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because a party congress at this stage would reveal more division than unity.

DEPARTMENT OF STATE

**INFO:** Amembassy, Rio and Brasilia  
 Amcongen, Recife  
 Amconsulate, Salvador

March 1, 1963

Weekly Summary

February 28 and March 2 newspaper carried a report to the people of Bahia from Lomanto dated February 2, just before he left New York for the European phase of his journey. In it he refers to his campaign promises and the efforts he has made in Brazil and is looking abroad to obtain support for projects designated these promises. He wrote encouragingly of the support received from President Castello Branco and from U. S. officials and representatives of the Inter-American Development Bank. Referring to meetings with Alliance For Progress officials in the U.S. he said their receptivity of the program of immediate action projects developed by Bahia's Economic Planning Commission "within the basic directives of SUPENS" was such as to "authorize" him to **POLITICAL:** that he could count on needed collaboration. He claimed he obtained the release of some \$4.5 million from the IDB for projects.

**Party Activity.** A number of the state political parties are undergoing reorganization or preparing to change their leadership. One of the objectives of these maneuvers is to develop the best stance to influence the formation and the performance of Governor-elect Antonio Lomanto Junior's cabinet. The not yet formalized merger of the PR into the PTB -- two of the principal parties supporting Lomanto -- has raised a question as to the role of PR adherents in the forthcoming government. This, like many other issues, is awaiting Lomanto's return for resolution.

Justified, he said, since the President had lent prestige to the new state government by providing PSD forces, of course, will be Lomanto's principal opposition. While they are strong within the state, it is evident to that their influence at the federal level will be even more significant for Lomanto. During his carnival visit to Salvador, Minister of Commerce and Industry Antonio Balbino, the outstanding PSD figure of Bahia, announced that former Minister of Education, Bahian Deputy Antonio Ferreira de Oliveira Brite (PSD) would become the next Minister of Justice, succeeding João Mangabeira (PSB) also a Bahian. Without the good will of these two ministries Lomanto can expect little help from the central government for his state program. The state PSD organization is rather badly divided by its loyalties to several influential party members. A proposed resignation of officers and party convention on March 10 for re-election of new officers has been called off, possibly to avoid indication of U.S. commitments. A film of his visit to New York was shown on TV program and it may be expected that the program will pick up on the film for his return and assumption of office.

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Lomanto Issues a Statement. February 28 and March 1 newspaper carried an open letter to the people of Bahia from Lomanto dated February 9, just before he left New York for the European phase of his journey. In it he refers to his campaign promises and the efforts he has made in Brazil and is making abroad to obtain support for projects designed to fulfill those promises. He wrote encouragingly of the support received from President Goulart and from U. S. officials and representatives of the Inter-American Development Bank. Referring to meetings with Alliance for Progress officials in the U.S. he said their receptivity of the program of immediate action projects developed by Bahia's Economic Planning Commission "within the basic directives of SUDENE" was such as to "authorize" him to believe that he could count on needed collaboration. He claimed he obtained the release of some \$4.3 million from the IDB for projects in Bahia and he had fruitful discussions with private entities of the possibilities of erecting several industrial plants in Bahia. After referring to his contacts with the Committee of Nine of the OAS, with Cardinal Spellman, and with President Kennedy, Lomanto launched into a rather heavy handed attack on his opponents in Brazil who distorted information about his activities. Referring to his sudden trip back to Brazil, he said its objective was to assure Bahian representation in the Government and not to veto any nomination or make specific demands. His trip back was justified, he said, since the President had lent prestige to the new state government by providing it with "the necessary instruments for the coordination of its fundamental interests". Lomanto objected violently to insinuations that he had invited private companies to exploit Brazilian petroleum -- a distortion that obtained some publicity locally -- and reaffirmed his position as a supporter of state petroleum monopoly, which "must be preserved with patriotism". He promised to take energetic action to protect the interests of the people since he had no obligations to economic groups of any sort, and said that he would execute his mandate, without hatred, for the public good and not the welfare of a few.

Comment: The statement from Lomanto has been long in coming and was almost over-due. His publicity offices are beginning to do more to bring his activities abroad to the attention of the public. Announcements have been careful to avoid indication of U.S. commitments. A film of his visit to New York was shown on the Esso Reporter TV program and it may be expected that the tempo of information about him and his program will pick up as the time for his return and assumption of office approaches.

ECONOMIC:

The Port of Ilheus, boycotted by foreign shipping lines because of extremely high stevedoring costs, thereby causing most cocoa to be trucked to Salvador prior to shipping (see our previous weekly summaries), will reportedly shortly be taken over by the Federal Government. (The port is presently run by a private company, the Companhia Industrial de Ilheus, controlled by the D. Brusell firm of Salvador.) The alleged reason for the take-over is to provide better working conditions for the stevedores and to expedite the shipment of cocoa from the port.

Comment: The principal causes of the calamitous situation in the port of Ilheus, with only the Federally-owned Loide Brasileiro line still calling for cargo, are: the mandatory charge for three stevedoring operations rather than the usual one (due to the necessity of loading from lighters); payment of work crews twice the size of those which actually work; stevedore inefficiency and dishonest overtime work practices; and, perhaps most important, recent changes in Federal regulations converting the cocoa stevedore charge from a sack and weight basis to a much higher priced volume basis. The Federal regime will presumably work to modify the first three items, while cocoa industry sources are bringing pressure to reverse the last measure. The Brusell interests have told us that they would welcome a Federal expropriation of their Ilheus company, at a realistic value, which may eventually follow the present reported step.

Public discontent with rising prices continues at a high level, with the subject being one of the principal items of discussion in the press, in public gatherings, and on the street. However, with Carnival occupying everyone's energies, and with the public's long acquaintance with continued inflation, there have been no significant public demonstrations. Illustrating the trend of events, bakers are demanding a new raise of 14 cruzeiros per kilo after having just received an increase of 40 cruzeiros per kilo. If the new increase is granted, the new price of bread will be 130 cruzeiros per kilo compared to 76 cruzeiros per kilo less than two months ago.

Railroad workers receive pay. The federally-controlled Leste Brasileiro railway received, in time for Carnival, the sum of 20 million cruzeiros for payment of back wages of the soon-to-be purchased Bahia State-owned Nazare railway (see our summary of February 15, A-63) thereby averting a threatened strike.

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PSYCHOLOGICAL:

DEPARTMENT OF STATE

The Lobster War. Newspapers have carried alarmist stories of preparations to protect Brazilian interests and sovereignty in the dispute with France over lobster fishing on the continental shelf of Northeastern Brazil. While no visible preparations have been made locally, it has been learned that two of the six Neptune patrol aircraft stationed at Bahia's airport are flying patrols out of Recife and that two more are to go as soon as they become operational. The public appears to be little concerned with the "war".

Cuban Cultural Institute. A local newspaper reported that architect Olga Vertovisky, Treasurer of the Brazil-Cuba Cultural Institute, Guanabara Section, has come to Salvador to organize a branch. She is quoted as having said that aside from this, she came to drum up interest in the National and International Congress of Solidarity with Cuba to be held in Guanabara March 26-9.   
There are undergoing reorganization of leadership. One of the objectives of these maneuvers is to develop the best stance to influence the formation and the performance of Governor-elect Antonio Lourenco Junior's cabinet. The not yet formalized merger of the PR into the PSD -- two of the principal parties supporting Lourenco -- has raised a question as to the role of PR adherents in the forthcoming government. This, like any other, is waiting for Lourenco's return for resolution.   
Wade H. B. Matthews  
American Vice Consul

PSD forces, of course, will be Lourenco's principal opposition. While they are strong within the state, it is evident that their influence at the Federal level will be even more significant for Lourenco. During his carnival visit to Salvador, Minister of Commerce and Industry Antonio Salgueiro, the outstanding PSD figure of Bahia, announced that former Minister of Education, Bahian Deputy Antonio Ferreira de ~~Albuquerque~~ ~~Albuquerque~~ (PSD) would become the next Minister of Justice, succeeding Joao Mangabeira (PSB) also a Bahian. Without the good will of these two ministriss Lourenco can expect little help from the central government for his state program. The state PSD organization is rather badly divided by its loyalties to several influential party members. A proposed resignation of officers and party convention on March 10 for election of new officers has been called off, possibly

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