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OPERATIONS MEMORANDUM

TO: Amembassy RIO DE JANEIRO, BRAZIL Date: October 4, 1962

FROM: Amconsul SALVADOR, BAHIA; BRAZIL

SUBJECT: ECONOMIC REPORTING: Economic Summary for September, 1962

REF: CERP-Section C-4

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2. Industry and Investment
3. Agricultural Development and Policy
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1. Summary

An Industrial Development Council of Bahia has been established. Sergipe's salt deposits are apparently finally to be exploited and a cement factory will be built in that state. Cocoa crop estimates are off somewhat, but the tobacco crop is large. The local four-day bank strike played minor havoc with local shipping. The general strike only affected rail and dock workers. Several unions have won substantial wage increases, and others are threatening to strike to get them. During the month's economic uncertainties there was reported a wave of creditors' agreements among overextended firms, badly hurting numerous banks and other creditors. Bank collections have improved slightly over July/August.

2. Industry and Investments:

(a) According to the Diário de Notícias issue of September 14, 1962 the SUDENE has made an agreement with the Fundo Especial das Nações Unidas (United Nations Special Fund) for the purpose of searching for rock salt (sal-gema) deposits in the State of Sergipe which are located at a depth of 1,200 meters. The plan, which will cost over 980,000 dollars, will be an attempt to install an alkali industry in the northeastern part of Brazil. The work should take place sometime at the end of this year.

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(b) The Governor of the State of Bahia inaugurated on September 12, 1962 the "Conselho de Desenvolvimento Industrial" (Industrial Development Council) which has the following principal purposes:

1. Fixing and coordinating all industrial development policy in Bahia and examining the requests for exemption of taxes for new industries;
2. Establishing the program for the organization of the infrastructure and coordinating basic public investments for the purpose of facilitating industrialization, mainly in the sector of the industrial localization;
3. Coordinating measures for the improvement and training of qualified personnel in enterprise, administrative and technical sectors;
4. Studying the labor market and suggesting measures for the use of qualified hand-labor or of its conversion for the necessities of new industries;
5. Listing the essential basic industries;
6. Coordinating, suggesting and promoting all measures for stimulating industries.

(c) According to the Diário de Notícias issue of September 6, 1962, Sr. Mordaunt John Moreira Fisher who is connected with the "Divisão Técnica of the Conselho Nacional de Água e Energia" (Technical Division of the National Council for Water and Energy) arrived recently at the city of Salvador on an official mission on behalf of the "Ministério de Minas e Energia" (Mining and Energy Ministry). Mr. Moreira Fisher reported to the local press that in the entire State of Bahia there is a deficit of electric energy of over 600,000 kws; furthermore that while Bahia needs a total of 700,000kws, production does not exceed 100,000kws.

(d) According to the local newspaper Estado da Bahia issue of September 12, 1962, figures furnished by the Instituto Brasileiro de Geografia (IBGE) reveal that the total annual production of dendê oil (palm oil) in Brazil amounts to 4,000 metric tons valued at 80 million cruzeiros of which 90% is produced in the State of Bahia.

(e) Meetings were held recently at the local office of the Federação das Indústrias da Bahia by the Working Groups of the SUDENE and of the Banco de Desenvolvimento do Nordeste with the Directors of Bahia cotton textile factories for the purpose of discussing a plan for installing modern machinery in their factories.

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The financing by the Banco do Desenvolvimento do Nordeste will be made with the resources of the Interamerican Development Bank. There will be no limit, depending exclusively of the capacity of the factories, once the loans shall be taken on the basis of 50 percent of the capital of each industry. SUDENE will contribute 70 percent of the financing and the manufacturer 30 percent of the total loan.

(f) At a meeting held recently at the Bahia Chamber of Commerce, Sr. Ivan Fachinetti, President of the Bahia State Planning Commission suggested that the businessmen of Bahia join their efforts to those of the Commission toward establishing an iron and steel (siderúrgica) industry in this State. Sr. Fachinetti gave a general survey of the position of Bahia in comparison with other States explaining the necessities and difficulties which the State is going through due to lack of such an industry, and mentioning the fact that one billion cruzeiros were obtained from SUDENE for this purpose while stressing the necessity of the businessmen's joining their resources to the SUDENE's loan in order to carry such plan.

(g) According to the local newspaper Jornal da Bahia issue of August 25, 1962 a cement factory will be shortly installed in the State of Sergipe with a daily capacity of 3,000 bags. It is reported that this enterprise is under the control of São Paulo industrialists who belong to the Votorantim group.

3. Agricultural Development and Policy:

(a) Cocoa Beans: The Bahia cocoa mid-crop that runs from May to September is now estimated at between 500,000 and 600,000 bags of 60 kilograms each, while the total 1962-63 crop that runs from May 1962 to April 1963 is estimated at between 1,500,000 and 1,800,000 bags. Estimates of the '62-'63 main crop are now somewhat lower than they were last month. The weather has been rather dry in most of the sections of the cocoa zone. The rains which are expected to help the development of the cocoa pods have been sporadic in some areas. Figures just released by the Bahia Cocoa Trade Commission reveal that up to August 31, 1962, 52,000 bags were sold to the United States, 162,381 bags to other foreign countries and that cocoa by-products equivalent to 198,664 bags have been sold to all foreign markets. Since September 18, 1962, in accordance with instructions received by the Bahia Cocoa Trade Commission from CACEX, the minimum price for cocoa beans which was established at 19 cents and later reduced to 18 cents per pound FOB Ilhéus was abolished. Consequently, from that date onwards, cocoa sales abroad have been made at the current market prices.

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(b) Castorseed: Prices are high because of competitive demand by local crushers.

(c) Tobacco Leaf: A large crop is anticipated because of continued good weather in the tobacco zones. The rather low quality primings of Arapiraca (Alagoas) type currently coming on the market are being exported, in part, to the U.S. after stemming and preliminary drying. The later crop is generally of a better quality. 90% of U.S. purchases are thus for the Alagoas type.

(d) According to the local press, SUDENE, in response to a request made by the Bahia State Government, will supply poisons in order to combat a plague known as "cigarrinha" which has emigrated from the southwest of the State and has reached the "recôncavo" zone of Bahia. According to reports, it is causing damage to the sugar cane plantations of the State.

(Sources: of items (b) and (c) National City Bank, Salvador Branch).

4. Petroleum:

Recent attempts to extinguish the oil well fire at Mapele have been unsuccessful. It has now burned for more than a year.

5. Transportation:

The Companhia Navegação Bahiana, a mixed private and State Government owned local steamship company, authorized by the Administrative Council of this enterprise, will sell four of their old and unused ships as scrap iron to the Companhia Siderúrgica Nacional for 20 million cruzeiros. The four ships will be towed to Rio de Janeiro under the responsibility of the buyer.

6. Labor:

During the period under review, the following labor groups demanded increases in their wages: Bank employees obtained 60% wage increases; commercial employees are demanding 70% increase in their wages; metal working plants employees are demanding 100% increase in their wages; broadcasters obtained 30% increase in their wages.

State Government employees held a public meeting recently demanding the payment of their wages which in some cases are two or three months behind.

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7. Finances:

According to the State Internal Revenue Department Cr\$2,292,884,502.90 were collected during the first nine months of 1962 (up to September 25, 1962) which constitutes an increase of Cr\$588,164,244.60 over the same period of 1961.

8. East-West Trade:

Exports to Soviet bloc countries during September:

Poland: 1,571 metric tons of cocoa beans.

Imports (partial): The Roumanian vessel "Dobrogea" unloaded at the port of Salvador on September 9th 9,620 metric tons of Russian wheat for the local mills.

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