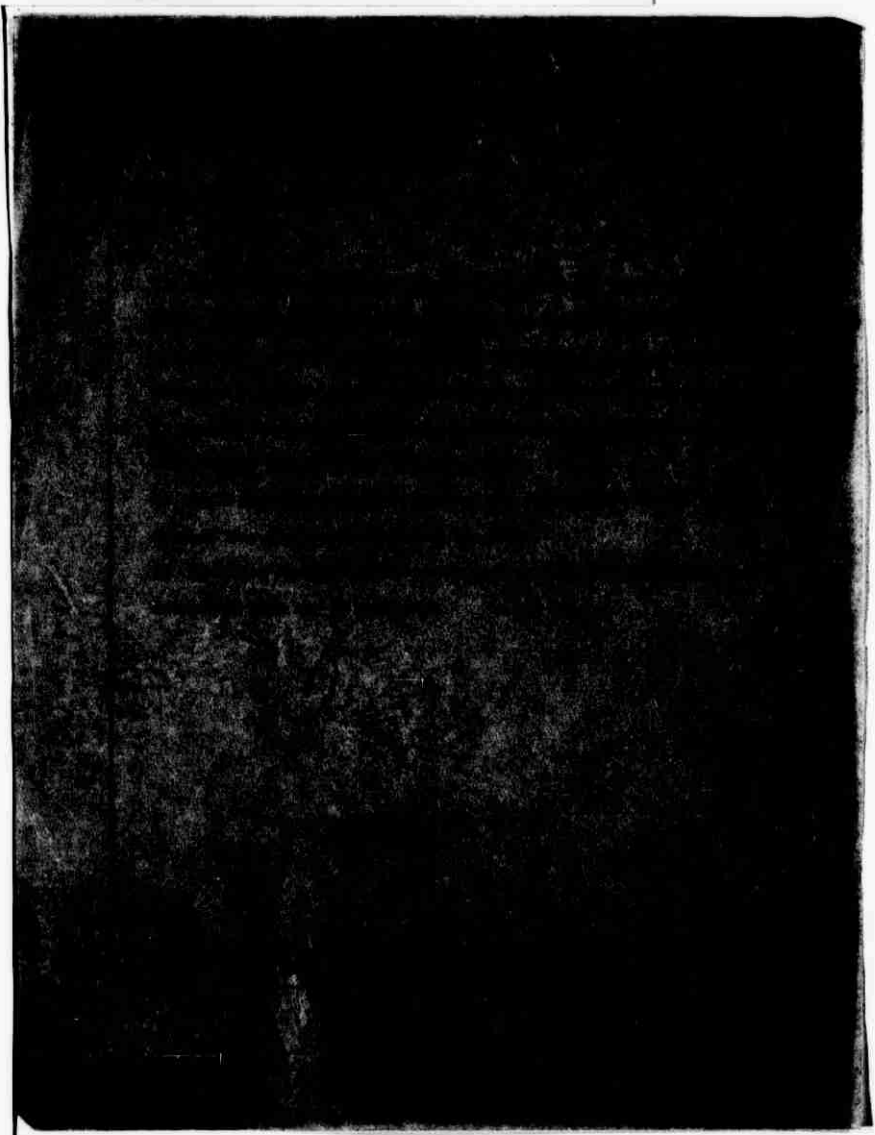
0384



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72

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Department of State

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Control: 1972
Rec'd: December 4, 1961
8:30 pm

Action
EC

Info FROM: RIO DE JANEIRO
ARA TO: Secretary of State
AID
RMR NO: TOPEC 14, DECEMBER 4

PECTO 24, DEC 1

STATUS 4H-ABCAR PROJECT AND EVALUATION OTHER PROJECT
POSSIBILITIES AIR POUCHED TODAY DESPATCH 454. PCV NUMBERS
4H-ABCAR PROJECT REMAIN SAME. AWAITING WRITTEN GOB APPROVAL;
HAVE RECEIVED VERBAL.

PECTO 26 DEC 2

WISDOM SUGGESTS MARIO PAES DE BARROS WHO LEFT RIO DECEMBER
1 TO JOIN PAN AMERICAN UNION STAFF WASHINGTON. SUGGEST CONTACT
PALERM AT PAU. IF DE BARROS NOT AVAILABLE PLEASE ADVISE
IMMEDIATELY SO INVITATION MAY BE EXTENDED JOSE ARTHUR RIOS
OR BISHOP SALES OF NATAL.

PECTO DEC 1 PARAGRAPH 3

IF TRAVEL AUTHORIZATION AMENDMENT CANCELS RETURN TO WASHINGTON
ON OR ABOUT DECEMBER 15 REQUEST ADDITIONAL TRAVEL ORDERS FROM
PC/W TO RETURN TO WASHINGTON FOR CONSULTATION FROM DECEMBER 18
THROUGH JANUARY 7 AS ORIGINALLY PLANNED.

GORDON

GDW

Classified by RMR

①

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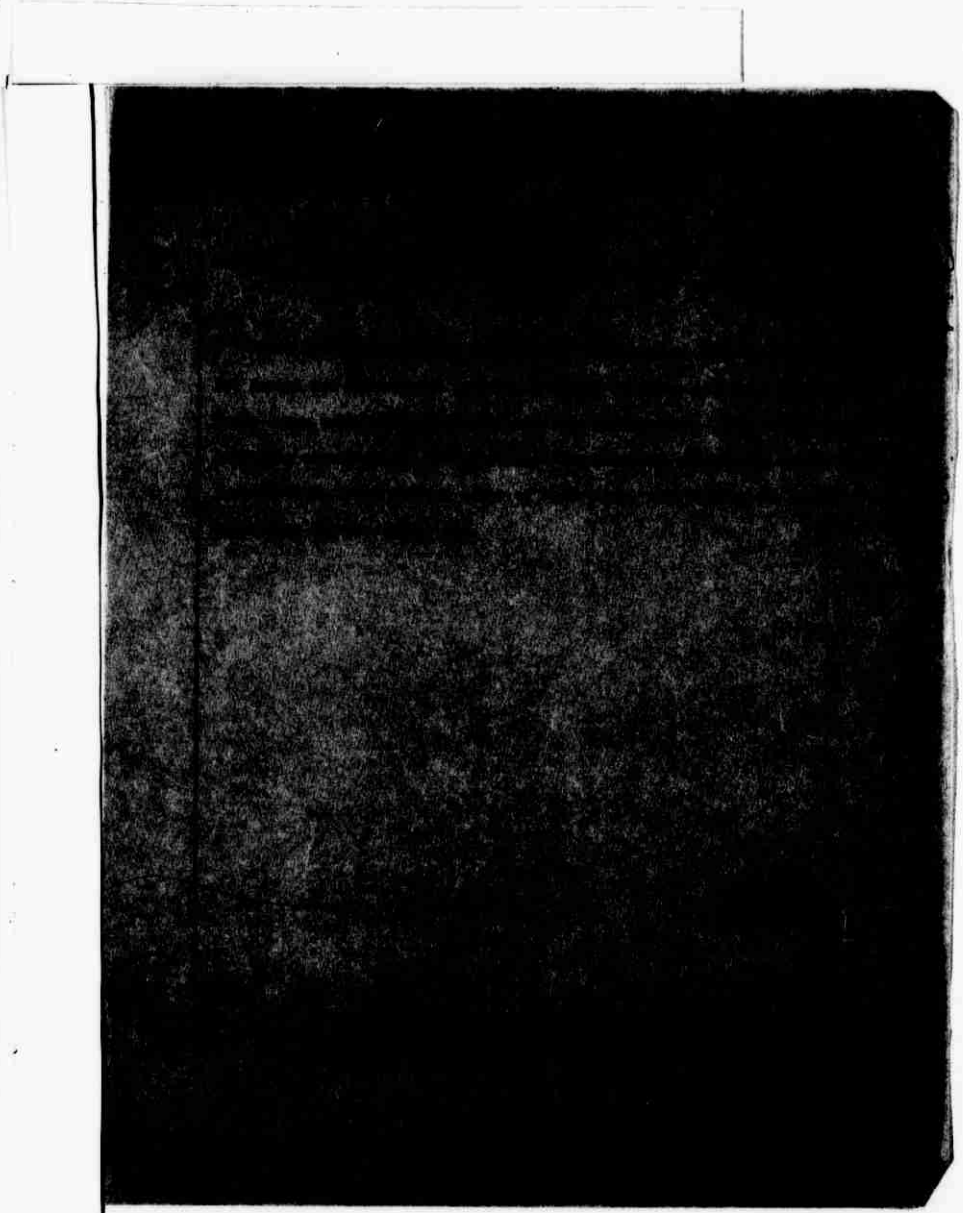
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RIO Type 14
832.00-20/12-461

FILE DC/T

0389



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32
INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

35
Action

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Control: 5427
Rec'd: December 9, 1961
9:54 amPC
Info

FROM: Rio De Janeiro

L
ARA
E

TO: Secretary of State

AID
INR

NO: TOPEC 15, December 7, 6 p.m.

CIA
NSA

PECTO 28, December 5.

AGR
HEWJUS
TRSY

RMR

FASE being developed as Brazilian nation-wide voluntary agency for collecting funds, Food for Peace, and materials for distribution to affiliated agencies for programs in education of illiterates; community development; agricultural and health demonstration and education; organization of cooperatives; will coordinate member agencies programs with national public and private resources, foreign public and private organizations, and with international agencies. Will facilitate customs clearances; issue periodic reports.

FASE not yet in existence, awaits completion of incorporation and registration procedures through Ministries of Justice, Finance, and Education, which Bill Brown, Deputy Director, Catholic Relief Services, Rio, estimates will occur by end January, 1962. FASE will work through local affiliates which have programs of cooperation with Catholic Church and municipal and state governments. Protestant voluntary agencies not invited to join FASE, but FASE willing to join them in a Brazilian Council of Voluntary Agencies not yet formally discussed.

FASE will collect funds and other resources from Brazilian and Foreign private and public agencies, and individuals. Will have President, Executive Secretary (Bill Brown), Treasurer, and two members, which constitute the Executive Board, which is elected by general assembly composed of delegates from each affiliated constitution.

Too early to

microfilm by RMH

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-2- TOPEC 15, December 7, 6 p.m., from Rio de Janeiro

Too early to evaluate this organization which has no history, experience, legal status. It evolves out of work of many separate Catholic agencies in Brazil which have felt need for a coordinating body which will represent them before the National Government and with foreign and international agencies; seems a sensible approach to attacking more effectively the enormous problems of voluntary agencies operations in Brazil. SAR will be the affiliated member in Natal, Rio Grande Do Norte.

Have Portuguese articles of incorporation which will hold for further developments.

GORDON

HEK

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0392

32
OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

OFFICIAL USE ONLY
Classification

03099

Origin

ACTION: Embassy RIO DE JANEIRO

Info

Ref TOPEC 13. Conclusion Peace Corps agreement on basis reported
refed without State Department authorization or opportunity for Department
and Peace Corps consideration has resulted in (1) questions as to inter-
pretation of agreement as concluded and (2) concern that purpose and
application Circular 175 procedure is being overlooked.

With respect to point (1), separate message will follow containing
proposed interpretive letter.

With respect to point (2), Embassy and Peace Corps representatives
should be aware of following:

A. No international executive agreement is authorized to be
negotiated or entered into without specific approval of Secretary of
State or officer to whom he has delegated function of approval, nor any
changes in authorized text be made without such approval.

B. Reasons for this strict requirement include necessity for
legal determination that commitments to be undertaken are proper subject
for executive agreement, as opposed to treaty, and that such commitments
do not go beyond existing legislative or other authority; desirability
conforming language to usage other international agreements and making

2
Dated by *Ken*
L/Emb Rio de Janeiro 12/22/61

Clearance
Mr. E. A. Tamm - info
Mr. E. A. Tamm - info
Mr. E. A. Tamm - info

Telegraphic transmission and
classification approved by: L/E - *Ken* John B. Reim

ATA/ST - Mr. Harbo (draft) *Ken*
L/T - Miss Hilsen (draft) *Ken*

Mr. E. A. Tamm - info

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FORM 05-322

DEC 6 - 121 PM
No file

DEC 7 1961

0343

32

INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

57

UNCLASSIFIED

Action

Control: 4489
Rec'd: Dec 7 1961
10:13 pm

PC

Info
DCT
RMR

FROM: Sao Paulo

TO: Secretary of State

NO: 323, December 7.

PASS DIRECTOR OS SELECTION, PEACE CORPS, WASHINGTON, D. C.

One applicant took general text, 7000.

Collect \$6.11.

LYON

MCM-10

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0394

WITHDRAWAL NOTICE

RG: 059

TAB #: 1^c

ENTRY: CDF60-63

001 / 0001 / ~~1~~ / -----
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BOX: 2415

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Folder Title: 832.00-PC/3-1161
Document Date: 20/12/61
Document Ser#: _____

LTR

FROM: SHRIVER

TO: RUSK

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

X Security-Classified Information

NND: 949516

WITHDRAWN: 02/27/95 by: CJM

FOIA RETRIEVAL #: 949516 02415 00001

0397

32
INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

42

UNCLASSIFIED

Action

Control: 14210

Rec'd: January 25, 1962
1:58 a.m.

PC

FROM: RIO DE JANEIRO

Info

TO: Secretary of State

ARA

NO: TOPEC 20, JANUARY 24

IGA

AID

P

CU

USIA

HEW

RMR

ABCAR INSISTS CANNOT REDUCE THREE WEEKS ORIENTATION AS INCLUDES ALMOST ONE WEEK AUDIO-VISUAL AID TRAINING PLUS INFORMATION ON 4-S WORK VITAL TO SUCCESS OF VOLUNTEERS. PEACE CORPS REPRESENTATIVE RECOMMENDS RETAINING THREE WEEKS AND WILL ARRANGE FOR CONTINUED LANGUAGE INSTRUCTION DURING THIS PERIOD.

ABCAR CAN USE ONLY TEAMS AND NOT EXCESS MEN PEACE CORPS VOLUNTEERS EXCEPT ONE AGRICULTURE EXTENSION WORKER WITH EXPERIENCE AND GRADUATE DEGREE IN AGRICULTURE WHO WOULD WORK WITH NATIONAL 4-S CLUB LEADER. SUGGEST CONSIDER KEEPING EXCESS MEN IN TRAINING, HOWEVER, FOR FUTURE BRAZIL PROJECT, AS DEREK SINGER NOW INVESTIGATING SAN FRANCISCO VALLEY PROJECT (SEE 103) WHICH REQUESTS EXTENSION WORKERS. ABCAR WANTS A SECOND PHASE OF PROJECT TO BEGIN TRAINING NOVEMBER 1962, ARRIVE BRAZIL IN TRAINING JANUARY 1963, BEGIN WORK MARCH. REQUEST 12 TEAMS OR 24 PEACE CORPS VOLUNTEERS. AIRPOUCHING MORE DETAILS.

AUREA HELENA ANDRADE, NATIONAL 4-S LEADER, ABCAR ACCEPTS INVITATION JOIN PEACE CORPS VOLUNTEERS IN PUERTO RICO MARCH 11-24. ADVISE WHETHER PEACE CORPS OR 4-H FOUNDATION ISSUES TRAVEL ORDERS AND PER DIEM.

ADVISE IMMEDIATELY EXPECTED ARRIVAL RIO OF DOCTOR CAIRNS, ARRANGEMENTS MUST BE MADE FOR VISITS TO CENTRAL AND SOUTH BRAZIL IN ADVANCE.

GORDON

ELP
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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	FILE-DEPT

0402

37

17500

1 JAN 25 1962

83200K 1246

U.S. DEPARTMENT OF STATE

OFFICE OF THE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS

ACTION: ADVISE THE PRESIDENT AND VICE PRESIDENT

RE: MEXICO

IN ORDER to obtain complete information on the status of the
irrevocable, to meet various alternative assignments for required
volunteers. The U.S. reports opportunities existing in the present
world arena to utilize foreign and domestic required volunteers for
assignment assignment or assignment to the U.S. Other assignments might
have advantages of releasing volunteer capacity to placing volunteers in
local area under their sponsorship.

While stating your position in planning and/or alternative
assignments.

D

Rusk
www

BALL

microfilm by *www*

632-00-20

U.S. State Department of State

OFFICIAL USE ONLY

Classification

ACTION: Ambassy SEC 82 JAMES STATE 37

San Francisco Valley 193 rejected Peace Corps Washington. Lack of education, too high specialties, too high level technicians. Revises as Peace Corps Volunteers in same general area and are middle level technicians.

BALL

Rusk
www

Richman Put 37 832.0000/

FOIA/EO: A. G. 1/10/62

FOIA/EO: J. H. 1/10/62

FOIA/EO: C. Nelson

INCOMING TELEGRAM

Department of State

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33

Action

UNCLASSIFIED

Control: 15790

Rec'd: January 26, 1962
3:40 p.m.

PC

Info

FROM: RIO DE JANEIRO

ARA

TO: Secretary of State

IGA

AID

NO: TOPEC 24, JANUARY 26

RMR

PECTO 36

DUE TO REDUCTION 4-H TEAMS REQUEST 24 SIX CYLINDER JEEP
STATION WAGONS.

GORDON

JHW

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OFFICE SYMBOL		

0406

32
INCOMING TELEGRAM

Department of State ACTION COPY
PERMANENT RECORD COPY

42

Action
PC

OFFICIAL USE ONLY

Control: 18111
Rec'd: January 31, 1962
2:23 a.m.

Info

FROM: Rio de Janeiro

SS

TO: Secretary of State

ARA

IGA

AID

NO: TOPEC 25, January 30, 5 P.M.

RMR

P

USIA

Confirming Singer-Vaughn TELECON yesterday, consider San Francisco Valley Commission program represents major Peace Corps breakthrough Latin American from viewpoint demand; excellent supervision, financing, counterparts; enthusiastic GOB endorsement and contribution; mature program with experienced leadership; good volunteer living conditions provided by Commission; excellent transport and communication; direct SIE-IN alliance for progress objectives, including self-help, etc.

Volunteers placed in twenty valley towns from Belo Horizonte to Rivermouth working following fields. Group A (medical) numbers approximate:

A. X-ray technicians ten, anesthetists five, nurses twenty, laboratory technicians ten, radiologists five, dental technicians three, health educators five, social workers five, sanitary engineers five, total 68.

B. Fisheries three, diesel motor repairmen five, agricultural repair and machinery maintenance fifteen, agricultural extensionists twenty one, veterinaries ten, cattlemen three, cooperativists three, soil conservationists two, agricultural economists two, cottage industries two, home economists three, E. E. and electricians thirteen, carpentry two, farm irrigation and drainage nine, farm management and research nine, geologists two, radio repairmen four, other five, total 113. Grand total 181.

Have detailed job descriptions all volunteers group B; others follow. One hundred four being prepared. Short falls not critical/

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

0407

OFFICIAL USE ONLY

From: Rio de Janeiro, TOPEC 25, January 30, 5 P.M. - 2 -

critical local project, but one hundred volunteers represents minimum acceptable number. Project could also be phased in separate groups fifty to one hundred each, possibly with sixty eight health volunteers separate and later. Delivery planned July-August or later.

Commission has never requested nor received US assistance before, but keenly interested Peace Corps. Realize possible recruiting difficulties but recommend maximum effort due to unequaled effectiveness and benefits. This Tennessee Valley Authority-type commission attached directly office of President with annual operational budget approximating one percent Government income by law.

GORDON

KHM

0408

6

INCOMING TELEGRAM

Department of State

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42

Action

PC

Info

ARA

IGA

AID

RMR

UNCLASSIFIED

Control: 6070

Rec'd: February 10, 1962
1:46 a.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: TOPEC 29, February 9

PECTO 42

Need six cylinder jeeps, see TOPEC 21, January 25.

BOND

CC-6

Rio de Janeiro Japen 29

932.00 PC/E-962

microfilm by RMR

APR 13 1962

1

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6
INCOMING TELEGRAM

Department of State

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40-43
Action

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Control: 8000
Rec'd: February 14, 1962
1:00 a.m.

PC
Info
ARA
IGA
AID
OPR
RMR

FROM: RIO DE JANEIRO
TO: Secretary of State
NO: TOPEC 30, FEBRUARY 13

832.c.c.p.c.

Rio de Janeiro Topec 30

WITH REFERENCE TO MEMO JANUARY 8 KELLY FROM COLEMAN
SUBJECT: VEHICLES FOR BRAZIL 4-H PROJECT, DUE TO REDUCTION
NUMBER TEAMS REVISE SUGGESTED PORTS OF DELIVERY AS FOLLOWS:
RECIFE, TWO VEHICLES FOR ONE TEAM IN CEARA PLUS ONE FOR
VOLUNTEER LEADER; SALVADOR, BAHIA, TWO VEHICLES FOR TWO TEAMS
IN BAHIA; RIO, 12 VEHICLES FOR NINE TEAMS IN MINAS GERAIS, TWO
TEAMS IN ESPIRITO SANTO, ONE FOR VOLUNTEER LEADER; PARANAGUA
(CURITIBA), PARANA, FOUR VEHICLES FOR THREE TEAMS IN SANTA
CATARINA, PLUS ONE FOR VOLUNTEER LEADER; PORTO ALEGRE, RIO
GRANDE DO SUL, THREE VEHICLES FOR THREE TEAMS IN RIO GRANDE DO
SUL; IF 22 TEAMS ARE SELECTED INSTEAD OF ANTICIPATED 20,
SHIP TWO EXTRA VEHICLES TO RECIFE FOR TWO TEAMS IN PARAIBA. ALL
SIX CYLINDER, FOUR-WHEEL DRIVE.

AS SOON AS PC/WASHINGTON HAS DEFINITE INFORMATION AS TO
NUMBER OF VEHICLES FOR PORTS TO WHICH ORDERED FOR DELIVERY, MUST
INFORM PC/BRAZIL AS (1) AMBASSADOR MUST GIVE APPROVAL FOR
INCREASE IN NUMBER OF VEHICLES FOR COUNTRY AND (2) FOREIGN MINISTER
MUST APPROVE IMPORTATION. NEED YEAR OF VEHICLE AND PORT TO WHICH
DELIVERED, NOT SERIAL NUMBERS, YET.

GORDON

SAJ
microfilmed by RMR

FILED

FEB 14 1962

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& OFFICE SYMBOL		

0417

INCOMING TELEGRAM

59
Department of State

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32

Action

UNCLASSIFIED

Control: 9367

Rec'd: March 14, 1962
1:22 pm

PC

Info

FROM: Rio de Janeiro

ARA

TO: Secretary of State

CAP

IGA

AID

NO: TOPEC 37, March 14

RMR

Request clearance of 103's submitted January on San Francisco Valley Commission and Guanabara (Rio) Secretary of Education (adult education) projects. Brazilians requesting go-ahead.

Cairns' clearance in process. Will advise March 16.

GORDON

WES-3

D

RIO TOPEC 37

832.00-PC/3-1462

FILED
MAY - 7 1962

Microfilm by RMR

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NAME OF OFFICER	ACTION		TO RM/R
OFFICE SYMBOL			

0418

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INCOMING TELEGRAM

Department of State

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58

Action

PC

Info

ARA

IGA

AID

RMR

UNCLASSIFIED

Control: 8843

Rec'd: Feb. 14, 1962
9:15 p.m.

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: TOPEC 31, FEBRUARY 14

832.00pc

4-H VOLUNTEERS INVITED FOR SIX-WEEK CAMPUS STAY AT RURAL UNIVERSITY LOCATED 73 KILOMETERS FROM RIO OR ONE HOUR 15 MINUTES DRIVE, MARCH 25-MAY 7. TOTAL EXPENSES \$135 FOR EXTRA MAINTENANCE PLUS \$1.10 PER DAY PER VOLUNTEER FOR FOOD. UNIVERSITY CONTRIBUTES DORMITORIES AND CLASSROOM SPACE PLUS OCCASIONAL LECTURES, ORIENTATION, STUDENT ACTIVITIES. REQUEST ALLOTMENT FOR \$50.00 PER VOLUNTEER FOR SIX-WEEK PERIOD, PLUS \$135. IF ADDITIONAL TRANSPORTATION COSTS INVOLVED WILL SUBMIT ESTIMATE LATER.

RURAL UNIVERSITY HAS IDEAL CAMPUS, FACILITIES FOR STUDY OF ALL AGRICULTURAL SPECIALTIES, PROVIDES MAXIMUM OPPORTUNITY VOLUNTEER CONTACT WITH BRAZILIAN AGRICULTURAL STUDENT LIFE. COPIES LETTERS OF AGREEMENT TO BE FORWARDED.

ADVISE WHETHER PEACE CORPS PAYS SUBSISTENCE PLUS \$2.00 PER DAY SPENDING ALLOWANCE AS IN WASHINGTON TRAINING OR GIVE VOLUNTEER MONTHLY SUBSISTENCE ALLOWANCE AND PERMIT HIM TO PAY UNIVERSITY.

GORDON

SAJ

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Rio de Janeiro
Jocile 31

832.00pc/2-14-62

0419

6
INCOMING TELEGRAM

Department of State

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57
Action
PC

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Control: 9554
Rec'd: February 15, 1962
6:35 p.m.

Info
ARA
IGA
AD
RMR
FROM: Rio de Janeiro
TO: Secretary of State
NO: TOPEC 32, February 15

832.00 PC

For rural university volunteers need bedclothing, towels.
Ana Maria Lobo, experiment representative, indicates \$15.00
total cost per volunteer per family home stay. Request advice
whether 4-H Foundation making contract with experiment for this.
Experiment here has begun contacts with families.

Please advise results selection and send biographies in
quantity.

GORDON

MLS-3

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FEB 13 1962

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Rio de Janeiro TOPEC 32

832.00 PC / 2-1562

0420

6
INCOMING TELEGRAM

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30-39

UNCLASSIFIED

Action

Control: 11721

PC

Rec'd: Feb. 19, 1962

3:34pm

Info

FROM: Rio de Janeiro

ARA

TO: Secretary of State

IGA

AID

NO: TOPEC 33, February 19

O

A

AGR

RMR

PECTO circular 20

832.00 pc

Brazil 4-H project: Estimate contribution in fuel maintenance \$42,000; office space for 20 teams: \$8,000; training: \$2,500; secretarial assistance: \$4,800; Total: \$57,300.

GORDON

MLS-3

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APR 13 1962

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0421

United States Department of State

Office of the Secretary of State
Washington, D.C.

March 21 7 01 PM '52

ACTIVITY Summary and Remarks PERO 43

832.0000
110.4000

4-N received ABCAR letter yesterday with following message. QUOTE We are ready to take the men and women you may have available up to 20 men and 20 women UNQUOTE. Does this mean they take all volunteers? Final selection March 21. Maximum number of 16 men and women teams possible. 31 men 16 women trainees going to Puerto Rico.

Francis Pressly named project director. Schmidt tentatively Rio March 9 thru 18. Pressly arrives few days after Schmidt.

END

RUSK

XR 110.4000

March 21 1952

Approved: [Signature]
Special Agent in Charge

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Department of State

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Action

Control: 14909

PC

Rec'd: February 23, 1962
11:14 p.m.

Info

FROM: RIO DE JANEIRO

ARA

TO: Secretary of State

IGA

AID

RMR

NO: TOPEC 34, FEBRUARY 23

PECTO 43; CIRCULAR PECTO 22.

ABCAR WILL ACCEPT 28 MEN 16 WOMEN THREE VOLUNTEER LEADERS.
NO VEHICLES IN BRAZIL.

GORDON

ELP

Rio de Janeiro Topec 34

832.007/2-2362

FILE
MAY 16 1962

①

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INCOMING TELEGRAM

Department of State

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Action

PC

Info

ARA

CAP

IGA

RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: TOPEC 36, MARCH 12

UNCLASSIFIED

Control: 8362

Rec'd: March 13, 1962

4:55pm

PECTO-45

IN VIEW ABCAR ACCEPTING 28 MEN PLUS THREE LEADERS PLEASE
ADVISE SOONEST POSSIBILITY OF REINSTATING ORIGINAL NUMBER
VEHICLES FOR PROJECT. THAT IS, 28 VEHICLES FOR VOLUNTEERS,
THREE VEHICLES FOR LEADERS AND ONE FOR 4-H FOUNDATION
PROJECT SUPERVISOR.

GORDON

JHW

Rio de Janeiro 2 Apr 36

833.00 PC 3/12/62

FILE
APR 13 1962

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0424

United States Department of State

OFFICE OF THE SECRETARY

OFFICE OF THE SECRETARY

TO: ACTING Assistant Secretary

FROM: [illegible]

All Volunteers and 4-H representatives have received full field investigations ~~in accordance~~ in accordance standard Executive Order 10450. But as matter policy neither Volunteers nor 4-H representatives should ~~have~~ have, except when ~~clearly~~ clearly justified, have access any repeat any classified information.

END

BALL

832.00-PC/3-1462

0425

⑥
INCOMING TELEGRAM

Department of State

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Action

Control: 9786

Rec'd: March 15, 1962
1:11 a.m.

PO

Info:

FROM: Rio-de-Janeiro

ARA

CAP

IGA

AID

TO: Secretary of State

NO: TOPEC 38, March 14, 9 PM

832.00PC

RMR

Request soonest level of security clearance of Peace Corps
volunteers and resident project supervisor.

GORDON

OUT

FILED
APR 10 1962

①

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Rio de Janeiro Type 38

832.00PC/3-1462

0426

United States Department of State

Office of the Secretary

UNCLASSIFIED

Classification 47

07880

Mar 15 4 58 PM '62

ACTION: Embassy RIO DE JANEIRO

Info

FBI's medical kits shipped SS Normalcy ETA February 25.
Mosquito netting being shipped next week from Baltimore ETA April 15.
Please confirm receipt.

END

SZ RIO PECTO 47

BAII

832.00-PC/3-1562

Classified by: FPM/ML: R10/12/13/14/15/16/17/18/19

Exempted from automatic downgrading and declassification by: 05 6 100
Exempted from automatic downgrading and declassification by: 05 6 100

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DECLASSIFICATION

0427

INCOMING TELEGRAM

Department of State

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53
Action

UNCLASSIFIED

Control: 14638
Rec'd: March 21, 1962
9:59pm

PC

Info

IGA

RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: TOPEC 41, March 21

Circular PECTO 25

No bicycles being used.

GORDON

KHM

Rio de Janeiro Topec 41

832.00 PC

①

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0428

6
INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

53

Action

PC

Info

IGA

RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: TOPEC 42, March 21

UNCLASSIFIED

Control: 14684

Rec'd: March 21, 1962
9:30pm

832.008C
Request all jeep station wagons for Brazil be shipped
through New York.

GORDON

MLB/8

Rio de Janeiro Spec 42 832.008C/3-21-62

FILE
MAY 1 3 1962

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OFFICE SYMBOL		

0429

THE UNIVERSITY OF CHICAGO

FOR MORE INFORMATION, CONTACT:

100

Continued

ACTION: ~~Anthony Ford~~ ~~IN~~ ~~DEVELOP~~ ~~UNDER~~

4-H contract FC(W) 41 amendment No. 3, dated April 27, added standard Peace Corps provision requiring contractor, where possible, to pay costs with local currency and to purchase such currency from USDO.

2004

RUSK

①

70-90: 10000/02 5/17/62

FOI b7C - b7D

1000 - 1000
 1000 - 1000
 1000 - 1000



0430

United States Department of State

UNCLASSIFIED
Classification

MAR 24 12 41 PM '62

ACTION Summary HIS IN PHILADELPHIA PHOTO JD

Philadelphia honoring parents of area's POWs May 4 at special dinner.
Appreciate your taping three to five minute messages from DeLan,
May. Airship tapes Meyers to arrive April 24 latest. Request if
possible meet deadline airship account for post dinner delivery
to parents. Also need 8x10 photos. ~~Requesting...~~

END

BALL

NO 832.00-PC/3-2462

Typed by: *W. G. R.*
FOIPA/DOJ/Jan 3/83/62

Typed by: *W. G. R.*
FOIPA/DOJ/Jan 3/83/62

Typed by: *W. G. R.*
FOIPA/DOJ/Jan 3/83/62

Typed by: *W. G. R.*
FOIPA/DOJ/Jan 3/83/62

Typed by: *W. G. R.*
FOIPA/DOJ/Jan 3/83/62

0431

6
INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

UNCLASSIFIED

59

Action

Control: 17737

Rec'd: March 26 1962

5:23 pm

PC

FROM: RIO DE JANEIRO

Info

SS

TO: Secretary of State

SR

G

NO: TOPEC 43, MARCH 26

ARA

CAP

E

IGA

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USIA

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CIA

NSA

RMR

43 VOLUNTEERS AND PEACE CORPS MEDICAL OFFICER ARRIVED 22:30 MARCH 23. GREETED BY PRESIDENT ABCAR AND STAFF, WHOM THEY HONORED BY SINGING BRAZILIAN NATIONAL ANTHEM. RECEIVED BY AMBASSADOR GORDON AT RESIDENCE LAWN PARTY SATURDAY AFTERNOON ATTENDED BY BRAZILIAN AGRICULTURAL OFFICIALS, RURAL UNIVERSITY FACULTY, BRAZILIAN INSTRUCTORS, AID TECHNICIANS AND BRAZILIAN LOCAL PRESS. SUNDAY TOURED RIO AND ARRIVED AT RURAL UNIVERSITY WHERE GREETED BY UNIVERSITY RECTOR AND STUDENT BODY AND HONORED BY STUDENT BALL. PRESS COVERAGE LIGHT BUT FAVORABLE, CLIPPINGS FOLLOWS.

GORDON

GDW

FILED
APR 13 1962

1

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

0432

⑥

INCOMING TELEGRAM

Department of State

ACTION COPY

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45

UNCLASSIFIED

Action:

Control: 19701

PC

Rec'd: March 29, 1962

12:05 AM

Info

FROM: Rio de Janeiro

ARA

TO: Secretary of State

CAP

IGA

ALD

NO: TOPEC 46, March 28

RMR

San Francisco Valley Commission reaction to participation
Tennessee Valley authority: "marvelous".

BOND

LIR

832.00 PC

Rio de Janeiro Topec 46
832.00 PC/3-2862

Transmitted by RM/R

①

FILED

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

0433

6

INCOMING TELEGRAM

Department of State

ACTION COPY

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58

Action

PC

Info

RMR

UNCLASSIFIED

Control: 19519

Rec'd: March 28, 1962
5:59 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: TOPEC 45, March 28

832.00 PC

Revise Ports in Brazil to receive 4-H vehicles as follows:
Salvador, two; Recife, three; Paranagua, three; Porto Alegre,
three; Rio, thirteen; total, twenty four. Advise whether
vehicles for project will be raised to twenty eight. Send
notice of shipping dates.

BOND

SAJ

Rio de Janeiro Topec 45
832.00 PC / 3-28-62

Microfilm by RUP

1

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ACTION ASSIGNED TO:	ACTION TAKEN	FILE-067
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OFFICE SYMBOL	DIRECTIONS TO RM/R	

0434

6

INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

UNCLASSIFIED

59
Action
PC

Control: 19577
Rec'd: March 28, 1962
8:55 p.m.

Info FROM: Rio de Janeiro
TO: Secretary of State
ARA
AID NO: TOPEC 44, March 28
RMR

Advise soonest whether 4-H Foundation purchasing additional
bed clothing for volunteers. If not, can purchase here at
better price.

BOND

KHM

Microfilm by RMR

6

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

Rio de Janeiro Spec 44
832.0012/3-28-62
FILE-DC/1

0435

BOCAW, □ DRUGS
□ CHAIRS TO

UNCLASSIFIED

Classification

ACTION: Monterey RIO ON SHOOTING RANGE PTOTO 55

REF : TOWNS 49 832.00 ac / 4.462

According Peace Corps/Washington figures, all health Peace Corps Volunteers would be eliminated result San Francisco Valley public health decision including: twenty nurses, thirteen medical laboratory workers, fifteen X Ray and radiology workers, ten health and social workers, five anesthesiologists, five sanitary aides total sixty-eight.

Cable priority confirmation these figures and Peace Corps Washington figure one hundred thirteen remaining Peace Corps Volunteers.

END.

1998

SECRET

FOIA b 7(D) : 4/6/62

FD-35 (Rev. 5-22-64)

0439

United States Department of State

02237

APR 5 4 02 PM '62

Classification

ACTION: Embassy RHD IN JARING. PRIORITY PROCEED.

Cable port of entry for 6 additional A-N project vehicles.

RHD

RUSK

RUSK

832.00

0440

32
U.S. Department of State

05348

APR 11 1 57 PM '62

DECLASSIFIED
Classification

FROM: ACTION: Ambassador RIO DE JANEIRO PESTO 57

REF: PESTO 47, OM-5866, Item 15 Cairns March Report

8 32.00 PC

- A. 65 Medical Kits SS Hormacoul. Arrived Rio March 1. Check and inform soonest whether found. If necessary, will airfreight second shipment.
- has
B. Current program allotment \$2,300 for program support, including \$150 estimate for supplies. If total program budget inadequate, advise.

END

RUSK

1

PC:MBB:RLE:als:4/10/62

W. Flickinger, Col. Staff, PEO/C

U.S. DEPARTMENT OF STATE

0448

OUTGOING TELEGRAM Department of State

CLASSIFICATION

UNCLASSIFIED
Classification

08593

APR 17 1 28 PM '71

Date

ACTION: Assembly 222 RE JAMES PECO 60

Info

Re: TOPEC 54

Project sounds feasible. Need PC103 and clarification following points:

- 1) Who runs community centers? 2) Are both sexes acceptable all positions?
- 3) Is adequate housing, medicare and transportation assured each PCV group?
- 4) What coworkers are available?

Ref TOPEC 44: PC/W has surplus comforters and blankets available. Advise what additional bedding required. 4-H Washington does not wish purchase here.

RUSK

①

P.B.

Derek B. Singer LA 4/16/71

Classified by

Jack Young LA

4/16/71

0449

INCOMING TELEGRAM

Department of State

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58
Action

Control: 9119
Rec'd: April 13, 1962
4 p.m.

PC
Info
FROM: Rio de Janeiro
TO: Secretary of State
RMR
NO: TOPEC 55, April 13

PECTO 57

Sixty-five medical kits delivered rural university April 5.

Circular PECTO 27

Ship immediately 60 for complete 4-H project and if not required elsewhere send 100 for future.

BOND

MEM

FILED
JUN 13 2 12 PM '62

Per Tope-55 832.00-PC/H-1362

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8 OFFICE SYMBOL		

0450

43
INCOMING TELEGRAM

Department of State

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58
Action

Control: 13359
Rec'd: April 19, 1962
11:26 p.m.

PC

Info FROM: Rio de Janeiro

RMR

TO: Secretary of State

NO: TOPEC ⁵⁹58, April 19

Request volunteer support services inform John Schley's
parents mail service is slow; all is well.

GORDON

SAJ

FILED
JUN 13 2 32 PM '62

Rio - Topec-59 832.00-02/4-1962

(1)

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OFFICE SYMBOL		

0451

Department of State

OFFICIAL USE ONLY

Classification

10/55

APR 13 4 15 PM '62

ACTION: Ambassador RUSK to JAMES RUSK 61

Concerning Guarabara Adult Education Project, cable following:

1. Specific indication desire all applicable Government of ^{Brasil} Ministries including clearance for Peace Corps Volunteers to teach.
2. Equipment all Peace Corps projects restricted to teaching and demonstration aids actually utilized by Peace Corps Volunteers. This basis, what supplies needed?
3. Why should Experiment administer project? Why not another private agency or university? Why not direct administration?
4. Confirm desire for Peace Corps Volunteers arrival Brasil January, 1963 and availability and suitability ~~XXX~~ Foreign Service Institute-Brasil Government of ~~Brasil~~ training. Is local training except language free to Peace Corps?

END

RUSK

(2)

4/15/62

7041:2200000

OFFICIAL USE ONLY

0452

32

Department of State

1960

DOCA: ☐ land

☐ class 10

Classification

64

APR 23 5 42 PM '62

ACTION: Ambassador RIG TO JARRING PHOTO

REF: PHOTO 59

Need reply availability Sao Francisco color film prints or negatives. Also need information other Valley films available English or Portuguese.

Cable information following questions concerning Sao Francisco Valley color films:

1. Are additional prints and/or negatives available?
2. Is Portuguese or English script available?
3. Is separate music and effects soundtrack available for background new English soundtrack?
4. Have Sao Francisco films "Coisas do Brasil" numbers 53 and 54. Need similar films available plus above information.

RUSK

①

Revised to 100

Dissem: 14/23/62

JW/eng: 14/23/62

0453

65

OUTSIDE BUREAU Department of State

DOCA: 10 10000
CLASS: 10

Classification

13508

Apr 25 7 02 PM '62

Class

ACTION: Ambassador RUSK RE JAMES FOSTER 65

Info

Wish to order some 50 project vehicles and other POV equipment for San Francisco Valley program. Refer Rodenburg-Shriver letter January 31 with vehicle list. Need cabled comments suitability proposed distribution, parts entry and special equipment required each vehicle.

Also need detailed equipment list all POVs remembering RUSK all repeat all equipment must be personally used by POVs.

Tentatively plan assignment two Associate Representatives this project, one based Belo Horizonte and one Recife. Comments solicited.

RUSK

RUSK

①
PC

Classified by RUSK

Revised by: Derek H. Miller/Lanham 4/25/62

Revised by: Joseph H. Young/Lanham 4/25/62

0454

13351

APR 26 4 02 PM '62

13351-66

832.00-RE/4-26-62

1

U.S. DEPARTMENT OF STATE

CLASSIFICATION

ACTION: Embassy HKS IN JAPAN PHOTO

4-H Washington requests 26 Kodak 35 mm cameras, 29 slide projectors, 2 Japanese-type 75 mm cameras, 3 portable tape recorders and assorted apparatus for POVs and POWs.

Cable comments, if favorable include specific justification large numbers Kodaks and projectors for strictly official use. Are contrast photographic services unavailable?

RUSK

1

APR 23/62

APR 23/62

Wally, etc. 409 (in substance)
see Embassy, HKS (info)

7

U.S. DEPARTMENT OF STATE

CLASSIFICATION

67 MAY 1 8 30 PM '62

ACTION: Embassy HQ IN JAMES PECTO

Effective April 30, ten copies News of the Week from domestic edition Sunday New York Times being sent via air mail to you. Times to be circulated immediately among all Volunteers. As soon as volunteers individual addresses known inform Washington. Give cost of local postage and time required for local delivery.

END

BALL

0456

TO: DULLES, WASHINGTON 4/25/62

FROM: [Signature]

BY: [Signature]

100-100000-1

INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

55

UNCLASSIFIED

Action
PC

Control: 1390

Rec'd: May 2, 1962
11:29 pm

Info

FROM: Rio De Janeiro

RMR

TO: Secretary of State

NO: TOPEC 60, May 2.

FOR DVSS

All 43 volunteers on full duty status for whole month of
April, 1962.

GORDON

WHC

*Rio-De-Janeiro-60**832.00-PC/5-262**FILED
JUN 13 2 23 PM '62**0*

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OFFICE SYMBOL		

0457

(21)

RM/R
FILE

May 4, 1962

OFFICIAL USE ONLY

MEMORANDUM FOR: The Honorable
Robert Sargent Shriver, Jr.,
Director, Peace Corps

THROUGH: S/S

SUBJECT: Approval of a Peace Corps project in Brazil
in the field of Rural Development

The Acting Secretary has reviewed your memorandum of May 1,
1962, requesting approval of a Peace Corps project in Brazil
in the field of Rural Development.

The Acting Secretary concurs in your proceeding with this
project.

/s/

George S. Springsteen

Attachment:
Peace Corps file on above
No. 7440

S/S-RO

MAY 7 1962

A true copy of signed original

circled by HQ

OFFICIAL USE ONLY

832.00-PC/5-462

0458

OFFICIAL USE ONLY

7440

MAY 1, 1962

MEMORANDUM FOR: The Honorable George Ball
Under Secretary of State
Department of State

RM/R
FILE

THROUGH: Executive Secretariat

SUBJECT: Approval of a Peace Corps project in Brazil
in the field of Rural Development (Approval
No. 62-FC-96)

I request your approval for the implementation of this Peace Corps project to be conducted in Brazil. This request is made in accordance with the Acting Secretary's letter of September 30, 1961, to the Director of the Peace Corps making an interim assignment of the functions conferred upon the President by the Peace Corps Act.

The project will involve 167 Volunteers with a variety of technical skills. These Volunteers will assist the São Francisco Valley Commission in its mission of developing the resources of the river valley and assisting its 5.5 million people. The Commission has formally requested the Volunteers for this project which has received the concurrence of the Country Team. The Peace Corps will administer the project directly at an estimated two year cost of \$1,760,000.

A general description of the project is attached.

APPROVED: */s/ George W. Ball*

DATE: May 7, 1962

Robert Sargent Shriver, Jr.
Director

Attachment: As Stated

Concurrences:

State: ARA - Edwin M. Martin
AID: AA/LA - Theodore M. Nassau

CC: State (d)
State (OS)
State (S/S) - 2 ✓
NSA

Classified by RM/R

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832.00-PC/5-162

0459

UNCLASSIFIED (Budget- Official Use Only)

CLASSIFICATION

PC-104 (REV. 7-61)

PEACE CORPS PROJECT DESCRIPTION

(A) COUNTRY: BRAZIL	(B) PROJECT NUMBER: 512-81-602	(C) DATE OF SUBMISSION: 1/31/62; 1st Rev. 3/12/62 2nd. Revision 4/20/62
(D) PROJECT DEVELOPMENT OFFICER: Derek S. Singer		(E) PROJECT OPERATIONS OFFICER: Derek S. Singer

(F) TYPE OF PROJECT:

São Francisco River Valley Development

(G) ADMINISTERING AGENCY (PEACE CORPS OR OTHER - SPECIFY)

Peace Corps

(H) DURATION OF PROJECT:

2 years

(I) ESTIMATED COST:

\$1,759,854

(J) VOLUNTEER REQUIREMENTS

Category	Number	Scheduling			
		Selection	Training# in U.S.	Training Abroad	Beginning of Duty
Agricultural Workers	102	4/62 to 8/62	8/62 to 10/62	10/15/62 to 11/1/62	
Livestock Workers	9				
EE's and Electricians	17				
Marine Diesel repairers	2				
Nurses	6				
Medical laboratory technicians	6				
X-Ray and radiology workers	2				
Health and Social workers	10				
Dentist	1				
Audio-Visual worker	1				
Geologist	3				
Radio repairers	4				
Carpenter	1				
Well-drillers	3				
Volunteer Leaders 20 to be chosen in training 1 per CUSE station					
TOTAL	167				

* Includes Puerto Rico

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0460

F. Official Requests

The CVSF has formally requested Peace Corps Volunteers, in writing, for this project.

G. Local Participation and Cooperation

The Commission has pledged to contribute to this project all necessary technical and administrative supervision; all local housing; and ~~not~~ internal transport required, free of charge. Furthermore, the CVSF will arrange and provide necessary local training and orientation for all PCVs.

H. Selection of Administering Agency

The CVSF is an excellently-arranged well-established and popular agency working under the aegis of the Brazilian president. It is run on non-political lines, and is uniquely dedicated to the social and economic welfare of the people of a vast area of Brazil. The administrative structure and proven program effectiveness and knowhow of the Commission are unparalleled.

II. Plan of Operation

A. Geographic Location

The attached table (1) shows the geographic locations of PCVs planned for this project.

B. Duties of the Volunteers

Attachment (2) details work assignments for PCVs assigned to this project. Competent technical and administrative supervisors of seasoned CVSF senior and mid-level staff is available for all PCVs.

C. Equipment, Materials and Facilities

The Commission is furnishing a detailed list of equipment and supplies required for each Volunteer, all of which is directly related to his or her work. No expendable material will be donated to the CVSF upon project termination.

0462

7

D. Co-Workers

CVSF employees and other Brazilian government technicians and workers will always be present as PCV co-workers.

E. Volunteer Leader

PCVLs are required for liaison between the Peace Corps and its Brazil representative on the one hand, and between the CVSF headquarters and its stations, on the other. They should be PCVs selected "from the ranks".

F. Schedule for Project Implementation

The suggested implementation schedule, subject to PC Washington modification, is as follows:

April - August	-	Recruitment and Selection
August - October	-	U.S. and P.R. Training
October 15 - Nov. 1	-	Brazil Orientation
November 1, 1962	-	EOB

It is anticipated that PCVs will be assigned for an initial two-year period, renewable for an additional period of service.

III. Subsistence Allowance

A. Basis of Allowance

Subsistence allowances have been determined with a view toward (1) host-country counterpart pay levels, (2) administrative simplicity (PCV pay-equality), and (3) IPD 4.2 increasing low local pay factors by 25.5%.

B. Clothing Required

No special work clothing will be required from PC. Any special needs (e.g., dam engineer clothes or nurses' uniforms) will be provided by the CVSF.

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(CLASSIFICATION)

PC-104 (REV. 7-61)

PEACE CORPS PROJECT DESCRIPTION

(A) COUNTRY: BRAZIL	(B) PROJECT NUMBER: 512-81-602	(C) DATE OF SUBMISSION: 1/31/62; 1st Rev. 3/12/62 2nd. Revision 4/20/62
(D) PROJECT DEVELOPMENT OFFICER: Derek S. Singer		(E) PROJECT OPERATIONS OFFICER: Derek S. Singer
(F) TYPE OF PROJECT: São Francisco River Valley Development		

(G) ADMINISTERING AGENCY (PEACE CORPS OR OTHER - SPECIFY):
Peace Corps

(H) DURATION OF PROJECT:
2 years

(I) ESTIMATED COST:
\$1,759,854

(J) VOLUNTEER REQUIREMENTS

Category	Number	Scheduling			
		Selection	Training# in U.S.	Training Abroad	Beginning of Duty
Agricultural Workers	102	4/62 to 8/62	8/62 to 10/62	10/15/62 to 11/1/62	11/1/62
Livestock Workers	9				
EE's and Electricians	17				
Marine Diesel repairers	2				
Nurses	6				
Medical laboratory technicians	6				
X-Ray and radiology workers	2				
Health and Social workers	10				
Dentist	1				
Audio-Visual worker	1				
Geologist	3				
Radio repairers	4				
Carpenter	1				
Well-drillers	3				
Volunteer Leaders 20 to be chosen in training 1 per CVST station					
TOTAL	167				

* Includes Puerto Rico

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0467

WILLIAM J. BAKER

0333

Jan 7 7 25 PM '67

2 REF : Singer Letter 4/29/62

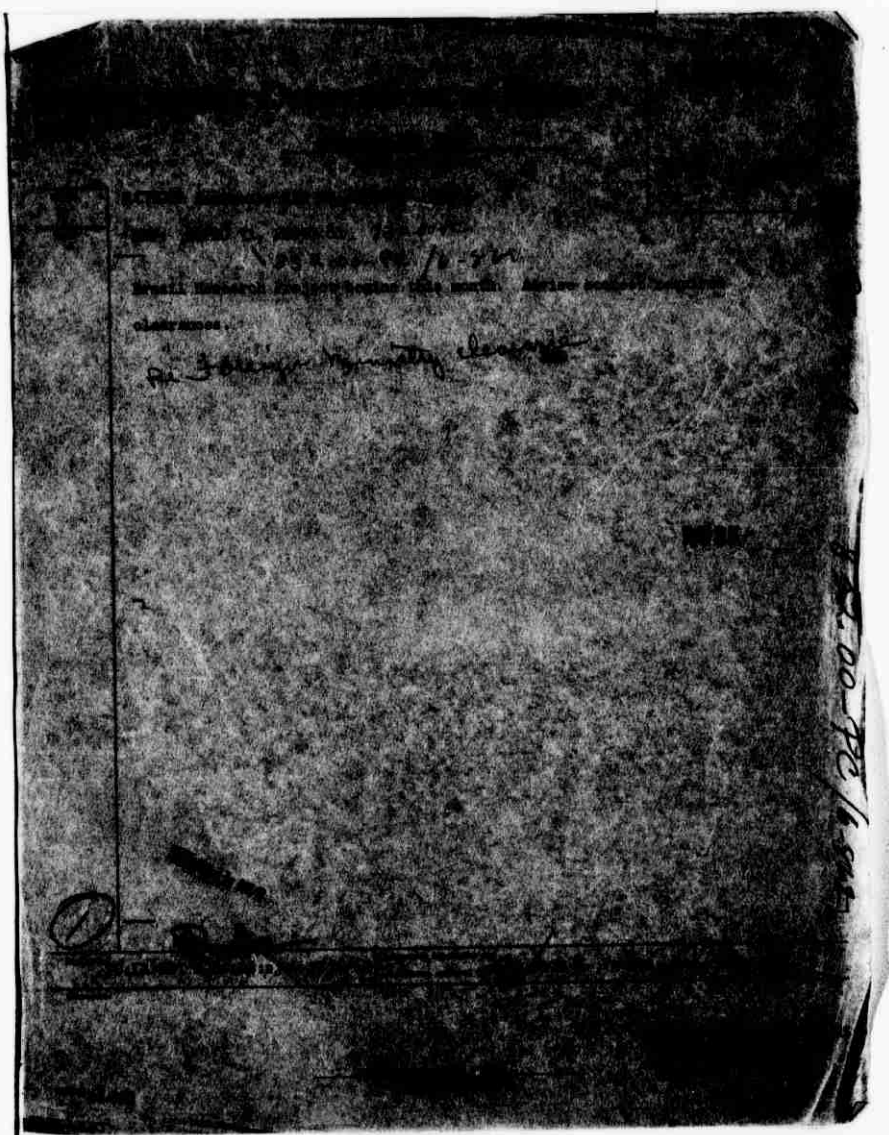
END.

RUSK

FOI LA: SJW:ans:lr 6/7/62

A. Patterson, X
W. Hobbs, POW/

0484



0486

32

INCOMING TELEGRAM

Department of State

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42

UNCLASSIFIED

Action

Control:
Rec'd:

3079

August 3, 1962
8:20 p.m.

FC

Info

FROM: Rio de Janeiro

RMR

TO: Secretary of State

NO: TOPEC 14, August 3

FOR: DVSS

All 43 volunteers on full duty status for whole month
of July, 1962.

GORDON

CT

FILED
OCT - 1 1962

RIO
Type 14

832.00-PC/8-302

①

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GPO 130500

0492

INCOMING TELEGRAM */* Department of State ACTION COPY
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46
Action
PC
Info
SS
ARA
EUR
IO
AID
CU
USIA
RMR

CONFIDENTIAL

FROM: Mexico City
TO: Secretary of State
NO: TOPEC 3, September 26, 6 p.m.
ACTION PARIS 8, INFORMATION DEPARTMENT TOPEC 3
ALSO INFORMATION DEPARTMENT

Control: 20974
Rec'd: September 26, 1962
8:59 p.m.

Mexico City
TOPEC-3

Reference: Paris telegram 1489 to Department.

Ortiz's fears come as no surprise to this Embassy. As described in airgram to Department A-199, Ortiz is widely regarded as a cautious administrator. Embassy/USAID position is that in view of GOM approval and UNESCO support for project US should follow through. Although certain risk of anti-American confrontation might exist, positive results can be expected from presence of vigorous yet discreet group of young Americans honestly attempting to learn from long Mexican experience in community-rural development. Should Morelas situation provoke anti-American demonstration over PC presence such event could be made counter-productive for anti-American groups in view PC being invited guests of GOM. If requested, Embassy/USAID will cooperate to implement such a training project. Please advise.

MANN

RB/10

(Handwritten mark)

83233
9-26-62
110.462-22
832.00-72

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0498

INCOMING TELEGRAM

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33

SECRET

Action

Control: 22985

PC

Rec'd: September 28, 1962
7:41 p.m.

Info

FROM: Paris

001

SS

TO: Secretary of State

ARA

NO: 1559, September 28, 5 p.m.

EUR

IO

AID

P

CU

USIA

RMR

ACTION MEXICO CITY 6; INFORMATION DEPARTMENT 1559

Reference: Embassy telegram 8, repeated Department TOFEC 3.

UNESCO has already asked Ortiz approach Embassy/USAID
implementation training project, particularly in obtaining
reimbursement technical costs project.

LYON

JVC/14

113
cc'd - destroyed

destroyed by RM 3

(2)

832.333/5-2862
832.06-7C
832.06-7C

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0499

INCOMING TELEGRAM

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57

Action
FC

UNCLASSIFIED

Control: 753

Rec'd: October 1, 1962
6:52 PM

Info

FROM: Rio de Janeiro

RMR

TO: Secretary of State

NO: TOPEC 38, October 1

FOR: DVSS

Brazil - 1

Forty volunteers on full duty for month of September
1962. Esther Diaz 30 days sick leave, Charles Furrow
15 days SL, Richard Loos 8 days SL.

GORDON

CC

HO Topic 38

832.00-PC/10.162

FILED
OCT 2 9 48 AM '62

①

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0500

50
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Department of State ACTION COPY
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50

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Action

Control: 12964

Rec'd: JANUARY 21, 1963

1:37 PM

PC

Info

FROM: RIO DE JANEIRO

IGA

TO: Secretary of State

RMR

NO: TOPEC 74, JANUARY 21

PCV REQUIREMENTS FOR SAO FRANCISCO ADD-ON: UP TO 50 PERCENT FEMALES ACCEPTABLE PROVIDED HAVE HOME ECONOMICS OR NURSING EXPERIENCE. NO OBJECTION TO YOUNG MARRIED COUPLES PROVIDED REPEAT PROVIDED BOTH ARE GOOD CANDIDATES. CD WORK THIS PROJECT WILL BE UNSTRUCTURED. THEREFORE, LANGUAGE, TACT, IMAGINATION, INITIATIVE, TECHNICAL SKILL REQUIRED IN THAT ORDER. EXPERIENCE INDICATES OLDER PCVS LACK ADAPTABILITY, LANGUAGE APTITUDE NECESSARY THIS TYPE PROJECT. STRONGLY RECOMMEND EXCLUSION SUCH CANDIDATES EXCEPT WHERE PRIOR KNOWLEDGE OF LANGUAGE OR HIGH LANGUAGE APTITUDE.

GUANABARA HEALTH PROJECT AS PRESENTLY ENVISIONED DESCRIBED IN EXISTING 103, 103.5. GUANABARA HEALTH AUTHORITIES WILL ACCEPT IMMEDIATE TRANSFER SMALL NUMBER UNEMPLOYED MEDICAL PCVS SAO FRANCISCO VALLEY. REQUEST AUTHORITY TRANSFER SAME WITH CONCURRENCE CVSF.

GORDON

HLN

Interpreted by RM/R

①

FILED 12

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OFFICE SYMBOL		

GPO 930 501

0530

INCOMING TELEGRAM

Department of State

ACTION COPY

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59

UNCLASSIFIED

Action

Control: 13868

Rec'd: January 22, 1963
2:35 p.m.

PC

Info

FROM: Rio de Janeiro

IGA

TO: Secretary of State

RMR

NO: TOPEC 75, January 22.

Request arrange return transport Recife Mrs. Johnson, who accompanied Janice Kneip, PCV, Recife to Norfolk.

GORDON

JJF/4

FEB 11 11 07 AM '63

Rio Topec 75

832.00-PC/-2263

Interviewed by RM/R

FILE-DC/T

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ACTION	ACTION	
ASSIGNED TO	TAKEN	
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8 OFFICE SYMBOL	ACTION	TO RM/R

GPO : 50-5000

0531

50
OUTGOING TELEGRAM Department of State

RECAP: ☐ correct
☐ correct to

UNCLASSIFIED

Classification

09947

JAN 22 8 40 PM '63

Subj

ACTION: Ambassy RIO DE JANEIRO PECTO 47

Info

INFO: Ambassy PANAMA CITY PECTO 4

For Coleman, PC from Colman, RES

Would appreciate assisting PCR and research team advance data collection.

Possible arrive Rio 9:30 P.M. February 10 via PAA from Colombia. Advise possibility meeting PCR morning 11th; team that afternoon; with PCR and team on 12th. If agreeable RES will write Santos Sao Paulo.

END

RUSK

RECEIVED 5 1973

②

Replied by:

PC: RES:MMellina

PC:PDO/LA: SJBrabbs

Classified by:

PC: RES: JColman

Reproduced by:

Jack H. Vaughn, Regional Director, LA

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Classification

FORM 8-61 05-322

0532

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COMBAT
☐ DANGER TO

UNCLASSIFIED
Classification

100201

JAN 30 3 54 PM '63

ACTION: Ambassador RIO DE JANEIRO PECTO 50

Desire send Michael Myers from New Mexico c.d. school to Brasil early or mid-February to develop training syllabus for SF add-on project. Request Coleman concurrence.

END

Rio de Janeiro Pecto 50 832.00 PC/1-3043

① *circulated by RUSK*

RUSK

Classified by: *GMW*
PDO/LA:CMHeadover:rhil/29/63

Information transmitted and classification approved by: *Jack H. Vernon*
Regional Director, PDO/LA

PCV/T:LSchertler (by phone) in substance (GWT)

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Classification

FORM 8-61 50-322

0536

AIR POUCH

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PRIORITY

(Security Classification)

FOREIGN SERVICE DESPATCH

506

DESP. NO.

FROM : American Embassy PANAMA

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 19, 1961

REF : Depoirtel 1802, May 15, 1961

MAY 19 1961

20 For Dept. Use Only	ACTION REC'D 5-22-61	DEPT. IN OTHER C/A-10 TR-3 C/M-10	RM/R-2 REPI INR-7 E-7 ICA-11 B/FAC-3 TO-4
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SUBJECT: United States Aid to Brazil

During my conversation May 17th with Panamanian Foreign Minister Solis I reviewed with him the reasons for United States assistance to Brazil at this particular time, drawing upon Depoirtel 1802, May 15th. The Foreign Minister listened attentively but made no comment other than observe that he understood that additional funds would also be provided from non-U.S. sources.

Comments The Foreign Minister appeared somewhat more relaxed over this development than he had been a week or so ago during a conversation with Ambassador Farland. Then the Foreign Minister seemed miffed that Brazil was getting so much and Panama so little but at that time, however, papers were reporting assistance to Brazil amounting to close to \$2 billion.

Philip Clock
Chargé d'Affaires a.i.

FILED
9 2 47 PM '61

832.0000/5-1961 HBS

cc: Ambassador Rio de Janeiro



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1961 MAY 22 PM 8 22

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

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CLASSIFIED FILE

0544

INCOMING TELEGRAM

Department of State

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36-M
Action

OFFICIAL USE ONLY

Control: 14829
Rec'd: February 24, 1962
12:53 p.m.EUR
Info

FROM: Paris

SS

TO: Secretary of State

L

NO: CEDTO 639, February 23, 8 p.m.

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ACTION CEDTO 639; INFORMATION RIO DE JANEIRO CEDTO 2.

FROM TUTHILL.

Reference: TOCED 498 to Paris.

At his request, discussed Urubupunga today with De Lattre, Director External Relations Finance Ministry, and Valery, Foreign Office. De Lattre stated that he felt it essential that all potential participating countries request GOB postpone bidding now scheduled for March 15 (note that REFTEL gives date as March 8). De Lattre stated that if no action taken, Japanese, German, French and other (including US) firms would participate. If this occurred, Governments would be drawn into various types of guarantee or discounting and entire project would be underway on basis of short term financing.

De Lattre felt it essential that first either Inter-American Development Bank or OAS should review project in order to determine whether it was "sound". He was well aware of American skepticism concerning project. Felt this skepticism existed in all other countries but that if nothing done, competitive international bidding would be under way willy-nilly. De Lattre stressed that Japanese firms were very interested and that French, German combination also interested. If this competitive bidding begins and if French firms successful, Minister of Finance has indicated French Government would have to grant Government guarantee covering both transfer and non-payment. Thus if no action taken, stage

is set for
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INCOMING TELEGRAM *4* Department of State

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RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 2077, March 12, 8 p.m. (Section I of II)

PRIORITY

JOINT EMBASSY/USAID MESSAGE

PASS MOSCOSO

Reference: (1) Department telegram 2394 (2) AIDTO 381

Approach GOB on Urubupunga delayed by carnival and bids for equipment first stage (Jupia plant) opened March 8 as originally scheduled before matter discussed with GOB. Embassy would therefore appreciate new instruction in light following information.

According reports on bids, Centrais Electricas de Urubupunga S.A. (CELUSA), stated bidders may discuss various proposals until March 6 and winning bidder will be announced within 60 days. Available information on bids being airgrammed. Although bids opened, possibility would appear still exist reject all bids and invite new ones later or delay announcement winning bidder beyond 60-day period indicated.

Embassy/USAID review available information Urubupunga indicates desirability through engineering, economic review of project, relation Brazil power needs, and priority compared with alternative projects by US expert and/or DAC group as suggested reference (1) before definitive financing commitment.

Principal questions concerning project are:

③

Microfilm by RMR

1) Great distance

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ASSIGNED TO	NAME OF OFFICER	TAKEN	DATE OF ACTION	TO RM/R	
AID	W. H. H. 1005	7-2-2	5-2-62	2-1	

0548

10-5-51
10 12 1948

ACTION: Ambassador RIO DE JANEIRO 3237
INFO: Ambassador BOSTON 3074
Ambassador LA PAZ 603
Ambassador PARIS 6001
PARIS FOR TUSHILL
INFO: Rptel 2580, GEMO 685 (Repted Rio GEMO 3) and
Rptel 2988 TIL (Repted Rio 2483)

1. As reported Rptel 2088 TIL repeated Rio 1218 U.S. agencies planning send representatives meet informally in Paris and May or early June with representatives various European countries concerning financial assistance to Brazil and Argentina. If FedRep participates such meeting will afford opportunity for discussion of possible increase in German \$50 million aid commitment. This in long run is believed better than method proposed by Denton. We do not yet plan advising that meeting being held.

We do not favor direct approach to Adenauer by President Kennedy. We have detected growing German resentment our intervention these matters on behalf Brazil and other countries. We believe SAC approach more appropriate. You may inform Denton we are continually discussing assistance to Brazil informally with Germans and we hope that these discussions will produce desired results.

Handwritten: 10-5-51
10 12 1948
10-5-51
10 12 1948

INCOMING TELEGRAM

Department of State

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Action

Control: 14505

Rec'd: April 22, 1961
12:31 a.m.

TRSY

FROM: Bonn

Info

SS

TO: Secretary of State

L

NO: 1743, April 21, 6 p.m.

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SENT DEPARTMENT 1743, REPEATED INFORMATION PARIS 472, ROME
87, LONDON 397, TOKYO 8, RIO DE JANEIRO 2

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Reference: Embassy telegram 1716

Daniel (Economic Minister) advised Embassy Officer that Germans made no commitments during talks this week with Brazilian Legation. Expressed willingness join other countries in exploring multilateral solution to Brazilian debt burden and extension of financial assistance for development. Said UK had already invited Federal representative and other countries meet in Paris discuss above in closed meeting April 27 and with Brazilians April 28. Daniel did not know which other countries (presumably members Hague Club) invited by UK but thought it highly desirable US be present either as observer or participant.

DOWLING

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

0603

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832,00622/11-361
NOV 5 1961

FOREIGN SERVICE DESPATCH

FROM : AmConsulate, RECIFE, BRASIL. 91

TO : THE DEPARTMENT OF STATE, WASHINGTON.

November 3, 1961

REF : None

EUR INDEX

19 For Dept. Use Only	EUR-9	IN FO	2	1	4	5	7	3	3	18
		OVER	10	12	3	7	8	2	3	4
		REC'D	6	11	4	5	10	10	10	10

SUBJECT: Visit of Commercial Counselor of German Embassy: Possibility of German Assistance to the Northeast.

The possibility of West German economic assistance for the Brazilian Northeast was suggested during the last week in October by the visit to the States of Pernambuco and Paraiba of Hans Helmut Middelmann, Commercial Counselor of the German Embassy in Rio de Janeiro. On October 23 the Counselor discussed with the Secretaries of Agriculture and Treasury of the State of Pernambuco-- and later with the Governor-- the possibility of German technical and financial assistance, reportedly including a possible loan from the German Government to the State Government of Pernambuco. Also, apparently with the possibility in mind of contracting German technicians, it was reportedly agreed that the State Government will provide the German Government with detailed copies of State plans for electrification and expansion of communication systems in rural areas.

The German Counselor was received by various economic associations in Recife, including the Commercial Association (Associação Comercial), SUDENE, and the Pernambuco State development institution, CODEPE, and visited various industrial establishments such as the textile factory in Paulista. Following his visit in Recife, he went to the State of Paraiba, where, according to press reports he discussed possible German investments there.

Albert A. Rabida
American Consul

cc: AmEmbassy, Rio.

WSSmith/dys

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FORM 6-61 FS-439 GPO 9:12595

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Department of State

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Action

Control: 10975

Rec'd: May 17, 1961
4:15 p.m.

TRSY

Info

FROM: Rio de Janeiro

SS

TO: Secretary of State

L

NO: 1611, May 17, 4:00 p.m.

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SENT DEPARTMENT 1611, REPEATED INFORMATION TOKYO 1.

Reference: Tokyo Embassy telegram 3268 to Department,
information Rio de Janeiro.

Mariani arrived Rio, expressed great satisfaction and thanks
Embassy officer for all US had done for Brazil. Embassy
officer conveyed list of reference telegram and suggested
action along lines last sentence.

BOND

SMD:OKY/3

832.0094/5-1761

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NAME OF OFFICER	DATE OF ACTION	
OFFICE SYMBOL		

0633

INCOMING TELEGRAM

Department of State

FN Weissmann

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Action
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Control: 14649
Rec'd: Nov 24, 1961
10:30 am

Info

FROM: Tokyo

L

TO: Secretary of State

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NO: 1550, November 24, 3 p.m.

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ACTION DEPARTMENT 1550, INFORMATION RIO DE JANEIRO 4.

DEPTEL 1048 repeated Rio 176 (2) EMETEL 1204 repeated Rio 3.

Based on conversations with head of Brazilian delegation to bilateral GOJ-Brazilian debt consolidation talks (Silva) and Foreign Office staff level participant (Sawaki, Chief, Economic Cooperation Section), it appears impasse has been reached. Should this occur, Japan will be in position benefit from continued uninterrupted servicing of Jap credits to Brazil by virtue of US and European consolidation and extension.

According Silva, Jap negotiators at end many days of "tedious talks" in course which Japan offered less than Brazil obtained from others, alleged Japan unable implement requested debt rescheduling due lack suitable legislative authority, matter which Silva considers GOJ should have foreseen much earlier. Silva claims he warned against resultant probable deterioration Japan-Brazil relations and asked whether he should return home to report failure his mission, thus necessitating Brazil approach to IMF for additional assistance. Silva stated Foreign Office asked him remain Tokyo for further talks.

From Foreign Office Embassy received different account: Foreign Office convinced Japan being asked do more than any other Brazilian creditor. All purports it Foreign Office possession concerning action by European creditors specify consolidation applied to medium term supplier or commercial credits. Foreign Office says Brazilian position remains unchanged from situation four months ago when Brazil requested consolidation and extension

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NAME OF OFFICER	DATE OF ACTION	
OFFICE SYMBOL		

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(Security Classification)

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832.01/3-2261

FOREIGN SERVICE DESPATCH

FROM : Amembassy, Rio de Janeiro

839

MAR 24 1961

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 22, 1961

REF :

20 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN OTHER
3-28-61	REP-1 INR-7 ICA-11 ARA-3 PER-21	
	CIA-16 COM-10 AGR-8 TR-3 FRA-3	

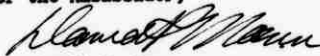
SUBJECT: Cost of Living in Guanabara -- January and February of 1961

According to the Ministry of Labor's index, the cost of living was 3.7% higher in January 1961 than in December 1960; it was about 7/10 of 1% higher in February 1961 than in January 1961. Total increase during the first two months of 1961 (February 1961 over December 1960): nearly 4.4%.

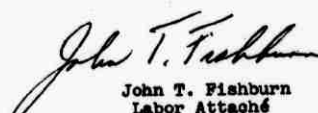
According to the Getulio Vargas Foundation's index, the cost of living was approximately 2.2% higher in January 1961 than in December 1960; it was approximately 1% higher in February 1961 than in January 1961. Total increase during the first two months of 1961 (February 1961 over December 1960): 3.2%.

From February of 1960 to February 1961, the Ministry's index went up 25.4% and the Vargas Foundation's index rose by 25.4%.

For the Ambassador,


David P. Mann
Assistant Labor Attaché

Approved:


Philip Raine
Counselor of Embassy for
Political Affairs

John T. Fishburn
Labor Attaché

DISTRIBUTION: Econ, Pol (2), Admin, Congen São Paulo, Labor

LABOR:DFMann:ss 3/22/61

UNCLASSIFIED

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

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832.01/3-2261

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APR 11 1961
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0685

AIR POUCH

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 FOREIGN SERVICE DESPATCH

832.01/3-2761

 FROM : Amcorgen São Paulo 351
 TO : THE DEPARTMENT OF STATE, WASHINGTON. March 27, 1961
 REF : CERP Section B, Item II-B-2: despatch 341 of March 20, 1961.

25 For Dept. Use Only	ACTION	DEPT.	CONSULATE GENERAL OF THE UNITED STATES OF AMERICA
	REC'D	OTHER	
4-3	Feb-6	Reb-1 INR-7 ICA-11 Aca-3	REC'D 11-20
		Com-10. Agr-8 Cie-10	GEN'L
SUBJECT: São Paulo Cost of Living Index - February 1961			SÃO PAULO, BRAZIL
New-5 FRB-3 TR-3 INT-7			

Listed below is the Cost of Living Index of the City of São Paulo for the month of February 1961. These figures, which refer to the working classes, are released by the Division of Statistics and Social Documentation, Department of Culture of the Prefecture of the Municipality of São Paulo.

Item	Index
Food	921
Housing	583
Clothing	631
Fuel	784
Medical Care	664
Smoking Items	910
Household Cleaning Supplies	808
Furniture	906
Transportation	1072
Miscellaneous	727
Weighted average	786
Rate: 1951 - 100	

The February 1961 weighted average represents a rise in the cost of living in the City of São Paulo of 5.2 percent over the December 1960 index of 747.

For the Minister Consul General:

 DIVISION
 OF CULTURE

 Scott C. Lyon
 Scott C. Lyon
 American Consul

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832.01/3-2761 HBS

832.01/3-2761

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FOREIGN SERVICE DESPATCH

(Security Classification)

832.01/4-1161
APR 12 1961

FROM : Amcoengen São Paulo

375

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 11, 1961

DATE

REF :

55 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
	4/18	4/18
	4/18	4/18

SUBJECT: Survey of Cost of Living of Foreign Non-Official Personnel
at São Paulo Prepared by Paulding S. A.

The consulting firm of Paulding S. A. prepares monthly surveys of the cost of living at São Paulo and Rio de Janeiro based on living standards of typical foreign executive personnel employed by private companies.

The subject is of unusual interest at present as rapidly increasing cruzeiro living costs, together with changes in rates of exchange, oblige American firms here to consider readjustment of pay or allowances of their American personnel.

The methods used in the survey are set forth in Enclosure 1. The results for São Paulo for February 1961 are given in Enclosure 2 (last two pages). The inclusion of data on São Paulo is a relatively recent development in the survey, which has covered Rio de Janeiro since April 1957. The São Paulo index figures are adjusted to a basis of April 1957 - 100, and show the following for February 1961 compared with similar figures for November 1960:

	Nov. 1960	Feb. 1961	% Increase
Current Cruzeiro Expenditures	262.1	295.5	12.3
Total Expenditures\$	270.1	313.4	16.0

A noteworthy feature of the reports is the provision for adjustments in individual cases for variables such as size of family and incidence of Brazilian income tax. (See Enclosure 2, pages 10 and 12.) The data on living costs are broken down in considerable detail, with distinction between costs incurred in dollars and those incurred in cruzeiros. This permits subscribers to make adjustments to fit individual cases, such

\$ Include deferred expenditures, such as monthly depreciation reserve for automobile. Dollar costs are converted to cruzeiros at free market rate of exchange.

SCLyon/cz

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ACTION	ASSIGNED TO	NAME OF OFFICER	DATE OF ACTION	DIRECTIONS TO RM/R

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832.01/5-261

FOREIGN SERVICE DESPATCH

FROM : Embassy, Rio de Janeiro

970

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 2, 1961

DATE

MAY 6 1961

REF :

25 For Insp. Use Only	ACTION REC'D 5-8	IN OTHER Cam-10 Agr-8 Cia-10 FRB-3 TR-2	DEPT. Rep-1 INR-7 ICA-11 Ana-3 Per-2
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SUBJECT: Cost of Living in Guanabara -- March 1961

The cost of living in Rio de Janeiro was 1.1% higher in March 1961 than in the preceding month of February 1961, according to the Ministry of Labor's cost of living index. Total increase during the first quarter of 1961 (March 1961 over December 1960) was approximately 3 1/2%, and about 23% during the twelve months from March 1960 through March 1961, according to the same index.

According to the Getulio Vargas Foundation's index, the cost of living was about 1.7% higher in March 1961 than in the preceding month, and 5% higher than in December 1960. During the twelve months from March 1960 through March 1961, the Vargas Foundation's index rose about 26.2%.

For the Ambassador,

David P. Mann

David P. Mann
Assistant Labor Attaché

APPROVED:

Philip Raine
Philip Raine
Counselor of Embassy for
Political Affairs

John T. Fishburn
John T. Fishburn
Labor Attaché

DISTRIBUTION: POL I (2); Econ; Congen São Paulo

DFMann:ss 5/2/61

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

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832.01/5-261

FILED

MAY 23 1961

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(Classification)

Page 2 of
Encl. No. 00
Disp. No. 00
From AMEMBEN São Paulo

September indicate a sharp increase in the cost of living. The results of these spot checks will be incorporated in the Prefecture's September index.

For the Minister Consul General:

Scott Lyon
Scott C. Lyon
American Consul

UNCLASSIFIED

0701

Air Pouch

PRIORITY

UNCLASSIFIED

(Security Classification)

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832.01/9-2661

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

242

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 26, 1961

SEP 30 1961

REF :

20 For Dept. Use Only	ACTION	DEPT.
	LAB-8	REP-1 INR-7 ICA-11 ARA-3 PER-2 E-3
REC'D	10-3-61	CIA-10 COM-10 MGR-10 TR-3 FRB-3 XMB-4

SUBJECT: Cost of Living in Guanabara - August, 1961

The cost of living in Guanabara was 1.6% higher in August 1961 than in the preceding month of July, according to the cost of living index of the Ministry of Labor. The same index shows an increase of about 17.6% thus far this year (August 1961 over December 1960). During the past twelve months (August 1961 over August 1960) this index increased 27.3%.

The Getulio Vargas Foundation's index was 4.5% higher in August 1961 than in the preceding month, and this index now shows an increase of about 19.3% thus far this year (August 1961 over December 1960). During the past twelve months (August 1961 over August 1960) this index increased 35.8%.

For the Chargé d'Affaires a.i.,

John T. Fishburn
John T. Fishburn
Labor Attaché

APPROVED BY:

Niles W. Bond
Niles W. Bond
Chargé d'Affaires a.i.

DISTRIBUTION: POL I, ECON, Admin, São Paulo, Mr. May, CF (3)

VWYFARIS & DISSEMINATION

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LABOR:SSeavonell

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

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FOREIGN SERVICE DESPATCH																													
FROM : Amembassy RIO DE JANEIRO		543 DESP. NO.		January 3, 1962 DATE																									
TO : THE DEPARTMENT OF STATE, WASHINGTON.		Gm																											
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<table border="1"> <tr> <td>20 For Dept.</td> <td>ACTION 148-2</td> <td>DEPT. I N REP</td> <td>148-2</td> <td>148-2</td> <td>148-2</td> </tr> <tr> <td>Use Only</td> <td>REC'D</td> <td>F OTHER</td> <td>1-15-62</td> <td>CIA-11</td> <td>AGR-10</td> </tr> </table>		20 For Dept.	ACTION 148-2	DEPT. I N REP	148-2	148-2	148-2	Use Only	REC'D	F OTHER	1-15-62	CIA-11	AGR-10	<table border="1"> <tr> <td>148-2</td> <td>148-2</td> <td>148-2</td> <td>148-2</td> <td>148-2</td> <td>148-2</td> </tr> <tr> <td>1-15-62</td> <td>CIA-11</td> <td>AGR-10</td> <td>Com-10</td> <td>FRB-3</td> <td>TR-2</td> </tr> </table>				148-2	148-2	148-2	148-2	148-2	148-2	1-15-62	CIA-11	AGR-10	Com-10	FRB-3	TR-2
20 For Dept.	ACTION 148-2	DEPT. I N REP	148-2	148-2	148-2																								
Use Only	REC'D	F OTHER	1-15-62	CIA-11	AGR-10																								
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1-15-62	CIA-11	AGR-10	Com-10	FRB-3	TR-2																								
SUBJECT: Cost of Living in Guanabara - November 1961																													

The cost of living in Guanabara was 3.5% higher in November 1961 than in the preceding month of October, according to the cost of living index of the Ministry of Labor. The same index shows an increase of about 38.5% thus far this year (November 1961 over December 1960). During the past twelve months (November 1961 over November 1960) this index increased 39%.

The Getulio Vargas Foundation's index was 5.7% higher in November 1961 than in the preceding month of October, and this index shows an increase of about 39% thus far this year (November 1961 over December 1960). During the past twelve months (November 1961 over November 1960) this index increased 42.3%.

For the Ambassador:

John T. Fishburn
John T. Fishburn
Labor Attaché

DISTRIBUTION: POL I, ECON, ADMIN, São Paulo, Mr. Korp, CF (3), Labor

LABOR:SSCAYO		UNCLASSIFIED		JAN 3 1962	
REPORTER		ACTION		DIRECTIONS	
ASSIGNED TO:		TAKEN		TO RM/R	
NAME OF OFFICER		DATE OF ACTION			
OFFICE SYMBOL					
ACTION COPY - DEPARTMENT OF STATE					
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0712

AIR POUCH
HANDLING INDICATOR

UNCLASSIFIED

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FOREIGN SERVICE DESPATCH

832.01/2362

FROM : Amcogen, São Paulo

185
NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 23, 1962
DATE

REF : CERP, D-10, 17; despatch 174 of December 22, 1961

53 For Dept. Use Only	AC	IN	DE	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	ICA
	10	10	3	10	10	3	10	10	10	10	10	10	10	10	10	10
	10	10	3	10	10	3	10	10	10	10	10	10	10	10	10	10
	10	10	3	10	10	3	10	10	10	10	10	10	10	10	10	10

SUBJECT: São Paulo Cost of Living Index - December 1961

Listed below is the Cost of Living Index of the City of São Paulo for the month of December 1961. These figures, which refer to the working classes, are released by the Division of Statistics and Social Documentation, Department of Culture of the Prefecture of the Municipality of São Paulo.

Item	Index
Food	1305
Housing	702
Clothing	864
Fuel	1033
Medical Care	871
Smoking Items	1089
Household Cleaning Supplies	933
Furniture	1267
Transportation	1588
Miscellaneous	987
Weighted Average	1072
Base: 1951 - 100	

The December 1961 weighted average indicates an increase of 2.2 percent over the November 1961 average. This figure compares with an increase of 1.6 percent for the corresponding months in 1960. Cost of living in São Paulo increased 38.5 percent between January and December 1961 as compared with 26.9 percent for the corresponding period in 1960.

For the Consul:

Scott C. Lyon
ConsulAdventura
ADVENTURA/cz

UNCLASSIFIED

FORM 5-61 FS-439 GPO 912594

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

0714

ATR POUCH
HANDLING INDICATOR

UNCLASSIFIED

For Department Use Only

FEB 23 1962

832.01/2-2362

FOREIGN SERVICE DESPATCH

FROM : Amcongen São Paulo

211

NO.

February 23, 1962

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE

REF : CERP, D-10, 17; despatch 185 of January 23, 1962

22 For Dept. Use Only	AC	IN	DE	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	PER	P	IO	AID
	LAB-2			10	10	3	3					5	1			11
REC'D	2/23/62			AIR	ARMY	CIA	NAVY	OSD	OCB	USA	NSA					

SUBJECT: São Paulo Cost of Living Index - January 1962

Listed below is the Cost of Living Index of the City of São Paulo for the month of January 1962. These figures, which refer to the working classes, are released by the Division of Statistics and Social Documentation, Department of Culture of the Prefecture of the Municipality of São Paulo.

Item	Index
Food	1392
Housing	740
Clothing	889
Fuel	1037
Medical Care	871
Smoking Items	1262
Household Cleaning Supplies	971
Furniture	1267
Transportation	1588
Miscellaneous	989
Weighted Average	1127
Base: 1951 - 100	

The January 1962 weighted average indicates an increase of 5.1 percent over the December 1961 average. This figure compares with an increase of 3.6 percent for December 1960 and January 1961. Cost of living in São Paulo increased 38.5 percent between January 1961 and January 1962 as compared with 31.4 percent for the corresponding period a year earlier.

For the Minister Consul General:

Scott C. Lyon
Consul

Zentura
KOVentura/cz

UNCLASSIFIED

FORM FS-439 6-61 512586

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

0716

CONGRESS OF THE UNITED STATES
House of Representatives
Washington, D. C.
March 2, 1962

ACTION
is assigned to
RCA

Mr. Jackson M. Wilson
Officer-in-Charge
Brazilian Desk
Department of State

Dear Mr. Wilson:

Enclosed is a letter which I have received from Mrs. Neude Davison, 1210 East Noble, Guthrie, Oklahoma, referring to a magazine article appearing in the Christian Church publication, "Worldways" stating that as a result of the US loan to Brazil, missionaries are stating that prices rose 50 per cent in Brazil.

I would appreciate any information that you may provide me so that I may make appropriate reply to Mrs. Davison.

Sincerely yours,

Tom Steel
Tom Steel, R. C.

Th:el

Enclosure ✓

3/2/62.

(4)

680C53

Letter and enclosure, if any
to be furnished by RCM

532.10 / 5-2621
VB 532.01
Bureau, New York Office
(2-1)

0717

TOM STEED
4th District, California

Congress of the United States

House of Representatives
Washington, D. C.

March 2, 1962

COMMITTEE:
APPROPRIATIONS
SELECT COMMITTEE ON SMALL
BUSINESS

ACTION
is assigned to

AKA

Mr. Jackson W. Wilson
Officer-in-Charge
Brazilian Desk
Department of State

INFO:
RM/R FILES
FILE
Ack. 3/5/62
ARA:EST/B:GMSutton:zco

Dear Mr. Wilson:

Enclosed is a letter which I have received from Mrs. Maude Davison, 1310 East Noble, Guthrie, Oklahoma, referring to a magazine article appearing in the Christian Church publication, "Horizons" stating that as a result of the US loan to Brazil, missionaries are stating that prices rose 50 per cent in Brasilia.

I would appreciate any information that you may provide me so that I may make appropriate reply to Mrs. Davison.

Sincerely yours,

Tom Steed
TOM STEED, M. C.

TS:al

Enclosure ✓

3/2/62

(4)

480040

Letter and enclosures, if any
microfilmed by RM/R

832.10 / 3-262
XRE 832.1
Davison, Maude
(M.)

0718

Dear Congressman Stead:

Thank you for your letter dated March 2, 1962 with which you enclosed a letter from Mrs. Emma Davison of Guthrie, Oklahoma referring to an article in the publication "Horizons" which inferred that United States financial aid to Brazil was the cause of rising prices, particularly meat, foodstuffs.

The policy of the United States Government in administering aid to Brazil has been to encourage Brazil to stabilize its currency, in order to minimize the great problem of inflation which Brazil has experienced for over ten years. The primary cause of this inflation has been the printing of paper money to pay for budget deficits. This inflationary trend has been absorbed somewhat by the increase of imports from abroad which tend to limit the rise of local prices. Our financial aid has been designed to facilitate price stability by providing balance of payments assistance to finance essential imports from abroad, including the United States. In May 1961 the United States agreed to provide \$350 million in new credits to Brazil in support of a new economic program. In addition, the International Monetary Fund and several European countries extended substantial credits for the same purpose. The repayment of past debts of Brazil to the participants in this program was postponed and rescheduled.

The partial success of this program was indicated recently by a strengthening of the value of the cruzeiro in relation to the dollar. The price rise mentioned in Mrs. Davison's letter was probably the result of a recent round of wage increases granted by the Brazilian government and because of a temporary shortage of foodstuffs in the area, particularly in wheat and corn. It is clear that recent United States loans had nothing to do with the price rises, except to possibly keep them from being even more severe.

Regarding

The Honorable
Tom Stead,
House of Representatives.

2
RECEIVED BY FILE

ARA:EST/B AID FN

532.10/3-2-62

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THE EDITOR

HFF

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SUBJECT: Inflationary Pressures and Conditions in the Northeast.

the poverty of the country, which jumped some 30% in three to four months. The Government has estimated to have risen over 100% in the first half of 1961. The January of 1961, continues to show the effects. Inflation, wages are not, in general, keeping up with the rising costs of agricultural workers and the cost of living. The Government has announced a sharp increase in the cost of food, housing, clothing, etc. The workers are suffering from a loss and loss of the bare necessities.

infused with the spirit of expanding growth in the Northeast by prompting extraordinary, tight money policies and discouraging investment. In spite of the Federal Government's talk of liberal credit to agriculture and industry, there are in reality no such credit is available. Credit from private banks is

While the rich are not finding it increasingly difficult to maintain their standard of living, at the same level, the wealthy continue to live much as they always have, even when sending their money to banks in Switzerland and taking steps to protect themselves not only against inflation, but also against possible sharp political changes. Unfortunately, the wealthy also still lack a sense of responsibility, and with inflation further discouraging investment, they are all too prone to spend on luxury items such as yachts, second homes, trips to Europe, etc. The disparity between the classes is still very great, even among groups and the big

Distribution: [redacted] Brazil, ADB/Brazilian Desk.
[redacted]

WSSmith/rps

FORM **ES-439** REPORTER
DEC 1 1994

4-61 1-5-45

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NAME OF OFFICER

A OFFICE SYMBOL.

TABLE 1. *Continued*

0720

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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(Security Classification)

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832.01/3-22-62

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

748

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 22, 1962

DATE

REF :

MAR 24 1962

For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F OTHER
	11AB-2	REP-1 INR-5 ARA-3 PER-1 AID-11
	3/26	CIA-10 TR-3 FRB-3 COM-10

SUBJECT: Cost of Living in Guanabara - February 1962

The cost of living in Guanabara was 1.6% higher in February 1962 than in the preceding month of January, according to the cost of living index of the Ministry of Labor. The same index shows an increase of about 10% thus far this year (February 1962 over December 1961). This large increase represents a revision made last month in the component indices for rent, clothing, hygiene and light and fuel, and is somewhat misleading. During the past twelve months (February 1962 over February 1961) this index increased approximately 50%.

The Getulio Vargas Foundation's index was 2.2% higher in February 1962 than in the preceding month of January, showing an increase of about 5.3% thus far this year (February 1962 over December 1961). During the past twelve months (February 1962 over February 1961) this index increased approximately 46%.

For the Ambassador:

John T. Fishburn
John T. Fishburn
Labor Attaché

DISTRIBUTION: POL I, ECON, ADMIN, São Paulo, Mr. Korp, CF, Labor

LABOR:SScavone

UNCLASSIFIED

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

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0722

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832.0114-2662

(Security Classification)
FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

846

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 26, 1962

DATE

REF :

22 For Dept. Use Only	ACTION LAB-6 REC'D 5/1	DEPT. IN REP-1 ARA-3 PER-1 AID-11 INR-5 OTHER COM-10 CIA-9 FRB-3 TR-2
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SUBJECT: Cost of Living in Guanabara - March 1961

According to the Ministry of Labor index, the increase in the cost of living in Guanabara was 1.2% higher in March 1962 than in the preceding month of February. The same index shows an increase of about 11% thus far this year (March 1962 over December 1961). During the past twelve months (March 1962 over March 1961) this index increased approximately 50%.

The Getulio Vargas Foundation's index was 2.5% higher in March 1962 than in the preceding month of February, showing an increase of about 8% thus far this year (March 1962 over December 1961). During the past twelve months (March 1962 over March 1961) this index increased approximately 47%.

For the Ambassador:

John T. Fishburn
John T. Fishburn
Labor Attaché

DISTRIBUTION: POL I, ECON, ADMIN, São Paulo, Mr. Korp, CP, Labor (15)

FILED
MAY 21 11 02 AM '62

LABOR:JTFishburn

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

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

0724

Air Pouch

PRIORITY

UNCLASSIFIED

(Security Classification)

DO NOT TYPE IN THIS SPACE

832.01/5-1962

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

1029

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 19, 1962

DATE

REF :

JUN 21 1962

22 For Dept. Use Only	ACTION	DEPT.
	LAB-6	REP-1 ARA-3 INR-5 PER-1 AID-11
	REC'D	OTHER
	4/25	AGR-10 COM-10 FEB-3 TR-2 CIA-10

SUBJECT: Cost of Living in Guanabara - May 1962

According to the Ministry of Labor index, the increase in the cost of living in Guanabara was 2.9% higher in May 1962 than in the preceding month of April. The same index shows an increase of about 17% thus far this year (May 1962 over December 1961). During the past twelve months (May 1962 over May 1961) this index increased approximately 50%.

The Getulio Vargas Foundation's index was 3.8% higher in May 1962 than in the preceding month of April, showing an increase of about 14% thus far this year (May 1962 over December 1961). During the past twelve months (May 1962 over May 1961) this index increased approximately 47%.

For the Ambassador:

Harold Shapiro
Harold Shapiro
Assistant Labor Attaché

Approved by:

John T. Fishburn
John T. Fishburn
Labor Attaché

JUL 11 1962

FILE

DISTRIBUTION: POL I, ECON, ADMIN, São Paulo (2), Mr. Korp, CF, Labor (15)

LABOR:HShapiro:ss

UNCLASSIFIED

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

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

0726

Air Pouch

PRIORITY

UNCLASSIFIED

(Security Classification)

DO NOT TYPE IN THIS SPACE

832.01/5-2162

FOREIGN SERVICE DESPATCH

FROM : Embassy RIO DE JANEIRO

928

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 21, 1962

DATE

REF :

May 23 1962

22 For Dept. Use Only	ACTION	DEPT.
	LAB-6	REP-1 ARA-3 PER-1 INR-5 AID-11
	REC'D	OTHER
	5/26	AGR-10 COM-10 FRB-3 TR-2 CIA-10

SUBJECT: Cost of Living in Guanabara - April 1962

According to the Ministry of Labor index, the increase in the cost of living in Guanabara was 2.3% higher in April 1962 than in the preceding month of March. The same index shows an increase of about 13% thus far this year (April 1962 over December 1961). During the past twelve months (April 1962 over April 1961) this index increased approximately 47%.

The Getulio Vargas Foundation's index was 2.0% higher in April 1962 than in the preceding month of March, showing an increase of about 10% thus far this year (April 1962 over December 1961). During the past twelve months (April 1962 over April 1961) this index increased approximately 44%.

For the Ambassador:

John T. Fishburn
John T. Fishburn
Labor Attaché

DISTRIBUTION: POL I, ECON, ADMIN, São Paulo, Mr. Korp, CF, Labor (15)

LABOR:SSA/vone

UNCLASSIFIED

ACTION	ACTION	
ASSIGNED TO	TAKEN	
NAME OF OFFICER	DATE OF	DIRECTIONS
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The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

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JUN 11 1962

0727

AIR POUCH

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For Department Use Only

832.01/6-2062

JUN 20 1962

HANDLING INDICATOR

FOREIGN SERVICE DESPATCH

FROM : Amcongen Sao Paulo

317

June 20, 1962

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, D-10; despatch 285 of June 1, 1962

55 For Dep. Use Only	AC	IN	DE	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	ICA
	LAB-6			AGR	COM	FRS	INT	LAB	TAR	TR	XMB					
	REC'D			AIR	ARMY	CIA	NAVY	OSD	OCB	USIA	NSA					
	6/25					8					3					

SUBJECT: São Paulo Cost of Living Index - May 1962

Listed below is the Cost of Living Index of the city of São Paulo for the month of May 1962. These figures, which refer to the working classes, are released by the Division of Statistics and Social Documentation, Department of Culture of the Prefecture of the Municipality of São Paulo.

Item	Index
Food	1561
Housing	898
Clothing	1030
Fuel	1281
Medical Care	1041
Smoking Items	1278
Household Cleaning Supplies	1099
Furniture	1507
Transportation	1588
Miscellaneous	1186
Weighted Average	1204
Base: 1951 - 100	

The May weighted average indicates an increase of 4.7 percent over the April average as compared with a 1.5 percent increase in May 1961. Cost of living in São Paulo increased 48.8 percent between May 1961 and May 1962 as compared with 37 percent during the preceding twelve months.

For the Minister Consul General:

Richard C. Desmond
ConsulK. Ventura
Adventure/cz

UNCLASSIFIED

FORM 5-61 FS-439 GPO 9-12586

For Department Use Only - To be Filled in on Yellow Original ONLY

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

FILED
JUL 11 1962

0729

OCTOBER ACTION

20

DEPARTMENT OF STATE

AIRGRAM

832.01/7-1962

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UNCLASSIFIED

FOR RM USE ONLY

HANDLING INDICATOR

TO : The Department of State, Washington, D.C.

FROM : AmEmbassy RIO DE JANEIRO

DATE: July 19, 1962

SUBJECT: Cost of Living in Guanabara--June 1962

REF : --

According to the Ministry of Labor index, the increase in the cost of living in Guanabara was 3.20% higher in June 1962 than in the preceding month of May. The same index shows an increase of about 21% thus far this year (June 1962 over December 1961). During the past twelve months (June 1962 over June 1961) this index increased approximately 52%.

The Getúlio Vargas Foundation's index was 3.3% higher in June 1962 than in the preceding month of May, showing an increase of about 18% thus far this year (June 1962 over December 1961). During the past twelve months (June 1962 over June 1961) this index increased approximately 50%.

For the Ambassador:

Harold Shapiro
Harold Shapiro
Assistant Labor Attaché

POL:HS Shapiro:hw

DISTRIBUTION: POL I, ECON, ADMIN, São Paulo (2), Mr. Korp, OF, LABOR

UNCLASSIFIED

FORM 4-62 DS-323

DEPT. USE ONLY

In Out

Drafted by: Mr. Harold Shapiro, Ass. Labor Attaché

Contents and Classification Approved by:

Clearances:

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ORIGIN/ACTION			DEPARTMENT OF STATE			432.01/7-2562																												
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3	1		TO : DEPARTMENT OF STATE			JUL 23 PM 4 06																												
NEA	CU	INR	INFO: RIO DE JANEIRO			Jm																												
E	P	IO	FROM : Amcon SAO PAULO			DATE: July 25, 1962																												
L	FBO	RIO	SUBJECT: SAO Paulo Cost of Living Index - June 1962																															
	PER	11	REF : CERP, D-10; despatch 317 of June 20, 1962																															
AGR	COM	FRB	Listed below is the Cost of Living Index of the city of SAO Paulo for the month of June 1962. These figures, which refer to the working classes, are released by the Division of Statistics and Social Documentation, Department of Culture of the Prefecture of the Municipality of SAO Paulo. <table border="1"> <thead> <tr> <th>Item</th> <th>Index</th> </tr> </thead> <tbody> <tr><td>Food</td><td>1677</td></tr> <tr><td>Housing</td><td>899</td></tr> <tr><td>Clothing</td><td>1039</td></tr> <tr><td>Fuel</td><td>1742</td></tr> <tr><td>Medical Care</td><td>1054</td></tr> <tr><td>Smoking Items</td><td>1294</td></tr> <tr><td>Household Cleaning Supplies</td><td>1120</td></tr> <tr><td>Furniture</td><td>1507</td></tr> <tr><td>Transportation</td><td>1526</td></tr> <tr><td>Miscellaneous</td><td>1186</td></tr> <tr><td>Weighted Average</td><td>1339</td></tr> <tr><td>Base: 1951 - 100</td><td></td></tr> </tbody> </table> The June weighted average indicates an increase of 4.3 percent over the May average as compared with a 2 percent increase in June 1961. Cost of living increased 52.2 percent between June 1961 and June 1962 as compared with 36.6 percent during the preceding twelve months. For the Minister Consul General: Richard C. Desmond Consul						Item	Index	Food	1677	Housing	899	Clothing	1039	Fuel	1742	Medical Care	1054	Smoking Items	1294	Household Cleaning Supplies	1120	Furniture	1507	Transportation	1526	Miscellaneous	1186	Weighted Average	1339	Base: 1951 - 100	
Item	Index																																	
Food	1677																																	
Housing	899																																	
Clothing	1039																																	
Fuel	1742																																	
Medical Care	1054																																	
Smoking Items	1294																																	
Household Cleaning Supplies	1120																																	
Furniture	1507																																	
Transportation	1526																																	
Miscellaneous	1186																																	
Weighted Average	1339																																	
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		3	Drafted by: ECON/Adventura/cz 7/23/62			Contents and Classification Approved by:																												
			Clearances:																															

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RNR 1/60

DEPARTMENT OF STATE

Memorandum of Conversation

LIMITED OFFICIAL USE

DATE: September 12, 1962
11:00 a.m.

SUBJECT: Complaint of US meat packing companies in Brazil re meat ceiling price

PARTICIPANTS: Mr. Miguel Alvaro OZORIO DE ALMEIDA, Minister Counselor,
Brazilian Embassy
Mr. George Alvares MACIEL, Minister Counselor, Brazilian Embassy
Mr. Harvey R. Wellman, Director EST

COPIES TO: ARA
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American Embassy Rio de Janeiro

Mr. Wellman reported to the Brazilian Embassy Counselors the complaint of the U.S. packing companies operating in Brazil as follows: CCFAP had received a recommendation from a study group for the nationalization of the foreign meat packing companies. Recently CCFAP had set a ceiling price for meat which is 10 or 15 percent below the price at which the packing companies are able to purchase meat. The only way to continue in business profitably under such a ceiling price is to engage in black market operations. National companies are able to do this but foreign companies with the threat of expropriation hanging over them dare not. This makes for a discrimination in fact against the foreign companies.

Mr. Wellman said that he would appreciate the Embassy's verifying these allegations of the U.S. meat packing companies and if they prove to be correct indicating what might be done in relief of the U.S. companies.

Mr. Ozorio said that the allegations of the meat companies were quite plausible. He asserted a similar situation, i.e., where, in order to attempt to make basic foods cheaper and more available to the masses, unrealistic ceiling prices had been set, existed with respect to other foods. He said that the Brazilian Government would have to make a change or face the necessity of nationalizing food production and distribution. He commented that CCFAP's decisions were usually political. Mr. Maciel did not dissent from these observations.

Ambassador Campos who joined the discussion at the end observed that the Minister of Agriculture might be able to be of assistance. He also acknowledged one of the ministers without portfolio to be appointed under the new cabinet's program for controlling inflation and food supplies might have responsibilities in the matter.

Mr. Wellman stated that the report received from the U.S. companies had also been passed to our Embassy in Rio.

②

ARA:EST: Wellman:lc 9-17-62

832.05711/9-12-62
#832.01

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ORIGIN ACTION

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DEPARTMENT OF STATE

AIRGRAM

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FOR RM USE ONLY

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HANDLING INSTRUCTIONS
832-0511

A-61

OFFICIAL USE ONLY

DEPARTMENT OF STATE

INFO: RIO DE JANEIRO

FROM : Amcon SAC PAULO

DATE: September 12, 1962

SUBJECT: Price Ceilings for Meat

REF :

Enclosed is a memorandum of conversation between representatives of American meat packing companies and officials of this Consulate General regarding the problem caused by price ceilings on meat transactions, effective in the Sao Paulo area September 1.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

FORM 4-62 DS-322

OFFICIAL USE ONLY

FOR SEPT. USE ONLY

In Out

FORWARDED BY:

ECOM/RCDesmond/cz 9/12/62

Contents and Classification Approved by:

Clearances:

0735

ORIGIN/ACTION			DEPARTMENT OF STATE			832.01/9-2662		
LAB-6			AIRGRAM			FOR RM USE ONLY		
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TO : DEPARTMENT OF STATE

INFO: RIO DE JANEIRO

FROM : Amcon SMO PAULO

DATE: September 26, 1962

SUBJECT: Cost of Living Index - August 1962

REF : CERP, D-10; Airgram A-38 of August 21, 1962

Listed below is the Cost of Living Index of the city of São Paulo for the month of August 1962. These figures, which refer to the working classes, are released by the Division of Statistics and Social Documentation, Department of Culture of the Prefecture of the Municipality of São Paulo.

Item	Index
Food	1818
Housing	984
Clothing	1124
Fuel	1372
Medical Care	1060
Smoking Items	1539
Household Cleaning Supplies	1136
Furniture	1576
Transportation	1896
Miscellaneous	1250
Weighted Average	1454
Base: 1951 - 100	

The August weighted average indicates an increase of 5.4 percent over the July average as compared with a 1.1 percent increase in August 1961. Cost of living increased 58.1 percent between August 1961 and August 1962 as compared with 38.1 percent during the twelve preceding months. Cost of living between January 1 and August this year increased 29 percent as compared with 18.9 percent for the same period a year ago.

For the Minister Consul General:
Richard C. Desmond

UNCLASSIFIED

Consul

FOR DEPT. USE ONLY

Drafted by: ECON/ADventura/cz 9/24/62

Contents and Classification Approved by:

Clearances:

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LAB-6 20				DEPARTMENT OF STATE		832.01/10-2462	
AIRGRAM				UNCLASSIFIED		FOR RM USE ONLY	
RM/R	REP	AF	A-435		NO.		AIR POUCH
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AGR	COM	FRS	FROM : Amembassy RIO DE JANEIRO		DATE: October 24, 1962		
10	10	3	SUBJECT: Cost of Living in Guanabara - September 1962				
INT	LAB	TAR	REF :				
2	XMB	AIR	According to the Ministry of Labor index, the increase in the cost of living in Guanabara was 1.06% higher in September 1962 than in the preceding month of August. The same index shows an increase of about 20.88% thus far this year (September 1962 over December 1961). During the past twelve months (September 1962 over September 1961) this index increased approximately 46.16%. The Getúlio Vargas Foundation's index was .89% higher in September 1962 than in the preceding month of August, showing an increase of about 29.81% thus far this year (September 1962 over December 1961). During the past twelve months (September 1962 over September 1961) this index increased approximately 48.81%. For the Ambassador: <i>Harold Shapiro</i> Harold Shapiro Assistant Labor Attaché				
ARMY	CIA	NAVY					
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DSD	URIA	NSA	DISTRIBUTION: POL I (2), ECON (2), ADMIN (2), São Paulo (2), Mr. Korp (2), CF (3), LABOR (4).				
FORM 4-62 DS-323			UNCLASSIFIED		FOR DEPT. USE ONLY		
Drafted by: POL/HShapiro H.S.			Contents and Classification Approved by:				
Clearances:							

0741

DEPARTMENT OF STATE

AIRGRAM

832-311/12-562
FOR RM USE ONLY

A-121

OFFICIAL USE ONLY

XA-832-01
HANDLING INDICATOR

DEPARTMENT OF STATE

INFO: RIO DE JANEIRO

Amcongen, SÃO PAULO

DATE: December 5, 1962

Temporary Solution to Meat-Packers Problem Still Prevails

GERP, D-14 and Congen A-121 of October 31, 1962

The injunction against official ceiling prices for beef in São Paulo reported in A-121 is still in effect, although COFAP has initiated action to have the injunction terminated. Legal representatives in Brazilia in São Paulo meat firms are now carrying out a delaying action by moving to delay consideration of the case by the Court of Appeals until after the turn of the year when the Court will begin a two-months vacation. Thereafter, beef supplies will be seasonally more abundant than at present, and this may bring some relaxation of the pressure on prices. On the other hand, under inflationary conditions, the ceiling prices, which the Government shows no disposition to alter, in the long run tend to become more and more unrealistic.

For the Minister Consul General:

Richard C. Desmond
Richard C. Desmond
Consul

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ECON:RCDesmond:ip 12/5/62

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DEPARTMENT OF STATE

AIRGRAM

832.311/12-762

FOR RM USE ONLY

A-665

CONFIDENTIAL

XA-832-01

HANDLING INDICATOR
832-05111

TO : DEPARTMENT OF STATE

FROM : Ambassador, RIO DE JANEIRO

DATE: December 7, 1962

SUBJECT: Recent Developments with Respect to Price Problems of U.S. Packers

REF : AGR 40, September 18, 1962, *see*
Arcoengen São Paulo, A-167, December 5, 1962

Mr. Francis T. Herbert, Director-Vice President, Companhia Swift do Brasil, S.A., called at the Embassy December 6 to inform the Embassy of developments with respect to U.S. price problem with COFAP. The problem was discussed in Rio at a meeting with the Ambassador on September 12, 1962 at which Mr. Dean Martin, Director President, Frigorifico Wilson de Brasil and other Embassy officers were present (See AGR 40, September 12, 1962). Herbert had come over for that meeting but his plane was delayed and he arrived just as the meeting was breaking up. During his call December 6, he talked with Mr. Ford Hiles, Agricultural Attaché and the reporting officer.

As Arcoengen, São Paulo, last reported in A-167 of December 5, 1962, the relief which the U.S. packers obtained from the official price ceilings established COFAP by obtaining a temporary injunction is still in effect but being attacked by COFAP. Swift and some or all of the foreign packers had financed and are still financing the legal costs involved but the temporary injunction was applied for and obtained by a Brazilian company. The proceedings on the temporary injunction have been taken to the Court of Appeals by COFAP but Herbert thinks there is a good possibility on the basis of talks which people friendly to the packers side of the case have had with the President of the court that the temporary injunction will be upheld by the judge assigned to hear the case. Herbert said they have hopes of securing a permanent injunction when the case is considered on its merits by the whole court but that there is always the possibility that they will lose the case and he wanted to inform the Embassy in advance of what they plan to do in either situation.

They had had a hard time seeing Max Monteiro, President of COFAP,

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CONFIDENTIAL

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Dated by: R. B. K. S. S. S.

Contents and Classification Approved by:

Clearances:

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CONFIDENTIAL

Page 2
Airgram A-665
Rio de Janeiro

but they had discussed a solution to the problem with him. He had told them earlier that any solution which they might propose had to be a political one in order for it to receive consideration. Their political solution is to agree with COFAP to deliver beef flanks to butchers at low prices, thus making it possible for the butchers to offer cheap beef to the public. In return for their committing themselves to supply beef flanks on this basis, the prices of other cuts would be left uncontrolled. Monteiro indicated that this would appear to be a satisfactory solution provided it has the approval of Brazilian packers and the retail butchers. Herbert said that some progress had been made in lining up both the Brazilian packers and the butchers and that he had hopes that all will agree to the proposed solution.

This solution probably will only be feasible if the packers obtain a permanent injunction against COFAP's ceiling prices. Even though they win this injunction they plan to go back to Monteiro and say that they wish to cooperate and wish to put their proposal into effect even though they are not required to do so. They will try to do the same thing if they lose their case for a permanent injunction and they would hope that Monteiro would approve the proposal and permit them to put it into effect. They think, however, that he might well not do so if they do not secure legal relief from the COFAP ceiling prices. This is also a good possibility because Monteiro does not believe the packers would discontinue their operations which come under the ceiling prices even though the ceiling prices are unprofitable.

Herbert said, however, that under the COFAP price ceilings they would lose around ten thousand cruzeiros per head of cattle slaughtered at the present time. If they lose their case for a permanent injunction and they are again made subject to the current COFAP price ceilings, he said Swift would gradually and quietly reduce their slaughtering operations subject to the price ceilings but would maintain production of sausage and other industrial products which are not subject to the price controls. He thought the other U. S. packers would follow a similar course. As such an eventuality would be bound to give rise to a loud outcry against them, they wanted the Embassy to be forewarned of this as a possibility.

For the Charge d'Affaires a.i.:

Robert Eakens

Robert Eakens
Counselor for Economic Affairs

CONFIDENTIAL

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ORIGIN/ACTION

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DEPARTMENT OF STATE

AIRGRAM

832-311/2 7262

FOR RM USE ONLY

A-175

OFFICIAL USE ONLY

XN-832-01

HANDLING INDICATOR
832-0511

TO : DEPARTMENT OF STATE

INFO: RIO DE JANEIRO

FROM : Aracongen, SÃO PAULO

DATE: December 12, 1962

SUBJECT: Prospect for Meatpacking Companies Worsens

REF: CERP, D-14; Congen A-167 of December 5, 1962

Representatives of American meatpacking companies in the São Paulo area have informed the Consulate General that they understand the President of COFAP has issued an order intended to restore ceiling prices on meat. The representatives in question have not seen the order which, they understand, was published in the Diario Oficial of about December 7. They have been told, however, that it applies directly only to the state of Guanabara and instructs COAPs to establish ceilings in other states within fifteen days. The ceilings set for Guanabara are said to be the same that were in effect in August.

The meat companies can draw no conclusions as to the implications of the reported new order until they have studied the text. On the surface, however, they say it would seem to be in violation of the court injunction which is still in effect and to constitute an act exceeding the authority of the President of COFAP.

Whatever legal action may be taken against the reported new order, it portends further difficulties for meat companies, particularly foreign companies operating in São Paulo.

For the Minister Consul General:

x/ An official of International packers says its companies are stopping shipments to Rio.

Richard C. Desmond
Richard C. Desmond

OFFICIAL USE ONLY

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In Out

FORM 4-62 DS-323

Currents and Classification Approved by:

Initiated by:

ECON:RCDesmond:ip 12/5/62

Clearances:

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ORIGIN/ACTION

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DEPARTMENT OF STATE

AIRGRAM

A-180

OFFICIAL USE ONLY

832.311/12-462
FOR RM USE ONLYXA-832-01
HANDLING INDICATOR
832.0511

TO : DEPARTMENT OF STATE

INFO: RIO DE JANEIRO

FROM : Amcengen, São Paulo

DATE: December 14, 1962

SUBJECT: Meatpacking Companies Fear Intervention

REF : CERP, D-14 and Congen A-175 of December 12, 1962.

(Begin UNCLASSIFIED)

The director of the price control office in São Paulo announced to the press on December 13, 1962, upon his return to this city from a meeting in Rio de Janeiro with Max Rego MONTEIRO, President of the Federal Price Control Agency (COFAP), that the latter had ordered him to prepare for Government intervention in São Paulo's meatpacking firms. The interventors in each firm would control production and distribution of meat, insuring that prices were no higher than those authorized by law, according to newspaper reports of the comments of the local price control director. He did not say on what date the intervention would take place. (End UNCLASSIFIED)

(Begin OFFICIAL USE ONLY)

Mr. Dean HARBIN, manager in São Paulo of "Wilson do Brasil," advised the Consulate General on December 14 that this announcement makes the future of US-owned meatpacking firms very bleak. Until now, the price control authorities have talked of forcing meatpackers to sell at the prices they authorize, but this is the first public announcement that direct intervention is contemplated, according to Mr. Harbin. He said he has some doubts whether foreign meat firms, once intervened, would ever be returned to their owners. He further said that he anticipates that the interventors will sell meat at around 75 percent of the cost of production, which would lead to financial ruin of the companies.

For the Minister Consul General:

Richard C. Desmond
Consul

OFFICIAL USE ONLY

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FORM 4-62 DS-323

Drafted by:

ECON:DPMann:ip 12/14/62

Contents and Classification Approved by:

Clearances:

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Lab-6		DEPARTMENT OF STATE		832.01/12-2162	
A-187		UNCLASSIFIED		FOR RM USE ONLY	
ARMY	NAVY	TO :	DEPARTMENT OF STATE	HANDLING INDICATOR	
3	5	INFO :	RIO DE JANEIRO	DEC 21 1962	
10	3	FROM :	Amcongen, SÃO PAULO	DATE: December 21, 1962	
2	3	SUBJECT :	São Paulo Cost of Living Index - November, 1962		
10	3	REF :	CERP, D-10; Airgram A-155 of November 28, 1962.		
Listed below is the Cost of Living Index of the city of São Paulo for the month of November 1962. These figures are released by the Division of Statistics and Social Documentation, Department of Culture of the Prefecture of the Municipality of São Paulo.					
ITEM		INDEX			
Food		2005			
Housing		1134			
Clothing		1391			
Fuel		1397			
Medical Care		1119			
Smoking Items		1649			
Household Cleaning Supplies		1257			
Furniture		1755			
Transportation		2220			
Miscellaneous		1632			
Weighted average		1638			
Base: 1951 equals 100					
The November weighted average indicates an increase of 5.1 percent over the October average, as compared with a 4.8 percent increase in November 1961. Cost-of-living increased 56.2 percent between November 1961 and November 1962 as compared with 43 percent during the preceding twelve months. Cost-of-living between January 1 and November this year increased 52.8 percent as compared with 40.4 percent for the same period a year ago.					
FORM 8-62		UNCLASSIFIED		For the Minister Consul General: Richard C. Desmond	
Drafted by:		ECON:ADVENTURA		Consul	
Clearance:		12/21/62		Contents and Classification Approved by:	

0749

ORIGIN/ACTION				DEPARTMENT OF STATE		832-311/2-2162	
ASA 4 1 1 ASA EUN FC NEA CU NS 4 5 4 12 4 1 10 10-3 6 2 4 8 8 3 55 AIRGRAM A-186 NO. TO : DEPARTMENT OF STATE INFO: RIO DE JANEIRO FROM : Ancongen, SJO PAULO SUBJECT: Prospect for Meat Prices Still Uncertain. REF : CRRP, D-14 and Congen A-180 of December 14, 1962. 832-311/2-2162 FOR RM USE ONLY 18-832 01 HANDLING INDICATOR 832-0511				OFFICIAL USE ONLY DATE: December 21, 1962			
The press today reports that an Order of COIP may be signed today fixing new price ceilings for beef to be effective in the state of São Paulo. According to some reports, the new prices are to be no higher than those set for Guanabara. This would mean unrealistically low prices which would completely disrupt the meat market and cause losses to packers, particularly foreign companies. Other newspaper reports speak of the possibility of some adjustments compared to the ceiling prices previously in effect. Mr. Dean Harbin of Wilson's informs the Consulate General that at a meeting on December 16 with General Albino Silva, representatives of packing companies proposed an arrangement whereby part of the carcasses would be sold at low fixed prices, the rest to be free of control. Mr. Harbin said that government officials appeared to agree to this proposal and said that a final decision would be made known within 24 hours. Since that time the packing companies have heard nothing. It is entirely possible, and even probable, he said, that the packing companies' proposal will be ignored, and that unjustly low prices will be fixed and applied with consequent disorganization of meat supply. The new prices could enter into effect as early as December 24.							
For the Minister Consul General: Richard C. Desmond Consul							
FORM 05-323 OFFICIAL USE ONLY RECEIVED							
TELETYPE: RCD:Desmond:ip 12/21/62							

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ORIGINATOR			DEPARTMENT OF STATE			832.01/12-2762		
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1	1		CONFIDENTIAL			XR 832.00		
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NEA	CU	INR	TO : DEPARTMENT OF STATE			JAN 4 1963		
E	P	IO	FROM : AmEmbassy, RIO DE JANEIRO			DATE: December 27, 1962		
4			SUBJECT : The Use of Price Controls as a Political Instrument			REF :		
L	PBO	AID	REF :					
		12						
AGR	COM	FRS						
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B. Burton
No action*

The enforcement of absurdly low ceiling prices on a regional basis over the past several months provides a clear example of how the price control authority can be used as a political instrument and how the much broader authority of SUMAB might be used when it begins full operations (See Embassy Airgram A-494, October 31). At the present time price control administration falls under COFAP (Federal Price and Supply Commission) which is to be incorporated into SUMAB next year.

832.00/10-3162 Com

The case at issue involves the control of prices over rice and, since early this week, beef. While roughly the same ceiling prices have been established in all major population centers, so far as is known to the Embassy, they have been consistently enforced only in the State of Guanabara (essentially the city of Rio de Janeiro) whose Governor, Carlos Lacerda, happens to be probably the most eloquent and vocal critic of the Goulart Administration.

As a consequence of these price ceilings being enforced by COFAP in Guanabara, these products have disappeared from the markets of Rio de Janeiro while remaining in abundant supply in all neighboring towns and cities just across the state border at prices two and three times the established ceiling price.

This tactic is effective in cutting off the supply of the Guanabara residents only because of the very poor transportation and communications network as a result of which many of the lower income groups either do not know of the availability of the products in nearby towns or do not have the time or money to travel that distance.

CONFIDENTIAL

FORM 8-62 DS-323

Drafted by: ECON:JKrisay:dml

Contents and Classification Approved by: R. Eakens

Clearances: RVK: [initials] PAS - PMilan [initials] POL - Mr. Weppel

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CONFIDENTIAL

A-734
Rio de Janeiro

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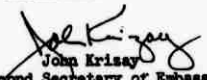
distance. Many do, however, make periodic visits to these towns returning with as much rice as can be carried. Many others, however, stand in hours long lines in the public squares of Rio to purchase rice direct from government sources at subsidized prices.

By this tactic the Administration tries to achieve two objectives. In the first place, it sets itself up as the benevolent supplier, bringing rice to the people at low prices while charging that the state is unable to maintain the supply line. Secondly, it creates popular unrest and dissatisfaction in the hope that the Governor will be blamed or perhaps even that unrest will flare into violence giving the federal government the excuse it undoubtedly would like to have to intervene in the state.

The latter possibility was hinted at recently by War Minister Krusl. In answer to a published telegram from Lacerda to Goulart asking why the Army was selling rice in Guanabara (and over the ceiling price at that). Krusl, on Goulart's behalf, stated that the armed forces were always called on to intervene in case of crisis or catastrophe to "mitigate the suffering of the people." The crisis arising out of the rice supply, he added, "should have been avoided by the state officials who are responsible for supplying the city." How officials of a state, which produces only three per cent of its normal rice consumption, should go about maintaining the supply, the Minister did not say.

A number of papers have, indeed, come to Lacerda's support charging openly what are so obviously the federal government's objectives. Unfortunately, editorials are not widely read and it is likely that only very few people really understand what is going on. What is more disturbing is, that with the establishment of SUMAB, the list of items immediately under control of a single federal organ and the scope of such control will be greatly augmented so that such pressures on the rebellious and vocal Governor of Guanabara (or other recalcitrants) can be kept up for a long time.

For the Ambassador:


John Krisay
Second Secretary of Embassy

CONFIDENTIAL

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ORIGIN/ACTION		DEPARTMENT OF STATE		832.311/12.2862	
AIR-4		AIRGRAM		FOR RM USE ONLY	
RM	REP	A-107		UNCLASSIFIED	
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ARA	EUR			HANDLING INDICATOR	
				832.0514	
NEA	CU	TO : DEPARTMENT OF STATE			
		INFO: RIO DE JANEIRO			
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L	FRD				
ADR	COM	FROM : Amcongen, SAO PAULO		DATE: December 28, 1962	
10	3				
INT	LAB	SUBJECT: Prospect for Meat Prices Remain Uncertain			
6	2				
TR	SUB	REF : CERP, D-14 and Congen A-188 of December 21, 1962			
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The order referred to in A-188 which would fix unrealistically low price ceilings for beef in the State of São Paulo has not yet been put in effect, and its future is still uncertain. The press has reported that the proposed order was referred for approval by the President of the São Paulo COAP to the President of COFAP. The press has also made further reference to negotiations and deliberations involving COFAP, General Albino Silva and representatives of packing companies, and spoken of the possibility of a compromise solution. It is therefore possible that the proposal of the packers described in A-188 may be still be under consideration. One newspaper has mentioned the possibility that all action may be deferred until after the plebiscite on January 6.

On the other hand, the press has reported statements attributed to Sr. Max do Rego Monteiro, President of COFAP, ordering the legal department of that agency to study the immediate application of the penalties provided in Delegated Law No. 4 to packing companies and other members of the meat trade that may be raising meat prices or hoarding meat.

For the Minister Consul General

Richard C. Desmond
Richard C. Desmond
Consul

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Form 4-62 05-323

Initiated by: EICW RODesmond 12/23/62

Contents and Classification Approved by:

Classified:

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ORIGIN/ACTION

LAB-6

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DEPARTMENT OF STATE

AIRGRAM

832.01/1-463

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A-763

UNCLASSIFIED

AIR POUCH

HANDLING INDICATOR

TO : Department of State

FROM : Amembassy RIO DE JANEIRO

DATE: January 4, 1963

SUBJECT: Cost of Living in Guanabara - November 1962

REF :

According to the Ministry of Labor index, the increase in the cost of living in Guanabara was 2.74% higher in November 1962 than in the preceding month of October. The same index shows an increase of about 36.02% thus far this year (November 1962 over December 1961). During the past twelve months (November 1962 over November 1961) this index increased approximately 39.45%.

The Getúlio Vargas Foundation's index was 5.6% higher in November 1962 than in the preceding month of October, showing an increase of about 41.1% thus far this year (November 1962 over December 1961). During the past twelve months (November 1962 over November 1961) this index increased approximately 45.8%.

For the Ambassador:

Harold Shapiro
Harold Shapiro
Assistant Labor Attaché

DISTRIBUTION: POL I (2), ECON (2), ADMIN (2), São Paulo (2), Mr. Korp (2), CF (3), LABOR (2).

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FORM 4-62 DS-323

Drafted by:

LABOR:HShapiro:cmj

Clearances:

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ORIGIN/SECTION LAB-6			20 DEPARTMENT OF STATE AIRGRAM			832.01/1-1863		
RM/R	REP	AF	A-219			UNCLASSIFIED		
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3	CU	5	TO : DEPARTMENT OF STATE 1963 JAN 24 PM 12 59			Gm		
REA	P	10	INFO: RIO DE JANEIRO			RIVAN ANALYSIS & DISTRIBUTION BRANCH		
L	FBO	AID	FROM : Amcongen, SÃO PAULO			DATE: January 18, 1963		
PER	COM	FRB	SUBJECT : São Paulo Cost of Living Index - December 1962					
10	10	3	REF : CERP, D-10; Airgram A-107 of December 21, 1962					
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Listed below is the Cost of Living Index of the city of São Paulo for the month of December 1962. These figures are released by the Division of Statistics and Social Documentation, Department of Culture, of the Prefecture of the Municipality of São Paulo.

ITEM	INDEX
Food	2035
Housing	1192
Clothing	1517
Fuel	1542
Medical Care	1249
Smoking Items	1594
Household Cleaning Supplies	1293
Furniture	2090
Transportation	2630
Miscellaneous	1532
Weighted average	1734
Base: 1951 equals 100	

The December weighted average indicates an increase of 5.9 percent over the November average, as compared with a 2.2 percent increase in December 1961. Cost-of-living increased 61.6 percent between December 1961 and

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A-219
Sao Paulo

December 1962 as compared with 43.5 percent in the preceding twelve months. Cost-of-living between January 1 and December this year increased 53.6 as compared with 43.3 percent for the same period a year ago.

For the Minister Consul General

Richard C. Desmond
Richard C. Desmond
Consul

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0756

PAN AMERICAN WORLD AIRWAYS



EXECUTIVE OFFICES

*Lt. drafted
9-1-60
ED: [signature]
August 23, 1960*

The Honorable Thomas C. Mann
Assistant Secretary of State
United States Department of State
Washington, D. C.

*This document must be returned
to the House General File*

Dear Mr. Mann:

Re: Brasilia

You were of great assistance to Intercontinental Hotels Corporation, our wholly-owned subsidiary, in making possible the El Salvador hotel. We believe this hotel has made a measurable and constructive contribution to the prestige and economic strength of San Salvador.

We are now making a concentrated effort to organize and finance a project for the construction of a major hotel in Brasilia. The need for this hotel is generally recognized.

The proposed hotel will consist of 400 guest rooms and the total estimated cost is the equivalent of \$8,900,000. Of this, approximately \$1,800,000 will be dollar costs and the balance, cruzeiro costs.

A Brazilian company has been organized, Companhia Hoteleira Novos Horizontes, S.A., and the initial shares have been subscribed, one-third by Pan American, one-third by Panair do Brasil, and the balance by prominent Brazilian citizens. A 40-acre site has been offered by the Federal District of Brazil (Brasilia) at a cost of the equivalent of \$375,000 to be paid for over fifteen years with interest at ten percent.

It is proposed that the Brasilia financing be approximately two-thirds loan capital and one-third equity. Application is being made to the Export-Import Bank for a long-term loan for the dollar component of \$1,800,000. A previous application for a somewhat larger amount was rejected by the Export-Import Bank in 1959 for the reason that no loans of any kind were being made by our government or its agencies to Brazil at that time.

President Kubitschek evidenced strong interest in the hotel project by a longhand note written last January stating that he would be prepared to support the project by recommending that Brasilia authorities donate a 40-acre

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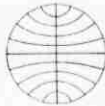
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site and by offering to arrange for cruzeiro financing from one of the government banks to the extent of 300,000,000 cruzeiros (\$1,500,000).

Since that time, discussions have been held with the Brasilia authorities, notably Dr. Israel Pinheiro, Governor of the Federal District of Brazil, and a proposal outlined to him to finance the cost of the hotel by a \$1,800,000 Export-Import Bank loan, and an 800,000,000 cruzeiro loan from PL. 480 funds out of a program which we understand to be now under negotiation and share capital of 600,000,000 cruzeiros to be underwritten by Intercontinental Hotels Corporation. IHC intends to request the Export-Import Bank for a Cooley fund loan to finance the acquisition of these shares. This financial program has been informally presented to President Kubitschek with the suggestion that the 800,000,000 PL. 480 cruzeiro loan would eliminate the necessity of his offer of 300,000,000 cruzeiros from a government bank, but that it was, of course, up to the Brazilian Government whether they wish to use only PL. 480 funds or a combination of a PL. 480 loan and the Brazilian government bank loan. We are awaiting a formal reply to this suggested financing.

Dr. Pinheiro has now advised us that the Federal District of Brazil has decided that the land for the hotel cannot be donated, but rather must be paid for and that the purchase price is 75,000,000 cruzeiros (\$375,000) providing the hotel is completed by December 31, 1962. If completed later, the price will be 112,500,000 cruzeiros (\$562,500). These terms for the site appear to be liberal and provide an incentive for proceeding with the project, assuming the financing can be obtained.

We are under considerable pressure on timing since the financial commitments and the land should be secured before next January when Brazil will have a new government.

We have kept Ambassador Cabot informed of all developments with respect to the project and are sending him a copy of this letter to you.

The purpose of this letter with respect to Brasilia is primarily for your information but is also written with the hope that the Department of State will feel that this project is worthy of support, particularly because it will create a non-extractive and substantial source of foreign exchange for Brazil and at the same time will be an important step in the economic cooperation between Brazil and the United States.

0760

PAN AMERICAN WORLD AIRWAYS



EXECUTIVE OFFICES

August 23, 1960

The Honorable Thomas C. Mann
Assistant Secretary of State
United States Department of State
Washington, D. C.

Dear Mr. Mann:

Re: Buenos Aires

We are making a concentrated effort to organize and finance a project for the construction of a major hotel in Buenos Aires. The need for this hotel is generally recognized.

The proposed hotel will consist of 600 guest rooms and the total estimated cost is the equivalent of \$13,700,000.

Intercontinental Hotels Corporation, our wholly-owned subsidiary, has worked for nearly ten years to develop this much needed project and more than \$100,000 has been expended in trying to make it a reality.

An Argentine hotel company, Compania Hotelera Nuevos Horizontes, S.A., has been formed and it is hoped that prominent Argentine institutions or citizens will subscribe for a majority of the shares, but to date Pan American has had to subscribe for all of the initial shares because of present lack of interested equity capital.

In June of this year, Nuevos Horizontes received a pre-award from the City of Buenos Aires of a 3.8 acre site in the centre of the city. The cost of the site is 130,000,000 pesos (\$1,585,000) to be paid for 10 percent in cash at the time of the final award and the balance to be paid over 15 years with interest at the rate of 3-1/2% payable after the hotel opens.

The dollar component of the total cost is estimated to be \$4,446,000. A loan application has been made by Nuevos Horizontes to the Export-Import Bank for this amount and IHC has been advised by the Export-Import Bank that the Bank is prepared to process the application as soon as IHC can provide evidence that a large part, if not all, of the peso financing is available. Unfortunately, all efforts to locate sources of peso financing

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by Signature by
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Document to be filed in the file for the hotel project in Buenos Aires

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Page 2 of
Encl. No. 1
Disp. No. 954 2/3/61
From Buenos Aires

Article 2. The Fund will be made up of:

- a) The sums which may be allocated to it annually in the budget laws.
- b) The value of the real estate privately owned by the National Government which may be utilized for this purpose.
- c) The contributions or loans in money or kind that may be made by official banks and official organizations other than banks, resulting from disinvestments, credit recoveries, and other non-inflationary sources, or by the transfer of assets.
- d) Other contributions which may be incorporated as provided for in Article 3.

Article 3. The Federal Housing Fund will also incorporate sums accruing from agreements entered into with provinces and municipalities, with official institutions, national, provincial or municipal, mixed or private; with foreign or international organizations, and other allocations that may be made for this purpose.

Article 4. The Federal Housing Fund will be utilized for the granting of advances secured by first mortgages of savings and loans organizations, banks and other institutions, existing or to be created, which fulfill the conditions to be established in pertinent regulations. Other specified assets of these organizations may be placed under general or special guaranties.

Article 5. The income and interest accruing from the investments of the Fund will be accumulated and will be charged with the administrative expenses resulting from its operations.

Article 6. The Central Bank of the Argentine Republic, in its capacity as financial agent of the National Government, and pursuant to the credit and monetary functions established in its charter, will administer the resources of the Fund within the rules and regulations established by the National Ministry of Economy.

Article 7. Savings and loans institutions and other financial organizations, existing or to be created, whose object it is to grant credits for housing, are included in the provisions of Article 6 of Decree-Law No. 13,27/57.

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FOREIGN SERVICE DESPATCH					
FROM :	Ambassy BUENOS AIRES		1075		
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		February 27, 1961		
REF :	Corp Sec. D, IV-A-5; Embdes. 954, February 3, 1961.		MAR 1 1961		
5-5 For Dept. Use Only		ACTION REC'D	DEPT. IN OTHER	DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS 4-2-KEA MAR 1 1961	
SUBJECT: <i>Conversations of DLF Officials on Argentine Housing and Road Programs</i> <i>DAF-7 HAF-2 LAA-6 Army 4 Navy 4 Air 6</i>					

From February 14-19 Robert MOORMAN, Chief Engineer, and Douglas SMITH, Regional Director for Latin America, DLF visited Buenos Aires to request additional data relating to loan applications submitted on two roads in Entre Rios and to discuss with ICA housing consultants, Oscar KREUTZ and J. Alston ADAMS, the results to date of their investigation into the feasibility of a savings and loan association system of home financing in Argentina. During their visit they talked with Minister of Economy Alsogaray, Minister of Public Works Costantini, Vice President of the Central Bank Otero Monsegur, representatives of the Direccion Nacional de Vialidad, the Ambassador, Messrs. Kreutz and Adams, and officers of USOM and the Embassy. Summaries of the principal conversations are attached.

With respect to housing Mr. Moorman and Mr. Smith reiterated to Minister Alsogaray previous statements of Embassy officers to the effect that any DLF assistance in this field probably could only be in the form of "seed" capital for a savings and loan association system and would not be available for direct construction loans by the Government. The Minister indicated that this would be satisfactory. He said that some immediate steps must be taken to provide housing and that the Government would soon go ahead with direct loans to builders through the recently established Federal Housing Fund (Embdes. 954), but that this Fund could also be used to support savings and loan associations, pending passage of a law covering this system. Mr. Moorman and Mr. Smith were not certain whether the DLF could make a housing loan before the enactment of such a law.

In separate conversations Mr. Kreutz and Mr. Adams stated that on the basis of the information provided them so far they believed a savings and loan association system is feasible in Argentina. It was noted that problems may arise if such a system becomes closely tied with other activities of the Housing Fund or of the Government's housing program and also in connection with the form of the contribution the Argentines will make to match any DLF loans. Messrs. Kreutz and Adams were inclined to the view that mortgages representing previous direct housing loans by the Housing Fund might well be acceptable as this contribution. They were certain that this would be better than the contributions in the form of public land discussed with Mr. Vance Brand in October, 1960.

Conversations on the road program centered on (1) the adequacy of the security for performance provided under the Argentine system and (2) the effect of Vialidad's

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FOREIGN SERVICE DESPATCH

FROM : **Ambassy Buenos Aires**

763
DEPT. NO.

TO THE DEPARTMENT OF STATE, WASHINGTON.

December 20, 1961

REF : CERP D-12 and D-17; Embdes 547, Nov. 2, 1961

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SUBJECT: **Housing - Public Works and Services Ministry Contracts with American XMB-1**
International Housing Corporation and Field Company TH-2 1945-3

UNCLASSIFIED

Among the decrees which the Argentine Government issued on October 23 related to the railroad reorganization program (see Babdes 517) was one authorizing the Ministry of Public Works and Services to arrange for the construction of housing on public lands, particularly those owned by the railroads. One of the features of the program is to be that priority in the purchase of the housing units built will be given, first, to railroad workers who voluntarily decide to "transfer to private activities," second, to other railroad workers and, third, to members of other unions. The principal role of the Ministry, in addition to supervising the priority system, is to make the land available, pass on construction plans and assure financing of 75% of the purchase price.

Under this authority two contracts have been signed to date, one for 4,000 units to be built in and around Buenos Aires by Constructora de Viviendas Familiares S.A. (COVIFAM) and the other for 3,000 units in Rosario and Cordoba to be built by Field Argentina.

COVIFAM has been formed by an Argentine firm, Compafia Fiduciaria Argentina, and a U.S. company, American International Housing Corporation. The latter is headed by Mr. Norman Mason, formerly in charge of the Federal Housing Administration of the U.S. Associated with American International Housing Corporation in the project are All State Properties, Inc. and the Empire National Corporation. The activities of this group have received considerable publicity. A letter of intent relating to the contract was disclosed on August 18 by Juan Ovidio Zavala, Undersecretary of Public Works and Services (not to be confused with Julio Crivelli, Undersecretary of Public Works). On November 13 the U.S. companies issued a press release in New York announcing the signature of the contract and on November 17 Mr. Mason, with other Americans connected with the project, held a press conference in Buenos Aires at which he described some of the details of the project. As reported in the press, Mr. Mason stated that COVIFAM had undertaken to build 4,000 houses and provide all necessary urban services using its own funds for the construction. The average cost per unit would be between \$6,000 and \$7,000, of which 25% would be paid by the buyer on "formalizing the purchase" and the remainder

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through a mortgage given by the purchaser to the Government which would be amortized over 15 years. Mr. Mason also stated that COVIFAM expects to use Argentine machinery and materials except to the extent that completion of the construction within the estimated period of 30 months requires that items be brought from the U.S.

It may be noted that the Sociedad Central de Arquitectos apparently was not reassured by COVIFAM's statement on the use of local resources and presented a memorandum to President Frondizi, of which the following was quoted by La Nacion on November 21:

"It (the COVIFAM contract) signifies an attack on the national economy and on labor sources of fundamental importance. Materials will be brought in which we produce. Labor will be utilized abroad, the product of which will not be invested here. An amount of exchange will be misdirected which could be invested in production goods. The principles upheld at Punta del Este are denied. Local industry should undertake construction but based on an integrated concept of housing under conditions which permit it to develop, this being the responsibility of the State through direct and complementary action."

The contract with Field Argentina, S.A. was announced on November 21. Of the 3,000 units covered by the agreement, 2,000 are to be erected on land already acquired by the company in Rosario, the remainder at an undetermined site in Cordoba. The prices of these houses are to be approximately the same as those in the COVIFAM project and will vary from 478,000 pesos for living-dining room, kitchen, bath, washroom and one bedroom to 690,000 pesos for a three-bedroom house. In this case (and perhaps in the other) of the 25% to be paid by the purchaser, 5% is to be paid when the purchase contract is signed and the remainder divided into equal monthly quotas over the period between the contract date and the estimated delivery date.

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According to Mr. Frederick W. Botts, Executive Vice-President of Field Argentina, Mr. Newton Roe Field of Miami, Florida is the president and principal shareholder of the company, but about 20% is owned by Argentines. Botts stated that the company had come to Argentina in March of this year to begin construction operations completely independent of any government plan. They had acquired land and begun to prepare building sites when the Ministry of Public Works and Services asked them to join in the Ministry's program. He also said that the Ministry would not interfere in the construction but would merely make financing available to purchasers on the priority basis noted previously. He believes that Field will have ten model houses ready by the end of March and hopes to build 600 in 1962. He added that Field is applying for an investment decree covering approximately \$3.5 million in equipment and \$6 million in cash, and plans to expand its operations in Argentina gradually, using U.S. methods adapted to local materials. He expects to limit American personnel to a total of twelve.

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Encl. No. 763
Desp. No. Buenos Aires
From 3

Mr. Botts had "no confidence" in COVIFAM which he said Mr. Mason formed from two almost defunct U.S. building firms. Although skeptical of COVIFAM's capabilities he hoped it would fully perform its contract with the Ministry of Public Works; otherwise he feared a reaction against other U.S. construction firms. Mr. Botts, on the other hand, expressed great respect for the International Basic Economy Company (IBEC) which is planning to undertake construction activities in Argentina.

For the Chargé d'Affaires ad interim:

R. G. Walker
R. G. Walker
Second Secretary

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INCOMING AIRGRAM

Department of State

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Action
AKA-4

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882.02/11-1262

Info FROM: Embassy Buenos Aires Date Sent: January 12, 1962

TO: Department of State, Washington D.C.

NO: A-196

JAN 15 11 45 AM '62

PAGE 1 OF 1 PAGES

CCM-6 Ref.: A-74

HAF-1

Embassy does not have the address of American International Housing Corporation, and has no information on American Houses, Inc. As stated Embdes 763 of December 20, American International Housing Corporation was reportedly formed by two other firms, All State Properties Inc. and Empire National Corporation, and is headed by Mr. Norman P. Mason, former Administrator of U.S. Housing and Home Finance Agency, which doubtless can supply a mailing address.

HOYT

RGWalker/sas
1/11/62FILED
JAN 18 1962

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R
RGWalker/sas 1/11/62	1/18/62	1/18/62

0785

ORIGIN ACTION

ARA-4

DEPARTMENT OF STATE

AIRGRAM

832.02/7-2062

RM	REP	AF
ASA	EUR	FE
NEA	CU	INR
E	P	IO
L	PRG	AID
AGR	COM	FRB
INT	LAB	TAR
TR	AMS	AIR
ARMY	CIA	NAVY
OSD	USIA	NSA

A-6 UNCLASSIFIED

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HANDLING INDICATOR

Cm

TO : DEPARTMENT OF STATE
INFO : RIO DE JANEIRO

DATE: July 20, 1962

FROM : Amconsul, BELEM, PARA
SUBJECT : ADMINISTRATION: Shortage of Hotel Accommodations
REF :

The limited hotel facilities in Belém are often entirely reserved weeks in advance throughout the year. Since the recent increase in the number of visitors to the city, this post has experienced great difficulties in arranging accommodations for official travelers. Personnel have had to frequently accommodate official visitors in their own homes.

The Department is requested to inform all posts that travelers to Belém should notify the Consulate a month in advance of their arrival if they wish to be certain that accommodations will be available.

Edward J. Holway, Jr.
American Consul

FORM 4-62 DS-323

UNCLASSIFIED

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☐ In ☐ Out

Drafted by: [Signature]

Consent and Circulation Approved by:

Clearances:

0794

32

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

OFFICIAL USE ONLY

Classification

AUG 17 4 27 PM '62

Origin ACTION: Amembassy RIO DE JANEIRO 490

Info:

IDB August 16 gave final approval loan from Social Progress Trust Fund of up to \$3,850,000 to Banco do Nordeste for low income housing projects in Pernambuco.

AND 490

WEEK

832.02/8-1762
18371.814

(2)

W.V. Turnage

Drafted by: ARA/REA: BLUZZA to mb 8-17-62 Telegraphic transmission and
Classification approved by: ARA/REA: W. V. Turnage

Cleared by:
AID - T. Shields (in substance) OK
ARA/RENT - R.H. Crane (in substance) OK
LA/CDB - Mr. Feverlein (in substance) OK

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FORM
DS-322

0796

UNCLASSIFIED

-3-

the post of Minister of Labor and Social Security announced that some of the money contributed by workers and employers into Social Security pension funds would henceforth be used to aid workers buy housing under long term financing, and there appeared to be considerable interest in his announcement among workers, many of whom reportedly applied at Social Security offices for such loans. Under subsequent Ministers of Labor, nothing further was heard regarding the matter.

Construction of housing in São Paulo is exclusively a sector for private enterprise; there is no significant amount of publicly financed low cost housing. Twenty to twenty-five years ago, during the period when Brazil's Social Security system was being established by the Federal Government, it was contemplated that a portion of the money contributed into pension funds would be invested in low cost housing projects, and some projects were in fact completed, but there have been no further initiatives along this line for many years. Likewise, the Governments of the State of São Paulo and the Municipality of São Paulo do not have any public housing programs, a lack which caused O Estado de São Paulo on December 27, 1962, to criticize the Governor and the Mayor. O Estado suggested that the State and City Governments should jointly attack the problem of slum clearance in the city of São Paulo. However, this is not a suggestion which O Estado promotes with any marked degree of forcefulness or repetitiousness. In view of the seeming inability of private initiative under existing inflationary conditions to build anything except high cost housing, plus the continued rapid growth of São Paulo, it appears possible that in the future there might develop stronger demands for Government to do something about housing in São Paulo.

Practically all the residential housing being built in São Paulo is for sale, as rent control renders investment in new rental housing completely unattractive to investors. Under Brazil's rent control law, which dates from the period of the Second World War, no increases in rents have been authorized for many years, although one small concession to owners is that they can pass on to renters some of the burden of increased property taxes. It is not uncommon for occupants of rental housing to be paying less than ten dollars per month for units which would rent for at least seventy-five dollars at current market prices.

For the Minister Consul General

Richard C. Desmond
Richard C. Desmond
Consul

UNCLASSIFIED

0802

OFFICIAL USE ONLY

-3- 1891, February 17, 9 P. M. from Rio de Janeiro.

in telecon 4 p.m. Saturday. This is being released in Portuguese, and English late this afternoon, February 17. My efforts to locate a company representative to communicate this to him have been fruitless, Mr. Farmer apparently being out boating on Guanabara Bay.

~~Begin Text.~~ *Summary of Ambassador's report - 2/17/62*

*After consultation with Foreign Minister Santiago Dantas, I am able to state as follows:

*President Goulart on learning Friday afternoon of the decision of Governor Brizzola to take possession of the telephone properties of the CTN Companhia Telefonica Nacional - in Rio Grande do Sul, and in response to the request of the Ambassador of the U.S., telephoned Governor Brizzola to discuss the question with him. Although the matter legally lies within the competence of the state government, Governor Brizzola, in response to the President's expressed desire to find an amicable settlement of the problem, declared his readiness to negotiate, within the states legal capacity, as to compensation payments and other aspects of the case in a spirit of mutual understanding.

~~End Text.~~

~~CONFIDENTIAL~~

mbk

* As received. Will service by request.

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08 15

INCOMING TELEGRAM

Department of State

ACTION COPY

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57-L
Action

UNCLASSIFIED

Control: 10504

Rec'd: Feb. 16, 1962. 57
10:25 p.m.

ARA
Info

FROM: Rio de Janeiro

SS
SR

TO: Secretary of State

L
H
E
P

NO: 1884, February 16

USIA
NSC

NIACT

INR
CIA

ACTION DEPARTMENT 1884, INFORMATION BRASILIA 15, PORTO ALEGRE
UNNUMBERED

NSA
OSD

Following is English translation of decree 13186 February 16,
1962 as published in Porto Alegre newspaper FOLHA DA TARDE ex-
propriating properties Companhia Telefonica Nacional (CTN)
subsidiary ITT:

ARMY
NAVY

AIR
COM

QUOTE Article 1 - The authority under precarious title that
CTN has been using for operating telephone services in Rio Grande
Do Sul is hereby canceled.

TRSY
RMR

Sole paragraph - In consequence the State of Rio Grande Do Sul
recovers the services referred to in this article.

Article 2 - The property belonging to CTN relating to the tele-
phone services located in the State of Rio Grande Do Sul are
declared as of public interest for expropriation purposes.

Sole paragraph - Also included in the scope of this article are
the accounting books both official and optional as well as the
files and the respective documentation.

Article 3 - The present expropriation is declared urgent for the
effect of transmission to the state of possession of all properties
object of this decree, as per the terms of Article 15 of Decree
Law 3365 June 21, 1941, with the text given to it by Law 1786 of
May 21, 1956 in its Article 2 and respective paragraphs.

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

08 16

UNCLASSIFIED

-2- 1884, February 16 from Rio de Janeiro

Article 4 - This decree will be effective on the date of its publication and all dispositions to the contrary are hereby revoked. Pirapini Palace Porto Alegre February 16, 1962
Signed by Governor and all State Secretaries. UNQUOTE

Newspaper report further states Governor Brizzola delivered to Rio Grande Do Sul State General Attorney check in amount cruzeiros 149,758,000 to be deposited State savings institution as indemnity to CTN for its installations taken over this morning by an act of the executive power in all State of Rio Grande Do Sul.

Orbino, Secretary of State Treasury and Incorporator of new mixed telephone company has already been appointed interventor in CTN and is expected to take over as soon as necessary court order obtained. This order expected today or tomorrow.

GORDON

ltr

Note: Mr. Crane (EST) notified 2-16-62 CWO-M

UNCLASSIFIED

08 17

INCOMING TELEGRAM

Department of State

ACTION COPY

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43-48

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NUMBERED

Action
ARA

Control: 11885
Rec'd: 1896 FEB 20, 1962
4:25 P.M.

Info

FROM: Rio de Janeiro

SS

TO: Secretary of State

SR

G

SP

NO: 1896, February 19, 5 P.M.

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USIA

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NSC

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CIA

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COM

TRSY

RMR

PRIORITY

FOR WOODWARD ARA

On reflection, I have real doubts re wisdom resource diversion argument last paragraph Department's Saturday press statement on ITT expropriation case. Implies Alliance hostile to any domestication foreign owned assets, including voluntary ones. Yet voluntary transfers like last years Mexican AMFROP deal seem desirable from all viewpoints, including removal long term bone political contention.

As I understand present situation in public utility field, companies generally would be happy to sell out if reasonable terms can be arranged. Surely we should not discourage such sales. Alliance is supposed to be a ten-year effort, and it has become belief among all parties concerned with foreign public utility holdings in underdeveloped countries that they are bound to become domesticated and that this is a desirable change. In other business fields, enlightened business policy in recent years, positively encouraged by government, has favored joint ventures and the opening up of presently wholly owned foreign subsidiaries to participation by domestic shareholders. Press release doctrine would disfavor latter.

These considerations are in addition to risks of appearing to use Alliance as bludgeon in individual private cases even where merits may be legitimately disputed. We obviously should oppose arbitrary

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expropriations and

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08 19

Page 2 of telegram to Ambassy, RIO DE JANEIRO

CONFIDENTIAL

Classification

FII. Secretary raised possibility of GOB commitment on payment with Campos today. Secretary also defended need for Department's press release to meet concern in business community and Congress. Campos said fair value might have to be determined by courts. He thought GOB might be willing agree underwrite compensation. END FII.

RUSK

Rusk

CONFIDENTIAL

Classification

0822

ARA:EST/B:TWilson:sec:2/21/62 OFFICIAL USE ONLY
(Drafting Office and Office)

(39)
Approved in S
2/28/62

DEPARTMENT OF STATE

Memorandum of Conversation

832.051112-1962

2143

DATE: February 19, 1962

SUBJECT: The Expropriation of the IT&T Properties in Rio Grande do Sul, Brazil

PARTICIPANTS: The Secretary
Ambassador Roberto Campos, of Brazil
Minister Arnaldo Vasconcellos, Brazilian Embassy
ARA - Mr. Barrell
EST - Mr. Wilson

COPIES TO: E-2 NEA-2 (32) Consulate, Porto Alegre
EXIM-2 EST L INR/D
Treasury -2 EST/B-2 P S/P
ARA-2 Embassy RIO-2 G AID: AA/LA IDOS
ARA/P Brasilia Office U AA/DF
S/S Sec M DLC

In the course of Ambassador Campos' call, the Secretary mentioned the problem created for the two Governments by the action of Governor Brizzola, of Rio Grande do Sul, in expropriating the properties of the IT&T in that state. He said we know that the Brazilian Government is concerned about the matter also. It is a problem we could both do without. The Secretary indicated he believed the eventual solution might be for the Government of Brazil to underwrite the settlement on compensation. Ambassador Campos agreed that the expropriation is embarrassing for the Brazilian Government and for President Goulart, who has intervened in the problem. He said he thought evaluation of the properties might eventually have to be set by the courts, with payments to be made by the State or Federal Government. He pointed out the autonomy of the state governments in Brazil in such matters.

With regard to the statement made to the press by the Department on Saturday, Ambassador Campos said he thought this action by the Department was premature. It may have repercussions in Brazil, though he has not yet heard of any. He thought it would have been better to delay any statement while the Federal Government of Brazil was taking action. The Secretary replied that the expropriation created a problem for us too. The State Department had to make an indication of interest and concern with the problem in order to forestall possible strong pressures in this country from the business community and the Congress. He said an action such as the expropriation was contrary to our efforts to mobilize the capital available for development.

Ambassador

FORM DS-1254
2-61

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0823

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- 2 -

Ambassador Campos referred favorably to the proposals of American and Foreign Power to arrange for sale of its properties with the intent of shifting its investment into less controversial fields, as was done in Colombia and Mexico. Such an arrangement prevented the loss of capital investment in the country through the sale. The Ambassador commented that he thought Brizzola had jumped the gun by his expropriation action and that the timing had been most unfortunate. The Secretary said we hope to maintain the morale of U. S. investors abroad in order for them to take part in development. Expropriation without adequate compensation makes this very hazardous. The Ambassador agreed.

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0824

White Sulphur Springs
West Virginia

February 17, 1962

Hon. Richard Byrd
Senator from West Virginia
Senate Office Building
Washington, D.C.

FEB 21 1962

Dear Mr. Byrd:

A provincial Governor in Brazil has just expropriated a telephone company belonging to the International Telephone and Telegraph Company, offering the farcical sum of \$400,000 for a property worth twenty times that much.

Since I and my wife and a lot of other Americans own stock in this company (a company incorporated in the United States) the provincial Governor has stolen our property. He is following the lead of Castro of Cuba. Castro got away with it, so, the Governor figures, why shouldn't he? If this expropriation fever is allowed to spread down there, hundreds of millions of dollars will be lifted out of the pockets of American citizens, who will have no redress.

You're supposed to protect the interests of your citizens. By "you", I mean both you individually and the Congress of the United States as a body.

The Congress of the United States should make it plain, and at once, that Brazil will not get another nickel of American money if adequate compensation is not given without delay for this expropriated property. If the Congress does not do this, the left-leaning Brazilians will make a goat out of you and poorer citizens out of your constituents, just as Castro did, because the Government of the United States was too pusillanimous to go in and stop it.

I am highly interested to know what you are going to do about this. As I am being impoverished by Federal and State taxes, I cannot afford to let anything like this to go by the board.

Yours very truly,

Perceval Reniers

0826

0831

Page 2 of telegram to Amembassy, RIO DE JANEIRO

CONFIDENTIAL
Classification

of property without compensation. We are of course willing to discuss this matter with the appropriate Brazilian Government authorities at any time.

We reiterate our conviction that a prompt effective and adequate settlement for the seizure of our property will be accomplished only if the Government of Brazil understands that failure to effect ~~such~~ settlement will affect its position in the Alliance for Progress. ~~UNIQUE~~

Awaiting your reply Department's telegram 2292 before making substantive response.

Rusk

RUSK

CONFIDENTIAL
Classification

0833

- 2 -

As Secretary Rusk stated in his press conference of March 1, we recognize that private enterprise is an important part of the economic and social development in all of the American countries in the Alliance for Progress, and we certainly hope that a solution to this matter will be found which will prevent its having an adverse effect on the climate for private investment in Latin America. The President also stated in his press conference of March 7 that it is in the interest of the United States and of Brazil to settle this matter. The President further commented that we ought to keep a sense of proportion and should not react in a manner which would weaken the influence of the United States.

I assure you we will continue our efforts to help bring about an agreement which will provide for prompt and fair compensation to the United States company.

I am returning your constituent's letter for your files. If we may be of any further assistance to you, please do not hesitate to call on us.

Sincerely yours,

JG

Frederick S. Ratten
Assistant Secretary

Enclosure:

From Mr. Hoffman.

4/10/62
Hoffman: [initials] [initials] [initials] X 3-16-62

0842

INCOMING TELEGRAM

STED LAMACCHIA
Department of State

ACTION COPY
PERMANENT RECORD COPY

37

CONFIDENTIAL

Action

Control: 2422

E

Rec'd: March 4, 1962

10:36am

Info

FROM: Rio de Janeiro

ARA

TO: Secretary of State

COM

RMR

NO: 2010, February 26, 5 p.m.

FOLLOWING TELEGRAM SENT RIO 9 FROM BRASILIA REPEATED YOUR INFORMATION:

Senator Mem De Sa (PL Rio Grande Do Sul, member Joint Committee charged with drafting revised profits Remittance Bill) requested following information for use committee work and in publicly rebutting nationalist arguments favoring strongly restrictive legislation including that US capital has no place else to go and therefore must anxious come Brazil.

Desires (1) totals sizeable US foreign private investments during past 10 years by country. Would be particularly interested in data indicating recent increase US private investment Argentina (traditional rival) compared to Brazil.

(2) Estimated foreign capital investments in US e.g., Senator understands German post-war foreign investment largest in Brazil second in US.

(3) To answer nationalist argument that reinvested profits by foreign concern over and above allowed remittance would be Brazilian capital and not in fact foreign capital and thus not eligible as additional capital base for future profit remittances, would appreciate examples legislation European and other American nations or statement lack thereof this subject.

Senator does not anticipate action on Bill during present extraordinary session but desires information soonest no later

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MAR 5 1962
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RIO 2010

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0846

45

March 16, 1962

Dear Senator Magnuson:

I want to thank you for your communication of February 25 concerning a letter from Mr. C. Van Winkle of Yakima, Washington. Mr. Van Winkle is concerned about the recent expropriation of International Telephone and Telegraph Company (I. T. & T.) property in the state of Rio Grande do Sul, Brazil.

The situation of the Brazilian company owned by I. T. & T. which provides telephone service to the capital and other localities in the state of Rio Grande do Sul has been a long-standing problem. Representatives of the United States company and the state of Rio Grande do Sul have been negotiating for more than a year in an effort to reach a solution satisfactory to both parties, but they have been unable to reach agreement on a valuation of the properties. The President of I. T. & T. called at the Department of State on February 16 to inform us that expropriation of the company's properties in Rio Grande do Sul, Brazil, was imminent and requested immediate assistance with a view to protecting it. While at the Department he received a report that expropriation had in fact taken place. We at once telephoned our Ambassador in Brazil and authorized him, if he verified the report, to tell the Government of Brazil that in our opinion such action would have an adverse effect upon United States public opinion and upon the climate for all foreign investment.

Although the expropriation of the I. T. & T. properties was the act of the Governor of a state and not of the Federal Government, the Government of Brazil has shown its concern and interest in promoting an amicable solution by joining Ambassador Gordon in arranging for discussions between representatives of I. T. & T. and of the state government of Rio Grande do Sul and providing facilities therefore in the Brazilian Foreign Ministry. Our Ambassador and other Embassy officials, together with the Brazilian Foreign Minister, have been present at these discussions and also have been conferring separately with I. T. & T. representatives.

As

microfilm by KMA

The Honorable
Warren G. Magnuson,
United States Senate.

① P/OPS - D. Castiel - P-H

clrd - ARA/EST/b

832.05111 / 2-2862

0854

(2)

ACTION
is assigned to

ARA

*Comment re Brazilian
seizure of American property
& River and to Brazil.*

United States Senate

February 28, 1962

Respectfully referred to

State Department

for such consideration as the communication
herewith submitted may warrant, and for a report
thereon, in duplicate to accompany return of
inclosure.

By direction of

Magnuson U. S. S.
WARREN G. MAGNUSON

*Encl.
② 2/1/62*

479791

*action transferred
to POPS - Mr. Cantel
EST/B - BMS 2/28/62*

*draft
File
2/27/62
FILED
MAR 27 1962*

Letter and enclosures, if any,
microfilmed by RMIR

VAN WINKLE

632.0511-4-262

X R 632.19
611.0032

0856

(21)

WARREN LEE PIERSON
320 PARK AVENUE
NEW YORK 22, N.Y.

8765

February 28, 1962

RM
FL

Dear Ralph:

Many thanks for your telegram addressed to me at the Fairmont in San Francisco.

The antics of Governor Brizola of Rio Grande do Sul are stirring up a real uproar in circles having to do with foreign trade.

For some time I have been hearing of the growth of anti-American sentiment in Brazil. In view of the unusually cordial relations existing for many years this was as hard for me, as for others, to understand.

My analysis for what it is worth is that the present government is on the weak side and is reluctant to face up to the country's sorry financial condition (brought about largely by Kubitschek's excessive spending) and seeks to turn the indignation of the Brazilian people against the American business interests. (Rather than being "exploiters" the U. S. firms in Brazil are leaders in meeting their social responsibilities.)

After sober reflection I decided that I should write the President about the matter. Accordingly, I will be grateful if you will give him the enclosed letter.

Best wishes.

Sincerely yours,

Warren Lee Pierson

(1)

Mr. Ralph A. Dungan
The White House
Washington, D. C.

encl.

832.05111/2-2862
FILED
SEP 14 1962

0857

(21)

WARREN LEE PIERSON
320 PARK AVENUE
NEW YORK 22, N.Y.

2705

February 28, 1962

Dear Mr. President:

After considerable reflection I have concluded that I should write you briefly regarding the recent seizure by the Governor of Rio Grande do Sul of certain American-owned properties. My hesitancy in sending this letter is due to the realization that you are burdened with many problems and I am reluctant to add to them. Nevertheless, in my judgment, so much depends upon adopting a National policy to meet such occurrences that I respectfully submit the following statement:

What I have to say is based upon more than average experience in international trade and finance. For over ten years, I was President of the Export-Import Bank of Washington; for two years I served as United States Delegate to the Tripartite Commission on German Debts (which resulted in a generally satisfactory settlement of huge German external obligations and laid the foundation for the Republic of West Germany's economic resurgence); and have acted frequently as legal and financial representative of American firms doing business overseas.

During the years 1934 to 1945 the Eximbank made numerous loans to Latin American countries, over 99% of which were repaid. In all of these care was taken to observe fair procedures; fix reasonable interest rates and to co-operate closely with the Nationals of the borrowing countries. Since I am writing from memory, I will not attempt to give the amounts involved but, in the light of the times, they were considerable.

(4)

Warren Lee Pierson

FILED
SEP 14 1962

832.05111
2-2862
XR-932.30
832.19
232.1141

0858

OUTGOING TELEGRAM Department of State

RECAP: ☐ COLLECT
☐ CHARGE TO

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Classification

00881

MAR 2 3 48 PM '62

Date
Info

ACTION: Embassy, RIO DE JANEIRO
Assess, PORTO ALGARE

2410
27

RIO 2410

Sargent and Balgoyan, American Foreign Power visited Department on March 1 to recall Department's attention to fact AMFOR still uncompensated for 1959 expropriation by state Rio Grande do Sul of properties Porto Alegre company. Company's appeal against action still before Federal Supreme Court. They delivered factual memorandum copy being pushed.

They referred to news report February 28 Brisola had announced intention expropriate also properties of their Pelotas company (valued at 4 million dollars) as last foreign-owned enterprise in state. Request you verify situation and keep us informed.

End.

RUSK

832.0511/3-262

Replied by: ARA/EST: Wellman 3/2/62

Telegraphic transmission and classification received by: ARA/EST - Mr. Wellman

Character:

EST/EST

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FORM 86-322

0876

3905

RM/R
FILE

March 8, 1962

MEMORANDUM FOR MR. DEANSON JONES
THE WHITE HOUSE

Subject: Expropriation of I.T. & T. Properties
in Rio Grande do Sul, Brazil.

I refer to Mr. Ralph Bungen's memorandum of March 2, 1962
addressed to Under Secretary Hall, requesting him to reply to
a letter to the President from Mr. Warren Lee Pizarro, concerning
the expropriation of I.T. & T. properties in Rio Grande do Sul,
Brazil.

Enclosed is a copy of the letter Mr. Hall has sent to
Mr. Pizarro.

/s/ Melvin L. Manfull

L. D. Battle
Executive Secretary

Enclosure:

Copy of letter to
Mr. Pizarro.

S/S-RO

MAR 8 1962

A true copy of signed original

832.05111/3-262

1
International N. M. A.

LR ARA:EST/BIR:Grande:sec 3/5/62

0879

(81)

DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT

2705

March 3, 1962

ARA - Mr. Chase

Would you please prepare a response to the two attached letters from Mr. Pierson for Mr. Ball's signature. The salutation should be "Dear Warren." Would you also prepare a memo to Mr. Dungan for Mr. Ball's signature transmitting to him a copy of Mr. Ball's reply to Mr. Pierson. Mr. Ball's office has requested that this reply be prepared immediately.

Charles Johnson
Duty Officer

Attachments:

Memo from Mr. Dungan to Mr. Ball
dtd 3/2/62
Letter from Mr. Pierson to Mr. Dungan
dtd 2/28/62
Letter from Mr. Pierson to President
dtd 2/28/62

RM/R

FILE

(1)
Interpreted by RM/R

W-832.05111
3-262

0882

INCOMING TELEGRAM

59
Department of State

ACTION COPY

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CONFIDENTIAL

NUMBERED

59
Action
ARAControl: 2037
Rec'd: March 4, 1962
9:16 p.m.Info
SS
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IGA
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USIA
INR
RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1994, March 2, 3 p.m.

Following is Brasilia's 16 to Rio repeated for your information

Press stories yesterday continued reflect growing concern Brazilian conservative sources at reportedly violent US reaction to ITT expropriation and pending profits remittance legislation (EMBTEL blank). Powerful PSD Senator Vitorino Freire told press "the story (re McClellan report) is not from the government. I cannot believe that US Government would attempt by this method to pressure Senate (of Brazil) which is a sovereign body in its decisions". President Guanabara Legislative Assembly Lopo Coelho evinced similar reaction: "The story (i.e., by McClellan and BARRON's WEEKLY) demonstrates that there, as here, misunderstandings, generated by passion, are making themselves felt. Happily I as well as many Brazilians await the repudiation of what was said by American of good sense".

Embassy believes these evidences of growing concern in basically pro-US circles at apparent trend US official and other opinion indicate far from remote possibility generation unfortunate reaction based on US "pressure" on this "sovereign body" the pending efforts administration and congressional moderates produce acceptable profits remittance bill. In any event the climate would seem to be a propitious one for the recently arrived Soviet Ambassador who presented credentials yesterday.

GORDON

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HEK

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NAME OF OFFICER	DATE OF ACTION	
OFFICE SYMBOL		

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52 AM '62

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March 19, 1962

Dear Congressman Joelson:

I want to thank you for your letter of March 6 enclosing a letter from Mr. W. M. Duke, President of ITT Federal Laboratories, Nutley, New Jersey. Mr. Duke is concerned about the recent expropriation of International Telephone and Telegraph Company (I. T. & T.) property in the state of Rio Grande do Sul, Brazil.

The situation of the Brazilian company owned by I. T. & T. which provides telephone service to the capital and other localities in the state of Rio Grande do Sul has been a long-standing problem. Representatives of the United States company and the state of Rio Grande do Sul have been negotiating for more than a year in an effort to reach a solution satisfactory to both parties, but they have been unable to reach agreement on a valuation of the properties. The President of I. T. & T. called at the Department of State on February 16 to inform us that expropriation of the company's properties in Rio Grande do Sul, Brazil, was imminent and requested immediate assistance with a view to protesting it. While at the Department he received a report that expropriation had in fact taken place. We at once telephoned our Ambassador in Brazil and authorized him, if he verified the report, to tell the Government of Brazil that in our opinion such action would have an adverse effect upon United States public opinion and upon the climate for all foreign investment.

Although the expropriation of the I. T. & T. properties was the act of the Governor of a state and not of the Federal Government, the Government of Brazil has shown its concern and interest in promoting an amicable solution by joining Ambassador Gordon in arranging for discussions between representatives of I. T. & T. and of the state government of Rio Grande do Sul and providing facilities therefore in the Brazilian Foreign Ministry. Our Ambassador and other Embassy officials, together with the Brazilian Foreign Minister, have been present at these discussions and also have been conferring separately with I. T. & T. representatives.

As Secretary

Authorized by name

The Honorable
Charles S. Joelson,
House of Representatives.

P/O P5- Costello

P H

832.03111/3-662

0890

(45)

March 21, 1962

Dear Congressman Richman:

I want to thank you for your letter of March 7 concerning the recent expropriation of International Telephone and Telegraph Company (I.T. & T.) property in the state of Rio Grande do Sul, Brazil.

The situation of the Brazilian company owned by I. T. & T. which provides telephone service to the capital and other localities in the state of Rio Grande do Sul has been a long-standing problem. Representatives of the United States company and the state of Rio Grande do Sul have been negotiating for more than a year in an effort to reach a solution satisfactory to both parties, but they have been unable to reach agreement on a valuation of the properties. The President of I. T. & T. called at the Department of State on February 16 to inform us that expropriation of the company's properties in Rio Grande do Sul, Brazil, was imminent and requested immediate assistance with a view to protecting it. While at the Department he received a report that expropriation had in fact taken place. He at once telephoned our Ambassador in Brazil and authorized him, if he verified the report, to tell the Government of Brazil that in our opinion such action would have an adverse effect upon United States public opinion and upon the climate for all foreign investment.

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As

The Honorable
H. Walter Richman,
House of Representatives.

①
%PS: D. Castiel - R H

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832.0511 / 3-762

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- 2 -

As Secretary Rusk stated in his press conference of March 1, we recognize that private enterprise is an important part of the economic and social development in all of the American countries in the Alliance for Progress, and we certainly hope that a solution to this matter will be found which will prevent its having an adverse effect on the climate for private investment in Latin America. The President also stated in his press conference of March 7 that it is in the interest of the United States and of Brazil to settle this matter. The President further commented that we ought to keep a sense of proportion and should not react in a manner which would weaken the influence of the United States.

We must consider our aid to Brazil in the context of our own national interests. The Alliance for Progress was created to remove those economic and social conditions which foster Communist and Castro-type activities. We believe we should continue to support those programs which will combat such activities and we would be doing a disservice to our own interests if we were to halt all assistance to Brazil. One such program is that drawn up for poverty-ridden Northeast Brazil to which we are already firmly committed.

I assure you we will continue our efforts to help bring about an agreement which will provide for prompt and fair compensation to the United States company.

If we may be of any further assistance to you, please do not hesitate to call on us.

Sincerely yours,


Frederick W. Dutton
Assistant Secretary

P/45:Westeal:MK:ja
Ext. 3741

F/CRS

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3/19/62

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57
March 19, 1962

Dear Senator Ervin:

I want to thank you for your letter of March 7 concerning the recent expropriation of property belonging to the International Telephone and Telegraph Company (I.T. & T.) in the state of Rio Grande do Sul, Brazil.

The situation of the Brazilian company owned by I. T. & T. which provides telephone service to the capital and other localities in the state of Rio Grande do Sul has been a long-standing problem. Representatives of the United States company and the state of Rio Grande do Sul have been negotiating for more than a year in an effort to reach a solution satisfactory to both parties, but they have been unable to reach agreement on a valuation of the properties. The President of I. T. & T. called at the Department of State on February 16 to inform us that expropriation of the company's properties in Rio Grande do Sul, Brazil, was imminent and requested immediate assistance with a view to protecting it. While at the Department he received a report that expropriation had in fact taken place. We at once telephoned our Ambassador in Brazil and authorized him, if he verified the report, to tell the Government of Brazil that in our opinion such action would have an adverse effect upon United States public opinion and upon the climate for all foreign investment.

1 Although the expropriation of the I. T. & T. properties was the act of the Governor of a state and not of the Federal Government, the Government of Brazil has shown its concern and interest in procuring an amicable solution by joining Ambassador Gordon in arranging for discussions between representatives of I. T. & T. and of the state government of Rio Grande do Sul and providing facilities therefore in the Brazilian Foreign Ministry. Our Ambassador and other Embassy officials, together with the Brazilian Foreign Minister, have been present at these discussions and also have been conferring separately with I. T. & T. representatives.

As Secretary

The Enclosure
Sam J. Ervin, Jr.,
United States Senate.

P/O PS-Castell

D/K

832.05111/3-762

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JAMES O. EASTLAND, MISS., CHAIRMAN
 EYTES ROFAVER, TENN.
 OLIN D. JOHNSON, S.D.
 JOHN L. MCCLELLAN, ARIZ.
 SAM J. ERVIN, JR., S.D.
 JOHN A. CARROLL, CALIF.
 THOMAS J. DODD, CONN.
 PHILIP A. HART, MISS.
 EDWARD V. LONG, MO.
 ALEXANDER WILEY, MISS.
 EVERETT MCILROY GIBBS, N.C.
 ROBERT L. ELLISON, MISS.
 ROBERT B. REYNOLDS, N.Y.
 HIRSH L. FORD, HAWAII
 HUGH SCOTT, PA.

United States Senate
 COMMITTEE ON THE JUDICIARY

March 7, 1962

ACTION
 is assigned to

Honorable Frederick Dutton
 Assistant Secretary for
 Congressional Relations
 State Department
 Washington 25, D. C.

Dear Mr. Dutton:

The following is a quotation for a constituent's letter that I would appreciate receiving a comment upon:

"I, also, am disturbed that International Telephone and Telegraph Company has had some of its property in Brazil taken over by the local government of Rio Grande do Sul. Is it not possible for our government to bring sufficient pressure to bear to have this nationalization adequately compensated for or the property returned?"

With kindest wishes and appreciation for your assistance in this matter, I am

Sincerely yours,

Sam J. Ervin, Jr.
 Sam J. Ervin, Jr.

SJS:ps

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*Aug 1
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 3/15/62
 DC*

③
 3/8/62

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Letter and attachments, if any,
 microfilmed by RMR

0904

72

AMERICAN & FOREIGN POWER COMPANY INC.

100 CHURCH STREET • NEW YORK 7, N. Y. • WORTH 2-4471

H. W. BALGOOVEN
Executive Vice President

March 8, 1962

Mr. Harvey H. Wellman, Director
Office of East Coast Affairs
Department of State
2201 C Street, N. W.
Washington, D. C.

Dear Mr. Wellman:

In response to your request at our meeting in Washington Tuesday, I am enclosing a memorandum on the problem faced by our Brazilian subsidiaries in connection with the rise in the cost of dollar exchange to service their interest obligations in view of their inability to recover, through their service rates, the full "agio" on the dollar exchange rate.

As you will note, the memorandum places most emphasis on the problem of servicing the Export-Import Bank obligations of our Brazilian subsidiaries (which totalled approximately \$40,000,000 at the end of 1961) but points out that the same problem exists in regard to servicing the debt that they owe to American & Foreign Power Company.

You will remember that, in our talk with Mr. Woodward and you last week, we informed you of the proposal that we have placed before the Brazilian Government for the sale of all our properties in Brazil to that Government, with the understanding that we would be willing to invest most of the proceeds in Brazil. We understand that this proposal has been brought directly to the attention of President Goulart and that he is giving it serious consideration.

As you know, it is our feeling that, in view of the chronic inflation in Brazil, the nationalistic sentiment, and the bad precedent that already has been created in Rio Grande do Sul by the uncompensated expropriation of American-owned property, the sale of our Brazilian properties to the Government on mutually satisfactory terms may be our only real solution to our Brazilian problems. Therefore, while we believe that Ambassador Gordon should know about this immediate problem we have in connection with the agio, in the event that he may have an appropriate opportunity to refer to it in his talks with Brazilian Government officials, we would not want this matter pressed so strongly as to create an unfavorable reaction with President Goulart which might jeopardize our chances of obtaining a fair price for our properties in the event of sale to the Government.

③
3-19-62

CABLE ADDRESS • AMFORPOWER, NEW YORK

Mch

0909

March 24, 1962

RM/R
FILE

Dear Mr. Genseen:

Thank you for your letter of March 8, 1962, to Secretary Rusk and your telegram dated March 8 and 12 to Mr. Ball concerning additional aspects of the expropriation of your company's properties in the state of Rio Grande Do Sul, Brazil.

We are glad to have your comments on the Brazilian Embassy's press release as well as your report that Governor Brisola has initiated a petition in the Brazilian Congress having as its purpose an investigation of your subsidiaries in Brazil. We are conveying this information to our Embassy in Brazil and will write you again as soon as the Embassy has verified for us the facts of the Brisola petition report.

Since your call on Mr. Ball on March 7, which we related to Ambassador Gordon, we have received reports from Ambassador Gordon that he has been making vigorous efforts in consultation with the Brazilian Federal Government to arrange for a mutually satisfactory agreement for extra-judicial determination and payment of fair compensation for the expropriated property. Ambassador Gordon has impressed upon Brazilian officials the interest of the United States Government in a satisfactory outcome and our desire that the federal government have a strong role in achieving it.

The Brazilian Government has now put forward proposals for your consideration, with the objective of assuring greater speed in the determination and payment of a just indemnity as guaranteed in the Brazilian constitution. These proposals were contained in a memorandum delivered to your company's

Mr. Harold S. Genseen, President,
International Telephone and Telegraph Corporation,
320 Park Avenue,
New York, New York.

microfilmed by RM/A

ARA: EST/B: RHCane; EST: H R Wallman: am

09 10

a memorandum delivered to your company's legal representative in Brazil on March 8 for transmittal to your company.

We agree with Ambassador Gordon that our efforts should now be exerted to converting these proposals of the Brazilian government into a mutually satisfactory agreement. He has recommended and your representative in Brazil has concurred that your legal counsel return to Brazil to resume direct discussions with the Brazilian Foreign Ministry for this purpose. We hope your company will take full advantage of these arrangements and work towards a settlement through negotiation.

Sincerely yours,

George C. McGhee
Under Secretary of State
for Political Affairs

cc: S - Mr. Swank
U - Mr. Hartman
- Ambassador Gordon, Rio de Janeiro

Clearances:

ARA - Mr. Martin
AID - Mr. Dawson p44

WRA:EST/B:RHC:ane;EST:RHC:ellman:am
3/14/62

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file reply lighted 8-4-62
APR 16 1962
J. H. Crane

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THE HONORABLE GEORGE V BALL

THE UNDER SECRETARY OF STATE THE STATE DEPARTMENT WASHINGTON
DC

I AM SENDING YOU THE TEXT OF AN ITEM FROM THE DIARIO DE NOTICIAS
OF RIO DE JANEIRO OF MARCH 8 SINCE THE REPORT OF THIS MEETING
WITH THE BRAZILIAN GOVERNMENT UNDERSCORES THE POINTS ABOUT WHICH
I SPOKE YESTERDAY. THE TEXT IS THE FOLLOWING:

QUOTE GOVERNMENT CONSIDERS SEIZURE VERY GRAVE STOP DURING
3 HOURS ON TUESDAY, PRIME MINISTER TANCREDO NEVES HAD A MEETING
AT THE GOVERNMENT PALACE IN PETROPOLIS WITH MINISTERS MOREIRA
SALLES (FRANCE), VIRGILIO TAVORA (WAYS AND WORKS),
SANTIAGO DANTAS (FOREIGN AFFAIRS), ANGELO NOLASCO (NAVY), CLOVIS
TRAVASSOS (AIRFORCE), AND SEGADAS VIANA (ARMY), TO DISCUSS THE
PROBLEMS RELATED TO THE SEIZURE BY GOVERNOR BR

832.05111/3-862
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SEP 10 1962

SINCERELY

(1)
HAROLD S GENEEN..

918P EST MAR 8 62

Transmitted by AM/P

MAR 12 1962

0913

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R NC848 PD WUX NEW YORK NY 12 425P EST

HOW GEORGE BALL, ACTING SECTY OF STATE

VASHDC

CORRECTION OF TELEGRAM SENT BY MR. H.S. GENEEN PRESIDENT OF
INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION PLS MAKE
THAT MESSAGE A CONFIDENTIAL THANK YOU
INTL TEL AND TEL TELETYPE OPERATOR.

915P EST MAR 12 62

62 MAR 12 PM 5 35

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- 4 -

Now, so far I have been constrained to speak for the company on the basis of attempting to solve our problems sensibly within the framework of a mutual necessity basis. Any comments that we have put out to the press or made to your office have been in accord with the facts as we have known them.

If this is the level "of accuracy" that is to be released by the Brazilian Federal Government, then I certainly would have to question their intentions regardless of the reasons advanced.

On the whole, I consider this an offensive document because it does not reflect the facts, and I would ask what steps you intend to take.

Respectfully,

A handwritten signature in dark ink, appearing to be "J. P. ...", written over the word "Respectfully,".

09 18

INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

33-32

CONFIDENTIAL

Control: 6210

Rec'd: March 9, 1962
3:15 p.m.

Action

ARA

FROM: RIO DE JANEIRO

Info

TO: Secretary of State

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NO: 2042, MARCH 8, 8 PM (SECTION TWO OF TWO)

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PRIORITY

I UNDERTOOK CLARIFY CERTAIN POINTS IN MEMO IN TELEPHONE CONVERSATION WITH FONMIN THIS MORNING AND HAVE WRITTEN HIM LETTER IN SUBSTANCE AS FOLLOWS CONFIRMING OUR VERBAL UNDERSTANDINGS:

1. STATEMENT MINISTRY'S POSITION IN BEGINNING PARAGRAPH 2 THAT CASE "DOES NOT PRESENT ANY INTERNATIONAL ASPECT" IS INTENDED MEAN ONLY THAT AT PRESENT STAGE THERE IS NO FORMAL ALLEGATION OF DENIAL JUSTICE AND THEREFORE NO JURIDICAL BASIS FOR CASE IN INTERNATIONAL LAW.

2. REFERENCE IN PARAGRAPH 2 (C) TO POSSIBILITY INDEMNITY NOT BEING PAID WITHIN SIX MONTHS RESULTS FROM FACT UNDER PROCEDURE PROPOSED LEGAL ASPECTS CASE OTHER THAN INDEMNITY ARE RECEIVED BY BOTH PARTIES AND FINAL JUDICIAL SETTLEMENT MIGHT THEREFORE TAKE LONGER TIME. ALTERNATIVE SUGGESTED PARAGRAPH 4 WHICH HOPE ADOPTED SHOULD CONTAIN PROTECTION AGAINST MONETARY DEPRECIATION FOR REMAINING 20 PERCENT OF INDEMNITY AND;

3. UNDERSTAND RE PARAGRAPH 2 (D) YOU ARE AGREEABLE TIME LIMIT BEING SET AT NOT MORE THAN 90 DAYS AND IF POSSIBLE AT LESSER PERIOD.

EVEN WITH THESE CLARIFICATIONS MEMO IS OBVIOUSLY NOT ACCEPTABLE TO ITT, AND I HAVE SUGGESTED TO FARMER THAT MITCHELL COME TO RIO TOMORROW FOR DISCUSSIONS WITH FONMIN BEFORE LATTERS DEPARTURE FOR GENEVA MORNING MARCH 12 IN EFFORT REACH

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

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CONFIDENTIAL

-2- 2042, MARCH 8, 8 PM (SECTION TWO OF TWO) FROM RIO DE JANEIRO

PROMPT UNDERSTANDING ON ARBITRATION PROCEDURE. FARMER
CONCURRED AND WAS SO RECOMMENDING TO MITCHELL.

AS FOREGOING SUGGEST I BELIEVE OUR EFFORT IN CONJUNCTION
WITH THOSE OF COMPANY SHOULD BE EXERTED AT THIS TIME IN
CONVERTING FONMINS MEMO INTO SATISFACTORY AGREEMENT ON
ARBITRATION PROCEDURE IN DIRECT DISCUSSIONS WITH FONMIN.

GORDON

BA/RJT

CONFIDENTIAL

0925

INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

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OFFICIAL USE ONLY

Action
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Rec'd: March 9, 1962
5 pmInfo
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CIA
NSA
RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 2038, MARCH 8, 9 PM

DEPTEL 2453

PRESIDENT'S PRESS CONFERENCE STATEMENT WIDELY AND FAVORABLY
REPORTED WITH FRONT PAGE HEADLINES ALL RIO PRESS.IN TELECON THIS MORNING CONCERNING IT AND T CASE, FONMIN
DANTAS EXPRESSED WARMEST APPRECIATION, SAYING HE HAD PHONED
PRIMIN NEVES AT MIDNIGHT ON LEARNING OF STATEMENT.

EXPECT EXTENSIVE EDITORIAL COMMENT TOMORROW AND WILL REPORT.

GORDON

RGD

Interfirmed by RM/R

832 .05111/3-302

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MAY 25 10 36 AM '62

• This copy must be returned to RM/R Agent in 10 days with notation "REPRODUCTION FROM THIS COPY IS
NOT TO BE USED FOR ANY OTHER PURPOSES"

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NAME OF OFFICER	DATE OF ACTION	
OFFICE SYMBOL		

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INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

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OFFICIAL USE ONLY

Control: 7110
Rec'd: March 10 1962
10:55 pm

FROM: Rio de Janeiro
TO: Secretary of State
NO: 2049, March 9, 7 p.m.

Re EMBTEL 2038

Editorial comment President's press conference statement enthusiastically favorable all sectors, most papers expressing relief, gratitude for what they termed President's opportuneness, reasonableness, statesmanship.

JORNAL DO BRASIL: "Kennedy sees with exactness true interests his country - - declarations to be praised for both opportuneness and clarity". ULTIMA HORA: "Word of good sense - - President much more lucid and well-informed than furious old Senators". CORREIO DA MANHA: "Gratifying and important news. Reason triumphed". O JORNAL: "Kennedy adopted most reasonable thesis - - recognized that Brizzola a political accident while relations between US and Brazil fundamental to life of American -- revealed high qualities statesmanship". JORNAL DO COMMERCIO: "Intelligence lives in White House - - put matters in true perspective". DIARIO DE NOTICIAS: "Kennedy reaffirmed wholesome aims of US in favor continental unity". JORNAL DO COMMERCIO: "Noble and sincere pronouncement - - Kennedy proved sincere friend of Brazil". ESTADO DE SAO PAULO: "Precisely the attitude we expected of President - - language that disarms enemies of democracy".

1tr

GORDON

FILED
May 25 10 36 AM '62

* This copy must be returned to RM/R centrally files with no other action taken. REPRODUCTION FROM THIS COPY IS PROHIBITED.

ACTION	ACTION	DIRECTIONS
ASSIGNED TO: <i>Franklin</i>	TAKEN <i>Used in Briefing for President</i>	TO RM/R <i>File</i>
NAME OF OFFICER	DATE OF ACTION	
OFFICE SYMBOL		

0927

32

March 22, 1962

Dear Senator Hartke:

I want to thank you for your communication of March 10 enclosing a letter from Mr. George R. Erber of Indianapolis, Indiana. Mr. Erber is concerned about the recent expropriation of International Telephone and Telegraph Company (I. T. & T.) property in the state of Rio Grande do Sul, Brazil.

The situation of the Brazilian company owned by I. T. & T. which provides telephone service to the capital and other localities in the state of Rio Grande do Sul has been a long-standing problem. Representatives of the United States company and the state of Rio Grande do Sul have been negotiating for more than a year in an effort to reach a solution satisfactory to both parties, but they have been unable to reach agreement on a valuation of the properties. The President of I. T. & T. called at the Department of State on February 16 to inform us that expropriation of the company's properties in Rio Grande do Sul, Brazil, was imminent and requested immediate assistance with a view to protecting it. While at the Department he received a report that expropriation had in fact taken place. He at once telephoned our Ambassador in Brazil and authorized him, if he verified the report, to tell the Government of Brazil that in our opinion such action would have an adverse effect upon United States public opinion and upon the climate for all foreign investment.

Although the expropriation of the I. T. & T. properties was the act of the Governor of a state and not of the Federal Government, the Government of Brazil has shown its concern and interest in promoting an amicable solution by joining Ambassador Gordon in arranging for discussions between representatives of I. T. & T. and of the state government of Rio Grande do Sul and providing facilities therefore in the Brazilian Foreign Ministry. Our Ambassador and other Embassy officials, together with the Brazilian Foreign Minister, have been present at these discussions and also have been conferring separately with I. T. & T. representatives.

As

The Honorable
Vance Hartke,
United States Senate.

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0929

STEVEN B. DEROUNIAN
SECOND DISTRICT, NEW YORK

HOME OFFICE:
MINEOLA, NEW YORK

Congress of the United States
House of Representatives
Washington, D.C.

ACTION
is assigned to
P

COMMITTEE ON
WAYS AND MEANS

March 12, 1962

Honorable Dean Rusk
Department of State
Washington 25, D. C.

Dear Mr. Secretary:

I am receiving a good deal of mail from constituents of mine who are very much disturbed over the confiscation of American investments in Brazil. It is the consensus of opinion among my constituents that the United States has been very lacking in its failure to protect American property in this instance.

I would very much appreciate your comments on the situation and what is being done at this late date by the Administration.

Respectfully yours,

Steven B. Derounian
Steven B. Derounian
Member of Congress

SBD/e

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file
3/17/62
DC*

3/14/62

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Letter and enclosures, if any,
microfilmed by RM/R

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CARL HAYDEN, ARIZ., CHAIRMAN
 RICHARD B. RUSSELL, GA.
 DOMINIC CHAVEZ, R. MEX.
 ALLEN J. ELLENDRUP, LA.
 LISTER HILL, ALA.
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 ROBERT H. HUMPHREY, MINN.
 EVERARD H. SMITH, CLERM.
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 THOMAS H. RUCKEL, CALIF.
 ROBERT L. MURPHY, WERN.
 DONOH ALBERT, COLO.
 MORRIS COTTON, N.J.
 CLIFFORD P. CASE, N.J.

United States Senate
 COMMITTEE ON APPROPRIATIONS

March 12, 1962

65 ACTION
 is assigned to

P

Mr. Frederick G. Dutton
 Assistant Secretary of State
 for Congressional Affairs
 Department of State
 Washington 25, D. C.

Dear Mr. Dutton:

Attached is a letter I have received from Mr. Ronald Haxby of Morenci, Arizona, asking for the position of the United States Government on the seizure of the holdings of the International Telephone and Telegraph Company in Brazil. I will appreciate your providing me with some detailed information in order that I may answer this inquiry

Yours very sincerely,

Carl Hayden

P. S. Please address reply to me; sending me original and one copy. Kindly return enclosures.

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 3/13/62

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 3/17/62

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MEMORANDUM FOR THE SECRETARY OF STATE
SUBJECT: BRAZILIAN TELEPHONE COMPANY
RE: BRAZILIAN TELEPHONE COMPANY
DATE: MARCH 12, 1962
FROM: STUART SYDNEY
TO: SECRETARY OF STATE
SUBJECT: BRAZILIAN TELEPHONE COMPANY
RE: BRAZILIAN TELEPHONE COMPANY
DATE: MARCH 12, 1962
FROM: STUART SYDNEY
TO: SECRETARY OF STATE

United States Senate
COMMITTEE ON ARMED SERVICES

(6)

ACTION
is assigned to
ARA

March 12, 1962

Honorable Frederick Dutton
Assistant Secretary of State
Washington 25, D.C.

Dear Mr. Secretary:

One of my constituents has written to me as follows:

"Is it true that Brazil has received \$2.7 million from us after having seized the American owned I.T.E. subsidiary phone company? And is expecting some \$200 million more soon?"

I would appreciate your comments.

Sincerely,
Stuart Sydney
Stuart Sydney

SD:4

Letter and enclosures, if any,
microfilm'd by RMR

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XR 832.19
832.0511

(5) 3/14/62

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0943

March 21, 1962

Dear Congressman Norblad:

I want to thank you for your letter of March 12 concerning the recent expropriation of International Telephone and Telegraph Company (I. T. & T.) property in the state of Rio Grande do Sul, Brazil.

The situation of the Brazilian company owned by I. T. & T. which provides telephone service to the capital and other localities in the state of Rio Grande do Sul has been a long-standing problem. Representatives of the United States company and the state of Rio Grande do Sul have been negotiating for more than a year in an effort to reach a solution satisfactory to both parties, but they have been unable to reach agreement on a valuation of the properties. The President of I. T. & T. called at the Department of State on February 16 to inform us that expropriation of the company's properties in Rio Grande do Sul, Brazil, was imminent and requested immediate assistance with a view to protecting it. While at the Department he received a report that expropriation had in fact taken place. We at once telephoned our Ambassador in Brazil and authorized him, if he verified the report, to tell the Government of Brazil that in our opinion such action would have an adverse effect upon United States public opinion and upon the climate for all foreign investment.

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As

The Honorable
Walter Norblad,
House of Representatives.

①
90PS - D. Caster P-H
microfilmed by RMB

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0944

CARL HAYDEN, ARIZ., CHAIRMAN
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 THOMAS H. RUSSELL, CALIF.
 ROMAN L. Hruska, NEBR.
 DONALD ALLOTT, COLO.
 MORRIS COTTON, KAN.
 CLIFFORD P. CASE, N.J.

United States Senate
 COMMITTEE ON APPROPRIATIONS

March 13, 1962

65
 ACTION
 is assigned to

[Handwritten initials]

[Handwritten initials]

POPS

RM/R FILES

Action transferred POPS
 ARA:EST/B:RHCrane:sec 3/15/62

Honorable Dean Rusk
 Secretary of State
 Department of State
 Washington 25, D.C.

Dear Mr. Secretary:

Reference is made to my letter of February 21, 1962, in which I requested information regarding the recent seizure in Brazil of American telephone properties, and the Government's position on the matter.

As of this date, I have not received a reply, and I hope that such will be forthcoming within the next few days.

Best regards.

Sincerely yours,

[Handwritten signature: Gordon Allott]
 Gordon Allott, U. S. S.

CA:jjo

[Handwritten: 3/14/62]

470098

Letter and enclosures, if any
 microfilmed by RM/R

832.6511/3-1362

0958

HOUSE OF REPRESENTATIVES, U. S.
WASHINGTON, D. C.

3/13/62

Mr. Frederick G. Dutton
Asst Secy for Congl Relations
Department of State

Dear Mr. Dutton:

The attached communication is submitted for your consideration, and to ask that the request made therein be complied with, if possible.

If you will advise me of your action in this matter and have the letter returned to me with your reply, I will appreciate it.

Very truly yours,

John G. Rhodes
JOHN G. RHODES M. C.

FIRST ARIZONA

Encls-rmd

District.

ACTION
is assigned to

P

28

Re - Arizona of 171 Company in Arizona

832.05111 / 3-1362

*drafted
file
3/20/62*

*Geek, Jones
Judson, Butler
Jep, John B.
Shapiro, Arnold*

Letter and enclosure, if any,
must be returned by return

*enc. ✓
3/15/62*

(6)

431171

0959

CHARLES S. GUBSER
10th District, CALIFORNIA

MEMBER:
COMMITTEE ON ARMED SERVICES

Congress of the United States
House of Representatives
Washington, D. C.

ACTION
Is assigned to

March 13, 1962

INFO:
RM/R FILES

The Honorable Frederick G. Dutton
Assistant Secretary of State
for Congressional Relations
Department of State
Washington 25, D. C.

Action transferred POPS
ARA:EST/B:RHC:zec 3/15/62

Dear Mr. Secretary:

I should appreciate receiving information concerning the State Department's views on the situation with respect to the expropriation of I. T. & T. property by the Government of Brazil.

Thanking you, I am

Yours sincerely,

Charles S. Gubser

CSG:re

draft
File
3/19/62

PC

400894

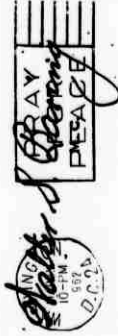
② 3-14-62

Letter sent
4/15/62

0960

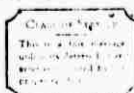
Congress of the United States
House of Representatives

OFFICIAL BUSINESS—FIVE



The Honorable Dean Rusk
Secretary of State
Washington, D. C.

0962



WESTERN UNION TELEGRAM



LLA012 SA823 CA5H1

3 LGA591 NL PD DOULDERCITY NEW Y

HON WALTER S DARING

HOUSE OF REPS WASHDC

THE PAPERS SAY THAT ONE OF THE STATES OF BRAZIL HAS EXPROPRIATED
INTERNATIONAL TELEPHONE AND TELEGRAPH PROPERTY WITHIN ITS BORDERS
PAYING THE COMPANY ONLY A SMALL FRACTION OF THE VALUE OF WHAT
IS TAKEN. I OWN STOCK IN I T AND T AND VIEW WITH DISMAY FOREIGN
COUNTRIES FOLLOWING THE EXAMPLE OF CUBA. OUR GOVERNMENT GIVES
MILLIONS TO BRAZIL WHICH WE ARE TAXED FOR YET WE REAP THIS
UNFRIENDLY ACT. IF OUR ATTITUDE IS WEAK IT IS NO WONDER WE
ARE INSULTED. INVESTMENT IN ANY FOREIGN COUNTRY IS SUBJECT
TO HANDICAPS. I UNDERSTAND OUR OWN GOVERNMENT IS GOING TO TAX
AMERICAN COMPANIES INVESTING ELSEWHERE MUCH MORE SEVERELY.
IT ISNT RIGHT

TOM MEAD.

0963

59
OUTGOING TELEGRAM Department of State

RECAP: ☐ COLLECT
☐ CHARGE TO

CONFIDENTIAL
Classification

13401

MAR 26 8 27 PM '62

Origin

ACTION: Embassy RIO DE JANEIRO

27//

Index

Your 2098

Investment figures not available in form requested. However believe following series will be helpful. All series cover years 1950 through 1960 and in millions of dollars.

Series one: Net capital outflow for direct investment.

Series two: U.S. Income from direct investment.

Series three: Undistributed Earnings of Brazilian Subsidiaries.

Year	Series One	Series Two	Series Three
1950	20	62	36
1951	91	16	67
1952	119	65	85
1953	39	74	38
1954	6	13	40
1955	30	39	38
1956	54	27	40
1957	53	42	33
1958	32	27	19

RIO 2711

832.05111/3-1462

1959

Drafted by:

ARA:EST/BIR:STAD:1223 3/26/62

Telegraphic transmission and

classification approved by:

EST - Mr. Wellman

Clearance:

FM - Mr. Palmer (substance) *PHH*

Commerce - Mr. Piser (substance) *PHH*

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FORM
8-61 DS-322

0964

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<u>Year</u>	<u>Series One</u>	<u>Series Two</u>	<u>Series Three</u>
1959	34	25	34
1960	83	45	39

NOTE: Figures for 1953 and 54 Series One represent flow back to United States. This resulted from Brazil's freezing remittances two previous years.

BALL

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Classification

0965

(6)

March 22, 1962

Dear Congressman Frilinghysen:

I want to thank you for your letter of March 14 enclosing a copy of a letter from Mr. Nelson F. Lynn of Parsippany, New Jersey. Mr. Lynn is concerned about the recent expropriation of International Telephone and Telegraph Company (I. T. & T.) property in the state of Rio Grande do Sul, Brazil.

The situation of the Brazilian company owned by I. T. & T. which provides telephone service to the capital and other localities in the state of Rio Grande do Sul has been a long-standing problem. Representatives of the United States company and the state of Rio Grande do Sul have been negotiating for more than a year in an effort to reach a solution satisfactory to both parties, but they have been unable to reach agreement on a valuation of the properties. The President of I. T. & T. called at the Department of State on February 16 to inform us that expropriation of the company's properties in Rio Grande do Sul, Brazil, was imminent and requested immediate assistance with a view to protecting it. While at the Department he received a report that expropriation had in fact taken place. We at once telephoned our Ambassador in Brazil and authorized him, if he verified the report, to tell the Government of Brazil that in our opinion such action would have an adverse effect upon United States public opinion and upon the climate for all foreign investment.

Although the expropriation of the I. T. & T. properties was the act of the Governor of a state and not of the Federal Government, the Government of Brazil has shown its concern and interest in promoting an amicable solution by joining Ambassador Gordon in arranging for discussions between representatives of I. T. & T. and of the state government of Rio Grande do Sul and providing facilities therefore in the Brazilian Foreign Ministry. Our Ambassador and other Embassy officials, together with the Brazilian Foreign Minister, have been present at these discussions and also have been conferring separately with I. T. & T. representatives.

As

The Honorable
Peter Frilinghysen,
House of Representatives.

- microfilmed by RMIB

(1)

P/ops

832.05111 / 3-1462
March 23, 1962

0966

- 2 -

As Secretary Rusk stated in his press conference of March 1, we recognize that private enterprise is an important part of the economic and social development in all of the American countries in the Alliance for Progress, and we certainly hope that a solution to this matter will be found which will prevent its having an adverse effect on the climate for private investment in Latin America. The President also stated in his press conference of March 7 that it is in the interest of the United States and of Brazil to settle this matter. The President further commented that we ought to keep a sense of proportion and should not react in a manner which would weaken the influence of the United States.

We must consider our aid to Brazil in the context of our own national interests. The Alliance for Progress was created to remove those economic and social conditions which foster Communist and Castro-type activities. We believe we should continue to support those programs which will combat such activities and we would be doing a disservice to our own interests if we were to halt all assistance to Brazil. One such program is that drawn up for poverty-ridden Northeast Brazil to which we are already firmly committed.

I assure you we will continue our efforts to help bring about an agreement which will provide for prompt and fair compensation to the United States company.

If we may be of any further assistance to you, please do not hesitate to call on us.

Sincerely yours,

For the Acting Secretary of State:


Frederick S. Hartman
Assistant Secretary

 F/S: [unclear] 3/20/62
Ext. 3741

 F/OPS

 145

 3/20/62

0967

NELSON F. LYON
1163 SOUTH BEVERLYWOOD ROAD
TROY HILLS, PARSIPPANY, N. J.

March 5, 1962

Hon. Peter H.B. Frelinghuysen, Jr.
House of Representatives,
Washington, D. C.

Dear Peter:

The recent seizure of properties of American Corporations by the Brazilian Government is most alarming on several counts.

These companies are owned by thousands of Americans who have achieved some status of responsibility in the fact their frugal living made it possible for them to set aside savings to make their investments possible.

All of these Americans must pay income and other taxes as must the corporations too. Now, that any portion of such taxes should go toward meeting "commitments" of nearly a billion dollars to Brazil is unthinkable from a moral, legal or public policy. In fact it appears to me to be absolutely illegal for our government to use our money to, in effect, subsidize international gangsterism.

Aside from these points that clearly militate against following through with any of these "commitments" until all such properties are clearly returned to their rightful owners and clear assurances obtained there shall be no repetition of such acts, we are losing "Prestige" (which Mr. Kennedy thought so valuable during his campaign) throughout the entire world so long as we permit such high-handed gangsterism to obtain.

May I urge you as a member of the Foreign Affairs Committee, to use your good offices in every way possible, in an endeavour to correct such injustices to our American Taxpayers and citizens.

With every good wish and kindest personal regards, as always,

Most sincerely,

Nelson F. Lyon.

0969

INCOMING TELEGRAM

57
Department of State

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55-M
Action

CONFIDENTIAL

Control: 9739
Rec'd: March 14, 1962
11:06pm

R10 2089

AID FROM: RIO DE JANEIRO
Info
SS TO: Secretary of State
SR NO: 2099, MARCH 14, 8 PM
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RMR

IN DECREE NUMBER 640 OF MARCH 2, 1962 TELECOMMUNICATIONS IS DEFINED AS BASIC INDUSTRY AND BNDE IS AUTHORIZED INCLUDE IN ITS OPERATIONS EXPANSION AND RE-EQUIPMENT TO INDUSTRY AS WELL AS ACQUISITION STOCKS AND BONDS OF CONCESSIONAIRE COMPANIES.

THIS MAY BE BASIS GENEEN STATEMENT, AS ACQUISITION OWNER-SHIP BY BNDE THROUGH PURCHASE COMPANY STOCK WOULD NOW APPEAR POSSIBLE, BUT FONOFF, WITH WHICH EMBASSY EXCLUSIVELY HAS CONDUCTED ITS NEGOTIATIONS, HAS NOT SUGGESTED RESOLUTION PROBLEM THIS MANNER. FONMIN HAS ASSURED AMBASSADOR PRIVATELY GOB WILL ENSURE PAYMENT OF COMPENSATION FIGURE REACHED BY ARBITRATION, BUT HE HAS TALKED IN TERMS OF GOB MAKING LOAN TO STATE OF RGS FOR THIS PURPOSE. HE HAS NOT STATED WHERE GOB WOULD GET FUNDS OR WHAT FORM LOAN WOULD TAKE, BUT BNDE IS OBVIOUS POSSIBILITY.

2
EMBTel 2059 COVERS DENIAL OF PRESIDENCY OF ANY POSSIBILITY PL 480 FUNDS BEING USED FOR COMPENSATION IN EXPROPRIATION CASES.

GORDON

subcolined by RM/R

CC-22

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Department of State

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46

Action

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Control: 9732

Rec'd: March 15, 1962
2:33 a.m.

ARA

Info

FROM: Rio de Janeiro

CAP

TO: Secretary of State

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COM

NO: 2098, March 14, 8 PM

FRB

TRSY

RMR

ACTION DEPARTMENT 2098, INFORMATION BRASILIA 33

Department Telegram 2430

In addition information Department Telegram 2392, would appreciate US direct investment figures Brazil over last 10 years calculated on common base if possible. Present series showing decline 57-58 due to exchange rate adjustments applied new census required complicated explanation and renders use of figures for intended purpose awkward.

All other information available here.

GORDON

SAJ

FILED
JUN - 1962

832.0511/3-1462

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INCOMING TELEGRAM

Department of State

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43-H
Action
ARA

CONFIDENTIAL

Control: 9714
Rec'd: MARCH 15, 1962
12:50 a.m.

Info

FROM: Rio de Janeiro

TO:

Secretary of State

NO:

2097, March 14, 6 p.m. (SECTION ONE OF TWO)

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• RMR

PRIORITY

DEPTEL 2501

In response Foreign Office memorandum transmitted EMBTEL 2042 Mitchell sent long telegram March 8 addressed to Farmer and me indicating Company position. Position Company in telegram seemed to be that GOB must assume responsibility for arbitration proceeding and commit itself ensure that State would conform to terms arbitration agreement, would abide by award of arbitrators and would cause payment award in full, with 80 percent available immediately to Company without reservation or qualification. Mitchell made his willingness come to Rio for further discussions dependent on commitment GOB along foregoing lines. Foreign Office has not yet received Brizzola's reaction March 7 memorandum.

After receipt Mitchell's cable I developed two memoranda as basis further discussions with Foreign Minister along lines annexes I and II of proposed memorandum quoted below to Foreign Office.

I read my initial drafts of annexes I and II in telephone conversation March 9 with Mitchell in New York and we discussed them and questions involved for about 45 minutes. Mitchell did not consider that drafts fully met Company's position and I requested that he send me by cable the exact wording of addition he felt had

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0973

CONFIDENTIAL

-2- 2097, March 14, 6 p.m. (SECTION ONE OF TWO), from:
Rio de Janeiro

to be made in order to make the drafts satisfactory to
ITT. His proposed addition is as follows:

"Parties to this agreement are State, and Company and
Federal Government. Federal Government undertakes
that State will conform to terms this arbitration
agreement and Federal Government undertakes that in
event State refrains for any reason from participating
or continuing to participate to conclusion and award
in arbitration proceeding contemplated herein, Federal
Government will be substituted for State Government
for this purpose and will assume and implement this
undertaking of State Government herein as if it had
been in first instance the adverse party in this
arbitration proceeding".

I planned to discuss annexes I and II in essentially
the form quoted below with Foreign Minister March 11 and he
agreed to such a discussion but meeting did not materialize.
FON MIN did not return from Petropolis where he spent week-end
before departing March 12 morning for Geneva. Foreign
Minister will be away from Rio for one week and it is
doubtful if much progress can be made during his
absence. I propose therefore to consolidate our position
and be prepared undertake further discussions with him
on his return. I think this should be done on basis
of draft memorandum quoted below with its annexes I
and II which would be submitted to Foreign Office as
our proposal.

I have not discussed annexes I and II in their present
form with ITT but I do not believe Mitchell will find
proposal completely acceptable as neither annex goes
so far as specifically to make Federal Government a party

CONFIDENTIAL

0974

CONFIDENTIAL

-3- 2097, March 14, 6 p.m., (SECTION ONE OF TWO), from:
Rio de Janeiro

to the arbitration or to commit Federal Government to take place of State as a party in event of default by State. But this does not seem to me to be essential. Mitchell has repeatedly said that the important thing to ITT is prompt payment of fair compensation. If we can secure agreement GOB to annex II, Company's point as practical matter is fully met. Moreover, I do not believe it is possible to get GOB become party to arbitration in terms suggested by Mitchell or that it is reasonable to request if GOB concurs in annex II. Indeed, it is undesirable for reasons stated EMBTEL 2039.

Would appreciate soonest Department's views on this proposed course of action as well as on substance agreement which I propose to try to negotiate with GOB.

GORDON

MRJ

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0975

Department of State

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1. **NOTES** REPLY ARE:

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Control: 9728

Rec'd :

March 15, 1962

SALES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 2097, March 14, 6 p.m. (SECTION TWO OF TWO)

PRIORITY

Proposed memorandum follows: (Unessential words omitted)

"In memorandum dated March 7, 1962 Minister of Foreign Affairs made certain proposals to Governor Brizzola of state of Rio Grande do SUL and ITT with respect to (1) establishment of arbitration procedure for determining amount of compensation to be paid for expropriated properties of CTN, and (2) actual payment of compensation determined in arbitration proceeding.

Although proposals in memorandum were constructive and, in part were acceptable, certain of proposals had shortcomings from standpoint of USG and ITT. It is also understood that proposals do not yet have approval of Governor Brizzola. In addition, it seems desirable that questions of arbitration and payment be covered by agreements which are more complete in relation to problems likely to arise.

In interest of reaching such agreements as soon as possible, Embassy USA suggests that arbitration and payment in CTN expropriation case be undertaken on basis of provisions of attached Annexes I and II.

If this proposal is acceptable to GOB, it will be submitted for approval to ITT, and if also approved by them Annex I would be incorporated in public announcement to be made by Minister of Foreign Affairs after approval of arbitration procedure by Governor Brizzola.

Annex II

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0976

CONFIDENTIAL

-2- 2097, March 14, 6 p.m. (SECTION TWO OF TWO) from Rio de Janeiro

Annex II would be a confidential undertaking of GOB to GUSA, which would be transmitted to Embassy USA by Minister of Foreign Affairs."

"Annex I - agreement for arbitration of compensation to be paid for expropriated properties of Companhia Telefonica Nacional.

1. Amount of compensation to be paid for expropriated properties shall be determined by special board of arbitration.
2. Board shall consist of three members, one nominated by Government State of RGS, one by ITT, and one selected by mutual agreement between first two. In absence of such agreement third member shall be designated by President of Federal Supreme Court. Decisions of board shall be by majority vote.
3. State of RGS and ITT agree to accept board's findings as conclusive with respect to amount of compensation to be paid.
4. Board shall take as starting point for its work evaluation of properties made by experts on March 9, 1961, and shall render its decision in not more than 90 days.
5. Board shall report its findings to parties, to Minister of Foreign Affairs, and to Embassy USA."

"Annex II - unpublished undertaking in writing from GOB to GUSA.

1. Federal Government will assure faithful execution of arbitration agreement.
2. Federal Government will endeavor to ensure that state will deposit in Bank of Brazil full amount of compensation on day following notification by board of arbitration of its findings. If state does not make this deposit, it will be made by Federal Government.
3. Company will be entitled to withdraw 80 percent of said amount on second day following announcement of its findings by board of arbitration, and remaining 20 percent upon termination of legal action in case. 20 percent remaining on deposit will be adjusted for monetary depreciation from date of deposit in Bank of Brazil until it is withdrawn by company."

CPL

GORDON

0977

INCOMING TELEGRAM

Department of State

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Action

WHM

Info

FROM: Salvador

TO: Secretary of State

NO: 8, June 14, 11 a.m.

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SENT RIO DE JANEIRO 70, DEPARTMENT 8

FOR MCGOVERN FOOD FOR PEACE FROM GARST

RMR

Morning paper refers food for northeast. Food not now problem. Plush season good crop. My suggestion immediate bang-up television education for twenty million people. This will have to go through state governor who think will welcome it.

MCCARTY

WP/8

Control: 11182
Rec'd: June 15, 1961
2:35 p.m.

832.03/6-1461 TS

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JUN 15 4 40 PM '61

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59
INCOMING TELEGRAM

Department of State

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53

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Action

Control: 9406

Rec'd: August 12, 1961
1:38 p.m.

Info

FROM: Montevideo

SS

TO: Secretary of State

ARA

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NO: 159, August 12, 2 p.m.

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ACTION DEPARTMENT 159; INFORMATION RIO DE JANEIRO 10

FOR GEORGE MCGOVERN, DIRECTOR FOOD FOR PEACE FROM SYMINGTON

Subject: 202 Programs in Brazil.

In discussions with Barbosa da Silva learned that:

Re the milk agreement the GOB Minister of Health wishes maintain annual level of importation at 30,000 tons as considers population increase renders phase-out unworkable. Also must examine full texts of transfer authorizations as basis for final agreement and at time of da Silva's departure for Punta del Este these not received. One particular reason given was the necessity to examine the TAs with our USOM in Rio to determine compatibility with with certain custom requirements. Da Silva said that they expected to rotate foodstuffs out of the reserve to use in economic development projects as discussed with Furtado. He said GOB Task Force would be assigned to develop and submit such projects for ICA approval.

Re feed grains, da Silva said the Minister of Agriculture considers grants of such feed grains to farmers as unsound because the farmers should not get the habit of receiving something for nothing. He wondered if the feed could be loaned with cash repayments being placed in a Government operated revolving fund for agricultural credit. I said that all the above matters would receive our immediate attention.

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I will be arriving Lima Saturday midnight PANAGRA 80 from Buenos Aires, and expect return Washington on or about

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7

Mr. Fouch Official Use Only For Department Use Only

SEP 26 1961
832.03/9-2661
CSO Miller

70

FROM : Amoon Recife,

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 26, 1961
DATE YK-500.03

REF : B/EAC-5

55 For Dept. Use Only	A E-7	D F	RM/R 2	REP 1	AF 4	ARA 4	EUR 4	FE 4	NEA 4	CU 4	INR 7	E 4	P 4	IO 4	ICA 11
			AGR 10	COM 10	FRS 3	INT 10	LAB 10	TAR 3	TR 10	XMB 4					
			AIR 10	ARMY 10	CIA 10	NAVY 10	OSD 5	OCB 10	USIA 4	NSA 4	WH-MCG 1				

REC'D 9/30

SUBJECT: Pitfalls to Avoid in Local Food for Peace Mechanics

Mr. Robert E. Peterson, USOM Food for Peace Consultant now at Recife, has been working assiduously with appropriate local authorities, including SUDENE, in anticipation of the arrival of large food shipments that may be made in connection with negotiations that have been under consideration since the July visit of Mr. Celso Furtado to the United States to outline development problems in the northeast. Mr. Peterson's work in this regard, while preliminary, has been most valuable. Some of his observations are reported below.

Unloading Problems: Facilities for unloading bulk grain at Recife have a capacity only of 1,800 to 2,000 metric tons per 24-hours. This may result in delays in unloading and in heavy demurrage costs if arrivals in bulk are not properly scheduled. This applies especially to wheat shipments that may at any time be made. These facilities are not considered to be adequate for unloading bulk beans or corn. Beans and corn, owing to inadequate unloading, bagging, and storage facilities, should be shipped not in bulk but in bags. To ship them in bulk would cause problems, and possibly losses, with adverse political implications both locally and elsewhere.

Flour Problems: The general population is not accustomed to consuming flour (wheat) or to baking it into bread. Most people do not have ovens. Dr. Luis Vasconcelos of SUDENE believes that storing flour also presents serious problems. He considers that it would be undesirable to include flour in food shipments at this time, and that it would be much preferable to obtain wheat and to have it made into bread or crackers after local milling along with mandioca flour that the people are used to eating.

Lard Storage: Refrigeration facilities exist for the storage of about 50 tons of lard. Larger amounts should not be shipped. Storage in other than refrigerated facilities is not feasible in this tropical climate where lard easily could go rancid if not stored under refrigeration. If the

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REPORTER

FORM 4-61 FS-439 GPO 912566 For Department Use Only - To be Filled in on Yellow Original ONLY

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HACJ

0982

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Page 1 of 1
Encl. No. -50-
Disp. No. -50-
From Salvador, Brazil

poultry growers. Direct supplying of cattle raisers with feed has been rejected. The recipients of food in the "work fronts" receive 80% of their wages in food (presently only corn) and 20% in currency. 124 municipalities are presently reported as participating. The direct distribution to swine and poultry raisers is based on a predetermined quota per animal.

SEDECS reportedly charges recipients of food under the "animal feed" category 500 cruzeiros per 60 kilo sack to cover warehousing and transportation charges. Feed in the other categories is supplied to the work front or individual gratis.

SEDECS indicates that the control of the final distribution of the corn is performed by a special SEDECS delegate (actually from the Polícia Militar; each delegate supplied with his own jeep) who visits each recipient municipality, feed mill etc. at least once a week. The quota for that particular entity is then released only after "verification" of its use by the delegate. Distribution to cooperatives, rural associations, and swine and poultry raisers is processed by the State's Secretariat of Agriculture.

Among the difficulties reportedly encountered were a few cases of attempted mob robbery at distribution points, which were averted by the Polícia Militar. Another difficulty was reported resistance on the part of the rural employees of the "work fronts" to taking a major part of their pay in hard grain corn, which is, of course inedible unless ground into corn meal. SEDECS is therefore attempting to arrange with millers to have a large portion of the corn destined for human consumption ground into meal, using the same "Food for Peace" portuguese language sacks for the meal.

A newspaper report in A Tarde (a responsible local newspaper) June 12 indicated that a portion of the corn (presumably that listed under "Feed factories and mills") is, with the knowledge and support of SEDECS, going into processed human foods. The Companhia Industrial Nordestina de Produtos Alimentícios of Salvador has received several dozen sacks and has requested two thousand for the production of cakes, cookies, candies, etc. In the case of such firms, as well as the case of the animal feed firms, the SEDECS intends by controlling prices of the products produced with the FFP corn at all levels, including retail, to ensure that the portion of the cost of the product represented by the price of the corn (less the transportation and warehousing housing cost) is passed on to the end-user.

C. Dirk Keyser
C. Dirk Keyser
American Consul

cc: USAID, Rio de Janeiro and
USAID, Recife.

Department: Please pass
copies to Consular Section, Rio de Janeiro;
Economic Section, Rio de Janeiro; and Belém.

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32
INCOMING TELEGRAM Department of State

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NUMBERED
Control: 2719
Reg'd: July 5, 1962
8:55 AM '62

FROM: Rio De Janeiro

TO: Secretary of State

NO: 27, July 4, 7 p.m.

Following substance aide-memoire of June 29 delivered to Ambassador by Dias Carneiro.

Governor Sao Paulo Carvalho Pinto asked me as Under Secretary Economic Affairs Itamaraty to contact you on possibility USG assuring shipments brown beans to amount 100,000 bags, to be delivered to state government Sao Paulo, within one and one half months, under Food For Peace program.

Itamaraty has already sent telegram to Ambassador Campos authorizing him place this request to appropriate US authorities.

Embassy regards request as dramatic example lack GOB responsibility and inability face serious national problem continued food shortages, especially during this period of Cabinet transition. Sao Paulo request handled by Foreign Office as though simple matter of communication request to USG.

Current bean shortage now in third month. We have made every effort to be of help but not even my personal protest to the President a month ago re inadequacies of COFAP in dealing with problem after President's orders and his request for our assistance has brought any intelligent action.

Present impasse attributable pricing policies COFAP coupled with fear political reaction by producers if imports permitted to break artificial scarcities.

-In-

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2
The old story on fantasy is not!

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-2- 27, July 4, 7 p.m. from Rio De Janeiro

In mid-May GOB officials request US prices and availabilities and seemed pleased at offer visit US bean representative. Embassy suggested on May 22 immediate purchase taking advantage willingness appropriate GOB agencies waive 60 percent ad valorem tax, grant license and exchange but COFAP unwilling to take political risk alleging need for careful survey of availabilities -- which still not forthcoming. US bean representative departed after three weeks futile discussions.

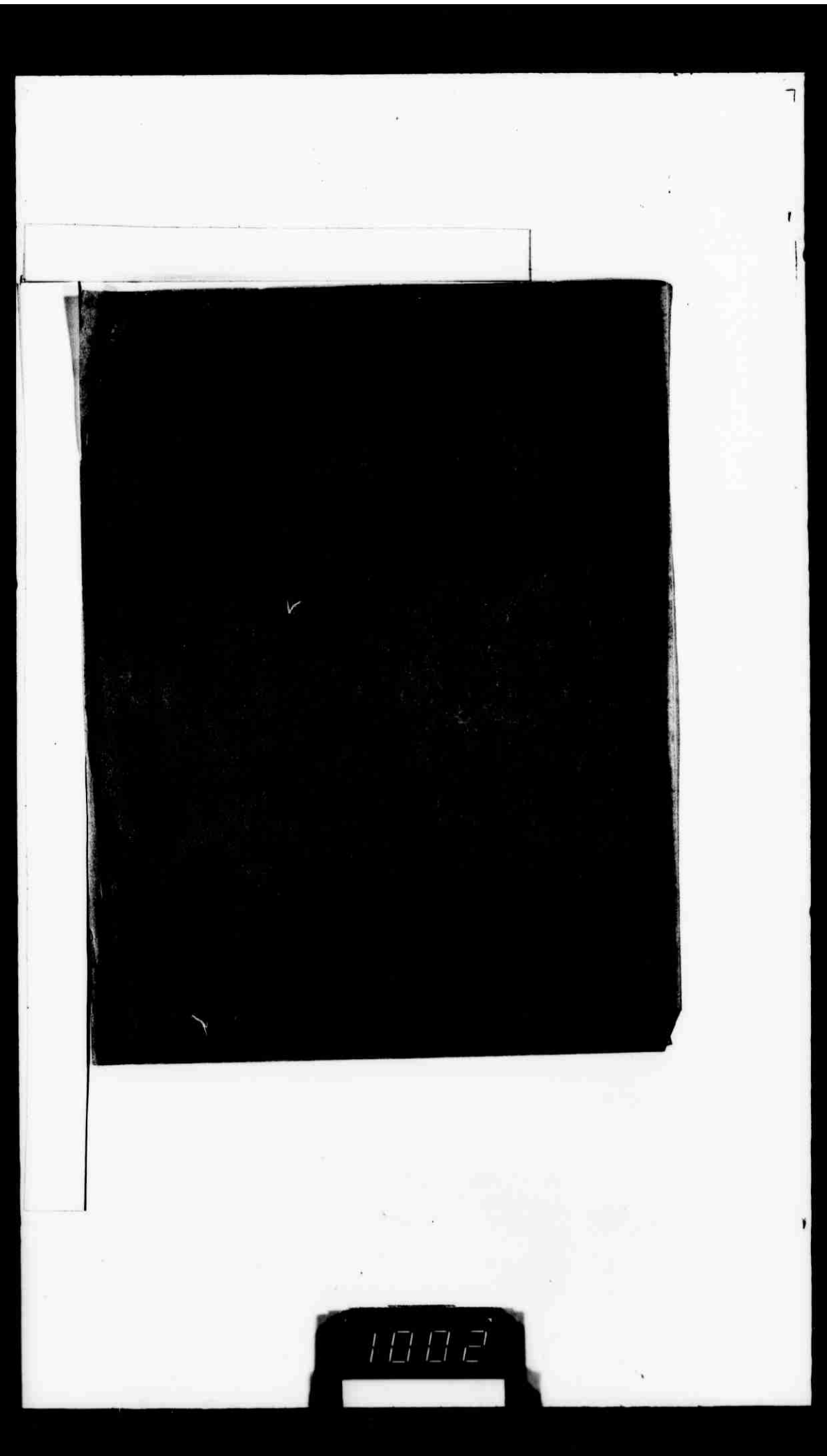
Local press currently reports intended purchase 40,000 tons from Mexico to meet situation. If this feasible for GOB, believe request 6,000 tons from US not justified. If not, request should be returned with suggestion that problem be reviewed by GOB with US in national context. Difficult for US participate in favor of one area, particularly Sao Paulo.

GORDON

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Control: 4474 JUL 7 7 29
Rec'd: JULY 6, 1962
9:24 P.M.

ARA

FROM: RIO DE JANEIRO

Info

TO: Secretary of State

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NO: 63, JULY 6.

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PRIORITY

ESTIMATED 42 PERSONS DIED AND 700 INJURED IN MASS LOOTING OF COMMERCIAL ESTABLISHMENTS, PRINCIPALLY FOOD STORES, IN SEVERAL RIO DE JANEIRO STATE COMMUNITIES BORDERING GUANABARA. MAIN SCENE DISTURBANCES NMMWN REP CAXIAS WHERE ATTACKS BEGAN 4:00 A.M. JULY 5 AND CONTINUED UNTIL AFTER ARRIVAL ARMY CONTINGENTS PAST NOON. SOME STORES DESTROYED AFTER BEING SACKED, AS WERE NUMBER PRIVATE AUTOMOBILES AND HOMES. POLICE ACTION VIRTUALLY NON-EXISTENT ACCORDING MOST NEWSPAPERS THOUGH FAR-LEFT ULTIMA HORA REPORTED WITHOUT SUBSTANTIATING THAT DEATHS AND INJURIES RESULT BRUTAL POLICE REPRESSION.

RMR

WHILE SACKINGS OBVIOUSLY CONNECTED CURRENT FOOD SHORTAGES AND ZOOMING PRICES THEREOF AND SOME PAPERS DESCRIBED MOB ACTION AS SPONTANEOUS, CONSERVATIVE CORREIO DA MANHA REPORTED PRESENCE AT CAXIAS OF FOUR UNIDENTIFIED "AGITATORS" IN JEEP. MINOR DEMONSTRATIONS GUANABARA TODAY RESULTED IN WIDESPREAD EARLY SHOP CLOSINGS IN DOWNTOWN RIO.

WHC/20

GORDON

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RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 72, JULY 7, 6 PM

EMBTLS 53 AND 63

REPORTS OF DISORDERS JULY 6 DOWNTOWN RIO REFLECTED REFTELS
APPEAR TO HAVE BEEN LARGELY UNFOUNDED ALTHOUGH NUMEROUS
SHOPS DID IN FACT CLOSE IN FACE WIDESPREAD AND APPARENTLY
INSPIRED RUMORS RIOTING AND LOOTING. GOVERNOR LACERDA
PROMPTLY VISITED AFFECTED AREAS AND HELPED RESTORE CALM.

GORDON

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Control: 5007

Rec'd: JULY 7, 1962

6:30 PM

INFO: ESTB

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JUL 10 1962

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732.00/5.762 18832.03

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TRSY

FROM: Rio de Janeiro

TO: Secretary of State

NO: 80, July 8, 5 p.m.

PRIORITY

PASS SOUTHARD

1. SUMOC instruction 228 of July 7 gives Bank of Brazil monopoly all exchange transactions. All banks and exchange dealers, including "cambios" must surrender exchange purchased to Bank of Brazil. Bank of Brazil may sell exchange to cover "legitimate import needs", either directly or through banks and other dealers. By implication Bank of Brazil may not sell exchange for financial transactions. Latter provision may not hold 100 percent in practice but doubtless means exchange for private financial remittances will be unavailable.

RMR

JUL 10 1962

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Control: 5120
Rec'd: July 8, 1962 5:21
6:05 p.m.
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*action transferred
E/F N-Mr Palmer per
EST/B RC 7/9/62*

632.1317-862
XR 632.03

2. This drastic move publicly labeled as temporary and attributed effects political crisis on exchange market. However, Bulhoes admits measure mainly due deteriorating reserve position Bank of Brazil which feeling impact accumulated exchange deficit, necessity repay \$25 million New York banks under credit lines and \$8.0 million under 1961 medium-term credit credits, plus \$6.2 million principal and interest under European standby at end June, effects realistic exchange policy and slow movement coffee. (See Embassy's A-527, Embassy despatch 1017 and Embassy telegram 3074). In current political situation completion \$25 million new credit from Europe yku* further swaps and credits New York banks apparently being delayed. Further adjustment exchange rate not felt feasible in view strong non-economic forces operating.

3. Measure

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NAME OF OFFICER: Danak Palmer

DATE OF ACTION: 7/10/62

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DEPARTMENT OF STATE

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34
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FROM: Rio de Janeiro

CONTROL: 6322
REC'D: July 10, 1962
9:54 a.m.

NO.: TOAID 51, July 9, 9 p.m.

JOINT EMBASSY/USAID MESSAGE

DISTRIBUTION

ACTION

INFO.

EMBTEL 27 is responsive to question reference telegram.

Confirmed today COFAP, Bank Brazil, Finance Minister reached decision immediately import beans (black and clored) from Mexico. Quantity not known yet.

GORDON

HMR/2

OTHER AGENCY

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Action
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Control: 7786
Rec'd: July 11, 1962
6:04 PM

RIO 109

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FROM: Rio de Janeiro

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TO: Secretary of State

NO: 109, July 11

PRIORITY

FOR AGRICULTURE

FROM: THOMASSON

Received official inquiry GOB agency (SAPS) for export prices and terms re immediate purchase dried eggs, nonfat dried milk, butter, pinto beans, small red kidney beans, cheddar cheese. SAPS under direction President explore all means provide workers food at lowest price. SAPS now has 750 retail stores and restaurants for workers, expected exceed 1,000 in 1963, many in northeast. SAPS has money to buy food. Thinks import taxes would be waived and exchange made available.

GORDON

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SEP 20 10 10 AM '62

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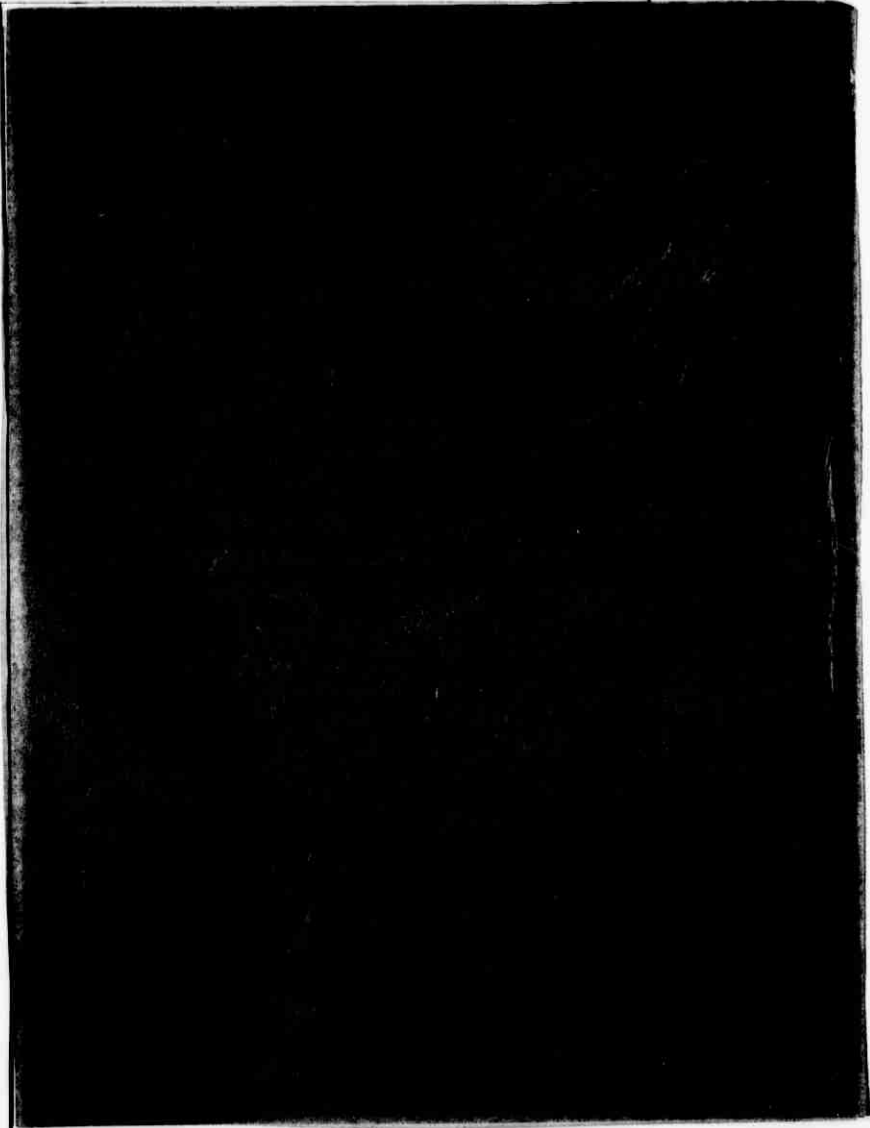
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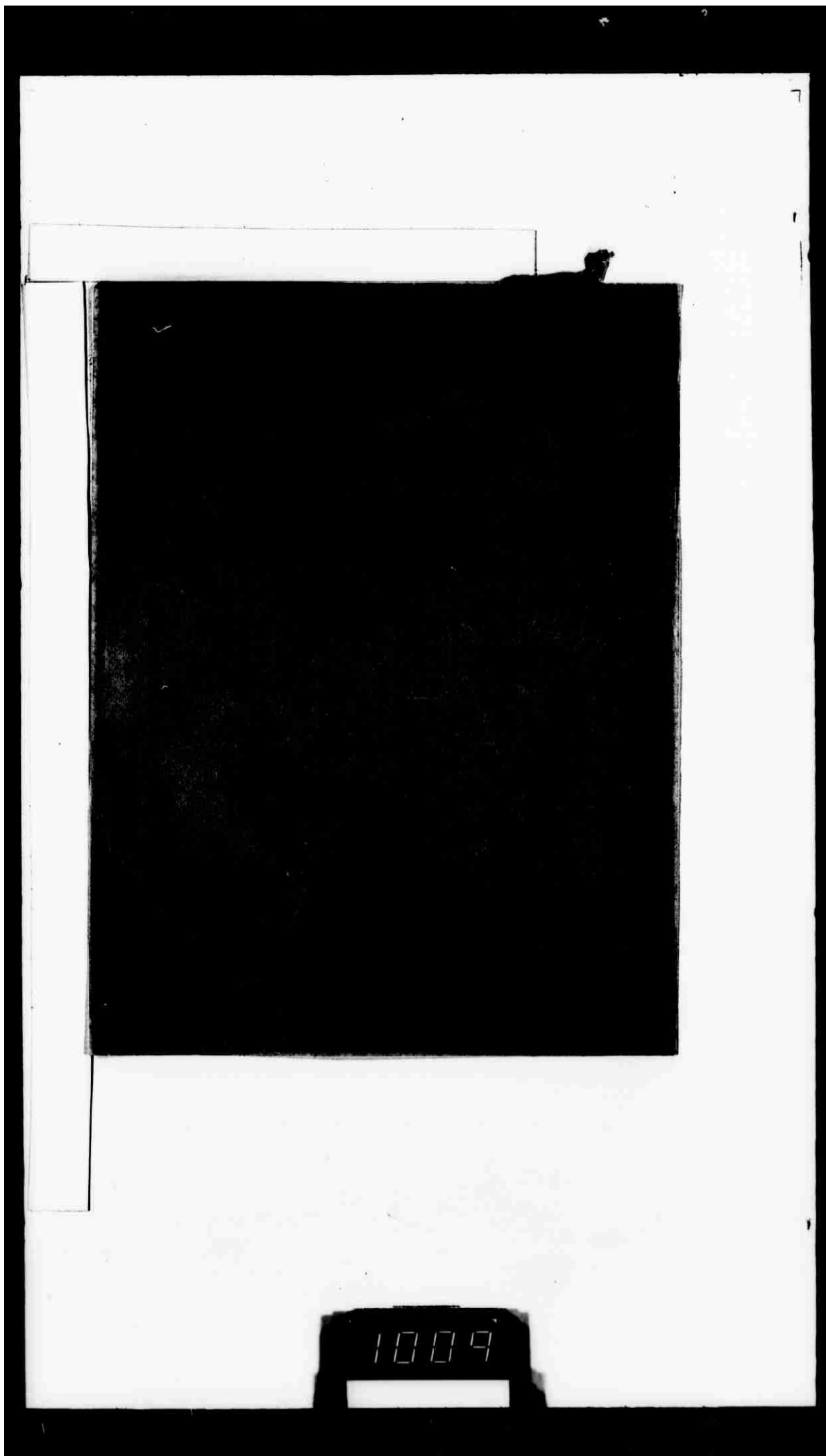
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Control: 9936

Rec'd: JULY 13, 1962

8:48 PM/4 AM 10 12

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FROM: RIO DE JANEIRO

Info

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TO: Secretary of State

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NO: 136, JULY 13

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FOLLOWING FROM BRASILIA

APPEARING BEFORE CHAMBER LAST NIGHT TO PRESENT NEW COUNCIL MINISTERS FOR CONGRESSIONAL CONSIDERATION (NAMES REPORTED SEPARATELY) PRIME MINISTER BROCHADO DA ROCHA GAVE OUTLINE PROGRAM GOVERNMENT CONTAINING FOLLOWING POINTS:

(1) EMERGENCY PLAN TO END FOOD SHORTAGE, CURB INFLATION (VIA RECHANNELING PUBLIC INVESTMENT AND CURBS ON PUBLIC SPENDING) AND A START ON AGRICULTURAL REFORM (EMPHASIZING RE-SETTLEMENT ON GOVERNMENT-OWNED LANDS AND LIMITED EXPROPRIATIONS).

(2) LONG RANGE PROGRAMS IN FIELD (A) FOOD SUPPLY (INCLUDING FINANCIAL AND TECHNICAL ASSISTANCE TO AGRICULTURE AND RE-ORGANIZATION OF FEDERAL SUPPLY ORGANIZATIONS), (B) MEDICAL CARE (SPECIFICALLY CITING NEED LIMITED INTERVENTION PHARMACEUTICAL INDUSTRY ORDER LOWER PRICES) AND (C) EDUCATION (NATION-WIDE PROGRAM TO ERADICATE ILLITERACY).

(3) PROMISE TO "DISCIPLINE" THE EXCHANGE MARKET AND TO CONTINUE BRAZIL'S INDEPENDENT FOREIGN POLICY. ROCHA ALSO EMPHASIZED BOTH NEED FOR MANY BASIC REFORMS (SPECIFICALLY CITED: AGRARIAN, TAX, BANKING, ADMINISTRATIVE, ELECTORAL) AND AGAIN ASSERTED ABSOLUTE NECESSITY CONGRESSIONAL GRANT SPECIAL POWERS IF CABINET TO ACCOMPLISH TASKS SET IN PROGRAM (PROMISING THIS REGARD PRESENT DETAILED REQUEST FOR THESE POWERS, AS REQUIRED BY RECENT LEGISLATION, WITHIN FIVE DAYS OF CHAMBER APPROVAL OF CABINET).

GORDON

(4)

TAB

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Control: 15185
Rec'd: July 20, 1962
2:06 p.m.

Info

FROM: Rio de Janeiro

ARA

TO: Secretary of State

CAP

NO: 173, July 20

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COM

TRSY

RMR

FOR AGRICULTURE FROM THOMASSON

Brazil appears close decision re import beans under recent decision waive taxes, etc. Likely importers requested Attache assistance obtaining best offers (prices, credit terms) trade and/or USG urgent basis. Offers should be FAS port of shipment by grades 1,2,3 giving quantities, date can place in port for small reds, red kidney, pinto, pink and black. Particular interest grades 2,3. Also requested information loading, other fees.

GORDON

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832.03/7-2062

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SEP 28 10 17 AM '62

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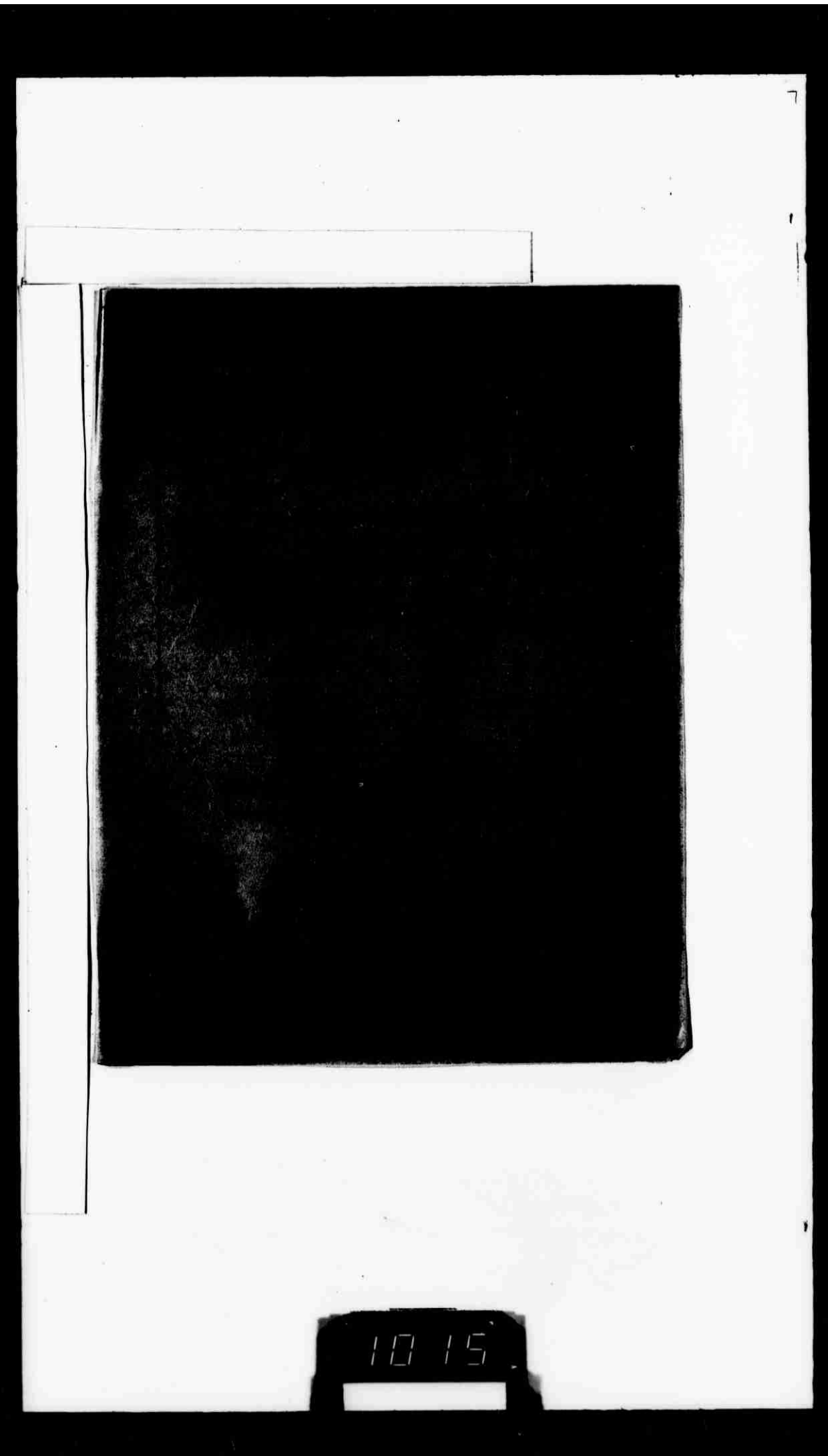
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Control: 23400
Rec'd: JULY 31, 1962
1:57 PM

RIO
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Info FROM: RIO DE JANEIRO
TO: Secretary of State
E
RMR NO: 248, JULY 31.

832.03

PRIORITY

AGRICULTURE FROM MILAM

REF: DEPTELS 283 AND 299

SERVICO DE ASSISTENCIA E PREVIDENCIA SOCIAL (SAPS) ISSUED CALL FOR BIDS TEN THOUSAND METRIC TONS COLORED AND BLACK BEANS EQUIVALENT US TWOS OR BETTER. BIDS MUST BE SUBMITTED BY 10 AM NINE AUGUST, RUA ARAUJO PORTO ALEGRE 71/3, RIO, BRAZIL. REQUESTS FIVE SEALED SAMPLES OF BEANS OFFERED.

OFFERS SHOULD BE FOB CASH OR TERMS. SAPS STUDYING CCC CREDIT OFFER.

BOND

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2	1	AP	A-28		OFFICIAL USE ONLY	
3	EUR	FE	NO. 28		AIR POUCH	
3	CU	HR	TO : Department of State, WASHINGTON, D.C.		HANDLINE INDICATOR	
E	P	5	Rio de Janeiro-1 Brasilia-1 Belém-1		SEP 23 PM 3 13	
L	FR	2	Belo Horizonte-1 Curitiba-1 Porto Alegre-1		AIO	
IGA		11	Recife-1 Santos-1 São Paulo-1		B. Hermann	
3	COM	FR	FROM : Amconsul, SALVADOR, BAHIA		DATE: September 14, 1962	
10	10	3	SUBJECT: Food for Peace and the Interior of Bahia			
7	6	TAR	REF : ---			
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FORM 82 DS-323			OFFICIAL USE ONLY			
Drafted by: WRM:Matthews:lk			FOR DEPT. USE ONLY			
Clearance:			Contents and Classification Approved by:			

The Food for Peace Title II program in the State of Bahia is not being carried out in accordance with the Transfer Authorization, but it is producing substantial well-received, and highly beneficial results. The generalized drought throughout the state no longer exists; however, there are a number of scattered areas of the Sertão (particularly in the South-central region of the state) which are as dry as or dryer than last year, with some of them having had no large-scale rains since January 1960. It is recommended by the Consulate that the portion of the Title II program supplying foodstuffs to be used in paying work fronts building small reservoirs, roads, wells, etc. in the chronically dry regions of the state be expanded, if necessary at the expense of other portions of the Title II and possibly Title III programs, with modifications being made in the TA so as to allow municipal commissions to sell a fixed percentage of the product supplied under strict fiscal supervision of the State distributing agency (SEDECS), the money received being used to furnish the workers with other foodstuffs and money.

(The following observations are made largely on the basis of two trips of three days duration each to two different parts of the interior of Bahia which were undertaken with the Chief of Cabinet and other representatives of SEDECS (the State Secretariat without Portfolio for Development and Measures Against the Drought). On the first of these trips, which inspected work projects in the

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*Salvador
Bahia*

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municipios of Jaguaquara, Jequiá and Poções (August 31 through September 2), the reporting officer also accompanied Mr. James Robinson of USAID. On the second, (September 6 through 8) the reporting officer was also accompanied by Sr. José Andrade, a USIS motion picture photographer doing a film on Food for Peace, and visited dams, reservoirs, farm-to market roads, etc. in the municipios of Riachão do Jacuipe, Jacobina, Várzea do Poço and Piritiba.)

Situation

1. Program-General: SEDECS' plan for the Title II program in Bahia, in the form of a report to SUDENE, was forwarded, in extracted and condensed form, to the Department and to the Embassy and the Consulate General Recife (copies only) as our Despatch 50, June 13, 1962. In this plan, as we reported, SEDECS planned to distribute the FFP in two roughly equal parts, one to work fronts and the other for animal feed (to growers, cooperatives, and feed mills), with a small additional quantity going for social assistance by SEDECS directly to beneficiaries. The animal feed portion was to be given out only upon receipt of 500 cruzeiros per sack from the recipient (presumably a violation of the TA, but SEDECS maintains that except for unofficial advice from the consulate (and from USAID late in July) they were never informed of this by SUDENE). SEDECS has reportedly taken in eleven million cruzeiros from this sale of this corn for animal feed, which is held in a special fund and unspent pending receipt of instructions (still not forthcoming) from SUDENE. There is a considerable quantity (reportedly 32,000 bags of corn and 1,000 tons of beans) of Title II FFP presently in Bahia, although some municipal Work Fronts are crying for the product, since SEDECS has reportedly received instructions from SUDENE to discontinue distribution of FFP not currently in pipeline pending further instructions.

SEDECS has just completed a lengthy and detailed report in several volumes to SUDENE on the operation of its program, including Title II FFP to date. A copy of this report has been earmarked for the Embassy, and is being hand-carried by Mr. James Robinson of USAID to Recife for use by the FFP program Director for Brazil and other interested parties; therefore, no attempt will be made here to duplicate that statistical report or to further discuss the animal feed or charity portions of the Title II program.

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2. Program - local operations. On a local level, the work fronts are directed and organized in each participating municipio by a municipal commission, normally consisting of five to eight individuals, almost always headed by the mayor with the Vice President being a leader of the local opposition party. Members of a somewhat typical commission (that of Piritiba) are: the mayor (PSD), a UDN magistrate (vice president), the PSD warehouse manager, a PTB representative, the manager of the local Bank of Bahia branch, and two members of the Legião de Assistência do Brasil. The commission is appointed by the regional SEDECS delegate (the drought zone of the state is divided into five regions), who is a Polícia Militar (State Militia) captain or lieutenant on TDY with SEDECS, supplied with a jeep and expense money by the latter organization. The delegate's choice of commission members is confirmed by SEDECS headquarters. In practice, the mayor directs the show, but the commissions do meet and they do, by their bi-partisan (at least) make-up serve as an important control to keep the program from being administered dishonestly on the local level and to prevent its being used primarily for political purposes. Not all municipios in the dry zone have work front projects. In those cases in which the commissions did not function satisfactorily with the earlier Brazilian-supplied emergency food program (which is still continuing on a reduced scale), they have not been entrusted with FFP.

After being signed over to SEDECS, the FFP is transported by SEDECS from Salvador to one of a number of small but well-built and new warehouses owned by the state warehousing authority located in a regional center (such as Jequié). From this warehouse, the municipal commission arranges for and pays for the transportation of the corn to the municipal warehouse or storage facility. The municipal commissions reimburse themselves for the cost of this transportation by selling the empty FFP sacks, and, in many cases, by charging the workers a "transportation fee" (in the municipio of Riachão do Jacuipé each worker pays 37 cruzeiros a week, and an additional 20 cruzeiros a week for the cost of maintenance and purchase of hand tools). (The cost to the municipal commission in this municipio for the transportation of the FFP from the regional warehouse is 80 cruzeiros per sack of 60 kilos.) The workers report in on the weekly fair day to the municipal warehouse, if there is one, otherwise usually to the house of the municipal commission member resident in that district, to collect their weekly wages. They are paid on the basis of 200 cruzeiros a day in foodstuffs (theoretically) in almost all of the participating municipios (a few still pay at the rate of 180 cruzeiros a day). Their work week is usually 5 or 6 days, therefore, at the current valuation for the payment purposes of 27 cruzeiros per kilo of corn, if payment is made only in that commodity, each worker would receive approximately 37 to 44 kilos of corn per week, or well over half a bag. (Retail free market price of corn in the city of Salvador is currently 45 to 50 cruzeiros per kilo).

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TAB #: 2

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FROM: PARIS

TO: SECSTATE

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WITHDRAWN: 02/27/95 by: CJM

FOIA RETRIEVAL #: 949516 02415 00002

1038



DEPARTMENT OF STATE INSTRUCTION

916
CONFIDENTIAL 916
(Security Classification)

FOR DC USE ONLY

NO: A-199, January 15, 1960

SUBJECT: The Contribution of Foreign Investments to the Brazilian Economy

TO: The American Embassy, Rio de Janeiro

Reference: Embassy despatch 540, November 25, 1959.

The Embassy's despatch reported that Brazilian "nationalists" attack United States and other foreign investments, charging that investments earn exorbitant profits and that the profits sent abroad are far in excess of the value of the imported capital. Specific reference is made to an attack by a Brazilian Deputy, Sr. Cavalcanti, and information is requested which will permit the real contribution of foreign capital to the Brazilian economy to be assessed so that charges such as those of Sr. Cavalcanti can be factually refuted.

1. The Embassy requested copies of the estimates made by the IMF staff of Brazil's balance of payments for the 1939-46 period which were used by the Joint Brazil-United States Economic Development Commission (hereinafter referred to as the Joint Commission) in preparing the tables and estimates published in Volume I of the latter report. The Department has examined a typewritten copy of an IMF staff study of Brazil's balance of payments for 1939-46. This study, which is presumably the one on which the Joint Commission's estimates were based, has not been duplicated or published and is not available for distribution. It has not yet been possible to discuss this matter with former members of the Joint Commission staff nor to examine the records of the Joint Commission. Continuing efforts will be made to secure additional information. Information from the IMF study is discussed below which may be useful in interpreting the estimates published by the Joint Commission.

The IMF estimates indicated that the net inflow of U. S. private capital to Brazil in 1939-46 was \$44.6 million and that the net outflow of British capital in the same period totaled \$87.8 million. No data were available concerning other private foreign investments. The net outflow of U. S. and British capital combined was therefore estimated at \$43.2 million during this period.

It may be noted that Section B of the Joint Commission's Table XIII (p. 312) shows a net outflow of only \$34 million for the period 1939-46. Items other than private foreign investment are included in this section of the table. Since the basic data on which

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JAN 15 1960 P.M.

DRAFTED BY:
OFD:FN:BRH:osw:ish 1/15/60
CLEARANCES: ED - Mr. Wentworth (draft)
REA - Mr. Post (draft)APPROVED BY:
OFD:FN - John Parke Young
ARA - Mr. Romba (draft)
Commerce - Mr. Fiser (substance)
Treasury - Mr. Koenig (draft)

RM/R
Ann 73
Rev
Cat

832-05100/1-1560

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(Security Classification)

during the 1939-46 period. Although it is not suggested that such transactions imply long-range benefits to Brazil equal to those provided by sound private direct investments, they were nevertheless investment-type transactions. In considering foreign investment during a period during which all economic events are necessarily distorted by the existence of wartime conditions, the treatment of investment-type transactions of U. S. Government agencies as substitutes for private foreign investment is not improper. Although the precise amount of foreign exchange provided by the United States through such war-induced transactions cannot be estimated with any degree of accuracy, there can be little, if any, doubt that official U. S. loans, grants, and purchases more than compensated for the low level of private U. S. foreign investment in Brazil during this period.

2. The Embassy requested any available information concerning the "purchase of British investments" amounting to \$83.8 million in the 1948-51 period. According to information published in the IMF Balance of Payments Yearbook, Vol. V, Brazil purchased British-owned railroads as follows:

1948 - Brazil Railway Company	Cr. 149.1 million
1948 - Sao Paulo Railways Co.	Cr. 565.1 million
1950 - State of Bahia South Western Railway	Cr. 60.0 million
1951 - Leopoldina Railway Co.	Cr. 540.3 million
Total	Cr. 1,314.5 million

Brazil drew upon blocked sterling balances to finance these transactions. These purchases appear to substantially account for the \$83.3 million figure cited on Page 312 of Vol. I of the Joint Commission's report. The near-equality of the value of British capital repatriated in 1939-46 (\$87.8 million) and that repatriated in the 1948-51 period (\$83.8 million) is believed to be coincidental. The Department is continuing its attempt to obtain information concerning the specific British investments which were repatriated in the 1939-46 period. The IMF study cited the publication South American Journal and the River Plate Mail as sources of its estimates of British capital repatriation in 1939-46.

3. Reference is made to Paragraph 3 of the Embassy's despatch, which discusses the valuation of U. S. investments in Brazil. The Embassy correctly points out that Cavalcanti erroneously cited the Department of Commerce's 1953 figure as applying to 1955. However, if Cavalcanti had used the correct 1955 figure of \$1,115 million, his argument would have been strengthened, since the reported increase in the value of U. S. investments from 1940 to 1955 would have been \$875 million rather than \$777 million.

The methodology used by the Department of Commerce in computing the value of U. S. investments in Brazil is described in the publication U. S. Investments in the Latin American Economy, beginning on Page 95. The computations were based on data supplied by U. S. companies in response to questionnaires. A more detailed discussion of the Department of Commerce's methodology used in evaluating U. S. investments abroad is contained in the Department of Commerce publication Foreign Investment of the United States, a 1953 supplement to the Survey of Current

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AIR POUCH

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(Security Classification)

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FOREIGN SERVICE DESPATCH

832.05100/3-1461

FROM : AMEMBASSY, RIO DE JANEIRO

807
DESP. NO.XR 432.006
MAR 17 1961

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 14, 1961
DATE

REF : Department's A-243, February 27, 1961

MAR 17 1961

20 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN OTHER
	Com-10	REP-1 INR-7 E-7 A-2 ARA-4 ICA-11
	3-21-61	TR-3 FRB-3 XMB-4 CIA-10 DAF-7

SUBJECT: Foreign Investment Commission.
FOR COMMERCE

Commerce is correct in its understanding that Article 91 of Law 3,470 deals with the option which juridical persons have of depositing their excess profits taxes due plus 50% into so-called investment deposits. The Investment Commission mentioned in the Bi-weekly Economic Review item cited in reference airgram is the Investment Commission referred to in Decree 48,130 of April 20, 1960. This Committee held its first session on the 23rd of January 1961 and began consideration of the first 30 applications for use of investment deposits.

The operations of this Committee are connected with the problem of imports without exchange cover in that the pressure for the Committee to begin its operations, according to CACEX officials, came principally from firms who allegedly needed the release of investment deposits in order to make the local investments (buildings, etc.) necessary to enable them to utilize capital which they planned to import without exchange cover. The licenses for the importation of such capital, therefore, lay unused pending approval of applications for the use of "investment deposits". Because of the fact that the pressure was exerted in this manner, the press, either misunderstanding or over-simplifying the matter, reported that the Commission was established to speed up applications for imports without exchange cover. In preparing the item for the Bi-weekly the Embassy was guilty of relying too heavily on these press accounts.

It is hoped that the foregoing information will clarify the somewhat distorted picture presented in the cited bi-weekly item.

For the Ambassador:

Coordinating
Herbert K. May
Treasury AttachéRECEIVED
MAR 25 1961John Krisay
Second Secretary of EmbassyFILED
APR 4-1961JKrisay/mwo
REPORTER

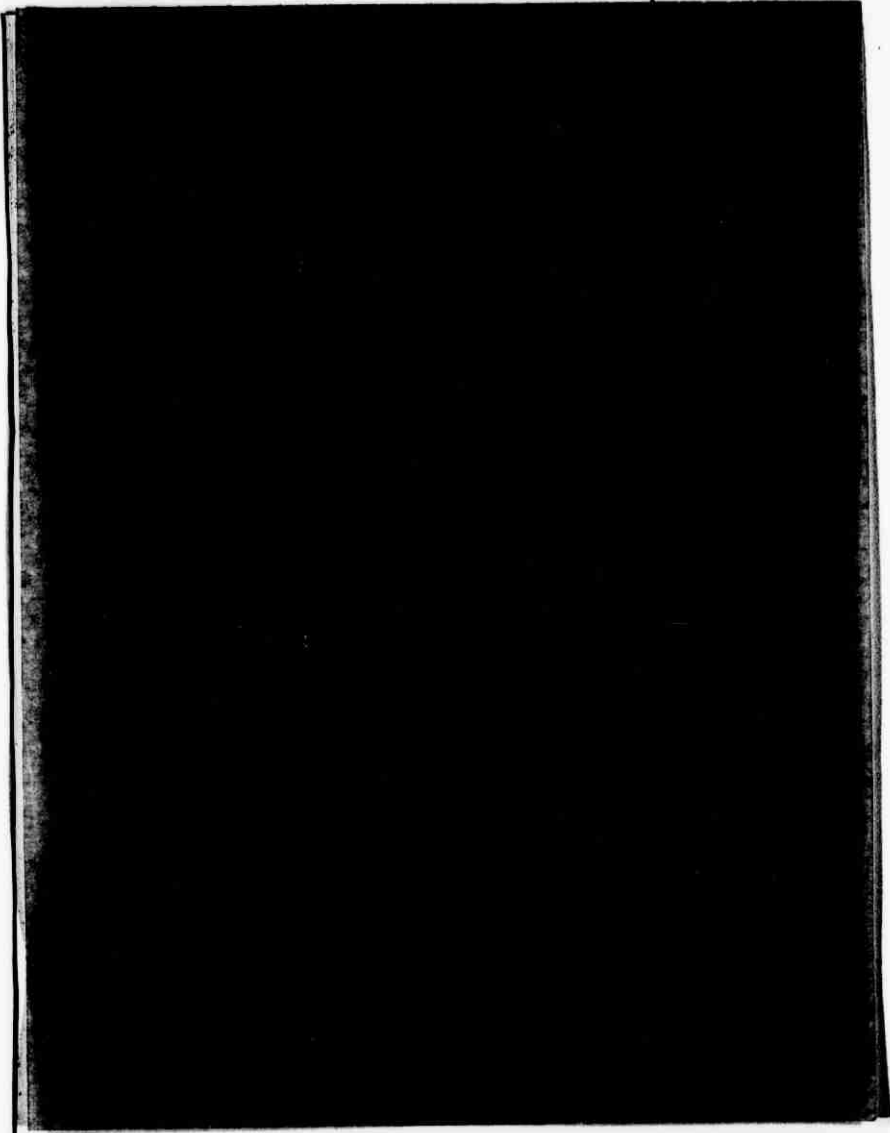
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The first part of the report is a general statement of the situation in the country. It is followed by a detailed account of the events of the past few days. The report is written in a clear and concise style, and it is easy to read. It is a good example of how to write a report of this kind.

The second part of the report is a list of the names of the people who were involved in the events. It is followed by a list of the names of the people who were not involved. This is a very important part of the report, as it helps to identify the people who were responsible for the events.

The third part of the report is a list of the names of the people who were not involved. It is followed by a list of the names of the people who were not involved. This is a very important part of the report, as it helps to identify the people who were responsible for the events.

The fourth part of the report is a list of the names of the people who were not involved. It is followed by a list of the names of the people who were not involved. This is a very important part of the report, as it helps to identify the people who were responsible for the events.

The fifth part of the report is a list of the names of the people who were not involved. It is followed by a list of the names of the people who were not involved. This is a very important part of the report, as it helps to identify the people who were responsible for the events.

RMR

April 25, 1961.

AT
832.0511/
832.1400
911.7332
932.73/

Dear Mr. Ladd:

In a message dated April 25 (telegram No. 2047 from our Embassy at Rio de Janeiro) Ambassador Elliot requested that both Brazilian Finance Minister Faria and Ambassador Faria Elliot be told of our concern about certain outstanding problems. Mr. Elliot has already spoken to Ambassador Faria Elliot about some of these matters.

There is an additional problem which I believe would be advisable to take up with Ambassador Faria Elliot and eventually with the Finance Minister. This is the long-standing Brazilian discrimination against American and other foreign shipping in the handling of Brazilian foreign trade. Attached is a short background paper on this problem.

Sincerely yours,

Walter Russell
Deputy Assistant Secretary for
Inter-American Affairs

Enclosure:

Memorandum entitled "Discrimination against U.S. Shipping Lines by Brazil."

The Honorable
John E. Ladd,
Assistant Secretary of the Treasury.

NO
LRA:RUC/S:RUC:trans:1m 4/26/61
S/c:CR:RUC

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Discrimination Against U.S. Shipping Lines by Brazil

In early 1958 the shipping relationships between the United States and Brazil had deteriorated because of restrictions being placed against the movement of cargoes by U.S. shipping lines. At a meeting held at Washington in April 1958, the shipping problems existing between the two countries were discussed at length and the representatives of the Government of Brazil agreed that the situation was a temporary one and that the opportunity for U.S. shipping lines to participate in cargoes moving between the two countries would be improved.

However, in early 1959 the Government of Brazil issued CONSU Regulation No. 144 which, in effect, reinforced the discriminations which had been practiced against U.S. shipping lines. The Government of the United States expressed its concern at the deterioration of our shipping relations and was informally advised that the Brazilian Government was studying this problem. However, in October of 1959, the Brazilian Government issued Decree No. 47865, which had the effect of further reinforcing and increasing the discrimination against U.S. shipping lines.

The Embassy at Rio de Janeiro has discussed these matters on numerous occasions with the appropriate officials of the Government of Brazil, but as yet has not received a satisfactory reply. Although the United States Government has been tolerant of the Brazilian Government's actions in these matters during the past several years, taking the attitude that the measures may be temporary in character, the evidence now seems to point toward stronger and more permanent regulations which will require action by the United States Government to protect its interests.

The United States has the authority, under Section 19 of the Merchant Marine Act of 1920, to issue the necessary regulating regulations to offset the discriminatory actions taken by Brazil. While we would prefer, for political reasons, to have the Brazilian Government voluntarily remove existing discriminations, there is considerable pressure from U.S. shipping lines to invoke the pertinent provisions of the Merchant Marine Act and to try to force to do so as we have in the case of other Latin American countries.

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AIR POUCH

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PRIORITY

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FOREIGN SERVICE DESPATCH

832.05100/5-2661

KR 832.131

FROM : AMEMBASSY, RIO DE JANEIRO

EST 1069

MAY 30 1961

KR 832.10

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 26, 1961

REF : CERP, Section D, V, A-1 & 4, April 3, 1957

DEPARTMENT OF STATE

20 For Dept. Use Only	ACTION REC'D 5-31-61	DEPT. IN OTHER Cm-4	RM/R-2 REP-1 INR-7 E-1 RA-11 JUNE 2 1961	INTER-AMERICAN AFFAIRS
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SUBJECT: Regulation of the Investment Commission Established in Articles 91, 92 and 93 of Law 3,470 of November 28, 1958.

The Investment Commission established by Law 3,470 of November 28, 1958, approved a Resolution, the translation of which is attached as enclosure 1, setting forth the rules for the examination of the requests submitted by taxpayers for the release of Investment Deposits.

This fund consists of deposits in the amount of 150% of their excess profits tax due which firms, at their option, may make in lieu of paying the tax itself. Under the terms of Article 91 of Law 3,470, the contributors could draw down these deposits for certain investments under the supervision of an "Investment Commission". The Commission has been slow in approving projects (in fact it met in January 1961 for the first time) so that almost no funds have been released as yet. As a consequence, few firms have taken advantage of this procedure. In fact, according to SUMOC sources, the total amount in the Investment Deposit Account after over 2 years of existence is only Cr\$700 million as compared with excess profit tax collections during that period of over Cr\$4 billion. In other words, only about 10% of total excess profits thus far have been committed to the fund. 1/

By spelling out more specifically the criteria for releasing these funds, it is apparently intended to facilitate consideration of applications and thereby, to encourage use of the procedure. The criteria even as spelled out in the resolution, however, are still vague in many respects and leave substantial leeway to the Investment Commission and to the BNDE which will act as secretariat for the Commission.

For example, the resolution provides that taxpayers' applications shall be accorded a preferential treatment when investment projects

1/ Cr\$700 million in deposits represents Cr\$467 million in actual taxes due.

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Page 1
Enclosure to
Despatch 1069
Rio de Janeiro

TRANSLATION

Source: Diario Oficial, May 3, 1961

INVESTMENT COMMISSION
Resolution No. 1

The Investments Commission enforcing the provisions set in paragraph 3 of Article 91 of Law 3,470 of November 28, 1958, and using the rights bestowed upon it by Article 92 of the same law, hereby resolves:

I - To make public that requests for the return of Investment Deposits submitted in accordance with Article 91 of Law 3,470 of November 28 shall be considered if outlined within the following provisions:

a) in the case of letter a of Paragraph 2 (application in their own business) in building or expansion of fixed installations and equipment in the following activities in addition to those listed under letter b below:

- 1 - production and marketing of essential consumer goods;
- 2 - the rendering of public utility services or services of immediate utility.

b) in the case of letter b of Paragraph 2 (application in priority sectors for the development of the national economy) in projects intended to:

- 1 - reequipment and expansion of the railroad network;
- 2 - reequipment and expansion of ports and navigation systems;
- 3 - building and expansion of plants and electric power system;
- 4 - setting up and expansion of basic industries;
- 5 - installation and expansion of public conveyance or transportation companies;
- 6 - building and expansion of warehouses, silos, slaughter houses and cold storage facilities;
- 7 - expansion of rural activities.

c) In no circumstance shall the Investments Commission consider requests for application or reapplication in activities concerning the production, trade or services of luxury goods or of those goods which however essential are in overproduction or with excessive capacity of production.

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position toward the private petroleum sector, even though such a position creates internal political difficulties. Thus we do not agree with Mr. Krutcho's contention that petroleum interests in Venezuela are in grave danger.

Aside from the special case of petroleum, the Venezuelan Government's policy on the role of the private sector in the economy, including foreign investors, has been developing favorably. The economic problems stemming from the decrease of private investment in 1966 have brought home to the Venezuelan Government the importance of obtaining a climate conducive to private investment. While the Venezuelan Government continues to favor direct Government participation in basic industries, such as petroleum, it is not deterministic in this respect. The Government's interest in promoting the private sector is evidenced by the fact that, despite financial difficulties, the Government's four year development program has allocations for considerable credit to the private sector.

Recognizing the limitations to locally generated private investment capital, the Venezuelan Government has made clear its position that it welcomes foreign private investment in those fields that will contribute to the development and diversification of the Venezuelan economy. Thus, the Government particularly encourages foreign and domestic private investment in the manufacturing industry.

I trust this information will be of assistance to you in replying to your constituent.

Sincerely yours,

John S. Highland 2d
Acting Assistant Secretary
for Congressional Relations

From Mr. Krotosh, Sept. 27, 1961.

FSD - Mr. Kamenberg (in draft)

RE: EST/1: SNEHOWITS: TAN 10-19-61

S/S-
OCT 23 1961
OCT 23 1961

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CONFIDENTIAL

-2-

The vote on the bill in the Chamber emphasizes (even if it does not accurately measure) the substantial sentiment in Brazil for regulatory action of some sort with regard to foreign investment. In view of the growing strength and influence of nationalistic elements in Brazil, it appears inevitable that the Congress will adopt some form of regulatory legislation in the not too distant future. Both the Quadros Government and the present government had supported moderate legislation covering profit remittances and investment in Brazil.

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INCOMING TELEGRAM

Department of State

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CORRECTION ISSUED:
8/23/62 - l.a.m. - DLW

Action

Control:

12657

Rec'd:

August 16, 1962

9:20 p.m.

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FROM: Rio de Janeiro - CORRECTED COPY

SS

TO: Secretary of State

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NO: 393, August 16, 6 p.m.

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Re Department telegram 294

Following latest in fast moving developments on profit remittance bill:

1. Senate substitute and original chamber bill was sent for separate consideration of three chamber committees. Economics committee has approved Senate substitute. Finance committee has approved version restoring four pernicious features original bill, namely (a) 10 percent limitation profit remittance (apparently on basis cruzeiro valuation original capital), (b) limitation annual repatriation to 20 percent, (c) creation investment council and (d) prohibition loans official banking institutions to foreign owned firms. Judiciary committee has not yet made its decision. There is considerable possibility that after all committees have reported there will be quick consideration on chamber floor.

2. Among delegation powers requested by Executive is short decree that would authorize regulation of foreign capital, including strict registry of investment and limitation profit remittance to 10 percent for "investment" and 8 percent for others. Question of how investment base would be calculated is not clear. In speech to chamber August 14, Brochado da Rocha stressed need to restrict "speculative process" through control foreign investment and profit remittances which "bleed our wealth and our energies". Said could no longer wait for congressional action on this problem.

② 3. After talk with Miguel Calmon August 3, representatives

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Department of State

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Control: 14198
Rec'd: AUGUST 18, 1962
7:25 PM

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FROM: RIO DE JANEIRO

Info

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TO: Secretary of State

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NO: 423 AUGUST 18.

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FOLLOWING FROM BRASILIA

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CHAMBER OF DEPUTIES APPROVED UNANIMOUSLY SENATE VERSION PROFIT REMITTANCE BILL REJECTING ONLY ARTICLE 31 AND SUBSTITUTING ARTICLE 22 ORIGINAL CHAMBER BILL WHICH READS "ANNUAL REMITTANCE OF PROFITS ABROAD SHALL NOT EXCEED 18 PERCENT OF VALUE OF REGISTERED INVESTMENTS". CHAMBER ALSO RESTORED ARTICLES 23 AND 24 OF ORIGINAL BILL WHICH READ "23 PROFIT REMITTANCES EXCEEDING LIMIT ESTABLISHED BY PRECEEDING ARTICLE WILL BE CONSIDERED RETURN OF CAPITAL AND DEDUCTED FROM, CORRESPONDING REGISTRATIONS TO AFFECT FUTURE PROFIT REMITTANCES ABROAD. SLE *PARAGRAPH: AMOUNT OF CAPITAL RETURNED SHALL NOT EXCEED 20 PERCENT OF REGISTERED CAPITAL 24 PROFITS IN EXCESS OF LIMIT ESTABLISHED BY ARTICLE 22 OF THIS LAW WILL BE REGISTERED SEPARATELY AS SUPPLEMENTARY CAPITAL AND WILL NOT BEAR REMITTANCE RIGHTS".

CHAMBER REJECTED EFFORTS RESTORE TWO OBJECTIONABLE AMENDMENTS PRESENTED BY CELSO BRANT ORIGINAL DRAFTER. BILL NOW NEEDS ONLY PRESIDENT'S SIGNATURE BECOME LAW.

GORDON

GDW

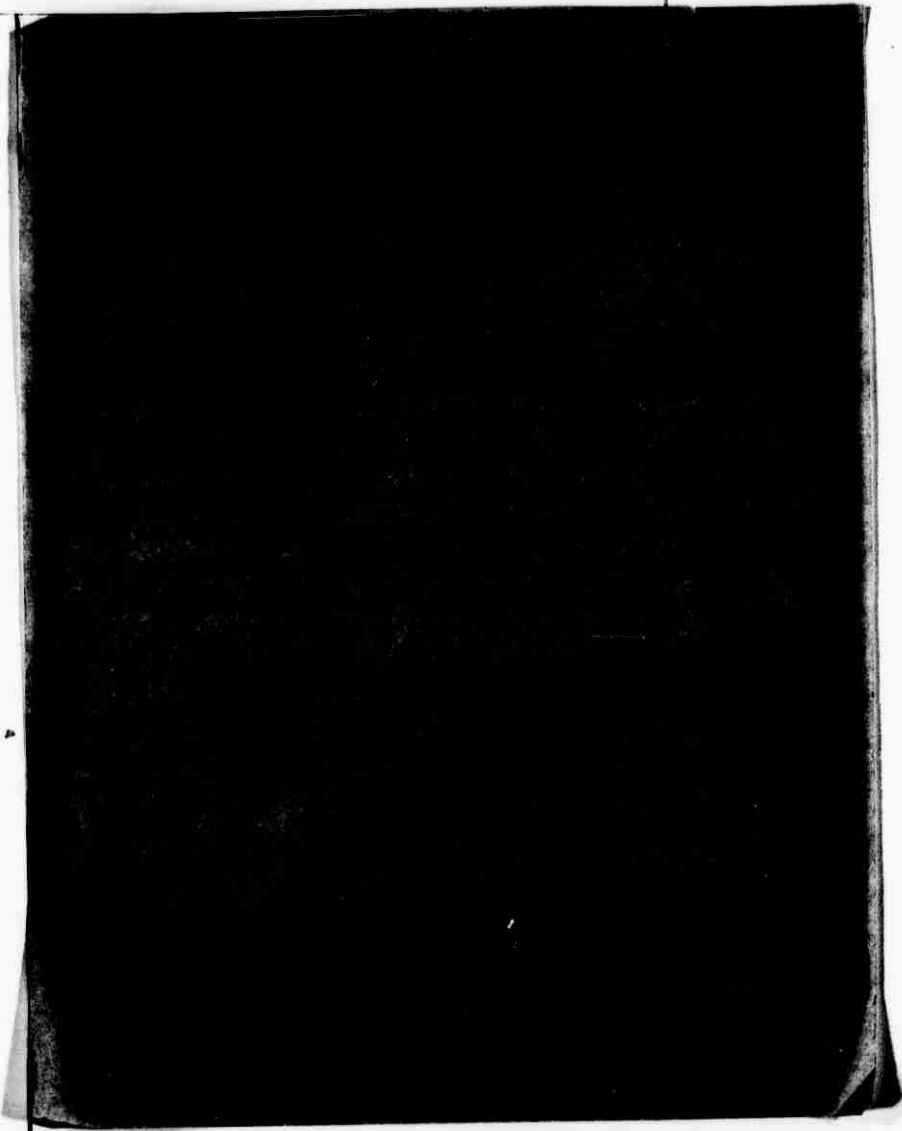
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INCOMING TELEGRAM

Department of State

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Control: 799
Rec'd: SEPTEMBER 3, 1962
5:42 PM

RIO 526

Action

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FROM: RIO DE JANEIRO

Info

SS

TO: Secretary of State

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SP

NO: 526, SEPTEMBER 3

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CAP

ACTION DEPARTMENT 526, INFORMATION BRASILIA 21

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AID

ON SEPTEMBER 1 GOULART RETURNED PROFIT REMITTANCE BILL WITHOUT SIGNATURE OR VETO TO PRESIDENT OF CONGRESS FOR PROMULGATION. UNOFFICIAL TRANSLATION OF TEXT OF NOTE ISSUED THROUGH PRESS SECRETARY FOLLOWS:

USIA

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NSA

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CEA

XMB

FRB

TRSY

"PRESIDENT OF REPUBLIC, AFTER HAVING SUBMITTED PROJECT OF LAW CONCERNING PROFIT REMITTANCE FOR STUDY BY TECHNICAL COMMISSIONS AND HAVING HEARD RESPONSIBLE ADMINISTRATION ORGANS, DECIDED TO FORWARD IT, IN ACCORDANCE WITH CONSTITUTION, FOR PROMULGATION BY CONGRESS, ALTHOUGH RECOGNIZING IN IT IMPERFECTIONS AND CONTRADICTIONS WHICH, NEVERTHELESS, CAN BE CORRECTED.

RMR

"IN NUMEROUS PRONOUNCEMENTS, NOTABLY IN HIS MESSAGE THIS YEAR TO NATIONAL CONGRESS, PRESIDENT ALWAYS ADVOCATED A LAW WHICH, WHILE REGULATING SUBJECT, MIGHT ABOVE ALL DEAL WITH SELECTION OF FOREIGN INVESTMENTS IN COUNTRY.

"IN ABSENCE OF THAT KIND OF A LAW, AND GIVEN POSITIVE ASPECTS OF PROJECT, PRESIDENT CONSIDERED IMMEDIATE PROMULGATION OF A REGULATORY STATUTE MORE DESIRABLE FOR NATIONAL INTEREST THAN MAINTENANCE OF PRESENT DISORGANIZED SITUATION.

"NATIONAL CONGRESS WILL CERTAINLY IMPROVE PROJECT WHICH IT WORKED OUT IN ORDER TO ENCOURAGE PRODUCTIVE INVESTMENT AND HAVING IN VIEW AT ALL TIMES HARMONIOUS PROCESS OF DEVELOPMENT IN BRAZIL'S ECONOMIC EMANCIPATION."

JT/21

GORDON

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INCOMING TELEGRAM

Department of State

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42-41
Action

Control: 7846

Rec'd: May 11, 1962

1:55

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Info

FROM: Rio de Janeiro

SS

TO: Secretary of State

SR

NO: 2658, May 10, 7 p.m.

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PRIORITY

DEPTEL 3213

Governor Ney Braga's statements quoted reference telegram unfortunate in containing implication properties might be expropriated as do not consider this likely. ITT properties Parana will be included over-all solution discussed paragraph 4 below. In addition recent decrees and actions GOB indicate federal government will intervene any such case in which expropriation threatened or imminent, as was done in CTB properties. Where federal approval is required do not believe federal authorities will give it. President Goulart told Ambassador March 8 Brizola is pressing for federal approval expropriate Pelotas property American and Foreign Power but it will not be given.

Comment on numbered paragraphs as follows:

1. Meeting with Foreign Minister, Minister Finance referred to penultimate paragraph Embassy telegram 2565 arranged for this evening. Delay in arranging this meeting has been due inability ITT fully develop own position on Foreign Ministers proposals at April 30 meeting. Only this morning was Embassy informed by ITT representative Rio that ITT is ready proceed with meeting with Foreign Minister. It is contemplated that following meeting this evening ITT officials will undertake negotiate loan agreement with Bank of Brazil in accordance with principles established at ministerial level and that Embassy will re-enter negotiations

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FROM: RIO DE JANEIRO
TO: Secretary of State
NO: 2934, JUNE 13

Control: 9864
Rec'd: JUNE 13, 1962
5:07 PM

tel to Rm 6-19-62
EST/B-RC

attach?

IN CONNECTION CHRONIC CRITICISM HERE OF FOREIGN INVESTMENT, WHICH IS MAJOR THEME NATIONALIST GROUPS, WOULD BE MOST USEFUL HAVE SUMMARY MATERIALS ON STRENUOUS EFFORTS EUROPEAN COUNTRIES TO ATTACK AMERICAN INVESTMENT. I AM PLANNING MID-JULY SPEECH TO NATIONAL JUNIOR CHAMBER OF COMMERCE GROUP MEETING BRASILIA, IN WHICH WOULD LIKE USE SUCH MATERIAL. COULD YOU POUCH BEFORE JUNE 25 SUMMARY INFORMATION, PERHAPS INCLUDING BROCHURES FOR ATTRACTING INVESTORS, FROM UK, COMMON MARKET COUNTRIES, SCANDINAVIANS, ETC.

IF READILY AVAILABLE, WOULD ALSO BE USEFUL TO HAVE SOME MEASURE OF RELATIVE IMPORTANCE FOREIGN (NOT MERELY US) INVESTMENT IN ECONOMIES THESE COUNTRIES, WITH COMPARABLE MEASURE FOR BRAZIL. DO NOT HOLD UP OTHER MATERIAL PENDING THIS, WHICH I KNOW MAY BE DIFFICULT.

GORDON

JT/22

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Cong. 3425

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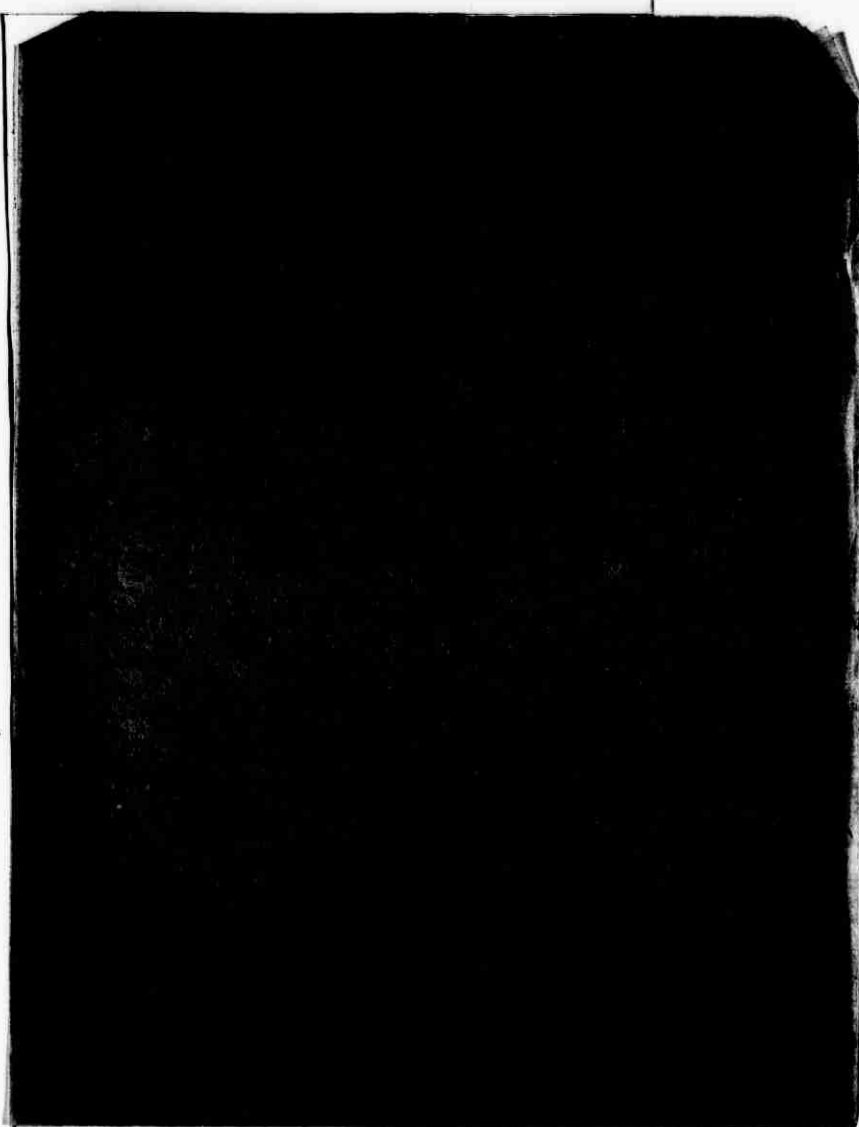
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NO: 3081, June 29, 9 p.m.

In deathbed order dated June 14 and published DIARIO OFICIAL June 15 and June 19 (corrections) late Minister Mines and Energy, Gabriel Passos, stated certain mining concessions granted with irregularities, therefore ordered Department Mineral Production cancel said concessions. Minister further ordered concessions be granted only to companies whose majority stock owned by GOB. Passos died June 19.

Discussions with officials Companhia de Mineracao Novalimense, Hanna subsidiary, indicates this is firm primarily hit by action which apparently refers to certain St. John Del Rey properties acquired 1938. Novalimense President Lucas Lopes talked with Tancredo Neves who agreed to let Lopes have sight access to GOB files on case. Hanna officials contacted Ambassador Campos in Washington. Buford Vice President Hanna arrived Rio Tuesday June 26 from Cleveland. All officials contacted feel strongly every legal right their side and already questions of legality of order raised. Hanna is prepared institute legal action but pending such action is continuing mining and development for expanded production.

Other iron-mining companies apparently involved because of lease or property transfer from original St. John Del Rey land include principally Mannesman Botuca property (German), Antunes interests Pico Itabirito (Brazilian) and Icomi Jangada property (Brazilian-American). Complete information number and extent still unclear.

Held meeting Thursday evening June 28 with Buford and

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ACTION ASSIGNED TO NAME OF OFFICER & OFFICE SYMBOL	ACTION DATE BY OFFICE SYMBOL	DIRECTIONS TO
ARPA EST/B	7/2/62 HKN	file

ACTION ASSIGNED TO ARIA	ACTION TAKEN tel. drafted 7/2/62 HKW	DIRECTIONS TO RM/R file
NAME OF OFFICER & OFFICE SYMBOL EST/B	DATE OF ACTION 7/2/62	

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32

INCOMING TELEGRAM

Department of State

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38-H

CONFIDENTIAL

Action

Control: 10506

COPIES REC

NUMBERED

Rec'd: July 15, 1962

1:55 P. M. JUL 15 AM 6

ARA

FROM: Rio de Janeiro

Info

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TO: Secretary of State

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NO: 140, July 14, 5 P. M.

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PRIORITY.

Following from Brasilia. 8/3/62 0511

Embassy telegram 3087 and A-14.

Senate Special Session yesterday unanimously approved compromise profits remittance bill drafted by mixed Commission Deputies and Senators. Now goes to Chamber for final action. Senate action was unexpected. This does not mean Chamber will necessarily act on measure before October elections, but chances for such action considerably better than anticipated basis Senator Mem De Sas statement mentioned reference telegram that agreement exists not to consider it before that time. Embassy would now say this memo has as much chance of passing as any legislation which Chamber may pass between now and October which is not much unless another political crisis brings back large number Deputies to Brasilia who are leaving rapidly after Cabinet approval to undertake campaigns.

GORDON

mbk

reclassified by 1002

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ACTION ASSIGNED TO: RPA/EST/B	ACTION TAKEN: mm	DIRECTIONS TO RM/R: Lili
NAME OF OFFICER: J. W. Wilson	DATE OF ACTION: 7/19/62	
OFFICE SYMBOL: J. W. Wilson		

832.05-100/7-1462

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JUL 20 12 15 PM '62

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INCOMING TELEGRAM

Department of State

PERMANENT RECORD COPY

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 271, August 2, 5 p.m.

PRIORITY

EMBTEL 260 192,05111

Latest developments CCB case, which consist action AMFORP several fronts, as follows:

AMFORP at request Foreign Minister prepared and delivered to him yesterday letter to Prime Minister presenting in clear and forceful terms what happened Vitoria, stressing illegality whole procedure, and expressing confidence in action GOB would take. Copy letter and expropriation decree being pouched.

Most encouraging report is that Minister Mines is sending official Division of Waters to Vitoria to undo illegal takeover company. This is reversal first reaction Minister Mines to cable Rodrigues sent him July 31 which was matter very complex and not clear what could be done.

AMFORP is pressing State Supreme Court for injunction and company official has discussed case with Antonio Balbino, Consultor Geral and close advisor President Goulart.

GORDON

TRT

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ACTION ASSIGNED TO	A R P	ACTION TAKEN	Telegram re Mines - 50 sent
NAME OF OFFICER	EST/13	DATE OF ACTION	8/2/62
OFFICE SYMBOL	EST/13	DIRECTIONS TO RMR	file

RIO 271

832.05111/8-262
RR 832.05100

1081

2/ **Office Memorandum • UNITED STATES GOVERNMENT**

TO : MR. - Ray H. Cason

DATE August 8, 1964

FROM : L/E - Hans H. Gagnon

SUBJECT: Proposed Brazilian Profits Remittance Bill

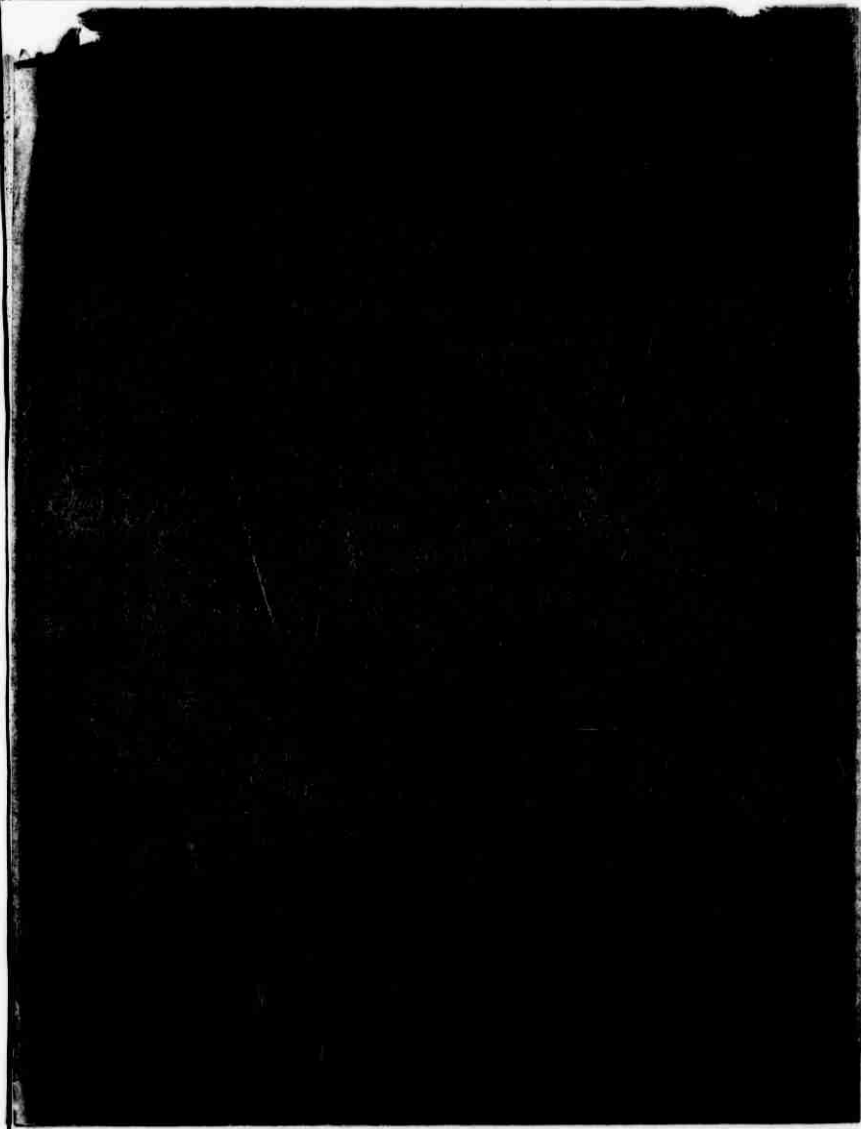
The Willys Motor Co., which requested an interpretation by the Department of Article 14 of the proposed profits remittance bill now before the Brazilian legislature, would be better advised to seek an interpretation by the Brazilian Government agency responsible for such matters. It might also be useful to the company to consult Brazilian lawyers who might be able to provide an interpretation based on relevant Brazilian law and practice and on the legislative history of the bill in question.

However, the following comments might be useful in response to the company's request, although it should be stressed that they are suggestions drawn merely from the language of the bill and assumptions as to the purpose of Article 14.

The purpose of Article 14 appears to be to prevent a foreign owner of a Brazilian enterprise from receiving more than the rate of profit remittable under the bill. In the absence of Article 14, the foreign owner could attempt to avoid the remittance level prescribed by the bill by the device of licensing patents and trademarks to its Brazilian enterprise, thus receiving royalties in addition to profits. Therefore the article applies only where the foreign owner, or part owner with a major share in the enterprise, is also the recipient of such royalties. The article clearly would not apply where there was 100% foreign ownership and where royalties were paid to foreign patent or trade mark holders but where the owner was not itself the recipient of the royalties. The article also would not apply where the foreign recipient of royalties was an owner but of only a small share of the Brazilian enterprise. The difficult question is what constitutes a "major part of the capital of the Brazilian establishment." Presumably an owner could not arrange the royalties device unless it controlled the Brazilian enterprise and therefore it would seem reasonable that the term "major part of the capital" would be interpreted to mean a controlling interest. The percentage of ownership which amounts to a controlling interest of course varies from case to case. In the Willys case, apparently there is over 50% United States ownership divided into 30% Willys ownership and over 20% other United States ownership. If Willys

3/ L/E: MH Gagnon:mlh

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INCOMING TELEGRAM

Department of State

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38-H

Action

Control: 17875

Rec'd: August 23, 1962 PM 2
12:04 p.m.

ARA

FROM: Paris

Info

SS

TO: Secretary of State

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NO: 931, August 23, 3 p.m.

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ACTION DEPARTMENT 931, INFORMATION RIO DE JANEIRO PRIORITY 8.

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Reference: DEPTTEL 1108 and Rio De Janeiro 48 to Department.

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RMR

Embassy officer caught Moreira Salles on phone just as latter leaving hotel to catch train. Salles said he had discussed profits bill by phone with his Under Secretary, that he didn't think articles 31 and 32 too serious and that he believed it would be better solve problems "politically rather than by veto". By this he meant introduction new bill into Brazilian Congress between September 10 and 15. He added soundings with various political groups, he understood, indicated action would be favorable.

Regret circumstances made it impossible pursue matter further but Salles returning Paris 28 and said he would be glad receive Embassy officer at that time if we so desired. Please instruct.

LYON

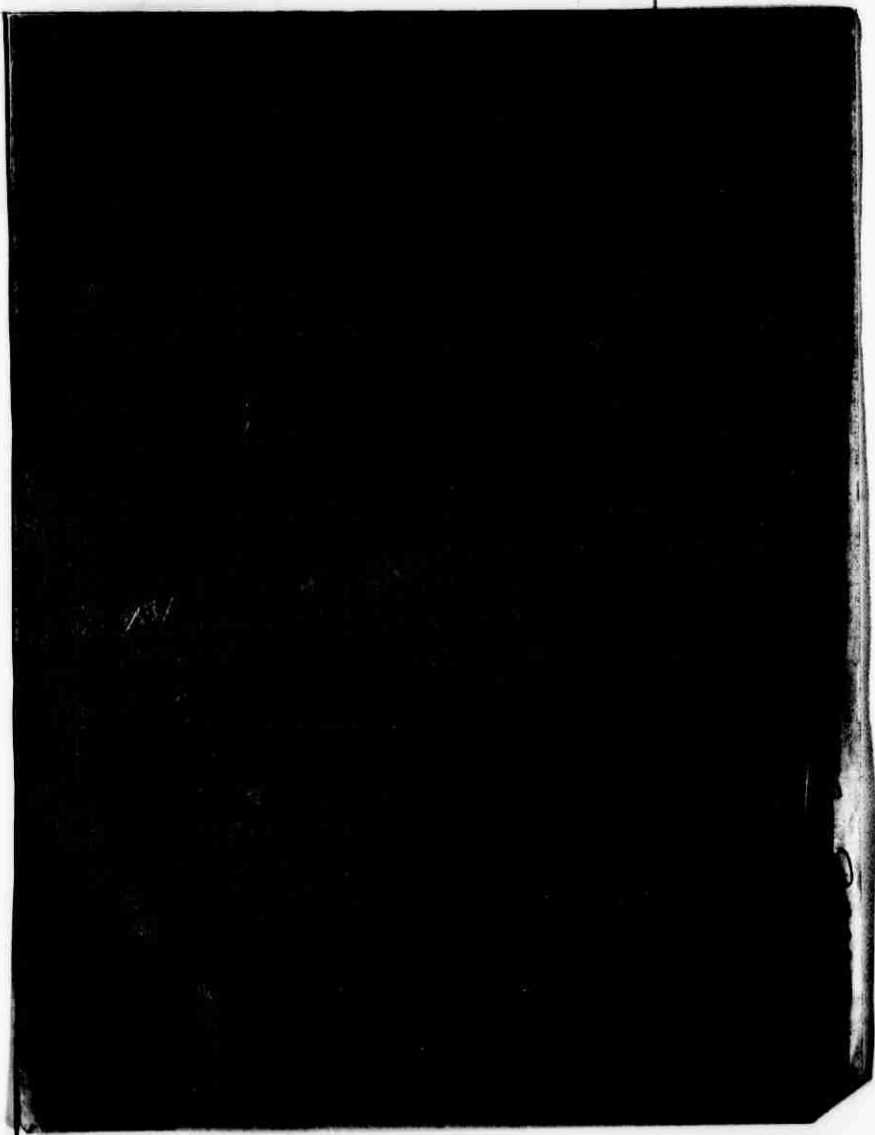
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ASSIGNED TO:	NAME OF OFFICER	DATE OF ACTION	DIRECTIONS TO RM/R
OFFICE SYMBOL			

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32

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

CONFIDENTIAL

Classification
VERBATIM TEXT

15410

NOV 27 12 39 PM '62

Origin: ACTION: Embassy RIO DE JANEIRO 562 (PRIORITY)

Editor:

Embels 451 and 455

We are thinking of following as response to press or as official statement on profit remittance bill: QUOTE It would be inappropriate for USG to comment on legislation respecting the internal affairs of another country. However, insofar as private foreign investors find terms of profit remittance bill make investment Brazil unattractive it would become obstacle to inflow of capital. Brazil along with other countries of hemisphere agreed at Meeting of Foreign Ministers at Punta del Este INNERQUOTE That the preservation and strengthening of free and democratic institutions in the American republics require, as an essential condition, the prompt, accelerated execution of an unprecedented effort to promote their economic and social development for which effort the public and private, domestic and foreign financial resources necessary to those objectives are to be made available, in accordance with the provisions of the Charter of Punta del Este END INNERQUOTE. ENDQUOTE

We would appreciate your comments and suggestions as to such response or statement and its timing i.e. should it be made only after Chamber bill becomes law?

Advise immediately when bill becomes law.

RUSK

EST/S:RHC

ARA:EST:RBurton

8/24/62

Telegraphic transmission and classification approved by:

ARA - Mr. May

Comments:

P: Mr. Phillips

CONFIDENTIAL
Classification

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RIO 562

832.10/8-23-62
R 832.05100

1094

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

CONFIDENTIAL
Classification

15456

Jun 27 2 58 PM '62

ACTION: Embassy RIO DE JANEIRO 563

Date
Info

Embtel 451. Department appreciates your concern about signing investment guaranty agreement with while profit remittance question unresolved. However, in view long history negotiations and possible difficulties involved in reviving Brazilian interest in agreement, believe it would be in our interest proceed with signing whenever Brazilians are prepared to sign. Even if agreement signed we would be under no obligation issue guaranties until such time as conditions favorable such action.

Embtel 469. Department preparing information re status foreign assets in U.S. Should investment Guarantee agreement be signed soon this may present opportunity make clarifying statement with respect to investment guarantee provisions as well as U.S. policy regarding release of information on private foreign holdings in U.S. In any case reply to Embtel 469 will provide suggestions on nature and method of Embassy announcement.

AA/DFPE

End

RUSK

(3)

EST/SECURITY are subw 8/25/62

Telegraphic transcription and classification approved by:

ARA - Mr. May

Checked: ARA: EST/SECURITY (Mr. F. T.)
E - Mr. Palmery

AID - Mr. Poyser

CONFIDENTIAL
Classification

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FORM 5-61 DS-322

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32
INCOMING TELEGRAM

Department of State

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Action

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 455, August 23, 5 p.m.

PRIORITY

Embassy telegram 451 — *Henry*

In early hours August 23, Senate approved new bill designed to supersede provisions Articles 31-33 profit remittance legislation approved by Chamber.

Calmon has told representative US business community no regulations would be issued under present provisions, until new Senate bill acted upon. Goulart will now presumably sign present bill, if has not yet done so.

GORDON

DLH

Control: 18360
Rec'd: August 23, 1962 52
6:38 p.m. *578*

INFO:
RM/R FILES

July 28/82

832.10/8-2362
18832.05100

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NAME OF OFFICER	DATE OF ACTION	
OFFICE SYMBOL		

1096

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NUMBER:

Control:19573

Rec'd: August 24, 1962 31

9:29 p.m.

FROM: Rio de Janeiro

Info

TO: Secretary of State

SS

NO: 469, August 24, 8 p.m.

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Ever since passage by Chamber of profit remittance bill in November, 1961, providing for registration private Brazilian holdings abroad, Embassy had been made aware nervousness on part some Brazilians about possibility US Government might in some way help GOB obtain information on bank deposits and other assets Brazilian nationals held in US, Representatives US banks passing through Rio early this year reported some movement Brazilian accounts from US to Switzerland and other havens considered more reliable.

Recent completion Congressional action on profit remittance legislation has apparently given new impetus to fears Brazilian depositors in US. These fears encouraged by articles in BOLETIM GAMBIAL and other papers in recent days alleging proposed investment guarantee agreement contains provisions under which US Government would divulge ownership Brazilian holdings in US. Embassy has tried informally get correction in BOLETIM GAMBIAL, but that news letter has merely carried accurate summary investment guarantee provisions without directly contradicting its previous statement on deposits in US and a further statement that France and the US have an agreement under which information of this type is exchanged.

Number of reports on public confusion this general problem have come to Embassy attention. Local representative Chase Manhattan told Embassy Brazilians in last few days accelerating transfers deposits from head office in New York to other countries. He has urged official statement correcting false

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

1197

INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

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Action

UNCLASSIFIED

NUMBERED

Control: 21363

Rec'd: August 28, 1962

8:00 a.m. 11

ARA

Info

FROM: Paris

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TO: Secretary of State

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NO: 1003, August 28

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ACTION DEPARTMENT 1003, INFORMATION RIO DE JANEIRO 9

After predicting President Goulart will sign into law without change pending Brazilian bill on foreign investment, newsletter CORRESPONDANCE ECONOMIQUE August 27 says European business circles do not consider its provisions as threat to rights of foreign capital. Cites views of "representatives of several large French enterprises" in Brazil, who say that for long time now their remittances of profits in any case well under 10 percent contrasts European attitude with agitation reportedly reigning among U.S. business interests in Brazil.

LYON

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NAME OF OFFICER	DATE OF ACTION	
OFFICE SYMBOL		

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TOLIMITED OFFICIAL USE
Classification

00365

Oct 15 7 35 PM '62

Origin: ACTION: Amembassy RIO DE JANEIRO

971

Info:

Marcilio Moreira arriving Rio Varig October 17. Wishes see Ambassador
 soonest deliver documents and message from Campos. Purpose visit is to
 assist in working out solutions IT&T, ANFORP, SULXICO, Profit Remittance
 problems prior Presidential visit.

END.

RUSK

832.10/10-15-62

XAF 34-05111
832/05100

(3)

Dated by: ARA:EST/8:10/15/62

Telegraphic transmission and
classification approved by:

ARA:EST - Mr. Wellman

Classification:

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OS-322

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AM/AN

October 22, 1962

Dear Mr. Ealngoyen:

I thought you would be interested in the following excerpt from a speech read by Public Affairs Adviser John F. King for Assistant Secretary Martin before the National Association of Manufacturers at Chicago on October 16:

"In this connection, let me say a word about the recent Brazilian decree concerning purchase by that government of foreign owned public utilities there. The State Department is aware of concern expressed in the American business community about this decree. It establishing a three-man Commission to prepare a list of the utilities to be taken over and to negotiate with the companies on conditions and procedures for indemnification of shareholders.

It has been apparent for some time that the conditions under which the utilities are operating in Brazil are by no means satisfactory to either Brazil or the foreign owners. President Kennedy discussed this general problem with President Goulart on his recent visit to Washington, and expressed interest in a program outlined by the Brazilian President by which these investments could be liquidated on a basis that was fair and equitable to all. He did not, however, approve in advance the particular approach embodied in the Brazilian decree.

In fact, the United States government has not yet taken any position on the decree, and could not do so until particular compensation arrangements are formulated in detail. Some buy outs along these general lines have proved highly satisfactory to investors; others have not. Each case will depend on its particular circumstances. Our ambassador in Brazil will be keeping in close touch with the situation to see whether he can be helpful in ensuring that the plans worked out meet the standards I have just outlined."

Sincerely yours,

HWH

Harvey R. Wellman
Director
Office of East Coast Affairs

Mr. E. W. Ealngoyen,
Executive Vice President,
American and Foreign Power
Company, Incorporated,
100 Church Street,
New York 7, New York.

APPROVED/10/22/62

U/10. *W*

832.05111/10.2262
NR 832.05100
W 832.2614

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E. M. GREENWOOD, PRESIDENT

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1960 JAN 27 AM 8 24

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RM/R FILES January 20, 1960

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Mr. John S. Hogland II
Deputy Assistant
Secretary of State
State Department
Washington, D.C.

Dear Mr. Hogland,

Referring to your letter of September 12, 1957,
to "Scoop Jackson", I am here by taking the
liberty of sending you the enclosed new
suggestions.

Do you see any signs of improvement?

Best regards,

E. M. Greenwood
E.M. Greenwood

EMG:B

832.0511/1-2060 CS/W

Only documents must be returned
to the Public Control Unit.

FILED
JAN 29 1960

832.0511/1-2060

encl.

1138

Mr. Robert Murphy--page 2.
1-14-60

A \$1,000 bond purchaser would, in effect, be buying the profit potential in 400 acres of undeveloped Brazilian land. It would be comparable to buying 400 acres of our land west of the Mississippi 150 years ago. You know what this land is worth now on the over-all average. Any land purchased in Brazil now for \$2.50 per acre, with development would certainly be worth many times this figure in the next 25 years.

Whether we would want to go further and give the Brazilian government a percentage of the enhancement in value is a detail to be determined. In order to make the deal more acceptable from the nationalistic standpoint this could be done.

There are many billions of dollars of private investment funds available, not only in this country but all over the world. The bonds could be called Peace or Development Bonds, and with proper planning from the top (publicity, pictures, etc.) these bonds could be marketed at the rate of at least one billion dollars per year. This would pay Brazil the 50 million dollars per year Land Development Contract commitment, plus the money necessary to settle the refugees, roads, schools, houses, etc., and have enough left over to work the same deal with Argentina, Uruguay, Chile and any other country desirous of jumping on the band wagon.

There are many details to the over-all plan far too numerous to relate here. I have spent the last thirty years of my life buying cheap land and selling it for many times the original purchase price. I feel the same principle can be worked out on a much larger scale internationally. All these underdeveloped countries are land poor. They want their land developed and more citizens to populate these areas. This in turn will put them on a self-supporting basis, which is as it should be. What better way is there to solidify our relations with South American countries permanently than to help them develop their own areas and stand on their own feet.

The only trouble with the whole plan is its size and scope, and unless one has eaten, slept and dreamed about it as I have, at first glance it seems incomprehensible. It is big, but I know it is feasible because it is based on the soundest of all assets in the world--LAND.

1140

(Classification)

Page 3 of
Encl. No. 2
Disp. No. 1211
From Amembassy, Rio

Other countries in South America will be invited to participate, on a proportionate scale, in the development of their dormant land areas, working the same plan presently being offered to Brazil. Ample money will be available for this purpose. Spending of these funds will prove a boon to the business economy of all participating nations by the purchase of materials and machinery, thus providing more payrolls, more business and more profits for all concerned.

By the development of previously dormant areas newer and greater markets for the products of participating nations will come into being, thus increasing income and prosperity for all. The economy of all South American nations shall particularly be enhanced.

Thousands of immigrants seeking new horizons and opportunities can be made happier each year by giving them a new life of security and contentment, new hopes and ambitions. They need South America and South America needs them.

It is the hope of ILDACC that our program will do much to preserve world peace, and that we will receive full cooperation from all South American Governments in this, The World's largest land and humanitarian program - constructively based on the soundest of all foundations --- LAND.

Respectfully submitted.

E. M. Greenwood.

Hotel Copacabana Palace
Apartamento 106
Rio de Janeiro, Gb.

1168



DEPARTMENT OF STATE INSTRUCTION

Mr 1265

LIMITED OFFICIAL USE 1265
(Security Classification)

FOR RM/R USE ONLY

NO. A-18 July 15, 1960

SUBJECT: Proposal of E. M. Greenwood for a Land Development Program in Brazil

TO: The American Embassy RIO DE JANEIRO

Reference is made to the Department's telegram 1511, May 27, 1960, and to the Embassy's despatch 1211, June 9, 1960, concerning the proposal of E. M. Greenwood, of Seattle, Washington, for a land development program in Brazil. The Embassy's despatch transmitted a copy of a letter of June 6, 1960, from Mr. Greenwood to President Kubitschek as well as other documents left with the Embassy by Mr. Greenwood.

Mr. Greenwood has also sent the Department a copy of his letter to President Kubitschek. In addition, he has provided two memoranda which appear to be revisions of the other Greenwood papers transmitted by despatch 1211. For convenience in keeping the records, all three documents recently received by the Department from Mr. Greenwood are transmitted as enclosures to this instruction.

One of the documents recently supplied the Department by Mr. Greenwood, the financial memorandum, includes a paragraph reading as follows:

"Also, legislation to increase the capital of the Development Loan Fund (DLF) is contemplated in order that matching funds will be made available for our use. We also expect full cooperation and financial support from the International Monetary Fund, International Bank for Reconstruction and Development, Export-Import Bank, International Cooperation Administration, and the International Development Corporation."

Neither the Department of State nor any other United States agency referred to in the paragraph under reference has endorsed Mr. Greenwood's plan or given him any reason to believe that it would be endorsed. The Department continues to have serious doubts as to the feasibility of various phases of the Greenwood plan. The Embassy may use this information in any way it considers appropriate.

Enclosures: As stated.

REITER

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(Security Classification)

DRAFTED BY: *awh*
ARA: EST/BIAM/... 7/15/60
CLEARANCES: E/ED - Mr. Rendall
SCA/CRM - Mr. Lent

APPROVED BY: *Anton W. Hamba*
EST/B - Mr. A. W. Hamba
ICA - Mr. Hanrahan
DLF - Mr. Zimman
EX-IM Bank - Mr. Pollack

JUL 15 1960 P.M.

JUL 15 1960 PM

1169

DRAFT

Dear Mr. Greenwood:

In the absence of the Vice President, I wish to acknowledge your letter of July 1, 1960, regarding your land development plan for Bynell. I have been informed that the Department of State will write to you directly in regard to your plan.

Sincerely yours,

Mr. E. H. Greenwood,
Northwestern Mutual Insurance Building,
217 Pine Street,
Seattle 1, Washington.

ARA:NT/d: [initials] 8/2/60
[initials]

DRAFT

AM. 832.05111/7-160

HG

1173

7
7-16 RMR.

In reply refer to
AMH/5

July 13, 1960

Dear Mr. Greenwood:

This acknowledges the receipt of your letters
dated July 1, addressed to Under Secretary Miller,
Assistant Secretary Robinson, and Mr. Sutherland, and
of your letter dated June 30 addressed to me. Copies
of the letters, and of the enclosures, are being sent
to appropriate officials in the Department for their
information.

Sincerely yours,

Alton W. Burns
Officer in Charge of Brazilian Affairs

RM/K
Incl. 57
Rev.
Det.

Mr. E. H. Greenwood,
Northwestern National Insurance Building,
227 Ohio Street,
Suite 1, Washington.

cc: Agriculture - Mr. P. Ferree
Commerce - Mr. Shartvedt
DIF - Mr. Wirth
CRM - Mr. Lent
ICA - Mr. Hannum
E - Mr. Rendall
S/S - RO - Mr. Zachary
Sub. Rec. to Finance

88
7/12/60 ARA:EST/S:AMHamba:eg 7/11/60
RWT

S/S CR
JUL 12 1960 P.M.

GENEVA 2056

NORTHWESTERN NATIONAL BUILDING

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SEATTLE WASH.



Return to
ARA/EST-B
E. M. GREENWOOD, PRESIDENT

832.05111/7-160
11/10

July 1, 1960

The Honorable Douglas Dillon
The Under Secretary of State
Washington, D. C.

My dear Mr. Under Secretary:

Thank you for setting up the meeting with Mr. Hemba for me, on Wednesday, May 25th.

Enclosed is a copy of my letter and memorandum to President Kubitschek. The program I suggest should eliminate much of the economic aid to Brazil and other South American countries. I hope it meets with your approval.

Sincerely yours,

E. M. Greenwood
E. M. Greenwood

EMG:P
Enclosures

ack. Aug 11 7/11/60
EST: Au Hemba

Mr. P.
59
Mr. T.
Mr. C.

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GENEVA 2200

E. M. GREENWOOD, PRESIDENT

NORTHWESTERN MUTUAL BUILDING

THIRD AT PINE

NATTLA WAY



Rio de Janeiro,
June 6, 1960.

President Juscelino Kubitschek de Oliveira
Brasilia, D.F.

Dear Mr. President:

I propose a Land Development Contract with your country for the development and colonisation of 250,000,000 hectares of presently undeveloped, unpopulated land. (Vast land areas throughout Brazil that will not be touched for many years unless large-scale financing and development is inaugurated.)

For such a Land Development Contract, the INTERNACIONAL LAND DEVELOPMENT AND COLONIZATION CORPORATION (ILDACC) will pay to the Brazilian Government US\$50,000,000.00 (fifty million dollars) each year and continue such payments for twenty five years making a total of US\$1,250,000,000.00 (one billion two hundred fifty million dollars).

The areas involved will be on a basis of every other mile or kilometer section. One section remains Government land, the adjacent section will be developed under our Land Development Contract. The fee ownership of which (sections) at all times to be retained by your Government.

This method will afford Brazil additional advantages. The present undeveloped land you hold will be interwoven (checker-boarded) with the areas under our proposed Land Development Contract. The roads, schools, hospitals, water and the electrical systems we build will benefit your areas. Western U.S.A. was successfully developed by our railroads along the same plan. Land that was worthless became marketable and our Government benefited in its enhancement in value by retaining every other section.

With the US\$50,000,000.00 (fifty million dollars) annual payment to your Government our Corporation will agree, (subject to your acceptance and approval) to bring in for colonisation and Brazilian citizenship 50,000 desirable immigrants from Europe each year. To cover the expenses of these immigrants, their transport-

1176

the next twenty-five years, thus affording a 300% increase, or a little over \$135,000.00 net profit on each \$45,000.00 investment.

\$1,800.00 per year invested in the U.S.A. for twenty-five years, with comparable security, would not average more than 5% per annum or a total of \$30,000.00 profit. Therefore the potential in Brazilian LAND DEVELOPMENT CERTIFICATES greatly exceeds other investments (\$135,000.00 versus \$30,000.00). The security factor of LAND DEVELOPMENT CERTIFICATES is comparable to sound mortgages on U.S.A. property. The land involved can never be worth less than the original \$5.00 per hectare (\$2.00 per acre), but has a great potential of averaging \$20.00 and possibly more.

It is our plan that the large amounts of interim money set aside for payroll and expenditures within Brazil will be deposited in Brazilian banks, thus creating more loan and mortgage funds for Brazilians at lower interest rates. This should have some effect on the stabilization of the Brazilian cruzeiro.

The Brazilian Investment Program will be limited to 100,000 Certificates.

100,000 Certificates @ \$1,800.00 per year	= \$ 180,000,000.00
Annual Commitment to Brazil	= <u>175,000,000.00</u>
Administration Expense Limited to 3%	\$ 5,000,000.00
Total 25-year Commitment (100,000 x \$45,000)	= \$4,500,000,000.00

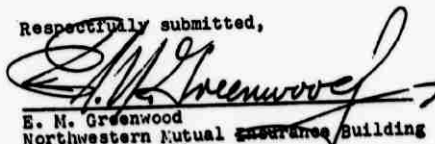
Other countries in South America will be invited to participate, on a proportionate scale, in the development of their dormant land areas, using the same plan submitted to Brazil. Ample money will be available for this purpose. Spending of these funds will prove a boon to the business economy of all participating nations by the purchase of materials and machinery, thus providing more payrolls, more business and more profits for all concerned.

By the development of previously dormant areas new and greater markets for products of participating nations will come into being. The economy of all South American nations shall particularly be enhanced.

Thousands of immigrants seeking new horizons and opportunities can be made happier by giving them a new life of security and contentment, new hopes and ambitions. They need South America and South America needs them.

It is the hope of ILDAC that our program will do much to preserve world peace, and that we will receive full cooperation from all South American governments in this, THE WORLD'S LARGEST LAND AND HUMANITARIAN PROGRAM, constructively based on the soundest of all foundations--LAND.

Respectfully submitted,


E. M. Greenwood
Northwestern Mutual Insurance Building
217 Pine Street
Seattle 1, Washington

2

for U. S. governmental participation. A copy of the Department's
letter is enclosed.

William D. Henshaw, Jr.
Assistant Secretary

Enclosures

1. Suggested reply.
2. Letter from Mr. Greenwood.
3. Department of State
reply to Mr. Greenwood.

408 S/S CS
AUG 3 1960 A.M.

1190

OFFICE OF THE VICE PRESIDENT
WASHINGTON

July 22, 1960

MEMORANDUM FOR

Hon. William B. Macomber, Jr.
Assistant Secretary of State
for Congressional Relations

Attention: Mr. Cottman

We shall appreciate it if you will have
a draft reply prepared to the attached
and returned to us with the original
correspondence.

R.E. Cushman, Jr.
Executive Assistant
to the Vice President

enc.: letter of July 1, 1960
from E.M. Greenwood
re: foreign aid program.

388246

Letter and enclosures, if any,
microfilmed by RMR

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SENeca 2388

NORTHWESTERN NATIONAL BUILDING

THIRD AT FINE SEATTLE WASH.



RESPECTFULLY REFERRED
TO THE
SECRETARY OF STATE

July 25, 1960

1-18-60
Copy Dillon
Sent to P.R.

General Wilton B. Persons
The Assistant to the President
The White House
Washington, D. C.

Dear General:

Please refer to my letter to you of July 1, 1960.
Copies of the letters enclosed herewith are self
explanatory.

I would like an appointment with the President to
discuss this very important and timely subject
further. You may telephone me collect at Sherwood
6-3620 or Main 4-2566.

Respectfully,

E. M. Greenwood
E. M. Greenwood

EMG:P ✓
Enclosures

E. M. GREENWOOD, PRESIDENT

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ACTED BY
DATE
1960-60-6

(5 encls and newspaper
clipping re financing
of the project for Brazil)

This document must be returned
to the FBI Central Files

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1193

President May Ask Congress For Hefty Latin Loan Fund

WASHINGTON, July 18.—(A.P.) — The administration may ask the August session of Congress to authorize a special Latin American loan fund that could range up to \$500,000,000.

The proposed fund would launch President Eisenhower's aid program for Latin America, which he announced on Monday. It would provide loans for housing and land resettlement.

If authorized at the August session, a request for appropriation of funds probably would not be made until the new Congress meets next January.

Under the program the United States would make long-term dollar loans repayable in local currencies. Direct grants would not be involved, except in special circumstances.

President Eisenhower's Latin American aid proposal has been construed as a move to reinforce the prestige of the United States against the challenge offered by the revolutionary government of Cuba.

July 25, 1960

Mr. Brad Morse
Assistant to Senator Saltonstall
141 Senate Office Building
Washington, D. C.

Dear Brad:

Please refer to my letter of July 1st to Senator Saltonstall. Also note enclosed copy of letter to Alton W. Hemba of the State Department.

The 500 million dollars President Eisenhower has proposed should be funneled through the Development Loan Fund. They in turn should make matching dollars available to our corporation to implement the program I have presented to President Kubitschek of Brasil.

The point is this—I want some senator (preferably your boss) to present a bill increasing the capital of the D.L.F. for a period of 25 years to provide matching funds for any approved and acceptable corporation that will carry out a 25-year program for the development of underdeveloped countries in Latin America. In other words, instead of giving our money away as we have in the past, let's put it on a business basis so it will not cost the American taxpayer one red penny. The loans we make each year (matching dollars from D.L.F.) will be secured and repaid. The program we suggest for Brasil and other Latin American countries is one in which they earn their own way and are not the recipients of further patronage. They all will like it better this way.

If Senator Saltonstall is not interested in presenting such a bill I would appreciate your advising me at the earliest possible date. If you can show me a better way of handling cooperation with Latin America I would like to hear about it.

The 50,000 people whom we can move into Brasil each year will be our permanent friends. Multiply this by ten to one for each person we set up there (their new friends and acquaintances, etc.) and you start getting the picture.

My plan has been pretty widely circulated in Brasil and if WE don't do it I am afraid our competition may. They have the blueprint. Let's not fumble the ball on this one.

Best personal regards,

E. M. Greenwood

EMG:P

1194

June 6, 1960.

ation and settlement (new homes, roads, schools, hospitals water and power, etc.) our Company will spend an additional US\$125,000,000.00 (one hundred twenty five million dollars) each year.

For each immigrant coming into Brasil we will also deposit with you US\$1,000.00 (one thousand dollars) to insure their return - transportation and expenses in the event citizenship is denied any of these people.

This program means that a total of US\$175,000,000.00 (one hundred seventy five million dollars) will be spent annually on your behalf for twenty five years. I need not tell you what a tremendous impact this will make to your economy and prosperity. It will mean the DEVELOPMENT OF BRAZIL FOR AND BY BRAZILIANS as all land involved under our proposal becomes the property of Brazilian citizens.

This is strictly a sound and constructive business proposal completely devoid of any political affiliations or strings of any kind.

Our Corporation (ILDACC) will comprise American, British, French, German and Italian businessmen without regard to politics.

I am an American business executive long identified with - successful land development. Many other business executives throughout the world, like myself, believe PROPERLY FINANCED LAND DEVELOPMENT AND COLONIZATION IS THE ANSWER TO MANY WORLD PROBLEMS, and will put the under-developed nations (presently land poor) on a permanent self-sustaining foundation where they can advantageously support themselves without resorting to any political deals or affiliations encumbering their progress.

For references regarding me you may refer to any Bank at Seattle, Washington, U.S.A.

If this huge development program interests you and you wish to further explore its possibilities I am at your service to answer any and all questions you may have pertaining to its implementation, financing and successful culmination.

Respectfully submitted



E. M. Greenwood

Hotel Copacabana Palace
Apartamento 106
Rio de Janeiro, Gb.

1197

NORTHWESTERN NATIONAL BUILDING

THIRD FLOOR SEATTLE WASH.



Brasília, Junho 15, 1960

Exmo. Sr.
Presidente Juscelino Kubitschek de Oliveira
Brasília, D.F.

Exmo. Sr. Presidente

Proponho um CONTRATO DE DESENVOLVIMENTO DE TERRAS para Vosso país, para o desenvolvimento e colonização de 250.000.000 de hectares de terra, atualmente sub-desenvolvida e não habitada, (vastas áreas do território Brasileiro as quais não serão exploradas por muitos anos, a não ser através de um financiamento e desenvolvimento em ampla escala).

Por este CONTRATO DE DESENVOLVIMENTO DE TERRAS a INTERNATIONAL LAND DEVELOPMENT AND COLONIZATION CORPORATION (ILDACC) pagará ao Governo do Brasil US\$50.000.000,00 (cinquenta milhões de dólares) anualmente e continuará estes pagamentos durante 25 anos, totalizando US\$1.250.000.000,00 (um bilhão e duzentos e cinquenta milhões de dólares).

As áreas em questão serão consideradas em base de seções intercaladas, em quilômetros, isto é, uma seção permanecerá área do Governo, sendo que a seção adjacente será desenvolvido sob nosso CONTRATO DE DESENVOLVIMENTO DE TERRAS. O Governo Brasileiro reterá sempre o direito de propriedade das terras em questão.

Este método propiciará ao Brasil vantagens adicionais. As terras atualmente não desenvolvidas serão interligadas com as áreas compreendidas sob nosso CONTRATO DE DESENVOLVIMENTO DE TERRAS, aqui proposto. As estradas, escolas, hospitais, redes de abastecimento de água e de eletricidade construídas por nós, beneficiarão suas áreas. O Oeste dos E.U. foi desenvolvido com muito êxito através de um plano idêntico, realizado por intermédio das Companhias das Estradas de Ferro. Terras sem valor tornaram-se valiosas e nosso Governo foi beneficiado por sua valorização, retendo cada segunda seção.

Além do pagamento anual de US\$50.000.000,00 (cinquenta milhões de dólares) para Vosso Governo, nossa Companhia se obriga de trazer ao país (sujeito a Vossa aprovação), para colonização e futura naturalização, 50.000 imigrantes desejáveis da Europa, todos os anos. Para cobrir as despesas

Relatório para o Presidente Juscelino Kubitschek de Oliveira:

Especificação do investimento anual de
US\$ 175.000.000,00 para o PROGRAMA DE
DESENVOLVIMENTO E COLONIZAÇÃO DE TERRAS
NO BRASIL

Contrato de Desenvolvimento de Terra	US\$ 50.000.000,00
Transporte e despesas diversas com o deslocamento de 50.000 imigrantes, US\$ 500,00 cada	25.000.000,00
** 10.000 novos lares, fazendas, etc., US\$ 5.000,00 cada	50.000.000,00
** Orçamento anual para novas estradas, hospitais, escolas, igrejas, redes de água e eletricidade	50.000.000,00
Total	US\$175.000.000,00

** Materiais, equipamentos e folhas de pagamento.



DEPARTMENT OF STATE INSTRUCTION

559

559

OFFICIAL USE ONLY
(Security Classification)

FOR RM/R USE ONLY

NO.: A-52, August 5, 1960

SUBJECT: Proposal of E. M. Greenwood for Land Development Program in Brazil

TO: The American Embassy, RIO DE JANEIRO

Reference is made to the Department's Instruction No. A-18 of July 15, 1960, regarding the proposal of E. M. Greenwood of Seattle, Washington, for a land development program in Brazil. The Department has now sent a letter dated August 5, 1960, to Mr. Greenwood stating in part that "it has been determined that your plan is not appropriate for United States governmental participation." A copy of the letter is enclosed. The letter was cleared with the following agencies: International Cooperation Administration, Export-Import Bank, Department of Agriculture and Development Loan Fund.

The letter is unclassified and the Embassy may use the information therein in any way it considers appropriate.

HERTER

Enclosures: 1/5

/ Copy of unclassified letter
to Mr. E. M. Greenwood.OFFICIAL USE ONLY
(Security Classification)DRAFTED BY: *AS*
ARA: EST/B:DES:dar:brough:sg 8/5/60APPROVED BY: *Alton W. Hamba*
EST/B - Mr. A. W. Hamba

CLEARANCES:

AUG 5 1960 P.M.

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(Classification)

Page 2 of
Encl. No.
Disp. No. 262
From Rio de Janeiro

Mr. Everson reported that BNDE President Lucio Martins Meira had been most cordial and had promised an early reply to an OAFU letter advising the bank that the company would file a claim against Celubagaço only in respect of the unsecured portion (i.e. the portion not covered by the BNDE guarantee) of its claims, and asking confirmation that the bank's guarantee remained firm.

The oral response to this letter had, according to Mr. Everson, been entirely satisfactory and a written reply was promised. This was received on September 19, shortly before Mr. Pemberton's return to New York.

As to the claim filed, the amount is equivalent to about \$150,000 representing principally fees due and expected under the contract with Celubagaço. Mr. Bagley assumed that IBEC had or would file a claim equivalent to \$100,000. The company's local lawyer had expressed confidence that Celubagaço would not be forced into bankruptcy; he expects that the "concordata" will be made effective and that, as a result, Celubagaço will have at least six months time before it will be required to make the first payments due creditors under the concordata.

With reference to the future operations of the pulp mill, Mr. Everson said that the BNDE president had informed them that the bank was trying hard to interest Brazilian capital and Dr. Gabriel Luiz Ferreira Filho.

Mr. Everson had just had word that the Kruger Paper Company, Ltd. of Montreal, Canada planned to send B. J. Kruger and several engineers to Brazil to look over the plant and survey the local situation. They reportedly plan to stay in Brazil for about two weeks.

Mr. Pemberton, before his return to New York, requested Dr. Ferreira Filho to keep the Embassy informed of developments, particularly with reference to the forthcoming Kruger survey, and suggested that the OAFU local lawyer be called on for information concerning the concordata. Mr. Bagley will keep a watchful eye on things from the public relations point of view. Fortunately, there has not as yet, at least, been any damaging publicity concerning the case.

The Embassy will keep the Department informed of any further developments of significance.

For the Ambassador:

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

OFFICIAL USE ONLY

1233

Dear Mr. President:

In view of the fact, that during the tenure of service under me I gained my so-called rights under this bill, there were no need of extensions of territorial outside limits on my being shipped to any corner of the world where it was deemed I was needed, this seems to me to be an extremely arbitrary ruling. However it would only be futile for me to have attempt to explore this point.

In view of the inadvisability of attempting to conduct a business venture in the United States without capital, the best opportunity for independence lies in development of the lands in Brazil. The land is available, the people are friendly and able to begin this development and plan to build a legacy for my family and I am

I would very much appreciate your
kind assistance in this matter.
Thank you for your time and effort.
Sincerely,
[Signature]

1236

October 25, 1960

This document must be retained
in the Staff Control File

832.16

Dear Senator Goldwater:

I refer to your letter of October 11, 1960 and subsequent telephone conversations with your office regarding a letter from Mr. Donald Stevenson. We have obtained and are analyzing two copies of a Department of Commerce report, "Information of Interest to Prospective Investors in Brazilian Land", for your use. I hope that you and Mr. Stevenson will find the report helpful in determining the feasibility of the project he has in mind. For additional information, please call Mr. James Von Strobel, in the Bureau of Foreign Commerce, Department of Commerce (Code 112, extension 5387).

We have discussed the question Mr. Stevenson raised as to whether the United States Government foreign aid program could assist United States citizens in developing Brazilian land, with the International Cooperation Administration, which has jurisdiction along these lines. Accordingly, we have sent Mr. Stevenson's letter and yours to the Office of the General Counsel, ICA (Code 111, extension 5442). We have been assured by that office that you will receive a prompt reply.

If I can be of any further assistance, please do not hesitate to let me know.

Sincerely yours,

William S. Brewster, Jr.
Assistant Secretary

cc: ICA - Miss Jane Holmer

Enclosure

Two copies of "Information of Interest to Prospective Investors in Brazilian Land"



The Honorable
Barry Goldwater,
United States Senate.

Clearances:
H - Mr. Stanley (in substance)

ARA:EST/ELT:jok 10/24/60

OCT 24 1960 P.M.

U/SEC - Mr. Wilson (in substance)

832.05111/10-1160 CSBW

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1237

In reply refer to
ARA: EST/s

November 2, 1960

Dear Mr. Carlson

Thank you for your letter of October 25, 1960, concerning
your interest in discussing current developments relating to
Brazil. I should be very happy to have you call at my office
any time you are in Washington.

Sincerely yours,

J. W. Wilson
J. W. Wilson
Officer in Charge, Brazilian Affairs

Mr. F. M. Carlson,
Director, Business Research,
Dresser Industries, Inc.,
Republic National Bank Building,
Dallas, Texas.

ARA: EST/Brad Wilsons:jok 12/1/60

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E.W. 832. 05111/10-2568

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This copy has been designated
the RECORD COPY. It must be
returned to RA/R suc filing.

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