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UNCLAS RIO DE JANEIRO 3732

OCTOBER 7

REFERENCE: RIO 3691

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1. MAJOR PORTION OF PRESIDENT'S OCTOBER 5 SAO PAULO'S SPEECH DEVOTED GOVERNMENT ECONOMIC POLICY AND LISTING ITS ACCOMPLISHMENTS. RECURRING THEME WAS CONTRACT SHOWY, POPULAR BUT CHAOTIC POLICIES OF PREVIOUS REGIME WITH HIS ADMINISTRATION'S REALISTIC BUT UNDRAMATIC PROGRAMS. PRESIDENT NOTED FORMER CREATED ILLUSION PROGRESS EASILY GRASPED BY PEOPLE WHILE REAL BENEFITS OF HIS ADMINISTRATION IN CREATING INSTITUTIONS AND SOLID INFRA-STRUCTURE NOT READILY APPARENT.

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2. PRESIDENT LISTED FOLLOWING MAJOR GAINS IN SEVEN BROAD AREAS:

3. FINANCE: (A) IN FACE COMPLETE NATIONAL INSOLVENCY AND HUGE BUDGET DEFICIT, FIRST TASK WAS TO RESTORE INTERNATIONAL CREDIT, REBUILD NATIONAL CONFIDENCE TREASURY OBLIGATIONS AND CONTAIN INFLATION. THESE ACHIEVED AND FUTURE GOVERNMENTS CAN BORROW ABROAD WITH DIGNITY AND FINANCE PROGRAMS AT HOME INCREASINGLY THROUGH VOLUNTARY PUBLIC SAVINGS WITHOUT RECOURSE ISSUANCE PAPER MONEY; (B) REMOVING PRICE CONTROLS ON FUELS, TELEPHONE, ELECTRICITY THUS PROVIDING CAPITAL FOR INVESTMENT IN IMPROVED PUBLIC SERVICES IN THESE AREAS; RENTAL READJUSTMENT TO SPUR CIVIL CONSTRUCTION; AND LIBERALIZATION AGRICULTURAL PRICES.

4. BASIC REFORMS: (A) LAND REFORM LAW PERMITTING BETTER DISTRIBUTION THROUGH PROGRESSIVE TAXATION, COLONIZATION AND EVEN EXPROPRIATION IF NECESSARY; (B) NATIONAL HOUSING BANK TO STIMULATE RESIDENTIAL CONSTRUCTION; (C) WIDE RANGE FINANCIAL AND FISCAL REFORMS INCLUDING

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CREATION CENTRAL BANK, REFORM CAPITAL MARKET AND TAX REFORM.

5. INFRASTRUCTURE: (A) ELECTRIC POWER GENERATING CAPACITY TO INCREASE BY 1 MILLION KW IN 1967; (B) TRANSPORTATION - 10-YEAR PLAN FORMULATED TO RATIONALIZE OVERALL TRANSPORTATION INVESTMENT. REESTABLISHMENT INTERNATIONAL CREDIT ENABLE BRAZIL BENEFIT FROM ASSISTANCE WORLD BANK AND INTER-AMERICAN BANK. FUELS TAX REVISED

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TO GENERATE FUNDS FOR TRANSPORTATION PROGRAM. (C) TELECOMMUNICATIONS: ACCOMPLISHMENTS INCLUDE ORGANIZATION EMBRATEL; NATIONALIZATION TELEPHONE COMPANY; INSTITUTION OF REALISTIC RATES TO PERMIT IMPROVEMENT TELEPHONE SERVICES. IN NEXT THREE YEARS THERE WILL BE SUBSTANTIAL INCREASE NUMBER OF NATIONAL TRUNK LINES AND 60 PERCENT INCREASE NUMBER OF TELEPHONES IN SOUTH-CENTRAL AREA OF COUNTRY; (D) WATER - EFFECTIVE PROGRAM ESTABLISHED TO PROVIDE POTABLE WATER TO URBAN CENTERS, ESPECIALLY IN INTERIOR.

6. ADMINISTRATIVE REORGANIZATION: GOVERNMENT ENTERPRISES HAVE BEEN REORGANIZED RESULTING IN REDUCED DEFICITS, LOWER COSTS AND IMPROVED MORALE. PETROBRAS NOW OPERATES ON SOUND BASIS PERMITTING 30 PERCENT INCREASE PRODUCTION. ESTIMATE WITHIN FEW MONTHS ANNUAL PRODUCTION CRUDE OIL WILL REACH 150,000 BPD ALMOST HALF BRAZILIAN CONSUMPTION.

7. HOUSING AND EDUCATION: (A) NEW INSTITUTIONAL ARRANGEMENTS MADE TO CORRECT HOUSING DEFICIT. UPSURGE RESIDENTIAL HOUSING ALREADY BEGINNING AS SHOWN BY 89,000 UNITS STARTED LAST TWO YEARS UNDER GOB HOUSING PROGRAM COMPARED WITH 58,000 UNITS UNDER POPULAR HOUSING INSTITUTES IN LAST QUARTER CENTURY; (B) EDUCATION - VARIOUS ACHIEVEMENTS IN EDUCATION CITED INCLUDING INSTITUTION TAX ON WAGES TO PROVIDE SCHOOLS FOR 1 MILLION CHILDREN ANNUALLY,

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LARGE INCREASE NUMBER SCHOLARSHIPS FOR WORKING CLASS CHILDREN AND INCREASED TECHNICAL TRAINING PROGRAM.

8. AGRICULTURE: PRESIDENT CITED FOLLOWING ACCOMPLISHMENTS: (A) IMPROVED PRICE SUPPORT SYSTEM; (B) UNLIMITED FINANCING FOR TRACTORS, FERTILIZERS AND COSTS OF HARVESTING BASIC FOODSTUFFS; (C) COMPLETION OF PROJECT FOR LONG TERM INVESTMENT CATTLE

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RAISING, WHICH WILL REQUIRE \$50 MILLION ASSISTANCE FROM IBRD AND EQUAL GOB CONTRIBUTION; (D) PROJECTS TO IMPROVE STORAGE FACILITIES.

9. INDUSTRY - DESPITE CRIES FROM PESSIMISTS STILL EDICTED TO INFLATIONARY WAYS, PRESIDENT CONVINCED BRAZIL AT THRESHOLD NEW ERA INDUSTRIALIZATION. INDUSTRIAL DEVELOPMENT COMMISSION IN 1965 APPROVED CR\$198 BILLION PRIVATE INVESTMENTS. BASED ON PERFORMANCE IN FIRST SEVEN MONTHS AND HUGE PROJECTS UNDER STUDY IN PETROCHEMICALS AND NONFERROUS METALS AREAS PLUS IRON ORE PROJECT ALREADY BEGUN, PRIVATE SECTOR INVESTMENT WILL TOTAL CR\$1 TRILLION THIS YEAR. RAIN

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