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BI-WEEKLY SUMMARY (July 8 - July 21) the carries and control of control of the carries of the control of the carries o

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POLITICAL 2. Constitut at a line land comma to be 112-sected to meeting the land

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- Hirschman Remarks Spark Controversy 8.
- C. ICM Gains Support
- IBRA Tax Receipts Down D.

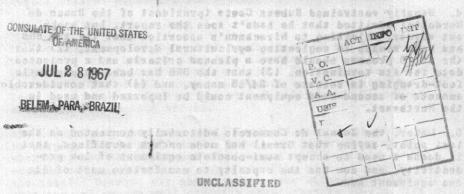
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Seabong Visit and Northeastern Fall-Out

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POLITICAL

A. Palmares Crisis Continues and old Tableman

- 1. Despite the assouncement early this month that the Sugar and Alcohol Institute would intervene two <u>Hsinas</u> in Pelmares, the crists still continues in that southern Pernambuse city. The Institute has not yet been able to reach agreement with an administrator contracted for the job and impatient and unemployed workers almost daily threaten to invade the city in search of food. Last week, the state government seat 50 tens of emergency food supplies to the area prompting USAID, in respense to a request from the state, to offer its assistance in feeding the workers and their families. Meanwhile, the situation remains basically unchanged.
- 2. COMMENT. The IAA seems to be ill-suited to neeting this kind of crisis, seeing no recourse other than to substitute new management for old. Moreover, neither IBBA nor GERAN has yet demonstrated their capacity for coping with similar problems.

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ECONOMIC

B. Hirschnez Benerka Sperk Controversy

- 3. Simple mention in Rio newspapers of Professor Albert Hirschman's report on article 34/13 investment incentives was enough to provoke a stir in the Northeast.
- 4. Usually restrained Rubeas Costa (president of the Benco do Nordeste) admitted that he hadn't seen the report, but spoke out anyway, objecting to Hirschman's assertion that (1) the BNB has been remiss is neglecting agricultural development. (2) that the 34/18 process should have a planned criteria and a projected date for its termination. (3) that the BNB has been bureaucratic foot-dragging in release of 34/18 money, and (4) that considerable amounts of second-band equipment could be imported and used in the Northeast.
- 5. Later, the Jornal do Commercio editorially commented on the last point, saying that Branil had made enough socrifices, that it doesn't need to accept semi-obsolete equipment of low productivity, and sew has the capacity to manufacture most of its own equipment new.

6. (Noth Rubeas Costa and SUDENE head, Euler Bentes, have since been sent advance copies of Hirschman's report which is being translated for possible publication in Brazil.)

C. ICM Gains Support and planta and are within a through without the

- 7. In a July 17 Recife meeting, representatives of the commercial associations of nine Northeastern states approved
 unanimously a resolution calling for continuation of the ICM
 (circulation tax) system and a uniform tax rate throughout
 Brazil. The group also will ask the GOB to reduce the ICM to
 10% on all commodities bound for export and to 12% for all goods
 in interstate commerce as well as to exempt beans, mandioc flour,
 fertilizers and insecticides from payment of any of the tax.
- 6. There was little hist beforehand that the businessmen would be anything but hostile to the ICM. A lengthy talk by Benedito Silva (a Gatulio Vargas Foundation economist who helped author the tax) and recent rebounds in state tax collections helped change their minds.
- 9. Silve soid that the ICM itself has not been at fault for low state revenues. He instead blamed the collection mechanism. There are not enough collection agencies, he said, and many of the smaller municipies, not knowing how to compute the tax, haven't really tried. He cited Maranhao as an example of a state which has done things right: Collections have risen in Maranhao from MCr\$18 million the first sewester of 1966 to NCr\$37 million under the ICM system.

F. IBRA Tux Receipts Down

- 10. An estimated 200,000 rural landholders in the Northeast as of last week had not paid IBRA (Institute Brasileire de Beforma Agraria) their rural land tax. The number in default represents 35% of all rural landholders in the region, and the loss in revenue to IBRA is put at 1.0 million new cruzeiros, or about 45% of the IBRA budget.
- 11. Recognizing that many small landholders operate at close to margin. IBRA's attitude has been a resigned shrug of the shoulders and the statement that no one will be fined on the everdue tax until Nevember, when the fine will be only 5% of the total. Several way commentaries have already pointed out that the delinquent will pay with morey that is 10-15% less valuable.

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PSYCHOLOGICAL

E. Seeborg Visit and Northesaters Fall-Out and amount and

12. In what might be tormed "a fall-out of the Seeborg visit." the Northeast press took to its editorial pens this week to advocate Brazil's entry into the Atomic Club -- under its own power.

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- 13. Admitting that neither a stockpile of hardware nor the peaceful nuclear gadget was just around the corner (five to tenyears was the estimate), the Jornal de Commercio taid it's time to begin. "Bow much longer will we stay in an underdeveloped position or in the condition of a satellite, clients of those who want to make private use of the production of nuclear energy?" "Fresident Costa e Silva is right," the editorial continued, "it is time to seek a place in the Atomic Club."
- 14. The Jornal, is several editorials, noted the obstacles: the billions of dollars involved is nuclear development and its dearth of scientists, some of which are either is voluntary or involuntary exile, and others who went abroad to care more money. It is the responsibility of the Brazilian government, the Jornal said, to encourage the return of these scientists. "With so few within the country, we cannot afford the lextry of wasted talent," the newspaper stated.

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