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THE WORLD BANK
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McNamara Papers

Travel
Nov. 5-

The United States Group
Archives



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Folder 1 of 4

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WBG Archives

ITINERARY FOR TRIP TO BRAZIL and ECUADOR, Nov. 6-16, 1979

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
Nov. 6 Tues.	1700	2200	Depart Washington--National	Shuttle
	1800	2300	Arrive New York--La Guardia	
	2000	0100	Depart New York--JFK	RG861 DC10 nonstop
Nov. 7 Wed.	0720	1020	Arrive Rio de Janeiro	
	0800	1100	Depart Rio de Janeiro	Govt. jet
	0900	1200	Arrive Curitiba--to be met by Minister Rischbieter	
	0910		Depart for hotel	Del Rey Hotel
	0940		Arrive at hotel	
	1045		Depart for Mayor's office	
	1100		Arrive Mayor's office	
	1110-1130		Briefing by Mayor Lerner and staff on urban development projects. Mrs. Lerner will accompany Mrs. McNamara.	
	1130-1230		Visit urban development sites. Proceed to Governor's palace.	Car
	1230-1300		Audio-visual presentation	
	1300-1400		Working lunch w/governor	Governor's Palace
	1430		Depart for Sao Paulo accompanied by Minister Rischbieter	Govt. plane
	1500		Arrive Sao Paulo	
	1535-1605		Meet w/Governor Paulo Salim Maluf	Sao Paulo Hilton Palacio dos Bandeirantes
	1610-1700		Meet w/Secretaries of State of Sao Paulo, Affonso Pastore, Rubens Costa and Eduardo Carvalho	
	1715-1830		Meet w/15 selected businessmen	
			Evening free	
Nov. 8 Thurs.	0715 0745-0815		Discuss state health program w/Secretary of Health Adib Jatene	Mayor's Office
	0815-0845		Brief on sites and services projects by Mayor Barros and officials at COHAB	
	0910-1045		Visit sites and services projects w/Secretary of Health, the Mayor, and COHAB officials and then proceed to airport	Helicopter
	1100		Depart for Salvador accompanied by Minister Rischbieter and Mrs. Moreira, Project Coordinator of Paraguacu Rural Development Project	Govt. plane
			Lunch on plane Agriculture	
	1315		Arrive Salvador. Minister Stabile and Dr. Cavalcanti, Planning Secretary of Federal Ministry of Interior, Governor Antonio Carlos Magalhaes and State Secretaries of Planning and Agriculture will meet and accompany to project area	
	1330		Depart for Feira de Santana	Plane
	1400		Arrive Feira de Santana	
	1400-1700		Visit Paiaia small farmer community and agricultural production sites	
	1715		Depart for Salvador	
	1800		Arrive Salvador	Govt. plane
	1945-2130		Official dinner hosted by Governor Magalhaes	Hotel Othon
	2145		Return to hotel	Ondina

DATE	TIME	GMT	REMARKS
Nov. 9 Fri.	0830		Depart for Campina Grande accompanied by Minister Stabile, Dr. Cavalcanti and Dr. Humberto Manoel de Freitas, Sec. of Agriculture of State of Paraiba, who will give brief on Brejo project
	0930		Arrive Campina Grande. Minister Andreazza and Governor Tarcisio Buriti will meet party
	0935-1200		Visit Paraiba Rural Development project
	1230		Return to Campina Grande
	1230-1315		Lunch
	1330		Depart for Recife. Dr. Lauro Bernardes, Superintendent of FIDEM will join party and give brief on urban projects of Recife
	1400		Arrive Recife
	1430-1450		Visit SUDENE headquarters
	1500-1700		Visit urban development project
	1745		Check in at hotel
	1900-2100		Dinner hosted by Governor Marco Maciel
	2145		Return to hotel
Nov. 10 Sat.	0730		Depart Recife
	0930		Arrive Maraba. Eliezer Baptista, Pres. of CVRD, and Paulo Yokota, Pres. INCRA, will join party
	0945-1100		Fly over Carajas iron ore project area
	1115-1315		Visit Novo Ipixuna nucleus and colonization scheme and talk w/farmers
	1330		Depart for Manaus--lunch on plane
	1415		Arrive Manaus (one hour time gain). Governor Jose Lindoso and Ruy Lins, Superintendent SUFRAMA will meet party
	1445-1745		Trip down Rio Negro to junction of three rivers-- Negro, Amazon and Solimoes--accompanied by Governor Lindoso, State officials and representatives of SUFRAMA, EMBRAPA and SUDAM
	1815		Arrive hotel
	1930-2130		Dinner hosted by Governor Lindoso
Nov. 11 Sun.	0800		Depart for EMBRAPA research station
	0830-1130		Visit research station, small farm developments and typical Japanese settler family - talk with small farmers
	1230-1330		Lunch at hotel
	1415		Depart Manaus
	1745		Arrive Brasilia (one hour time loss)
	1800		Visit urban areas
	1900		Arrive hotel--evening free
Nov. 12 Mon.	0745		Depart for Ministry of Finance
	0800-0845		Meet w/Minister Rischbieter
	0900-1030		Meet w/Minister Delfim Netto
	1045-1145		Meet w/Minister of Transport Elizeu Resende, SecGen Wando Borges and Elcio Costa Couto, Pres. GEIPOT

Govt. jet

Plane

Miramar Hotel
Car

Governors' Palace

Govt. plane
Tropical Hotel

Tropical Hotel

Govt. plane
Nacional Hotel
Car

Planning Ministry
Transport Ministry

DATE	TIME	GMT	REMARKS
Nov. 12	1200-1415		Working lunch hosted by Minister Delfim Netto and Ministers Portella (Education), Soares (Welfare & Social Assistance), and Arcoverde, (Health)
Mon.			Planning Ministry
	1430-1450		Meet w/Minister Ramiro Saraiva Guerreiro <i>country call</i>
	1500-1530		Meet w/Dr. Galveas and Dr. Langoni, President and Director respectively of Central Bank
	1545-1645		Meet w/Minister Camillo Penna <i>buying on credit deal + alcohol/prog</i>
	1700-1730		Meet w/President Joao Baptista Figueiredo
	1815		Depart for Rio--dinner on plane
	1930		Arrive Rio
	1945		Depart for Hotel
	2030-2130		Meet w/selected intellectuals
			Copacabana Palace
			" "
Nov. 13			
Tues..	0815		Depart for airport
	0930	1230	Depart Rio
	1355	1855	Arrive Quito
	1600		Meet w/President Roldos
	1715		Meet w/Vice President
	1845-1945		Meet w/economic team and Minister of Natural Resources, and high-ranking officials of CEPE and INECEL (to discuss energy matters)
	2000		Dinner hosted by Pres. Monetary Board, Leon Roldos, and General Manager of Central Bank, Germanico Salgado
			La Merced Convent
			Central Bank
			Colon Hotel
			Presidential Palace
			VARIG #878 B707
v. 14	0730		Depart for Ambato. Brief stop at Bank-financed school at Latacunga
Wed.			Car
	1030-1230		Visit Tungurahua project site--first rural development operation financed by Bank in Ecuador
	1300		Depart for Ibarra
	1345		Arrive Ibarra
	1400		Lunch w/Mr. Galo Plaza at his farm, Zuleta
	1630		Depart for Quito
	1700		Arrive Quito
	1830		Visit Central Tecnico, vocational school whose equipment was financed under 1st Education Credit
	2030		Dinner hosted by the President
			Presidential Palace
Nov. 15	0900-1100		Tour of Quito
Thurs.	1200		Depart for Guayaquil
	1230		Arrive Guayaquil
	1300		Lunch w/Govt. authorities and Guayaquil financial community
	1530-1730		Visit proposed Guayaquil urban development project site and Water Company's works financed under Loan 1030-EC
	1745		Visit Guayaquil Port whose improvements financed under Bank loan
	Evening		Private dinner
			Continental Hotel
			Plane - 544 43829

See
Schedule

Mr. McNamara's Visit to Bahia

The Federal, State and Bank officials will divide into two groups for their visits to the project area, meeting together towards the end in the small town of Paiaia, as follows:

GROUP I

1. Robert McNamara	-	President, World Bank
2. Caio Koch-weser	-	Assistant to President, World Bank
3. Antonio Carlos Magalhães	-	Governor of Bahia
4. Renan Balearo	-	Secretary of Agriculture, Bahia
5. Angelo Amaury Stabile	-	Minister of Agriculture
6. William Clark	-	V.P. Ext. Rel., World Bank
7. Robert Skillings	-	Chief Brazil Division, World Bank
8. N. Calixto	-	Translator, Ministry of Finance
9. Ivan Araujo	-	Assistant to Governor, Bahia
10. Amenair Grenalgh	-	POLONORDESTE Coordinator, Bahia

The Group will travel by bus, making it possible for

Numbers 1-5 and 6-10 will travel together by plane from Salvador to Feira de Santana and on the return trip from Feira de Santana to Salvador. They will also travel together by car from Feira de Santana to the Fazenda Bananeira and from Fazenda Bananeira to Paiaia. From Paiaia to Feira de Santana Messrs. McNamara and Koch-weser will travel together with ~~three~~ *four* community representatives/farmers to discuss *further* problems in the project area, while the Governor, Secretary of Agriculture and Minister of Agriculture travel in a separate car. Ms. Dowsett will be at the Fazenda Bananeira when the group arrives.

1315 Arrival Salvador

1330-1355 Transfer to Feira de Santana

1400-1420 Transfer to Fazenda Bananeira, the property of a small farmer in the municipality of Santo Estevão.

1420-1505 Visit to the Fazenda Bananeira, including 15 minutes with the extensionists and farmers at the site of the EMATER demonstration plot and 30 minutes for a meeting with farmers from the area.

1505-1525 Transfer to Paiaia.

1525-1535 Brief look at the POLONORDESTE school and health post in Paiaia.

1535-1600 Speech by the Governor (inaugurating various project works and distributing symbolic land title to a farmer) and community representative.

1600-1620 Meeting of Mr. McNamara with the community council of Paiaia while the Governor meets with the prefeitos and other politicians.

1620-1705 Transfer to Feira de Santana airport *By bus* En route Mr. McNamara will talk further with community representatives/farmers.

Bahia Visit (Cont'd)

1710-1740	Transfer to Salvador.
1740-1815	Transfer to Hotel Othon.
1925-1930	Transfer to Governor's palace.
1930-2150	Dinner with the Governor and other Bahia State authorities. Before dinner there will be a 15 minute audiovisual presentation on the Paraguaçu project, emphasizing developments in those areas of the project not visited by Mr. McNamara.
2150-2200	Return to Hotel Othon.

0730-0810	Transfer to Salvador airport.
0830	Departure for Campina Grande.

Saturday, November 10

FROM RECIFE - TO MANAUS

6:15 am - Leave for airport

6:45 am - Leave Recife for Manaus accompanied by Dr. Wando Borges, Secretary General of the Federal Ministry of Transport and Mr. Paulo Yokota, President of INCRA.

MARABÁ 1/

Saturday, November 10

9:00 am - Arrive at Maraba enroute to Manaus where Eliezer Baptista, President of CVRD, Fernando Coutinho Jorge, Secretary of Planning of the State of Para and Elias Sefer, Superintendent of SUDAM will meet Mr. McNamara's party.

9:05 am - Leave Maraba to(Castelo Branco)

1/ Refuelling stop

- 9:55 am - Arrive at Castelo Branco
- 10:30 am - Return to land strip of Maraba
- 11:20 am - Leave to Serra dos Carajas in two Citation planes leased by CVRD. Mr. Eliezer Baptista, President of CVRD, will brief Mr. McNamara.
- 11:45 am - Arrive Carajas
- 11:50 am to 13:20 pm - Visit Carajas Project. Lunch at the site of the Project.
- 1:30 pm - Leave to Maraba
- 1:55 pm - Arrive Maraba
- 2:00 pm - Leave for Manaus.

MANAUS

Saturday, November 10

- 2:35 pm - Arrive Manaus (one hour time gain) Mr. McNamara's party will be met by Governor José Lindoso and Ruy Lins, Superintendent of SUFRAMA.
- 3:00 pm - Leave for naval base
- 3:15 pm to 6:00 pm - Trip down Rio Negro to the junction of the three rivers (Negro, Amazon and Solimões) accompanied by Governor Lindoso, State officials and representatives of SUFRAMA, EMBRAPA, SUDAM and INCRA. Mr. McNamara will receive a briefing on the activities in the Amazon region of these agencies. He will also have an opportunity to discuss the Government's development plans for

the Amazon region. He will be shown typical areas of agricultural development at the junction of the three rivers where conditions are opposite to those he will be shown later at the EMBRAPA research station.

- 6:15 pm - Leave for Hotel Tropical
- 6:30 pm - Check in at hotel
- 7:30 pm to 9:30 pm - Official dinner given at the hotel by Governor Lindoso
- 9:45 pm - Retire for the night

Sunday, November 11

- 8:00 am - Leave for EMBRAPA research station
- 8:30 am - Arrive EMBRAPA research station
- 8:30 am to 11:30 am - Visit research station, small farm development and typical Japanese colonization family. Mr. McNamara will have an opportunity to talk with small farmers benefiting from work being done by EMBRAPA.
- 11:45 am - Leave for hotel
- 12:15 pm - Arrive hotel
- 12:30 pm to 1:30 pm - Lunch at hotel
- 1:45 pm - Check out of hotel
- 2:15 pm - Leave for Brasilia.



Highlights: Prospects for Brazil's Economy

The new economic team headed by Planning Minister Simonsen has resolved to attack the following problems:

1. Above all else the problem of inflation; March inflation reached almost 6 percent, the highest rate since the military government took over in 1964.
2. Limiting further external borrowing, hence limiting public investment.

These are immediate issues, which call for a slow growth rate of GDP for 1979.

Beyond these immediate issues, the Government has announced the following measures:

3. Dismantling the bureaucratic import restrictions and export subsidies and move toward a realistic exchange rate instead; this implies a real devaluation of ~~\$~~ 4-5 percent per year over the next five year.
4. Strengthen the agricultural sector (for which Delfim Netto is responsible in the cabinet), the performance of which has been disappointing during the past 2-3 years.
5. Give top priority to public investment in energy, particularly hydro-power.

All these measures are to be taken while political liberalization continues:

6. Freedom of the press is already complete, but labor legislation dates back to Mussolini's model (adopted by Getulio Vargas during World War II); there is a need for a more modern labor legislation which can accomodate increasing labor demands (evidenced by a number of illegal strikes during 1978 and early 1979) without:
 - a) underminigg the fight against inflation
 - or b) a reversion to more authoritarian management.

The most crucial test of success or failure will be the growth rate of manufactured exports: if they grow rapidly, Brazil can resume a much faster growth rate of GDP and hence accomodate social demands better; if they fail to grow rapidly, Brazil cannot grow at more than 4-5 percent per year because of the already large size of its external debt. The efforts to limit or reverse protectionism in Europe are therefore essential.

Within this more difficult framework the Brazilian Government intends to continue improving social services, continuing the trend of the Geisel administration; but concrete plans will only be ready later this year.

GP
April 16, 1979

a rapid change occurred here since fall
Figures I gave you are outdated.

MR. MCNAMARA'S ARRIVAL STATEMENT

BRAZIL

64-68 291 net 60m
69-73 1065
74-78 4796
79-83 4378
77 475
78 705
79 674
80 753 that you only
81 1045 14 times

I am very pleased to be back again among you in Brazil and grateful to your Government for giving me the opportunity to learn more about your country and its achievements. Brazil and the World Bank have together forged an extraordinary working relationship. This spans three decades, and reflects significant changes in our common development objectives.

Brazil is the largest borrower from the World Bank. Since 1949, the Bank has committed over \$4.6 billion for Brazil's development. These loans have helped finance key projects in many sectors, especially in agriculture, industry, transportation, and energy. They are also supporting projects of high social priority in education, rural and urban development and nutrition.

Particularly important are the six integrated rural development projects being carried out in the Northeast under the Polonordeste program. The World Bank is providing \$166 million to help finance these projects, which will enable the rural poor in several states of that region to lead better and more productive lives. I look forward to seeing for myself the progress that is being made in the Northeast, and discussing with your Government how the Bank can assist the crucial work that still needs to be done.

The ability of Brazil and the World Bank together to deal with the fundamental development problems is also illustrated by the projects for which the Bank committed loans in the past fiscal year. These commitments, totaling \$674 million, include assistance to Brazil's first urban development schemes, which are expected to benefit nearly 2½ million people in nine different cities. Other projects designed to assist low-income groups in rural and urban areas are in preparation.

.../

I am confident that the productive relationship between us will continue in the future. The World Bank will give its full support to Brazil's efforts to attain a more balanced distribution of the benefits of development, to continue to grow at a rapid pace and to come to grips with the special problems created by the world-wide energy crisis. ~~In particular, we wish to provide assistance to Government programs designed to combat poverty in areas such as the Northeast and the outskirts of metropolitan centers.~~

Brazil, along with other nations, is adjusting to the adverse economic conditions of recent years. While this has forced some reduction of the pace of economic growth from the extraordinary progress achieved before 1974, I am impressed by the strength, diversity, and resilience of the Brazilian economy and its industrious people. I am confident that, as you move into the 1980s, you will successfully meet the challenge of matching growth with economic stability and providing ever-widening opportunities for the poor.

C

JOAO BAPTISTA DE OLIVEIRA FIGUEIREDO

President of the Republic of Brazil

KARLOS RISCHBIETER

Minister of Finance

ANTONIO DELFIM NETTO

Minister of Planning

MARIO DAVID ANDREAZZA

Minister of Interior

ELISEU RESENDE

Minister of Transport

RAMIRO SARAIVA GUERREIRO

Minister of Foreign Affairs

JOAO CAMILO PENNA

Minister of Industry & Commerce

ANGELO AMAURY STABILE

Minister of Agriculture

CESAR CALS DE OLIVEIRA FILHO

Minister of Mines & Energy

PETRONIO PORTELA NUNES

Minister of Justice

MURILO MACEDO

Minister of Labor

HAROLDO CORREIA DE MATTOS

Minister of Communications

EDUARDO MATTOS PORTELLA

Minister of Education & Culture

MARIO AUGUSTO CASTRO LIMA

Minister of Health

JAIR DE OLIVEIRA SOARES

Minister of Social Welfare

SAID FARHAT

Minister of Social Communication

General of the Army

JOSE MARIA DE ANDRADA SERPA

Chief of the Armed Forces

General of the Army

WALTER PIRES DE CARVALHO ALBUQUERQUE

Minister of the Army

Brigadier DELIO JARDIM DE MATTOS

Minister of the Air Force

Admiral MAXIMIANO EDUARDO DA SILVA FONSECA

Minister of the Navy

BIOGRAPHIES

JOAO BAPTISTA DE OLIVEIRA FIGUEIREDO (President of the Republic of Brazil)

General Figueiredo, 61, who became President of Brazil in March 1979 has had a distinguished career as a cavalry officer in the Brazilian Army. As a colonel he became the head of the Intelligence and Counter-Intelligence Service of the General Secretariat of the National Security Council. Under former President Geisel he became Chief of the Third Army, then Chief of the Military Cabinet of the President of the Republic and finally Chief Minister of the National Information Service. In late 1978 he was selected to be the Government party's candidate for President. In the short time that he has been President, General Figueiredo has succeeded in opening up the political climate in Brazil. The press has greater freedom than it ever had since the military government took over and there is a general belief that at the end of his six-year term the country will return to democratic government. General Figueiredo is unassuming and open in his contacts with others and is gradually becoming very popular.

The President likes to talk about the following points: i) his presiding over the opening of the political system of the country; ii) expansion of agricultural production both for domestic consumption and for exports; and iii) his commitment to accelerating the development of the Northeast.

KARLOS RISCHBIETER (Minister of Finance and Governor of the Bank)

Mr. Rischbieter, 51, who became Minister of Finance in the Figueiredo Government in March 1979, has an engineering degree from the Federal University of Parana. Prior to his appointment as Minister of Finance, Mr. Rischbieter was successively President of the Parana State Development Bank, President of the Federal Savings Institution, and President of the Banco do Brasil. He is also the current President of the Latin American Association of Development Finance Agencies.

ANTONIO DELFIM NETTO
(Minister of Planning)

Mr. Antonio Delfim Netto, 51, who became Minister of Planning in the Figueiredo Government in August 1979, has a graduate degree in economics. Early in his career Mr. Delfim Netto was professor of Economics at the University of Sao Paulo where he established himself as one of Brazil's outstanding theoretical economists. From 1964-67 he served as Secretary of Finance for the State of Sao Paulo, and in March 1967, at the age of 39, he was appointed Minister of Finance, where he remained until 1974. During the Geisel Government he was Ambassador to France for Brazil. In March 1979 he was appointed Minister of Agriculture in the Figueiredo Government, a post he left to become Minister of Planning. Throughout his career, Mr. Delfim Netto, has been widely respected and popular, which was reflected in his being chosen "Man of the Year, 1970" by "Visao," the Brazilian equivalent of Time magazine.

MARIO DAVID ANDREAZZA
(Minister of Interior)

Mario Andreazza, 61, a career army officer, served as Minister of Transport in the Medici Government when the Bank was embarking on a large highway lending program in Brazil. This program was successfully implemented and the Bank's technical assistance is now no longer considered necessary by the Brazilian Government in this sector. After his last cabinet post he joined the private sector and became President of the Naval Industrial Equipment Company. He then moved to the Atlantica Boa Vista Insurance Group as Vice President before being appointed to his present post in the Figueiredo Government last March. Mr. Andreazza is a dynamic decision maker and is well known for his ability to get things done.

ELISEU RESENDE
(Minister of Transport)

Mr. Eliseu Resende, 50, is an engineer with a Ph.D. from New York University. He has taught engineering at the University of Minas Gerais, has headed the Minas Gerais State Highway Department, and during the Medici Government (when Mario David Andreazza was Minister of Transport) Resende headed the national highway department (DNER). From 1974 to 1979 he was President of SAMARCO (controlled successively by Marcona Mining, Utah International and now General Electric), an iron ore mining company, which successfully built a slurry pipeline to transport iron ore from its mine in the interior of Minas Gerais to the coast. Resende has the reputation of an excellent, get-things-done administrator.

RAMIRO SARAIVA GUERREIRO
(Minister of Foreign Affairs)

Ambassador Saraiva Guerreiro, 61, is a career diplomat. He held various senior posts in Brazilian embassies overseas before becoming Secretary-General of the Ministry of Foreign Affairs under Foreign Minister Azeredo da Silveira (present Brazilian Ambassador in Washington). He was named Ambassador to France in 1978 and joined the Figueiredo Government in March 1979 as Minister to provide continuity to the innovative foreign policies introduced by his predecessor.

JOAO CAMILO PENNA
(Minister of Industry and Commerce)

Mr. Camilo Penna, 54, a civil engineer, has had a distinguished career with Centrais Eletricas de Minas Gerais - CEMIG, of which he was elected President in March 1969. Since 1953 the Bank has had a close relationship with CEMIG having made six loans to it totalling US\$207 million. In 1975, Mr. Penna left CEMIG to join the Minas Gerais state government. After holding posts such as Interim Secretary of Planning and then of Administrator, Mr. Penna became the State Secretary of Finance, a post he held until he joined President Figueiredo's government in March 1979. Over the years Mr. Penna has been a good friend of the Bank's and is expected to work closely with us in developing programs for the alternative use of energy.

ANGELO AMAURY STABILE
(Minister of Agriculture)

Mr. Amaury Stabile, 52, an economist by training, spent his early career in banking (including 15 years in the Brazilian operation of the Sharp group in Brazil, and in March 1979, when Delfim Netto (with whom he is on close terms) became Minister of Agriculture, Stabile was named Secretary General of that Ministry. In August, when Delfim moved to the Planning Ministry, Stabile became Minister of Agriculture. This appointment signified Delfim's close interest in agriculture.

JAIR de OLIVEIRA SOARES
(Minister of Welfare and Social Assistance)

Mr. Soares, age 46, has degrees in Dentistry and Judicial and Social Sciences. He was elected to the Assembly of the State of Rio Grande do Sul in 1959 and to the Federal Congress in 1978. He has been Chief of Cabinet to the Secretary of Public Works of the State (1955-59), Chief of Cabinet to the state president of the Agrarian Reform Institute (1963-64), President-Director of the State Purchasing Department and State Secretary of Administration (1970-71) and State Secretary of Health (1971-78).

EDUARDO MATTOS PORTELLA
(Minister of Education)

Mr. Eduardo Mattos Portella, age 47 is a journalist and Professor of the Federal University of Rio de Janeiro. In 1960 he became the Chief of Cabinet of the General Secretariat of Education and Culture of the State of Guanabara, then Coordinator of the Brazilian Cultural program at the National College of Philosophy of the then University of Brazil, and in 1968, Coordinator of the courses of Literary Theory of the College of Letters of the Federal University of Rio de Janeiro. After becoming a full professor of this University in 1974, he was appointed Director of the College of Letters of Rio de Janeiro in 1978, a position he held until joining the Figueiredo Government in March 1979.

WALDYR MENDES ARCOVERDE
(Minister of Health)

Dr. Arcoverde has a medical degree from the University of Parana and a post-graduate degree in public health from the University of Sao Paulo. He worked in the Secretariat of Health of the State of Rio Grande do Sul before becoming President of the Instituto Nacional da Previdencia Social, the position he will leave to become Minister of Health. At the end of October 1979 Dr. Arcoverde was asked by President Figueiredo to replace Minister Castro Lima who had just resigned and it is expected that he will have taken office by the time Mr. McNamara arrives in Brasilia. Dr. Arcoverde has stated that he will give initial priority to the provision of health services to both the peripheral areas around large- and medium-sized cities and to the rural population - he considers the placing of doctors in rural areas as fundamental. He also attaches high priority to the control of venereal diseases and to the need for integrating resources of the Health, Agriculture, Planning and Social Security ministries.

ERNANE GALVEAS

(President, Central Bank of Brazil - Alternate
Governor of the Bank and Fund)

Dr. Ernane Galveas, 57, who became President of the Central Bank in the Figueiredo Government in August 1979, has degrees in economics and law, and did post-graduate work at Yale University. From 1963-65, Dr. Galveas was the Finance Director of the Merchant Marine Commission. In 1966 he became head of the Department of Foreign Trade (CACEX) of Banco do Brasil, and early in 1968 assumed the presidency of the Central Bank, a post he held for six years. In 1974, he became president of a new pulp and paper company, Aracruz Florestal, which he left for his current position as President of the Central Bank.

CARLOS GERALDO LANGONI

(Director, Central Bank)

Mr. Langoni, age 35, presently Director of the Central Bank, has a Ph.D. in Economics from Chicago University (1970). Since 1971 Mr. Langoni has been teaching at Fundacao Getulio Vargas (FGV) and at the Institute of Economic Research of the University of Sao Paulo. From 1974/79 he was a Director at the post-graduate school of Economics at FGV, the position he left to assume his present functions at the Central Bank. Since 1970, Mr. Langoni has been doing considerable research on various aspects of the Brazilian economy. His best work has been on income distribution, as a result of which, he was elected "Economist of the Year" in 1975 by the National Syndicate of Economists.

BIOGRAPHIES

NEY BRAGA

(Governor of the State of Parana)

Ney Braga, 62, is a soldier by training. He entered politics in 1952, becoming Mayor of Curitiba in 1954. He served as a Federal Deputy for two years before being elected Governor of the State of Parana. His term of office was interrupted by his being named Minister of Agriculture in the Castelo Branco Government. He was then elected to the post of Federal Senator which he held for seven years. He became Minister of Education & Culture in the Geisel Government before being elected for a second time, last year, to his present post which he assumed in March 1979. Mr. Braga is a powerful political figure and a close associate of Minister Rischbieter.

JAIME LERNER

(Mayor of Curitiba)

Mr. Lerner, after studying engineering and architecture, was trained in urban planning in France. Since 1965, he has formed and directed the urban planning center in Curitiba. Now in his second term as Mayor, Mr. Lerner is generally credited with masterminding the outstanding urban planning in that city. He has written and lectured extensively, and now has a world-wide reputation as a forward-looking urban planner.

BIOGRAPHIES

MARCO ANTONIO DE OLIVEIRA MACIEL (Governor of Pernambuco)

Marco Maciel, aged 39, who became Governor of the State of Pernambuco in the Figueiredo Government, has a degree in law from the University of Recife and did post-graduate work, among others, on "American Institutions" at Harvard University and on "Inter-Regional Problems in Brazil," at the University of Recife. At the age of 24, as advisor to the then-Governor, he became the head of what is now the Secretariat of Labor of the State of Pernambuco. Mr. Maciel has been a professor of Public International Law and since 1967 has held elective posts such as Representative in the State Assembly (1967-71), where he was leader of the Government's party, Representative in the Federal Congress (1970-75, 1975-79) and the First Secretary of ARENA's National Convention. From 1975-77 he was the President of "Fundacao Milton Campos," which does research and political studies, and from 1977-79 he was the President of the House of Representatives. Mr. Maciel has published several political and economic papers on regional, national, and international affairs.

BIOGRAPHIES

TARCISIO DE MIRANDA BURITI (Governor of Paraiba)

Mr. Buriti, 40, who became Governor of Paraiba in the Figueiredo Government in March 1979, has a law degree from the Federal University of Paraiba, and did post-graduate work in Sociology at Poitiers University, France. In 1967 he obtained his Ph.D. in Political Sciences from the Institute of High International Studies in Geneve. Mr. Buriti has been a professor in several fields related to law, education, and sociology. His political career includes functions as State Secretary of Education and Culture. He has published several works, among them "Mar Territorial Brasileiro de 200 Milhas," in 1972.

HUMBERTO FREITAS (Secretary of Agriculture of Paraiba)

Mr. Humberto Freitas, State Secretary of Agriculture of Paraiba, 37, has a degree in agronomy and post-graduate work in rural extension, agricultural planning, and integrated rural development, the latter in Israel. Mr. Freitas started his professional career as a rural extensionist, then technical advisor for rural credit and technician for agricultural planning. In 1972 he became the coordinator of the State Commission for Agricultural Planning in Rio Grande do Norte and in 1975 was appointed to his present post of Secretary of Agriculture of the State of Paraiba.

BIOGRAPHIES

Paulo Salim Maluf (Governor of Sao Paulo)

Mr. Paulo Maluf, 48, a member of a successful industrial family, is an engineer by training, who entered public life in 1967 and has been Mayor of Sao Paulo and State Secretary of Transport. In 1978, he was nominated for Governor by the state ARENA party convention (despite the fact that President Geisel backed another candidate) and was elected by an electoral college composed of a hold-over ARENA majority. In subsequent legislative elections, the opposition party, MDB, gained a majority in the legislature, but by skillful maneuvering, Governor Maluf has recently succeeded in attracting part of the opposition to his support and is now believed to command a majority in the legislature. Although his wife's family has been involved in a much publicized business failure (the Lutfalla affair) which may have involved improper lending by BNDE, Maluf's popularity seems strong and his political star rising.

Reynaldo Emygdio de Barros ✓ (Mayor of Sao Paulo)

Mr. de Barros, 48, has degrees in civil engineering from the Escola Politecnica of the State of Sao Paulo. Prior to his appointment as Mayor, Mr. de Barros was successively President-Director of CELUSA (Centrais Eletricas de Urubupunga S.A.) (1963), President of the Administrative Council of the Welfare Institute of the State of Sao Paulo (1968), and President of SABESP (company in charge of water supply and sanitation in Sao Paulo) (1977). His election as Mayor is a major victory for Governor Maluf.

Rubens Vaz da Costa ✓ (Secretary of Planning of the State of Sao Paulo)

Mr. Vaz da Costa, 52, has a degree in economics and did post-graduate work at George Washington University. From 1961-66, Mr. Vaz da Costa worked with IDB, holding various positions before becoming Sub-Director of Loans Division for South America. Upon his return to Brazil, Mr. Vaz da Costa became the President of the Federal Credit Cooperative and later Superintendent of SUDENE. He assumed the Presidency of the Banco do Nordeste in 1967, a post he held for four years. In 1971, he became the President of the National Housing Bank (BNH). BNH has recently been the recipient of our loans for water supply and sewerage and low-cost housing projects. In the years between 1974 and 1979 (when he joined Governor Maluf's Government), Mr. da Costa served as member of various councils including the National Monetary Council and did consultancy work for the UN and the World Bank on demographic matters and urban development. He has several published works on urban growth, regional development, demography, and energy. In 1968, as President of Banco do Nordeste Mr. da Costa accompanied Mr. McNamara on his visit to Brazil.

Eduardo Pereira de Carvalho
(Secretary of Agriculture for the State of Sao Paulo)

Mr. de Carvalho, 41, became the Secretary of Agriculture for the State of Sao Paulo in July 1979. He has a degree in economics from the University of Sao Paulo. His previous activities include, among others, tasks as Coordinator of Economic Advisory of Ministry of Finance (1970-74), member of National Council for Foreign Trade (1967-79), member of the Deliberative Council of SUDENE (1972-74), member of the Technical Council for EMBRAPA (1973-79). From 1977-78 Mr. de Carvalho was Director of CVRD, President-Director of Vale Norte Aluminio S.A., and President of the Administrative Council for fertilizer, mining, and aluminum companies. Since 1978 Mr. de Carvalho has been the Executive Director of CVRD and has worked very closely with the Bank. Mr. de Carvalho is very close to Minister Delfim Netto and was a leading contender for the post of Minister of Agriculture when the latter moved to the Ministry of Planning. He chose to remain in his present post at the request of Minister Delfim because of the importance of Sao Paulo state in the Brazilian political scene.

Affonso Celso Pastore
(Secretary of Finance of the State of Sao Paulo)

Mr. Pastore, 40, has a doctor's degree in economics from the University of Sao Paulo. His previous functions include Advisor to the Secretary of Finance of the State of Sao Paulo (1966), and to the Ministry of Finance (1967-73), as well as professor of Econometrics and Statistics at the University of Sao Paulo (1973-78). Mr. Pastore has a long list of published works, particularly on agriculture, in which field he is considered a national expert. Along with Mr. de Carvalho, he is considered to be Minister Delfim's "man" in the state cabinet.

Adib Domingos Jatene
(Secretary of Health of Sao Paulo)

Mr. Jatene, 50, a surgeon, participated in the introduction of cardiac surgery in Brazil, and has invented a valve, now being tested, to take the place of a heart pacemaker. This is his first public office. He continues to practice surgery actively.

BIOGRAPHIES

ANTONIO CARLOS MAGALHAES (Governor of Bahia)

Dr. Antonio Carlos Magalhaes, 52, a doctor of medicine, is also a professional journalist having been the editor of the "Jornal da Bahia" for many years. He holds the title of Assistant Professor of the College of Medicine of the Federal University of Bahia. He entered politics in 1954 and after serving a term as a State Deputy was elected a Federal Deputy in 1958, in which position he served for two terms. He became Mayor of the city of Salvador in 1967 and in 1970 was elected to his first term as Governor of Bahia. President Geisel appointed him President of Centrais Eletricas Brasileiras S.A. - ELETROBRAS, in November 1975, a post he has held until he was re-elected for a second term as Governor. Over the years we have worked very closely with Dr. Magalhaes and have a very good working relationship with him. He has emerged as a very powerful political figure and could be a contender for the President of the Republic when the country returns to democratic government.

BIOGRAPHIES

JOSE LINDOSO (Governor of Amazonas)

Mr. Lindoso, who became Governor of Amazonas in the Figueiredo Government, has a doctor's degree in Law. Early in his career, Mr. Lindoso was a professor of Law, and Social and Political Economy in the Law School of Amazonas. His political career started in 1966, being elected successively Representative in the Federal Congress (where he became Vice-Leader of the Government's party) and Senator (1970). He was appointed Vice-President of the Senate in 1977-78. He has published works on constitutional law in Brazil and on political economy.

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9:55 Am. - Castelo Branco

10:30 2nd for Marabá

11:40 2nd for São das Graças

11:45 Am. " "

NOTE ON COLONIZATION SETTLEMENT - MARABÁ

11:50 - 13:40 Visit Graças Proj & lunch

1:30 - 2nd for Marabá

1:55 - Am

When the Trans-Amazon highway was constructed beginning in 1970, three integrated agricultural settlement projects were organized and located (from east to west) near Marabá, Altamira, and Itaituba. In the Marabá region, most settlement is along highway 150 and a few feeder roads, west of Marabá. Land has been reserved to create so-called "nuclei" at intervals along the highway to accommodate schools, churches, shops, etc. One such "nucleus" is at Novo Ipixuna (pronounced No-vo Ipi-shu-na) which will be visited. Up to mid-1978, 3,468 families had been settled in the Marabá sector all of them spontaneous migrants. Soils are said to be less fertile than in Altamira.

The old town of Marabá is located on low land, subject to frequent flooding, near the junction of the Tocantins River and its tributary, the Araguaia. A new town on higher ground is being built. The government contemplates that the Araguaia and the Tocantins below Marabá will become a major transportation artery, bringing agricultural produce from the southeast Amazon region to a new port near Belém. To that end navigation locks are being built into the large Tucuruí hydroelectric dam now being built 200 km downstream from Marabá.

NOTE ON THE CARAJAS IRON ORE PROJECT

By far the largest potential project in the Amazon region is the Carajas iron ore project, east of Maraba, in the Carajas highlands. This gigantic deposit contains an estimated 15.7 billion tons of high grade ore, averaging 66.7% Fe, of which 1.7 billion tons has been measured. Development of the project would require construction of a 900 km railway from the mine to the port of Itaquí, near Sao Luiz in Maranhao. This route was chosen because of the operational advantages of exporting ore through a deep water port with only one transshipment, after a study was made of a combined rail-river evacuation route through Belem, which does not have sea access for deep draft ships. The present values of the costs of the two alternatives were similar. The company preparing the project, Amazonia Mineracao S.A. (AMZA) was originally owned jointly by CVRD and the United States Steel Company. In 1975, U.S. Steel decided to withdraw and was bought out by CVRD, and since then CVRD has been promoting the project alone. Originally designed to export 50 million tons of iron ore per year (18% of 1970 world trade in iron ore), the project was estimated in 1975 to cost US\$3 billion. The completion of the feasibility study in that year coincided with the world industrial recession following the 1974 oil crisis, when it became doubtful that the world market could absorb such a large quantity of new ore supplies in the mid-1980s. AMZA has therefore been studying the feasibility of a smaller project -- some 35 million tons per year initially. While a scaled-down project would reduce investment costs somewhat (principally by making it possible to postpone electrification of the railway) the smaller project would have a much lower economic rate of return, while still requiring a very large investment. A decision to proceed with the project has not therefore been taken, and only limited expenditures are now being incurred on the project -- to consolidate swampy terrain on the railway line south of Sao Luiz. It is, however, considered by iron ore experts that it is only a matter of time before it becomes economic to develop such a large and high quality deposit as Carajas. CVRD has kept the Bank informed of the progress of preparatory work on the project, and we expect to be asked to help finance it if and when it goes forward. The Bank's principal role would be as a catalyst to help attract large sums of private capital.

INTERNATIONAL FINANCE CORPORATION

Mineracao Rio do Norte

This recently completed mining project exploits one of the world's largest bauxite deposits, located at Trombetas, in the northern Amazon jungle, some 1,100 km from the Atlantic Ocean. The project sponsors are: Companhia Vale do Rio Doce (CVRD), Brazil's government-controlled and major mining (iron, phosphate) enterprise (46%); Companhia Brasileira de Alumínio, a privately-owned Brazilian aluminum manufacturer (10%); and an international consortium which includes Dutch, Norwegian, Spanish and U.S. aluminum manufacturers and is led by Alcan of Canada (44%). The initial 3.4 million MTY bauxite output has been sold to the sponsors under long-term contracts and will be transported in ocean-going vessels loaded near the mine site. Project cost was about US\$400 million. The project has created over 1,000 permanent direct jobs, and includes a townsite for more than 3,000 inhabitants, most of whom come from other parts of Brazil. The project provided the opportunity for IFC's first investment in the Amazon, in the form of a US\$15 million long-term loan.

Mineracao Rio do Norte is an outstanding demonstration of how private/government and local/foreign investors can effectively join their managerial, technical and market capabilities in a major enterprise in Brazil's most challenging frontier. For the World Bank Group, the project has also provided the first opportunity to get closely involved in the analysis and control of the environmental impact of a major extractive venture on the Amazon. The Brazilian government, while stimulating infrastructure and natural resource projects in Amazonia, has been troubled that the ecology of the region may be damaged irreversibly, a concern which has been echoed in international circles. IBRD's Office of Environmental and Health Affairs (OEHA) has worked with Mineracao in developing a detailed plan and control mechanisms to ensure adequate protection of the environment. The program involves: refilling the mined-out area with contoured overburden and top soil which is then reforested to minimize erosion; pumping of the tailings from the mineral washing plant to a natural settling pond nearby; health and human ecology aspects; and protection and monitoring of endangered species. An experienced forester/ecologist has been residing full-time on the site to monitor the program, and his periodic reports have been supplemented by field visits of OEHA personnel. Although considerable efforts by Mineracao have been required, the work has merited high praise by the Brazilian authorities, who are using the mechanisms created as a model for effective attention to the environment in other projects in the Amazon area.

INSTITUTO NACIONAL DE PESQUISAS DA AMAZONIA (INPA)

INPA was established in 1952, subordinate to the National Scientific Research Council (CNPq), with the purpose of studying the physical environment and conditions of life in the Amazon Region. Research is to be undertaken with a view towards human well-being, keeping in mind cultural, economic, and national security considerations. As of 1978, INPA was responsible for three forest reserve areas for experiments and the Museo Geoldi in Belem. Of a staff of 594, 137 were researchers: 20 at the Ph.D. level, 40 at the M.A. level, and 77 at the B.A. level.

Studies have been organized in the following fields:

- Medicine: Tropical diseases, nutritional and gastroenterid problems, skin diseases.
- Agronomy: Soil conservation, forest use and management, introduction of new plants and crops, seed improvement.
- Biology: Studies of the biota and ecosystems of the Amazon.
- Fishing: Studies of renewable resources, considering chemical aspects, biochemical aspects and pharmacological applications.

In addition, special projects (those of short duration with priority for the region) have been undertaken in anthropology, archeology, training of human resources, solution of regional problems, and administrative development.

In August 1978, INPA and CNPq jointly directed an inquiry to the Bank asking whether the Bank might contribute grant funds toward a new program of research in economic development, problems, namely:

- measurement of the amount of deforestation that has taken place so far, and of the effect of deforestation on climate;
- a pilot program of forest management designed to achieve natural regeneration and enrichment of commercially valuable species;
- formulation of fishery practices that would achieve economic utilization of the rich fish resources of the Amazon without depletion;

- development of unconventional sources of energy;
- identification and development of means of production and marketing of native fruits and other plants;
- deforestation of minimum areas of forest that must be left to preserve the genetic stock.

We had, of course, to inform INPA that, interesting though the program seemed to be, the Bank did not have funds with which to make grants. We suggested that a loan might be considered, but Minister Delfim subsequently informed us that he did not wish the government to borrow abroad for a program of this type.

The Director of INPA is Dr. Eneas Salati, a scientist formerly with the Brazilian institute for the utilization of nuclear technology in agriculture. Dr. Salati, who speaks excellent English, is especially interested in the relationship between the Amazon forest and climate, both regional and world-wide.

SUPERINTENDENCY FOR THE DEVELOPMENT OF THE AMAZON (SUDAM)

SUDAM is the federal government's agency for promoting regional development in the Amazon. Its headquarters are in Belem, and, like its northeastern counterpart, SUDENE, it is responsible to the Ministry of Interior. Since April 1979, the Superintendent has been Mr. Elias Sefer, a businessman whose principal enterprise is a cement factory outside Belem.

SUDAM's most important function has been administration of the system of fiscal incentives, under which any Brazilian company may save up to 50% of its federal income tax liability by investing an equal amount in an enterprise in the Amazon approved by SUDAM. A similar system is operated by SUDENE in the northeast. The funds concerned are deposited in the Banco da Amazonia (BASA) and released to the investing enterprise as work progresses. The owner of the funds (the taxpayer) may invest them in an enterprise of his own, or they may be transferred to another enterprise. Up to 1974, a system of brokerage grew up to marry investors with investment opportunities, and at times when funds were scarce, brokerage fees rose to as high as 30%. This happened particularly after 1971, when half of the fiscal incentive funds were diverted to the Programa da Integracao Nacional (PIN) and PROTERRA (a program intended to promote land redistribution). PIN funds were used principally for the construction of the Transamazon highway. During this period, SUDAM found that it had approved more projects than there were fiscal incentive funds available, and enterprises found that they had to wait months or even years to receive funds, even after SUDAM had approved their projects.

To avoid the high brokerage fees, the government in 1974 created the Fundo de Investimentos da Amazonia (FINAM), a mutual fund managed by BASA, and consisting of the tax incentive money contributed by investors, who receive shares in FINAM in exchange (unless they elect to invest in enterprises which they manage directly). Shares in FINAM may not be sold for at least four years, and shares in an enterprise which the investor himself manages may not be sold for five years. At least 25% of the equity of an approved enterprise must be supplied by the owners of the enterprise from their own, non-tax funds, and in certain cases SUDAM may require a greater contribution. In addition to this system of fiscal incentives, many Amazonia enterprises have been able to take advantage of income tax holiday provisions (up to ten years) and exemption from sales and value added taxes and import duties on imported equipment, privileges available in the Manaus Free Trade Zone or throughout Brazil under such programs as BEFIEX (which promotes industries producing for export).

The following table shows the number of enterprises helped under the SUDAM fiscal incentive scheme, the total value of the investment involved, and the amount of fiscal incentive funds committed and disbursed from 1965 until the end of 1978:

SUDAM Fiscal Incentives: 1965-1978

(Cr\$ values at current prices; US\$ values derived by converting annual cruzeiro values at annual average exchange rates)

	No. of Projects	Total investment in approved projects (Cr\$ million)	Fiscal incentives			
			Approved Cr\$ mill. (1)	Disbursed Cr\$ mill. (2)	US\$ mill. equivalent	(2) as % of (1)
Industry	182	14,801	6,543	3,020	348	46%
Livestock	337	9,715	6,810	3,690	391	54%
Other 1/	51	7,647	2,211	973	97	44%
Total	570	32,163	15,564	7,683	836	49%

At the time the promoters of these projects submitted their applications to SUDAM, they expected that a total of 88,000 new jobs would be created by their investments, 50,000 in industrial projects, 16,000 in livestock projects, and 22,000 in other projects. Actual employment creation has been much less, suggesting that the SUDAM project promoters exaggerated their estimates. SUDAM gives preference to projects with substantial employment creation, and companies applying for modernization and expansion projects report their total labor force, even that already working before the new investment. Capital investment per new job was at least \$34,000 in industry (and probably much more), while it was at least \$63,000 in livestock projects.

There is no doubt that the fiscal incentive system provided a great impetus to industrialization in the Amazon. Industrial projects approved by SUDAM are estimated to represent an investment valued at three times the total industrial capital in the region in 1964. The employment effect has not been negligible, and there must also have been a considerable multiplier effect, stimulating employment especially in the services sector, if not in sectors producing raw materials for industry. There is a heavy geographic concentration of projects: 58% of the investment in livestock projects is in northern Mato Grosso and 28% in eastern and southern Para; 44% of the industrial investment aided by fiscal incentives was located in Para. Most of the latter was located in the greater Belem area. This concentration is not necessarily inefficient, because of external economies in these two urban areas. It has, however, accentuated the rapid influx of migrants into the two cities.

1/ Agro-industry, tourism, transport, energy, education and telecommunications.

A number of observations suggest that the program has not been an unqualified success:

- investment per worker has been very high, especially in livestock projects, and especially when compared with investment in small-scale agriculture;
- projects have been slow to be implemented. Up to 1975, only 35% of the approved investments has been completed; by the end of 1978 this had improved, but only to 50%;
- in many cases implementation delays and inflationary and other cost overruns led to supplementary financing needs supplied by supplementary fiscal incentive funds;
- the entrepreneurs' own funds covered but a small part of the total investment costs; in the case of livestock projects, fiscal incentives covered 70% of total project costs, and much of the owners' equity was land contributed to the project; in the case of industrial projects, fiscal incentives covered only 44% of project costs, but much of the remainder was borrowed;
- some projects have been cancelled; at least one large investment, the SIDERAMA steel mill in Manaus, in which some US\$75 million equivalent was invested, has remained idle for several years due to technical, managerial and financial problems. Similar problems have beset the large cooperative sugar mill near Altamira.

SUPERINTENDENCY FOR THE MANAUS FREE TRADE ZONE (SUFRAMA)

The Manaus Free Trade Zone (ZFM) was created in 1967 for a period of 30 years. An area of 10,000 km² including the city of Manaus was, according to the legislation creating it, to function as "an area of free importation, exportation and special incentives, established for the purpose of creating an industrial, commercial and agricultural center in the interior of Amazonia." SUFRAMA was set up at the same time as the administering body. The Superintendent of SUFRAMA since April 1979 is Mr. Ruy Lins.

Industrial firms approved by SUFRAMA are exempted from import duties on foreign components as well as from the federal value-added tax. When products utilizing foreign inputs are exported for sale in other parts of Brazil, the manufacturer pays an import duty reduced in proportion to the value added within the ZFM. Final goods leaving the ZFM are completely exempt from the value-added tax, although purchases in the "duty free" local commerce are limited to US\$300 per person. If approved by the state of Amazonas (which is usually the case), SUFRAMA-approved projects may also be exempted from state and municipal sales taxes.

Some of the benefits of the free trade zone have been extended to all of western Amazonia -- the states of Amazonas and Acre and the territories of Rondonia and Roraima. In 1968, outposts of the zone were established in Porto Velho, Rio Branco and Boa Vista in order to make available to the inhabitants of those places certain articles of Primeira necessidade free of federal taxes. In 1975, exemption from the IPI was extended to any enterprise located in western Amazonia which was engaged in processing products of Amazonian origin, except livestock.

Most industries in the Manaus free trade zone have also been partially financed with SUDAM money, and many have been exempted from the federal income tax for ten years. Credit at subsidized interest rates has also been available to small industries, and to some extent to large industries as well. With such powerful incentives it is no wonder that industry in Manaus has mushroomed. Up to October 31, 1978, SUFRAMA had approved 262 industrial projects, of which 170 had been completed and were in operation -- the latter representing a total investment of over \$360 million, and nine more were under construction. About 40% of the projects were installed in a large industrial district which SUFRAMA created. The rest were scattered around greater Manaus. Projects in operation in 1978 employed 43,000 workers. The industries concerned covered a wide variety of sectors, with consumer electronics and fabrication of articles from artificial textiles prominent among them. The gross value of output in 1978 was \$450 million.

SUFRAMA also administers an area of about 600,000 ha. just north of Manaus, which is heavily forested land now being parcelled out for medium-sized agricultural and livestock projects. At December 31, 1978, almost half of this area had been allocated to 229 enterprises which had expressed the intention of investing over US\$200 million equivalent and employing over 20,000 workers. Livestock, rubber, cacao, and horticultural products, predominate. One of the main objectives of this agricultural area is to provide Manaus with a more stable and less expensive food supply, a large part of which is now brought in from other parts of Brazil. The agricultural zone also serves as a proving ground for the farming systems being developed by EMBRAPA at its research stations outside Manaus -- or at least this is true for tree crops: EMBRAPA does not normally recommend that the terra firme soil of poor fertility be used for livestock or annual crops. In accordance with Brazilian forestry regulations, one half of SUFRAMA's agricultural area will be left in forest, and is to be the locale for the long-term research program being organized by INPA, SUFRAMA, and the World Wildlife Fund in order to determine the minimum size of tropical forest area that will sustain itself without loss of genetic stock. At the end of 1978, operations in the agricultural zone had only just begun, with only 6,000 ha. cleared so far. ..

The Manaus Free Trade Zone has been criticized as being an enclave area, sustained temporarily (to 1997) by a series of artificial incentive devices, that has not developed either forward or backward linkages within the Amazon region, and may simply have diverted investment that would have earned a higher economic return in the south. The scheme is also accused of promoting growth in Manaus at the expense of the Belem area, and of accelerating the migration of population from the riverine villages of the interior to an urban conglomeration. One argument is that the free trade zone is bringing to Manaus activities in which it does not enjoy a comparative advantage.

To meet these criticisms in part, new regulations were introduced in 1975 requiring that projects approved subsequently utilize prescribed (and increasing) proportions of Brazilian, though not necessarily regional, inputs. However, encouragement of the shipment of components from the south of Brazil to Manaus and the shipment of the finished goods back to the south hardly seems rational. SUFRAMA officials hope that by the time the free trade zone is due to expire, industries in Manaus will have established a set of inter-linkages in the Manaus area and the Amazon region which are sufficiently close and complex to permit the industries to remain and flourish. In other words, they hope that the development of external economies will improve the zone's comparative advantage. Other commentators are less optimistic, fearing that when the free trade zone ends, many projects will simply fold up, or move to the south of Brazil. For this reason, some predict that when 1997 comes, the government will not be able, politically, to refrain from extending the life of the free trade zone. It would enhance the prospects for the zone if industries could be developed oriented toward export markets.

One sector which has flourished within the zone is wholesale and retail commerce -- catering to the thousands of tourists from other parts of Brazil who flock to Manaus to buy consumer goods, both imported and manufactured in Manaus, to take back to their homes under the duty-free allowance.

Whatever the longer term prospects for Manaus, in the short term it is enjoying an expansive boom. The population of the urban area, which was only 233,000 in 1967, is estimated by SUFRAMA to have increased to 546,000 in 1978, an annual increase of 7.4%. Every economic indicator -- electricity consumption, telephone connections, passenger and freight traffic by air, and state and federal tax collections, have skyrocketed in the past few years. As a generator of new economic activity and employment, the free trade zone has certainly been a success. Whether this has been worth the social cost in terms of public investment expenditure and increased urban congestion, and whether the prosperity of today will continue, are questions that are more difficult to answer. At any rate, the very low incomes and productivity which the labor force of the Manaus region experienced previously have been increased.