

# TELEGRAM

OUTGOING

AMCONSUL

Foreign Service of the  
United States of America

UNCLASSIFIED

Charge:

Control:

Date:

2/2/68  
9:30 AM

ACTION: AMEMBASSY RIO DE JANEIRO PRIORITY 1786

INFO: AMCONSUL SAO PAULO (BY POUCH)  
AMCONSUL SALVADOR (BY POUCH)

*from Recife 606*

SUBJ: 34/18 DATA FOR MOSS COMMITTEE

REF: SHAW SMITH/CAMPBELL TELCON JAN. 31

1. BASIC PRINCIPLE OF GOB'S INVESTMENT INCENTIVES PROGRAM IN NE  
(GENERALLY REFERRED TO AS 34/18) IS PERMISSION GRANTED BRAZILIAN  
CORPORATE ENTITIES TO DEPOSIT HALF THEIR INCOME TAX OBLIGATIONS

POST ROUTING

IN BANCO NORDESTE BRASIL (BNB) FOR INVESTMENT IN PROJECTS  
APPROVED BY SUDENE. WITHIN CERTAIN TIME LIMITATIONS,  
DEPOSITORS RETAIN RIGHT TO CHOOSE WHAT PROJECTS THEIR MONEY  
WILL BE INVESTED IN. IN RETURN FOR DEPOSITS, INVESTORS RECEIVE  
PREFERRED SHARES IN NEW ENTERPRISE. APPROVAL BY SUDENE OF  
PROJECT DESIGNED TO USE 34/18 FUNDS THEREFORE DOES NOT MEAN  
THAT ENTERPRISE WILL GET 34/18 FUNDS. SUDENE WILL RELEASE  
FUNDS ONLY AFTER DEPOSITOR INDICATES WILLINGNESS INVEST THAT  
PROJECT AND THEN USUALLY AFTER CERTAIN STAGES OF PROJECT HAVE  
BEEN COMPLETED OR INITIATED USING FRESH CAPITAL.

To:	Actn	Inf	net
PO		2	AA
DPO		1	97
POL			
POL/P			
CONS	✓		
ADMIN			
USAID			✓
USIS			
PC			
RF		3	
FILE		4	

Action taken:

Initials:

REK ECON/RCampbell: jbs  
2/2/68

Informed: USAID/NEEIN-  
Mr. McComb

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OUTGOING AMCONGEN RECEIPT

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2. THROUGH DECEMBER 1967, DEPOSITS IN ENB MADE UNDER THIS PROCEDURE TOTALED NCR\$825.1 MILLION. RATE OF DEPOSITS IN MILLIONS OF NEW CRUZEIROS WAS AS FOLLOWS:

1962	5.9
1963	7.2
1964	36
1965	172
1966	252
1967	352

3. FROM 1963 THROUGH DECEMBER 1967, SUDENE HAD APPROVED 683 PROJECTS INVOLVING TOTAL INVESTMENT OF NCR\$2599 MILLION, INCLUDING NCR\$845.3 MILLION IN 34/18 FUNDS. IN SAME TIME PERIOD SUDENE AUTHORIZED RELEASE NCR\$295.9 MILLION 34/18 FUNDS. FOLLOWING PATTERN OF DEPOSITS (PARA 2), THESE RELEASES ALSO INCREASED AS FOLLOWS (IN MILLIONS OF NEW CRUZEIROS): 1963-0.09; 1964-3.3; 1965-8.0; 1966-37.3; 1967-157.0.

4. DIFFERENCE BETWEEN 34/18 FUNDS DEPOSITED AND RELEASED HAS LED TO COMPLAINTS FROM CENTER-SOUTH THAT FUNDS ARE EXCESS TO NEEDS. SUDENE POINTS OUT, HOWEVER, THAT 34/18 FUNDS CALLED FOR IN APPROVED PROJECTS (NCR\$845 MILLION) ALREADY EXCEED

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AMOUNT DEPOSITED (NCR\$825 MILLION). PROJECTS PRESENTLY UNDER STUDY BY SUDENE ENVISAGE THE USE OF AN ADDITIONAL NCR\$380 MILLION IN 34/18 FUNDS LEAVING THE INVESTMENT PROGRAM WITH A "DEFICIT" OF NCR\$400 MILLION.

5. FIGURE OF 683 PROJECTS (PARA 3) CAN BE MISLEADING SINCE A COMPANY CAN HAVE MORE THAN ONE PROJECT RELATING TO SAME ENTERPRISE AND SINCE NOT ALL PROJECTS DEAL WITH IMPLANTATION OF NEW INDUSTRIES. PRELIMINARY FIGURES THROUGH DECEMBER 1967 SHOW, HOWEVER, THAT IN INDUSTRIAL SECTOR ALONE SUDENE HAD APPROVED THE IMPLANTATION OF 285 NEW INDUSTRIES IN RE AND INVESTMENTS FOR EXPANSION OR MODERNIZATION IN 205 PREVIOUSLY EXISTING COMPANIES.

6. AMERICAN FIRMS HAVE PARTICIPATED THIS INVESTMENT PROCESS BOTH AS DEPOSITORS AND USERS OF DEPOSITS. UNION CARBIDE, ATLANTIC PETROLEUM, GOODYEAR, SEARS AND FIRESTONE ARE AMONG LARGE DEPOSIT HOLDERS OF 34/18 FUNDS. SOME AMERICAN FIRMS WITH APPROVED PROJECTS ARE: FORD MOTOR (WILLYS OVERLAND DO BRASIL) - AUTOMOBILE ASSEMBLY; BORDEN CO. (ALBA DO NORDESTE) SYNTHETIC RESINS; UNION CARBIDE (SALGEMA INDUSTRIAS QUIMICAS)

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EXTRACTION AND REFINATION CAUSTIC SODA; AND, RAY-G-VAC  
(MICROLYTE DO NORDESTE) DRY CELL BATTERIES. REFER ALSO TO  
OURTEL 1413 TO DEPARTMENT (REPEATED INFO TO EMBASSY 1569)  
FOR ADDITIONAL NAMES.

HILLIKER

CC: USAID  
USAID/NEEA-Mr. Nathan  
USAID/NEEIN-Mr. McComb

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