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TO : DEPARTMENT OF STATE

INFO : RIO DE JANEIRO, BRASÍLIA, SÃO PAULO, SALVADOR, INTER-AMERICAN AFFAIRS

Belém - 1 Curitiba -
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1. The Electoral Campaign

The electoral campaigns continue in Alagoas, Paraiba and Rio Grande do Norte. Principal news of the week---though far from expected---was the official launching of Arnon de MELLO as one of the many candidates in Alagoas. The campaigns continue to stress the alleged peccadillos of opponents rather than the merits of the candidates.

There are frequent charges that Governors -- especially Aluizio ALVES in Rio Grande do Norte and Pedro GONDIM in Paraiba -- have engaged in the traditional political game of packing civil service rolls with friends at the last minute, to ensure their votes. With a new three-month cut-off on

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appointments, this strategy had to be carried out earlier than in the past. Governor Gondim allegedly has his wife and two sons on the payroll; Aluizio Alves admits to recent appointments, but claims that they were made necessary by the establishment of new municipalities by the state legislature (against his will), and by the needs of his "1,000 new public works."

In Rio Grande do Norte the opposition discovered---with glee--- that Governor Alves borrowed Cr\$ 19,000,000 from the State Bank in June, with his brother Agnelo as co-signer. The Governor has retorted by saying that this proves he has not made himself rich in office.

Various rumors have been circulating of a change in candidates in Paraiba. The first, that both Agripino and Carneiro would withdraw in favor of a unity candidate, seems to have been just a rumor. The second, that Agripino seeks to fire his running-mate, PDC State Deputy Silvio PORTO, and substitute Federal Deputy Plinio LEMOS (UDN), is more serious; if true, it would seem to indicate that Agripino is seeking to shake loose from the Gondim-PDC coattail.

2. Labor: Textile Strike Postponed

A strike of textile workers in Recife scheduled for July 26 has been postponed for at least a week. After being called on the carpet by the police and warned that any infraction of the labor laws would be punished, and following the intervention of ~~xxxxxxx~~ Governor Paulo GUERRA, the textile union agreed to the delay.

The Textile Workers are demanding a raise of 80%. Management refused to grant anything at all, on the grounds that (1) it can't afford it, (2) it is obliged to hold the line on textile prices, and (3) that new labor regulations prohibit any raise until one year after the last increase, which was last October. Labor replies that management is not quite as broke as it claims, and that since this dispute began before the one-year rule was promulgated, the latter is not applicable.

Comment: It is highly unlikely that there will actually be a strike. Politically, the government does not want one and is likely to use its best efforts to obtain some face-saving compromise. Economically, the lay-off ridden textile industry might even welcome a strike which would enable it to reduce its heavy inventories without being charged with firing workers. The textile union itself has just elected as president Manuel Ribeiro de LEMOS, one of its several recent interventors. Lemos has held office in one of the union's leftist pre-Revolutionary administrations, and was accused during the election campaign of continuing close associations with

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extreme leftist elements; a strike directed by him would receive little sympathy from the police and military and -- if any irregularities could be found -- might lead to renewed intervention of the union.

3. Tempest in the Fortaleza Teapot

On July 1, the Mayor of Fortaleza, General Murillo BORGES, made the mistake of leaving town. Deputy Mayor, Luis CAMPOS, promptly used his temporary powers to fire the head of the city telephone service and revoke a decree issued in June raising telephone rates. In protest, the entire cabinet submitted their resignations. Mayor Borges, on hearing the news, rushed home, revoked all acts done by Campos, and re-hired the cabinet. Campos issued an angry statement and retired to nurse his wounds.

4. Czech Actress Out-Diplomats Consul

Recife received a visit this week from Czech actress Dana SMUTNA, who is in Brazil with a Czech film festival in Rio. Besides posing for pictures on the beach, Miss Smutna managed to get one-up on the Czech consul in Recife, Ferdinand HADEK. When he offered her a Camel, Miss Smutna replied: "I prefer Brazilian-made Ministro cigarettes."

5. Reduction in Cost of Living Reported by Ceará Daily

O Povo, Fortaleza's leading daily, reported that the "food basket" of its hypothetical middle-income family of eight residing in Fortaleza went down from Cr\$ 117,000 during April to Cr\$ 116,000 in May. The drop was ascribed principally to reductions in the price of rice and sugar which had risen to unprecedented levels during April as a result of local shortages. According to the newspaper's cost of living index, the cost of its sample middle-income food basket increased by 25.1% during the first five months of 1965.

Comment: The reduction in the cost of a "family food basket" reported by the Fortaleza daily is confirmed by the Consulate General's index (using the food items of the Getulio Vargas cost of living index for Guanabara) according to which there was a fractional decline in the cost of a "family food basket" between June and July and the price level of essential food items has remained stable since April. According to the ConGen's food index, the cost of a "family food basket" increased 50.5 per cent from July 1964 to July 1965.

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6. Infant Mortality Drops in Recife

The Secretary of Health of Pernambuco announced that infant mortality in Recife had declined from 148 per thousand in 1963 to 125 per thousand in 1964. In the last twelve years, the highest rate of infant mortality was reached in 1958 - a drought year during which retirantes (migrants from the drought zone) sought refuge in the city - when 276.1 infants per thousand died before reaching their first birthday. The rate remained at the same level during 1959 and 1960, with a respective 261.6 and 260.1 per thousand, but commenced a sustained downward trend in 1961 - with a reported 194.2 per thousand - declining further to 166 per thousand in 1962.

Comment: Although the rate of infant mortality in Recife remains shockingly high when compared to advanced nations such as Sweden where a rate of 15.2 per thousand was reported for 1962, the rapid progress made in recent years is one of the most meaningful statistics reflecting the changes that have come to the Northeast. The statistics/~~are~~ the more heartening when compared to that of certain areas of the Northeast where rates exceeding 500 per thousand have been reported. According to the Secretary of Health, the lower rate was due principally to the work of health posts. This is no doubt correct, because hygienic conditions for the large half of the population who live in mucambos (the Northeastern counterpart of favelas) has not improved significantly in recent years, i.e. the lower rate is not so much a victory of public health preventive measures as of relatively expensive therapeutic medicine.

7. Fungus Damages Pernambuco Tomato Crop

More than half of the 13,000 acres of tomatoes in the município of Pesqueira were reported to have been destroyed by a fungus (phytophthora infestans) previously unknown to the Northeast. The cost of the virulent fungus attack was estimated to be two million 25-kilo cases of tomatoes which, once processed, would have had a value of Cr\$ 4 billion. Tomatoes are the mainstay of the economy of Pesqueira, seat of the well-known Peixe factory which produces about a third of Brazil production of tomato juice and concentrates.

Minister CORDEIRO de FARIAS and Governor Guerra authorized the transfer of some funds earmarked for work front projects in the sugar belt to prevent massive/^{un}employment in the afflicted area.

8. Reservoirs to Generate Power

CHESF and the German government signed an agreement under the terms of which the power company will receive the equivalent of US\$ 15 million for a number of projects, including equipment to

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harness the two largest reservoirs in the Northeast, the Orós and Banabuiú açudes in Ceará, each of which is reported to be capable of producing 50 thousand KWh, or enough to supply the city of Fortaleza at its present consumption level.

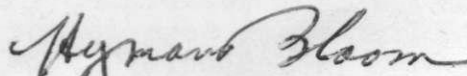
Comment: The construction of açudes by DNOCS has been criticized as uneconomic because it has yielded little in the way of irrigated crops and an insignificant amount of power generation. Harnessing Orós - the largest man-made reservoir in the Northeast with a capacity of 4 billion cubic meters - and Banabuiú will stand this criticism and provide energy for the development of Ceará which was stunted for lack of power until the CONEFOR diesel plant started generating in 1964 and "Paulo Afonso arrived in Fortaleza" in 1965.

9. Power Interruptions Blamed on Sabotage

In a press interview, the regional manager of CHESF for Ceará Amaury MENESES, blamed saboteurs for power interruptions which have plagued the recently inaugurated power transmission between Paulo Afonso and Fortaleza. Meneses reported that insulators had been machine gunned on three separate occasions, most recently resulting in the destruction of 54 insulators, and causing short circuits which melted metal supports for power cables.

Availability of CHESF power in Fortaleza is being augmented from 5,500 to 20 thousand kilowatts by raising transmission tension from 66 to 132 kilovolts. The strengthening of CHESF transmission to the capital of Ceará will make it possible to reduce power rates from Cr\$ 100 per kilowatt hour to Cr\$ 40 per kilowatt hour by reducing the need for CONEFOR generation with USAID-financed diesel units.

Comment: Sabotage has also been blamed for some of the frequent interruptions which have afflicted the Recife area.


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