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Table of Contents

1. Investment Conference of the Northeast
2. Presidential Elections
3. Parliamentary Christian Front Short Lived
4. Fire Provokes Speculation on Land Sales to Foreigners
5. Student Leader Acquitted by Military Court
6. Brazil for the Brazilians

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NOTE

Pursuant to the Embassy's instructions on political reporting, Salvador's monthly summaries will no longer be submitted as airgrams. They will be prepared on hecto mats, but since we do not have reproduction facilities, Brasilia is requested to reproduce and distribute as shown on the last page.

1. Investment Conference of the Northeast

During the second week of November approximately 400 Business men from Brazil's central-south, SUDENE and EMB officials, technicians and state government representatives from all states in the Northeast met in Salvador for the "Segundo Encontro de Investidores".

One of the primary themes of the conference was the stated need to protect SUDENE 34/18 incentives against inroads from the south, and the speech of Minister of Industry and Commerce Macedo Soares, which was read by a representative, brought an angry reaction. The offensive passage read "we must restrict (autolimitar) our industrialization for the time being, limiting it to those goods we are best prepared to produce". This was interpreted as an official threat to the development process in the Northeast and it generated so much hostility Minister Macedo Soares cabled a clarification the following day saying he is not opposed to industrialization in the Northeast, but believes preference should be given to manufactured products which will give a high return, avoiding more technical equipment and machinery which can be imported more economically.

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Another highlight was the formal designation of Governor Luis Viana Filho by the Governors of Sergipe, Alagoas, Pernambuco, Rio Grande do Norte, Ceara, Piaui and Maranhao to represent them before the President of the Republic, ministries and federal agencies in the following matters: 1) Distribution of income derived from the tax on fuels going into the National Highway Fund. 2) Distribution of the Participation Fund of the States and Municipalities as provided under Article 26 of the constitution. 3) Development of favorable policies for the exportation of cotton. 4) Examination of the results of Decree Law 336 of November 24, 1967 which changes criteria regarding the distribution of the tax on power and electricity. 5) To devise ways and means of paying salary increases to government employees to be granted in January. 6) To study how sisal production in the Northeast can be financed.

COMMENT: To date the Bahia Government has spent around US\$4 million on the Centro Industrial de Aratu including the master plan, land expropriation and infra-structure development (roads, dams, water supply, electricity etc.) and is fully committed to the project despite certain draw-backs inherent in the site. The Investment Conference had little to show in the way of practical results, but the political gains were undoubtedly great.

2. Presidential Elections

The Legislative Assembly terminated its first session on November 30 but faced recall in January because much urgent business remains unattended. MDB members plan to utilize the recess period by mounting an intensive campaign in the interior of the state in favor of direct presidential elections in 1970. During a press interview in Rio de Janeiro, Governor Luis Viana Filho declared himself for direct gubernatorial elections in 1970, but opposed to direct elections for the presidency because the goals of the '64 revolution have not yet been consolidated.

3. Parliamentary Christian Front Short Lived

This non-partisan movement which got underway as a result of the conference of political leaders sponsored by Dom Eugenio Sales in October (A-21) was able to survive exactly one month. The "letter of principles" subscribed to by a large number of ARENA and MDB deputies called for politicians to renounce selfish interests for the common good. The demise of the Parliamentary Christian Front came when MDB deputies J. Clodoaldo Campos, Gabino Kruschewsky, Oldack Neves and Batista Neves withdrew their membership because Wilson Lins (ARENA) declared that he would not accept MDB participation in the upcoming elections for the Executive Commission of the Legislative Assembly.

4. Fire Provokes Speculation on Land Sales to Foreigners

On November 29 a fire broke out in the basement of the Secretariat of Agriculture where all documents pertaining to land sales in the

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Sao Francisco valley were allegedly stored. The local press suggested that the fire may have been set deliberately, but the Attorney General gave assurances that the records had been removed two days earlier to a secure and secret location. As reported in A-22, the Attorney General has decided to defer judicial action to expropriate land sold to foreigners until after the court recess in February.

COMMENT: Except for the fire incident, this issue has cooled for the time being. The CPI named by the Legislative Assembly recently announced that it would postpone a trip of investigation to the Sao Francisco region.

5. Student Leader Acquitted by Military Court

The trial of Renato Sa on Charges of attempting to reactivate the illegal Bahia Association of Secondary Students (ABES) was held on November 22. The Permanent Justice Council of the Sixth Military Region voted unanimously to acquit Sa after his lawyer argued that he had not committed a crime against national security (See A-21). The court was also moved by the lawyer's contention that Sa had been punished enough by spending four months in jail pending the trial and should be allowed to return to school.

COMMENT: The local press had shown considerable interest in the trial and it is conceivable that the military found it expedient to be lenient with Sa as a means of softening its hard-line image in Bahia.

6. Brazil for the Brazilians

During a brief visit to Salvador in mid November, Diarios Associados Director Joao Calmon spoke out in his campaign against "foreign intervention" in the Northeast and the Amazon. As is customary here, several state deputies were quick to jump on the band wagon. According to Marcelo Duarte (MDB) "the parliamentarian from Espirito Santo demonstrated that the North American Government, directly through three of its agencies -- the CIA, the Pentagon and the Department of State -- or indirectly through private organizations such as the Time-Life group, wishes the enslavement of the Brazilian people to its economic interests". According to Vilobaldo Freitas (ARENA), the campaign Joao Calmon is waging against foreign interference in the press is "a serious warning to all Brazilians who want national sovereignty to survive".

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