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TO : Department of State

INFO : Amembassy RIO DE JANEIRO
Amembassy Office BRASILIA
Amconsul SALVADOR
Amconsul BELEM

FROM : Amcongen RECIFE

DATE: August 30, 1967

SUBJECT : States of Brazilian Northeast and their
Development Problems and Policies:

REX : Rio Grande do Norte

1. Enclosed is the first of a series of reports on Northeastern States, with emphasis on the developmental efforts of Governors and administrations installed since the 1965 and 1966 elections. As background, there is also enclosed a classified briefing paper prepared in March for use of official visitors and new arrivals.

2. Reports on other states will follow. The aim of each will be to reveal how political forces and personalities are facing developmental problems and influencing developmental progress. They focus on the borderline between political and economic analysis, rather than concentrating on either field or on the presentation of information alone.

HILLIKER

Enclosures: 2

1. Briefing Paper prepared by William P. Kelly
2. Report on Rio Grande do Norte, by Charles T. Moffitt

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I. Introduction -- The Legacy of Aluisio Alves

For the past eight years the state of Rio Grande do Norte has been the political dominion of Aluisio Alves and the task of developing it his personal crusade. As governor (1960-65) he gave his administration a majestic name -- The Crusade for Hope -- and in an 80-page slick-covered backward look at its accomplishments boasts of 1,300 major public works started in 1,800 days.

Aluisio's Crusade is over now, and though the state remembers well its days of glory, it comes time to count the casualties -- a sagging economy that never should have supported the load he put upon it, long-term loans finally coming due, and the failure of the private sector to respond to the massive doses of capital which he injected into the public sector.

If hope was its only object, the Crusade was a triumph. Even now on the streets of Natal the taxi drivers say that Aluisio Alves is the John F. Kennedy of Brazil. "He was corrupt," observe the more sophisticated, "but he did get things done." There was no parade this year in Natal to celebrate the 1964 Revolution, but thousands carried torches in the midnight parade on Aluisio's birthday.

II. The Inevitable Weakening of Aluisio's Position

When, in 1965, Aluisio's term as governor came to an end, he was replaced by a Catholic priest-politician, Monsenhor Walfredo Gurgel. Everything pointed to Aluisio's total control of the situation: The way the mild-mannered Monsenhor had been meticulously handpicked for his docility, the knock-down fight of a gubernatorial campaign between Aluisio and Dinarte Mariz that rarely saw the Monsenhor participate, Gurgel's election day endorsement of everything that Aluisio had ever done.

Nevertheless, if only because Aluisio is no longer in every corner of every department scrutinizing every project, and if only because almost no one from the Alves government is in the present one, Aluisio may well have been demoted from Ruling Potentate to just reigning monarch.

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There are at least six reasons why Aluisio's stock has declined the last 18 months:

a) He is out of the state most of the time. As a federal deputy Aluisio spends one week of the month in Brasilia, two in Rio and, when he can, the remaining days in Rio Grande do Norte. Aluisio's absenteeism may have provoked the cautious irreverence among state employees about their ex-governor. There are few who won't discuss his faults candidly and who don't admit he is hard-nosed and domineering. (To be fair, they always qualify that he is the greatest man the state has ever produced.)

If Aluisio is out of touch with the bureaucracy, he is not out of touch with the people. Every Saturday night his Conversation With the People is heard over Radio Cabugi (which he owns). Every week, the state's largest newspaper (which he also owns) carries a long "Letter from Aluisio" on the front page.

b) Alves has scrupulously disassociated himself from the government of his successor, almost by definition removing himself to the background. Meant to dodge the inevitable criticism of his four-year spending spree, this tactic has only halfway worked. Even the loyal Monsenhor admits that the state is handcuffed by Aluisio's debts. (To be fair, everyone qualifies that Aluisio is still the greatest man the state has ever produced.)

c) The younger of the state's technicians, having labored long and lovingly for Aluisio, now want to work only for the state. Some have broken openly with him in quarrels over the meddling of politics in non-political concerns. Notable among them are Jose Daniel Diniz (present Secretary of Finances), Jose Augusto Othon (sub-chefe of the Civil Household) and Gileno Fernandez Marcelino (ex-Secretary of Planning). The longer Aluisio is away and the more the young guard perceives him to be "slipping," or merely not watching, the more they can be expected to flaunt their independence.

d) Aluisio's principal statewide foe, federal senator Dinarte Mariz, dispenses all GOB patronage in the state, a considerable loss to Alves. In earlier years Aluisio's machine was well oiled by federal patronage and contracts.

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Because of his cordiality with Joao Goulart, a long-time working relationship with Carlos Lacerda, and his reputation as a crook, the post-Revolution power structure came to regard Aluisio with distrust. It was only natural that Mariz, long a card-playing friend of Castello Branco, and standing readily in the wings, be picked the GOB's standard bearer in Rio Grande do Norte.

e) The national president of INDA (National Institute of Agrarian Development) is Dix-Huit Rosado, the 18th brother of the Rosado Maia family, a half brother of Paraiba Governor Joao Agripino, and outspoken adversary of all that Alves has ever done. Opposition of INDA would not normally be of consequence except that Rosado has made his intentions clear: He will do "everything possible" to favor his faction and the western region of RGN, the Rosado political base, at the expense of Aluisio Alves.

Aluisio, make no mistake, is still the man of the hour. But the hour is getting no younger and the impatient are not willing to wait.

Nowhere are the tugs and pulls at the Alves consensus so well exemplified as in the development plans and practices of the state government and its agencies. Nowhere, conversely, are there such graphic demonstrations of the raw power with which Alves once gripped the state and the courthouse politics that still prevail.

III. Politics and Development: A Not-Uncommon Mix

a) DEVELOPMENT POLICY -- Monsenhor Gurgel's government has nothing on the order of a state development plan. Its detractors would have it that the nearest thing to a systematic plan is the Governor's "comodismo," an 'ism' that, roughly translated, means "don't raise any waves." Formally the state does have a rather hastily drawn up list of expenditures submitted to President Costa e Silva during his August visit to Recife. Now disguised as a "Four Year Plan," it is little more than a simple list of planned expenditures to which tax collections, changing priorities, federal and external aid and agricultural market conditions will make it impossible to adhere.

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Given a choice, the Governor would put the lion's share of development money into "communications" -- by which he means any way of linking cities. In a conversation with the reporting officer, ex-governor Alves identified the development of fishing resources and communications -- by which he means telecommunications -- as his priorities, but appeared to have given an off-the-cuff answer.

All parties recognize that meager state tax collections are hardly enough to cover ongoing expenses, so that the burden of development in RGN will have to come from outside -- either from SUDENE, other federal government agencies, or external sources. Characteristic of the Monsenhor's "comodismo" is that he doesn't push harder for the outside aid. He approaches federal councils with a hat-in-hand timidity that contrasts markedly with the outgoing manner of Jose Sarney and Joao Agripino of Maranhao and Paraiba.

Aluisio Alves isn't happy with the way Gurgel operates, but probably expected as much. There are signs that the ex-governor is respinning his web of influence in state government councils hoping to regain some lost control over the development effort, while at the same time maintaining outwardly his guarded aloofness from the state administration.

The dispassionate objectivity of SUDENE and the coolness of the Costa e Silva government would make any power grab by Alves a perilous venture. A thorough man, he may also seek other means.

For what is not yet a clear motive, Alves has asked USAID/NE for a description of its activities under the Alliance for Progress, as he has SUDENE and state administrations. (For sometime, USAID/NE has been in the process of preparing a booklet for publication which will specify AID's investments in the Northeast from 1962 through 1966. Alves will get a copy.) He made it clear that the material will be part of a speech he's to give in the federal Chamber of Deputies. If true to past form, Aluisio may play a tacit game of quid pro quo: Should he see more money forthcoming, he may praise the Alliance, but may not be so kind if he senses a brushoff. (Fortunately, any Alves outburst anywhere against the AFP or USAID would have little effect on the overall acceptance of the U.S. in Rio Grande do Norte. Probably the most pro-American state in Brazil, RGN shows almost no visible signs of anti-

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Americanism -- even among students, several of whom tried in June to start a demonstration against the recent, controversial MEC/USAID agreement. The demonstration died a still birth.)

As things stand, Aluisio Alves clearly is not now disposed to praising the Alliance for Progress. Obviously in a fit of pique, he asked the reporting officer, "What are you doing now for Rio Grande do Norte?" and answered his own question. "You're just building a few roads, that's all." More recently, by means of an August 30 editorial in Recife's Jornal do Comercio, Alves scored the Alliance for not living up to what he called the "Kennedy...ideal."

b) STATE FINANCES -- The state of Rio Grande do Norte ended the 1966 fiscal year owing public employees eight million new cruzeiros. In RGN as elsewhere, a fall in tax collections the first quarter of fiscal '67 portended a worsening situation. Due, however, to the largest harvest in history and a more efficient collection of the Circulation Tax (ICM), tax collection is now running ahead of a year ago.

The Secretary of Finances of the state is young (thirtyish), methodical (he pauses between each sentence to stare at the ceiling) Jose Daniel Diniz who has been in office but two months, but has already drawn crossfire for his ivory tower approach to finance. Like most everyone else, Diniz is frank in blaming Aluisio Alves' extravagance for the state's present fiscal bind.

Diniz is one of the rare few who have but praise for the ICM. He says it took a long time for the "matuto" (country bumpkins) to adjust to collecting it, but it is now bringing in more than a year ago. Of three sub-par collection months this year, all three were between harvests when collections are traditionally low. Collections in the three other months accounted for were 15-20% above last year's level. Diniz expects that the coming harvest will bring in taxes 20% above normal. He has nothing to say about the crisis in agriculture, adds that the credit situation in RGN is "good." The recent doubling of small loan capital in the state bank, the result of large BNDE and BNB loans, has helped considerably.

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Diniz lastly laments that there is almost no 34/18 money coming to the state and opines that, by concentrating its efforts on Bahia and Pernambuco, SUDENE is creating "oases of development in a desert of underdevelopment."

c) AGRICULTURE -- With more than four months yet remaining, Natal newspapers already refer to this as the "Year of Gold" for RGN agriculture. Unseasonable rains beginning last December have helped make this the state's biggest crop year ever. At the same time, most crops grown in RGN are declining in international market value.

Cotton is king in Rio Grande do Norte. Forty-five per cent of the state's economy is in cotton, and due to the harsh climate the cotton produced is of excellent quality. With world production increasing, and the market price declining, and turn-of-the-century growing methods prevalent in RGN, the Bank of Brazil estimates that only 80% of the growing cost is covered by the sales price. Despite rock-hard resistance to new ideas, the Bank is encouraging diversification, not only from cotton, but also from two other important state crops -- sisal and carnauba -- both of which are languishing in the international market place. Natal banks are granting no loans to producers of sisal or carnauba, but have liberalized loan terms to anyone agreeing to plant soy, sunflower, corn, beans and sesame. Ironically, the Bank of Brazil is granting loans knowing only that diversification is necessary. What alternatives are best, in what amounts, and where hasn't yet been considered.

The state bank has been generous in granting small agricultural loans, but still predicts a five-year period of "famine," not necessarily followed by any corresponding "years of plenty" unless resolute action is taken immediately.

The state government has adopted a Buddha-like stance of inaction.

d) INDUSTRIALIZATION -- The biggest spark to RGN's industrial development will come from a new organization called COFERN formed just this March and modeled on the

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development company of Ceara, CODEC. (Other than projects now under analysis by COFERN, there appears to be no other significant move toward industrialization in the state.)

Aluisio Alves is chastened in RGN, as was Celso Furtado in SUDENE, for having ignored private sector investment in his plans and using the public sector as the sole vehicle of development. COFERN was created to remedy that deficiency. It was formed to attract capital for both old and new industries by actually planning projects, which distinguishes it from any similar development company in Brazil, and administering tax incentives not unlike those of other state development companies. It is a mixed corporation with 51% of the stock held by the state, the rest in shares of NCr\$10 each by Brazilian citizens. Most of the original private investors in COFERN are from Rio and Sao Paulo. Originally capitalized at NCr\$500 thousand, that will be doubled by the end of the year. The money comes from the state's quota of the federal Fund of Participation of the States, 20% of which is earmarked for COFERN (approximately NCr\$1 million this year).

COFERN already suffers for being such a good idea. The incentive scheme, for example, though submitted to the legislature months ago, has not yet been approved. Political elements in the state reportedly feel that they would not have adequate control of COFERN and are delaying approval. They are probably right. Though the state is nominal holder of 51% of the stock, most of that comes from the GOB or SUDENE and can't be touched. The state government does appoint the board of directors, but they are elected for three-year terms and cannot be removed. Director-President Henio Melo is not the type to take orders from anyone. Only once a year, when it must submit its accounts for audit, is COFERN subject to the state's scrutiny.

If a situation develops similar to that of Ceara in which the state development organization exhibits a bothersome independence of the state government, a showdown may result. By temperament, however, Monsenhor Gurgel and Henio Melo are probably not the kind of men who would let that happen.

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Because little industry can be attracted without infrastructure, number one of COFERN's priorities is an industrial district in Natal. Concurrent plans are to set up an office in Sao Paulo (something the state government hasn't done), to undertake studies of state resources (not within COFERN's constitutional functions, but nonetheless needed), and the possible operation of an investment bank (far too ambitious for the money COFERN now has). Presently COFERN's eight economists, one agronomist and industrial engineer are studying alternatives to the planting of sisal.

It is still too early for praise or condemnation. COFERN's main tool, the incentive system, has not even become law. COFERN technicians are all young, none of them more than 30, very hard-working, and sincere perhaps to the point of being impractical.

e) ROADS AND HIGHWAYS -- Past and present emphasis on the road program is best evidenced by what's been accomplished: Rio Grande do Norte has 172.9 kilometers of road per 100 square kilometers. The figures for Pernambuco, Alagoas and Ceara are 168.7, 169.1 and 86.7 respectively. In kilometers per inhabitant, Rio Grande do Norte boasts 73.1 per 10,000, Pernambuco 36.5, Alagoas and Ceara even less.

Most of the present roads were built during the Alves administration with federal money. More recently the GOB has been guarding its cruzeiros: The exemption of many food products from payment of the ICM took a large chunk of highway money from the state. Only 22% of the national highway fund was consequently parceled out to the states, which meant that RGN's 1966 allotment of NCr\$4 million was cut this year to NCr\$2.8 million, only NCr\$700 thousand of which has been actually disbursed by the GOB.

f) COMMUNICATIONS -- Aluisio Alves created the state telecommunications and telephone company (TELERN) in 1963, and TELERN has shown its gratitude by emblazoning the neoned name of Alves across the facade of its downtown headquarters, even larger than the name of TELERN itself. If TELERN shows admiration for the ways of its founder, the admiration appears to be mutual: The organization is stacked with lower-echelon Alves backers neither low enough to be easily forgotten nor high enough to be given government secretariats.

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There are more executive positions in TELERN than there are secretaries and telephone operators put together.

Since the beginning of the Gurgel administration, TELERN's capital has been upped from NCr\$340,000 to NCr\$1 million. Some of the money went to build two large microwave relay stations in Macau and Ceara-Mirim. Where the rest of it went is not clear.

TELERN officials dress better than any other government employees in Rio Grande do Norte. They complain that USAID is not interested in telecommunications.

g) WATER SUPPLY -- The state's water exploration and well-drilling agency (CASOL) is headed by a retired colonel in the state police, Luciano Veras Saldanha. Since its creation in 1963, CASOL has sunk 76 deep water wells, mostly in the arid and heavily populated municipio of Mossoro. Thirty of them were drilled under the Gurgel administration.

CASOL hasn't yet built one acude (small reservoir), but even the governor has the impression that acudes are its everyday concern. According to Saldanha, acudes haven't been built in Rio Grande do Norte because DNOCS (the GOB anti-drought agency and main financer of acudes) spent all its money in ex-president Castello Branco's home state of Ceara. Chances are equally as great that Saldanha did not go out of his way to attract federal funds. Rare is the day when he goes to work before 2 p.m.

The largest chunk of CASOL's operating budget is a NCr\$900 thousand agreement with SUDENE. Mostly American equipment (donated by Israel) is in use. A technician on loan from the Israeli government is the field director.

h) HEALTH -- Symptomatic of Governor Gurgel's approach to the health sector is that, in a list of accomplishments sent to the state legislature, he cited as one of the state's more weighty triumphs the continued operation of old facilities. Had he talked of new projects, there would have been nothing to say.

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Plagued by a perennial lack of funds, the state health department has been forced to cut back spending on new projects to a series of inexpensive, but long-needed planning measures, so that now little money can be spent on anything but planning. The biggest step in that direction was to found a planning unit within the department. Headed by former USAID grantee, Dr. Jamila Varela Cardoso, the unit has already surveyed the state's outclinic facilities and personnel, and is presently cataloguing the incidence of communicable disease in the state. Just signed was a NCr\$150 thousand agreement with SUDENE that should allow the reopening and supplying of the large state clinic at Natal and a number of ambulatorios in the interior.

To coordinate efforts in the health field, the planning unit formed the State Council of Health whose first assignment was to rewrite the archaic state health code. The object was a practical, enforceable code. A reading of the code shows that the product does not match the objective, for the new code, as the old, is very general and depends for enforcement on the same unreliable state and local police authorities.

Of all the problems the health department faces, Varela Cardoso thinks the most serious is to educate the average Northeriogrاندense in basic sanitation. He has visions of a not-so-distant program of a few trained technicians traveling around the state with audio-visual equipment, calls such a program "even better than medicine."

The biggest question mark in the secretariat's program is its own chief, Isauro Rosada Maia, scion of the wealthy and highly political Rosada Maia family of Mossoro. Isauro was appointed a year ago to placate the Dinarte Mariz faction which took a severe drubbing in the election but still holds considerable power. He has rarely been seen since.

i) EDUCATION -- The Gurgel administration boasts of 5,000 new students in elementary schools, 1,028 new elementary teachers, 3,000 new students at the secondary school level and around 100 new classrooms in the last 18 months. The claim belies a sad reality. Most of the new classrooms

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will have to remain empty, most of the teachers will have to remain unpaid, and most of the students will have to remain uneducated. The state cannot, for financial reasons, sustain the burden of expansion. By mid-August in Natal, after only a week of the new school year, 4 of 38 elementary schools were shut down, a classroom or two in each of the others was closed, and teachers were told to go home.

j) MINERAL RESOURCES -- It is commonly held in Rio Grande do Norte that the state is swimming in vast mineral wealth. But no one knows just where it all is. Top on the scale of government priorities is a mineral survey of the state for which Governor Gurgel asked assistance of President Costa e Silva during his August stay in Recife.

Gurgel asked also that the GOB help the state streamline production of already-identified mineral resources such as salt. RGN presently accounts for about 72% of Brazil's total salt production, although sales to the South have been hindered by high coastal shipping rates, and the salt has to be trucked. Sixty-one per cent of the price to the southern consumer represents shipping costs. Heavy rains and floods were prejudicial to this year's output, and the industry as a whole is regularly characterized by a high degree of inefficiency. The Governor estimates that eliminating the inefficiency could up production 200%. Deepening the harbors at Macau and Areia Branca, both in the northern salt zone, would reduce shipping costs significantly. (This was promised by President Costa e Silva in the Carta do Nordeste.)

The scheelite (tungsten ore) mines, which a few years ago accounted for 99% of Brazil's total production, are today shut down due to the dumping on the world market of the Red Chinese and North Koreans and what have been called the "restrictive practices" of an American firm (Va Chang) that reputedly has a significant influence on the world market price. There is nonetheless great interest in developing RGN's scheelite resources if a way can be found to make it pay.

k) POPULAR HOUSING -- From the start, the popular housing program was an Aluisio Alves godchild. Aluisio

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named his brother Agnelo, now Mayor of Natal, the first president of FUNDHAP (Foundation for Popular Housing) and made a Natal housing project, the City of Hope, the showcase of his Crusade for Hope.

Even though construction of popular housing in Rio Grande do Norte is now undertaken mostly with money of the Banco Nacional de Habitacao, from which FUNDHAP gets two-thirds of its funds, the political character of the agency has still endured. Director-president Jose Dias de Souza Martins is one of the most dynamic and, he readily confesses, politically ambitious, young men in the state. At every turn he praises the Alves brothers and is certain that Agnelo will be the next governor.

It is obvious that Martins parrots the "party line" for his own benefit and not because he believes it. If the Alves star should decline, Martins would be among the first to gravitate toward another constellation. He is universally regarded as a talented opportunist.

In the last 18 months Martins and his agency have used opportunity well. FUNDHAP has finished 800 houses and supplied them all with water. A new project is in the works for 700 houses in the interior town of Acu. The final unit of the City of Hope in Natal is eight months from completion.

Of all his headaches, Martins says the worst is getting other agencies to coordinate their efforts with those of FUNDHAP. A housing project cannot survive without a water supply, and can only limp along without electricity. So, the agencies concerned, as well as the road and telephone authorities, must agree on a plan of action even before the first foundation is laid. There is no such coordination in Rio Grande do Norte. That is why the first 800 houses of the City of Hope remained vacant one year without water or electricity.

1) FISHING -- RGN is blessed with a long coastline and a reported abundance of fish offshore, but as yet has only a miniscule fish industry. In Natal there are only four industrial fishing operations, the first of which dates back only to 1961.

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Now one large firm, aware of the state's fishing possibilities, is trying to grab most of the action. The original aim of PROPECA (Produtores de Pescado S/A) was only to industrialize the area's lobster fishing. The fickle migratory habits of the lobster, as well as widespread rumor of a closed season on lobster, has led PROPECA into catching tropical bottom fish. When fully capitalized, PROPECA will be worth NCr\$6.6 million, some in SUDENE Article 34/18 money, the rest direct investment mostly from Rio and Sao Paulo. NCr\$1.3 million of the total has already been invested.

Realizing that the hundreds of small fishermen already established in the state may be swallowed up by large firms like PROPECA, responsible RGN civic leaders look to SUDEPE (a national organization, the Superintendency for the Development of Fishing) to establish a loan fund for small fishermen to buy more modern equipment. The remaining hurdle would be for the smaller fishermen to market their catch, which they feel might be done effectively through a marketing cooperative.

Programs for the fishermen of RGN are still in the talking stage, and there is not even much of that.

m) ELECTRIC POWER -- The dominant figure in the power field, Romulo Galvao, is one of the few untouchables in Rio Grande do Norte. In 1963, Alves appointed Galvao as the first chief of COSERN (the state electric power company). Galvao since then has become disenchanted with Alves high-handedness but is so competent that his organization engineered a stand-off victory against political interference. The outcome is perhaps the most efficient and independent organization in the state, a no-monkey-business contrast to its neighbor across the street, TELERN.

Personally, Galvao is one of the new governor's most trusted confidants and accompanies him on trips to Rio and Recife, even when electric power isn't at issue.

COSERN is a mixed economy society with 51% of the stock held by the state. It has a four-year plan with well-programmed goals so specific they are deadly dull. COSERN has a school for employees, and Director-President Galvao

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is using the PERT technique of systems analysis to project production schedules, which has apparently helped since COSERN is ahead of schedule on all of its projects.

In eighteen months of the Gurgel administration, 11 municipios have been electrified. COSERN's goal by the end of the year is to provide power to the entire southwestern corner of the state. All COSERN power, past and present, has come from the Paulo Afonso complex on the Sao Francisco River.

IV. The Political Future

The key to the future development of Rio Grande do Norte, as to its recent past, is Aluisio Alves; and whether Aluisio will run his brother for governor in 1970 or somehow before then "take over" the state government, are topics of lively interest.

Current thinking is that Aluisio has lost interest in the governorship and will run brother Agnelo instead. Aluisio may himself run for the federal senate, a move he neither denies nor confirms, responding instead that, it's true, a senator can "carry the torch (of development) and not be burdened with the cross." Aluisio can be expected to prefer his plush Rio apartment to life on the provincial firing line in Natal, especially if he can engineer his brother's acceptance by ARENA.

Getting Agnelo accepted may be tough. Even those usually careful about what they say call Agnelo just plain stupid. At least two prominent politicians say that they will leave the state "forever" if he is elected governor. The sub-chefe of the Civil Household, who held the job for four years while Agnelo was chefe, gives one indication why Agnelo inspires little devotion. Says Jose Augusto Othon: "In four years as my boss, he never once talked to me about a serious topic, but only entered my office to play with the girls."

The question is whether personal acquaintance of Agnelo's failings can precede the prelude of his praises in the family

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newspaper and radio station. Convincing also may be the fact that Agnelo (or his staff) has done surprisingly well as Mayor of Natal. His biggest boast is having covered the city of Natal with mercury vapor street lighting (for which he is said to be paid very well), and started construction of Avenida Bernardo Vieira, a wide tree-lined avenue that will cut through the center of Natal and is already billed as the future "Broadway of Brazil."

If pressure by Dinarte Mariz and the federal government convinces a statewide convention of ARENA to reject Agnelo's candidacy, Aluisio may bolt the party taking a large part of it with him. Or, sensing the shape of things to come, he may act even sooner. The fact that all but three state deputies are ARENA members, making Rio Grande do Norte the most solid ARENA state in the union, should not deter Alves, for he can rightfully interpret overwhelming ARENA victories in the state in 1966 as more in support of him than of the national government.

Aluisio has already set two conditions on continued membership in ARENA: (1) that it do something for Rio Grande do Norte, and (2) that it respect the will of the people -- conditions that lend themselves to broad interpretation. There is, in any event, a precedent. Aluisio already left the UDN in 1960 to run on the PSD ticket for governor. He is a rumored participant in the Frente Ampla. Whatever his decision, he will undoubtedly take it in light of party circumstances at the time. Alves is a political entrepreneur, not a martyr.

A second gubernatorial possibility, Jesse Pinto Freire, represents a possibility if the party denies Agnelo the nomination and Aluisio finds it impolitic to push too hard. Freire is a hardware store millionaire, a former mayor of Natal, now president of the Brazilian National Federation of Industries and, simultaneously, a federal deputy. Thinking is that Freire as governor would be easily controlled by Aluisio. Affecting Freire's candidacy most in Aluisio's eyes is that he (Freire) is not a member of the family.

Aluisio's oldest foe, Dinarte Mariz, is no longer thought a serious candidate for anything. Thoroughly trounced

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by Gurgel for the governorship in 1965, he is considered too old to make any comeback. Mariz still has the ear of the federal government, and the patronage which he dispenses gives him considerable leverage within the state party. What little support he had among the voters was put to a severe test by his endorsement in July of Costa e Silva's reelection in 1970. Though the state is enthusiastic about the Costa e Silva government, Mariz has been since tagged with the ignominious title of the President's "bajulador" (boot licker).

Not yet clear is whether Aluisio can continue with the support of the young technicians, those who really run the state and among whom there are considerable signs of disaffection. Privately Aluisio is said to confess concern about widespread opposition among their ranks, but even those closest to him can't say for sure that, in face of so many disenchanted, Aluisio will soften the patriarchal grip he still has on the rest. Aluisio would prefer to control all secretaries like he does Jose Martins, and to this end can be expected to reassert his position as the state's shining light. If he could administer just a little development money, and do it well, bringing back longings in the state for days of old, Aluisio may buy himself another few years reprieve as unchallenged chief. Lacking a development bankroll, which it is doubtful he can get from any source, it is still possible that Alves will make a bid for regional political prominence, as much a low price means of rallying in-state support as spreading the gospel without. A tactic like this is much less likely to succeed now than when he was governor. In some parts of the Northeast, Aluisio's quest for regional leadership, as well as Aluisio himself, is viewed as old hat.

Continual defection of the young technicians, on the other hand, will lead by 1970 to a three-ring political circus (ARENA, the MDB, and Aluisio Alves), risky because who emerges could be anyone, ironic because the winner, for want of an alternative, will probably be Aluisio Alves.

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RIO GRANDE DO NORTE

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General Background

Slightly smaller than West Virginia, Rio Grande do Norte is one of Brazil's smallest states with a land area of 53,015 km². Its population of 1,254,000 (1965 est.) accounts for only 1.5% of the national figure. Natal, the state capital, ranks 12th among Brazilian cities and has an estimated population of 200,000. As is the case with most Brazilian states, Rio Grande do Norte's population is both essentially rural and unusually young. Approximately 60% live in rural areas and 69.8% of the population is under 30 years of age.

Rio Grande do Norte was first settled in 1598 when expeditions from Pernambuco were sent North to control the illegal trade in Brazil wood. The troops built the Forte dos Reis Magos on the beach at Natal (the fort is still standing) and the state generally starts its history from that date. The Indians then living in the area were the Potiguares and today natives of Rio Grande do Norte are still called "Potiguares" and Natal is the "Capital Potiguar".

A serious communist uprising occurred in Natal in 1935 and communists supporters briefly controlled the city before being suppressed by the government. During World War II, Natal was the site of a major U. S. air base which served as a staging area for allied attacks on Nazi forces in Africa. The city became known as the Trampolim da Vitoria at that time, a fact older residents of the city are fond of telling American visitors. President Roosevelt met briefly in Natal in 1944 with Brazilian President Getulio Vargas and the event is portrayed in a large painting now hanging in the Governor's Palace. Of all the cities in the Northeast, Natal is undoubtedly the most pro-American.

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BEGIN CLASSIFIEDPolitical Situation

The present governor of Rio Grande do Norte is Msgr. Walfredo Gurgel, a former Senator and a member of ARENA's ex-PSD faction. Gurgel was elected in October 1965 with the enthusiastic backing of his predecessor, Aluisio Alves. Alves hand-picked the monsignor as a man with no political enemies, respected as a priest and willing to accept Alves leadership. The vice governor is Clovis Motta, a former Federal Deputy and chairman of the ex-PTB in his state.

Natal's mayor is Aluisio's brother, Agnelo who was also elected in October 1965. A former journalist for the family's Tribuna do Norte, Agnelo served as his brother's Chief of Civil Household and as head of FUNDHAP, the state public housing program. Lacking Aluisio's brilliance and oratorical skill, Agnelo is generally considered to be a product of Aluisio's nepotism and is an unpopular mayor. Many observers in Natal think him slightly retarded.

By any standard, the most dominant and colorful politician in Rio Grande do Norte is Aluisio Alves. Starting his career at age 23 as Brazil's youngest Federal Deputy, Aluisio gradually gained a reputation as an energetic defender of his small state's interests. In 1960, he broke with the traditional wing of the UDN and with his political mentor, Governor Dinarte Mariz in order to run for the governorship. Heading his own coalition movement known as the Cruzada da Esperanca, Alves won the election against Mariz's candidate by a record 23,000 votes and immediately put Rio Grande do Norte on the road to modernization. While first critical of the Alliance For Progress, (he thought he wasn't getting a fair share of aid money), Aluisio later became one of its chief publicists in the region at a time when Miguel Arraes was opening Pernambuco to communist penetration. Although recognizing the Aliança's contributions, however, Alves is not loathe to criticize it usually for being too much a rich nation-poor nation dialogue and not enough of a multi-lateral effort.

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Before long, such projects as school construction, electrification, a new and luxurious hotel and public housing blossomed forth throughout the state, each project prominently bearing the Cruzada's "thumbs up" symbol. Along with developments, Aluisio built his political machine on the time-honored base of graft, favors and nepotism. None of these evils were new to Rio Grande do Norte but Aluisio put his personal stamp on them. In the words of one of his own appointees, "Before Aluisio, all of our politicians were corrupt but they never gave the people anything. Aluisio may have been corrupt but there was also something for everyone, schools, electric power from Paulo Afonso (he built the line before the power became available) and public housing. The difference in the two kinds of corruption is enormous."

Aluisio's political appeal is charismatic. He is the state's biggest vote getter and a classic example of a demagogue. Deprived of the Senatorial nomination in 1966 by President Castello Branco (the military considers Alves a crook) and badgered in court by charges of electoral fraud almost until the final month of campaigning, Alves nevertheless managed to preserve his political leadership. In fact, he did much more. In the 1966 elections, Alves received more votes than any other candidate and carried the entire ARENA ticket to victory on his coattails. So powerful was he that, in the final weeks before election day, he was publicly urging voters to forget about him and vote for other ARENA candidates. There was a real danger that Aluisio would get so many votes that the rest of his slate would be defeated. Even the MDB recognized his appeal. The party conceded victory to Alves in the Federal Deputy races and actually supported him over its own candidates while urging the election of the MDB Senatorial hopeful. In the end, the MDB lost the Senate, all the Congressional seats and 37 of the 40 seats in the State Assembly for the cleanest ARENA sweep of any Brazilian state.

For the foreseeable future (3 to 4 years), Rio Grande do Norte will probably remain in Aluisio's pocket. Dinarte Mariz is aging (now 64) and having been thrice beaten by Alves - in 1960, 65 and 66 - maintains his fighting spirit but has begun to lose his support. By contrast, Aluisio is 46 and has just about as strong a political base as anyone. Moreover, his Congressional seat suits his plans perfectly. It gives him wide contacts, considerable influence and, since he is not directly responsible for state programs, a freedom of political action that will be useful for his future ambitions.

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Aluisio's ambitions go beyond the Chamber of Deputies. He was, after all, a deputy at 23 and now at 46 is understandably anxious to move ahead. Before the Revolution, Alves was beginning to emerge as an attractive and more moderate alternative to Miguel Arraes on a national ticket that would certainly have included a Northeasterner.

Most likely for the immediate future is an Alves bid for first, regional prominence and second, regional leadership. Alves is no stranger to either concept. While Governor of Rio Grande do Norte, he was frequently able to galvanize support of the area's governors for his ideas. The two most notable examples of this involved backing for his demand that SUDENE's Deliberative Council be given equal responsibility with the SUDENE Executive for establishing development priorities and the almost unanimous endorsement by the governors of Alves' "Response To A Challenge", a document which set forth his political and development philosophy.

More recently (in November 1966), Alves called for a Northeastern Parliamentary Front composed of all of the region's Senators and Federal Deputies. The Front would be made up of both ARENA and MDB elements and would speak with one voice on problems of regional economic developments. Overshadowed by the larger issues of the national Frente Ampla and the new Costa e Silva government, Aluisio's Front has never gotten off the ground. It is doubtful, however, that it is forgotten and he may try again when the national political scene is less complicated.

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