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TO : DEPARTMENT OF STATE

INFO : RIO DE JANEIRO, BRASILIA, SALVADOR

FROM : AmConGen RECIFE

SUBJECT : Weekly Summary (March 25 - March 31, 1966)

REF :

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A. Explosions Punctuate Revolution Celebrations

1. While morning ceremonies marking the second anniversary of the Brazilian Revolution were getting underway March 31, anti-government factions exploded two home-made bombs in downtown Recife. Fortunately, no injuries were reported from either explosion. The first bomb was detonated in the glass enclosed stair well of the post office building, shattering windows along the entire six-story length of the stairway. Another bomb was set off in the garden of the residence of the Fourth Army Commander only minutes before he was scheduled to leave for the anniversary celebrations. The explosion damaged his unoccupied car.

2. Comment. That no one was injured from the two explosions is nothing short of miraculous. The post office stairwell is a solid wall of glass facing the busiest intersections in Recife. Flying glass from all six floors was blasted outward onto the sidewalk below by the explosion but apparently the corner was empty at that moment.

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B. Russian Oceanographic Ship Visits Recife

3. Sea weary Russian sailors lined the decks of the research vessel "Belogorsk" last week staring anxiously at the Recife waterfront. The "Belogorsk", an oceanographic research ship attached to the University of Kaliningrad, was awaiting permission to dock while the Soviet Embassy and the Brazilian Foreign Ministry worked out details of the ship's emergency visit to Brazil. Enroute from Kaliningrad (a Russian Baltic Sea port) to Buenos Aires, the "Belogorsk" was forced to put in to Recife for fuel and fresh water when bad weather delayed her Atlantic crossing several days. Her unscheduled visit caught local authorities unaware and the ship was ordered to anchor off shore until orders from Rio were received. In the meantime, no one was allowed to leave or board the ship. By week's end, the problems incident to her visit had been resolved and fueling was underway.

C. SUDENE Budget Cut 20%

4. The Finance Ministry cut the 1966 SUDENE budget by 20% (from Cr\$145 to Cr\$116 billion) and SUDENE's 1967 budget by 43% (from Cr\$249 billion to Cr\$139 billion). Public reaction to the cuts was mitigated by reluctant acceptance of the government's argument that the overall level of investment in the Northeast would remain at the planned level. With private enterprise making up for the reductions in government expenditures - SUDENE Superintendent Goncalves de Souza announced that, during 1966, taxpayers would deposit Cr\$170 billion for investment in SUDENE - approved projects under Article 34/18; tax deposits were expected to reach Cr\$250 billion in 1967.

5. Comment. It was difficult for SUDENE to make a convincing case against the budgetary surgery it underwent since it has never succeeded in spending more than 64% of its budget and the cuts it suffered were percentually inferior to those imposed on other agencies. Local editorial reaction emphasized the need for more foreign aid to compensate for the reductions.

D. Uneasy Business Climate

6. The uneasiness which prevailed in local financial circles in late February and early March as a result of the tightening of the credit situation and the inflationary spurt of the first two months of the year abated to some degree during the third week of March partly on account of a light, but perceptible, easing of credit. While many blamed Monetary Council Resolution No. 15 for the 15 to 20% reduction in demand deposits reported by bankers, qualified observers believed that depositor withdrawals had been made to meet normal dead-season

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expenses and to take advantage of opportunities on the parallel market rather than as a direct result of the issuance of the instruction.

7. Local critics feared that Monetary Resolution No. 21 would prove prejudicial to the region's interest because of the difficulty of allocating efficiently and equitably the funds obtained through the sale of government bonds in a country of continental dimensions lacking a responsive administrative machinery.

8. As the week ended, rumors that branch banking would be curbed and that a regional system of central banking would be established contributed to the maintenance of the unsettled climate which has prevailed since the beginning of the year.

E. Psychological - Press Comment

9. International. Recife's two major papers took advantage of replenished newsprint supplies to bolster their international pages. Jornal do Commercio resumed two-page daily coverage, with Diario de Pernambuco generally filling one page. Coverage ranged from loss and recovery of Rimet Cup, British elections, Peking-Moscow controversy and Soviet CP meeting, Rusk and Gordon on Alliance for Progress, Vietnam and the Buddhist problems, NATO and French intransigence to Indonesia's stormy predicament.

10. National. The delaying actions of MODEB in Brasilia and the future of the presidency still command much front-page attention. The friction between Ademar and Castelo Branco is a major news item whenever the former opens his mouth, particularly with the Diario de Pernambuco.

11. The Jornal do Commercio is making a big issue of its support for the military on the Second Anniversary of the March 31 Revolution. It issued a special supplement in honor of the Revolution, with prominent coverage to the ceremonies of the military both locally and nationally. Its television affiliate also provided free air time for an Air Force ceremony honoring the revolution.

12. Local. The back-page editorial in the Diario de Pernambuco on Thursday, March 31, took a back-handed swipe at the United States by criticizing the efforts of Brazil to emulate the ways of the United States in all cases. The author, referring to the rumored establishment of a regional system of central banks and curbing of branch banking, chided those who would apply United States standards to Brazilian problems.

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13. Comment. While obviously playing to the latent nationalistic tendencies among a segment of the Northeast population, it is unclear whether this is part of an overall nationalistic campaign by the paper or the Diarios Associados chain or a specific criticism of the rumored bank reform. It must be noted that Diario de Pernambuco director Costa Porta is also a director in BANDEPE which may or may not be involved by the reform.

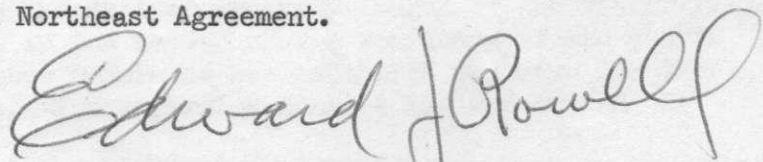
F. Alliance for Progress Activities

14. A number of USAID/NE activities were covered by Recife's press, most of the reporting being done by the Jornal do Commercio. A feature story with photograph was published by the Jornal on the USAID assisted literacy program of the Agnes Erskine Foundation.

15. The Diario de Pernambuco praised the COGRANJAS poultry cooperative, which has received food grain under "an Agreement signed with the Americans" for being able to lower the price of chickens when the price of "everything else is raising".

16. Wire service stories from Washington, Panama and Buenos Aires reported on the IA-ECOSOC proceedings as well as a statement by Secretary Rusk on the Alliance for Progress. However, at week's end, the Jornal do Commercio carried a front page report from its own sources that Assistant Secretary of State Gordon had announced, in a speech in Buenos Aires, a diminishing of United States assistance to Latin American countries.

17. Comment. There is an undercurrent of concern that the USG assistance under the Alliance for Progress will diminish. In the Northeast, the issue has taken the form of the publically desire for a "renewal" of the Special Northeast Agreement; however, to date there has been no editorial comment on the March 19 Rowell-Lion joint statement on the Special Northeast Agreement.



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