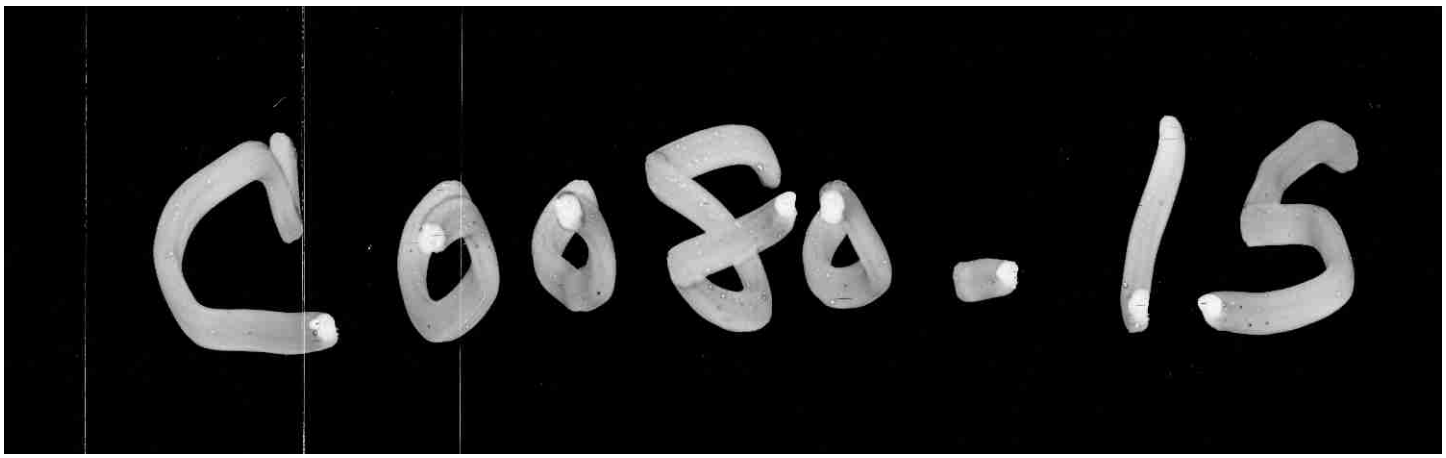

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Records of the U.S. Department of State Relating to Internal Affairs of Brazil, 1960-1963

Records of the U.S. Department of State
Relating to Internal Affairs of Brazil, 1960-1963

Department of State Decimal Files 732, 832, and 932

PUBLISHER'S NOTE

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ACKNOWLEDGMENT

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Roll 12	832.05111/2-1061-832.062/8-3160 (and: 832.05156/2-2260-832.10/4-2960)
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NUMERICAL-SUBJECT LISTING OF DOCUMENTS

IN CLASSES 7, 8, AND 9

CLASS 7

INTERNAL POLITICAL AND NATIONAL DEFENSE AFFAIRS

7**.00 Political affairs and conditions, Elections, Political parties and groups, Political refugees, Defectors, Amnesty, Revolutions, riots, disturbances, Civil war

.001 Communism, Bolshevism
.002 Fascism, Nazism
.003 Socialism
{For espionage, and subversive activities, see 7**.52##}

.01 Agents (other than diplomatic or consular)
.01## In country ##
.011## Immunities, privileges, exemption from taxation, etc. (in country##)

.02 Government, Recognition
.02A Advisors
.021 Mandates, Trusteeships
.022 Territory (including territorial waters, continental shelf), Geographical names, Maps, Aerial photography
.0221 Territory occupied by foreign military forces

.03 Constitution

.04 Flag
.041## Misuse of flag, insults and indignities to flag of country ** by nationals of country ##

.05 Seal, Coat of arms

.06 National anthem

.07 Political rights, Suffrage, Freedom of speech, Human rights

.08 Citizenship. For U.S. citizenship, see 130
.081 Passports, Certificates of identity. For U.S. passports, see 130

7**.10 Executive branch of government. For U.S., see Class 1

.11 Chief executive, President, King, Regent, Governor-General (including family)
.111 Governors of states and districts

.12 Vice president

.13 Cabinet, Ministry (including Foreign Office, and all other government agencies)

.14 Civil service, Salaries, Retirement

7**.20 Legislative branch of government

.21 Proceedings, Debates, Messages to legislative body

7**.30 Judicial branch of government

.31 National courts, Personnel, Rules
.311 Attorneys, Practice of law

.32 Proceedings, Judgments

.33 Jurisdiction
.331 Process issued for service abroad
.332 Rights of aliens to sue in national courts
.333 Absconding defendants and witnesses

.34 Laws, Statutes, Ordinances, Decrees, Acts, Codes
.341 Criminal
.342 Civil. For marriage and divorce, see 8**.4141
.343 Commercial
.344 Probate
.345 Bankruptcy
.346 Admiralty jurisdiction

.35 Procurement of evidence
.35## Procurement of evidence from country ## for use in country **

.36 Effect of judgments and decrees
.36## Effect of judgments and decrees of courts of country ## in country **

.37 Other judicial matters
.371 Authority to administer oaths
.372 Requirement of country regarding authentication of documents for use therein

7**.40 Mixed (international) courts

7**.50 National defense affairs, Army, Navy and Air (general)

.51 Fortifications, Defenses

.52 Intelligence activities, Subversive activities
.521 Biographical data (** nationality of individual)
.52## Intelligence activities, espionage, of country ** in country ##. For Communist activities, see 7**.001. Classify under individual cases where possible

.53 Military and naval courts, Law

.54 Maneuvers, Target practice, Troop movements (use 7**.54 if within territorial limits of country **)
.54## Movements of, and attacks upon, naval vessels and military and naval aircraft of country ## within territorial jurisdiction of country **, Overflights

.55 Organization
.551 Personnel (effectives), Commissioned and enlisted
.5511 Enlistment, Conscription, Draft, Discharge, Desertion

7**.5512 Pay, Subsistence, Retirement, Pensions
.552 Marine Corps
.553 Schools and academies
.553## Admission of nationals of country ## for visit or study (includes admission for observation to war industries, airplane plants, etc.)
.554 Auxiliary services,WACS,WAVES, WRENS, etc.

.56 Equipment and supplies
.561 Armaments, ordnance, arsenals, armories, tanks, trench mortars, flame throwers. For governmental control of arms traffic, see 4**.##8
.5611 Atomic bombs, Hydrogen bombs
.5612 Guided missiles, supersonic weapons, rockets
.5613 Poison gases, bacteriologicals, chemicals. For illegal or inhuman warfare, see 6**.##26
.5614 Small arms, bombs, grenades, rifles
.5615 Helium
.562 Ships,vessels and aircraft (including construction, etc.)
.5621 Battleships, cruisers, destroyers, other naval vessels (all types) (includes construction, purchase and sale, accidents etc.) For international negotiations, treaties, etc., in limitation of armaments, see 6**.##12
.5622 Aircraft, bombers, fighters, gliders, jet-propelled aircraft, all types of military or naval aircraft (includes construction, purchase, sale, accidents, etc.)
.563 Bases and posts
.563## Country in which located ## (includes air, land, and sea bases, landing fields, fueling stations of any type, navy yards, drydocks, etc.)
.564 Uniforms, Clothing, Insignia
.564## Exchange of uniforms with country ##, smaller country number
.5641 Unauthorized wearing of uniforms of country **

.57 Hospitals, Rest centers, Recreation centers, Commissaries, Post exchanges

.58 Missions (** country in which located)
.58## Visits, etc., of military, naval, or air force personnel and/or equipment of country ** to country ##. For admission of foreigners to study in or visit military, naval and air force schools and academies, see 7**.553##
.581 Entrance of naval vessels into the Great Lakes (** nationality of visiting naval forces)

.59 Civil defenses, Civilian (non-military) defense organizations, measures (Air-raid wardens, fire wardens, blackout measures, air-raid shelters; Protection against atomic bomb attacks)

7**.60 Stockpiling

.61 Rubber (natural and synthetic)

.62 Petroleum

.63 Minerals

.64 Drugs (all types of pharmaceuticals, etc.)

.65 Fibers

.69 Other commodities not listed above

CLASS 8

INTERNAL ECONOMIC, INDUSTRIAL, AND SOCIAL AFFAIRS

8**.00 Economic matters, Conditions (general)
.00A Economic adviser
.001 Statistics (general)
.002 Conservation of natural resources. Classify subjectively when possible

.01 Cost of living, Retail prices, Black markets (general). Classify subjectively when possible

.02 Housing, Rents, Building construction (includes commercial and industrial housing)
.021 City and country planning, Elimination of congested and slum areas, "Blighted" areas

.03 Food, Food conditions, Refrigeration, Food shortage, Rationing, Black markets, Hoarding

.04 Fuel, Fuel conditions, Fuel shortage (includes coal, wood, peat, oil, coke), Black markets

.05 Capital
.051## Investment of, or field for investment of, capital of country ** in country ##
.052 Cooperative systems, Rural credits
.053 Corporations, "Big" business (formulation, regulation, bond issues, stock certificates)
.054 Combinations in restraint of trade, Monopolies, Cartels, Trusts, Contracts. Classify subjectively when possible with XR to 8**.054
.055 Domestic trade conditions, Retail trade

.06 Labor, Labor conditions (general)
.061 Hours, Wages (for pensions, see 8**.07), Unemployment insurance and compensation
.062 Organizations, Unions, Relations with employers, Strikes, Lockouts, Slowdowns
.063 Female labor, Child labor
.064 Compulsory labor, Slave labor
.065 Hazardous employment, Accidents, Prevention of accidents
.0651 Employer's liability. For pensions, see 8**.07

.07 Pensions. For military pensions, see 7**.5512
.071 Industrial
.072 Old-age (social insurance)

.08 Insurance. For "social" insurance, see 8**.072
.081 Life
.082 Fire
.083 Accident (includes all types of accidents)
.084 Automobile
.085 Health
.086 Marine (includes war risk insurance)
.087 Aviation

8**.10 Financial matters (general), Budget, Debt, Bond issues, Loans, Public securities, Balance of payments. For war-time regulations, see 6**.##231
.10A Financial adviser

8**.11 Taxation
.111 Land, Realty
.112 Income. For double taxation treaties, see 6**.##921
.113 Personal property
.114 Inheritance

.12 Lotteries

.13 Monetary system, Coinage, Currency, Bullion, Mint
.131 Foreign exchange, Exchange rates
.132 Currency of revolutionary governments
.133 Counterfeit, Counterfeiting (** country whose currency is counterfeited)

.14 Banks, Banking. For war-time measures, see 6**.##231
.14## Branch banks of country ** in country ##
.141 Interest, Discount

.15 Exchanges, Commodity exchanges. For currency exchange, see 8**.131
.151 Stock
.152 Cotton
.153 Wool
.154 Livestock
.155 Grain
.156 Produce
.157 Coffee
.158 Sugar
.159 Other exchanges

.16 Lands
.16## Rights of nationals of country ## to hold or acquire real property in country **
.161## Colonization in country **

.17 Intellectual and industrial property (see also 6**.##233) (** indicate country in which protection is sought). For treaties, see 6**.##95
.171 Patents
.172 Trade-marks, Trade names
.173 Copyrights

.18 Immigration, Emigration. For immigration to the United States, see 150
.18## Immigration to country ** from country ##
.181 Residence, trade and travel of aliens in **, Foreign visas, Tourism, Foreign exit permits

.19 Industrial matters, Nationalization. Classify subjectively when possible. For monopolies, concessions, franchises, contracts, etc., see 8**.054
.1901 Atomic energy peaceful purposes. Classify subjectively when possible
.191 Expositions, Exhibitions, Fairs (see also 4**. ##174 and 5**.##2)

8**.20 Agriculture
.20A Agricultural adviser
.201 Agricultural clubs (4-H, etc.)

.21 Soil, Properties, Tillage
.211 Soil conservation; Drainage, reclamation, irrigation; Irrigation dams; "Dry farming," Fertilization

8**.22	Pests affecting plant life, Diseases, Blights, Insects, Methods of combating. For regulations governing importation of plants, etc., see Class 4
.23	Field crops
.231	Grains
.2311	Wheat
.2312	Buckwheat
.2313	Oats
.2314	Rye
.2315	Corn
.2316	Barley
.2317	Rice
.2318	Hops
.2319	Other field crops
.232	Fibers
.2321	Cotton
.2322	Hemp, Sunn
.2323	Flax
.2324	Jute
.2325	Ramie
.2326	Sisal, Cabuya
.2327	Abaca
.2328	Kapok
.233	Alkaloidal plants
.2331	Tobacco
.2332	Tea
.2333	Coffee
.2334	Cocoa, Cacao
.2335	Vanilla
.2336	Medicinal herbs, Ipecac
.234	Forage crops
.2341	Grasses
.2342	Alfalfa
.2343	Clovers
.2344	Cowpeas
.2345	Soya beans
.2346	Vetches
.235	Sugar-yielding plants
.2351	Cane — For processing or manufacturing of food, etc., see 8**.31
.2352	Sugar beet — For processing or manufacturing of food, etc., see 8**.31
.236	Garden crops (vegetables, such as Lettuce, Tomatoes, Potatoes, Pepper, Nutmeg, Spices, Pulses, Dandelion, etc.)
.237	Fruits
.2371	Citrus fruits
.2372	Berries, Currants
.2373	Grapes, Raisins
.2374	Figs
.2375	Olives
.2376	Bananas, Plantains
.2377	Nuts, Coconuts (Copra), Palm kernels
.2378	Other fruits, Apples, Apricots, Cherries, Dates, Nectarines, Peaches, Pears, Persimmons, Pineapples, Plums, Quinces
.238	Flowers, Bulbs

8**.239 Trees. For manufactures of wood products, see 8**.3 and 8**.391
.2391 Forestry, Fires, Fire prevention, Reforestation
.2392 Lumbering, Timber cutting
.2393 Barks, Cork, Cinchona
.2394 Saps, Resins, Gums, Turpentine, Naval stores
.2395 Rubber (includes all natural rubber). For manufactures of rubber products and synthetic rubber, see 8**.324

.24 Animal husbandry
.241 Practice of veterinary medicine, Outbreak or incidence of animal diseases where no question of exportation is involved
.242 Domestic animals
.2421 Beasts of burden
.2422 Stock raising
.24221 Cattle
.24222 Sheep
.24223 Swine
.24224 Poultry, Eggs
.24225 Ostriches, Ostrich farming
.2423 Dairying, Milk, Cream
.2424 Bee culture, Honey
.2425 Silk culture, Sericulture
.243 Wild animals, Game laws
.2431 Hunting and trapping industry
.2432 Birds
.244 Fur seals. For treaties, see 6**.##7
.245 Fisheries (including sponge fisheries). For treaties, see 6**.##6
.2451 Other products of the sea, Pearls, Pearl fishing
.246 Whaling. For treaties, see 6**.##8

.25 Mines, Mining
.251 Laws, Regulations
.252 Accidents, Prevention
.253 Precious metals and precious stones
.2531 Gold
.2532 Silver
.2533 Platinum
.2534 Radium
.2535 Diamonds
.2536 Other precious metals and stones
.254 Base metals
.2541 Iron
.2542 Copper
.2543 Lead
.2544 Tin
.2545 Zinc
.2546 Uranium, Other atomic minerals
.2547 Other base metals (chromium)
.255 Carbon, Graphite. For fuel conditions, see 8**.04
.2551 Peat, Lignite
.2552 Coal
.2553 Petroleum, Oil
.2554 Natural gas
.2555 Helium

8**.256 Other mining products
.2561 Salt
.2562 Sulphur
.2563 Potash
.2564 Sodium nitrate, Saltpeter
.2565 Asphalt
.2566 Lime and cement
.2567 Phosphates
.2568 Asbestos
.2569 Bauxite
.257 Quarries, Quarrying

.26 Engineering, Architecture. For housing, see 8**.02
.261 Public works, Public construction. For harbors, docks, and ports, see 9**.734
.2611 Buildings, Markets, Market places
.2612 Roads, Highways, Bridges. For railroads, see 9**.712
.2613 Parks, Playgrounds
.2614 Public utilities, Electricity, Water, Gas, Power dams
.2615 Sewerage, Disposal plants

8**.30 Manufactures, Manufacturing

.31 Foods
.311 Meat and slaughterhouse products, Meat packing
.312 Dairy, fish, fowl and game products, Ice cream. For milk, cream, and eggs, see 8**.2423 and 8**.24224 respectively
.313 Grain products and preparations, Flour, Cereals
.314 Nut products and preparations
.315 Vegetable and fruit products and preparations
.316 Beverages and beverage materials, alcoholic and non-alcoholic
Breweries, distilleries. For liquor traffic, see 8**.531
.317 Spices, Condiments, Flavorings, Leavening products, Extracts
.318 Sugar and related products, Candy. For honey, see 8**.2424
.319 Animal, fish and vegetable oils and fats, *edible*

.32 Animal and vegetable products, *inedible*
.321 Hides, Skins, Furs, Feathers. For trapping industry, see 8**.2431; for manufacture of wearing apparel, see 8**.351
.322 Leather and leather goods. For shoes, see 8**.3511
.323 Tobacco manufactures
.324 Rubber manufactures, including synthetic. For wearing apparel, see 8**.351
.325 Animal, fish and vegetable oils, fats and greases, *inedible*. For medicinal oils, see 8**.3971
.3251 Tung oil, Palm oil
.326 Miscellaneous animal products, *inedible*
.327 Miscellaneous vegetable products, *inedible*
.328 Cork and cork products

.33 Iron and steel and related industries, Building and paving materials and equipment
.331 Iron and steel, Steel mill products
.3311 Heavy machinery. For transportation and construction equipment, see 8**.333 and 8**.334
.3312 Light machinery, including agricultural and dairy. For household and office appliances, see 8**.343
.3313 Foundry and machine shop products not otherwise classifiable

8**.3314 Scrap metal
.332 Building and paving materials (all types, metal, wood, glass, etc.)
.333 Transportation equipment (all types)
.3331 Automobiles, Trucks, Buses, Motorcycles
.3332 Railroad, Locomotives, Cars, Signalling devices
.3333 Aircraft. For military aircraft construction, see 7**.5622
.3334 Shipbuilding (all types, sizes, except naval). For construction of naval vessels, see 7**.5621
.334 Construction equipment (all types)
.335 Communications equipment (all types)

.34 Household, office and school furnishings and supplies. For silverware, see 8**.38; for glass and chinaware, see 8**.3931
.341 Furniture. For antiques, see 8**.38
.342 Floor coverings, rugs, carpets, linoleum, etc.
.343 Appliances (all types), Electrical and gas appliances
.344 Draperies, Curtains, Shades, Blinds, Venetian Blinds, Awnings
.345 Household linens, Beddings, Mattresses, Pillows, Cushions
.346 Other household, office and school furnishings and supplies
.3461 Kitchenware, Pots and pans
.347 Office machines, Adding machines, Calculators, Typewriters

.35 Clothing, Textile industry
.351 Wearing apparel (men's, women's, children's and infants')
.3511 Shoes, all kinds
.3512 Hats
.3513 Accessories
.352 Cotton manufactures, Thread, Piece goods
.353 Linen manufactures, Thread, Piece goods
.354 Wool manufactures, Thread, Piece goods
.355 Silk manufactures, Thread, Piece goods
.356 Hair manufactures. For beauticians' supplies, see 8**.395
.357 Jute, hemp, flax, coir yarn, reed and straw products, rope, burlap, baskets
.358 Synthetic fibers, Nylon, Rayon

.36 Sporting and athletic equipment, Recreational equipment, Toys and games, Musical supplies and equipment, Smokers' supplies, Theatrical supplies and equipment

.37 Photographic apparatus and supplies, Artists' supplies, Paintings, Pictures, Cameras, Printers' supplies

.38 Jewelry, Gold and silverware, Precious stones, Clocks and watches, Antiques. For mining of gold, silver, precious stones, etc., see 8**.253

.39 Other manufactures, Miscellaneous. For building and paving materials, see 8**.332
.391 Lumber, Wood products not otherwise classifiable
.392 Paper, Paper products not otherwise classifiable
Newsprint, Wood pulp
.393 Manufactured non-metallic minerals not otherwise classifiable
Marble, Lime and limestone, Asbestos, Slate. For mining, see 8**.25
.3931 Glass and clay products, Ceramics
.3932 Fuels and petroleum products, Refinery products. For oil, wells, oil-drilling, etc., see 8**.2553
.394 Metal manufactures not otherwise classifiable, Aluminum, Copper, Brass, Bronze, Lead, Tin, Zinc. For manufacture of iron and steel, see 8**.331

8**.395	Beautician and barber equipment and supplies Toilet preparations, Cosmetics
.396	Scientific and professional instruments and equipment (surgical, dental, optical, etc.)
.397	Chemicals and dyes, Industrial alcohol
.3971	Medicinal and pharmaceutical preparations, Drugs, Disinfectants. For illicit traffic in narcotics, see 8**.53
.3972	Fertilizers
.3973	Explosives (non-military) (see also 8**.36)
.3974	Paints and varnishes, Stains, Enamels
.3975	Soap, Cleaning compounds, Polishes
.3976	Chemical specialties, Plastics, Celluloids, Cellulose, Cellophane, Resins
.398	Notions and novelties, Flags, Pennants, Emblems, Badges, Pins
.399	Morticians' supplies and equipment
8**.40	Social matters, Conditions (general)
.401	Population, Statistics, Census
.41	People
.411	Race problems, Disturbances, Massacres, Pogroms, Displaced persons, Refugees. For political refugees, see 7**.00
.412	Language, Literature
.413	Religion, Church. For protection of religious missions, see 2**.##
.414	Manners and customs, Dress, Mode of life
.4141	Marriage, Divorce
.4142	Welfare of mother and child. For child labor, see 8**.063
.42	History
.421	Historical relics, Manuscripts
.422	Monuments, statues, memorials
.423	Public records
.424	Commemorative celebrations
.425	Holidays
.43	Education
.43A	Advisers
.431	Elementary education, Primary schools, High schools
.432	Advanced education, Universities, Colleges, etc.
.433	Technical, Commercial, Agricultural
.434	Education of the blind, physically handicapped
.435	Vocational
.436##	Reciprocal recognition of diplomas
.437	Libraries (see also 5**.##1)
.44	Fine arts
.441	Painting, Drawing
.442	Sculpture
.443	Architecture
.444	Engraving
.445	Photography
.446	Music

8**.45	Amusements, Sports, Recreation
.451	Theaters, Stage, Operas, Museums, Carnivals, Concerts
.452	Motion pictures
.453	Sports, Athletics, Indoor amusements
.4531	Olympic Games
.46	Societies (including social organizations)
.461	Better citizenship organizations
.4611	YMCA, YWCA
.4612	Boy Scouts, Girl Scouts, Camp Fire Girls
.4613	Military and veterans organizations
.47	Etiquette
.471	Ceremonials
.472	Precedence
.473	Salutes
.474##	Ceremonial communications, New Year's greetings, Felicitation on national anniversaries, ## country sending felicitations
.48	Entertainment in country **
.481	By the country or its officials
.482	Audience with the chief executive or sovereign
.483	Presentation at Court
.484	By private persons and societies
.485	By resident officers of the United States
.486##	By resident officers of other foreign countries, ## nationality
.49	Calamities, Disasters, Earthquakes, Tornadoes, Cyclones, Typhoons, Famines, Fire, Relief measures (see also 8**.03)
8**.50	Public order, Safety and health, Charities
.501	National and state police
.51	Municipal government
.511	Police organization
.512	Protection against fire
.52	Crime, Criminal organizations, Suspects
.53	Traffic in narcotics
.531	Liquors. For manufactures of liquors, see 8**.316
.54	Sex relations, Prostitution, Procurement, White slave traffic
.541	Traffic in obscene matters, literature, etc.
.55	Public health, Diseases
.551	Vital statistics, Birth, Marriage, Death
.552	Disposal of the dead, Cemeteries, Cremation
.556	Hygiene and sanitation, Quarantine against communicable diseases (home, school, vessels, aircraft)
.557	Supervision of food and drugs. For food and drug regulations, international trade, see 4**.##51. Materia medica
.558	Practice of medicine and surgery, dentistry, optometry, psychiatry, pharmacy, nursing, psychology

8**.56	Correction and punishment
.561	Prisons, reformatories, jails, penal colonies, farms, etc.
.57	Charities, Philanthropic organizations
.571	Red Cross
.572	Hospitals, Asylums
.573	Salvation Army
.574	Institutional homes, Almshouses, Orphanages
.575	Soldiers' and sailors' homes (military and naval)
.576	Seamens' homes (merchant marine)

CLASS 9

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.01	Concessions, Contracts
.02	Laws and regulations
.03	Censorship
9**.10	Postal
.101	Concessions, Contracts
.102	Laws and regulations
.103	Censorship
.104	Rates, Postage (domestic and foreign)
.105	Fraudulent use of the mails. For traffic in obscene matters, see 8**.541
.11##	Transportation of mail between country or area ** and ##. Use smaller number for **
.12	Parcel post
.12##	International parcel post transportation
.13	Money orders (domestic and foreign)
.14	Postal savings banks
.15	Complaints against service
.151	Nondelivery, Delay, Misrouting
.152	Loss, Theft, Damage, Tampering with mail
9**.20	Telegraph, Cable
.201	Concessions, Contracts
.202	Laws and regulations
.203	Censorship
.204	Rates (domestic and foreign)
.21##	Communication between country ** and country ##. Use smaller number for **
.22	Codes (commercial and governmental)
.25	Complaints against service
9**.30	Telephone
.301	Concessions, Contracts
.302	Laws and regulations
.303	Censorship
.304	Rates (domestic and foreign)
.31##	Communication between country ** and country ##. Use smaller number for **
.35	Complaints against service

9**.40	Radio, Radio broadcasting, Radio-telegraph, Reception, Monitoring (see also 5**.##4)
.401	Concessions, Contracts
.402	Laws and regulations
.403	Censorship
.41##	Communication between country or area ** and country or area ##. Use smaller number for **
.42	Amateurs ("ham" operators)
9**.50	Television, Facsimile transmission
.501	Concessions, Contracts
.502	Laws and regulations
.503	Censorship
.51##	Communication between country or area ** and country or area ##. Use smaller number for **
9**.60	Public press
.61	Newspapers, Clippings, Items
.62	Newsgathering agencies (including news broadcasting), Commentators
.62##	Newsgathering agencies (** nationality of newspaper or magazine and ## country or area of operations)
.63	Magazines, Periodicals, Books, Book publishing
.64	Censorship of newspapers, books, and other printed material
9**.70	Transportation (land, air, and water)
.701	Laws and regulations (general)
.71	Land transportation
.71##	Land transportation between country or area ** and country or area ##. Use smaller number for **
.711	Laws and regulations
.712	Railroad, Railways, Rates, Demurrage, Accidents
.712##	Rail transportation between country or area ** and country or area ##. Use smaller number for **
.713	Street railways, Subways, Buses, Taxicabs and other land transport, Accidents, Rates
.714	Automobiles (privately owned and operated), Trucks, Motorcycles, Accidents, Rates
.72	Air transportation (all types, non-military aircraft). For air transportation reservations, see 9**.72-RES
.72##	Air transportation between country or area ** and country or area ## (smaller country number for **) (includes regularly established airlines and non-scheduled flights, private flights [non-commercial], permission for flights). For movements of military aircraft, see 7**.58##
.721	Laws and regulations (air pilot licenses)
.722	Rates (domestic and foreign), Concessions, Contracts, Subsidies
.723	Accidents (** nationality of plane), Repairs
.724	Airports, Landing fields, Landing aids, Radar, Landing rights
.725	Fueling

9**.726 Sale, Purchase (** indicates nationality of purchaser), Charter, Registration, License, Libel

.727 Documentation and inspection, Cargo, Manifests, Bills of health, Entry and clearance

.73 Water transportation, Merchant vessels, Merchant marine, Yachts (includes all water transportation inland, coastwise or other). For water transportation reservations, see 9**.73-RES

.73## Water transportation between country or area ** and country or area ## (includes regularly scheduled steamship lines) (smaller country number for **)

.7301 Rivers, Canals, Flood prevention

.731 Laws and regulations

.732 Rates, Concessions, Contracts, Subsidies

.733 Accidents, Disabled wrecked or stranded vessels, Repairs (** indicates nationality of vessel; use name of vessel)

.734 Harbors, Docks, Ports, Port facilities, Maintenance items and services available to or rendered foreign vessels, Stevedoring

.735 Taxes on navigation, Tonnage, light, harbor and port dues, Other taxes

.736 Movements of vessels (** indicates registration of vessel)

.737 Fueling and provisioning (** indicates country fueling vessel)

.738 Documentation and inspection, Admeasurement, Cargo manifests, Bills of health, Ship's papers, Entry and clearance

.739 Sale, Purchase (** indicates nationality of purchaser), Charter, Registration, License, Libel. For construction of vessels, see 8**.3334. Use name of vessel for "libel" only

.74 Navigation (land, air, and water), inland, coastwise and other

.741 Aids and menaces to navigation, Signalling devices, Radar, Radio beacons, Light houses, Lightships. For "LORAN", see 900.741-LORAN

.75 Personnel, Crews, Seamen, Airmen

.751 Discipline, Insubordination, Mutiny, Illegal acts committed by the crew on vessels and aircraft (ill treatment of seamen, desertion, abandonment). For seamens' homes, see 8**.576

.753 Merchant marine schools and academies

.753## Admission of nationals of ## for visit or study

9**.80 Science (general)

.801 Research and development

.8011 Scientific institutions, Laboratories, Bodies

.8012 Scientific publications, Films

.8013 Scientific facilities and equipment

.8014 Utilization of scientific and technical personnel

.8015 Government's relation to science

.8016 Scientific training program

.81 Physical sciences

.811 Mathematics (arithmetic, algebra, geometry, trigonometry, calculus, differential equations, graphs, statistics)

.812 Astronomy (theoretical and practical, celestial bodies, tables and atlases, navigation)

.813 Physics, Rheology, Crystallography

.8131 General mechanics

.8132 Mechanics of fluids

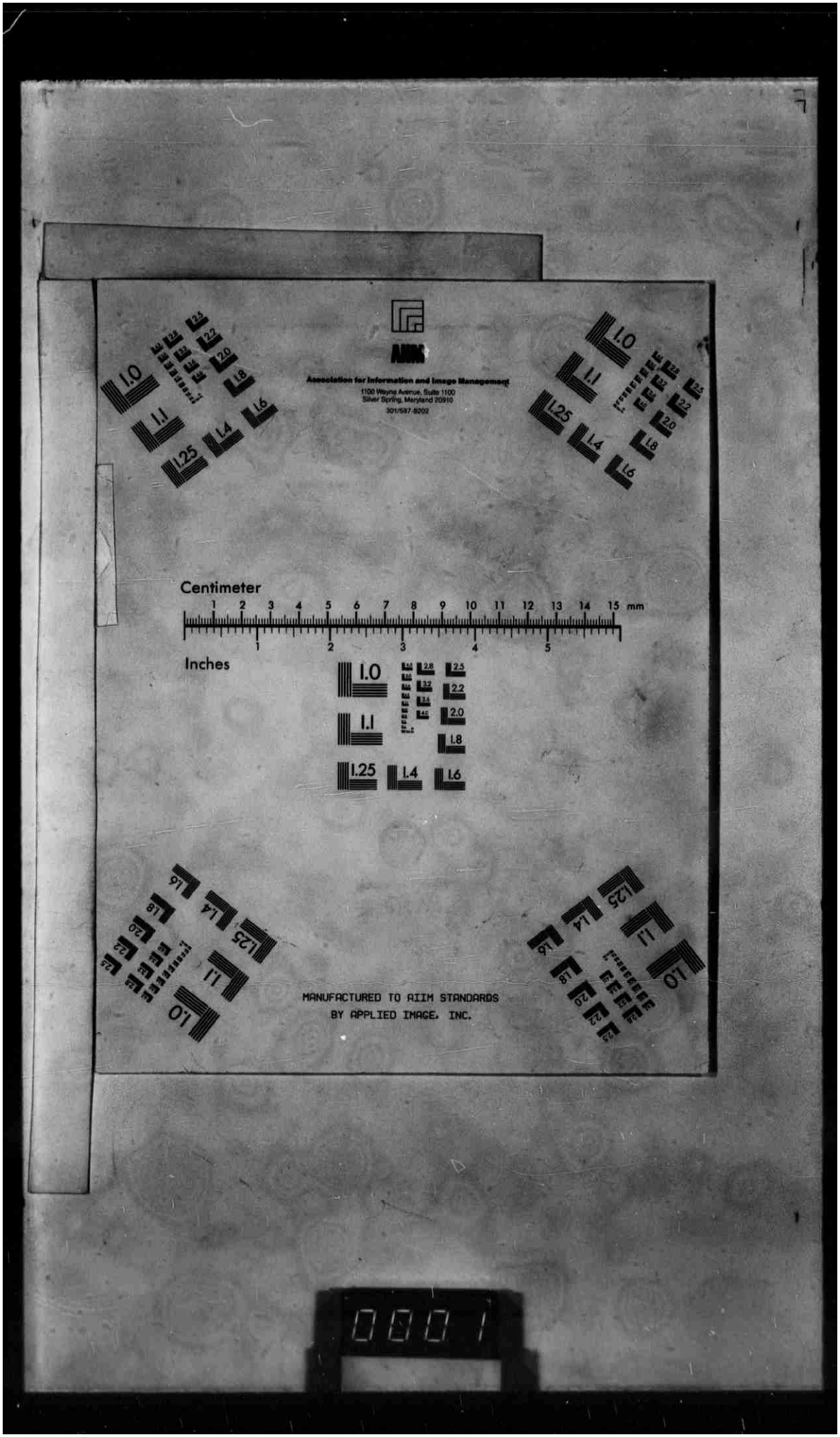
.8133 Mechanics of gases

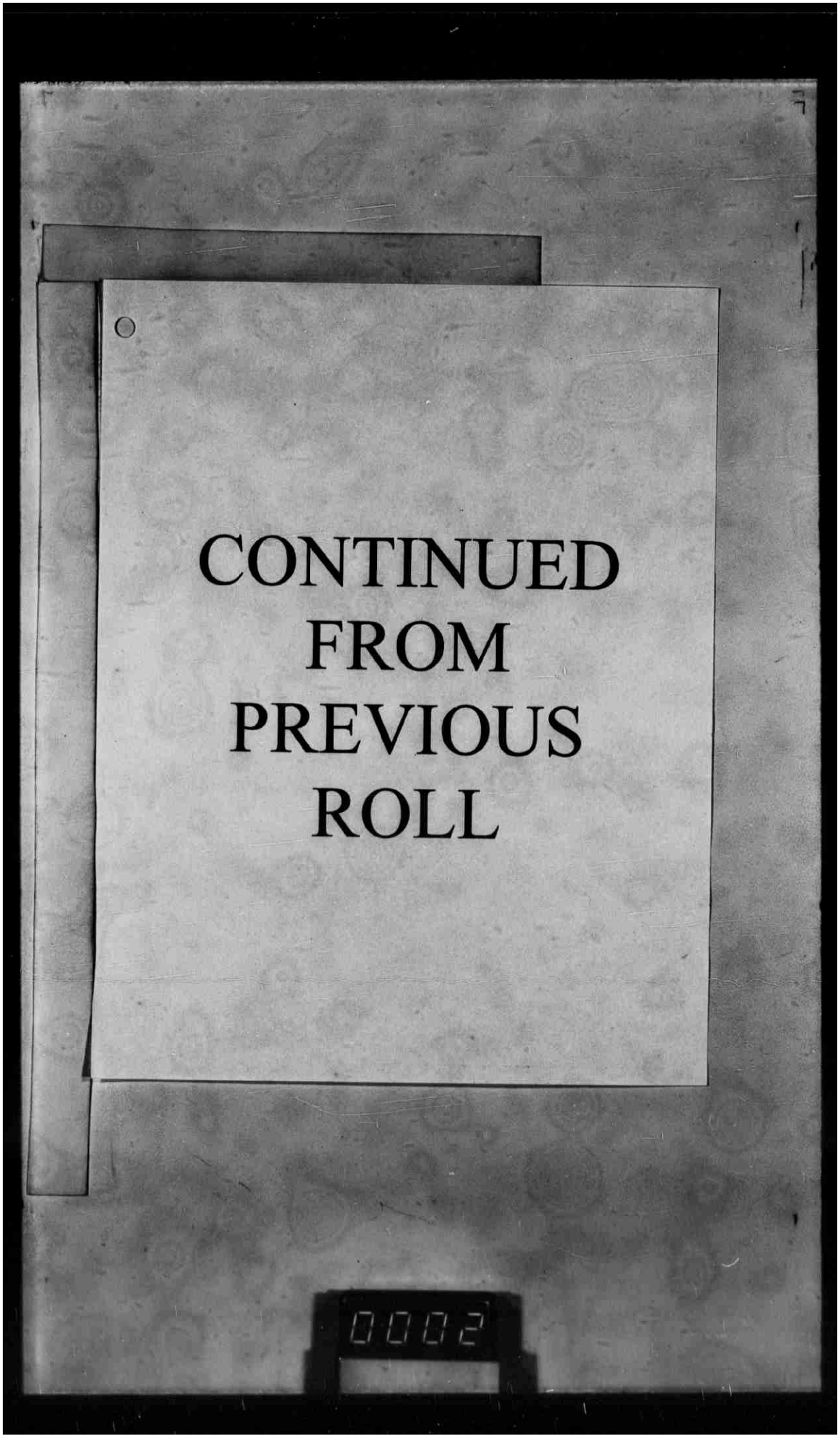
9**.8134 Optics
.8135 Heat and Cold
.8136 Electricity and magnetism (gyroscopes)
.8137 Nuclear physics and nuclear chemistry, Cosmic rays, Heavy water
.8138 Atomic and molecular physics
.8139 Miscellaneous, Time, Calendar, Weights and measures
.814 Basic chemistry (analytical)
.815 Applied chemistry
.8151 Liquid fuels and lubricants
.8152 Resins, rubbers, plastics, auxiliary chemicals
.8153 Pharmaceuticals and antibiotics
.8154 High performance fuels (liquid monopropellants, solid propellants and explosives, bipropellants [fuels and oxidants], combustion and flame phenomena)
.8155 High temperature materials
.8156 Fats, fatty waxes, soap
.8157 Other industrial chemical products
.81571 Industrial explosives
.81572 Gases
.81573 Agricultural chemicals
.81574 Leather and glue
.81575 Inorganic NEC (potassium nitrate, sulfuric acid, etc.)
.8158 Chemical warfare
.816 Metallurgy

.82 Earth sciences. For travels, expeditions, and explorations, see 031.**##
.821 Geography
.8211 Geographical names
.8212 Mapping, map analysis, surveying
.822 Physical geography
.823 Geography of settlements
.824 Military geography
.825 Human geography
.826 Political geography
.827 Economic and commercial geography
.828 Geology
.829 Geophysics
.8291 Geodesy (size and shape of the earth, variation of gravity, etc.)
.8292 Geophysical prospecting for location of mineral resources
.8293 Hydrology (distribution of water, underground water sources, dams)
.8294 Meteorology
.8295 Oceanography, Oceanic organizations
.8296 Seismology
.8297 Terrestrial magnetism
.8298 Miscellaneous (vulcanology, tectonphysics, etc.)

.83 Natural sciences
.831 Biology
.8311 Biological warfare
.832 Botany
.833 Zoology

9**.84	Medical sciences (dentistry and human reactions to environmental elements, etc.)
.841	Medical aspects of radiology, radioscopy, chemistry, and biology including warfare
.85	Electronics (communications devices, radar, sonar, etc.)
.86	Engineering
.861	Civil engineering
.8611	Sanitary and public health engineering
.862	Mechanical engineering
.863	Electrical engineering
.864	Mining engineering
.865	Ordinance engineering (propellants, pyrotechnics, etc.)
.866	Aeronautical engineering (supersonic, etc.)
.867	Engineering, Power plants
.868	Chemical engineering
.89	Other sciences, Philosophy


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ORIGIN: ACTION

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DEPARTMENT OF STATE

AIRGRAM

932 10/7-1262

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A-44 NO. CONFIDENTIAL HANDLING INDICATOR

TO : DEPARTMENT OF STATE

FROM : Amembassy, RIO DE JANEIRO DATE: July 12, 1962

SUBJECT : Brazil's Balance of Payments: First Quarter, 1962 Performance and 1962 Trend

REF : CERP, Section B-102; Embdes 678 of Feb. 27, 1962.

The balance of payments outlook for 1962 has deteriorated considerably, from the beginning of the year when one could be relatively optimistic about the prospective payments position for the year. It will be recalled that at that time, SUMOC projected an over-all deficit of $150 million for the year which it expected could be financed without too much trouble (Embassy Despatch 678 of February 27, 1962). However, for a number of reasons, which will be discussed below, Brazil's payments position has deteriorated to the point where strong pressures have developed on foreign exchange reserves, stringent foreign exchange controls have been reimposed and another appeal from the Brazilian authorities for new balance of payments financing and/or debt postponement is not unlikely, sometime during the coming weeks.

The Balance of Payments in the January-March Quarter

The preliminary SUMOC figures in the enclosed table show a balance of payments deficit of $98.6 million for the first quarter of 1962. This deficit is approximately $20 million greater than the deficit during the corresponding quarter of last year. This is all the more significant since the beneficial effects of SUMOC Instruction 204

Enclosure: (LIMITED OFFICIAL USE)
1. Table on 1st Quarter 1962 Balance of Payments

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FORM DS-323 4-62

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Drafted by: RVKorp|dh

Clearances: ECON:REakens

Contents and Classification Approved by:

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on the 1961 balance of payments were not operating during the first three months of last year. The January-March deficit is also more than $25 million above the deficit originally estimated by SUMOC for the entire first six months of 1962.

In comparison with the first quarter of last year, first quarter 1962 exports are down $27.2 million (10%), imports are up $30.5 million (10%) for a trade deficit of $63.4 million (compared with a trade surplus of $11 million originally estimated for the first half of 1962). The increase in the trade deficit more than accounts for the increase in the over-all deficit since, in comparison with last year, there was some improvement in the invisible balance, as well as a small increase in the foreign private investment outflow. Apparently, the force of investment decisions made in 1961 (presumably largely before the crisis of the Quadros resignation in August and the passage of the profit remittance bill in December) was still being reflected in capital remittances made during the first quarter of 1962.

The over-all January-March deficit of $98.6 million was financed by drawings on the "May package" loans, refinancing loans from the Export-Import Bank and European banks and a net deterioration of $39.8 million in the official short-term asset and liability position of the Bank of Brazil, as follows (in millions of U.S. dollars): 1/

	Dec. 31, 1961	March 31, 1962
ASSETS		
Reserves and receivables from banks abroad	328.7	281.7
LIABILITIES		
Payable to banks abroad	-195.7	-196.5
Utilization of N. Y. credit lines	- 50.5	- 25.0
"Swaps"	-347.8	-365.3
Total	-594.0	-586.8
Net	-265.3	-305.1
(Change		- 39.8)

1/ Complete summary listing of reserves and receivables in all currencies. Therefore not comparable to table on convertible assets and liabilities shown on Page 4 of Embdes 678.

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Deteriorating Trend Has Continued

Indirect evidence available for periods after March 31, 1962, indicate that the generally deteriorating trend of the balance of payments has continued into the second quarter of the year. Such indirect evidence includes, a) the erosion of the reserve position of the Bank of Brazil (reported in Embassy's A-27 and Embtel 92 of July 9), b) the relatively slow recent movement of coffee and the weakened effective price of Brazilian coffee in the international market (Emb. Despatch 1017 and Telegram 3074) and the fact that the Brazilian authorities are so short of foreign exchange that they felt it necessary to reimpose a Bank of Brazil monopoly over all exchange transactions in order to bolster its reserve position (Embassy's A-27).

It is interesting to note that the Bank of Brazil's deficit of convertible exchange contracts sold over exchange contracts purchased was only slightly smaller in the second quarter than it had been during the first quarter:

(In millions US$)

	Contracts Purchased	Contracts Sold	Deficit
FIRST QUARTER	204($)	303($)	99($)
April	64	84	20
May	76	105	30
June	n.a.	n.a.	33
SECOND QUARTER	n.a.	n.a.	83
Total First Half			182

($) Includes revision of February figures in Table II A(1) of Embassy's A-527

Reasons for the Deterioration

The direct and indirect evidence available suggests the following reasons for the negative trend in the balance of payments:

a) There is little doubt that the main influence tending to increase current account payments and decrease current account receipts has been the foreign exchange policy pursued by the Brazilian Government. Between January 1 and May 20, 1962, the officially pegged exchange rate of Cr$310 buying and Cr$318 selling per dollar, became increasingly unrealistic in relation to rapidly rising internal prices. The exchange rate adjustment which was made on May 21, 1962 to a rate of Cr$350/360 initially and to Cr$357/367 currently has proven to have been "too little and too late" in the face of market expectations and the political uncertainties which began to mount at the end of May. While there has been substantial evasion of the official exchange rate through payment of "under-the-counter" premiums (the so-called "boneco"), the unrealistic exchange policy has patently encouraged imports and put a damper on exports. 1/

b) The coffee policy which became effective on June 15, 1962, together with lower effective international prices for Brazilian coffee, has recently kept coffee export receipts at lower than anticipated levels. (See Embdes 1017 and Embtel 3074).

c) Political uncertainties and the Government's equivocal attitude on foreign investment policy has undoubtedly kept down the level of the foreign investment inflow (although this is not yet clear from the January-March data).

d) Lack of performance on financial stabilization has cut Brazil off from most of the hoped-for stabilization credits from the IMF, the U. S. and Europe.

1/ Although the Executive Director of SUMOC reports that since the May 21 exchange adjustment, exports, other than coffee have been moving fairly well.

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The Outlook

The factors outlined above are still operating and Brazil, therefore, faces a difficult balance of payments prospect as the second half of the year begins. The imposition of a Bank of Brazil exchange monopoly under SUMOC Instruction 228 can help the exchange reserve position temporarily, through restricting payments, but the longer this policy lasts the greater becomes the pent-up demand for foreign exchange for imports and for financial remittances, and therefore the more difficult becomes a return to a freer exchange system. Much will depend on the exchange policy and other financial policies that the new Cabinet will adopt. However, even under the most favorable assumptions as to exchange policy and coffee policy, the second half of 1962 is likely to present serious payments problems, in view of the substantial debt repayments that are due. (For details see Embassy's A-43 on Brazil's external debt position).

Ralph V. Korp
Financial Attaché

LIMITED OFFICIAL USE

BRAZIL'S BALANCE OF PAYMENTS
FIRST QUARTER OF 1962

(in millions of dollar equivalents)

	1st Qtr. 1962 (preliminary)	1st Qtr, 1961 Actual	1st Half, 1962 Orig. Est. 1/
Exports (f.o.b)	272.4	299.6	560.0
Imports (f.o.b.)	335.8	305.3	549.0
Trade Balance	-63.4	- 5.7	+11.0
Invisible Receipts	18.0	21.8	124.0
Invisible Expenditures:			
Freight	27.8	24.1	63.0
Remittance of direct investment earnings	34.4	35.3	14.0
Other	40.7	68.8	220.0
Total Invisible Expenditures	103.9	128.2	297.0
Net Invisibles	-84.9	-106.4	-173.0
CURRENT ACCOUNT (net)	-148.3	-112.1	-162.0
GRANTS (Private and Official)	- 3.3	- 2.2	- 3.0
PRIVATE CAPITAL: 2/			
Direct Investments	28.4	20.9	41.0
Loans and Financing	53.0	50.3	106.0
Debt Amortization	-47.0	-48.9	-65.0
Other (net)	- 3.6	2.9	3.0
NET PRIVATE CAPITAL	30.8	25.2	85.0
OFFICIAL CAPITAL (Incl. Banks):			
Financing for Projects	45.1	42.0	96.0
Amortization of Loans	-22.9	-31.6	-103.0
Other	-	- 0.7	-
NET OFFICIAL CAPITAL	22.2	9.7	7.0
ERRORS AND OMISSIONS	-	- 0.2	-
NET BALANCE OF PAYMENTS	-98.6	-79.6	-73.0

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TABLE CONTINUED....

Financing of Balance of Payments Deficit	1st Qtr. 1962 (preliminary)	1st Qtr. 1961 (Actual)	1st Half, 1962 Orig. Est.
Compensatory Financing:			
IMF (net)	-	-	80.0
U. S. Treasury	-	-	35.0
AID ($100 mill. loan)	15.0	-	-
Eximbank ($168 mill. loan)	27.6 3/	-	84.0
Eximbank (refinancing)	10.3	-	25.0
European standby ($110 million)	-	-	83.0
European refinancing	5.8	-	40.0
Total Compensatory Financing	58.8	-	347.0
Short-Term Official Capital: 4/			
Increase(-) or decrease(+) in assets	47.0	-13.7	
Increase(+) or decrease(-) in liabilities	-7.2	93.4	
Gold (increase -)	-	-0.1	
	98.6	79.6	

NOTES:

1/ See Embassy Despatch 678 of February 28, 1962 (Tables VII and VIII)

2/ Long and Short-term private capital. Investment in both cash and in the form of machinery is included.

3/ $25 million disbursed in January, 1962, plus an adjustment of $2.7 million.

4/ Foreign exchange reserve deposits, credit lines, etc.

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SINGLE ACTION

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DEPARTMENT OF STATE

AIRGRAM

FW 832.10/8-1262

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A-138 NO. | CONFIDENTIAL | PRIORITY HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1962 AUG 6 PM 4 13

ANALYSIS BRANCH

FROM : AmEmbassy, Rio de Janeiro

DATE: August 2, 1962

SUBJECT : Correction of Table Included in Projections of Brazil's Long-Term Foreign Debt (as of Apr. 30,1962)

REF : Embassy's Airgram A-43 of July 12, 1962

Attached is a corrected first page of Table II (Page 1, Enclosure 2) which formed part of Brazil's long-term foreign debt projections, that were transmitted in the Embassy's Airgram A-43, dated July 12, 1962. The corrected sheet should be substituted for the one included in that airgram.

It will be noted that the correction is restricted to the column "Actually Due" under repayments due to the Eximbank. The correction involves pushing the figures in the column forward by one year, so that the repayments in the year 1962 are nil.

For the Ambassador:

Ralph V. Korp
Financial Attaché

Enclosure:
Table II (as stated)

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FORM DS-323 4-62

Drafted by: RVKorp|dh

Classification/Sanctions Approved by:

Cleared with: REakens

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TABLE II

BRAZIL'S LONG-TERM EXTERNAL DEBT SERVICE SCHEDULE, IN ALL CURRENCIES, AS OF APRIL 30, 1962, PRINCIPAL ONLY 1/
(In millions of US$ or equivalents)

CALEN-DAR YEAR	SUMMARY GRAND TOTAL			GROUP 1. FINANCING FOR SPECIFIC PROJECTS						
	Gross Due	Agreed re-financing 2/	Net pay-ments	IBRD 3/	EXIMBANK 4/		OTHER U.S. GOVT.	PRIVATE ENTITIES 6/		NET TOTAL OF GROUP 1
					Agreed re-financing	Actually Due		Agreed re-financing 7/	Actually Due	
Total all Years	2292.7	(135.4)	($$)	127.3	(41.5)	275.6	2.8	(73.9)	708.0	1236.4 ($$)
1962	262.0	54.7	207.3	3.5	24.2	-	0.7	30.5	104.4	108.6
1963	327.9	37.8	290.1	4.4	17.3	17.3	0.7	20.5	88.7	111.1
1964	334.2	15.2	319.0	6.6	-	33.6	0.7	15.2	96.8	137.7
1965	214.2	7.7	206.5	7.0	-	30.9	0.7	7.7	97.6	136.1
1966	174.1	-	174.1	7.3	-	27.3	-	-	85.3	120.0
1967	137.7	-	137.7	7.0	-	25.9	-	-	69.3	102.3
1968	117.0	-	117.0	6.3	-	23.1	-	-	51.9	81.6
1969	99.1	-	99.1	6.3	-	20.6	-	-	36.7	63.7
1970	85.4	-	85.4	5.9	-	20.5	-	-	23.6	50.0
1971	70.5	-	70.5	6.1	-	20.4	-	-	13.1	39.7
1972	60.3	-	60.3	6.5	-	18.4	-	-	9.6	34.4
1973	59.1	-	59.1	6.8	-	17.0	-	-	9.6	33.4
1974	52.0	-	52.0	6.1	-	10.9	-	-	9.5	26.5
1975	42.7	-	42.7	4.9	-	5.6	-	-	6.7	17.2
1976	35.4	-	35.4	5.1	-	2.5	-	-	2.3	9.9
1977	33.4	-	33.4	5.4	-	0.6	-	-	1.9	8.0
1978	32.1	-	32.1	5.1	-	0.6	-	-	1.0	6.7
1979	30.6	-	30.6	4.7	-	0.6	-	-	0.1	5.4
1980	30.1	-	30.1	5.0	-	-	-	-	-	5.0
1981 & following	95.0	-	95.0	16.8	-	-	-	-	-	16.9

DEPARTMENT OF STATE

AIRGRAM

832.10/7-1262

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A-43 CONFIDENTIAL

TO : DEPARTMENT OF STATE 1962 JUL 17 AM 8 48

DEPARTMENT OF STATE
BUREAU OF
ARALYSIS & INTERPRETATION
ARAIGN JUL 19 1962

FROM : AmEmbassy, RIO DE JANEIRO DATE: July 12, 1962

SUBJECT : Projections of Brazil's Long-Term Foreign Debt, Revised as of April 30, 1962

REF : CNEP, Section D-12, Embassy Despatches 721 of March 14 and 732 of March 19, 1962.

The attached tables show SUMOC projections of Brazil's long-term foreign debt schedule, revised up to April 30, 1962. These tables include:

a) All stretch-outs of old repayment schedules which have been agreed.

b) Repayment schedules of those portions of new refinancing loans which have been negotiated (i.e., agreed new loans which are actually disbursed at the time that repayments are made under the old credit schedules), which had actually been utilized by April 30, 1962.

c) Old repayment schedules of these portions of loans subject to agreed refinancing, which have not yet been actually refinanced (because refinancing will take place when the repayment is made). For convenience, these schedules subject to refinancing are shown in separate columns.

d) Repayment schedules of balance of payments loans to the extent actually disbursed as of April 30, 1962. In the case of the May, 1961 "package" of

See Annex "A" for List of Enclosures

All Enclosures are LIMITED OFFICIAL USE

Footnotes to All Tables on Attachment I

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Cleared and Classification Approved by:

Clearances: EOON:HEakens

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loans, these projections include principal repayments of $40 million to the IMF ($20 million of $60 million drawn was repaid in 1961), $125 million to the Eximbank, 1/ $65 million to AID (not including the last $9.5 million disbursement made in May), $44.5 million to the U. S. Treasury and $26.7 million to European banks.

COMMENT:

Brazil's annual debt repayment burden for the next few years can be summarized as follows:

(figures in millions of dollars)

CALENDAR YEAR	PRINCIPAL AND INTEREST	PRINCIPAL ONLY		
	All Currencies	Convertible Currencies	Inconvertible Currencies	TOTAL
1962 (Mar 1-Dec.31)	282.2	199.1	8.2	207.3
1963	374.5	280.4	9.7	290.1
1964	410.9	307.8	11.2	319.0
1965	275.5	196.7	9.8	206.5
1966	230.3	166.5	7.6	174.1
TOTAL ALL YEARS	2,951.4	2,240.9	51.8	2,292.7

As was noted in Embassy Despatch 721 of March 14, 1962, Brazil's debt repayment burden on the basis of present debt outstanding will be very heavy (principal repayments amounting to over 20 percent export earnings in 1961) during 1963 and 1964 and will remain substantial in 1965 and 1966. It is therefore almost inevitable that the Brazilian Government

1/ To the Embassy's knowledge actual disbursements under the $168 million Eximbank loan have amounted to $125 million. The SUMOC figures show an adjustment to a debt of $127.7 million.

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will wish to seek new balance of payments credits and/or further debt refinancing and postponements in order to meet the prospective debt service problem next year.

Even for the remaining six months of this year, scheduled debt repayments constitute a much more serious problem for Brazil than had been assumed a few weeks ago. The general trend of the balance of payments so far this year has undoubtedly been substantially more adverse than predicted, in view of the continued maintenance of an unrealistic exchange rate which has encouraged imports and hampered exports. Political uncertainties have discouraged the inflow of private foreign investment. The lack of better performance on the financial stabilization program has denied the Brazilian authorities access to remaining credits from the "May package" except for the $75 million disbursed by U. S. agencies so far this year and the six-month postponement of $20 million due to the IMF last March.

Apart from repayments due on project loans and other credits to the private sector, the Bank of Brazil's debt obligations for July 1 - December 31, 1962, include the following payments:

Interest on balance of payments loans (IMF, Eximbank, Treasury, etc.)	$18.6 million
IDB Subscription	10.3 "
Consolidated Debt	2.4 "
International Monetary Fund	46.5 "
U. S. banks (1961 balance of payments loans)	8.0 "
U. S. Treasury	7.2 "
European banks' standby	5.3 "
New York banks' credit lines	45.0 "
TOTAL	$143.3 million

With the Bank of Brazil's low reserve position, demonstrated by the need to tighten exchange controls through SUMOC Instruction No. 228 (A-27 of July 9), the Bank may well have considerable difficulty in meeting the remaining 1962 debt obligations.

Ralph V. Korp
Financial Attaché

CONFIDENTIAL

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TABLE I

BRAZIL'S LONG-TERM EXTERNAL DEBT SERVICE SCHEDULE, IN ALL CURRENCIES AS OF APRIL 30, 1962, PRINCIPAL AND INTEREST 1/

(in millions of US$ or equivalents)

CALENDAR YEAR	SUMMARY GRAND TOTAL			GROUP I - FINANCING FOR SPECIFIC PROJECTS						
				IBRD 3/	EXIMBANK 4/		OTHER U. S. Govt.	PRIVATE ENTITIES 6/		NET TOTAL GROUP I
	Gross Due	Agreed Refinancing 2/	Net Payments		Agreed Refinancing 5/	Actually Due		Agreed Refinancing 7/	Actually Due	
Total All Years	2951.4	(135.8)	(§) [illegible]	204.6	(41.6)	366.9	3.0	(94.2)	902.8	(§) [illegible]
1962	342.6	60.4	282.2	6.4	24.2	10.6	0.8	36.2	137.4	155.2
1963	421.0	46.5	374.5	6.9	17.3	31.7	0.8	29.2	119.8	159.2
1964	430.2	19.3	410.9	20.5	-	46.8	0.7	19.3	133.5	200.8
1965	285.0	9.5	275.5	13.0	-	41.6	0.8	9.5	125.5	180.9
1966	230.2	-	230.2	13.0	-	36.5	-	-	105.5	155.1
1967	184.2	-	184.2	12.4	-	33.8	-	-	83.7	129.8
1968	156.2	-	156.2	11.7	-	29.6	-	-	62.2	103.5
1969	132.1	-	132.1	11.0	-	26.2	-	-	44.1	81.1
1970	112.6	-	112.6	10.1	-	25.1	-	-	28.0	63.2
1971	93.4	-	93.4	10.1	-	23.9	-	-	16.1	50.2
1972	79.7	-	79.7	10.1	-	20.9	-	-	11.9	43.0
1973	75.4	-	75.4	10.1	-	18.7	-	-	11.5	40.1
1974	65.4	-	65.4	9.0	-	11.7	-	-	10.7	31.4
1975	53.6	-	53.6	7.6	-	6.0	-	-	7.2	20.8
1976	44.2	-	44.2	7.4	-	2.7	-	-	2.6	12.7
1977	40.5	-	40.5	7.4	-	0.7	-	-	2.1	10.2
1978	37.6	-	37.6	6.8	-	0.7	-	-	1.1	8.5
1979	34.4	-	34.4	6.2	-	0.7	-	-	0.1	6.9
1980	32.4	-	32.4	6.2	-	-	-	-	-	6.2
1981 and after	100.3	-	100.3	18.6	-	-	-	-	-	18.6

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ANNEX "A"
Airgram A-43
Rio de Janeiro

INDEX TO ENCLOSURES

Enclosure 1: TABLE I (consisting of 3 pages) Brazil's Long-Term External Debt Service Schedule, in All Currencies as of April 30, 1962, Principal and Interest.

Enclosure 2: TABLE II (consisting of 3 pages) Brazil's Long-Term External Debt Service Schedule, in All Currencies, as of April 30, 1962, Principal Only.

Enclosure 3: TABLE III (Consisting of 1 page) Brazil's Long-Term External Debt Service Schedule by Monetary Areas, as of April 30, 1962 Principal Only.

Enclosure 4: TABLE IV (consisting of 1 page) Brazil's Long-Term External Debt Service Schedule in Convertible Currencies for Specific Project Loans Registered with SUMOC, by Country - Principal Only

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TABLE I (CONTINUED)

GROUP 2 - COMPENSATORY FINANCING

CALENDAR YEAR	OFFICIAL FOREIGN ENTITIES									PRIVATE FOREIGN ENTITIES					
	IMF	EXIMBANK			AID	U. S. Treas	Refinancing Agreements 12/			Europ Stand-by $ 110.0	US Banks'		Chase Manh.	U.S. Banks	TOTAL GROUP II
		$12.6 loan	$56.0 loan	$92.1 loan	$100 loan	$70.0	Ger.	France	U. K.		$800 loan	$38 loan	$10.0 loan	$10.0 loan	
Total	183.7	333.3	214.7 8/	43.2 9/	77.4 10/	47.1 11/	8.3	8.4	4.3	29.5 13/	225.1 14/	40.9	10.8	10.1	1256.4
1962	48.1	11.2	4.4	0.1	0.5	6.4	0.2	0.2	0.2	12.4	5.1	14.0	3.7	10.1	117.1
1963	55.0	23.4	7.3	1.6	0.5	21.5	0.3	0.3	0.2	12.6	58.5	53.8	5.6	-	265.4
1964	80.1	111	7.3	1.6	0.5	17.7	0.3	0.3	0.2	5.5	63.5	13.1	3.5	-	205.4
1965	-	16.4	7.3	1.6	0.5	1.5	0.3	0.3	1.3	-	60.6	-	-	-	90.1
1966	-	26.1	7.3	1.6	0.5	-	1.4	1.4	2.3	-	29.7	-	-	-	70.5
1967	-	22.0	16.3	8.2	0.5	-	1.4	1.4	-	-	-	-	-	-	49.7
1968	-	21.3	15.8	7.8	0.5	-	1.3	1.3	-	-	-	-	-	-	48.1
1969	-	20.7	15.3	7.5	0.5	-	1.2	1.3	-	-	-	-	-	-	46.4
1970	-	20.0	14.8	7.1	0.5	-	1.2	1.2	-	-	-	-	-	-	44.7
1971	-	19.3	14.2	5.1	1.6	-	0.6	0.6	-	-	-	-	-	-	41.4
1972	-	18.6	13.8	-	2.6	-	-	-	-	-	-	-	-	-	34.9
1973	-	18.0	13.2	-	2.6	-	-	-	-	-	-	-	-	-	33.7
1974	-	17.2	12.7	-	2.6	-	-	-	-	-	-	-	-	-	32.4
1975	-	16.4	12.1	-	2.6	-	-	-	-	-	-	-	-	-	31.1
1976	-	15.8	11.6	-	2.5	-	-	-	-	-	-	-	-	-	29.9
1977	-	15.1	11.1	-	2.5	-	-	-	-	-	-	-	-	-	28.7
1978	-	14.4	10.6	-	2.5	-	-	-	-	-	-	-	-	-	27.5
1979	-	13.8	10.0	-	2.5	-	-	-	-	-	-	-	-	-	26.3
1980	-	13.0	9.6	-	2.5	-	-	-	-	-	-	-	-	-	25.0
1981 and following	-	-	-	-	48.4	-	-	-	-	-	-	-	-	-	48.4

TABLE I (CONTINUED)

GROUP 3. CONSOLIDATED FOREIGN DEBT

CALENDAR YEAR	U. S. DOLLARS	STERLING	TOTAL GROUP 3
TOTAL	51.1	50.9	102.0
1962	4.9	5.0	9.9
1963	4.9	4.0	9.9
1964	4.0	0.7	4.7
1965	4.0	0.6	4.7
1966	4.0	0.6	4.7
1967	4.0	0.6	4.7
1968	4.0	0.6	4.7
1969	4.0	0.6	4.7
1970	4.0	0.6	4.7
1971	1.2	0.6	1.8
1972	1.2	0.6	1.8
1973	0.9	0.6	1.6
1974	0.9	0.6	1.6
1975	0.9	0.6	1.6
1976	0.9	0.6	1.6
1977	0.9	0.6	1.6
1978	0.9	0.6	1.6
1979	0.7	0.6	1.3
1980	0.6	0.6	1.3
1981 and following	3.7	29.7	33.3

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TABLE II

BRAZIL'S LONG-TERM EXTERNAL DEBT SERVICE SCHEDULE, IN ALL CURRENCIES, AS OF APRIL 30, 1962, PRINCIPAL ONLY 1/

(In millions of US$ or equivalents)

CALENDAR YEAR	SUMMARY GRAND TOTAL			GROUP 1. FINANCING FOR SPECIFIC PROJECTS						
				IBRD 3/	EXIMBANK 4/		OTHER U.S. GOVT	PRIVATE ENTITIES 6/		NET TOTAL OF GROUP 1
	Gross Due	Agreed refinancing 2/	Net payments		Agreed refinancing 5/	Actually Due		Agreed refinancing 7/	Actually Due	
Total all Years	2892.7	(135.4)	($$)	127.3	(41.5)	275.6	2.8	(73.9)	708.0	1236.4 ($$)
1962	262.0	54.7	207.3	3.5	24.2	17.3	0.7	30.5	104.4	108.6
1963	327.9	37.8	290.1	44.4	17.3	33.6	0.7	20.5	88.7	111.1
1964	334.2	15.2	319.0	6.6	-	30.9	0.7	15.2	96.8	137.7
1965	214.2	7.7	206.5	7.0	-	27.3	0.7	7.7	97.6	136.1
1966	174.1	-	174.1	7.3	-	25.9	-	-	85.3	120.0
1967	137.7	-	137.7	7.0	-	23.1	-	-	69.3	102.3
1968	117.0	-	117.0	6.3	-	20.6	-	-	51.9	81.6
1969	99.1	-	99.1	6.3	-	20.5	-	-	36.7	63.7
1970	85.4	-	85.4	5.9	-	20.4	-	-	23.6	50.0
1971	70.5	-	70.5	6.1	-	18.4	-	-	13.1	39.7
1972	60.3	-	60.3	6.5	-	17.0	-	-	9.6	33.4
1973	59.1	-	59.1	6.8	-	10.9	-	-	9.6	33.4
1974	52.0	-	52.0	6.1	-	5.6	-	-	9.5	26.5
1975	42.7	-	42.7	4.9	-	2.5	-	-	6.7	17.2
1976	35.4	-	35.4	5.1	-	0.6	-	-	2.3	9.9
1977	33.4	-	33.4	5.4	-	0.6	-	-	1.9	8.0
1978	32.1	-	32.1	5.1	-	0.6	-	-	1.0	6.7
1979	30.6	-	30.6	4.7	-	-	-	-	0.1	5.4
1980	30.1	-	30.1	5.0	-	-	-	-	-	5.0
1981 & following	95.0	-	95.0	16.8	-	-	-	-	-	16.9

TABLE II

GROUP 2. COMPENSATORY FINANCING

CALENDAR YEAR	OFFICIAL FOREIGN ENTITIES									PRIVATE FOREIGN ENTITIES					
	IMF	EXIMBANK			AID	U. S. Treas	Refinancing Agreements 12/			Europ Stand by $ 110.0	U.S. Banks	Mexico	Chase Manh	U.S. Banks	TOTAL GROUP II
		212.6 loan	188.6 loan	892.1 loan	$100 loan	$70.0	Ger.	France	U. K.		$300 loan	$38 loan	$10.0 loan	$10.0 loan	
Total	180.0	212.6	127.8 8/	31.3 9/	65.0 10/	44.5 11/	6.1	6.3	3.4	26.7 13/	200.0 14/	38.0	10.0	10.0	961.5
1962	46.5	-	-	-	-	5.6	-	-	-	10.7	-	12.7	3.3	10.0	88.8
1963	53.0	12.2	-	-	-	20.2	-	-	-	10.7	57.0	12.7	3.3	-	169.1
1964	80.4	0.6	-	-	-	17.2	-	-	-	5.3	57.0	12.7	3.3	-	176.6
1965	-	6.0	-	-	-	1.5	-	-	1.1	-	57.0	-	-	-	65.6
1966	-	16.0	-	-	-	-	1.1	1.1	2.2	-	29.0	-	-	-	49.5
1967	-	12.8	9.1	6.6	-	-	2.1	2.1	-	-	-	-	-	-	30.8
1968	-	12.8	9.1	6.6	-	-	1.1	1.1	-	-	-	-	-	-	30.8
1969	-	12.8	9.1	6.6	-	-	1.1	1.1	-	-	-	-	-	-	30.8
1970	-	12.8	9.1	6.6	-	-	1.1	1.1	-	-	-	-	-	-	30.8
1971	-	12.8	9.1	4.9	1.1	-	0 .6	0.6	-	-	-	-	-	-	29.1
1972	-	12.8	9.1	-	2.1	-	-	-	-	-	-	-	-	-	24.1
1973	-	12.8	9.1	-	2.1	-	-	-	-	-	-	-	-	-	24.1
1974	-	12.7	9.1	-	2.1	-	-	-	-	-	-	-	-	-	24.0
1975	-	12.6	9.1	-	2.1	-	-	-	-	-	-	-	-	-	23.9
1976	-	12.6	9.1	-	2.1	-	-	-	-	-	-	-	-	-	23.9
1977	-	12.6	9.1	-	2.1	-	-	-	-	-	-	-	-	-	23.9
1978	-	12.6	9.1	-	2.1	-	-	-	-	-	-	-	-	-	23.9
1979	-	12.6	9.1	-	2.1	-	-	-	-	-	-	-	-	-	23.8
1980	-	12.5	9.1	-	2.1	-	-	-	-	-	-	-	-	-	44.8
1981 & following	-	-	-	-	44.8	-	-	-	-	-	-	-	-	-	

TABLE II (CONTINUED)

GROUP 3. CONSOLIDATED FOREIGN DEBT

CALENDAR YEAR	U.S. Dollars	Sterling	Total Group 3
TOTAL	51.1	50.9	102.0
1962	4.9	5.0	9.9
1963	4.9	5.0	9.9
1964	4.0	0.7	4.7
1965	4.0	0.7	4.7
1966	4.0	0.7	4.7
1967	4.0	0.7	4.7
1968	4.0	0.7	4.7
1969	4.0	0.7	4.7
1970	4.0	0.7	4.7
1971	1.2	0.7	1.8
1972	1.2	0.7	1.8
1973	0.9	0.7	1.6
1974	0.9	0.7	1.6
1975	0.9	0.7	1.6
1976	0.9	0.7	1.6
1977	0.9	0.7	1.6
1978	0.9	0.7	1.6
1979	0.7	0.7	1.3
1980	0.6	0.7	1.3
1981 and following	3.7	29.7	33.3

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TABLE III

BRAZIL'S LONG-TERM EXTERNAL DEBT SERVICE SCHEDULE
BY MONETARY AREAS, AS OF APRIL 30, 1962,
PRINCIPAL ONLY

(In millions of US$ or equivalents)

CALENDAR YEAR	CONVERTIBLE CURRENCY	INCONVERTIBLE CURRENCY	TOTAL ALL CURRENCIES
GRAND TOTAL	2,240.9 15/	51.8	2,292.7 15/
1962	253.8	8.2	262.0
1963	318.2	9.8	327.9
1964	323.0	11.2	334.2
1965	204.4	9.8	214.2
1966	166.5	7.6	174.1
1967	134.7	3.0	137.7
1968	114.7	2.3	117.0
1969	99.1	-	99.2
1970	85.4	-	85.4
1971	70.5	-	70.5
1972	60.3	-	60.3
1973	59.1	-	59.1
1974	52.0	-	52.0
1975	42.7	-	42.7
1976	35.4	-	35.4
1977	33.4	-	33.4
1978	32.1	-	32.1
1979	30.6	-	30.6
1980	30.1	-	30.1
1981 and following	94.9	-	94.9

Footnotes follow at the end of TABLE IV

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FOOTNOTES TO ALL TABLES

General Note: Figures may not add exactly to totals, due to rounding.

($) The net due total for all years is roughly the same as the gross total, since the effect of agreed refinancing will be to stretch repayment of $135.8 million (with increased interest cost) from 1961 - 1965 to a longer future period.

($$) The net due total for all years is the same as the gross total, since the effect of agreed refinancing will be to stretch repayments of $135.4 million from 1961-1965 to a longer future period.

1/ This table does not include short-term debt obligations, such as utilization of bankers' credit lines by the Bank of Brazil, "swaps" etc. On the other hand, the table does include some items of what is usually considered in the U. S. as "medium-term debt", e.g., some obligations to the IMF and the U. S. Treasury.

2/ Covered by agreements whereby this amount of debt will be refinanced by a new credit when payments become due.

3/ Excludes IBRD loans of $75 million, $15 million and $18.8 million to "Brazilian Traction" of Toronto, Canada (proceeds used for projects in Brazil).

4/ Excludes Eximbank loan of $51.5 million to "Industria e Comercio de Minerias, S/A (ICOMI)", which are to be repaid in part with exports of minerals (barter transactions).

5/ Consisting of undisbursed balance of Eximbank's refinancing loan of $92.1 million (Loan No. 1571).

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TABLE IV

BRAZIL'S LONG-TERM EXTERNAL DEBT SERVICE SCHEDULE IN CONVERTIBLE CURRENCIES FOR SPECIFIC PROJECT LOANS REGISTERED WITH SUMOC, BY COUNTRY
PRINCIPAL ONLY 16/

(In millions US$ or equivalents)

CALENDAR YEAR	IBRD	UNITED STATES			GERMANY 18/	CANADA	FRANCE 19/	ITALY	JAPAN	U.K. 20/	SWITZ	OTHER	TOTAL 21/
		EXIM-BANK 17/	OTHER U.S. GOVT.	U. S. PRIVATE									
GRAND TOTAL	127.3	275.6	2.8	231.8	98.2	4.2	70.9	75.8	115.0	19.8	9.2	31.4	1177.4
1962	3.5	-	0.7	41.1	12.8	0.4	14.6	10.2	3.6	2.8	1.1	9.6	100.4
1963	4.4	17.3	0.7	33.5	8.1	0.5	6.9	12.0	4.2	4.9	1.4	7.6	101.4
1964	6.6	33.6	0.7	32.3	13.6	0.5	8.2	11.6	8.6	4.7	1.6	4.6	126.5
1965	7.0	30.9	0.7	32.2	13.4	0.6	9.6	13.6	9.2	3.7	1.5	4.0	136.4
1966	7.3	27.3	-	24.8	16.4	0.5	10.5	8.3	10.1	2.4	1.4	3.4	112.4
1967	7.0	25.9	-	22.5	13.8	0.4	8.2	7.1	10.2	1.2	1.0	2.1	99.2
1968	6.7	23.0	-	17.0	9.9	0.3	5.2	5.9	10.2	0.3	0.8	0.1	79.3
1969	6.3	20.6	-	10.9	6.0	0.3	4.3	5.3	9.5	0.1	0.4	-	63.7
1970	5.8	20.5	-	6.5	3.5	0.3	3.2	1.8	8.2	-	-	-	50.1
1971	6.1	20.4	-	3.5	0.6	0.3	0.3	0.1	8.2	-	-	-	40.1
1972	6.5	18.4	-	1.1	0.2	-	-	-	8.2	-	-	-	34.4
1973	6.8	17.0	-	1.3	-	-	-	-	8.2	-	-	-	33.4
1974	6.1	10.9	-	1.3	-	-	-	-	8.2	-	-	-	26.5
1975	5.0	5.6	-	1.0	-	-	-	-	5.7	-	-	-	17.2
1976	5.1	2.5	-	1.0	-	-	-	-	1.4	-	-	-	9.9
1977	5.4	0.6	-	1.0	-	-	-	-	1.0	-	-	-	8.0
1978	5.1	0.6	-	1.0	-	-	-	-	0.1	-	-	-	6.7
1979	4.7	0.6	-	0.1	-	-	-	-	-	-	-	-	5.4
1980	5.0	-	-	-	-	-	-	-	-	-	-	-	5.0
1981 and following	16.8	-	-	-	-	-	-	-	-	-	-	-	16.8

(Footnotes, Continued)

6/ Excludes principal and interest on financing extended without a fixed amortization schedule from Brazilian Traction, Light & Power Company Ltd., "American Foreign Power Co., Inc.", "Brazilian Electric Power"; International Telephone and Telegraph Company and "Binder, Hamlyn & Company, Ltd." to subsidiaries or related companies in Brazil.

7/ Will be refinanced when becoming due in accordance with agreements concluded with France, Germany and the U.K.

8/ Representing balance drawn by April 30, 1962, including $16 million released in April.

9/ Representing portion of $92.1 million refinancing loan (No. 1571) drawn by April 30, 1962.

10/ Does not include drawing of $9.5 million disbursed in May, 1962 .

11/ Includes $9.5 million released in April, 1962.

12/ Representing portions of refinancing loans actually utilized by April 30, 1962.

13/ Portion actually used by April 30, 1962.

14/ Gold collateral loan.

15/ Gross total for all years. Figures for 1962-1965 show annual net totals (i.e., after deducting prospective refinancing under agreements already concluded).

16/ Assuming utilization in full of the registered amount of the financing, in each case.

17/ Excludes $41.6 million of agreed refinancing.

18/ Excludes $34.8 million of agreed refinancing.

19/ Excludes $34.4 million of agreed refinancing.

20/ Excludes $3.6 million of agreed refinancing.

21/ Totals for the years 1962 - 1965 exclude agreed refinancing (i.e., are net figures)

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TO : DEPARTMENT OF STATE 1962 JUL 17 AM 8 46

RM/AN ANALYSIS & DISTRIBUTION BRANCH

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS JUL 19 1962

FROM : Amembassy, RIO DE JANEIRO DATE: July 12, 1962

SUBJECT : Brazil's Balance of Payments: First Quarter, 1962 Performance and 1962 Trend

REF : CERP, Section B-102; Embdes 678 of Feb. 27, 1962.

The balance of payments outlook for 1962 has deteriorated considerably, from the beginning of the year when one could be relatively optimistic about the prospective payments position for the year. It will be recalled that at that time, SUMOC projected an over-all deficit of $150 million for the year which it expected could be financed without too much trouble (Embassy Despatch 678 of February 27, 1962). However, for a number of reasons, which will be discussed below, Brazil's payments position has deteriorated to the point where strong pressures have developed on foreign exchange reserves, stringent foreign exchange controls have been reimposed and another appeal from the Brazilian authorities for new balance of payments financing and/or debt postponement is not unlikely, sometime during the coming weeks.

The Balance of Payments in the January-March Quarter

The preliminary SUMOC figures in the enclosed table show a balance of payments deficit of $98.6 million for the first quarter of 1962. This deficit is approximately $20 million greater than the deficit during the corresponding quarter of last year. This is all the more significant since the beneficial effects of SUMOC Instruction 204

Enclosure: (LIMITED OFFICIAL USE)
1. Table on 1st Quarter 1962 Balance of Payments

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FORM A-44 DS-323

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on the 1961 balance of payments were not operating during the first three months of last year. The January-March deficit is also more than $25 million above the deficit originally estimated by SUMOC for the entire first six months of 1962.

In comparison with the first quarter of last year, first quarter 1962 exports are down $27.2 million (10%), imports are up $30.5 million (10%) for a trade deficit of $63.4 million (compared with a trade surplus of $11 million originally estimated for the first half of 1962). The increase in the trade deficit more than accounts for the increase in the over-all deficit since, in comparison with last year, there was some improvement in the invisible balance, as well as a small increase in the foreign private investment outflow. Apparently, the force of investment decisions made in 1961 (presumably largely before the crisis of the Quadros resignation in August and the passage of the profit remittance bill in December) was still being reflected in capital remittances made during the first quarter of 1962.

The over-all January-March deficit of $98.6 million was financed by drawings on the "May package" loans, refinancing loans from the Export-Import Bank and European banks and a net deterioration of $39.8 million in the official short-term asset and liability position of the Bank of Brazil, as follows (in millions of U.S. dollars): 1/

	Dec. 31, 1961	March 31, 1962
ASSETS		
Reserves and receivables from banks abroad	328.7	281.7
LIABILITIES		
Payable to banks abroad	-195.7	-196.5
Utilization of N. Y. credit lines	- 50.5	- 25.0
"Swaps"	-347.8	-365.3
Total	-594.0	-586.8
Net	-265.3	-305.1
(Change		- 39.8)

1/ Complete summary listing of reserves and receivables in all currencies. Therefore not comparable to table on convertible assets and liabilities shown on Page 4 of Embdes 678.

Deteriorating Trend Has Continued

Indirect evidence available for periods after March 31, 1962, indicate that the generally deteriorating trend of the balance of payments has continued into the second quarter of the year. Such indirect evidence includes, a) the erosion of the reserve position of the Bank of Brazil (reported in Embassy's A-27 and Embtel 92 of July 9), b) the relatively slow recent movement of coffee and the weakened effective price of Brazilian coffee in the international market (Emb. Despatch 1017 and Telegram 3074) and the fact that the Brazilian authorities are so short of foreign exchange that they felt it necessary to reimpose a Bank of Brazil monopoly over all exchange transactions in order to bolster its reserve position (Embassy's A-27).

It is interesting to note that the Bank of Brazil's deficit of convertible exchange contracts sold over exchange contracts purchased was only slightly smaller in the second quarter than it had been during the first quarter:

(In millions US$)

	Contracts Purchased	Contracts Sold	Deficit
FIRST QUARTER	204(§)	303(§)	99(§)
April	64	84	20
May	76	105	30
June	n.a.	n.a.	33
SECOND QUARTER	n.a.	n.a.	83
Total First Half			182

(§) Includes revision of February figures in Table II A(1) of Embassy's A-527

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Reasons for the Deterioration

The direct and indirect evidence available suggests the following reasons for the negative trend in the balance of payments:

a) There is little doubt that the main influence tending to increase current account payments and decrease current account receipts has been the foreign exchange policy pursued by the Brazilian Government. Between January 1 and May 20, 1962, the officially pegged exchange rate of Cr$310 buying and Cr$318 selling per dollar, became increasingly unrealistic in relation to rapidly rising internal prices. The exchange rate adjustment which was made on May 21, 1962 to a rate of Cr$350/360 initially and to Cr$357/367 currently has proven to have been "too little and too late" in the face of market expectations and the political uncertainties which began to mount at the end of May. While there has been substantial evasion of the official exchange rate through payment of "under-the-counter" premiums (the so-called "boneco"), the unrealistic exchange policy has patently encouraged imports and put a damper on experts. 1/

b) The coffee policy which became effective on June 15, 1962, together with lower effective international prices for Brazilian coffee, has recently kept coffee export receipts at lower than anticipated levels. (See Embdes 1017 and Embtel 3074).

c) Political uncertainties and the Government's equivocal attitude on foreign investment policy has undoubtedly kept down the level of the foreign investment inflow (although this is not yet clear from the January-March data).

d) Lack of performance on financial stabilization has cut Brazil off from most of the hoped-for stabilization credits from the IMF, the U. S. and Europe.

1/ Although the Executive Director of SUMOC reports that since the May 21 exchange adjustment, experts, other than coffee have been moving fairly well.

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The Outlook

The factors outlined above are still operating and Brazil, therefore, faces a difficult balance of payments prospect as the second half of the year begins. The imposition of a Bank of Brazil exchange monopoly under SUMOC Instruction 228 can help the exchange reserve position temporarily, through restricting payments, but the longer this policy lasts the greater becomes the pent-up demand for foreign exchange for imports and for financial remittances, and therefore the more difficult becomes a return to a freer exchange system. Much will depend on the exchange policy and other financial policies that the new Cabinet will adopt. However, even under the most favorable assumptions as to exchange policy and coffee policy, the second half of 1962 is likely to present serious payments problems, in view of the substantial debt repayments that are due. (For details see Embassy's A-43 on Brazil's external debt position).

Ralph V. Kelly

Ralph V. Kelly
Financial Attaché

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Page 1
Encl 1
Airgram A-44
Rio de JANEIRO

BRAZIL'S BALANCE OF PAYMENTS
FIRST QUARTER OF 1962

(in millions of dollar equivalents)

	1st Qtr. 1962 (preliminary)	1st Qtr, 1961 Actual	1st Half, 1962 Orig. Est. 1/
Exports (f.o.b)	272.4	299.6	560.0
Imports (f.o.b.)	338.8	305.3	549.0
Trade Balance	-65.4	- 5.7	+11.0
Invisible Receipts	18.0	21.8	124.0
Invisible Expenditures:			
Freight	27.8	24.1	63.0
Remittance of direct investment earnings	34.4	35.3	14.0
Other	40.7	68.8	220.0
Total Invisible Expenditures	103.9	128.2	297.0
Net Invisibles	-84.9	-106.4	-173.0
CURRENT ACCOUNT (net)	-148.3	-112.1	-162.0
GRANTS (Private and Official)	- 3.3	- 2.2	- 3.0
PRIVATE CAPITAL: 2/			
Direct Investments	28.4	20.9	41.2
Loans and Financing	53.0	50.3	106.8
Debt Amortization	-47.0	-48.9	-65.0
Other (net)	- 3.6	2.9	2.0
NET PRIVATE CAPITAL	30.8	25.2	85.0
OFFICIAL CAPITAL (Incl. Banks):			
Financing for Projects	45.1	42.0	96.0
Amortization of Loans	-22.9	-31.6	-103.0
Other	-	- 0.7	-
NET OFFICIAL CAPITAL	22.2	9.7	7.0
ERRORS AND OMISSIONS	-	- 0.2	-
NET BALANCE OF PAYMENTS	-98.6	-79.6	-73.0

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TABLE CONTINUED....

Financing of Balance of Payments Deficit	1st Qtr. 1962 (preliminary)	1st Qtr. 1961 (Actual)	1st Half, 1962 Orig. Est.
Compensatory Financing:			
IMF (net)	-	-	80.0
U. S. Treasury	-	-	35.0
AID ($100 mill. loan)	15.0	-	-
Eximbank ($168 mill. loan)	27.6 3/	-	84.0
Eximbank (refinancing)	10.3	-	25.0
European standby ($110 million)	-	-	83.0
European refinancing	5.8	-	40.0
Total Compensatory Financing	58.8	-	347.0
Short-Term Official Capital: 4/			
Increase(-) or decrease(+) in assets	47.0	-13.7	
Increase(+) or decrease(-) in liabilities	-7.2	93.4	
Gold (increase -)	-	-0.1	
	98.6	79.6	

NOTES:

1/ See Embassy Despatch 678 of February 28, 1962 (Tables VII and VIII)

2/ Long and Short-term private capital. Investment in both cash and in the form of machinery is included.

3/ $25 million disbursed in January, 1962, plus an adjustment of $2.7 million.

4/ Foreign exchange reserve deposits, credit lines, etc.

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Control: 10289
Rec'd: July 14, 1962
10:55 a.m.

RIO 132

FROM: Rio de Janeiro

TO: Secretary of State

NO: 132, July 13, Midnight

PASS LINDER

Report on stabilization performance requested Department telegrams 37 and 46 sent A-56 July 13.

GORDON

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832.10/5-1362

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DEPARTMENT OF STATE

AIRGRAM

832.10/7-1362

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A-56 (NO.) CONFIDENTIAL (CLASSIFICATION) PRIORITY (HANDLING INDICATOR)

TO : DEPARTMENT OF STATE 1962 JUL 17 AM 8 48 DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS JUL 18 1962 RM/AN ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: July 13, 1962

SUBJECT: Report on Performance Under the Stabilization Program, As of July 10, 1962

REF : CERP D-12; Embdes 910 of May 17, 1962, and Deptel 37

Enclosed is an annotated table of key indicators of performance under the most recent Brazilian effort at financial stabilization. It compares information on developments available as of July 10, 1962, to the elements of the stabilization program as approved by the Council of Ministers on March 15, 1962 and explained to U. S. officials during the financial talks held in Washington during March 28-April 3, 1962. This report thus brings up to date information contained in Embassy Despatch 910 of May 17, 1962.

COMMENT:

The quality of Brazil's latest stabilization effort has rapidly deteriorated. Following the slow beginning reported in Embassy Despatch 910, a series of encouraging measures on both the internal and the external side were taken by the monetary autheorities over the weekend of May 18, 18-20. 1/ This upsurgence of action, which took place against the background of an ambivalent political and legislative election year attitude toward stabilization, was not sustained. The Cabinet's authority and will to press forward with stabilization measures suffered a swift decline after it became clear, toward the end of May, that for constitutional and political reasons a Cabinet reorganization was inevitable before July 7. With the

Enclosure: Table on Key Indicators of Stabilization Performance

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FORM DS-323

Drafted by: RVKorp | Contents and Classification Approved by:

Clearances: ECON:REakens

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resignation of the Neves Cabinet, including Finance Minister Moreira Salles, on June 26, and the political crisis which has followed, the March 15 stabilization program has been virtually inoperative. Hope for a resurgence of effort under revised program goals still lingers in the small financial group surrounding Octavio Bulhões, the Executive Director of SUMOC and in COCAP (Bulhões Pedreira and João Pinheiro). The problems they face are increasingly difficult and complex, their authority is minimal and the extent of their possible influence with the next cabinet is an unknown quantity.

The major annual ceilings set by the March 15 stabilization program, namely the ceilings on private sector credit by the Bank of Brazil and the ceiling on the Bank's credit to the Treasury have been exceeded. Performance on some of the other financial items of the program (e.g., coffee account, import deposits, compulsory reserve requirements) has not been too bad, although actions even here have often been overly delayed and rather less vigorous than could be hoped. For example while SUMOC under Instruction 227 was able to raise the coffee contribution quota to $25 per bag, IBC action in giving exporters a guaranteed cruzeiro price has had the same internal monetary effect as a reduction in the contribution quota. 2/

As usual, the budgetary sector has been the main drag on the stabilization effort. Deficits of government enterprises, as a whole, have exceeded the total deficit, indicating that the Federal budget proper showed a small cash surplus (attributable to the "economy program", an increased trend of revenues and the fact that the wage increase legislation had not yet affected expenditures up to June 23):

	Jan. 1/June 23 1962	Jan. 1/June 24 1961
Bank of Brazil credit to Treasury	Cr$43.9 billion	Cr$36.4 billion
Change in outstanding Treasury letters	+ 4.7 "	+ 5.2 "
Net Treasury Cash Deficit	Cr$48.6 billion	Cr$41.6 billion
Deficits of:		
Railroads	Cr$26.2 billion	Cr$18.3 billion
Merchant Marine	Cr$ 8.9 billion	Cr$ 9.2 billion
Social Security Institutes	Cr$ 4.7 billion	Cr$ 1.8 billion
Other State Enterprises and Institutions	Cr$19.4 billion	Cr$12.7 billion
TOTAL	Cr$59.2 billion	Cr$52.0 billion

Attempts to hold down Government expenditures have been seriously undermined by the failure to reduce the railroad deficit, by large-scale politically motivated hiring of new employees and by the cost of the wage increase legislation for public servants. The implications of the budget proposals for FY 1963, together with the carry-over expenditure commitments from the current

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year, are that the budgetary problems for next year could reach staggering proportions. If taxes are not raised, the potential 1963 cash deficit may reach at least Cr$190 billion, and perhaps as much as Cr$450 billion, as described in the Embassy's Airgram A-8 of July 5.

Apart from the absence of action on tax reform, the legislative parts of the March 15 stabilization program have been largely fulfilled, although with more delay than Finance Minister Moreira Salles had hoped. Legislation authorizing the doubling of bank reserve requirements and the floating of voluntary and compulsory bonds has been approved. The pay raise for civil servants has been enacted into law. Its provisions call for 1962 expenditures greater than the Cr$382 billion figure on which stabilization calculations were based, but the Government was able to prevail over pressures for even more costly benefits to public employees. A legislatively inspired action running counter to the stabilization program is the approval of a 13th month end-of-the-year bonus to private employees (awaiting Presidential signature.)

Even in the face of the legislative delays and of difficulties in implementing many parts of the stabilization program, the Government did not undertake to call on the "second lines of defense" which had been described in the Washington discussions, with the single exception of suspending the reduction of import deposits. No action has been attempted to place an exchange surcharge, to mobilize resources of the government corporations (e.g., Petrobras) or to capture a portion of increased receipts from the "single tax" on petroleum.

Exchange policy is another field in which performance has not matched the intentions expressed by the Brazilians in Washington.

The effective paper currency circulation was increased by Cr$35 billion (11%) during the first half of the year. Further substantial issues are inevitable. 3/ This is particularly true since the government's cash expenditures have only recently begun to be affected by the 40% pay raise to public sector employees, retroactive to April 1.

By the end of June, the cost of living index had increased by 18.2% this year. It is difficult to see how this annual rate of roughly 36% can be diminished in the remaining months of the year and easy to envision that it could accelerate. This is particularly so since pressures are bound to mount soon for an increase in the minimum wage (the last increase was granted in October, 1961).

In the current uncertainty about the shape and orientation of the new Cabinet, we simply do not know what the rest of the year will bring in the area of stabilization. As this report is written, the outlook is far from promising.

Ralph V. Korp
Financial Attache

Enclosure No.

NOTES:

1/ SUMOC actions covering increased bank reserve requirements, suspension of import deposit reductions, coffee policy and exchange policy covered in the attachment and reported in various previous messages.

2/ The extent of the actual reduction in the effective contribution quota is difficult to calculate since it depends upon world prices and the exchange rate that will be in effect. It is probable that the effective contribution quota in terms of the cruzeiro equivalent has been reduced to $18-$21 per bag. (See Embassy Despatch 1017 of June 15).

3/ There is a report that an additional Cr$16 billion of currency was issued in early July. Julio Avellar, Director of the Rediscount Department of the Bank of Brazil has recently estimated that the currency issue will increase by at least Cr$90 billion during all of 1962.

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Airgram A-56
Rio de Janeiro

KEY INDICATORS OF STABILIZATION PERFORMANCE
(Figures in billions of cruzeiros, except as indicated)

	Target Under Program 1/	June 1962	June 1961	Jan-June 1962	Jan-June 1962
1. Cost of Living Index (Getulio Vargas Foundation)	No specific stated target, but goal was expressed in terms of achieving a significant reduction in the annual rate of inflation during the course of 1962.	+ 3.5%	+ 1.1%	+ 18.2%	+12.4%
		Dec.31 1961	Jun.30 1962	Jan-June 1962	Jan-June 1961
2. Currency Issue	No specific target, but it was implicit in the stabilization program that new issues of currency would be avoided and only relatively small amounts issued, if absolutely necessary.				
Gross Issue		313.8	343.8	+30.0	+22.8
in SUMOC Vaults		5.0	($)	- 5.0	($)
Net Issue		308.8	309.9	+35.0	+22.8
			Level May 30 1962	Change Jan/May 1962	Change Jan/May 1961
3. Bank of Brazil Credit Operations					
A. Financing of Treasury's cash deficit	Not to exceed Cr$41 billion during 1962, except in special circumstances 2/		42.1	+42.1	+29.6
			Jun.23	Jan. 1 - Jun.23, '62	Jan. 1 - Jun.24'61
			43.8	+43.8	+36.4

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		Level Dec. 31 1961	Level May 31 1962	Change Jan/May 1962	Change Jan/May 1961
3. Bank of Brazil (Continued)					
B. Loans to private sector	Not to exceed Dec. 31 level by more than Cr$35 billion (coffee financing excluded).				
Total Loans		279.8	305.4	+25.6	- 3.2 2/
Less: Coffee Loans		-54.8	-37.8	-17.0	
Net		225.0	267.6	+42.6	
C. Loans to public and mixed corporations & other public entities	Not to exceed Dec. 31, 1961 level by more than Cr$5 billion.	11.9	11.2	- 0.7	- 4.6
D. Loans to State and Municipal Governments	Not to exceed Dec. 31, 1961 level.	14.8	14.4	- 0.4	- 0.2
E. Rediscounts to other Banks:	Not to exceed Dec. 31, 1961 level (coffee financing excluded).				
Total rediscounts		33.4	26.7	- 6.7	-13.2 4/
Less: Coffee Rediscounts		-14.7	- 7.6	- 7.1	
Net		18.7	19.1	+ 0.4	

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	TARGET UNDER PROGRAM	Level Dec.31'61	Level May 31'62	Change Jan/May, 1962
4. Other Bank of Brazil Accounts				
A. Coffee Acct.	Net accumulation of 'at least' Cr$20 billion during 1962. 5/			
Gross Coffee Account		37.4	54.7	+17.3
Less:Coffee loans and rediscounts		-69.5	-45.4	-24.1
Net Coffee Acct.		-32.1	9.3	+41.4
B.Import Deposits (Gradual reduction of import requirement was suspended at 100% by SUMOC Instr. 226 of May 18, 1962 6/)	If necessary measures to be taken to halt estimated net reduction of Cr$38 billion in import deposits during 1962.	67.0	78.5	+11.5
C. Deposit Requirement on financial remittances.(Gradual withdrawal of requirement was halted by SUMOC Instr.223 of Apr 30,1962) 7/	Net accumulation of Cr$15 b 2.8 Cr$15 billion during 1962		6.1	+ 3.3
D.Compulsory reserves of Commercial Banks (increase in requirements implemented by SUMOC Instr.225 of May 18,1962) 8/	Net increase in cash deposits of Cr$22 billion during 1962 (mainly through increase in reserve requirements)	61.1	72.3	+11.2

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	TARGET UNDER PROGRAM	Level Dec.31'61	Level May 31'61	Change Jan/May, 1962
E. Voluntary deposits from the public (demand and time deposits) 9/	Net increase in "Commercial Banks" voluntary deposits" with the Bank of Brazil of Cr$9 billion during 1962	64.5	87.3	+22.8
F. Other items (partial list)	It was stated that a normal increase of Cr$ 12 billion was anticipated in the Bank of Brazil's "Net Worth" accounts and in "items in collection" during 1962. This would seem to imply that there would be a net anti-inflationary effect of this amount as a result of Bank of Brazil's domestic transactions in accounts other than those mentioned in A-E above.			
a. "Net Worth" Accounts 10/		19.4	18.8	- 0.6
b. Cash Holdings		13.3	12.8	- 0.5
c. Deposits of public & mixed corporations		89.8	82.8	- 7.0
d. Deposits against future purchases of foreign exchange 11/		24.6	41.0	+16.4
G. Foreign exchange Transactions Net effect 12/ (+ indicates deflationary) (- indicates inflationary)	Net anti-inflationary effect of Cr$20 billion during 1962		Change Jan.1/Mar. 31, 1962	Change Jan.1/Mar.31 1961
			+37.0	-24.0

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	TARGET UNDER PROGRAM	STATUS OF IMPLEMENTATION
5. Budgetary Economy Program	Cuts of Cr$60 billion in the authorized 1962 expenditures postponement of Cr$81 billion of expenditures into 1963 and indefinite postponements of Cr$38 billion.	This program is being implemented as far as can be ascertained. The program(except for the Cr$38 billion postponement) was submitted to the Congress for information or approval at its discretion. Since the Congress has not reacted up to now, the Executive is carrying out the program, in the meantime. On the other side, there has probably been a greater than anticipated use of authority to spend funds in excess of appropriations to take care of salaries of large numbers of new people hired largely for election purposes, the amounts cannot yet be estimated with any certainty.
6. Reduction of Railroad and Merchant Marine Deficits	Generally to move toward realistic rates and elimination of uneconomic activities; specifically: a) raising all suburban fares to Cr$5 during April 1962 with further increases to Cr$15 during 1962, b) raising long-haul freight and passenger rates by average of 30%, and c) continuation of a program of eliminating uneconomic railroad lines.	a) Railroads: No major specific measures along these lines have been announced for the Federal railroad system. Small-scale elimination of uneconomic lines is being undertaken. b) Merchant Marine: All subsidies to private shipping lines (except small marginal short-haul operations) were eliminated on May 21. On the same date 50% of the subsidy to shipyards was eliminated and rate increases running up to 50% were granted to the shipping lines. A special one-time subsidy was reinstated in June to compensate shippers for the payment of retroactive wage increases and some increased rates were cut back in the face of criticism. However, the Merchant Marine

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	TARGET UNDER PROGRAM	STATUS OF IMPLEMENTATION
6. Reduction of Railroad and Merchant Marine Deficits (Continued)		Commission has announced that a further increase of freight rates by 24.5% effective July 21 and 19.5% effective Sppt. 21 will be granted to compensate for increased wage costs and the elimination of the final 50% of the subsidy to the shipyards on Sept.21.
7. Foreign Exchange Policy	A policy under which the rate of exchange 'will not be dissociated from the trend of internal prices'.	Despite continual assurances that remedial action would be taken, the exchange rate has been held at unrealistic levels. The rate was held at Cr$310/Cr$318 per dollar from Jan. 1 - May 20. Finally on May 21, the rate was moved to Cr$350/360 and more recently (July 9) to Cr$357/ Cr$367, but without any notable effect of convincing the market that this was a relatively realistic rate. A further backward step was taken when the Bank of Brazil restored its monopoly over all foreign exchange transactions under SUMOC Instr. 228 of July 7, 1962 (See Embassy's A-27, July 9)
8. Legislative Measures A. Increasing legal limit commercial bank reserve requirements	Authorization to double present limits to 28% on demand deposits and 14% on time deposits.	Approved and embodied in Law 4,059, signed May 8 and published May 11. SUMOC issued implementing regulations under Instru. 225 of May 18, raising requirements to 22% on demand deposits and 14% on time deposits with a marginal requirement of 40% on new deposits until the new over-all level is reached. (Can take the form of special Treasury letters at 6% interest).

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	TARGET UNDER PROGRAM	STATUS OF IMPLEMENTATION
B. Authorization for flotation of voluntary loan	Hope to sell at least Cr$90 billion during 1962	These three measures (B, C and D) were tied together in a single piece of legislation which was approved by the Congress and signed by the President on June 12. No attempt has been made as yet to put into effect a voluntary bond sales program.
C. Compulsory loan authority	Designed to yield Cr$20 billion during 1962	
D. Pay raise for Government employees	Not to exceed cost of Cr$ 82 billion during 1962	Wage provisions of this bill (retroactive to April 1, 1962) imply an expenditure of roughly Cr$95 billion in 1962 (and Cr$125 billion in 1963), thus exceeding the Government's original calculations. The fact that the Chamber on June 10 overrode a number of Presidential item vetos will probably add further to the wage cost.
E. "13th Month" bonus for end year for employees in the private sector	Not included in the stabilization program	Congressional action completed on June 27 awaiting Presidential signature which likely.
F. Tax reform	To obtain "early Congressional approval of tax legislation to yield approximately Cr$100 billion in average 1962 prices.	Neither Chamber of the Congress has voted on the original tax reform proposal submitted in November 1961. The Executive has been working on four revised proposals, but has not sent them to the Congress, despite professed plans to do so in May.

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NOTES

($) Negligible amounts

1/ As explained to U. S. officials during the U.S.-Brazil financial discussions March 28 - April 3, 1962 (Letter from Finance Minister Moreira Salles to Secretary Dillon, dated April 3 and memorandum of April 2 entitled "Record of Discussions with Brazilian Officials Relating to the Stabilization Program of Brazil").

2/ The "special circumstance" described referred to an excess of expenditures for pay increases to Public Sector employees over the Cr$82 billion calculated in the stabilization plan. The pay legislation which has been approved implies expenditures of about Cr$13 billion over the Cr$82 billion figure. The Brazilians indicated during the Washington discussion that it was intended to take "supplementary steps to ensure that any possible excess will be covered through non-inflationary financing". This of course could be theoretically possible with a Bank of Brazil credit to the Treasury in excess of Cr$41 billion, as long as off-setting monetary measures were taken.

3/ Information is not available isolating coffee loans from other loans for January-May, 1961 period.

4/ Information is not available isolating coffee rediscounts from other rediscounts for January-May, 1961 period.

5/ Increase in availabilities in the "coffee account" of the Bank of Brazil, less outstanding coffee loans and rediscounts.

6/ Unless SUMOC Instruction No. 226 is further amended, a gradual 10% per month reduction in import deposits will resume after September 30.

7/ It stands at 10 percent as a result of SUMOC Instruction No. 223.

8/ Legislation authorizing SUMOC to double reserve requirements was enacted into law on May 11, 1962. (See also Item 8 A).

9/ Includes U. S. PL480 accounts and accounts directly by the public.

10/ Strictly speaking, "Net Worth" accounts would include only the proprietary accounts (capital, surplus, reserves, etc.). The Brazilians may have intended a broader concept including, for example, cash holdings.

11/ This reflects a recent increase from 50 percent to 100 percent in the cruzeiro deposit requirement for the purchase of foreign exchange for future delivery. (See Embassy Despatch 901 of May 15, 1962). This is not one of the measures described in the original Brazilian stabilization plan but does of course help to exert an anti-inflationary influence.

12/ The information available from SUMOC is somewhat difficult to relate to this net Cr$80 billion target. The SUMOC figures used here reflect Bank of Brazil's foreign exchange transactions and exports and imports of merchandise as well as "swaps", cruzeiro gains and losses on exchange transactions, etc. It does not include the import note requirement, but may include the financial remittance deposits and some other items not strictly related to foreign exchange movements, as such.

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DEPARTMENT OF STATE

AIRGRAM

832.10/7-1662

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NO. — HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1962 JUL 19 AM 9 20

RM/AN ANALYSIS & DISTRIBUTION BRANCH

JUL 17 1962

(2)

FROM : Amembassy RIO DE JANEIRO DATE: July 16, 1962

SUBJECT: SUBSTITUTE PROFITS REMITTANCE BILL PROPOSED BY SPECIAL CONGRESSIONAL COMMITTEE.

REF : CERP D-12, Embs 460, December 7, 1961, Embassy A-14, July 6, 1962.

DEPARTMENT OF STATE BUREAU OF I C/N AFFAIRS JUL 23 1962

Transmitted as enclosure 1 is an unofficial translation of the proposed profits remittance bill agreed upon by the special joint-congressional committee convoked to study and make recommendations with respect to the profits remittance bill passed by the Chamber of Deputies last November, (Brant Bill). This bill is referred to as a substitute for the Brant Bill and presumably meets the approval of all members of the committee which consisted of representatives from both left and right.

The most significant features of the substitute bill are those which require that all foreign capital as well as remittances abroad of all types be registered with SUMOC, the application of a withholding tax of 20% to profits and dividends accruing to foreign residents, and certain provisions designed to channel the investment of foreign capital into activities and regions deemed of greatest importance to the Brazilian economy. Other significant features include stand-by authority for SUMOC to place temporary restrictions on capital repatriation and profit remittances in the event of serious balance of payments problems, restrictions on state-owned credit institutions to make credit available to foreign firms, reciprocity requirement with respect to the operation of foreign banks, and a provision limiting, in general, remittances of funds for technical, scientific and administrative assistance to the first five (5) years of the introduction of the pertinent production process.

Encl: 1) Translation of the profits remittance bill proposed by special congressional committee.

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Drafted by: ECON/JKrizay:anc

Contents and Classification Approved by: Robert Eakens

Clearances: Ralph V. Korp

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The provisions of the substitute bill designed to channel foreign investments into activities and regions most in need are perhaps the most interesting and, in the end, could cause the most difficulty. Under the terms of the bill, the Council of Ministers, in consultation with the National Economic Council, would be empowered to determine the classification of economic activities and designate regions of highest priority for development, (Articles Nos. 50-51). This classification would be issued by decree and would be in force for three years. Any foreign capital applied to activities designated in the decree as productive of luxury goods and services, or, if not productive of any kind of goods or services, would be limited to an annual profits remittance of 8% with any excess considered capital repatriation. To further encourage foreign investment into channels considered most important, it would be provided that the withholding tax applied to incomes of foreign residents could be increased by 20% in the case of investments operating in activities or regions deemed of lesser importance. On the other hand, investments considered of great importance to the Brazilian economy could be exempt from the general prohibition against the providing of credit to foreign firms by state-owned credit institutions. It is obvious that the bill would permit a great deal of interpretation which an unfriendly government could apply severely to foreign capital.

The restriction against the provision of credit by state-owned banks to foreign firms (Article No. 36) incidentally could cause difficulties with respect to the lending of P.L. 480 funds to U.S. firms since these funds are presently administered by the National Economic Development Bank.

The provisions (Articles Nos. 27-29) which would empower SUMOC to place temporary restrictions on remittances in the event of serious foreign exchange difficulties only refines authority which SUMOC already has. These articles state that when "grave disproportions in the balance-of-payments" occur, remittances for repatriation of speculative capital may be temporarily prohibited, remittances of profits from registered capital limited to 10%, of registered capital and royalty, trademarks and technical assistance payments limited to 5% annually of gross receipts. In addition, SUMOC would be authorized to apply surcharges of up to 10% for imports and 50% for financial transfers. In the past, including the very recent past, SUMOC has applied similar restrictions although in more general terms.

John Richards, President of the São Paulo American Chamber of Commerce, offered the view in a meeting with other American businessmen and Embassy officials including Ambassador Gordon that the proposed bill, though not ideal, "was something the foreign investor could live with", assuming it was properly administered. In his view, any unfriendly government could administer its existing laws in a way which would make life difficult for foreign investments. Other representatives of the American business community present did not agree with this view pointing out that the very existence

of the law with so much depending on execution and so much left to interpretation would discourage the inflow of foreign capital.

In any event, as pointed out in previous communications, the bill is not likely to be acted upon before the elections. How the lame duck Congress meeting after elections or the new Congress which will convene in March 1963 will react to the bill is still anyone's guess. Much will depend on how the bill is handled procedurally. If, for example, the substitute bill is passed by the Senate, it would be returned to the Chamber as an amended version of the Brant bill and the Chamber would act on the "amendments" only, in which case the Chamber action would be final. Should the Chamber reject the amendment, the Brant bill would be sent to the President for approval.

It is of interest, in this respect, that the new Prime Minister Brochado da Rocha, in presenting his program to the Chamber prior to his acceptance, called for disciplining foreign capital according to principles contained in the Chamber bill and the modifications of the Mixed Congressional Committee. This statement could be interpreted as an indorsement of the substitute bill. In another part of the same speech, however, the new Prime Minister said, "In the external sector, the people are victims of an international capitalism associated with reactionary national economic forces, who are not content to produce and profit but prosper at the cost of the impoverishment and spoliation of the country."

For the Ambassador,

John Krizay
Second Secretary of Embassy

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SUBSTITUTE PROFITS REMITTANCE BILL
PROPOSED BY SPECIAL CONGRESSIONAL COMMITTEE

A-61
Encl.1

Article 1. Foreign capital, for the purposes of this Law, is considered to be capital goods, machinery and equipment introduced into Brazil, without prior exchange expenditures, for the production of goods and services; as well as financial or monetary resources introduced into the country for application in economic activities whenever, in either instance, the same are the property of individuals, or legal entities resident, domiciled, or having their principal place of business situated abroad.

Article 2. Foreign capital invested in this country shall receive identical treatment before the Law and under the same conditions, as that accorded Brazilian capital, all discrimination not provided for in this Law being prohibited.

OF CAPITAL REGISTRATION, REMITTANCES AND REINVESTMENTS.

Article 3. A special service shall be established in the Superintendency of Currency and Credit for the registration of all foreign capital, whatsoever be the form in which it is introduced into the country, as well as for foreign financial operations, in which shall be recorded:

a. foreign capital entering the country in the form of direct investment or loan, whether in money or goods;

b. remittances abroad made as repatriation or income from such capital, profits, dividends, interest, amortization, as well as royalties, payments for technical assistance, or for any other account covering transfer of returns out of the country;

c. reinvestment of profits accruing from foreign capital; and

d. changes in the monetary evaluation of corporate capital made in accordance with Law.

Sole Paragraph. The registration of reinvestment referred to in Paragraph (c) shall be required even in the instance of a legal entity whose main office is in Brazil but is affiliated with foreign companies or those controlled by a majority of stockholders, individual or corporate, resident or situated abroad.

Article 4. Registration of foreign capital shall be made in terms of the currency of the country of origin, while reinvestment of profits shall be indicated in Brazilian currency.

Sole Paragraph. If the capital is in kind, registration shall be at the price of the goods in the country of origin, or, in the absence of satisfactory substantiation, at the book value given in the accounts of the recipient, or upon the basis of official appraisal to be determined by appropriate regulations.

Article 5. Registration of any foreign investment shall be required within thirty (30) days of its entrance into the country, independent of the payment of any tax or fee whatsoever. Registration of reinvestment of profits shall be made by the appropriate department of the company in the same period of time, counting from the date of approval of the respective entry in its books.

Sole Paragraph. Foreign capital and reinvestment of profits already existent in the country are also subject to registration and the same shall be required of their proprietors or those responsible for them, or the companies in which they have been applied within a term of one-hundred-eighty (180) days from the date of publication of the present Law.

Article 6. The Superintendency of Currency and Credit shall take the necessary measures to keep the registry of data referred to in the foregoing paragraph current, and companies are obliged to supply the information it may require of them.

Article 7. For the purposes of registration, reinvestments are considered to be those amounts that could have been remitted abroad legally but were not, instead being applied in the same enterprise that produced them or in another sector of the country's economy.

OF REMITTANCES OF INTEREST, ROYALTIES AND TECHNICAL ASSISTANCE.

Article 8. Remittances of interest on loans, credits or financing shall be considered as amortization of capital with respect to that portion exceeding the rate of interest stipulated in the respective agreement and the registration thereof; and it shall be the duty of the Superintendency of Currency and Credit to impugn or refuse the part of the rate that may exceed the prevailing legal rate for like operations in the financial market originating the loan, credit or financing on the date it was made.

Article 9. Individuals or legal entities wishing to make transfers abroad for account of profits, dividends, interest, amortization, royalties; technical, scientific, and administrative assistance and the like, must submit to proper authorities at the Superintendency of Currency and Credit and the Income Tax Division all contracts and relevant documents necessary to justify such remittance.

Sole Paragraph. Remittances abroad shall depend upon the enterprise's registration with SUNOC and proof of payment of any income

tax due.

Article 10. The SUMOC Council may, as it considers necessary, investigate the technical or administrative assistance or like service rendered to establishments in Brazil for which remittances are solicited, with a view toward evaluating the effectiveness of such aid.

Article 11. Transfers in payment of royalties due on patents, trade marks and similar rights in industrial property shall depend upon proof from the interested party that the same have not expired in the country of origin.

Article 12. The total of amounts owed for patents, trade marks, etc. and technical, scientifica and administrative assistance and the like may be deducted, on the income-tax declaration, to a maximum of five per cent (5%) of gross receipts on the product made or sold, for the effect of Article 37, Decree 47373 of December 7, 1959.

§ 1. Percentual coefficients for calculating the deductions referred to in this Article shall be established and revised periodically by the Minister of Finance, based on type of production or activity, arranged in groups according to degree of essentiality.

§ 2. Deductions covered in this Article shall be permitted upon proof that the technical, scientific, administrative or similar assistance has been effectively rendered and upon presentation of an agreement and/or license to use trade marks and patents duly registered in Brazil in accordance with the regulations set forth in the Industrial Property Code,

§ 3. Expenditures for technical, scientific, administrative and similar assistance may be deducted only in the first five (5) years of the enterprise's operation or of the introduction of the special production process, where its essentiality has been demonstrated, and this period may be extended for an additional five (5) years through authorization of the Council of the Superintendency of Currency and Credit.

Article 13. Amounts owed for royalties on patents and for technical, scientific, and administrative assistance and the like that do not fulfill the stipulations or exceed the limits set forth in the foregoing Article shall be considered as taxable distributed profits, in accordance with Articles 41 and 42.

Sole §. Also taxable in accordance with Articles 41 and 42 is the total of amounts due individuals or legal entities resident or situated abroad for trade marks used in industry and commerce.

Article 14. No remittance will be permitted in payment of royalties for the use of patents and trade marks between a branch

or subsidiary of an enterprise established in Brazil and its head office abroad nor when the major part of the capital of the Brazilian establishment belongs to the recipients abroad of such royalties.

Sole Paragraph. The deductions provided for in Article 12 are not permissible in the cases dealt with in this Article.

Article 15. Any fraudulent activity with respect to customs or exchange resulting in the over- or under-invoicing of imported or exported capital goods and merchandise, where verified as a result of regular administrative action in which the accused is guaranteed the right to fully defend himself, shall render those responsible subject to a fine as high as ten (10) times the value of the amounts over- or under-invoiced, or to the suspension of the right to export or import for a period of one to five years.

Article 16. The Government is hereby authorized to execute agreements on administrative cooperation with foreign countries for interchange of fiscal and exchange intelligence, such as statistics on profits and royalty remittances, payment for technical assistance and the like, value of goods imported, film rentals, etc. as well as any other data whatsoever that may serve as a basis for determining taxes.

Sole Paragraph. The Government shall seek to establish agreements with the States and Municipalities on fiscal cooperation, with a view to coordinating the fiscal control exercised by Federal, State and Municipal authorities, in order to obtain greater efficiency in the regulation and collection of various levies and repression of tax evasion and fraud.

OF CAPITAL GOODS AND DEPOSITS ABROAD AND ACCOUNTING RULES

Article 17. Individuals and legal entities domiciled or situated in Brazil shall be obliged to declare to the Superintendency of Currency and Credit, in the form to be established by said Council, within sixty (60) days from the date of publication of this Law, the goods and securities they possess abroad, including bank deposits, excepting, in the case of foreigners, those in their possession at the time of their entry into Brazil.

Sole §. The Council of the Superintendency of Currency and Credit shall set forth appropriate instructions within a 30-day period counting from the date this law enters into force, and shall require that initial declarations be submitted within 60 days.

Article 18. Failure to observe the stipulation set forth in the Article above shall result in consideration of such securities and bank deposits abroad as the products of illicit gain and, as such, subject to criminal suit for restitution or compensation through

goods or securities held in Brazil, which may be confiscated by the Treasury Department to the extent required to cover the amount of the charge.

Article 19. Further, individuals and legal entities domiciled or having their principal place of business in Brazil must report to the Superintendency of Currency and Credit all new acquisitions of goods and securities abroad, indicating the resources utilized for their purchase.

Sole §. They must further communicate to the Superintendency of Currency and Credit each and every year on or before January 31, the sum total of all their bank deposits abroad to December 31, of the preceding year, justifying any movement in the same.

Article 20. The Executive shall issue regulations establishing the form of accounts and standards for uniform bookkeeping to be used by groups engaged in similar activities, which should be adapted to the needs and circumstances of the enterprises in each general field.

Sole §. Upon approval, by regulamentary act, of the form of accounts and the standards pertaining thereto, all legal entities in each group of activities for which they have been established shall be required to observe them in thier accounting within the periods fixed by said regulations, which periods should provide sufficient time for putting the systems into practice in an orderly way.

Article 21. Enterprises, including corporations, are obliged to state in all balance-sheets the portion of capital and credits belonging to individuals and legal entities resident, domiciled, or having their principal place of business situated abroad.

Article 22. An indication must also be made in the profit-and-loss statement of the portion of profits, dividends, interest, or any other return whatsoever destined to individuals or legal entities resident, domiciled, or situated abroad.

EXCHANGE PROVISIONS

Article 23. Exchange operations in the free market shall be realized through establishments authorized to deal in exchange, with the intervention of an official broker, where called for by regulation or legislation, and both shall be responsible for identifying the client as well as for the proper classification of the information given by the same, in accordance with the rules made by the Superintendency of Currency and Credit.

§ 1. Operations that obviously are not included under the specific items of the Classification Code adopted by the Superintendency of Currency and Credit or those classifiable under such general

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titles as "Other" or "Miscellaneous", can be effected only through the Banco do Brasil.

§ 2. A false identity declaration on the form signed by the client and approved by the banking house and official broker who may be involved in the operation, prepared in as many copies and in the style determined by the Superintendency of Currency and Credit, constitutes an infraction by the banking house, broker, and client, and is punishable by a fine on each of the violators equivalent to three (3) times the amount of the operation.

§ 3. Any false statement on the form mentioned in Paragraph 2 shall constitute an infraction for which the client is solely responsible and punishable by a fine equivalent to one-hundred per cent (100%) of the amount of the operation.

§ 4. Incorrect classification, in accordance with the rules established by the Council of the Superintendency of Currency and Credit of the information given by the client on the form referred to in Paragraph 2, constitutes an infraction by both the banking house and the broker possibly involved in the operation, and is punishable by a fine equivalent to five to one-hundred per cent (5-100%) of the respective amount on each of the violators.

Paragraph 5. In the case of a subsequent infraction, the Council of the Superintendency of Currency and Credit may cancel the license to operate in exchange of those banking houses neglecting to comply with the stipulation of this Article and suggest to the appropriate authorities that brokers be similarly treated.

§ 6. The text of the present Article shall obligatorily appear on the form referred to in Paragraph 2.

Article 24. Banking houses authorized to deal in exchange are obliged to transmit daily to the Superintendency of Currency and Credit information as to the sum total of exchange bought and sold, specifying the purpose, in accordance with the classification established.

Sole §. Statistical information, in the case of legal entities, must correspond exactly to the respective entries made in the books of such enterprises.

Article 25. Banking houses failing to report the exact total of operations realized shall be subject to a fine up to a maximum amount corresponding to thirty (30) times the highest annual minimum wage in effect in the country, which shall be tripled in the event of a subsequent violation.

Sole §. The fine shall be levied by the Inspector-General of Banks, and an appeal, without suspensory effect, may be made within fifteen (15) days from the date of intimation to the Council of the Superintendency of Currency and Credit.

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Article 26. In case of repeated infractions, the Inspector-General of Banks shall solicit from the Executive Director of the Superintendency of Currency and Credit cancellation of the authorization to engage in exchange operations of the banking house responsible, the final decision to rest with the Council of the Superintendency of Currency and Credit.

Article 27. The Council of the Superintendency of Currency and Credit may decide that exchange operations relative to movement of capital be effected, in whole or in part, in a financial exchange market separate from the import-export market, whenever the exchange situation may so recommend.

Article 28. Whenever there is any grave disproportion in the balance-of-payments or serious reason to suspect the imminence of such a situation, the Council of the Superintendency of Currency and Credit may impose restrictions, for a limited period, on the import and remittance of income from foreign capital and, to this effect, grant the Banco do Brasil a monopoly or quasi-monopoly on exchange operations.

§ 1. In the hypothesis of the present Article, remittances for account of repatriation of venture capital are prohibited, and remittance of profits accruing from capital registered in accordance with Articles 3 and 4 limited to ten per cent (10%).

§ 2. Income exceeding ten per cent (10%) of capital must be reported to the Superintendency of Currency and Credit and that authority, should the situation referred to in this Article obtain for more than the fiscal year, may authorize remittance of the amounts in excess during the succeeding fiscal year if profits made in that period do not reach the limit.

§ 3. At the criterion of the Superintendency of Currency and Credit, the restrictions set forth in this Article may be inapplicable to capital invested in regions or economic sectors previously indicated as being of extreme national interest by an Executive decree after hearing the National Economic Council and the Council of the Superintendency of Currency and Credit.

§ 4. In the same instances mentioned in this Article, the Council of the Superintendency of Currency and Credit may limit remittances for the account of royalty payments and technical and administrative assistance and the like to a maximum annual cumulative limit of five per cent (5%) of the gross receipts of the enterprise.

§ 5. Further, in the same case, the Council of the Superintendency of Currency and Credit is authorized to hand down instructions limiting exchange expended for account of international travel.

§ 6. There shall be, however, no restrictions on remittances for interest and amortization payments stipulated in duly registered loan agreements.

Article 29. Whenever it may become expedient to limit utilization

of exchange reserves, the Executive is authorized to demand, through an instruction given the Council of the Superintendency of Currency and Credit, a temporary financial charge, of a strictly monetary character, on import of merchandise and financial transfers, to a maximum of ten per cent (10%) of the value of the imported goods and up to fifty per cent (50%) of the value of any financial transfer, including those for account of international travel.

Sole §. The maximum term for the measures provided for in this Article shall be one-hundred-fifty (150) days during the year, consecutive or not.

Article 30. The amounts collected as a result of the financial charge provided for in the Article above shall constitute a monetary reserve in cruzeiros to be maintained by the Superintendency of Currency and Credit in a separate fund and shall be used, whenever opportune, exclusively for purchase of gold and foreign currency to back and strengthen reserves and available exchange.

Article 31. Foreign capital applied to activities not productive of goods and services, or productive of goods and services for luxury consumption, as defined in an Executive decree to be issued after consultation with the National Economic Council, is limited to annual remittance of profits of 8% of the capital registered with the Superintendency of Currency and Credit.

Sole §. Profit remittances in excess of the limit set forth by this Article shall be considered capital repatriation and the corresponding amounts shall be deducted from the registry for the effect of future remittances, being considered, however, a reinvestment on activities of greater interest to Brazilian economy.

Article 32. Conditions more favorable than those applying to imports in the general category mentioned in Law 3244 of 14 August 1957 may not be conceded exchange purchases for remittance of profits, interest, royalties, technical assistance, and repatriation of capital, no matter what the circumstance or the current exchange system.

Article 33. Nomination of heads of organs comprising the Council of the Superintendency of Currency and Credit shall be dependent upon prior approval by the Senate, except in the case of Ministers of State.

Article 34. Members of the Council of the Superintendency of Currency and Credit shall be obliged to make a declaration of their goods and private income as well as that of their wives and dependents on or before April 30 each year, which statements are to be examined and filed with the Federal Tribunal of Accounts, which will communicate that fact to the Senate.

Sole §. Public servants of the Superintendency of Currency and

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Credit holding positions of responsibility or responsible under the regulations for services relative to the registration of foreign capital or its control, in accordance with the terms of this Law, shall also be obliged to make the declaration of holding and income provided for in this Article.

PROVISIONS REFERRING TO CREDITS

Article 35. The National Treasury and official public credit institutions, both Federal and State, including mixed-capital corporations controlled by the same, may only guarantee loans, credits or financing obtained abroad by enterprises in which the majority of voting capital belongs to non-residents of Brazil through authorization by Executive Decree.

Article 36. Enterprises with a majority of foreign capital or branches of companies whose principal place of business is situated abroad shall have no access to credit offered by the authorities and establishments mentioned in the foregoing Article until after proven initiation of their operations, except in connection with projects considered of extreme interest to the economy of the country and through special authorization of the Cabinet.

Article 37. The authorities and credit establishments mentioned in Article 35 may concede loans, credits, and financing of new investments in the fixed assets of enterprises in which the majority of voting capital belongs to non-residents, where such applications are made in sectors of activity or economic regions of extreme national interest as defined and enumerated in an Executive Decree to be issued after consultation with the National Economic Council.

Sole §. Investment of resources accruing from public investment funds established by Law shall also be in accordance with the rule set forth in this Article.

Article 38. Financing and investing corporations may only place in the Brazilian market securities and bonds of enterprises controlled by foreign capital or subordinated to enterprises with their main offices situated abroad, which assure voting rights.

FISCAL PROVISIONS.

Article 39. In accordance with the present Law, the following income is subject to withholding tax:

A. dividends on bearer shares, as well as any other bonus paid them;

B. interest and any other income or return whatsoever on bearer certificates called "Preferred Participations" or "Founders Shares"; and

C. profits, dividends, or any other benefit or interest whatsoever accruing from nominal shares or any nominal stock certificates whatsoever in legal entities, received by individuals or legal entities resident, domiciled, or having their principal place of business abroad, or by branches or subsidiaries of foreign enterprises.

Article 40. Legal entities having a predominance of foreign capital or branches or subsidiaries of companies having their principal place of business abroad are subject to the regulations and quotas of income tax established in the pertinent legislation.

Article 41. Profits and dividends accruing to individuals and legal entities resident or situated abroad are subject to withholding of income tax at the source at the rates in force for dividends on bearer shares.

Article 42. The abovementioned tax shall be collected with an increase of twenty per cent (20%) in the case of enterprises operating in economic fields of less interest to the national economy, bearing in mind the place of such activity, as defined in Executive Decree based on hearings before the National Economic Council and the Council of the Superintendency of Currency and Credit.

Article 43. Income accruing from exhibition of motion-picture films, with the exception of income going to non-importing exhibitors, shall be subject to income tax of forty per cent (40%); however, the taxpayer may opt for deposit in special account with the Banco do Brasil of forty per cent (40%) of the tax due; this amount, upon authorization of the Executive Group for the cinema Industry (GEICINE), created by Decree 50278 of February 17, 1961, may be applied toward the production of films in Brazil, in accordance with Decree 51106 of August 1, 1961.

Article 44. Profits on the sale of real estate or assignment of rights therein are subject to the tax provided for in Article 41 when the owner of the property is an individual or legal entity resident or situated abroad.

Article 45. Criteria established for import of used machinery and equipment shall be the same, both for foreign and Brazilian investors and enterprises.

Article 46. An authorized import of used machinery and equipment shall be subject to the same exchange system as that in force for imports of new machinery and equipment.

Article 47. The Customs Policy Council shall have the privilege of increasing of decreasing by as much as thirty per cent (30%) the duty rates on machinery and equipment, in consideration of the regions to which they are going, the degree of concentration in the industry in which they are to be employed, as well as their degree of utility, before the machinery and equipment is imported.

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Sole §. Should the machines and equipment be transferred from the region to which they were sent originally, those responsible must pay to the tax authorities the amount corresponding to the reduction in duty with which they were privileged at the time of import, in the event that the equipment goes to a zone for which such reduction would not have been granted.

OTHER PROVISIONS.

Article 48. Foreign banks authorized to operate in Brazil are subject to the same prohibitions or equivalent restrictions as those applying to Brazilian banks in the legislation of the places in which their main offices are established.

Sole §. The Council of the Superintendency of Currency and Credit shall hand down the necessary instructions to assure compliance with the stipulation of this Article by foreign banks already operating in this country within a period of two (2) years.

Article 49. Foreign banks whose main offices may be located at places whose legislation imposes restrictions on the operations of Brazilian banks are forbidden to acquire more than thirty per cent (30%) of voting stock in Brazilian banks.

Article 50. On the execution of a general planning program based on consultations with the National Economic Council, the Cabinet shall establish a classification of economic activities, based on their importance for the national economy.

Sole §. This classification and eventual alterations shall be issued through a decree and be in force for time periods of not less than three years.

Article 51. The Cabinet may set forth a decree, after consultations with the National Economic Council, the following:

I - that investment of foreign capital in certain activities be carried out on a priority scale, for benifits of less developed areas of the country.

II - that capital invested pursuant the aforesaid item be exempt to a greater or lesser degree from restrictions prevailing in Article 28.

III- that identical treatment be applied to capital invested in activities considered to greater interest to the Brazilian economy in general.

Article 52. The Cabinet is authorized to promote agreements and undertakings with the member-nations of the Latin American Free Trade Association leading to adoption of uniform legislation relative to

treatment to be accorded foreign capital.

Article 53. In collaboration with the Brazilian Geographic and Statistical Institute, the Superintendency of Currency and Credit shall take a periodic census of foreign capital invested in Brazil.

Article 54. This census should be made at the same time as the General Census and should indicate the situation of foreign capital and enterprises on December 31 of the preceding year.

Article 55. I shall be the responsibility of the Superintendency of Currency and Credit to organize the plan and devise the forms for the census referred to above, in such a way as to permit a complete analysis of the situation, movement, and results of foreign capital.

Sole §. Using the material resulting from this census, the Superintendency of Currency and Credit shall collaborate in the preparation of a report containing an adequate and detailed explanation of the situation to the Cabinet and Congress.

Article 56. Save for the specific penalties mentioned herein, infraction of the present Law shall result in fines varying between twenty (20) and fifty (50) times the highest minimum wage in force in the country, to be decided by the Superintendency of Currency and Credit in accordance with the pertinent regulations or instructions to be handed down by that authority.

Article 57. This Law shall become effective on the date of its publication, all other measures to the contrary being hereby revoked.

In Committee

Senate Finance Committee

June 1962

CHAIRMAN

RECORDING SECRETARY

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Rec'd: July 16, 1962
5:20 p.m.

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INFO:
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ARA/CSP Federson
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7/18/62

FROM: Rio de Janeiro

TO: Secretary of State

NO: 141, July 16, 2:00 p.m.

PRIORITY

ACTION DEPARTMENT 141 INFORMATION BUENOS AIRES 3

In any new demarche for US and/or IMF balance of payments assistance, GOB may wish make use argument Argentina recently received IMF and US financial "package", despite high degree of non-performance on stabilization, turbulent political and economic situation and uncertain prospects.

Would appreciate early information on circumstances financial assistance to Argentina and comments on how differs from Brazil's case.

GORDON

DPB

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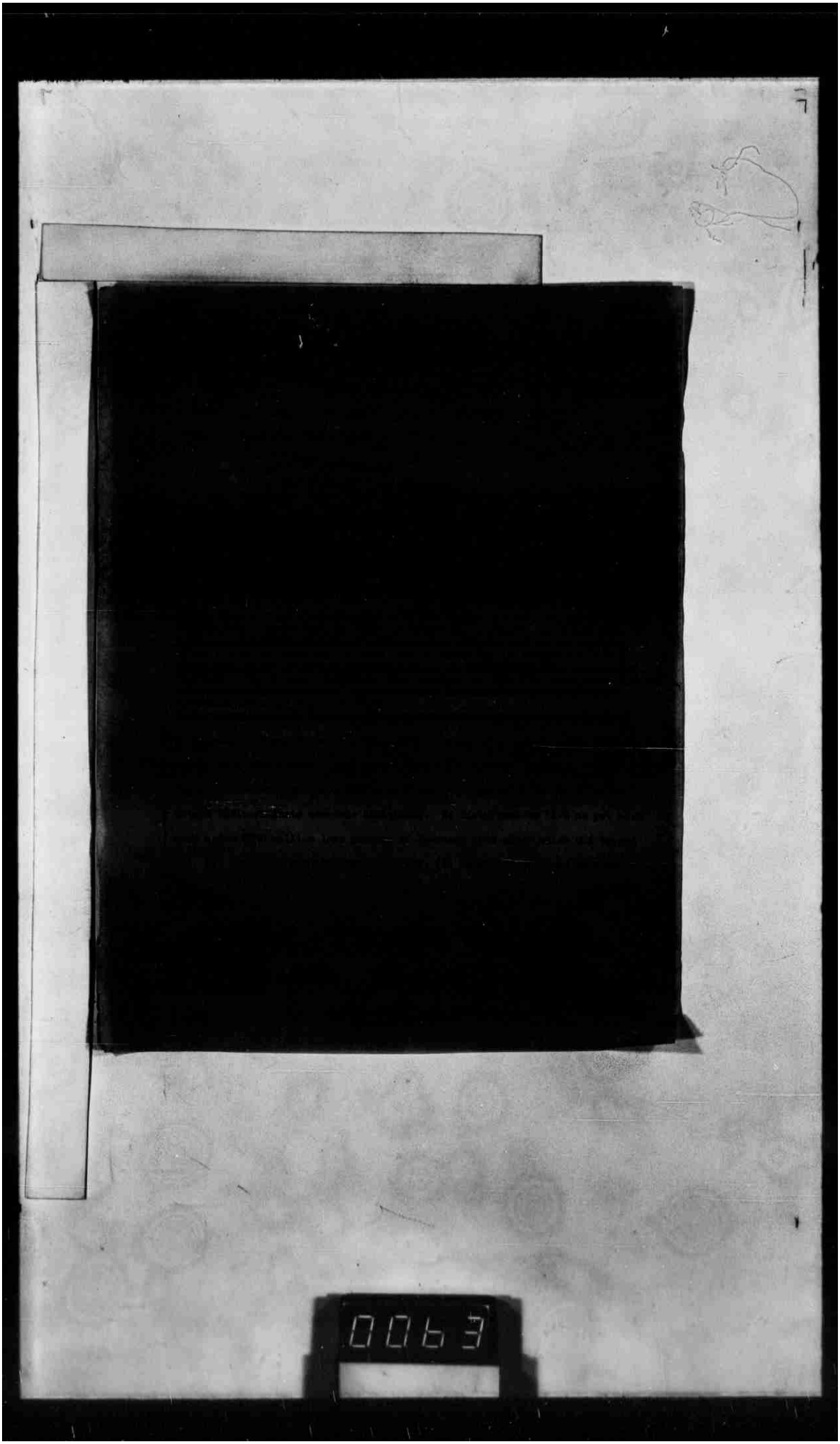
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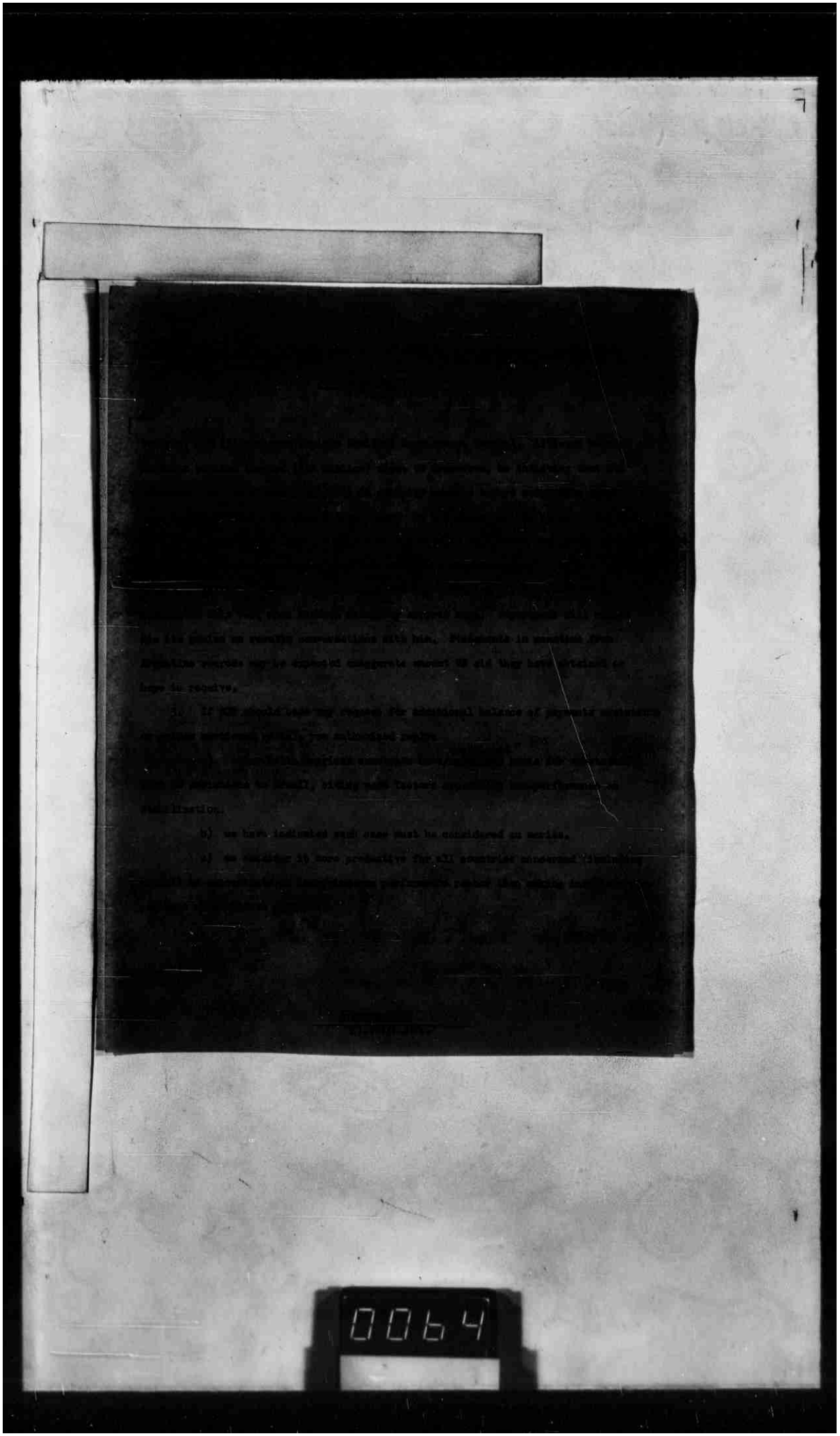
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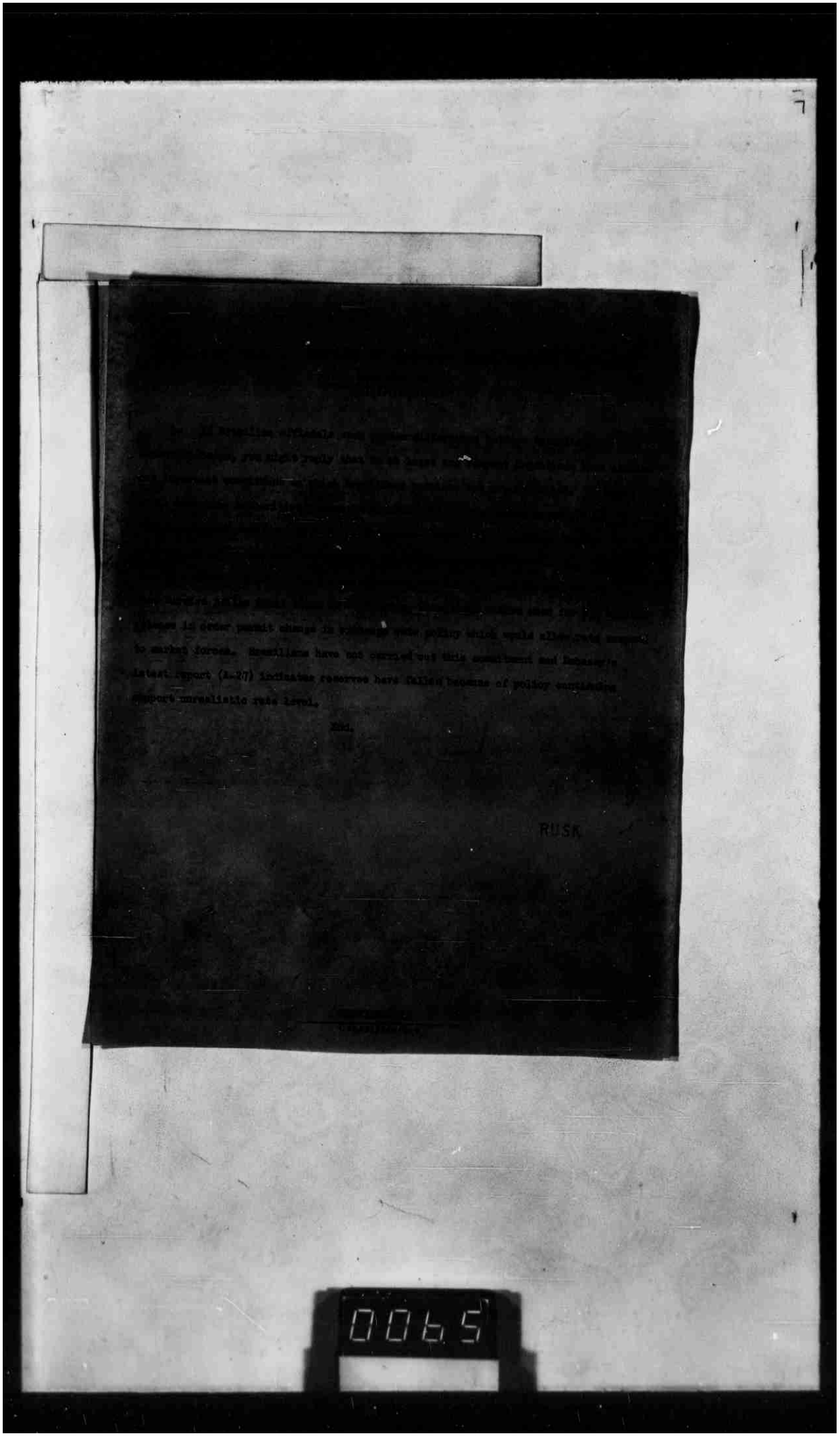
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ORIGIN ACTION

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DEPARTMENT OF STATE

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A-74 NO. | OFFICIAL USE ONLY | HANDLING INDICATOR

TO : DEPARTMENT OF STATE 62 JUL 20 PM 3:25

JUL 1 1962

FROM : Amembassy RIO DE JANEIRO DATE: July 18, 1962

SUBJECT: THE GROWTH OF THE PUBLIC SECTOR IN BRAZIL.

REF :

There has been increasing concern in Brazil in recent months over the steady growth of public sector participation in the economy. That there has been a steady growth of public sector participation in the economy is evidenced, first of all, by the national income account statistics prepared by the Getúlio Vargas Foundation particularly insofar as they relate to gross capital formation. These calculations, listed below, show that the government share in total gross fixed capital formation increased from 21.9% in 1951 to 32.8% in 1959:

(Billions of cruzeiros)

	1951	1952	1953	1954	1955	1956	1957	1958	1959
Total fixed Capital Formation	49.2	54.4	55.8	91.4	99.2	117.0	137.9	181.0	288.0
Fixed Capital Formation Govt.	10.8	13.4	14.4	19.7	21.0	25.7	46.0	61.6	71.4
% Govt. Particip.	21.9%	24.6%	25.4%	21.5%	21.2%	22%	33.4%	34.0%	32.8%

Source: Revista Brasileira de Economia, GVF, March 1961.(9)

(9) Methodology used in calculating gross capital formation is explained on pp. 26-28 of this publication, copies of which were transmitted with Emdes No. 871, May 9, 1962.

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Drafted by: ECON/JKrizay:anc

Contents and Classification Approved by: Robert Eakens

Clearances: Ralph V. Korp

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A calculation by the Foundation showing the government participation in total capital formation - i.e., including variations in inventories - revealed an even steeper increase: from 15.4% in 1951 to 40.8% in 1958.

As striking as this picture is, it does not reveal the whole picture since for the most part, the national account calculations have included autarchies and mixed-government enterprises in the private sector. For example, investment expenditures by NOVACAP in connection with the construction of Brasília have never been included in the government sector.

The number of government autarchies and mixed enterprises, on the other hand, has been increasing at a rather rapid rate. Thus, the number of autarchies has increased from 39 in 1956 to 76 in 1961 and the number of mixed enterprises during the same period increased from 17 to 21. These autarchies are, by and large, independently administered but their boards of directors are appointed by the government. Many receive budgetary subsidies (e.g. railroads). Mixed economies also are subject to some government influence, perhaps to a lesser extent. Regardless of the legal form under which these organizations are established, therefore, they are clearly more appropriately a part of the public sector.

To provide a more complete picture of the size of the government sector, the Getulio Vargas Foundation has embarked upon an extensive study of the size of the operations of government autarchies and their recent growth. The results of this study are expected to be published in the next national accounts series to be issued by the Foundation. (Revista Brasileira de Economia, March 1962 which will probably not be published until 1963). A preliminary study based on a survey of 28 autarchies - some of which operate within the budget - has been made. 21 of the 28 organizations replied to the survey questionaires and these results were used in making the projections quoted in the preliminary report. The conclusions drawn from this preliminary study are quote below:

1. The rate of increase in income (at factor costs) generated in these enterprises is substantially higher than that of the national economy.

2. The share of the income (at factor costs) generated in the Federal Government enterprises in the total income of industry, banks and transportation sectors has increased from 7.5% in 1956 to 9.9% in 1959.

If the above figures are broken down by sectors, the picture is as follows: industrial enterprises increased their participation steadily from 3.9 in 1956 to 6.3. in 1959 (61% increase in 4 years); banks from 39% in 1956 to 53% in 1959 (36% in 3 years) and for transportation there was a drop from 7.4% in 1956 to 5.7% in 1959.

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DEPARTMENT OF STATE

AIRGRAM

832.10/7-2062

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A-89 NO. — UNCLASSIFIED — HANDLING INDICATORS

TO : DEPARTMENT OF STATE JUL 23 PM 12 15

RM/AN ANALYSIS & DISTRIBUTION BRANCH

JUL 21 1962

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS JUL 26 1962

FROM : Amembassy RIO DE JANEIRO DATE: July 20, 1962

SUBJECT : REDISCOUNTS OPERATIONS, JUNE 1962.

REF : CERP D-12; Embes 1043, June 26, 1962.

According to the June 30 balance sheet of the Bank of Brazil Rediscount Department, outstanding rediscounts increased by Cr$ 20 billion during the month.

The liability account, National Treasury also increased by Cr$ 20 billion during the month indicating an addition to currency in circulation in that amount. The total increase in currency effectively in circulation during the first six months of the year was Cr$ 35 billions.

For the Ambassador,

Ralph V. Korp

Ralph V. Korp
Financial Attaché

Encl.: balance sheet of the Bank of Brazil Rediscount Department, June 30, 1962.

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FORM DS-323

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	AGR	COM 10	FRB 3
	INT	LAB	TAR
	TR 2	XMB 2	AIR
	ARMY	CIA 8	NAVY
	OSD	USIA	NSA 3

Drafted by: WBlomeyer:anc

Contents and Classification Approved by:

Clearances: Robert Eakens

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UNCLASSIFIED

BANK OF BRAZIL S.A.
Rediscount Bureau

A-89

Balance Sheet on June 30, 1962

Assets	Cr$	Cr$
Bank of Brazil, Current Account		9.682.463,00
Short-Term Receivable		
Rediscounts of commercial paper	194.811.621.891,20	
Rediscounts of agric. paper (Law 3,253)	3.455.784.171,70	
Rediscounts of export paper (Law 29,536)	43.258.627.260,20	
Rediscounts of com'l paper of banks in liquidation or bankruptcy	291.663.972,80	
Accounts Receivable	258.315.338,50	
Sundry Debtors & Creditors	4.919.410,40	242.080.932.044,80
Fixed Assets		
Capital Holdings		50.080.752,80
Contra-Accounts		
Securities in guaranty	29.399.471,00	
Depositors of Misc. Securities	9.274.538,50	38.674.009,50
		242.179.369.270,10

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Liability	Cr$	Cr$
Capital & Reserves		
Reserve Fund		3.264.382.848,70
Short Term Payable		
National Treasury:		
To the account of the Carteira	234,720,000,000.00	
Superintendency of Money and Credit	26,762,553.40	
Sundry Debtors & Creditors	1,342,537.60	234.748,105,091.00
Accounts Pending		
Provision for the expense of note printing	2,905,647,316.20	
Rediscounts due in the next semester	1,102,058,935.60	
Interest due in the next semester	37,496,670.90	
Bills receivable	79,249,767.80	
Undistributed profits	3,754,630.40	4,128,207,320.90
Contra-Accounts		
Depositors of Securities in guaranty	29,399,471.00	
Capital Holdings for account of third parties	9,274,538.50	38,674,009.50
		242,179,369,270.10

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ORIGIN ACTION

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DEPARTMENT OF STATE

AIRGRAM

737.13/7-2062

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A-88 (NO.) | OFFICIAL USE ONLY | AIR POUCH (HANDLING INDICATOR)

TO : Secstate WASHINGTON

FROM : Amembassy RIO DE JANEIRO DATE: July 20, 1962

SUBJECT: Tancredo Neves Sums up His Record

REF :

In a one hour speech to the Chamber of Deputies on June 26, on the occasion of presenting his resignation, and that of the Council of Ministers, Prime Minister Tancredo Neves gave a summary of problems and accomplishments of his administration. Much of the speech was devoted to individual eulogies of his Ministers.

Neves said his Cabinet was "born of the compromise of all political forces, its objective consisting of the re-establishment of political and military order and social tranquility. In the conquest of this objective, we fought long and hard, each day joining the battle on various fronts, not always crowned with success, but always conducted with firmness, determination and courage."

Dealing first with the problem of inflation, Neves said he and his Cabinet had provided the Congress with the most well-planned and detailed plan of action to combat inflation in the history of the nation, based on reform of the tax system. Also vital to the plan was the reduction of the federal budget deficit. Neves put the failure to adopt the program on "the lack of sufficient time for consideration by the Congress," which forced the Government to turn to "palliatives and half-way measures." Unable to contain the rising cost of living, it became necessary to grant pay raises to civil servants and the military, raising the budget deficit from 200 billion cruzeiros in November to 330 in April. To reduce this trend he said, the Government sought to reduce its other expenditures and an increase in deposit

FORM DS-323 4-62

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Drafted by: HWeiner:jw

Contents and Classification Approved by: PRaine

Clearances:

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requirements. Compulsory and voluntary loans to the Government have had legislative authorization for too short a time for their effect yet to be felt, he said.

Neves said his Government issued 25 billion cruzeiros in new currency in December, principally to cover Government pay raises. Between April and June another 20 billion were issued. Neves stated that the rate of issue was only half that of the previous year, being only six percent of the currency in circulation. He claimed this was the smallest figure in recent years.

In its treatment of inflation and balance of payments, the Cabinet never lost sight, Neves said, "of the grand national objective, a project with no alternative for our generation---economic development." The principal single danger facing Brazil in its long term economic development, he said, is that growth may be insufficient to absorb the increasing population and increase the per capita share of the national income.

He mentioned "the obligations assumed at Punta del Este" to promote social welfare, as being part of the program of his Cabinet. He said the institutional reforms "which are at the center of the national debate," such as agrarian, tax, financial and administrative reform had been prepared by his Cabinet for consideration. "Their readiness for consideration by the Government and Congress will permit their rapid approval by Vote as they mature gradually in public debate."

On the control of foreign profit remittances, he said that referral of the bill to a joint committee insured that all "currents of thought" on the subject would be represented.

He concluded by saying the Cabinet had been "amply compensated for its effort because it had increased the hope of realizing the peace and tranquility of the people at a difficult moment in our history."

In the portion devoted to eulogies of individual Ministers, Neves said of Foreign Minister San Tiago Dantas, "We gave him all our support and solidarity, in the conviction, which is not ours alone, but also that of the majority of this Chamber and of the Brazilian people, that the policy of independence we are following is the only one compatible with the present stage of our social, economic and political evolution and the most suitable to the

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INCOMING TELEGRAM

Department of State

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RIO 204

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Action

Control: 19005
Rec'd: July 25, 1962
8:45 p.m.

CAP
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FROM: Rio de Janeiro

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TO: Secretary of State

NO: 204, July 25, 3 p.m.

PASS TREASURY, AID, EXPORT-IMPORT BANK, SOUTHARD, AND AMBASSADOR GORDON.

Following message approved by Ambassador Gordon in substance before departure:

Emergence Brochado da Rocha cabinet coincides with rapidly deteriorating external and internal financial situation. Embassy has reported strong pressure on exchange reserves (Embassy's telegram 80), negative trend balance of payments (A-44), heavy debt repayment burden in next six months and in 1963 (A-43) and another break-down stabilization effort (A-56), including dismal budgetary prospects (A-8).

With this background, suggest following US reaction, in likely case we approached again for balance of payments assistance:

RMR

1. While taking sympathetic and understanding attitude, US should point to record GOB failures abide by stabilization programs, including targets of March 15 program only recently discussed in Washington and supposedly endorsed by Goulart in joint communique. April 3 Dillon-Salles letters specifically tied further release from "May package" to effective carrying out of stabilization program. This remains our policy. We also continue believe best way develop effective stabilization program and maximizing external assistance thereto is new agreement with IMF. It would be logical to begin preparations and discussions looking forward IMF agreement at least for calendar 1963.

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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2. Brazil has been informed nature preliminary measures which IMF believes Brazil should take in order make effective general assistance for Brazilian stabilization. (Outlined in IMF staff's aide memoire, handed to Moreira Salles in April and copies of which available informally within US government.) These closely coincide with US ideas outlined in draft documents discussed with Moreira Salles in Washington (enclosures 1 and 2 of record of discussions).

3. US therefore urges GOB enter into early conversations with IMF and put itself in such posture as would likely assure IMF would conclude new arrangement.

4. Believe I should make above clear to President Goulart as well as to financial authorities.

5. Since conversation with IMF, and action such as tax reform probably required for IMF agreement, would necessarily take time, believe we should be prepared consider modest debt repayment deferral (possibilities deferral official US loan repayments probably not over $15 million until December 31), which together with postponement all or part $4.65 million due IMF could allow GOB to squeeze through next few months. $25 million credit from Europeans and perhaps further drawing NY banks credit lines might follow same pattern. I would recommend this only if:

(A) There were evidence GOB seriously preparing itself for possible 1963 program with IMF and taking essential steps, such as active pursuance tax legislation, realistic exchange rate adjustment and modification coffee policy; and

(B) If there were a direct commitment from Goulart that this was in fact direction in which GOB policy was aiming.

Realize if this approach not accepted by GOB, consequence may

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be return to many of pernicious exchange practices of 1950's and adaption even worse internal economic and financial policies. However, see no virtue in continuing subsidizing profligate and erroneous GOB policies and practices.

If GOB declines cooperate this basis, will be important consider means whereby US exporters and other private firms and institutions can be discouraged from extending credit to Brazil, as they have in past when USG financing not available. Perhaps world-wide statement making clear US not holding umbrella this type credit would be of some use (although not completely effective).

At present not hopeful about will or ability Goulart and cabinet seriously undertaking meet US and IMF aid requirements. Should unexpected determination show itself, main task would be concentrate on plans for 1963. Until end of year continuation strong inflationary pressures is inevitable, although all possible measures keep down such pressures will of course be taken.

GORDON

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ORIGIN/ACTION

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INT	LAB	TAR
TR	XMB	AIR
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ARMY	CIA	NAVY
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OSD	USIA	NSA
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DEPARTMENT OF STATE

AIRGRAM

832.10/7-2662

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A-113 NO. UNCLASSIFIED HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 JUL 30 PM 1 42

RM/AN ANALYSIS & DISTRIBUTION BRANCH JUL 27 1962

FROM : Amembassy RIO DE JANEIRO DATE: July 26, 1962

SUBJECT : EXPORT CREDIT INSURANCE CONSORTIUM.

REF : CERP, D-12

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS AUG 1 1962

There is transmitted herewith an English translation of Decree 736 of March 16, 1962 setting up an Export Credit Insurance Consortium.

The Decree provides for the compulsory participation of the Ministry of Finance through the National Economic Development Bank, of the Re-Insurance Institute of Brazil, and of insurance companies authorized to operate in Brazil that may wish to accept credit insurance responsibilities.

It provides further that insurance companies may accept directly "trade risks", and "political and extraordinary risks". The coverage for trade risks is, however, to be given by the Consortium itself and that for political and extraordinary risks by the Finance Ministry through the National Economic Development Bank. The Decree also sets at the equivalent in local currency of $300,000, the minimum responsibility to be taken by the Consortium for each importer. This is also a maximum except in special cases.

The political risks covered by the policies included such actions as delay or inability to effect payment, arising from special situations, war, civil strife among others.

The new export insurance system represents another measure taken by Brazil seeking to increase its trade

Encl.: As stated.

FILED 62 AUG 2 PM 12

UNCLASSIFIED

FORM D5-323 4-62

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Drafted by: WBlomeyer:anc

Contents and Classification Approved by:

Clearances: Robert Eakens

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balance and thus improve its balance of payments position.

The Embassy has no information as yet, that this decree has been effectively implemented.

For the Chargé D'Affaires a.i.:

Ralph V. Kopp
Financial Attaché

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UNOFFICIAL TRANSLATION A-113

DECREE No. 736, OF MARCH 16, 1962

Creates the Export Credit Insurance Consorcium.

Article 1. The creation of the Export Credit Insurance Consortium is hereby authorized, in which obligatory participants are the Ministry of Finance, through the intermediary of the National Economic Development Bank, the Re-Insurance Institute of Brazil and the insurance companies authorized to function in Brazil in elementary branches and which desire to accept responsibility of credit insurance:

Sole §: the consortium shall be administrated by the Re-Insurance Institute of Brazil in accordance with the terms of Article 23 of Decree-Law No. 9,735 of September 14, 1946;

Article 2. The insurance of export credit has for its purpose the guaranteeing of Brazilian exports against "commercial risks" and "political and extraordinary risks" which might affect economic transactions resulting from credit export operations;

Article 3. The guarantee of export credit insurance shall cover the definite net losses of the insured exporters resulting from the lack of fulfillment on the part of foreign importers of the conditions of the contracts made;

Article 4. The following may be guaranteed:

a) foreign trade transactions referring to export in general;

b) transactions which favor Brazilian foreign trade including when covering a contractual form and technical assistance;

Sole §. over and above the risks that might arise as a consequence of the sale of goods or services abroad, the guarantee of export credit insurance shall also cover possible losses incurred by exporters between the date on which the contracts were closed and the time of shipment of the merchandise (coverage of the risks during the period of manufacture, assembly of material or carrying out the work);

Article 5. Both national exporters and the credit entities which finance export transactions may be insured;

Article 6. The guarantee of credit for exports shall be conceded to all the goods or services the importing of which is admitted for financing in accordance with the norms and instructions determined by the competent authorities;

Article 7. The guarantee of export credit insurance shall be given by means of overall policies that embrace the total of the export transactions, of a specific insured exporter, covered by the financing in

accordance with Article 6, with the exception of the transactions made with the administration of foreign public organizations;

Article 8. As regards "commercial risks" and for the purpose of the coverage conceded by the Export Credit Insurance Consortium (CSCE), the loss shall be considered to have incurred if the definite net loss arises from the insolvency of the importer, this being understood to be:

a) in the event of a judiciary decreed bankruptcy or concordatum of the debtor;

b) in the event of the conclusion of a private agreement between the debtor and his creditors, with the agreement of the CSCE, for payment with a reduction of the debt;

c) and, in the event of processing of the debtor, the mortgaging of his assets or the sequestration of these reveals them to be insufficient or impossible;

§ 1: the insolvency of the debtor shall be taken to exist on the date of publication of the sentence decreeing bankruptcy or that admitting concordatum or that of the agreement for payment of the debt with a reduction, or further that of the date on which the inexistence or insufficiency of acceptance to mortgage or to be sequestrated is certified;

§ 2: in the event that the purchaser or contracting party is a foreign public administrative agency, or an entity linked with such, the supervenience of the bankruptcy, for the purpose of coverage by the CSCE, shall be taken as having been consumated after the maturity of the periods to be fixed in the respective coverage terms drawn up in the respective insurance policies, though never less than for a period of six months;

Article 9. Political and special risks shall give rise to the application of the guarantee whenever situations occur that result in the lack of payment of the debts contracted by the foreign clients:

1) when, as a result of measures adopted by foreign governments:

a) payment of the credit is not made;

b) payment of the debt is not made in the currency established and out of which a loss to the exporter arises;

c) when the transfer of the amounts due is not made, even though the importers have deposited the necessary amounts in a bank or official account within their countries;

d) when payment is not made within the period of six months following the maturity as a result of moratory terms es-

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tablished in a general way in the country of destination;

2) when, by reason of a foreign civil war, revolution, revolt or any similar event in the country of residence of the debtor, the payment of the debt is not made;

3) when the foreign debtor cannot make payment by reason of circumstances or events of a catastrophic nature;

4) when, by reason of political events, the goods covered by the insurance credit are requisitioned, destroyed or damaged between the moment of shipment or that of receipt by the foreign client, whenever reparation of the damage does not occur prior to six months after the date of maturity determined in the contract;

5) when the exporter, previously authorized by the Brazilian authorities, recuperates his merchandise to avoid a latent polit-- ical risk and, by reason of this recuperation, the exporter incurs a loss;

6) when, by decision of the Brazilian Government, measures are adopted the result of which makes it impossible to carry out the exportation and the Brazilian supplier loses by reason of this fact:

Sole §: the guarantee against political and special risks is also applicable to situations which bring about a rescision of the contracts between the date on which they are signed and the date of shipment of the merchandise, such as the manufacture and the assembly of goods or the conducting of work.

Article 10. The guarantee of commercial risks shall always presume participation by the insured exporter on his own account of up to 25% of the credits conceded, this amount not being the object of insurance or guarantee against political or special risks; co-participation of the insured of a minimum of 20% of the definite net losses shall always be presumed.

Article 11. Insurance coverage both of commercial risks and those of political and special risks shall always be consubstantiated in insurance policies issued by the insurance companies authorized to operate in elementary branches:

§ 1. in fulfilment of Decree-Law No. 9,765 and Decree No. 21,810 of September 4th 1956, the insurance companies operating in credit insurance shall always be reinsured by the Re-Insurance Institute of Brazil in accordance with the norms and instructions to be issued by the latter;

§ 2. the ceding of reinsurance shall cover "commercial risks" and "political and special risks", in the first of which the com-

panies shall cede the surplus responsibilities of their retention limits and in the last of which the total of the responsibilities accepted in accordance with the norms and instructions that shall be specifically drawn up by the Re-Insurance Institute of Brazil for export credit insurance;

§3. no policy may be issued covering credit insurance except after the acceptance of the respective reinsurance by the Re-Insurance Institute.

Article 12. The responsibilities ceded by the companies to the Re-Insurance Institute of Brazil shall be assumed:

a) when referring to the risks covered by the Export Credit Insurance Consortium;

b) when arising from the coverage of "political and special risks" by the Ministry of Finance through the intermediary of the National Economic Development Bank.

Article 13. The limit of the responsibility of the Consortium referring to each importer, which limit can never be less than the corresponding amount in national currency to US$ 300,000.00, shall be determined by the addition of:

a) the participation guaranteed in the consortium;

b) the participation of the Reinsurance Institute of Brazil, which participation shall be not less than half the sum of the participation of the insurers in the consortium;

c) the participation of the Ministry of Finance which shall be, at the minimum, equal to double the participation of the Reinsurance Institute of Brazil.

Article 14. If the addition of the above mentioned amounts does not attain the minimum fixed in the preceding article, the difference between this minimum and that amount shall be obligatorily subscribed to by the Ministry of Finance through the intermediary of the National Economic Development Bank.

Article 15. Whenever, in an export transaction, the value of the insured financing per importer exceeds the limit fixed in Article 13, the Ministry of Finance shall, through the intermediary of the National Economic Development Bank, be consulted as to the acceptance of the surplus verified, taking into account the interest of the country.

Article 16. For the coverage of the "political and special risks" and that of the participation of the Ministry of Finance as foreseen above, the Ministry is authorized to open a linked account in the National Economic Development Bank to which the following shall be posted:-

a) the premiums corresponding to its participation in the Consor-

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tium and the coverage of the "political and special risks";

b) payment of the indemnities due referring to the participation and coverage foreseen above.

Article 17. This special account shall be administrated by the National Economic Development Bank, and its manipulation shall be followed by the Reinsurance Institute of Brazil which, for this purpose, shall receive a detailed quarterly extract of the account.

Article 18. It is incumbent upon the Reinsurance Institute of Brazil to utilize all the technical means within its means to obtain a constant balance in the special account foreseen in the preceding item, either through the selection of risks to be accepted according to quality or amount, or through the convenient assessment of the insurance to be guaranteed by it.

Article 19. The relations between the Reinsurance Institute of Brazil and the Ministry of Finance arising from the stipulations of this decree shall be regulated under a covenant to be signed between the Reinsurance Institute of Brazil and the National Economic Development Bank, the latter acting for all purposes of export credit insurance as the intermediary and representative of the referred Ministry.

Article 20. An Agricultural Insurance Council shall be created composed of representatives of:

- the National Economic Development Bank
- by delegation of the Ministry of Finance
- the Foreign Trade Department of the Bank of Brazil
- the Reinsurance Institute of Brazil, and
- the insurance companies authorized to operate in the country, with the permanent and objective function of orientating, following up, supervising and advising the operations of the Export Credit Insurance Consortium and its technical results, also covering studies and measures tending towards:

a) the establishing and encouragement of international interchange between Brazilian insurance and that of the principal credit insurance centers of the world;

b) the promotion of links between national reinsurance with reinsurance activities abroad;

c) cooperation and orientation in the drafting of cadastros on foreign importers;

d) the promotion of a continuous and up to date information

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service regarding the political situation in importing countries;

e) the promotion and coordinationa of a permanent information service of the competent agencies regarding the economic situation of the country and of the principal importing countries, as well as for costs covering alterations in economic situations;

f) cooperation in the eventual creation of a national credit insurance company;

g) cooperation with and intervening in complementary legislative proposals for the purpose of facilitating and expanding export credit insurance transactions.

Article 21. Contrary stipulations are hereby revoked.

Brasília, March 16, 1962; 141st of the Independence and 74th of the Republic.

(sgd) TANCREDO NEVES
Ângelo Nolasco
Walther Moreira Salles
Virgílio Távora
Souto Maior
André Franco Montoro
Clóvis M. Travassos
Ullysses Guimarães

DEPARTMENT OF STATE

AIRGRAM

832.10/7-2662
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A-115 NO. CONFIDENTIAL HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1962 JUL 30 PM 2 41

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 1 1962

FROM : AmEmbassy, Rio de Janeiro DATE: July 26, 1962

SUBJECT : Bank of Brazil Exchange Reserves and Transactions - June 30, 1962

REF : CERP, Sec. B-231; Embassy's A-527 of June 23, 1962

Attached are tables on the Bank of Brazil's foreign exchange reserves and on foreign exchange transactions of the Bank of Brazil and of other banks, as of June 30, 1962.

COMMENT:

The Bank of Brazil's net convertible reserves decreased by $27.1 million during June. There is every evidence that this trend continued during the first half of July, freely available deposits in major U. S. banks falling to about $10 million on July 16 (see footnote 2 of tables). Reasons for the decline have been analyzed in Embassy's A-27 and A-44.

Exchange reserves are apparently currently on an increase, as a result of the strict limitations on sales of exchange which were imposed under SUMOC Instruction 228.

It is noteworthy that Brazil was able to negotiate net new drawings on credit lines with New York banks, amounting to $41.5 million during June, while making repayments of $25 million drawn in March. Drawings on the credit lines increased further to $45 million on July 4.

For the Chargé d'Affaires a.i.:

Encl: Tables, as stated

Ralph V. Korp
Financial Attaché

FORM DS-223 4-62

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Drafted by: RVKorp|dh
Classified: REakens
Contents and Classification Approved by:

1962 JUL 30 PM 2 41

0084

TABLES ON BRAZIL'S RESERVES AND FOREIGN EXCHANGE TRANSACTIONS

(All figures in millions U. S. dollars, or dollar equivalents)

I. CONVERTIBLE FOREIGN EXCHANGE RESERVES

A. Net reserve Position of the Bank of Brazil

End of Period	Unpledged gold	Freely Available US$	Other Freely Available Conv.Curr.	Sub-Total	Less N.Y. Credit Lines in Use	Total Net Reserves
1961						
Dec.	70.1	39.2	2.3	111.6	-50.5	61.1
1962						
Mar.	70.5	25.5	12.6	108.6	-25.0	83.6
May	81.1	41.5	17.4	140.0	-25.0	115.0
June	81.1	41.4 2/	6.9	129.4	-41.5 3/	87.9

B. Gross Reserve Position of the Bank of Brazil 1/

End of Period	Total Gold (1)	Unpledged Gold 3/ (2)	U. S. Dollars (3)	Other Conv. Currencies (4)	Unutilized N.Y.Credit Lines (5)	TOTAL: (2 + 3 + 4 + 5)
1961						
Dec.	285	70	126	47	40	283
1962						
Mar.	285	70	92	42	67	271
May	285	81	128 3/	16	66	281
June	285	81	132	31	46	290

II. FOREIGN EXCHANGE TRANSACTIONS

A. Bank of Brazil Contracts for Purchases and Sales of Foreign Exchange 5/

1. Convertible Currencies

Monthly Transactions	U. S. Dollars			Other Conv. Currencies			Total Convertible Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net	Purchases	Sales	Net
1962									
Jan.	63.9	77.5	-13.6	20.0	23.9	- 3.9	83.9	101.4	-17.5
Feb. ($)	51.6	80.4	-28.8	11.4	25.1	-13.7	63.0	105.5	-42.5
Mar.	45.2	78.8	-33.6	12.3	17.5	- 5.2	57.5	96.3	-38.8
Apr.	49.7	69.3	-19.6	14.2	14.8	- 0.6	63.9	84.1	-20.2
May	51.3	85.8	-34.5	24.3	19.7 ($)	+ 4.6	75.6	105.5	-29.9
June	41.9	68.6	-26.7	11.9	18.1	- 6.2	53.8	86.7	-32.9
Total (Jan/June)	303.6	460.4	-156.8	94.2	119.1	-24.9	397.8	579.5	-181.7 3/

2. Inconvertible Currencies

Monthly Transactions	Purchases	Sales	Net
1962			
Jan.	7.5	4.5	+3.0
Feb.	7.2 ($)	12.7 ($)	-5.5
Mar.	8.5	6.7	+1.8
Apr.	9.1	5.6	+3.5
May	11.8	5.8	+6.0
June	23.0	11.6	+11.4
Total, Jan/June	67.1	46.9	+20.2

B. Foreign Exchange Transactions of Commercial Banks

1. Total Purchases and Sales

Monthly Transactions	PURCHASES			SALES			Net Total
	For Own Acct.	Transferred to BOB	Total	For Own Account	w/resources furnished by BOB	Total	
1962							
Jan.	28.3	4.3	32.6	36.3	0.3	36.6	-4.0
Feb.	29.3	3.0	32.3	24.7	0.2	24.9	+7.4
Mar.	42.9	9.7	52.6	40.5	0.2	40.7	+11.9
Apr.	50.7	2.3	53.0	50.4	0.1	50.5	+2.5
May	73.0	6.5	79.5	67.6	0.1	67.7	+11.8
June	27.4	2.4	29.8	48.8	0.2	49.0	-19.2
Total, Jan/June	251.6	28.1	279.7	268.3	1.1	269.4	+10.3

2. By Type of Transactions

Monthly Transactions	PURCHASES			SALES			Net Total
	Exports	Financial Transactions	Total	Imports	Financial Transactions	Total	
1962							
Jan.	21.0	11.6	32.6	18.0	18.6	36.6	-4.0
Feb.	18.4	13.9	32.3	11.9	13.0	24.9	+7.4
Mar.	32.9	19.7	52.6	16.7	24.0	40.7	+11.9
Apr.4/	30.9	22.0	52.9	15.3	35.2	50.5	+ 2.4
May	51.4	28.1	79.5	24.7	43.0	67.7	+11.8
June	24.8	5.0	29.8	30.6	18.4	49.0	-19.2
Total, Jan/June	179.4	100.3	279.7	127.2	152.2	269.4	+10.3

C. Bank of Brazil "Swaps"

End of Period	"SWAPS" OUTSTANDING		
	U. S. Dollars	Other Convertible Currencies	Total
1961			
Dec.	313.7	34.1	347.8
1962			
Mar.	323.1	38.4	361.5
May	375.6	32.6	408.2
June	384.5 6/	31.5	416.0
Change during Jan 1/June 30, 1962	+70.8	-2.6	+68.2

FOOTNOTES TO TABLES

(§) Revised Figures

1/ Continuation of the series appearing in Table 17 (Page 34 of Part II) of the IMF's report on the 1961 Article XIV Consultations with Brazil (Document SM/62/12 of February 28, 1962). The main difference between this gross series (IB) and the series on the net reserve position (IA) is that the gross series reflects, in addition to freely available dollars and other convertible deposits, certain receivables in transit and earmarked deposits, without showing corresponding liability items. The net series shows only the freely available deposits and would therefore seem more meaningful of the two sets of data.

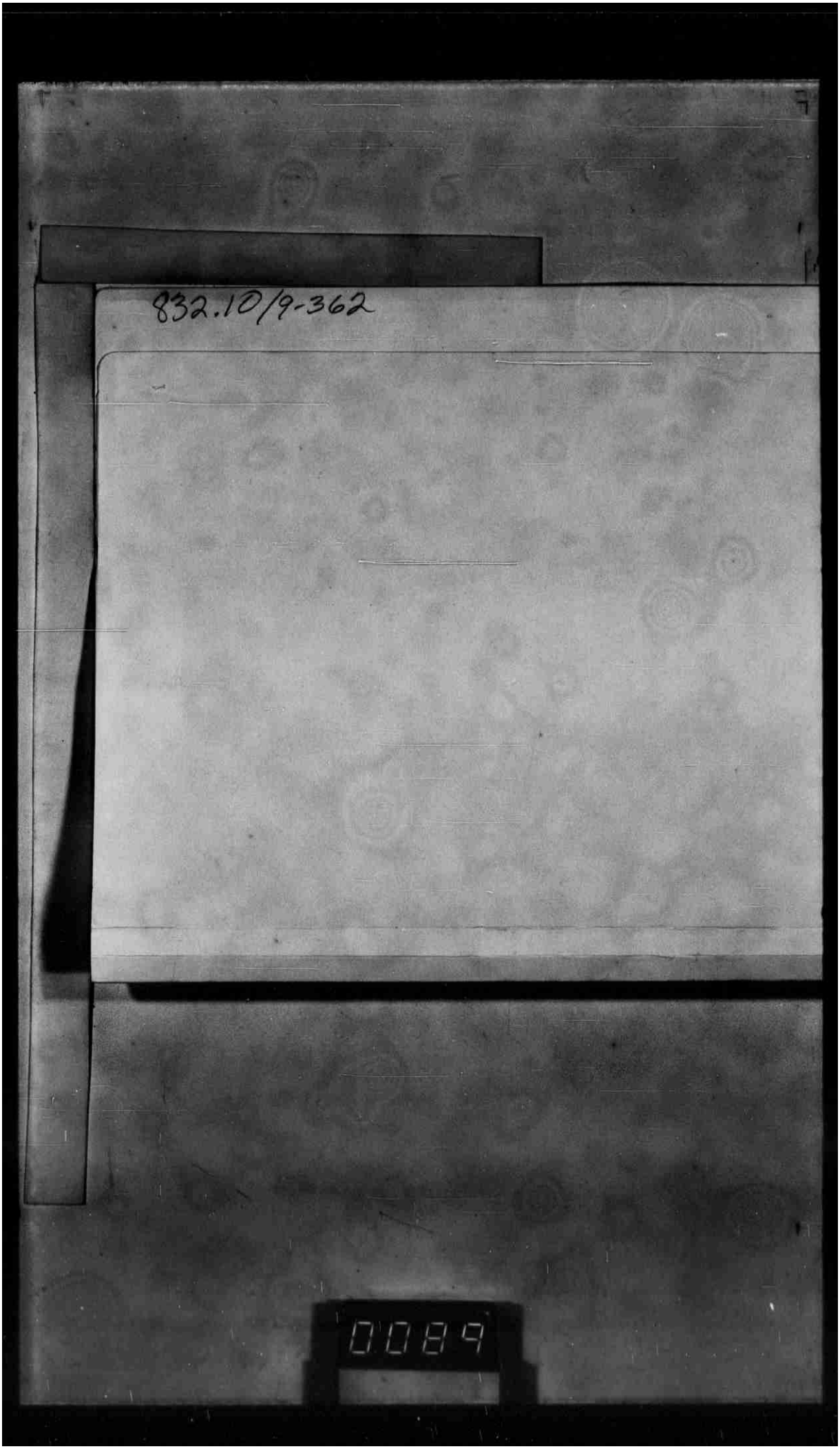
2/ Preliminary unconfirmed data from major U.S. banks (accounting for about 90 percent of deposits in the U.S.) showed dollar deposits decreased to about $25 million on July 4 and roughly $10 million on July 16.

3/ Increased to $45 million by July 4, 1962.

4/ Bank of Brazil's exchange contract transactions in convertible currencies showed a small surplus of $3.9 million during the first 19 days of July, attributable to the drop in exchange sales under SUMOC 228.

5/ These transactions reflect the movement of contracts for the sale or purchase of foreign exchange; not cash flows. Direct cash transactions of the Bank of Brazil, on its own behalf are never reflected in these figures. Thus, items such as "swaps" and drawings and repayments of foreign loans to the Bank of Brazil do not form part of the transactions recorded in this series.

6/ Dollar "swaps" decreased to $381.8 on July 19, 1962.


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INCOMING TELEGRAM **Department of State** [redacted] RECORD COPY

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TO: Secretary of State

NO: 526, SEPTEMBER 3

ACTION DEPARTMENT 526, INFORMATION BRASILIA 21

ON SEPTEMBER 1 GOULART RETURNED PROFIT REMITTANCE BILL WITHOUT SIGNATURE OR VETO TO PRESIDENT OF CONGRESS FOR PROMULGATION. UNOFFICIAL TRANSLATION OF TEXT OF NOTE ISSUED THROUGH PRESS SECRETARY FOLLOWS:

RMR

"PRESIDENT OF REPUBLIC, AFTER HAVING SUBMITTED PROJECT OF LAW CONCERNING PROFIT REMITTANCE FOR STUDY BY TECHNICAL COMMISSIONS AND HAVING HEARD RESPONSIBLE ADMINISTRATION ORGANS, DECIDED TO FORWARD IT, IN ACCORDANCE WITH CONSTITUTION, FOR PROMULGATION BY CONGRESS, ALTHOUGH RECOGNIZING IN IT IMPERFECTIONS AND CONTRADICTIONS WHICH, NEVERTHELESS , CAN BE CORRECTED.

"IN NUMEROUS PRONOUNCEMENTS, NOTABLY IN HIS MESSAGE THIS YEAR TO NATIONAL CONGRESS, PRESIDENT ALWAYS ADVOCATED A LAW WHICH, WHILE REGULATING SUBJECT, MIGHT ABOVE ALL DEAL WITH SELECTION OF FOREIGN INVESTMENTS IN COUNTRY.

"IN ABSENCE OF THAT KIND OF A LAW, AND GIVEN POSITIVE ASPECTS OF PROJECT, PRESIDENT CONSIDERED IMMEDIATE PROMULGATION OF REGULATORY STATUTE MORE DESIRABLE FOR NATIONAL INTEREST THAN MAINTENANCE OF PRESENT DISORGANIZED SITUATION.

"NATIONAL CONGRESS WILL CERTAINLY IMPROVE PROJECT WHICH IT WORKED OUT IN ORDER TO ENCOURAGE PRODUCTIVE INVESTMENT AND HAVING IN VIEW AT ALL TIMES HARMONIOUS PROCESS OF DEVELOPMENT IN BRAZIL'S ECONOMIC EMANCIPATION."

(3)

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DEPARTMENT OF STATE

AIRGRAM

837.10/9-462

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1962 SEP 8 AM 9 01

DEPARTMENT OF STATE
INTER-AMERICAN AFFAIRS
SEP 10 1962

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

TO : DEPARTMENT OF STATE

FROM : AmEmbassy RIO DE JANEIRO DATE: September 4, 1962.

SUBJECT: REVISION OF FEDERAL BUDGETARY PROCEDURES AS A RESULT OF THE "COMPLEMENTARY LAW".

REF : CERP, D-12

File RM/R 9/12 JWW

The enactment of the so-called "Complementary Law" (Law No. 3606 of July 17, 1962), further defining the Brazilian parliamentary system of government, introduces, among its other provisions, some important changes in the legal procedures relating to the Federal budget. While the complete text of the "Complementary Law" and comments thereon have already been transmitted to Washington, this airgram is intended to bring the budgetary provisions to the special attention of end-users primary concerned with economic and financial affairs.

Enclosed is an excerpt from the "Complementary Law" reproducing the sections of this legislation that are directly relevant to budgetary procedures. These provisions constitute an attempt to improve controls over expenditures of the Public sector. The history of the budget has shown that, a) there are wide differences between appropriations and actual expenditures; b) the Government has large sources of revenue and makes large expenditures which are outside the budgetary process.

Article 40 of the law provides that official and semi-official entities, including those of social security, will, by January 31 of every year submit to the Ministry under whose jurisdiction they fall, their budgetary proposal for the following year. This provision is highly important because it will permit the organization of a budget for the Public Sector as a whole. It has been said that the Federal budget in Brazil is essentially a meaningless document because it does not include the operations of the so-called "autarchias" (such as

Encl.: as stated.

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Drafted by: WBlomeyer

Ralph V. Korp:anc

Clearances: Robert Eakens

Telegram and Classification Approved by:

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Petrobras) and the mixed corporations (such as Volta Redonda) with incomes and expenditures outside of the budget. Public sector operations outside of the budget have been growing, the number of Government autarchias increasing from 39 in 1956 to 76 in 1961 and that of mixed enterprises during the same period from 17 to 21. The "Complementary Law" gives improved tools for any Government interested in cutting excessive personnal costs in the subsidized autarchias and the establishment of more realistic rates for the services of these autarchias. It may also make it more feasible to use the operating surpluses of certain Government-owned autarchias whose surpluses at present are expended or reinvested independently often for low priority purposes.

Article 48 of the Law provides that draft laws which imply a change in expenditures or receipts shall be submitted, in advance, by the Chamber or the Senate for the examination and opinion of the Finance Minister.

With respect to timing of the process of preparing the budget Article 39 provides that the Prime Minister shall submit the budget proposal to the Chamber of Deputies by May 15 of each year, (same date as now). If the Executive fails to meet this deadline the Chamber may formulate its own budget proposal based on the budget for the current year. Article 42 sets new deadlines for the approval of the budget, of no later than August 31 by Chamber and no later than October 31 by the Senate. However, as the date of November 30, set by the Constitution as the final date for completing Congressional approval of the budget, continues in force, the Chamber will have at least thirty days to take final action on any Senate revision.

In addition, it is of interest to note that Article 35 of the "Complementary Law" prohibits the Congress from delegating powers to the Executive to create taxes or emergency issues of currency. It is presumably a matter of interpretation whether this article is intended (1) to be restricted to new taxes, thus allowing a delegation of powers to make changes within the existing tax structure or (2) to include both new taxes and changes in existing taxes. When the Prime Minister on August 10, 1962 requested powers from the Congress to make changes in the fiscal field (?) he apparently was working under assumption (1). However, there appears to be strong opinion both in the Congress and in some parts of the Executive that assumption (2) is the juridically more correct interpretation. This is one reason widely given for the failure of the Congress thus for to act on the Administration's request for special powers in the tax field.

For the Ambassador,

Ralph V. Ketz
Financial Attaché

(?) it will be subject of a separate airgram. (See Item 3 of Embassy's A-203 of August 17, 1962).

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Encl. 1

Unofficial Translations

Revised Federal Budgetary Procedures, excerpted from the New "Complementary Law" (Law No. 3606 of July 17)

- - - - - - - - - - -

Title VIII

On Delegated Legislation

- - - - - - - - - - -

Article 34. The creation of taxes, emergency currency issues ("emissões de curso forçado") and matters of the exclusive competence of the National Congress cannot be made the object of a delegation of powers.

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Title IX

Provisions Concerning the Budget

Article 39. The President of the Council will send to the Chamber of Deputies by May 15 of each year the proposed budget for the Nation for the following year. (Article 18, Title VI, of the Additional Act)

1st. Sub Paragraph. The budget proposal not having arrived at the Chamber by the date established in the article the proposed budget shall be that elaborated by its /the Chamber's/ competent body within a period of thirty days, on the basis of the budget in force, /which budgetary proposal will be submitted to the Congress/ for discussion and approval within the norms prescribed for that proposed by the Council of Ministers.

2nd. Sub Paragraph. The budgetary proposal must faithfully translate the objectives of the program of the Council of Ministers /as/ approved by the Chamber of Deputies.

3rd. Sub Paragraph. In order /to assure/ the carrying out of the provisions of the previous paragraph, the Council of Ministers will draft a report of the proprieties to be observed in the budgetary proposal.

Article 40. The directing bodies of autarchical or semi-public entities, including those of social security or /those/ invested with delegated powers for the collection of revenues on behalf of tax collectors of the union, will, by January 31 of every year, submit to the specialized organization of the Ministry under whose jurisdiction they fall, the budgetary proposal for the following year, /together/ with all data

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necessary to consideration thereof.

Article 41. Organized in accordance with the norms which will be applicable to them, relative to the general budget of the Federal Government, the budgetary proposals of the organizations referred to in the previous article will be annexed to the general budget and sent to the Chamber of Deputies, within the terms of Article 39.

Article 42. The budgetary proposal must be approved by the Chamber of Deputies by August 31 and by the Federal Senate by October 31.

Article 43. When the voting on every annex is concluded by the competent committee of the Chamber of Deputies, the president /of the committee/ will inform the President of the Council of Ministers, via the Directorate ("Mesa") of the Chamber, of the modifications of the budgetary proposal, and the same procedure shall be followed with regard to the alterations which are made in the Federal Senate.

Article 44. An amendment which increases the number of jobs and has the opposition of the Minister of Finance shall only be considered approved if it obtains an absolute majority of votes.

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Title XI

Various and Final Provisions

- - - - - - - - - -

Article 48. Projects of law which would result in an alteration of public spending or receipts will be submitted in advance by the Directorate of the Chamber of Deputies or that of the Federal Senate, for the examination of the Minister of Finance, who will opine, within an fixed period of no longer than fifteen days, as to the appropriateness of the proposed measure in relation to the situation of the Treasury.

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DEPARTMENT OF STATE

22 **AIRGRAM**

FW 832.131/9-562
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A-372 (NO.) | CONFIDENTIAL | PRIORITY (HANDLING INDICATOR)

TO : DEPARTMENT OF STATE

FROM : AmEmbassy, RIO DE JANEIRO DATE: September 28, 1962

SUBJECT : Correction and Addition to Brazil's Foreign Exchange Forecast for September - December, 1962

REF : CERP D-12, Emb. Airgram A-280, Sept. 5, 1962

The following corrections and additions should be made to the tables enclosed with the Embassy's Airgram A-280 of September 5, 1962:

1. The title of Table III of A-280 should be changed to read as follows: "Bank of Brazil's Forecast of Foreign Exchange Transactions of all Banks in Convertible Currencies, September -December, 1962 (Projection). 1/

2. Add attached Table IV. 1/

For the Ambassador:

Ralph V. Korp
Financial Attaché

1/ Table III as sent with A-280 erroniously included transactions of the private banking system, as well as of the Bank of Brazil. The new Table IV separates transactions of the Bank of Brazil only. However, since it is assumed that the receipts and expenditures of the private banks will balance, the projected deficit for the Bank of Brazil remains the same.

Encl: As stated

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FORM 4-62 DS-323

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Drafted by: RVKorp/dh | Contents and Classification Approved by:

Clearances:

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Add as new table to Embassy
Airgram A-280 of Sept. 5, 1962.

Table IV

Bank of Brazil's Foreign Exchange Transactions in Convertible Currencies, September - December, 1962 (Projection)

(in millions of U.S. dollars)

	U.S. Dollars	Other Convertible Currencies	Total (Projected) Sept.-Dec., 1962
RECEIPTS			
Exports: Coffee	100.7	61.6	162.3
Other products	19.9	65.2	5.1
Total exports	120.5	126.8	247.4
Financial receipts	22.0	4.0	26.0
Total Receipts 1/	142.6	130.8	273.4
EXPENDITURES			
I. Outstanding Commitments			
Imports (c.i.f.): Newsprint and paper for books	-	9.0	9.0
Petroleum and petroleum products	31.6	2.0	33.6
Payments on exchange contracts 1/	72.9	25.5	98.4
Other imports	24.8	23.3	48.1
Total imports already committed	129.3	59.8	189.1
Financial Remittances: 2/			
Bond & Share, Light & Power and I.T.T. (interest)	4.5	-	4.5
Consolidated public debt	1.7	1.1	2.8
Interest on balance of payments loans	15.9	1.5	17.4
Amortization of balances under expired commercial agreements	-	3.2	3.2
Subscription to IDB	10.3	-	10.3
Repayments to IMF	46.5	-	46.5
Other repayments under balance of payments loans	15.2	6.9	22.1
Repayment of lines of credit with N. Y. banks	45.0	-	45.0
Maturing "swaps"	68.7	0.8	69.5
Total Financial Remittances Already Committed	207.8	13.5	221.3
II. Commitments to be Assumed			
Imports: Wheat	14.2	15.8	30.0
Financial Remittances: Braz. Treas. Delegation in N.Y.	6.0	-	6.0
Other	24.4	4.9	29.3

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Control: 3983
Rec'd: September 6, 1962
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FROM: Rio de Janeiro

TO: Secretary of State

NO: 547, September 6, 5 P.M.

Acting Minister of Finance, Miguel Calmon told Korp following September 5:

1. Moreira Salles resigned in accordance original understanding between Goulart, Calmon and Moreira Salles that latter would resign at convenient time when Calmon "broken in" in Ministry. However, timing decided by President and Moreira Salles upon latter's return without prior consultation with Calmon, which part of original agreement. Calmon minimized policy differences between Goulart and Moreira Salles, although admitted had not attended conversations President and Moreira Salles and that, in some respects, delegation of powers request made by Cabinet differed from Moreira Salles position (i.e. request for petroleum import monopoly).

2. As far as Calmon concerned, he ready assume duties of Minister, if named, his understanding is will be so named, although did not exclude Goulart could have other plans. Says there will be complete continuity between his policies and those of Moreira Salles. Most personnel will continue, including Bulhoes in SUMOC and Proenca will probably be named director of Bank of Brazil's Exchange Department.

3. Moreira Salles will continue handle financial negotiations abroad in capacity Special Ambassador, keeping for moment, title as Governor IMF and IBRD. Will attend September IMF-IBRD meetings this capacity.

4. On external problems, Calmon still familiarizing himself with details exchange situation. Has impression commercial arrears

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DEPARTMENT OF STATE

AIRGRAM

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HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1962 SEP 14 AM 11 49

DEPARTMENT OF STATE
BUREAU OF INTELLIGENCE AND RESEARCH
ANALYSIS FOR INTER-AMERICAN AFFAIRS
SEP 17 1962

FROM : AmEmbassy, Rio de Janeiro DATE: September 10, 1962

SUBJECT: Projection of Budget Deficit and Monetary Flows for September-December, 1962

REF : CERP D-12, Embassy Telegram 479

The attached tables reflect the latest SUMOC projections of the budget deficit and of monetary flows during the remaining months of the year. These analyses were prepared at the request of Acting Secretary of Finance Miguel Calmon, who has discussed them in the Cabinet. The reporting officer has been told that in order to help induce the Cabinet to back stabilizing measures, these SUMOC projections are somewhat more pessimistic than SUMOC's actual expectations.

1. The Projections

SUMOC estimates that the Treasury's cash deficit will amount to Cr$87 billion in the last four months of the year, compared with Cr$97 billion during the first eight months. In addition, SUMOC foresees the possibility of further election year (see Item 2 below) and food subsidy expenditures, either directly by the Treasury or through the Bank of Brazil, of Cr$45 billion. This would bring the total 1962 budget cash deficit to Cr$184 plus Cr$45 billion of special expenditures. (Total Cr$239 billion). With these requirements, SUMOC estimates that it will be necessary to issue at least Cr$53 billion in new currency during September-December. This would bring the total currency issue for the year to Cr$118 billion 1/, an increase of about 40 percent over the December 31, 1961 level.

2. Special Federal Assistance to States and Municipalities

The meeting of the Governors of the Brazilian States, which was held in Brasilia August 15-16, at the invitation of President Goulart, issued an announcement about a special Federal assistance program for States and Municipalities, totaling Cr$39 billion. An Executive Decree, approved by the Council of Ministers on August 31, 1962, relates to this

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FORM DS-323 4-62

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Drafted by: RVKorp/dh

Classified by: REakens

Comments and Classification Approved by:

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In any case, whether actual performance proves to be somewhat better or somewhat worse than the latest SUMOC projections, it is clear that continued and substantial monetary expansion is in the cards for the rest of the year.

For the Ambassador:

Ralph V. Korp
Financial Attaché

Enclosure: Tables, as stated

1/ New currency amounting to Cr$65 billion was issued during January-August (including Cr$5 billion released from SUMOC vaults).

2/ About Cr$15 billion have already been advanced to the States under the original law authorizing the sale of Treasury bills and notes.

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program. Its main provisions are:

a) The Minister of Finance is authorized to lend to States and Municipalities up to 30 percent (about Cr$39 billion) of the proceeds of selling Treasury Bills and Notes. The legal ceiling for issuing these Treasury obligations was recently raised from Cr$30 billion to Cr$130 billion (effectively about Cr$30 billion are in circulation). 2/

b) The plans of distribution of the funds will be as follows:

1. 30 percent to be distributed equally to each State.

2. 30 percent to be distributed among States in inverse proportion to their budgetary receipts.

3. 40 percent to be distributed in accordance with a plan to be drawn up by the Minister of Agriculture (within 30 days) and approved by the Council of Ministers, designed to assist the production of essential foodstuffs.

c) In exceptional cases, States may request the Prime Minister to authorize advances prior to presenting a specific program of expenditures. (In such cases it must pledge itself to present a program within 30 days.

SUMOC technicians are inclined to argue that the law does not permit loans under this program in excess of 30 percent of actual sales proceeds of Treasury bills and rates. Acting Secretary of Finance Calmon has privately expressed the view that the rate of expenditures under this program can also be kept low with stringent program and project requirements and perhaps voluntary withdrawal from the program of the relatively wealthy São Paulo. Nevertheless, SUMOC believes that the election year political pressures are such that it will be difficult to avoid expenditures of Cr$12 billion during September-December, on this program.

The Outlook

Finance Ministry and SUMOC officials hope that the actual results will be somewhat more favorable than projected, particularly if they succeed in resisting some pressures for expenditures and expenditure committments between now and the October 7 elections. After the elections they intend to press for a reduction of subsidies (raise railroad rates and the petroleum tax) which could still have some favorable effects on the 1962 budget (see Embtel 547). In addition, they expect at least Cr$10 billion from compulsory loan collections, which factor was not included in the projections.

TABLE I

PROJECTION OF MONETARY FLOWS FOR SEPTEMBER-DECEMBER 1962

(in billions of cruzeiros)

USES OF FUNDS		
Financing of Treasury programs...		132.0 1/
Loans to States and municipal. ..		-
Loans to autarquias		-
Loans to the private sector (incl. coffee)		58.1
of which:		
1. Carteira do Credito Geral:		
Coffee loans ...	20.0	
Other loans	28.0	
	48.0	
2. Carteira de Credito Agricola e Industrial	10.1	
	58.1	
Rediscounts to commercial banks		19.5
of which:		
Coffee rediscounts	18.5	
Other	1.0	
	19.5	
TOTAL USES OF FUNDS		209.6

SOURCES OF FUNDS		
I. "NON-MONETARY" RESOURCES		
Balance of Payments deficit.....		6.6 2/
Import notes or advance import deposits in cash		3.8
of which:		
Reduction in import notes 3/	-35.0	
Increase in cash deposits for imports and financial remittances 3/	38.8	
	3.8	
Increase in coffee account ...		28.8
of which:		
IBC Coffee purchases and GERCA coffee eradication program	-40.0	
Contribution quota collections	68.8	
	28.8	
Other (net of all other accounts)		15.0
TOTAL		54.2
II. RESOURCES RELATED TO MONETARY EXPANSION		
Public deposits with Bank of Brazil		42.0
Compulsory deposit of banks..		54.3
Voluntary deposits of banks..		6.5
TOTAL		102.8
III. EMISSIONS OF PAPER CURRENCY		52.6
TOTAL SOURCES OF FUNDS		209.6

SOURCE: SUMOC

1/ Includes Cr$87.1 bil. projected as the cash deficit for the budget proper (see Table II), plus an allowance of Cr$45 bil. for extraordinary items associated with election-year expenditures and with subsidies for food items such as rice and beans. These extra-ordinary items may not all necessarily become part of the Treasury's formal cash deficit. They include Cr$12 bil.as advances under the special Cr$39 bil.program of assistance to States and Municipalities approved by the meeting of the Governors of the Brazilian States, in Brasilia, Aug. 15-16. (See covering Airgram).

2/ Exclusive of collections under the coffee contribution quota of $23 per bag exported, which already included in the coffee account calculations.

3/ SUMOC Instr. 229 of August 15, eliminated the use of import notes for meeting advance import deposit requirements, substituting a cash deposit (see Embassy's A-201 of August 17).

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TABLE II

PROJECTION OF BUDGETARY CASH FLOW FOR SEPTEMBER - DECEMBER, 1962

(in billions of cruzeiros)

PERIOD	RECEIPTS	EXPENDITURES	CASH DEFICIT
September	46.5	67.0	-20.5
October	43.0	64.0	-21.0
November	41.0	60.5	-19.5
December	67.0	93.1	-26.1
September-December (projected)	197.5	284.6	-87.1 1/
January-August (estimated)	262.5	359.5	-97.0
January-December (projected)	460.0	644.1	-184.1

SOURCE: SUMOC

1/ See footnote 1 of Table I

TABLE III

NEW ESTIMATE OF 1962 CASH BUDGET DEFICIT, COMPARED WITH ORIGINAL ESTIMATE

(in billions of cruzeiros)

	New Estimate 1/	Original Estimate 2/
I. EXPENDITURES		
A. Budgeted expenditures:	573.5	573.5
Adjustments:		
a) Insufficiency in personnel appropriations	31.5	31.5
b) Insufficiency in expenditures tied to receipts ("despesas vinculadas")	14.1	14.1
c) Increase in wages (Apr-Dec)	95.0	82.0
d) Additional credits that can be utilized	20.0	18.0
	734.1	719.1
B. Extra-budgetary Expenditures:		
a) Payment of past obligations	20.0	20.0
b) Article 48 authorization ("despesas sem credito")	50.0	21.9
c) Miscellaneous financing	20.0	17.0
Total Potential Expenditures	824.1	778.0
II. ESTIMATED RECEIPTS	460.0	449.0
III. POTENTIAL CASH DEFICIT	364.1	329.0
IV. ECONOMY PLAN:		
a) Cuts	60.0	60.0
b) Postponements into future fiscal years	120.0	118.0
	180.0	178.0
V. CASH DEFICIT TO BE FINANCED	184.1	151.0
FINANCING OF THE DEFICIT		
a) Compulsory loan	3/	20.0
b) Voluntary loan	4/	90.0
c) Advances from the Bank of Brazil	5/	41.0
d) Treasury bills	5/	
	184.1 6/	151.0

[Footnotes on next page]

1/ SOURCE: SUMOC

2/ SOURCE: Embassy Despatch 723 of March 15, 1962 with adjustments made during March-April financial discussions in Washington (reducing voluntary loan receipts from Cr$100 million to Cr$90 million and increasing Bank of Brazil advance from Cr$31 million to Cr$41 million.

3/ In view of slowness in putting the machinery for the compulsory loan into effect, SUMOC does not expect that more than Cr$10 million will be collected before the end of the year. However, even this amount is left out of the monetary projection in Table I.

4/ While the Government still hopes it might sell some bonds, any receipts from this source are left out of the monetary projection in Table I.

5/ During January 1 - August 18, the cash deficit of the Treasury amounted to Cr$94.5 billion financed to the extent of Cr$88.8 billion by Bank of Brazil advances and to the extent of Cr$5.7 billion through the sale of Treasury bills. If no new net sales of Treasury bills are made (unlikely) and if receipts will be forthcoming from compulsory and/or voluntary bond sales, Bank of Brazil advances to the Treasury would increase to Cr$178.4 billion by the end of year. Treasury advances may be even larger (footnote 1 of Table I) although the GOB hopes to absorb some of the monetary effects of this expansion by other means (see Table I).

6/ Exclusive of extra-ordinary expenditures included in Table I. (See especially footnote 1 of Table I).

0104

ORIGIN/ACTION

ARA:4

RM/R	REP	AF
1	1	
ARA	EUR	FE
NEA	CU	INR 5
E 3	P	IO
L 2	FBO	AID
AGR	COM 10	FRB
INT	LAB	TAR
TR 2	XMB	AIR
ARMY	CIA 10	NAVY
OSD	USIA	NSA 3

Rm/An-McG 1

DEPARTMENT OF STATE

AIRGRAM

53

832-10/9-1062

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A-55 NO. | OFFICIAL USE ONLY | AIR POUCH HANDLING INDICATOR

TO : Secstate WASHINGTON

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 19 1962

1962 SEP 17 AM 11 37

RECAP
ANALYSIS & DISTRIBUTION
BRANCH

FROM : Amcongen SÃO PAULO DATE: Sept. 10, 1962

SUBJECT : Report of Flight of Brazilian Bank Deposits from U.S. as Result of Fear of U.S. Disclosure to Brazilian Government

REF : São Paulo's A-48, dated August 31, 1962

ARA

Mr. Clark Burton, Manager of the São Paulo Branch of the First National Bank of Boston, who has very recently returned from a visit to the United States, has informed me that the report of the early disclosure by the United States Government of individual Brazilian bank deposits in the United States (see referenced despatch) has already resulted in the withdrawal of about half of such deposits to other countries, and that further withdrawals would undoubtedly occur.

Mr. Burton felt that apart from the loss to the U.S. banking business this development was highly disadvantageous to the United States in two respects: 1) it is resulting in a significant gold outflow at a time when the United States Government is strenuously trying to stem further losses of gold, and 2) it is breaking down the confidence that Brazilians and other foreigners have traditionally had in the United States as a safe haven for capital.

If the report of such forthcoming disclosure by the United States Government is inaccurate, I strongly recommend the issuance of an official announcement to this effect.

Daniel M. Braddock
Minister Consul General

1962 SEP 26 5:04 PM FILED

FORM 4-62 DS-323

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Drafted by: DMBraddock/fmw Sept. 10, 1962

Contents and Classification Approved by:

Clearances:

0105

ARA-4

DEPARTMENT OF STATE

AIRGRAM

832.10/9-1062

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A-300 NO. | OFFICIAL USE ONLY | HANDLING INDICATOR

TO : DEPARTMENT OF STATE 62 SEP 17 AM 9 19
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 20 1962
RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

RM/R-Fuii 9/24-JWW

FROM : AmEmbassy RIO DE JANEIRO DATE: September 10, 1962.

SUBJECT : BANK OF BRAZIL OPERATIONS - JULY

REF : CERP D-12; A-224, August 23, 1962.

The further large expansion of credit indicated by the principal accounts in the Bank of Brazil's balance sheet for July reflected both increased pressure for private credit and the heavy drawings of the Treasury. Bank of Brazil's original stabilization goals for the year and performance to date stand as follows:

Bank of Brazil Outflow of Funds	Original Goal for 1962	Performance thru July
Loans to Treasury	41	81.6
Loans to private sector (ex coffee)	35	63.6
Loan to autarchies (incl. discounts)(9)	5	- .8
Redemption of Import Notes and Deposits	38	-1.1
	119	143.3
Bank of Brazil Inflow of Funds (incomplete listing of items)		
Net Accumulation Coffee Accts.	20-25	24.4
Bank Reserve Increase	22	21.4
Net Worth Deposits	15	5.2
Financial Remittance Deposits	15	1.7
	72-77	52.7

(9) Adjusted from previous figures to include discounts.

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Drafted by: RVKorp/WBlomeyer:anc | Contents and Classification Approved by:

Clearances: Robert Eakens

RM/AN-JWW

AMB
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0106

Rio de Janeiro
A-300

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During July, the outstanding Bank of Brazil loans to the private sector (including coffee) increased by over Cr$12 billion as compared to Cr$11 billion in the previous month. The debtor position of the Treasury increased by Cr$22.3 billion as compared to Cr$17.o in June. Additional expansionary factors included (a) a Cr$ 4 billion decrease in outstanding import letters and advance deposits, (b) a decrease in the coffee account of some Cr$ 15 billion, (c) a decrease of Cr$ 6 billion in the account consisting of advance payments against future foreign exchange purchases and (d) a rise in rediscounts to commercial banks by Cr$ 4.6 billion. These expansionary factors were counteracted to a minor extent by a Cr$ 7.6 billion increase in the Bank of Brazil cash holdings. The outlook in the credit area for the rest of the year continues to indicate further substantial credit expansion. (See Embassy's A-224 of August 23, 1962).

Six (6) copies of the July Balance Sheet are transmitted herewith.

For the Ambassador,

Ralph V. Korp

Ralph V. Korp
Financial Attaché

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Rio de Janeiro
A-300

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Encl. 1.
1

A - FACTORS TENDING TO EXPAND MONEY SUPPLY IN JULY

1. Outstanding Loans to other than National Treasury

(millions of Cruzeiros)

	June 30 1961	July 31 1961	June 30 1962	July 31 1962
Loans to private sector (including coffee)	193,992	200,087	316,451	328,609
Less coffee	-	-	31,278	39,966
Private sector ex-coffee	-	-	285,173	288,643
Loans to states and municipal governments (?)	14,452	14,843	14,757	14,834
Loans to autarchies (?) ..	8,516	8,529	10,786	11,068
TOTAL	216,960	223,459	341,994	354,511

2. Net Debtor Position of Treasury

April 1962	May 1962	June 1962	July 1962
25,537	42,117	59,281	81,576

3. Coffee and Cocoa Differential Account (Deposits)

	April 1962	May 1962	June 1962	July 1962
Coffee	83,624	54,747	37,327	22,165
Cocoa	657	646	176	131

4. Deposits with Bank of Brazil against Foreign Exchange Purchases for Future Delivery

June 1962	July 1962
37,332	31,264

5. Outstanding Bank of Brazil Import Letters and Advance Deposits - (See next page)

(?)Also including discounts.

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Rio de Janeiro

A-300

Encl. 1/2

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5. Outstanding Bank of Brazil Import Letters and ADVANCE DEPOSITS

	March 1962	Apr. 1962	May 1962	June 1962	July 1962
Import Letters - (SUMOC Inst.204)	85,660	84,627	78,505	67,483	51,641
Advance Cash Import Deposit - (SUMOC Inst.226)	-	-	665	4,457	16,440
TOTAL	85,660	84,627	79,170	71,940	68,081

6. Outstanding Rediscounts at Rediscount Bureau

	June 1961	July 1961	Incr. Decr.(-)	June 1962	July 1962	Incr. Decr.(-)
For Bank of Brazil	110,110	107,592	-2,518	216,313	237,325	21,012
For Commercial Banks	13,286	17,980	4,694	25,505	30,114	4,609
TOTAL	123,396	125,572	2,176	241,818	267,439	25,621

B - FACTORS TENDING TO RESTRICT MONEY SUPPLY IN JULY

1. Bank of Brazil Currency Holdings

April 1962	May 1962	June 1962	July 1962
11,136	12,852	13,566	21,190

2. Short Term Deposits of

	Feb. 1962	Mar. 1962	Apr. 1962	May 1962	June 1962	July 1962
Mixed Economies	26,225	25,916	27,178	27,544	26,948	31,487
Autarchies (other than SUMOC)	58,836	49,554	49,363	55,301	55,036	55,475
TOTAL	85,061	75,470	76,541	82,845	81,984	86,962

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3. Conta de Fundos, SUMOC (Compulsory Reserves of Commercial Banks)

April 1962	May 1962	June 1962	July 1962
74,244	72,368	72,840	82,390

C. - O T H E R

1. P.L. 480 Account

May 1962	June 1962	July 1962
20,675	14,571	14,571

0110

A-300
Rio de Janeiro
9-10-62

BANCO DO BRASIL S. A.

BALANCETE EM 31 DE JULHO DE 1962

— Compreendendo Direção Geral e Agências no País (490) e no Exterior (4) —

ATIVO

DISPONÍVEL

			Cr$
Caixa:			
Em moeda corrente	21.181.232.384,70		
Em outras moedas	10.236.088,40	21.191.470.473,10	
Agências no exterior (total do disponível)		301.548.697,20	21.491.019.170,30

REALIZÁVEL

Operações de câmbio, à ordem do Tesouro Nacional:

Correspondentes no exterior:			
Saldos/títulos em moeda estrangeira	4.864.842.813,10		
Outras contas vinculadas a câmbio	145.182.500.697,60	150.049.343.510,70	

DEVEDORES SEM CONTA

Ao Tesouro da Unido (Lei Ao Tesouro Nacional:

Saldo das contas de movimentação e depósito de emissão (Lei n.º [illegible])	34.564.981.111,70		
Contribuição para o Fundo Monetário Internacional	3.882.734.443,20		
Ao Tesouro Federal, Departamento de Imprensa Nacional — Dotação 211, do BNDCC	482.345.731,40		
Outras Contas	104.241.734.845,10	413.594.606.833,10	
A previsão orçamentária	13.987.960.377,40		
A previsão orçamentária	736.000.000,10		
A outras autarquias públicas	36.217.729,80		
A autarquias	4.278.666.377,20		
A autarquias de economia mista	285.762.277,20		
A bancos:			
Por conta própria	662.952.738,10		
Por conta da Carteira de Mobilização Bancária	18.118.903.484,30		
Por conta de operações especiais sôbre títulos do mesmo (Lei n.º 1.474, de 26-11-51)	1.301.722.128,60		
Ao comércio (outras operações)	9.187.268.273,30		
À indústria (operações especiais sôbre títulos emitidos pela mesma)	423.023.291,90		
À indústria (outras operações)	30.484.487.241,80		
À lavoura (operações especiais sôbre títulos emitidos pela mesma)	1.751.186.365,10		
À lavoura (outras operações)	140.102.324,80		
À pecuária	47.888.388,60		
À indústria não especificada	761.265.484,60		
Diversos, no exterior	70.744.147,60	483.043.854.427,30	

Ao Tesouro da Carteira Agrícola e Industrial:

[illegible]	19.443.941.871,10		
[illegible]	754.177.471,30		
[illegible]	271.477.174,60		
[illegible]	28.264.782.443,90		
[illegible]	17.412.376.789,70		
[illegible]	357.194,10		
[illegible]	4.787.417.147,40		
[illegible]	4.370.821.218,70		
[illegible]	423.384.964,10		
Diversos, no exterior	597.782.438,80	121.385.731.894,70	604.429.586.322,00

TÍTULOS DESCONTADOS

Ao Tesouro da Carteira Geral:

A previsão orçamentária	100.000.000,00		
A autarquias	2.197.000.000,00		
A sociedades de economia mista	326.661.377,30		
A bancos:			
Por conta própria	240.000,00		
Por conta da Carteira de Mobilização Bancária	134.217.238,10		
Ao comércio (descontos especiais sôbre promissórias de emissão própria)	13.682.897.622,70		
Ao comércio (outras operações)	23.134.385.129,80		
À indústria (operações especiais sôbre títulos emitidos pela mesma)	12.459.282.340,50		
À indústria (outras operações)	71.768.360.534,60		
À lavoura (operações especiais sôbre promissórias de emissão própria)	11.513.366.231,60		
À lavoura (outras operações)	3.802.388.606,70		
À pecuária	2.137.671.920,70		
A sociedades não especificadas	369.059.888,30	162.382.347.134,90	

OUTROS CRÉDITOS E VALORES

Diversos:			
Títulos a receber da conta própria	11.000.260.396,60		
Créditos em liquidação	2.314.477.896,80		
Responsabilidade da Moeda e do Crédito, a diversos correspondentes e depósitos obrigatórios (Decreto-lei 9.128, de 30-4-46)	26.744.443,10		
Responsabilidade da Moeda e do Crédito, a depósitos obrigatórios	17.027.015.000,00		
Créditos a cargo da previsão suplementar	12.555.234.494,20		
Cauções a cargo da carteira de importação	4.334.732.680,80		
Conta da Mobilização Bancária, conta de transferência de responsabilidades (Decreto 36.783, de 19-1-55)	685.646.142,10		
Contabil autárquica do plano de recuperação econômico-social (a favorecer autarquia) (Decreto 42.387, de 28-9-57)	2.300.000.000,00		
Carteira de Comércio Exterior, conta de financiamento de aquisição de produtos para exportação	5.228.899.727,00		
Correspondentes no país	287.789.369,70		
Carteira de Colonização, conta de aplicações	479.971.434,70		
Outros valores	14.620.432.421,00		
Fiscais:			
Títulos a receber particulares:			
Adiantos a outras obrigações federais	289.480.370,20		
Outros adiantos	31.850,00		
Outros títulos a receber particulares	2.862.564.154,70	4.152.236.140,20	
Interno (de distribuição a cargo do Banco)	4.353.627.726,80	72.181.161.811,80	
Direção Geral e Agências (contas de relações internas)		1.842.681.387.926,10	
Agências no exterior (total de imobilizado)		1.307.372.447,70	3.321.421.856.466,30

IMOBILIZADO

Imóveis de uso do Banco	7.239.272.137,70		
Móveis e utensílios	1.431.981.709,60		
Material de expediente	762.618.373,50	9.433.872.270,80	
Agências no exterior (total de imobilizado)		177.703.660,70	9.788.484.181,10

DE RESULTADO PENDENTE

Despesas de juros e comissões	1.881.699.884,80		
Despesas de impostos	26.556.726,15		
Despesas gerais e outras despesas administrativas	5.169.527.341,20		
Outras contas de resultado pendente	1.902.284.711,80	9.331.068.713,95	
Agências no exterior (total de resultado pendente)		42.485.313,90	9.431.351.054,15
			2.881.340.327.653,70

DE COMPENSAÇÃO

Títulos em garantia	116.881.297.000,00		
Títulos em custódia:			
Conta do Tesouro Nacional (327.555.051.899,47 — 6.761.329.108,38 — 320.793.722.791,09)	320.793.722.791,09	437.675.019.791,09	
Outras valores diversos	133.482.485.977,00	571.157.505.768,09	
Títulos a receber de outras filiais		132.324.541.743,80	
Outras contas de compensação		338.884.381.391,70	
Agências no exterior (total de compensação)		3.422.464.243,30	1.102.268.377.372,89
			3.983.608.705.026,59

Brasília, DF, 25 de agôsto de 1962
JOSÉ NEVES GALVÃO

OSWALDO ROBERTO COLIN
Chefe do Departamento de Contabilidade
Contador — C.R.C./GB n. 3.870
C.R.C. — D.N.R. n.º 1

PASSIVO

NÃO EXIGÍVEL

			Cr$
Capital			1.200.000.000,00
Fundo de reserva	616.907.270,90		
Fundo de previsão	12.250.179.778,20		
Fundo de amortização de imóveis, móveis e utensílios	2.132.560.995,70		
Fundo para prejuízos eventuais	1.800.112.725,80	34.782.260.900,60	
Fundo para o desenvolvimento de atividades de interêsse público	118.077.931,30		
Agências no exterior (total de não exigível)	2.883.992.894,10		37.982.331.726,00

EXIGÍVEL

Operações de câmbio, à ordem do Tesouro Nacional:

Correspondentes no exterior (Equivalente às saídas em moeda estrangeira)	25.345.458.911,80		
Diligências obrigatórias (Decreto 24.626, de 9-7-34)	6.365.474,60		
Dotações especiais (Instrução 204, da SUMOC)	31.240.833.961,60		
Outras contas vinculadas a câmbio	91.727.112.871,70	147.313.785.221,70	

DEPÓSITOS A VISTA E A CURTO PRAZO

Do Tesouro Nacional:

A disposição de autoridades federais	27.441.777.532,10		
Fundo de valorização (Dec. 25.347, de 20-6-48)	13.361.944,80		
Fundo de recuperação agrícola	672.899.779,10		
Fundo de assistência técnica e fomento da indústria (Lei 2.004, de 25-9-53)	3.134.662.816,30		
Conta-Fundo: fundo de aparelhamento e fomento agro-industrial (garantia)	138.333.176,30		
Fundo de recuperação econômico-social do interior nordestino	2.200.000.000,00		
Caixa Federal, fundo de normalização de exigibilidade	10.000.000,00		
Fundo especial para compensação de aumentos a funcionários ao país (Lei 3.345, de 18-6-57 — Art. 15)	170.483,00		
Outros créditos	14.434.220.554,80	47.765.484.804,60	
Dos governos estaduais		1.180.518.882,60	
Do governo municipal		340.744.185,70	
Da caixa econômica federal		13.318.361.332,20	
Das autarquias:			
Especialmente da Moeda e do Crédito:			
Caixa de Amortização	91.329.782.136,40		
Caixas de bancos	1.884.484.363,50		
Depósitos vinculados à Instrução 204, da SUMOC	4.548.181.884,90		
Fundo Monetário Internacional	7.314.131.863,10		
Banco Internacional de Reconstrução e Desenvolvimento	388.233.542,60		
Fundo de reserva de depósitos	112.252.733,10		
Fundação da Casa Popular	2.381.314.455,10		
Fundo de reserva de seguros	36.164.577.226,70	252.204.640.805,40	
Caixa de Mobilização Bancária	2.108.832.317,80		
Outras autarquias	23.474.524.883,50	178.888.383.389,80	
Das sociedades de economia mista		2.487.368.132,40	
Da União		466.284.766.438,50	
De pessoas (particulares):			
Judiciais (Decreto-lei 3.077, de 26-2-41)	7.288.699.117,50		
De sociedades cooperativistas de crédito popular (Decreto-lei 3.077, de 26-2-41)	702.980.634,80		
Obrigatórios de bancos estabelecidos (Decreto-lei 9.158, de 13-4-46)	26.757.484,50		
Diligências para investigações (Lei 1.474, de 26-11-51)	2.237.681.863,90		
Depósitos para atuação de juízes (Instrução 204, da SUMOC)	287.697.000,00		
Diligências de importadores (Instrução 204, da SUMOC)	70.000.187.799,80		
Outros depósitos obrigatórios	72.756.111,20	27.386.371.411,80	
Do público (diversos):			
Sem limite	46.127.926.454,10		
Limitados	3.187.788.319,80		
Poupanças	21.678.752.486,80		
Sem juros	3.177.540.898,80		
Outros depósitos	7.370.702.994,20	72.342.664.782,10	
Saldos contrários de empréstimos		213.114.376,80	476.421.883.887,30

DEPÓSITOS A PRAZO

Em autarquias	2.230.661.313,30		
Do público (particulares):			
Judiciais (Decreto-lei 3.077, de 26-2-41)	21.325.472,50		
Do público (diversos):			
De ordem pública	20.020.842.753,20		
A prazo fixo	237.982.382,30	21.258.825.453,70	24.004.478.449,50

OUTRAS RESPONSABILIDADES

Títulos e certificados redescontados	107.121.121.081,80		
Atualização de créditos em exercícios	2.180.200.000,00		
Caixa de Mobilização Bancária (depósitos)	4.585.134.574,10		
Carteira de Colonização, conta de cauções	136.399.683,80		
Bônus e outras importâncias da Carteira de Crédito Agrícola e Industrial, em circulação	170.017.000,00		
Correspondentes no país	173.478.296,70		
Ordens de pagamento	4.279.141.705,20		
Cobrança efetuada em trânsito	2.227.180.700,30		
Cheques de gaia	1.161.986.357,70		
Cheques visados	18.222.614,00		
Cauções a cargo (Instrução 181, da SUMOC)	13.970.000,00		
Layers a pagar (Instrução 204, da SUMOC)	31.254.037.389,60		
Outras contas de passivo exigível	18.784.188.473,80	214.618.137.406,30	
Direção Geral e Agências (contas de relações internas)		1.470.312.352.372,10	
Agências no exterior (total de exigível)		176.436.220,00	2.019.920.625.481,30

DE RESULTADO PENDENTE

Rendas de juros, descontos, comissões e diversas	7.470.110.747,80		
Outras contas de resultado pendente	46.643.559.396,40	54.113.669.974,20	
Agências no exterior (total de resultado pendente)		123.689.244,00	54.237.359.218,20
			2.881.340.327.653,70

DE COMPENSAÇÃO

Depositantes de valores em garantia e custódia		947.314.758.983,00	
Responsáveis por títulos para cobrança:			
Do país	127.987.414.053,20		
No exterior	17.397.342.339,40	145.384.756.392,60	
Outras contas de compensação		589.888.287.399,70	
Agências no exterior (total de compensação)		3.422.464.243,30	1.686.009.267.018,60
			4.567.616.145.180,60

1.º CADERNO

JORNAL DO COMMERCIO

10 PÁGINAS

Rio de Janeiro, domingo, 26 de agôsto de 1962

Serviço Social Rural não pode ser extinto

Declarações do Sr. Oswaldo de Souza Martins, Presidente do Conselho Nacional do SSR — Populações rurais devem ser ouvidas sôbre a medida

O presidente do Conselho Nacional do Serviço Social Rural, Sr. Oswaldo de Souza Martins, em entrevista concedida à imprensa, criticou a medida governamental que propõe ao Congresso Nacional autorização para extinguir aquela Autarquia e transferir as suas atribuições a um órgão dentro da presidência, que se encarregaria, também, de promover tais setores da administração, integrando o mesmo interesse agrário.

O PROJETO

Iniciando suas declarações disse o Sr. Oswaldo de Souza Martins: "Fazendo parte da delegação oficial do Brasil à XI Conferência Internacional de Serviço Social, como a presença autorizada de 60 países, resolvi aproveitar a minha estada em Atenas, setor onde me dispensam a cultura e a sensibilidade brasileiras, e participar — em nome do Congresso Nacional — da reunião do Serviço Social Rural, para tomar conhecimento de uma atividade salutar que, em pouco tempo, se tornou uma fonte de esperanças efetivas para os grupos rurais mais empobrecidos pela ausência de uma política agrária, que se encarregasse desde a integração, colonização e outros assistenciais até o setor legislativo, através de leis, como o Estatuto da Terra, criado pelo Congresso Nacional, e o SSR, a Carteira de Colonização do Banco do Brasil e o Conselho Nacional de Reforma Agrária. Diz o Serviço Social Rural e, não somente isso, uma atividade sui generis, nessa, pois, de início, atingia a localidade, depois, distrital e estadual, não podendo justificar a qualquer preço nem possuir fundamental da sua função de estabelecer, na Lei 2.613, de 23 de setembro de 1955, que o regulou, o seu Regimento, que em artigo 3.º, determina que seu artigo 3.º, que a sua ação obedecerá as orientações nacional. Em todos deve-se de melhor atendimento que visa, através a assistência direta à família, à comunidade e à região, a fim de promover o bem-estar social rural, dentro de uma política nacional de desenvolvimento econômico e social."

REALIZAÇÕES

Depois a seguir o presidente do SSR e plano de ação de Assistência, citando os resultados já obtidos, quanto ainda têm que ser feito e a importância do problema assistencial no País pouco, até lhe ter feito o Serviço Social Rural pensar bem em projetar um material de atuação, que compreende a elaboração de um plano de ação da Educação Rural (orientação no campo, a formação de líderes rurais, a assistência e orientação à família e à mulher rural, a assistência à criança e ao menor, a assistência à comunidade, a assistência à saúde, a assistência à habitação rural, a assistência à recreação rural, a assistência à previdência social rural, a assistência à cooperativa rural, a assistência à produção rural, a assistência à comercialização, a assistência à indústria rural, a assistência à extensão rural, a assistência à pesquisa rural, a assistência à organização rural, a assistência à administração rural, a assistência à legislação rural, a assistência à estatística rural, a assistência à informação rural, a assistência à publicidade rural, a assistência à cooperação rural, a assistência à integração rural, a assistência à colonização rural, a assistência à reforma agrária, a assistência à reforma agrária, a assistência à reforma agrária

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INCOMING TELEGRAM *Department of State*

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Control: 8990
Rec'd: September 12, 1962
7:36 p.m.

ACTION:
INFO:
RM/R FILES

RIO 581

FROM: Rio de Janeiro

TO: Secretary of State

NO: 581, September 12, 11 a.m.

Expedite reply to Embassy telegram 491.

GORDON

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(Drafting Office and Officer)
Approved by ENM

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RM/R files

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: September 12, 1962
11:00 a.m.

SUBJECT: U.S. aid and loan policy toward Brazil

PARTICIPANTS: Ambassador Roberto de Oliveira Campos, Brazilian Ambassador
Mr. Edwin M. Martin, Assistant Secretary for Inter-American Affairs

COPIES TO: ARA
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Embassy, Rio de Janeiro

Ambassador Campos requested a clarification of U.S. policy in this regard. He said it had been his understanding that further drawings would not be permitted under the May 1961 arrangement for balance of payments assistance and that AID would concentrate on project assistance. He had also verified a slowing up on Brazilian aid requests in the loan agencies generally. He was concerned however to discover recently that the present AID position is to make no project loans except to private entities and state governments, avoiding any such loans to the Brazilian federal government.

Ambassador Campos argued it was necessary to accept a certain amount of waste and risks in the Alliance for Progress aid program; that it was necessary to choose whether to give first priority to securing fiscal reform or to maintaining democratic institutions and holding off extremist solutions to problems; that present U.S. aid policy created a danger of aggravating inflation and unemployment and creating additional political difficulties in Brazil; and that such policy provided no leverage for bringing about the desired reforms in Brazil. He made much of fact aid was of no economic cost to U.S. because we had large unused resources of manpower and effort.

Ambassador Campos referred particularly to the desire for aid for federal road projects and asked for U.S. assistance urgently and immediately for the Rio-Bahia road.

Mr. Martin, after indicating he intended to confer later in the day with Mr. Moscoso

FORM DS-1254
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Control: 10268
Rec'd: September 13, 1962
9:16 p.m.

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FROM: Rio de Janeiro

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TO: Secretary of State

NO: 611, September 13, 8 p.m.

INFO:
RM/R FILES

File RM/R

RIO 611

PASS SOUTHARD

E. Acting Bank of Brazil Exchange Director, Arnaldo Blank, called in foreign crude oil suppliers September 12 proposing; (A) consolidation about $53 million petroleum arrears (exclusive of freight), in form three-year "swap", repayable monthly installments at exchange rate cruzeiro $200, without interest; (B) as alternative to (A), acceptance by companies of dollar-denominated Bank of Brazil three-year notes, repaid monthly installments and carrying interest to be "negotiated"; and (C) lengthening normal terms further petroleum shipments from present 120 days to 180 days.

RMR

No official reaction yet from petroleum suppliers. Texaco apparently only supplier thus far halt any crude shipments. Local representative Texaco cannot confirm whether stoppage restricted one ship or covers all shipments.

Exchange Director reports has begun liquidate some arrears, including petroleum freight. Still hopes pay other commercial arrears roughly $20 million gradually over next few weeks. Coffee and other export receipts picking up. Bank of Brazil proceeding with new $10 million gold collateral loan owed US banks and arrange new "swaps" and drawings banking credit lines.

832.3932/9-1362

II. Bank of Brazil this week holding close conversation with commercial banks designed develop continuing cooperative relationship for achievement unitary exchange rate. Commercial bank quotations September 12, cruzeiro $470/485 close to new official rate, cruzeiro $460/470. Exchange Director hopes, perhaps early

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8:52 p.m.

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FROM: Rio de Janeiro

INFO:
RM/R FILES

TO: Secretary of State

NO: 610, September 13, 8 p.m.

PASS SOUTHARD

GOB delegation IMF/IBRD meetings will be headed Octavio Bulhoes, Executive Director SUMOC, accompanied by Casimiro Ribeiro, Director SUMOC's economics department. According Bulhoes, Acting Finance Minister Calmon called from Brasilia yesterday to say Moreira Salles, who now in Paris, would not attend Washington meetings.

Delegation leaving for Washington in atmosphere uncertainty future of financial team built up by Mariani and Moreira Salles. Rumors widespread that Calmon, Bulhoes and number of department heads Bank of Brazil will be replaced. However, Bulhoes believes Calmon and he will probably stay at least until elections, if for no other reason than difficulty finding replacements in pre-election period.

Exact circumstances Moreira Salles resignation (Embassy telegram 534) never completely explained. Calmon (Embassy telegram 547) may well have underestimated Moreira Salles dissatisfaction with GOB policies. Any case, latter disappeared from public view immediately after resignation and returned to Paris without answering Embassy attempts contact him privately.

Under circumstances GOB delegation not likely attempt more than informal discussions with US officials. Bulhoes may well wish pursue further possibilities implementing sale Bank of Brazil securities, with gold collateral, along lines Embassy despatch 1041 of June 25.

GORDON

IWG/2

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Control: 10046
Rec'd: SEPTEMBER 13, 1962
4:41 PM

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FROM: RIO DE JANEIRO

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TO: Secretary of State

NO: 598, SEPTEMBER 13, 2 PM

REFERENCE: EMBTEL 522

GOLDSTEIN AND EAKENS DISCUSSED SULEXCO CASE AT LENGTH YESTERDAY WITH MINISTER CADAZA USING ALL OUR ARGUMENTS FOR REMOVAL DISCRIMINATORY APPLICATION IMPORT DEPOSIT REQUIREMENT, INCLUDING IMF RECOMMENDATION MARCH 14, 1962 AND GATT BALANCE OF PAYMENTS COMMITTEE RECOMMENDATION IN REPORT DATED MAY 24, 1962.

WHILE ADMITTING BRAZIL'S BALANCE OF PAYMENTS PROBABLY WILL BE WORSENED BY SHIFT SULPHUR PURCHASES TO MEXICO AND THAT SULPHUR NOT VERY SIGNIFICANT FACTOR IN BRAZIL'S OVERALL IMPORT PICTURE, HE WAS IMMOVABLE IN HIS CONVICTION THAT BRAZIL COULD NOT APPLY IMPORT DEPOSIT REQUIREMENT TO LAFTA COUNTRIES. HIS POSITION BASED PRIMARILY UPON (1) LAFTA TREATY IN WHICH HE SAID IT CONTEMPLATED BALANCE PAYMENTS RESTRICTIONS WOULD BE FIRST APPLIED NON-LAFTA MEMBERS AND ONLY LATER TO LAFTA MEMBERS IF APPLICATION NON-LAFTA MEMBERS DID NOT PRODUCE DESIRED RESULTS, AND (2) DISCRIMINATORY APPLICATION BALANCE OF PAYMENTS RESTRICTIONS WAS DISCUSSED IN CONNECTION WITH GATT APPROVAL OF LAFTA TREATY AND WHILE QUESTIONS ASKED, GATT DID NOT DISAPPROVE.

WHEN OBVIOUS NOT MUCH HOPE CADAZA COULD BE CONVINCED APPLICATION IMPORT DEPOSIT REQUIREMENT SHOULD BE CHANGED TO NON-DISCRIMINATORY BASIS, EMBASSY REPRESENTATIVES URGED HIM CONSIDER POSSIBILITY EXEMPTING SULPHUR FROM IMPORT DEPOSIT REQUIREMENT AS BASIC COMMODITY. WHILE GOB ONCE REJECTED THIS (EMBTEL 1915) ON GROUND IT WOULD SET BAD PRECEDENT, CADAZA DID NOT SEEM AWARE THIS HAD

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RIO 598

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DEPARTMENT OF STATE

AIRGRAM

832.00/9-1462

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A-63 — OFFICIAL USE ONLY — XR-832.10

NO. — HANDLING INDICATOR

811.0032

TO : DEPARTMENT OF STATE

INFO: RIO DE JANEIRO

FROM : Amcon SÃO PAULO — DATE: September 14, 1962

SUBJECT : São Paulo's Proposed "Second Plan of Action"

REF : CERP D-18 and Congen A-56 of September 12, 1962

(Begin UNCLASSIFIED)

SUMMARY

São Paulo gubernatorial candidate José Bonifácio Coutinho NOGUEIRA proposes to put into effect a "Second Plan of Action" under which the State would allocate some 847 billion cruzeiros to capital investment projects over the next four years. The Second Plan is strong on highway paving and hydroelectric development. It seems to be relatively weak on low cost housing. Its proposals for some further investment in storage facilities for farm products are difficult to explain. It promises "intense activity" on putting the State of São Paulo into the electricity distribution business, hitherto a field in which private enterprise has been predominant. It does not deal with the insufficiency of port facilities at Santos. Reference to "funds from abroad" under the plan may indicate that some Alliance for Progress money is hoped for.

- - - -

On September 6, 1962, José Bonifácio Coutinho NOGUEIRA, once Secretary of Agriculture in the present administration of Governor Carlos Alberto CARVALHO PINTO and the administration-supported gubernatorial candidate in the forthcoming elections, appeared on television to announce some details of his "Second Plan of Action."

The Second Plan of Action is a proposed capital investments budget for the State of São Paulo during the years

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Drafted by: ECON/DPMartin/cz 9/14/62

Cleared by:

Contents and Classification Approved by:

ORIGIN ACTION: AARA-4

RM-R 2 | REP 1 | AF

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1963 through 1976. It has been under preparation since the beginning of this year. The following comments about some of the principal features of the plan are based mainly upon Sr. José Bonifácio's television speech as reported in the press, and are thus subject to modification at such time as the plan may be published in full. Should he fail to win the election on October 7, 1962, the plan would presumably be dropped.

Size of the Investment - Some 847 billion cruzeiros will be invested during the period 1963 through 1966, of which about 637 billion cruzeiros will be State funds--400 billion from general revenues, 84 billion from "supplementary budgets," 39 billion from the operating revenues or other resources of State-owned corporations, and 134 billion from financial institutions (presumably such as the State-owned Bank of the State of São Paulo). The remaining 210 billion will consist, inter alia, of goods supplied to the State on long-term credit, funds to be borrowed by the State within Brazil, and funds obtained from abroad. The latter may amount to as much as 88 billion cruzeiros.

Comment: In terms of the Bank of Brazil's present selling rate for US dollars (475 cruzeiros per dollar), 837 billion cruzeiros equals roughly 1.8 billion dollars. What rate of inflation was used for calculating costs under the Second Plan has not been announced. (End UNCLASSIFIED)

(Begin OFFICIAL USE ONLY) A contrast between the First and Second Plans is that the former largely referred only to funds which the State itself could furnish, and generally did not promise projects which could or could not be realized depending upon whether loans became available. The "funds from abroad" under the Second Plan may indicate that some Alliance for Progress money is hoped for. In fact, the Director of the State Department of Highways recently told the reporting officer that realization of some of the projects which his Department has planned--and which are promised to the public in the publicity about the Second Plan--are contingent upon Alliance assistance. (End OFFICIAL USE ONLY)

(Begin UNCLASSIFIED)

Highways - The Second Plan promises 3,000 kilometers of paved roads, some circular highways around the city of São Paulo to relieve traffic congestion in the central city area, and some new special highways (super-highways) to relieve congestion on the existing highways.

Railways - Apart from some investments in new equipment and other improvements, key features of railroad policy will be

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A-327 NO. | OFFICIAL USE ONLY | HANDLING INDICATOR

TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 24 1962

FROM : AmEmbassy RIO DE JANEIRO DATE: September 14, 1962

SUBJECT : REQUEST FOR DELEGATION OF POWERS IN THE FISCAL FIELD.

REF :

There is transmitted herewith a free translation of draft Legislative Decree Law No. 152 covering the subject of public finance, for which a delegation of powers was requested by Prime Minister Brochado da Rocha, on August 11.

While this subject has been scheduled for consideration during the Chamber's current "concentrated effort" session (September 10-15), the Chamber is unlikely to do so in view of the prevailing political crisis, including the resignation of Brochado da Rocha's Cabinet. It has in any case been apparent that the Chamber was neither politically nor juridically prepared to grant that part of the draft decree referring to changes in taxation. (See Embassy's A-271 of September 4, 1962).

For the Ambassador,
Ralph V. Korp
Financial Attaché

SEP 27 4 55 PM '62
FILED

Encl.: As stated.
(Unclassified)

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FORM DS-323 4-62

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Drafted by:	RVKorp/WBlomeyer:anc	Contents and Classification Approved by:
Clearances:	Robert Eakens	

Rio de Janeiro
A-327
Encl. 1

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INFORMAL TRANSLATION
SOURCE:- Diário Oficial, August 11, 1962.

DRAFT OF LEGISLATIVE DECREE LAW No.152,
OF 1962
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(from the President of the Council of Ministers)

Delegates the Executive With the Necessary Powers to Establish Norms for Budgetary and Tax Policies, by Revising and Making Innovations in the Current Legislation, Setting the Limits and Conditions of the Delegation.

The National Congress decrees:-

Article 1. Powers are hereby delegated to the Executive Power on the basis of the sole paragraph of Article 22 of the Additional Act and as set forth in the sole paragraph of Article 10 and in Articles 30 and 31 of the Complementary Law to this same Act, dated July 17, 1962, to legislate on:-

I - Instruments of budgetary policy, within the following limits and conditions:-

1. The establishment of general regulations for budget and public accounting, as outlined by the substitute bill submitted in 1956 to Senate Bill No. 38 of 1952;

2. The revision of Federal laws setting forth the budgetary and accounting procedures, in order to adjust them to the preceding item;

3. The creation of special regulations for the organization and execution of the Federal budget, so as to assure the efficient use of resources.

II - Special funds, within the following limits and conditions:-

1. To increase the consumption tax share earmarked to the Federal Electrification Fund, with the medianization of the tax collection procedure;-

2) to alter the term of duration of the income surtax destined for the Fund of Economic Reequipment; the basis for calculating it (the surtax) being readjusted;

3) to create a National Mining Fund, intended for the financing of mineral resources exploitation and research programs to

UNCLASSIFIED

be made up of 40% of the single tax on minerals and additional resources to be allocated to it in the budgetary law.

III - Stamp tax, within the following limits and conditions;

1. establishing a separate tax system for services rendered to tax-payers;

2. tax exemption on acts or papers, the taxing of which yields small fiscal returns or causes undesirable effects on the development process;

3. simplification of tax control and tax collection procedures.

IV - Import duties, within the following limits and conditions:-

1. to restore the power granted to the Customs Policy Council, in article 3, Items "a", "b" and "c", of Law Nos. 3,244, of August 14, 1957, to change the percentages of the tax within the ceiling and floor set in the appropriate chapter of the Customs Tariff Law;

2. to authorize the Customs Policy Council to exempt from import duties all equipment destined for investment projects in priority sectors, the exemption to be approved by the Federal agencies responsible for the execution of economic development programs.

3. to give powers to the Customs Policy Council for the revision of its terminology and pertinent annotations of the Customs Tariff Law;

4. to revise the rules for the registration of similars;

5. to extend the provisions of Article 4 of Law No. 3,244, of August 14, 1957, to cases of importation of food stuffs to meet emergency situations and to simplify the administrative procedure for the application of the pertinent fiscal provisions.

V - Consumption tax, within the following limits and conditions:

1. to revise tax exemption procedures, so as to suppress indefensible privileges, and to enlarge the current tax exempt area for essentials, such as clothing, medical care and human diet;

2. to revise the present levels of taxation in the light of the degree of essentiality of the product, so as to assure an equitable distribution of the fiscal burden;

3. to improve the system of control, and to give uniformity to the basis of calculation and methods of tax collection.

4. To reorganize the tax collecting structure and tax supervision.

VI - Income tax, within the following limits and conditions:

1. to revise the present tax regime applicable to companies, by establishing a system of variable rates related to the capital-profit ratio, intended to correct the defects in the present excess profit tax system.

2. To revise the present system of exemptions for undistributed profits, so as to favor small enterprises and medium sized enterprises organized as individual firms, and to promote the effective reinvestment of income to the benefit of expansion programs;

3. to discipline the procedures for revaluation of assets of enterprises, eliminating fiscal burdens, strictly within the limits of adjusting to the actual value of the currency;

4. to regulate the procedure for increasing capital through asset revaluation and to establish rules to meet special cases in connection with this procedure;

5. to discipline the procedure of increasing capital through incorporation of reserves, so as to distinguish in the fiscal treatment, the reserves originated policies of the enterprises themselves from those originating from fiscal incentives;

6. to create special procedures for incomes, falling under schedule "G", based on the valuation of rural property, so as to assure a better distribution of property and land utilization;

7. to eliminate current schedular taxes and to favor income from salary by means of a special deduction of the income earned;

8. to revise the present current definition of gross income so as to encompass all income of physical persons, arising from capital and salary, except those resulting from the exploitation of rural property.

9. To revise the present system of deductions applicable to gross income, by limiting such deductions to the basic obligations of personal or family character, and adjusting



such deductions properly, so as to assure a reasonable ratio among them and a better distribution of the fiscal burden;

10. to revise the current system of calculating the complementary progressive tax system, aiming at guaranteeing a better distribution of the fiscal burden and the appropriate adjustment of income brackets, in the light of monetary depreciation;

11. to create a selective system for deductions in the total income subject to the complementary progressive tax intended for the channeling of savings to priority types of investments;

12. to revise the treatment accorded to the profits resulting from real estate operations, in order to discourage speculation and correct the imperfections in the treatment of these profits when earned by juridical persons.

13. To institute a special control mechanism for income tax returns submitted by holders of bearer shares, based on the registration made by stockbrokers, which may be used, at the same time, for controlling discounts granted as investment incentive.

14. To revise the present tax system for locally established individuals and entities resident or with head offices abroad, with the aim of discouraging profit and other remittances of foreign capital.

VII - To revise the structure of the single tax on gasoline and lubricants, which revision shall conform to the changes occurring in the national supply of liquid and gaseous combustibles.

VIII - Sole tax on electrical energy, in compliance with the following limits and conditions:

1. to modify tax incidence, from specific to "ad valorem", conferring flexibility on the tax and changing it to become the principal source of financing the expansion of electrical energy as a public service.

2. To establish criteria for the determination of the rate-base for the calculation of the tax incidence so as to obtain an equitable distribution of the fiscal burden.

IX - To revise taxation pertinent to effective mining proceeds, adjusting its collecting basis as provided in Article 15, No. III, of the Constitution.

Article 2. The laws delegated shall set the date of their coming into force and shall revoke all dispositions to the contrary.

Article 3. This Legislative Decree shall be effective on the date of its publication.

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September 14, 1962

Dear Mr. Brooks:

Supplementing my letter of July 31, I am enclosing memoranda containing additional information on the Brazilian profit remittance bill, as approved by the Senate and finally approved by the Chamber of Deputies, and also on the substitute profit remittance bill as passed by the Senate which at this date has not been considered by the Chamber of Deputies.

Sincerely yours,

Harvey R. Wellman
Director
Office of East Coast Affairs

Enclosures:
Memoranda

Mr. Alanson L. Brooks,
Vice President,
Kaiser Aluminum International Corporation,
Kaiser Center,
Oakland 12, California.

(2) ARA:EST:HRWellman:dhh 9/14/62 EST/B.

$32.10/9-1462
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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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CONFIDENTIAL
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Origin

Info:

ACTION: Amembassy, RIO DE JANEIRO 718

RIO 718

1. In conversation Sept. 12 with Asst. Sec. Martin Ambassador Campos indicated Brazil might sorely need additional financial assistance before October. He made strong plea for sympathetic consideration any such request, arguing that USG would gain nothing in leverage or otherwise from refusing, but that refusal would aggravate already difficult economic and political situation. In reply to question he had indicated possibility existed of relaunching stabilization program but not before October elections.

2. In face of indications he had received USG assistance not currently available for federal road construction program, Campos made special plea as matter of urgency for aid for Rio-Bahia road. We do not have adequate basis here for considering GOB request, having in mind policy outlined Dep 4-hh. Your views requested.

END

RUSK

$ 32. 10/5-1562 AR 8-11, 0032 AR 7732.00

miscellaneous by EMR

Drafted by: ARA:EST:HRWellman:dhh 9/13/62

Telegraphic transmission and classification approved by: ARA - Edwin M. Martin

Clearances:

AID - H. P. Dawson

E/FN- Mr. Palmer

Treasury - Mr. Constanza (in substance)

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FORM S-61 DS-322

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Control: 14627
Rec'd: September 19, 1962
9:53 a.m.

RIO

FROM: Rio de Janeiro

TO: Secretary of State

NO: 650, September 18, 8 p.m.

DEPTEL 718

Embassy/USAID perceive no current reasons why Rio/Bahia Road should be made exception to policy in Department's A-44. We prepared recommend revision this policy whenever developments here justify, but so far situation unchanged.

Any case not clear work on road would necessarily stop in absence US loan. Transport Minister who confirmed in new cabinet recently requested release CR $10 billion for Rio/Bahia Road. Do not yet know what action GOB may take this request.

Above discussed with Stanley Grand who informs had recent conversation with Campos in which latter made plea similar that mentioned paragraph 2 reference telegram. Grand replied knew of no change in policy but would talk over with Embassy/USAID/Rio.

GORDON

HMR/10

832.10/9-1862

XR 832.2612
811.0032

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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

32

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

CONFIDENTIAL
Classification

8892

RIO 738

Origin

Info:

ACTION: Amembassy, RIO DE JANEIRO 738

In view Chamber failure act on Senate profit remittance bill would appreciate your views re possibility action by this congress:1) prior October 7; 2)prior expiration term January 1963. Is Chamber version in effect?

Also in light above your comments status investment Guarantee Agreement requested.

END

RUSK

$32,10/5-1962

Drafted by: ARA:EST/B:[illegible]:slc 9-18-62

Telegraphic transmission and classification approved by: EST - Mr. Wellman

Clearances:
AID:
Commerce: Miss Heare (in substance)

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CONFIDENTIAL
Classification

FORM S-61 DS-322

ORIGIN/ACTION

RM/R	REP	AF
2	1	
ARA	EUR	FE
NEA	CU	INR 5
E 3	P	IO
L	FBO	AID 11
AGR	COM 10	FRB 3
INT	LAB	TAR
TR 2	XMB 2	AIR
ARMY	CIA 8	NAVY
OSD	USIA	NSA 3
RMAN INR 1		

DEPARTMENT OF STATE

AIRGRAM

838.10/9-2062
XR 811.0038
FOR RM USE ONLY

A-112 NO. | OFFICIAL USE ONLY | AIR POUCH HANDLING INDICATOR

TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 24 1962

FROM : Amembassy PORT-AU-PRINCE DATE: September 20, 1962

SUBJECT : Haitian Commission on Private United States Debt Reportedly Nears the End of its Labors

REF : CERP D-12, 13; AIDTO Circular A-34, August 7, 1962 re Section 620(c), Foreign Assistance Act of 1961 as amended

Debt Commission Reportedly Active (UNCLASSIFIED)

According to an item in the Port-au-Prince daily Le Nouvelliste September 14-15, 1962, the Haitian "Commission for the Verification of Private American Debts" will soon complete its labors. Significant paragraphs of the item follow:

> "The Commission, which has been harnessed to its vast and delicate task for more than five months, is now in the last phase of its work. Its closing awaits only some final details which are to be furnished by some ministerial departments.
>
> "If our information is exact, the Commission will probably submit its report about two weeks from now." (End UNCLASSIFIED)

Comment(OFFICIAL USE ONLY)

It will be recalled that the Commission was established by decree dated December 26, 1961 but issued in February, 1962 (Embassy despatch 329, February 26, 1962 and Embassy despatch 281, January 26, 1962) for the express purpose of examining and settling private American debts against the government in order that Haiti might qualify under Section 620(c) of the Act for International Development of 1961 to receive United States economic assistance. Since that time, however, although a United States Presidential waiver of Section 620(c) was granted on March 1, 1962, the Commission has failed to show any results for its alleged labors.

FORM DS-323 4-62

OFFICIAL USE ONLY

FOR DEPT. USE ONLY
[X] In [ ] Out

Drafted by: ECON:PBWill:df

Contents and Classification Approved by: DCM:EdwCurtis

Clearances:

It was reported by the local Haitian press in late August that a new technical committee had just been named to assist the Commission. Queried on this development by an Embassy officer, Dr. Vilfort BEAUVOIR, a vice president of the national bank and currently head of the Commission, asserted that the new committee was purely technical and intended to help with certain final details in the work of the Commission. He said further, in reply to questions, that examination of most cases had been compiled and that only a few more complicated ones remained. These, he implied, should also be finised within a short time -- perhaps in "a few weeks" — and the Commission then would finally be in a position to make appropriate recommendations to the Finance Department.

While the Nouvelliste item is thus consistent with the earlier private remarks of Mr. Beauvoir it is perhaps of some interest to note that the news item appeared simultaneously with renewed activity on the question of a United States AID loan for a new jet airport. Some Haitian officials are known never to miss a trick. (End OFFICIAL USE ONLY)

For the Ambassador:

Robert B. Hill
First Secretary of Embassy

FILED
SEP 26 4 57 PM '62

57 copy #135 destroyed, RH/R 1-86

OUTGOING TELEGRAM Department of State

1613

INDICATE: ☐ COLLECT ☐ CHARGE TO

SECRET
Classification

Origin

Info:

ACTION: Amembassy RIO DE JANEIRO 832 PRIORITY

RIO 832

Ref.: Deptels 755, 777, Embtel 668.

1. After careful consideration Campos request for release $25.5 million Treasury exchange agreement prior October elections, and taking into account your comments contained Embtel 668 interested USG agencies have reached following conclusions:

a. We should not at this time permit further drawings for B/P purposes on remaining $84 million of 1961 package.

b. If GOB in urgent need short term B/P assistance, it should in our view conclude agreement on $25 million credit offered by Europeans before request for substantially equivalent amount under Treasury stabilization agreement should receive consideration. FYI. During Campos call on Secretary September 21 Campos confirmed to May GOB had not drawn $25 million European credit and did not intend do so because credit repayable by December 31 in absence agreement with IMF. Campos subsequently informed May that European credits not immediately available because GOB had decided not conclude agreement because advance would be repayable December 31. End FYI.

(2)

c. We concur your opinion that continued adherence policy line Department's A-44 still appropriate.

2. Treasury

Paraphrased by RH/R

832.10/9-2962 XR 811.0032

Drafted by: ARA:EST:HRWellman:am
ARA:EST/B:RHCrane:am 9/28/62

Telegraphic transmission and classification approved by: XXXXXXXXXXX ARA - Edwin M. Martin

Clearances:
ARA - Mr. May
AID/LA/B - Mr. Scherbak
FN - Mr. Palmer
Treasury - Mr. Leddy (substance)
Treasury - Mr. Costanzo (in draft)
AID/LA/CD - Mr. Grand (draft)
AID/LA/AA - Mr. G. Martin

SECRET
Classification

FORM DS-322

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2. Treasury feels under necessity of responding to Brazilian Ambassador's written request dated September 19 and stated to be made on instructions from his government for immediate drawing of $25.5 million under standby agreement. Treasury proposes brief reply to effect it unable to waive requirements of paragraph 2, b, iii, of the Exchange Agreement of May 16, 1961, as amended, between United States and Brazil, and is unable, consistent with objectives of agreement of May 16, 1961, to agree to purchase of cruzeiros proposed in Campos letter. Department concurs with this decision.

3. Department believes however there is risk for U.S. policy objectives in Brazil of making unqualified negative reply to Brazilian request for help in situation of serious foreign exchange stringency in period immediately before October 7 elections when U.S. refusal might be made public and might be converted into election issue by ultranationalist and Communists. In addition we wish avoid implication we are not interested in Brazil's problems but rather to indicate we are sincerely interested in assisting Brazil whenever we can find effective ways of doing so. Consequently Department proposes if you concur that Ambassador Campos be informed:

a. Treasury in line general USG policy not to approve further releases from S/P package in absence Brazilian performance under stabilization program, unwilling approve now drawing requested under stabilization agreement.

b. USG nevertheless exploring feasibility of taking certain actions which would provide some short-term financial relief to Brazilian balance of payments along

along lines indicated below:

1. Seek approval wheat manganese barter proposal in order avoid hard currency expenditures for wheat. This would involve 100,000 tons of wheat and foreign exchange savings for Brazil of about $7 million. /(In FYI view fact no final decision yet made on USG position on total barter policy as result special study for White House, Agriculture not presently approving any barter arrangements. Therefore White House approval this proposal would likely be required. Would appreciate your views whether barter proposal of sufficient importance justify seeking special exception.) End FYI.

2. We prepared send AID engineer and loan officer Brazil next week evaluate applications Northeast state road programs. If projects meet AID standards we prepared expedite loan approval up to $10 million and make available immediately. Our understanding projects involve largely local currency costs.

3. Certain projects in Northeast program are now ready or soon will be ready for implementation and involve expenditures in cruzeiros which we will need purchase with dollars. These programs include projects in community water supply, rural community electrification, elementary education, resources inventory, agricultural marketing, fisheries and water resources. We could provide up to $8 million needed for conversion to cruzeiros, with cruzeiros being placed in special account and drawn on as project agreements signed. This procedure would require maintenance of value provision in agreement.

4. We

4. We intend inform Campos by October 1 if possible along foregoing lines, using coordinated State-Treasury-AID approach. We intend also inform him in accordance with your recommendations/ that we appreciate gravity situation, are impressed by Calmon's line of approach, and that if more definitive Government installed mid-October adopts this approach, we will want to review with GOB balance of payments position rest this year and next year along lines March discussions with Moreira Salles.

5. Will appreciate your views soonest.

6. Should Campos again raise question of financial assistance for Rio-Bahia road we propose, in line Eakens September 20 letter, inform him we understand road nearing completion, adequate Brazilian funds available, and DNER prefers use any U.S. funds available for other roads.

7. Campos discussion with Linder on Sept. 26 of Volta Redonda and CVRD projects is subject separate telegram (Deptel 822). Your comments requested.

8. In response your request info re Brazilian financial negotiations with New York banks we have obtained following: Of approximately $45 million maturing September-October, bank sources believe about $30 million will be rolled over. Among major banks, apparently only Chase and Manufacturers fully maintaining previous lines which however completely utilized. FNCB now making $10 million anticipation loan against forthcoming gold collateral loan to be made November 1. Understand New York banks unlikely establish new credit facilities Bancobraz except on secured basis. Possibly some additional amounts obtainable against lines banks other

other cities. Total lines available difficult estimate probably around $40 million. N.Y. banks prepared discount export bills.

FYI. N.Y. banks confirm recently fairly substantial transfers Brazil dollar accounts to third countries. End FYI.

END.

BALL

other cities. Total lines available difficult estimate probably around $40 million. N.Y. banks prepared discount export bills.

FYI. N.Y. banks confirm recently fairly substantial transfers Brazil dollar accounts to third countries. End FYI.

END.

BALL

32

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CONFIDENTIAL

Control: 16267 21 AM 6 13
Rec'd: September 20, 1962
9:47 p.m.
AC
INFO:
RM/R FILES

RIO 668

FROM: Rio de Janeiro

TO: Secretary of State

NO: 668, September 20, 8 p.m.

NIACT

DEPTEL 755 - Treasury & AID/W/HKMerry

Korp and I received telegram on return from hour's general review financial situation and policies with Finance Minister Calmon. Calmon had not mentioned this request, despite review other short term indebtedness problems, including petroleum arrears, commercial arrears, IMF obligation and use banker's credit lines. I therefore telephoned him to inquire his feelings this request. He said Bulhoes had been authorized to seek aid to help IMF payment and commercial arrears, but from phone conversation Tuesday he had impression request had failed and therefore did not raise it with me. He emphasized, however, that such help would be extremely welcome, and would be applied against 25 million non petroleum commercial arrears.

Short term foreign exchange position is indeed tight. Have no definite data on reserves beyond reported Embassy's A-264. However, understand GOB completed or near completing new 10 million dollar gold loan and has drawn further on banker's credit lines.(new drawings $7.5 million up to September 15). Thus current cash position probably same or somewhat stronger that August 27.

Calmon said already had reserves pay 17.5 million dollars due IMF this month. Gave impression after this would try liquidate commercial arrears quickly as possible including gradual movement free gold to US for pledging new gold loans. Intends make new,

more

FILED BY

832.10/9-2062 XR 832.131

(2)

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0137

more favorable, proposal to petroleum companies giving option either (A) payment arrears over 6 months or (B) placing all petroleum (including past due) imports on 180 day credit terms instead 120 day.

Calmon's general approach appears to be to reestablish confidence with us by doing everything possible with scanty resources available and then developing program and securing Goulart's backing before asking for help. He therefore does not use Campos high pressure methods salesmanship. Alleged relation to election appears to us exaggerated. More rational would be argument that short term aid from Treasury might at least stall off reversion to multiple rate system and Government exchange monoply. Calmon obviously also deeply influenced by sense of provisional character his present position, although hinted that Balbino as prospective Prime Minister might prefer keep him to designating San Tiago Dantas.

In circumstances, although Calmon's approach would warrant a gesture of confidence if we had any certainty that he will last beyond mid-October, we believe immediate situation extremely difficult but not disastrous and that continued adherence policy line Department's A-44 still appropriate. Any case GOB balance of payments problem such dimensions that $25-5 would be marginal.

Therefore, recommend Secretary inform Campos we understand very short term needs can be met through other resources, that we appreciate gravity of middle term situation, are impressed by Calmon's line of approach, and that if more definitive Government installed mid-October adopts this approach, we will want to review with GOB balance of payments position rest this year and next year along lines March discussions with Moreira Salles.

GORDON

KEA:1

NOTE: Mr. Spencer (ARA-DO) notified 1110 PM 9/20/CWO-W

0198

32

OUTGOING TELEGRAM Department of State

10363

INDICATE: ☐ COLLECT
☐ CHARGE TO

CONFIDENTIAL
Classification

755

Sep 20 1 24 PM 62

Origin

Info:

ACTION: Amembassy RIO DE JANEIRO NIACT

RIO 755

Deptel 718.

Campos, Bulhoes and Ribeiro met with Secretary Dillon briefly during session Fund annual meeting. Campos essentially repeated para. 1 Reftel. In addition submitted letter formally requesting prompt release Treasury exchange agreement $25.5 million. Said Treasury funds alone being requested as realize necessary procedures make impossible Eximbank and AID disbursements before elections. Dillon stated only that U.S. would consider request carefully.

Your comments requested urgently, especially in view Campos request for appointment Secretary tomorrow. Campos expected take position imperative provide this urgently needed B/P assistance to Brazil prior October 7 elections. Campos has stressed to USG officials that B/P situation explosive and might well become political issue which would preclude possibility election results which would persuade Goulart collaborate with center.

Would appreciate latest available data foreign exchange reserves.

End.

RUSK

(3)

Authorized by EMR

Drafted by: TREAS.:Costanzo ARA:HKMay:am 9/20/62

Telegraphic transmission and classification approved by: ARA - Mr. May

Clearances:
S/S - Mr. Little
E - Mr. Palmer (in substance)

CONFIDENTIAL
Classification

FORM S-61 DS-322

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AP 8 32.13
J 32.90

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INCOMING TELEGRAM *Department of State*

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Control: 17271
Rec'd: SEPTEMBER 21, 1962
6:41 PM

FROM: SANTIAGO

TO: Secretary of State

NO: 294, SEPTEMBER 21, 5 PM

PRIORITY

POLICY

REFERENCE: EMBTEL 284

I TODAY DISCUSSED DEVALUATION AND RELATED PROBLEMS WITH MINISTER ECONOMY ESCOBAR STRESSING NEED FOR POSITIVE ACTION EXCHANGE PROBLEM INCLUDING IMF AGREEMENT SOONEST AS WELL AS IMPORTANCE INTENSIVE WORK ON PROJECT PREPARATION AND EARLY ENACTMENT TAX REFORMS.

ESCOBAR EXPRESSED FULL AGREEMENT AT ALL THESE POINTS AND SAID HE STILL FAVORED FULL DEVALUATION SOONEST POSSIBLE RATHER THAN INTERIM STEP TO ESCUDO 1.30 OR 1.35. HE ADVISED THAT ROBICHEC OF IMF HAS BEEN INVITED COME TO SANTIAGO NEXT WEEK FOR CONSULTATIONS THIS MATTER.

RE PROBABLE ACTION RADICAL CONVENTION ON DEVALUATION ISSUE ESCOBAR WOULD MAKE NO PREDICTION. DID EXPRESS VIEW THAT INTERIM MODEST DEVALUATION COMBINED WITH 10 TO 15 PERCENT WAGE INCREASE COULD PROBABLY BE SOLD TO RADICALS.

COLE

KEA

Santiago 294

032.10/9-2162

FILED

OCT - 8 1962

(2)

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ACTION ASSIGNED TO: ARA		ACTION TAKEN: No action	
NAME OF OFFICER & OFFICE SYMBOL: WSTK - R Richardson	DATE OF ACTION: 9/22/62	DIRECTIONS TO RM/R: File	

0190

DEPARTMENT OF STATE

AIRGRAM

832.10/9-2162

FOR RM USE ONLY

A-351 NO. — UNCLASSIFIED — HANDLING INDICATOR

TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 26 1962

FROM : AmEmbassy RIO DE JANEIRO DATE: September 21, 1962

SUBJECT : REDISCOUNT OPERATIONS, AUGUST 1962.

REF : CERP D-12; A-225, August 23, 1962.

7 cc RM/R 9/27 gwa

According to the August 31 balance sheet of the Bank of Brazil Rediscount Department, outstanding rediscounts increased by Cr$5.4 billion during the month.

The liability account, National Treasury, increased by Cr$5 billion during the month indicating an addition to currency in circulation in that amount. The total increase in currency effectively in circulation during the first eight months of the year was Cr$65 billions (?), as compared to Cr$62.7 billion in the corresponding period of 1961.

For the Ambassador,
Ralph V. Kopp
Ralph V. Kopp
Financial Attaché

FILED
SEP 27 1962

Encl.: all m/m
Balance sheet of the Bank of Brazil Rediscount Department, August 31, 1962.

(?) Including Cr$ 5 billion of SUMOC vaults.

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FORM DS-323 4-62

ACTION	RM/R	REP	AF
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ARA	EUR	FE	
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AGR	COM 10	FRB 3	
INT	LAB	TAR	
TR 2	XMB 2	AIR	
ARMY	CIA 8	NAVY	
OSD	USIA	NSA 3	
RM/AN-McG 1			

AMB
ADM
DCM

Drafted by: Blomeyer:anc

Contents and Classification Approved by:

Clearances: Robert Eakens

0098

UNCLASSIFIED

Rio de Janeiro
A-351

BANK OF BRAZIL S. A.
Rediscount Bureau

Balance Sheet on August 31, 1962

A s s e t s	Cr$	Cr$
Bank of Brazil, Current Account		4,429,556.20
Short-Term Receivable		
Rediscounts of commercial paper	221,815,819,027.40	
Rediscounts of agric. paper (Law 3,253)	3,978,482,230.00	
Rediscounts of export paper (Law 29,536)	46,807,591,880.10	
Rediscounts of com'l paper of banks in liquidation or bankruptcy	229,706,178.20	
Accounts Receivable	259,477,690.00	
Sundry Debtors and Creditors ..	5,430,262.90	273,094,507,268.60
Fixed Assets		
Capital Holdings		49,797,427.10
Accounts Pending		
Expenditures for issuing paper currency	281,592,988.20	
Miscellaneous expenditures	30,167,174.10	11,760,162.30
Contra-Accounts		
Securities in Guaranty	29,399,471.00	
Depositors of Misc. Securities	9,274,538.50	38,674,009.50
		273,499,168,423.70

UNCLASSIFIED

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Liability	Cr$	Cr$
Capital and Reserves		
Reserve Fund		3,264,382,848.70
Short-Term Payable		
National Treasury:		
To the account of the Carteira	264,700,000,000.00	
Superintendency of Money and Credit	26,735,884.50	
Sundry Debtors & Creditors	424,665.80	264,727,160,550.30
Accounts Pending		
Provision for the expense of note printing	2,905,647,316.20	
Rediscounts	2,406,977,322.00	
Misc. Income	279,155.30	
Interest	67,296,242.70	
Undistributed Profits	3,597,592.60	
Bills receivable	84,812,165.30	
Refund of counter-account credits	341,221.10	5,468,951,015.20
Contra-Accounts		
Depositors of Securities in guaranty	29,399,471.00	
Capital Holdings for account of third parties	9,274,538.50	38,674,009.50
		273,499,168,423.70

0048

ARA: HK MAY

Approved in S
11/1/62

Approved in U
11/1/62

DEPARTMENT OF STATE

Memorandum of Conversation

LIMITED OFFICIAL USE

832.10/9-2162
xR 832.131

DATE: September 21, 1962

SUBJECT: Ambassador Campos' Call on Secretary Rusk

PARTICIPANTS: The Secretary
Under Secretary Ball
ARA - Edwin M. Martin, Assistant Secretary
- Herbert K. May, Deputy Assistant Secretary

His Excellency Roberto de Oliveira Campos,
Ambassador of Brazil
Dr. Octavio Bulhoes, Executive Director,
Supertendency of Money and Credit of Brazil

COPIES TO: S/S ARA (2) AID/EXSEC (2) AmEmbassy RIO de JANEIRO
G EST/B AA/LA
S/P REA INR/D - 8 RH/R-E-1 (18)

Ambassador Campos explained that he had asked for the interview with Secretary Rusk without having first discussed his problem with "the technical and operational" personnel of the State Department because Brazil's need for financial assistance can only be justified on political, rather than economic or technical, grounds. He reviewed the history of the balance of payments commitments undertaken by the U.S. Government in May, 1961, and conceded that the present situation does not contain the circumstances of monetary and political stability which had been established as prerequisites for drawings on those balance of payments credits. He emphasized that, on the other hand, the elections scheduled for October 7 are likely to result in a more conservative, or more centrist Congress, than presently exists, unless the elections take place in an atmosphere of economic and financial panic. He said that the requested drawing of $25.5 million on the Treasury Stabilization Agreement would help prevent panic on the foreign exchange market, thereby contributing to a more peaceful climate in which to hold the elections. He acknowledged that even with desirable election returns, he could not promise that the Brazilian Government would take necessary stabilization measures or other necessary measures at home or abroad. On the other hand, he said, failure on the part of the U.S. to provide the necessary $25.5 million, and the resulting possible

panic

0099

panic in the foreign exchange market, might well lead to a serious deterioration in the economic, and therefore in the political, scene.

Secretary Rusk and Under Secretary Ball explored the factors behind the current financial situation of Brazil. Secretary Rusk then said that the Department would give careful consideration to Ambassador Campos' request.

HKM
ARA:HKMay:jb
10/29/62



INCOMING TELEGRAM **Department of State** RECIPIENT RECORD COPY

37

CONFIDENTIAL

Control: 17369
Rec'd: September 21, 1962
8:33 p.m.

Action
ARA

Info
SS
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FROM: Rio de Janeiro

TO: Secretary of State

NO: 672, September 21, 5 p.m.

Embassy believes approach Foreign Ministries UK, Germany, France, Italy, Japan along lines proposed should be useful but that it may be some time before GOB will be able really come to grips with trade, investment and economic problems generally. Situation complicated by October 7 elections, January 6 referendum and reorganization government within 90 days thereafter with possibility further Cabinet changes during this period. Meanwhile further collaboration with other Embassies on points (A) and (B) could be undertaken realizing any decisions reached may need await more favorable atmosphere for implementation.

In any approaches to Foreign Ministries countries mentioned above, to which Canada should be added, it should be borne in mind Embassy Rio already maintaining close and cordial relations with Embassies these countries. What Embassy has found lacking in past consultations other Embassies on economic problems has been adequate instructions from their Foreign Ministries. In our efforts secure veto objectionable articles profits remittance bill, for example, we endeavord consult Embassies most interested countries at ambassadorial level but with only partial success. British Ambassador did discuss problem with Foreign Minister and German Embassy stimulated protest by German/Brazilian commercial organization, but Counselor Japanese Embassy in absence Ambassador felt unable take any action since without instructions from Tokyo.

Pending receipt instructions this subject Embassy plans continue its practice working at all levels with Embassies other friendly countries having similar interests Brazil.

GORDON

DIM

NOTE: Message received without reference -- reference believed to be Department telegram 727.

(3)

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ACTION			
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NAME OF OFFICER		DATE OF ACTION	DIRECTIONS TO RM/R
OFFICE SYMBOL			

GPO 930 800

RIO 672 9-21-62 Rec'd 8:33 p.m.

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

12230

LIMITED OFFICIAL USE
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Origin

Info

ACTION: Amembassy RIO DE JANEIRO 777 PRIORITY

RIO 777

Following based uncleared memcon meeting Ambassador Campos with Secretary and Under Secretary Friday afternoon September 21. Campos based request for drawing of $25.5 million under Treasury Stabilization Agreement on political rather than economic or technical grounds, conceding present situation in Brazil lacks circumstances monetary and political stability established as prerequisites for drawings in U.S. B/P commitments of May 1961. Asserted October 7 elections likely result more conservative or centrist Congress unless take place in atmosphere economic and financial panic; requested drawing would help prevent such panic and contribute more peaceful climate for elections. Acknowledged that even with desirable election results could not promise GOB would take necessary stabilization or other necessary measures at home or abroad. However, argued that failure U.S. provide necessary $25.5 million might lead serious economic and therefore political deterioration.

After exploring factors behind current financial situation in Brazil, Secretary stated Department would give careful consideration Campos' request.

(3)

Authorized by RMR

BRUCK

Drafted by: ARA/EST:JWilson/mb 9/22/62

Telegraphic transmission and classification approved by: The Acting Secretary

Clearances:
ARA/EST - Mr. Wellman
ARA - Mr. May
S/S - Mr. Kriebel
ARA - Mr. Martin

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FORM 5-61 DS-322

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Action
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Control: 20409
Rec'd: September 26, 1962
10:52 am

INFO: RM/R FILES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 707, September 25, 11 pm

PRIORITY

DEPTEL 755 and EMBTEL 668

Bank of Brazil reserve position suffered rapid deterioration last few days; little prospect improvement this trend unless NY banks agree further new credit lines. In millions dollars, confirmed Foreign Exchange balances 30.3 in US and 6.4 in Europe, total 36.7 on August 31. Preliminary reports balances major US banks show increase to 42 September 13, but fall to 33, September 17 and to 18.3 September 21. Commercial arrears September 21 totaled 101.8 of which 87 to US, 14.8 to Europe.

Contrary impression apparently received Moreira Salles in August, appears NY banks not been willing, or are slow, open new credit facilities. To date in September, Brazil repaid 33 in credit lines, drew only $16 million new lines. Further credit line repayments due 5.5 before end September; 8.5 first 10 days October. Other payments becoming due September include 16.5 to IMF and 1.8 to Treasury. Not yet clear whether National Security Council will grant permission ship gold to pay 10.3 IDB subscription due October.

On receipts side only 10 gold collateral loan now made under negotiation and 10 from discount sugar and mineral export bills, in prospect next few days. Bank of Brazil receipts from usual export sources, e.g., coffee and cocoa thus far in September about 20 percent below banks expectations.

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-2- 707, September 25, 11 pm from Rio de Janeiro

2169 Please keep Embassy informed any reports results talks Bulhoes and/or Casimiro Ribeiro may be currently conducting with New York banks re credit lines.

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Control: 20911
Rec'd: September 26, 1962
7:04 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 709, September 26, 4 p.m.

DEPTEL 738

1. Chamber not scheduled meet again until middle October, therefore no chance approval new Senate bill on profit remittances before elections. Calmon believes prospects excellent bill be approved during second half October and continues have pledges support of Goulart, Mazzilli and party leaders. States only reason not passed in last session was political crisis. Embassy's Brasilia office less confident than Calmon that bill will be approved before next January.

Present legislation promulgated by Senate September 4 not yet in effect, since not published in DIARIO OFICIAL. SUMOC working on drafting regulations, but Calmon indicates will not issue regulations until new Senate bill approved. Present text contains no deadline issuance regulation, except for 30-day period for regulations covering registry assets abroad (article 17). Publication DIARIO OFICIAL expected today.

2. Calmon forwarded Finance Ministry comments on investment guarantee agreement to Itamaraty early last week. Opinion favorable with minor observations apparently along lines reported TOAID A-620. We proceeding check status with FONOFF, but latters economic affairs department in somewhat confused state in view appointment Dias Carneiro as Minister Industry and Commerce.

Believe risk exists that signing investment guarantee agreement before new Senate bill adopted might prejudice chances Senate bill by giving opportunity demogogic use investment agreement by nationalists to confuse issue of US attitude toward profit remitance problem. We, however, will continue negotiate agreement

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and will evaluate this factor when and if we approach signature stage again and determine whether possible negate its effect through explicit references, speeches, press release etc.

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INCOMING TELEGRAM *Department of State*

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Control: 21838

Rec'd: September 27, 1962 6:17 p.m.

INFO RMR/R FILES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 724, September 27

RMR/R - Jun 10/9 - Jww

FOLLOWING FROM BRASILIA:

TODAY'S DIARIO OFICIAL PUBLISHES PROFIT REMITTANCE LAW WHICH NOW BECOMES EFFECTIVE. DELAY IN PUBLICATION OF 24*DAYS AFTER PROMULGATION BY PRESIDENT OF SENATE (WEEKA 35) IS UNUSUAL. USUAL PERIOD LESS THAN A WEEK. LEFTIST DEPUTY SERGIO MAGALHES (PTB-GUANABARA) CHARGED AT POLITICAL RALLY TWENTY-SECOND THAT LAW WAS "PIGEON-HOLED" BECAUSE OF PRESSURE OF "INTEREST GROUPS".

LEFTIST ULTIMA HORA AND COMMUNIST NOVOS RUMOS THEN TOOK UP CRY. ALTHOUGH NO OFFICIAL STATEMENT MADE, GOVERNMENT SOURCES ATTRIBUTE DELAY TO ADMINISTRATIVE REASONS CONNECTED WITH CHANGE OF PRIME MINISTERS. ULTIMA HORA, ALTHOUGH GOULART MOUTHPIECE. TOOK THIS EXPLANATION WITH TONGUE-IN-CHEEK, SAYING: "THERE IS PRESIDENTIAL MEAT AT BOTTON OF THE PORRIDGE."

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*Confirmed as 23.

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INCOMING TELEGRAM *Department of State*

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Control: 23445
Rec'd: September 29, 1962
12:01 p.m.

FROM: Rio De Janeiro

TO: Secretary of State

NO: 734, September 28, 8 p.m.

ACTION DEPARTMENT 734 INFORMATION MEXICO CITY 11 BRASILIA 37

MEXICO CITY FOR USDEL IA-ECOSOC

BRASILIA FOR AMBASSADOR

In conversation with Korp today Finance Minister Calmon made following main points:

1) In discussions last two days in Brasilia Goulart favorably inclined Calmon's ideas renew stabilization effort. Since include measures such as raising railroad and Merchant Marine rates, increasing petroleum prices, etc., clear will not be implemented until after elections.

2) Calmon believes Goulart moving rapidly toward center and away from Brizola. As evidence, says Goulart has: A) decided minimum wage not to be raised until January, and B) instructed Bank of Brazil move rapidly settle ITT expropriation problem. (See separate message EMBTEL 733). However, Goulart still amenable influence Leftist advisors and therefore Calmon asked convey to Ambassador strong plea support interim US assistance (reference Campos request for $25.5 million) mainly influence Goulart showing him value sound financial program with US cooperation. Would use assistance settle US commercial arrears. This political context feels immediate signature fourth PL-480 extension also important.

3) Calmon does not yet know whether will remain Finance Minister -but-

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-2- 734, September 28, 8 p.m. from Rio De Janeiro

but any case, will go Mexico City October 22 as head GOB Del IA-ECOSOC meeting and talk with Dillon there. If remains Minister and has opportunity develop plan, intends visit Washington after middle November discussions IMF and USG.

4) Stabilization plans still formative stage and not position show any paper. Envisions gradual but steady reduction rate inflation. Tax bill to be presented Congress when reconvenes in October raising CR $250 billion new revenue in 1963.

5) Referring Ambassadors conversation Sulexco (EMBTEL 673) Calmon said much concerned with case but any solution must await end LAFTA conference Mexico City.

6) Reported yesterdays meeting oil companies all except Standard California, appeared agreeable consolidate arrears through end December on basis monthly repayments over 1963 or half in June 1963 and half December 1963. Said hopes California would "come around" early next week. (non-payment through end of year would give necessary breathing spell).

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DEPARTMENT OF STATE

AIRGRAM

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A-371 | CONFIDENTIAL | PRIORITY

NO. | HANDLING INDICATORS

TO : DEPARTMENT OF STATE

FROM : AmEmbassy, RIO DE JANEIRO DATE: September 26, 1962

SUBJECT : Bank of Brazil Exchange Reserves and Transactions - August 31, 1962

REF : CEAP, Sec. B-231; Embassy's A-264 of August 30, 1962

Attached are tables on the Bank of Brazil's foreign exchange reserves and on foreign exchange transactions of the Bank of Brazil and of other banks, as of August 31, 1962.

COMMENT:

The level of net convertible reserves of the Bank of Brazil showed little change during August, except for some shift from holdings in European currencies to holdings in dollars. However, there is evidence that dollar deposits have declined rapidly during the second half of September. Confirmed deposits in dollars amounted to $30.3 million on August 31. Preliminary telegraphic reports from major U. S. banks show deposits increased to $42 million on September 13, but then fell swiftly to $33.1 million on September 17 and $18.3 million on September 21. (See footnote 1 to tables).

This recent pressure on reserves appears to reflect mainly the following factors:

a) The Bank of Brazil's purchases of exchange thus far in September, have been much lower than expected, particularly from coffee exports. Convertible currency contracts purchased during September 1 - 20, were at a monthly rate of $48.5 million (see footnote 5 to tables), compared to the Bank's estimate of monthly average receipt during September - December, 1962 of $68.3 million ($61.8 million from exports).

b) Contrary to expectations, the Bank of Brazil has not been able to make new drawings on credit lines with New York

Encl: Tables, as stated.

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FORM DS-323 4-62

Drafted by: RVKorn/dh | Contents and Classification Approved by:

Clearances:

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banks at roughly the same rate as old credit line drawings have matured. During September 1-21, old credit line drawings of $32 million were repaid, but only $16 million of new lines became available. Further, credit line repayments of $7.5 million are due by the end of September and of $8.5 million by October 10.

Additional obligations in the near future include $16.5 million to the IMF ($29 million of the total $46.5 million obligation is being postponed until June 10, 1963), $1.8 million to the U. S. Treasury (September repayment) and $10.3 million 1/ for the Brazilian subscription to the IDB.

As reported in the Embassy's telegram No. 707, prospective receipts to meet the above payments are low, unless further credit lines open with the New York banks.

According to Bank of Brazil officials, commercial arrears reached $101.8 million, as of September 21, of which $87 million are dollar obligations and $14.8 million are obligations in other currencies. It is clear that Brazil is on the edge of a new exchange crisis of major proportions.

For the Ambassador:

Ralph V. Korp
Financial Attaché

1/ May possibly be paid by a shipment of gold from stocks in Brazil.

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Airgram A-711
Rio de Janeiro

TABLES ON BRAZIL'S RESERVES AND FOREIGN EXCHANGE TRANSACTIONS

(All figures in millions U.S. dollars, or dollar equivalents)

I. CONVERTIBLE FOREIGN EXCHANGE RESERVES

A. Net Reserve Position of the Bank of Brazil

End of Period	Unpledged gold	Freely Available US$	Other Freely Available Conv.Curr.	Sub-Total	Used N. Y. Credit Lines in Use	Total Net Reserves
1961						
Dec.	70.1	39.2	2.3	111.6	-50.5	61.1
1962						
Mar.	70.5	25.5	12.6	108.6	-25.0	83.6
June	81.1	41.1	6.9	129.4	-42.5	87.9
July	81.1	17.2	17.4	115.7	-45.0	70.7
Aug.	81.1	30.3	6.4	117.8	-45.0	72.8

For more recent figures, see footnote 1/

B. Gross Reserve Position of the Bank of Brazil 2/

End of Period	Total Gold (1)	Unpledged Gold (2)	U. S. Dollars (3)	Other Convertible Currencies (4)	Unutilized N. Y. Credit Lines (5)	TOTAL: (2+3+4 +5)
1961						
Dec.	285	70	126	47	40	283
1962						
Mar.	285	70	92	42	67	271
June	285	81	94 3/	31	46	252
July	285	81	74 3/	34	46	235
Aug.	285	81	57	21	46	205

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II. FOREIGN EXCHANGE OPERATIONS

A. Bank of Brazil Contracts for Purchases and Sales of Foreign Exchange a/

1. Convertible Currencies

Monthly Transactions	U. S. Dollars			Other Conv. Currencies			Total Convertible Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net	Purchases	Sales	Net
1962									
Jan.	62.8	77.5	-13.6	20.0	23.9	-3.9	83.9	101.4	-17.5
Feb.	31.3	60.1	-28.8	11.4	25.1	-13.7	43.0	106.6	-43.6
Mar.	45.2	78.8	-33.6	12.3	17.5	- 5.2	57.5	96.3	-38.8
Apr.	49.7	69.3	-19.6	14.2	14.8	- 0.6	63.9	84.1	-20.2
May	51.3	85.8	-34.5	24.3	19.7	+ 4.6	75.6	105.5	-29.9
June	41.9	68.5	-26.7	11.9	18.1	- 6.2	53.8	86.7	-32.9
Total (Jan/June)	303.6	460.4	-156.8	94.2	119.1	-24.9	397.8	579.5	-181.7
July	59.2	55.2	+ 4.0	21.3	17.9	+ 3.4	80.5	73.1	+ 7.4
Aug.	60.5	38.6	+ 21.9	17.0	16.3	+ 0.7	77.5	54.9	+ 22.6
Total (Jul/Aug)	119.7	93.8	+ 25.9	38.3	34.2	+ 4.1	158.0	128.0	+ 30.0
Total (Jan/Aug)	423.3	554.2	-130.9	132.5	153.3	-20.8	555.8	707.5	-151.7

For more recent figures see footnote b/

2. Inconvertible Currencies

Monthly Transactions	Purchases	Sales	Net
1962			
January	7.5	4.5	+3.0
February	7.2	12.7	-5.5
March	8.5	6.7	+1.8
April	9.1	5.6	+3.5
May	11.8	5.8	+6.0
June	23.0	11.6	+11.4
Total, Jan/June	67.1	46.9	+20.2
July	10.6	8.8	+ 1.8
Aug.	8.8	23.8	-15.0
Total, July/Aug.	19.4	32.6	-13.2
Total, Jan/Aug.	86.5	79.5	+ 7.0

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- 2 -

Dec. 9, 1963

1. Gold Backing for Outstanding Currency and Foreign Liabilities

2. Gold and Foreign Exchange Reserves

Transactions	Purchases: Acct.	Purchases: Forwarded to BIS	Purchases: Total	Sales: Acct.	Sales: Forwarded by BIS	Sales: Total	Net Total
1962							
Jan.	28.3	4.3	32.6	36.3	0.7	36.0	- 3.0
Feb.	19.3	3.0	32.3	24.7	4.3	29.0	+ 7.4
Mar.	42.9	9.7	52.6	40.5	0.2	40.7	+11.9
Apr.	50.7	2.3	53.0	50.4	0.1	50.5	+ 2.5
May	73.0	6.5	79.5	67.6	0.3	67.9	+11.6
June	21	8.4	29.8	48.3	0.2	48.5	-18.7
July	21.5	10.3	31.8	32.7	1.9	34.6	- 2.8
Aug.	34.6	13.0	47.6	38.2	2.1	38.2	+ 9.4
Total, Jan.-Aug.	290.9	55.6	358.5	316.8	9.1	322.2	+36.3

For more recent figures, see footnote 1/

3. By Type of Transaction

Monthly Transactions	PURCHASES: Interest	PURCHASES: Financial Investments	PURCHASES: Total	SALES: Exports	SALES: Financial Transactions	SALES: Total	NET TOTAL
1962							
Jan.	21.6	11.0	32.6	18.0	18.6	36.6	-4.0
Feb.	18.4	13.9	32.3	11.9	13.0	24.9	+7.4
Mar.	32.9	19.7	52.6	16.7	24.0	40.7	+11.9
Apr.	30.9	22.0	52.9	15.3	35.2	50.5	+ 2.4
May	51.4	28.1	79.5	24.7	43.0	67.7	+11.8
June	24.8	5.0	29.8	30.6	18.4	49.0	-19.2
July	23.6	8.2	31.8	5.3	5.3	11.6	+20.2
Aug.	36.7	10.7	47.4	33.2	5.0	38.2	+9.4
Total, Jan.-Aug.	240.3	118.2	358.5	160.7	162.5	323.2	+36.3

C. Bank of Brazil "Escrow"

End of Period	"Escrow" Dollars: U.S. (BIS)	"Escrow" Dollars: Other	"Escrow" Dollars: Total	Total
1962				
Dec.	313.7	34.1	347.8	
1963				
Mar.	323.1	38.4	361.5	
June	384.5	31.5	416.0	
July 2/	377.7	38.6	416.3	
Aug.	374.6	31.7	406.3	
Net to Paring Dec. 1 thru Aug. 31, 1963	+60.9	- 2.4	+58.5	

1/ For more recent figures, see footnote 1/

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FOOTNOTES TO TABLE

1/ Preliminary statistics [illegible] for [illegible] for about 90 percent of deposits in the [illegible] showed [illegible] increased to about 3.0 mil[illegible] on [illegible] 21, [illegible] of [illegible] 410.3 million on September 21, 1960 [illegible] million on September 28, 1960.

2/ Continuation of the series appearing in [illegible] 27 [illegible] Part I of the [illegible] to comply [illegible] with Airgram [illegible] dated February 10, 1960". The main difference between this series [illegible] and the series in the [illegible] addition (7A) is that [illegible] to [illegible] available [illegible]. [illegible] Bank's [illegible] in transit and [illegible] [illegible] Banks correspond [illegible] in [illegible] the [illegible] only the [illegible] deposits and [illegible] [illegible] meaningful of the two sets of data.

3/ Recorded from figures previously reported, [illegible] available. Some [illegible] shortly [illegible] [illegible] [illegible].

4/ These transactions reflect the movement of [illegible] for the sale or purchase of foreign exchange; [illegible] such flows. Private [illegible] transactions of the Bank of Brazil, on its own behalf are never reflected in these figures. Thus, items such as "swaps" and drawings and repayments of foreign loans by the Bank of Brazil do not form part of the transactions recorded in this series.

5/ Bank of Brazil's exchange contract transactions in convertible currencies during September 1 - 23 were the following: Dollar purchases, $25.6 million; sales, $27.2 million; deficit, $1.6 million; other currencies purchased, $3.4 million; sales $3.1 million; deficit $0.3 million; total convertible purchases $29.0 million; sales, $25.3 million; deficit $3.7 million.

6/ During September 1 - 5, total purchases by commercial banks amounted to $24.7 million, and sales $25.9 million.

7/ The "swaps" position as of September 21, showed a small increase, the principal being: Dollar "swaps", $170.0 million; other convertible "swaps", $31.7 million; total "swaps" $201.9 million.

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9:23 p.m.

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 745, October 1, 9 p.m.

PRIORITY

ACTION DEPARTMENT 745, INFORMATION MEXICO CITY PRIORITY 13

MEXICO CITY FOR HERBERT MAY

Department telegram 832.

1. Reference telegram received only this afternoon. This is reply limited to proposed reply to Campos summarized paragraphs 3, A, B (1-4). My recommendations based partly on long review with Bulhoes to be reported tomorrow, and joint consideration with Kubish and Korp.

2. We believe pre-election indication sympathetic disposition and modest project anticipation support are highly desirable. I specifically and warmly endorse wheat, manganese barter proposal. On Northeast, we believe better not isolate state road program for specific commitment, but preferable throw in with paragraph 3, perhaps making total 20 million at this time. Project categories paragraph 3 should be only illustrative and should include vocational education, electric power, national as well as state roads, industrial development and public health, in addition to those you specify.

3. Calmon and Bulhoes outlined to us main elements in financial programs contemplated for rest of 1962 and for 1963. These are to be considered by Cabinet shortly after elections. We believe response to Campos offers opportunity reinforce likely

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-2- 745, October 1, 9 p.m., from Rio de Janeiro --
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likely acceptance Calmon line. If line is adopted and becomes firm Goulart policy, needs for project anticipation supported before end of 1962, will substantially exceed above proposed 27 million. Morever, projected general discussion with Calmon in Washington can take place only late November, when Congress has had opportunity act on budget and tax proposals for 1963. To exert maximum favorable influence, suggest additional paragraph indicating we understand both balance of payments and internal monetary problems to be reviewed by Cabinet soon after election, and if policy clearly follows objectives of financial recovery with aim containing cost of living and assuring rapid social and economic progress within context balanced economy, in spirit joint April communique, we would sympathetically consider additional project anticipation support on similar basis, not limited to Northeast.

4. Substance of paragraph 4 reference telegram would then refer to late November discussions looking toward 1963.

5. We assume written communication would make all of these points, not only negative response paragraph 3A reference telegram.

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Control: 10796
Rec'd: October 13, 1962
3:34 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 836, October 12, 7 p.m.

FOR TREASURY

NELSON FROM COSTANZO

Unable clarify Bank of Brazil's intentions IDB and IDA payments as key officials involved in Brasilia. View reserve situation reported EMBTEL 835, subordinate officials indicate likely decision will be pay IDB in dollars and defer decision ship gold. Any event, no action as yet initiated arrange shipment. If gold in fact used, timing IDB payment apt be closer end month than next days. Situation on small IDA payment not clear. Hope forward more definite indication GOB intentions early next week.

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DEPARTMENT OF STATE

AIRGRAM

832.10/10-262

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A-377 NO. OFFICIAL USE ONLY HANDLING INDICATOR

TO : DEPARTMENT OF STATE

FROM : AmEmbassy, RIO DE JANEIRO DATE: October 2, 1962.

SUBJECT: EXECUTION OF THE 1962 FEDERAL BUDGET - JANUARY/JUNE.

REF : CERP, B-200, Airgram A-194, August 16, 1962. 832.10/8-1662

I - SUMMARY - BUDGETARY ACTIVITIES

Information made available by the Superintendency of Money and Credit shows that the Brazilian Federal Government incurred a financial deficit of about Cr$ 60.5 billion from January to June 30 of the Fiscal Year 1962. This financial deficit represents the excess of total Government obligations over Government revenue derived from sources provided for in the Budget Law. The cash deficit representing the difference between actual budgetary expenditures and revenue collections available for budgetary purposes was also Cr$ 60.5 billion during this period. For the comparable half year of 1961 the financial deficit was Cr$ 55.8 billion and the cash deficit was Cr$ 36.0 billion. Enclosure 1 shows the composition of financial and cash deficits for 1962 and the sources of financing the cash deficit.

II - ANALYSIS OF OBLIGATIONS

The rate of obligations for the first six months projected on an annual basis, as in the first quarter, ran substantially behind the annual rate of Cr$ 824.1 billion which

Encls.: 1) Composition of Financial and Cash Deficits - January-June 1962;
2) Breakdown of Obligations & Appropriations by Major Activity;
3) Breakdown of Major Source of Revenue & Revenue Estimates.

Encl. att. Ltr

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Drafted by: RVKorp/WBlomeyer:anc

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Robert Eakens

is the revised estimate for obligations for the year. Budgetary obligations for the first half year amounted to 30% of total appropriations in the budget (Cr$ 573.5 billion) as compared to 43% of total appropriations obligated in the comparable period of 1961. The slower rate of obligations of appropriated expenditures reflects implementation of expenditure cuts pursuant to the Administration so-called "Economy Plan", providing for cuts of Cr$ 60 billion over 1962. On the other hand there has been a substantial use of authority to expend funds over and above appropriations.

III - ANALYSIS OF RENEVUES

Revenue collected for the first half year amounted to Cr$ 173 billion which represents 39% of the Cr$ 439 billion total revenue forecasted in the budget for the entire year, and shows a 47.6% increase over the comparable period of 1961. As a percentage of the estimates made for the entire year, the revenue collected through June from consumption taxes was 45.6%; from income taxes 17.1%; from import duties 13.3% and from stamp taxes 13.3%. For the second half year, consumption and stamp revenues should increase as a reflection of further inflation and import duties should increase due to the upward revision of the fiscal dollar. The billing for income taxes which are normally collected during the second half of the year has been greatly delayed. Therefore, income taxes collected during January-June which are normally one-third of those collected in the second half lagged substantially behind the estimated figure. However, there is no reason to believe that revenues for 1962, as a whole, may not yet reach the latest SUMOC forecast of Cr$ 490 billion, which would be Cr$50 billion above the revenue estimate included in the budget.

IV - PROSPECTS

According to SUMOC latest estimates, in addition to budgetary appropriations amounting to Cr$ 573.5 billion, there will be extra budgetary obligations totalling Cr$ 250.6 billion, which will push total expenditures in fiscal year 1962 to Cr$ 824.1 billion (1). These extra-budgetary expenditures will be necessary for the 40% pay raise with the vetoes rejected in Congress (Cr$ 95 billion); for expenditures approved "sem crédito" (Cr$ 50 billion); for insufficient appropriations for personnel and appropriations related to receipts (Cr$ 45.6 billion); for financing to public entities (Cr$ 20 billion); for expenditures approved from past fiscal years (Cr$ 20 billion); and for supplementary credits (Cr$ 20 billion).

However, Cr$ 824.1 billion is not the final figure for total expenditures in fiscal year 1962. According to Helio Escobar, chief of the

(1) This figure takes into account the Economy Plan which calls for cuts of Cr$ 60 billion and for Cr$ 120 billion of transfers into future fiscal years. The Plan was approved by Congress on August 24, 1962, but has been implemented since January.

Budget Division of SUMOC, until December 1962 Cr$ 45 billion will be needed for items such as (a) purchases of rice and wheat made by the Bank of Brazil for the account of the Federal Government during the food shortage, (b) the Federal Government will have to provide funds directly to certain borrowers of the National Development Bank (such as COSIPA, USIMINAS, FURNAS, Fábrica Nacional de Motores, Álcalis, among others) which the bank is unable to supply in view of the delayed collection of the income taxes (the proceeds of a surtax on the income tax are handed over to the Bank for development projects). A final cash deficit of at least Cr$ 200 billion appears to be unavoidable in view of the foregoing.

In the light of the above estimate and the fiscal operations of the Federal Government as carried out in the first half of the year, a rough projection for the second semester follows:

In Cr$ billion	Jan-March (Actual)	Jan-June (Actual)	July-Dec. (Estimate)	Jan-Dec. (Estimate)
RECEIPTS	76.7	173.0	317.0	490.0
EXPENDITURES	98.5	233.4	590.7	870.0
POTENTIAL DEFICIT				380.0
Less: "Economy Plan" (1)-See pg.2				-180.0
CASH DEFICIT				200.0

For the Ambassador,

Ralph V. Korp

Ralph V. Korp
Financial Attaché

Rio A-377

UNCLASSIFIED

Encl. 1

Composition of Financial and Cash Deficits and Source of Financing

(Cr$ billions)

	1962 Jan-June	1961 Jan-June
OBLIGATIONS		
Revenue	173.0	117.2
Budgetary & Supplementary Credits	174.5	130.4
"Budgetary" Deficit (-)	-1.5	13.2
PLUS OTHER AMOUNTS APPROVED FOR PAYMENT		
Restos a Pagar, registered & Special Funds & Deposits	-	9.9
Plus Expenditures approved from Previous Budgets	10.2	5.8
Plus Expenditures approved "Sem Crédito"	48.7	26.8
Total Financial Deficit	60.5	55.8
EXPENDITURES		
Budgetary Operations		
Revenue	173.0	117.2
Budgetary Cash Expenditures	174.5	120.5
Budgetary Cash Deficit (I)	1.6	3.3
EXTRA-BUDGETARY EXPENDITURES		
Expenditures "Sem Crédito"	48.7	26.8
Liquidation of "Restos a Pagar"	10.1	5.8
Extra-budgetary Cash Deficit (II)	58.8	32.6
Total Cash Deficit (I + II)	60.5	36.0
FINANCING OF CASH DEFICIT		
Bank of Brazil loans to Treasury	59.3	37.0
Treasury Letters	4.6	5.0
Balance brought forward	10.4	-
Cash Carried Forward	less 13.8	less 6.0
Financing of Cash Deficit	60.5	36.0

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Breakdown of Obligations and Appropriations by Major Activity

(Cr$ million)

Agency	Budget Law 1962	Jan-June Obligations Budget	Plus "Sem Crédito"	Total Jan-June 1962
Legislative	3,634	1,403	-	1,403
Tribunal of Accounts	657	223	-	223
Presidency	9,162	1,216	10	1,226
DASP, etc.	19,646	2,464	2	2,466
Aeronautics	28,696	11,163	-	11,163
Agriculture	22,553	4,513	540	5,053
Education & Culture	48,552	10,008	203	10,211
Finance	106,471	39,293	11,878	51,171
War	46,804	22,954	-	22,954
Justice	11,498	2,431	-	2,431
Navy	26,343	10,869	-	10,869
Health	24,772	8,444	55	8,499
Foreign Affairs	4,993	1,795	63	1,858
Labor & Soc. Sec.	35,750	5,318	2,817	8,135
Mines & Energy	13,670	1,076	100	1,176
Transp. & Public Works	165,591	49,394	8,790	58,184
Industry & Commerce	1,611	185	369	554
Judiciary	3,127	1,779	16	1,795
TOTAL	573,536	174,528	24,842	199,370

OTHER EXTRA BUDGETARY EXPENDITURES APPROVED FOR PAYMENT

Expenditures from previous budgets	10,159
Other Amounts approved for payment	23,891
TOTAL OBLIGATIONS	233,420

Rio A-377

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Encl. 3

Breakdown of Major Source of Revenue and Revenue Estimates

(Cr$ million)

Taxes	Collections 1961 Full Year	Collections 1961 Jan-June	Budget 1962	Collections Jan-June
Income	83,696	24,660	113,000	29,527
Consumption	122,690	48,747	178,556	78,898
Stamp	36,054	15,019	48,500	23,082
Import	35,716	14,950	41,723	23,145
Fees	2,454	1,104	3,000	1,228
Other		12,698	54,237	17,077
	317,454	117,178	439,016	172,957

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ORIGINATION

RM/R	REP	AF
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ARA	EUR	FE
NEA	CU	INR
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305	SCA	RM/R-Erickson
1	2	1
AGR	COM	FRB
10	8	2
INT	LAB	TAR
TR	XMB	AIR
2	2	3
ARMY	CIA	NAVY
5	8	5
OSD	USIA	NSA
12		3

DEPARTMENT OF STATE

AIRGRAM

832.10/10-262

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A-379 NO. | LIMITED OFFICIAL USE | XR 832.131 HANDLING INDICATOR

TO : DEPARTMENT OF STATE

FROM : AmEmbassy, RIO DE JANEIRO DATE: October 2, 1962

SUBJECT : Brazil's Bilateral Agreement Balances

REF : CERP, B-231

RM/R - Kerr
10/9 - JWA

According to data received from the Exchange Department of the Bank of Brazil, the status of balances under Brazil's bilateral payments agreements in force as of August 31, 1962, was as listed in the enclosure.

For the Ambassador:

Ralph V. Korp
Financial Attaché

FILED
OCT 9 1962

Enclosure: Tabulation, as stated

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FORM DS-323 4-62

Drafted by:	RVKorp/dh	Contents and Classification Approved by:
Clearances:	REakens OK	

BILATERAL ACCOUNTS, AUGUST 31, 1962

(in millions U.S. dollar equivalents)

Country	Payable to Brazil	Payable by Brazil	Net
Denmark	8.8	-	8.8
Iceland	0.3	-	0.3
Spain	ø	-	ø
Bulgaria	0.5	-	0.5
Greece	1.2	-0.1	1.1
Hungary	6.0	ø	6.0
Israel	-	-0.2	-0.2
Yugoslavia	7.0	-	7.0
Poland	5.7	-	5.7
Portugal	-	0.8	-0.8
E. Germany	8.4	-	8.4
Rumania	0.7	-	0.7
Czechoslovakia	6.3	-	6.3
Turkey	-	ø	ø
USSR	16.7	-	16.7
	61.6	-1.1	60.5

ø Less than 100,000

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Control: 3329
Rec'd: October 4, 1962
11:54 a.m.
INFO
RM/R FILES

RIO 753

FROM: Rio De Janeiro

TO: Secretary of State

NO: 753, October 3, 8 a.m.

ACTION DEPARTMENT 753 INFORMATION MEXICO CITY 15

MEXICO CITY FOR HERBERT MAY

Following report on conversation with Bulhoes yesterday, promised in earlier message:

1. Bulhoes tried persuade my urgency some amount early financial assistance mainly four grounds: (A) Brazil's foreign exchange reserves non-existent and no clear way of covering foreseeable deficit. (B) Lack of maneuvering room on external payments at any moment threatens swing policy balance toward restoration severe exchange controls. (C) Additional foreign exchange critically needed to reduce inflationary pressures between now and end year. Explained new financial assistance would politically enable him use free gold reserves to pay commercial arrears while new money would be sold for cruzeiros. This differes, although not necessarily contradicts, statement of Proenca that any new money would be used settle arrears; Proenca appears somewhat more nervous on gold sales than Bulhoes. (D) Assistance fits in with Calmon-directed efforts to develop financial program for rest of 1962 and for 1963.

2. Had definite impression Bulhoes own thinking more along lines project anticipation advances rather than Campos emphasis $25.5 million from Treasury.

3. I emphasized importance we placed on concrete development Calmon-type plan and the continuity removal irritants in US-

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GOB relations such as ITT case and lack action on new Senate amendment to profit remittance Legislation. I indicated would be helpful able know soon as possible details financial plans as well as have some assurance Goulart fully supporting them.

4. Bulhoes said plans not yet firm but mentioned thinking for rest of 1962 included maximum utilization voluntary and compulsory loan authority, raise railroad and other public service rates, increasing petroleum dollar to realistic level, and increase marginal bank reserve requirements from present level 40 to 60 percent. For 1963, general approach included request for new tax Legislation immediately when Congress reconvenes middle of October, cuts and postponements in 1963 budget, and selective budget planning in investment sector for emphasis highest priority projects and delay or cancellation low priority ones.

5. When asked what Bulhoes considered minimum need for assistance before end 1962, he replied any amount would be helpful but thought $80 million clearly justified. We have impression this negotiable figure.

GORDON

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Control: 2689
Rec'd: October 3, 1962
5:01 p.m.

AF
INFO:
RM/R FILES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 752, October 3, 8 p.m.

Noted 10/4/62 DSA/IRCD Mrs. Mitchell.

ACTION DEPARTMENT 752, INFORMATION MEXICO CITY 14.

MEXICO CITY FOR HERBERT MAY

Minister Joao Batista Pinheiro, who left yesterday join GOB Delegation in Mexico City, reports GOB position at meeting as follows:

1. Attitude will be generally helpful and ready support constructive proposals.

2. GOB Delegation would support a proposal establish political " elder statesmen committee" but this will probably be AD referendum, particularly if question picking definite names arises.

3. Depending on conference receptivity (will approach USDEL on this informally) Brazilians may seek general recognition for principle that developing countries should avoid injuring growth rate while pursuing financial stability objectives and that, therefore, it is appropriate achieve financial stability over period of time that will not adversely effect growth. (Pinheiro attributed this to Calmon's philosophy, see King general endorsement for approaching solution to Brazilian inflation problem over two to three years).

4. At least informal talks about possibility scheme wereby US Treasury would guarantee Latin American bond issues in US and European markets. Argument is that scheme would substitute

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OPTIONAL FORM NO. 10
5010-104

UNITED STATES GOVERNMENT

Memorandum - OFFICIAL USE ONLY

TO : ARA - Mr. Martin

DATE: October 3, 1962

FROM : EST - Mr. Wellman HRW by RHC

SUBJECT: Brazil's Request for Emergency Financial Assistance.

Ambassador Campos has been requested to call at the Treasury Department Wednesday, October 3, at 4:00 p.m. to receive Treasury's response to the Government of Brazil's request for the release of $25.5 million from the Treasury exchange agreement.

As you are aware, Treasury intends to inform Ambassador Campos that it is unwilling at this time to comply with the request of the Government of Brazil, but reaffirming our interest in assisting in financial stabilization when the GOB has completed review of its position and plans. (long-
At the time of the above meeting we propose to hand Ambassador usge
Campos the attached memorandum, outlining other ways in which we can attached)
provide assistance.

Mr. John Leddy will act as spokesman for the Treasury Department. Because the positive action for assistance for the immediate problem is in the AID field, Mr. Graham Martin has been requested to attend the meeting. In the absence of Mr. May, I shall represent the Department of State.

Recommendation

That you approve the above procedure.

Approve Ltr ok per memo initiated

Disapprove _____

Attachment:

Tab A- Memorandum outlining other ways to provide assistance to Brazil.
Tab B- Deptel 832
Tab C- Embtel 745
Tab D- Proposed Treasury Language

ARA:EST/B:MMGrine:alc 10/3/62

FILED
OCT 12 1962

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S/S - C
ECON/AN

Brazilian Embassy

MEMORANDUM

The Department of State refers the Embassy of Brazil to the Brazilian Government's request for the release of $25.5 million from the Treasury exchange agreement and to the Treasury's response outlining the reasons it is unable to comply with that request.

The United States Government is aware of the serious financial situation facing Brazil at this time and is urgently seeking ways in which it can provide some early assistance to the immediate problem. In line with the above the United States Government is prepared to proceed as follows:

1. It is understood that a number of projects in the Northeast are now ready or will be ready for implementation shortly. These projects involve loans in cruzeiros, some of which the Government of United States will need to purchase with dollars. The program includes roads, community water supply, rural community electrification, elementary and vocational education, resources inventory, agriculture marketing, fisheries, water resources, electric power, industrial development and public health and possibly others. These could total up to the equivalent of $20 million. In an effort to move forward quickly and effectively the Agency for International Development is prepared to send immediately a loan team to Brazil to evaluate existing projects and expedite approval of loan applications.

2. In an effort to avoid the need for Brazil to expend hard currency for wheat imports Ambassador Gordon has been authorized to amend immediately the present PL-480 Title I wheat agreement to provide

(1)

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an additional 600,000 tons of wheat, valued at approximately $43 million. The Government of the United States is prepared to take whatever steps are necessary to assure that shipments can go forward in time to avoid shortages of wheat supplies. Should the above quantity of wheat prove inadequate for Brazil's needs, sympathetic consideration will be given to further amendments for additional amounts.

3. In addition the Government of the United States is encouraged by the Finance Minister's long-term approach to solve Brazil's financial problems. It is understood that both the balance of payments and internal monetary problems are to be considered by the Brazilian Cabinet soon after the elections. If the resultant financial policy clearly follows the desired objectives of financial recovery and is aimed at reducing the rapid increase in the cost of living and assuring rapid social and economic progress within the context of a balanced economy and under conditions of greater monetary stability the Government of the United States will be prepared to give sympathetic consideration to additional rapid project approvals, not only in the Northeast but in other areas as well.

Also, if the Government of Brazil adopts the above policies and the Brazilian Congress acts favorably on budget and tax proposals, the Government of the United States would look forward to discussions with the Minister of Finance, perhaps in November, to review the balance of payments position at that time and for 1963, along the lines of the April 1962 discussion with Moreira Salles.

Department of State,

Washington, October 3, 1962.

ARA:EST/B:RHCrane:alc 10/3/62

Concurrences: ARA - Mr. E. Martin
EST - Mr. H. Wellman
AID - Mr. G. Martin
AID - Mr. S. Grand
AID - Mr. B. Sherbak

Original initialed by H.H. Wellman

0177

RA/R

MEMORANDUM

The Department of State refers to the Government of Brazil's request for the release of $25.5 million from the Treasury exchange agreement and to the Treasury's response outlining the reasons it is unable to comply with that request.

The United States Government is aware of the serious financial situation facing Brazil at this time and is urgently seeking ways in which it can provide some early assistance to the immediate problem. In line with the above the United States Government is prepared to proceed as follows:

1. It is our understanding that a number of projects in the Northeast are now ready or will be ready for implementation shortly. These projects involve loans in cruzeiros some of which the Government of United States will need to purchase with dollars. The program includes roads, community water supply, rural community electrification, elementary and vocational education, resources inventory, agriculture marketing, fisheries, water resources, electric power, industrial development and public health and possibly others. These could total up to the equivalent of $20 million. In an effort to move forward quickly and effectively the Agency for International Development is prepared to send immediately a loan team to Brazil to evaluate existing projects and expedite approval of loan applications.

2. In an effort to avoid the need for Brazil to expend hard currency for wheat imports Ambassador Gordon has been authorized to amend immediately the present PL-480 Title I wheat agreement to provide an additional 600,000 tons of wheat, valued at approximately

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$43 million. The Government of the United States is prepared to take whatever steps are necessary to assure that shipments can go forward in time to avoid shortages of wheat supplies. Should the above quantity of wheat prove inadequate for Brazil's needs, sympathetic consideration will be given to further amendments for additional amounts.

3. In addition the Government of the United States is encouraged by the Finance Ministers long term approach to solve Brazil's financial problems. It is our understanding that both the balance of payments and internal monetary problems are to be considered by the Brazilian Cabinet soon after the elections. If the resultant financial policy clearly follows the desired objectives of financial recovery and is aimed at reducing the rapid increase in the cost of living and assuring rapid social and economic progress within the context of a balanced economy and under conditions of greater monetary stability the Government of the United States will be prepared to give sympathetic consideration to additional rapid project approvals, not only in the Northeast but in other areas as well.

Also, if the Government of Brazil adopts the above policies and the Brazilian Congress acts favorably on budget and tax proposals, the Government of the United States would look forward to discussions with the Minister of Finance, perhaps in November, to review the balance of payments position at that time and for 1963, along the lines of the April 1962 discussion with Moreira Salles.

Department of State,

Washington,

Concurrences: ARA - Mr. E. Martin
EST - Mr. Wellman
AID - Mr. G. Martin
AID - Mr. Stanley Grahl
AID - Mr. B. Sherbak

ARA:EST/B:HCrane:alc 10//3/62

S/S-C

OCT 3 1962 AM

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ORIGIN/ACTION

RM/R	REP	AF
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NEA	CU	INR
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	SCS 1	SCA 2
AGR	COM	FRB
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ARMY	CIA	NAVY
OSD	USIA	NSA

DEPARTMENT OF STATE

AIRGRAM

838.10/10-362
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A-140 NO. | CONFIDENTIAL | COURIER POUCH HANDLING INDICATOR

TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS OCT 5 1962

FROM : Amembassy PORT-AU-PRINCE DATE: October 3, 1962

SUBJECT : Claims of United States Citizens Against the Haitian Government

REF : A-16, September 19, 1962 W-29 838.10/11-1561 838.5711 238.1141

Before receipt of above-referenced airgram, the Embassy had drafted a note (enclosure 1) to the Foreign Office. Upon receipt of the airgram, the Embassy immediately delivered the note on September 24.

It is now requested that the Department furnish this Embassy with their list of the private claims against the GOH providing such a list is available, with the Department's opinion as to their individual validity.

According to the Embassy's files, the claims submitted represent a sum of approximately $550,000, not counting the debt owed to petroleum companies, and the Electric Light Company, who have made other arrangements. Of this amount, the GOH reportedly claims to have paid approximately $112,000, the balance being subject to payment reduction or complete cancellation for various reasons, following analysis and recommendations to be made by the local Claims Commission (Commission de Controle et de Règlement des Créances Privées Américaines).

The Embassy realizes that claims may have arisen since the arbitrary cut-off date imposed by the GOH, and will not fail to bring to the attention of Haitian officials that any such claims will be of equal concern to the United States Government.

For the Ambassador:

Enclosure:
Note No. 42, September 24, 1962

cc: USAID/Haiti Enc. att.

Valentin B. Blaque
Second Secretary of Embassy

OCT 12 1962

CONFIDENTIAL

FORM DS-323 4-62

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Drafted by: CCUL:VBBlaque:dc

Contents and Classification Approved by: DCUL:DeCurtis

Clearances:

A-22, Port-au-Prince 10-10-62

UNCLASSIFIED

Enclosure No. 1 to A-140 dated October 3, 1962 from Port-au-Prince -1-

No. 49

The Embassy of the United States of America presents its compliments to the Department of Foreign Affairs of the Republic of Haiti and has the honor to refer to the latter's Note No. SG/Conf 105 dated January 24, 1962, stating that a Special Commission had been appointed by the Government of Haiti to consider claims of firms and citizens of the United States against agencies of the Government of Haiti for goods and services furnished between October 1, 1950 and September 30, 1961. This Commission was established by Presidential Decree dated December 26, 1961, and the text of the Decree was published in the official newspaper "Le Moniteur" No. 121 of December 26, 1961, with a revised version No. 21 dated March 5, 1962. This Decree provides, among other things, that the Commission was to make recommendations to the Ministry of Finance in connection with the schedule of payments for these debts to United States firms and citizens, with a view to bringing about the ultimate liquidation or equitable settlement of these long-outstanding obligations.

The Embassy has received inquiries concerning the current status of these recommendations, as well as subsequent decisions reached by the Ministry of Finance. Many months have elapsed since the official appointment of the Commission which was to determine the validity of the claims as soon as they were submitted. The Embassy needs to be informed as to the status of these deliberations in order to report accurately to the United States Government and interested United States citizens and firms. It is therefore requested that the Government of Haiti advise this Embassy at its earliest convenience as to the progress of this matter.

The Embassy of the United States of America takes this opportunity to renew to the Department of Foreign Affairs the assurances of its highest and most distinguished consideration.

/s/ EMC

Embassy of the United States of America,

Port-au-Prince, September 24, 1962.

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

01681

CONFIDENTIAL
Classification

Origin

Info:

ACTION: Amembassy RIO DE JANEIRO PRIORITY 870

RIO 870

Subject: Reply Brazilian request for release balance under Treasury exchange agreement.

Asst. Sec. Treasury Leddy, delivered to Amb. Campos personally this afternoon with State and AID representatives also present USG reply in form letter from Secretary Dillon and Dept. Memorandum both dated October 3, texts of which as follows (Unnecessary words omitted):

[redacted] (Dillon letter): QUOTE I regret inform you that, under present circumstances, I am unable waive requirements Paragraph 2(b)(iii) of Exchange Agreement of May 16, 1961, as amended, between US and Brazil. I am unable, consequently, agree to purchase of cruzeiros proposed your letter to me dated Sept. 19, 1962.

I wish assure you that, in considering your request that I purchase cruzeiros, I have studied carefully the memorandum of Executive Director of Superintendency Currency and Credit which was attached your letter. In addition, I have been guided by objectives of Agreement of May 16, 1961, as stated particularly in the preamble thereof and in Paragraphs 1 and 2.

I understand your Government plans review both balance of payments and internal monetary position Brazil in near future. I wish assure you, this connection, that US remains prepared consider sympathetically ways in which it

Drafted by: ARA/EST:HRWellman:HRCrane:am 10/3/63

Telegraphic transmission and classification approved by: ARA:EST - Mr. Wellman

Clearances: AID - Mr. Grand (in substance)
Treasury - Mr. Costanza (in substance)

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FORM S-61 DS-322

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it might assist in successful execution of policies aimed at financial recovery and assuring rapid social and economic progress. END QUOTE.

(Dept. Memo): QUOTE Dept. State refers to GOB request for release $25.5 million from Treasury exchange agreement and to Treasury's response outlining reasons it unable comply with request.

USG is aware of serious financial situation facing Brazil this time and is urgently seeking ways it can provide early assistance to immediate problem. In line with above USG is prepared proceed as follows:

1. It is understood a number of projects in Northeast now ready or will be ready for implementation shortly. These projects involve loans in cruzeiros, some of which USG will need purchase with dollars. Program includes roads, community water supply, rural community electrification, elementary and vocational education, resources inventory, agriculture marketing, fisheries, water resources, electric power, industrial development and public health and possibly others. These could total up to equivalent $20 million. In effort move forward quickly and effectively ~~XXXXXX~~ AID is prepared send immediately loan team to Brazil to evaluate existing projects and expedite approval loan applications.

2. In effort avoid need for Brazil expend hard currency for wheat imports Amb. Gordon has been authorized amend immediately present PL-480 Title I wheat agreement to provide additional 600,000 tons wheat, valued at approximately $43 million. USG is prepared take whatever steps necessary to assure shipments can go forward in time avoid shortages wheat supplies. Should above quantity wheat prove inadequate

for Brazil's needs, sympathetic consideration will be given to further amendments for additional amounts.

3. In addition USG is encouraged by Finance Minister's long-term approach solve Brazil's financial problems. It is understood both balance of payments and internal monetary problems are to be considered by Brazilian Cabinet soon after elections. If resultant financial policy clearly follows desired objectives of financial recovery and is aimed at reducing rapid increase in cost of living and assuring rapid social and economic progress within context of balanced economy and under conditions of greater monetary stability USG will be prepared give sympathetic consideration additional rapid project approvals, not only Northeast but other areas as well.

Also, if GOB adopts above policies and Brazilian Congress acts favorably on budget and tax proposals, USG would look forward to discussions with Minister of Finance, perhaps in November, to review balance of payments position that time and for 1963, along lines of April 1962 discussion with Moreira Salles. END QUOTE.

Paragraph 1 memorandum reflects reconsideration by AID of maximum assistance possible under Northeast project loans. Proposal wheat-manganese barter dropped since authorization amendment PL 480 agreement eliminated possibility any dollar saving under barter and also for reasons indicated Deptel 832.

Campos expressing disappointment declared reply did not go one inch towards meeting situation described in Bulhoes memorandum and characterized USG decision as technically correct but politically unwise, (comparing it to USG decision not support Gudin stabilization program in 1954). He said he would have to inform Bulhoes Brazil could not count on USG assistance to meet immediate and serious foreign

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foreign exchange problem. He stated that if GOB consequently should find it necessary ~~to~~ impose import or exchange controls, USG could not say it had not been apprised. Leddy referred to USG stabilization help in past, stressed difficulty of justifying B/P loan to Brazil now within US- Brazil agreements and understandings, or to U.S. Congress, or in terms AFP objectives, and expressed hope Brazil could develop stabilization program which USG could continue to support and assist.

Leddy raised question of European offer $25 million credit and Campos repeated explanation reported Deptel 832.

End.

RUSK

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Classification

INCOMING TELEGRAM — Department of State — PERMANENT RECORD COPY

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Control: 3876
Rec'd: October 4, 1962
9:29 p.m.

42
Action
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RMR

FROM: Mexico City

TO: Secretary of State

NO: 1120, October 4, 4 p.m.

ACTION DEPARTMENT 1120, INFORMATION RIO DE JANEIRO 7.

Reference: Rio's 752 to Department

May and Rogers met with chief GOB delegation Valle and Pinheiro October 3. Re numbered paragraphs of reference telegram

1. Every indication GOB delegation attitude will be constructive, but with firm eye to Brazil's unique fiscal, political and development planning posture.

2. US representatives discussed Sabio recommendation confidentially. GOB representatives indicated strong approval two-man proposal, specifically Lleras and Kubitschek. However, have not yet seen proposed resolution, which May intends discuss with them soon.

3. Pinheiro said, though matter not yet cleared GOB Council of State, GOB delegation would announce program to reduce inflation to 30 percent in calendar 1963, and would seek IA-ECOSOC approval of program as complying with charter of Punta del Este. Estimate based on recent careful estimates of budget deficit of 190 billion cruzeiros. "Orthodox" economics still has wide following in Brazil, including Pinheiro. But any greater reduction in inflationary pressures would involve politically unacceptable consequences. Argentina cited as example of political pitfalls of "orthodox" IMF standards. (Suggested that Frondizi's failure resulted not from following IMF but

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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER / OFFICE SYMBOL	DATE UP ACTION	DIRECTIONS TO ARA/R

GPO 930 900

Mr. Crane informed Mr. Breisky
that enclosure has been returned
to Dept (10/8)
NFN

(36)

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October 5, 1962

RM/R
FILE

MEMORANDUM FOR MR. McGEORGE BUNDY
THE WHITE HOUSE

SUBJECT: Additional material relative to request for information concerning alleged U.S. commitment in 1952 to lend Brazil $300 million.

Further to my memorandum on the above subject dated September 25, 1962, I enclose an additional document relevant to the interest of Mr. Kaysen. Enclosure 5 of the despatch enclosed is the text of a "Financial Statement signed in Washington on September 14, 1951."

/s/ E. S. Little

William H. Brubeck
Executive Secretary

832.10/10-562

Enclosure:

Despatch 517 from Rio de Janeiro,
September 28, 1951.

S/S:ESLittle:jmj

S/S-RO
OCT 5 1962
A true copy of signed original

(1)

Attachment can be obtained in State record file

FORM DS. 10
4.1.55

DEPARTMENT OF STATE

REFERENCE SLIP

DATE: Oct. 4, 1952

TO: NAME OR TITLE	ORGN. SYMBOL	ROOM NO.	BLDG.	INITIALS	DATE
1. Mr. Little	S/S	7516	S.D.		
2.					
3.					
4.					
5.					

	APPROVAL		NOTE AND FORWARD
	AS REQUESTED		NOTE AND RETURN
	COMMENT		PER CONVERSATION
	FOR YOUR INFORMATION		PREPARE REPLY
	INITIAL FOR CLEARANCE		SEE ME
	NECESSARY ACTION		SIGNATURE

REMARKS OR ADDITIONAL ROUTING

GPO 874558

Pursuant to our telephone conversation of this morning I am attaching Department's record file copy of Rio Despatch No. 517, September 23, 1951. Enclosure 5 to this despatch relates to the subject of Mr. Brubeck's memorandum of Sept. 25, 1952 to Mr. Sandy entitled "Request for information concerning alleged U.S. Commitment in 1952 to lend Brazil $300 million."

FROM (NAME AND ORGANIZATION)	ROOM NO. AND BLDG.
A:A:BSI/S - J. T. Weston	4908 S.D.
SIGNATURE	PHONE NO.
	3642

October 8, 1962

ARA:EST - Mr. J. W. Wilson

Returned with thanks.

E. S. Little

Despatch No. 517 from Rio de Janeiro, 9/28/51

CMS

10/10

Copy of this memo was attached to the original from White House (with enclosure) which was sent to ARA from 7224 yesterday.

amp

Cq

DEPARTMENT OF STATE

AIRGRAM

832.10/10-962

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ACTION		
AEA-4		
RM/R 2	REP 1	AF
ARA	EUR	FE
NEA	CU	INR 5
E 3	P	ID
L	FBO	AID 11
AGR	COM 8	FRB 3
INT	LAB	TAR
TR 2	XMB 2	AIR
ARMY	CIA 8	NAVY
OSD	USIA	NSA 3

A-16 NO. UNCLASSIFIED HANDLING INDICATOR

TO DEPARTMENT OF STATE 1962 OCT 16 AM 9 02

RM/AR ANALYSIS & DISTRIBUTION BRANCH

FROM Amconsul PÔRTO ALEGRE DATE: OCT 9 - 1962

SUBJECT: Finance and Related Matters: 1963 Budget for Rio Grande do Sul

REF : CERP D-12 - Consulate's despatch No 19, October 10, 1961

On September 30, 1962 the State Legislative Assembly received for consideration and approval the budget proposed by the State Government for fiscal (calendar) year 1963. The revenue has been estimated at Cr$65,651,591,800 and the expenditure at Cr$65,640,291,800, leaving a budget surplus of Cr$11,300,000.

The following revenue items are included in the 1963 budget:

Income from Direct Taxation	Cr$1,472,650,000
Income from Real Estate Taxes	213,550,000
Income from Goods & Services provided by State Enterprises	865,750,800
Miscellaneous Income	2,251,491,000
Subtotal	64,803,441,800
Extraordinary Income	848,150,000
Total Revenue	65,651,591,800

Included in Miscellaneous Income is the National Highway Tax and a quota from the Electrification Tax. The Extraordinary Income includes rents obtained from State property, collection of debts, quotas paid by municipios, fines, etc. Under this item the Executive Branch is authorized to negotiate credits, generally from State and Federal financial institutions, up to the amount of Cr$4 billion. In the 1962 budget the Extra-ordinary Income was estimated at Cr$1,426,100,000, which already

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FORM DS-323

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Drafted by: ECON: AJKirchhof

Contents and Classification Approved by: FDSharp

Clearances:

included an estimated income from credits to be negotiated with financial institutions. This explains the difference in Extraordinary Income for 1962 and 1963 budgets.

The above revenue compares with the Cr$35,929,355,000 originally estimated for the 1962 budget.

The planned expenditure for 1963, by departments, is itemized as follows:

Legislative Branch	
Legislative Assembly	Cr$515,527,240
Auxiliary Agency	
State Comptroller's Office	119,766,400
Executive Branch	
Office of Governor, Council of Economic Development, Council of Public Services, Administration Tribunal, Economic Development of Coastal Area Commission, Sports Council	370,173,590
Secretariats	
Internal Affairs & Justice and Subordinate Divisions	1,026,581,000
Finance and Subordinate Divisions	2,950,467,500
Public Works and Subordinate Divisions	3,249,250,600
Agriculture and Subordinate Divisions	2,550,065,580
Education & Culture, Subordinate Divisions, and Subventions	11,582,605,540
Public Security and Subordinate Divisions	3,759,634,240
Administration and Subordinate Divisions	120,663,500
Health & Welfare, Subordinate Divisions and Subventions	2,203,491,160
Economy and Subordinated Divisions	227,661,740
Transportation and Subordinate Divisions	432,744,100
Labor & Housing, Subordinate Divisions and Subventions	740,338,000
Electric Power & Communications and Subordinate Divisions	642,647,000
Judicial Branch	
Court of Appeals, lesser courts, penitentiary & State Militia court	784,551,610
General Commitments	
Service of public debt, inactive personnel, pensions for retired & other commitments	34,364,120,000
Total Expenditure	Cr$ 65,640,291,800

The above expenditure compares with Cr$40,352,355,000 budgeted for 1962. An allotment of Cr$6,096,000,000 has been included in the 1963 budget for an increase in salary to civil servants. This adjustment has been made by the State Government to compensate the rise in living costs.

An important feature of the 1963 budget is that it does not include any item for the continuation of the Second State Works Plan (II Plano de Obras) which, in 1962, was budgeted at Cr$11,107,794,000. These funds, for which no strict accounting has been required, have been a source of financing for some of Governor Brizola's more radical and demagogic plans and activities, largely politically motivated. It is expected that the omission of a budget item covering a continuation of this Plan may force the separation of some 20,000 contract and temporary civil servants, although on the eve of the elections, the State Government has announced that these contract civil servants need not be separated because increased allotments in the budget will cover this expenditure. The Consulate does not know how far this is true, but it is known that previous budgets presented by Governor Brizola showed deficits.

The general consensus is that the State Legislative Assembly will modify and make amendments to the 1963 budget in view of some very high revenue items, such as the Sales and Consignment Tax which is estimated at Cr$39,190,000, more than double the amount budgeted for 1962.

COMMENT: The larger 1963 budget, in part, continues to reflect the present inflationary trend, and it appears from the revenue distribution that some departments will not have sufficient funds alloted for adequate operation. The biggest single item in the budget is for Education and Culture, which has been a principal goal of Governor Brizola's administration.

Frederick D.Sharp III
American Consul

cc.: Amembassy RIO

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DEPARTMENT OF STATE

AIRGRAM

832.10/10-1962

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A-410 NO. | OFFICIAL USE ONLY | HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 OCT 15 AM 8 11

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS OCT 16 1962

ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy RIO DE JANEIRO DATE: October 10, 1962.

SUBJECT: BANK OF BRAZIL OPERATIONS - AUGUST

REF : CERP D-12, A-300, September 10, 1962.

Another substantial expansion of credit took place in August, according to an analysis of the main accounts of the Bank of Brazil balance sheet of August 31. Loans to the Treasury increased by approximately Cr$ 13 billion bringing the total to over Cr$ 94 billion for the year (compared with Cr$ 128 billion for the entire year in 1961). Loans to the total private sector increased by Cr$ 21 billion, Cr$ 8 billion of which consisted of coffee financing. Also cash holdings of the Bank declined by Cr$ 5.5 billion during the month. The only significant credit restrictive factors during the month were: a Cr$ 10 billion increase in the short-term deposits of autarchias and mixed-enterprises and a Cr$ 6 billion increase in the compulsory reserve account of commercial banks.

Stabilization goals, projected earlier in the year, have long since been surpassed and are no longer of interest.

A summary of the major accounts is transmitted as Enclosure 1. Six (6) copies of the August balance sheet are also transmitted.

For the Ambassador,

John Krizay
Second Secretary of Embassy

Encl. As stated.

AMB
DCM
ADM

OCT 15 1962

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FORM 4-62 DS-323

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Drafted by: JKrizay:anc

Contents and Classification Approved by: Robert Oakens

Clearances: Ralph V. Korp

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A-410
Rio
Encl. 1
1

A - FACTORS TENDING TO EXPAND MONEY SUPPLY IN AUGUST

1. Outstanding Loans to other than National Treasury

(millions of cruzeiros)

	July 31 1961	August 31 1961	July 31 1962	August 31 1962
Loans to private sector (including coffee)	200,087	211,125	328,609	349,959
Less coffee	-	-	39,966	47.9
Private sector ex-coffee	-	-	288,643	302.0
Loans to states and municipal governments	14,843	14,943	14,834	14,767
Loans to autarchias	8,529	9,819	11,068	13,390
TOTAL ...	223,459	235,887	354,511	378,116

2. Net Debtor Position of Treasury

May 1962	June 1962	July 1962	August 1962
42,117	59,281	81,576	94.5

3. Bank of Brazil Currency Holdings

May 1962	June 1962	July 1962	August 1962
12,852	13,566	21,190	15,659

4. Deposits with Bank of Brazil against Foreign Purchases for Future Delivery

July 1962	August 1962
31,264	28.8

B - FACTORS TENDING TO RESTRICT MONEY SUPPLY IN AUGUST
(cont'd next page)

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B - FACTORS TENDING TO RESTRICT MONEY SUPPLY IN AUGUST

1. Short Term Deposits of

	Mar. 1962	Apr. 1962	May 1962	June 1962	July 1962	Aug. 1962
Mixed Economies	25,916	27,178	27,544	26,948	31,487	23,296
Autarchies (other than SUMOC)	49,554	49,363	55,301	55,036	55,475	64,057
TOTAL ...	75,470	76,541	82,845	81,984	86,962	96,353

2. Conta de Fundos, SUMOC (Compulsory Reserves of Commercial Banks)

May 1962	June 1962	July 1962	August 1962
72,368	72,840	84,390	88,449

C. - O T H E R

1. Coffee and Cocoa Differential Account (Deposits)

	May 1962	June 1962	July 1962	August 1962
Coffee	54,747	37,327	22,165	22,674
Cocoa	646	176	131	49

2. Outstanding Bank of Brazil Import Letters and Advance Deposits

	Apr. 1962	May 1962	June 1962	July 1962	Aug. 1962
Import Letters - (SUMOC Instr.204)	84,627	78,505	67,483	51,641	37,252
Advance Cash Import Deposit - (SUMOC Instr.226)	-	665	4,457	16,440	30,168
TOTAL	84,627	79,170	71,940	68,081	67,420

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3. Outstanding Rediscounts at Rediscount Bureau

	July 1961	Aug. 1961	Incr. Decr.(-)	July 1962	Aug. 1962	Incr. Decr.(-)
For Bank of Brazil	107,592	142,861	35,269	237,325	243,592	6,267
For Commercial Banks	17,980	21,202	3,222	30,114	29,240	-0,874
TOTAL ...	125,572	164,063	38,491	267,439	272,832	5,393

4. P.L. 480 Account

June 1962	July 1962	August 1962
14,571	14,337	14,197

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Enclosure to A-910 Rio de Janeiro
10-10-62
ARA

BANCO DO BRASIL S. A.

BALANCETE EM 31 DE AGÔSTO DE 1962

COMPREENDENDO DIREÇÃO GERAL E AGENCIAS NO PAIS (492) E NO EXTERIOR (4)

ATIVO

DISPONIVEL

		Cr$
Caixa:		
Em moeda corrente	27.441.424.136,70	
Em outras espécies	10.402.332,00	37.879.726.468,70
Agências no exterior (total do disponível)	708.260.166,20	13.961.580.634,90

REALIZAVEL

Operações de crédito, à conta do Tesouro Nacional:

Correspondente no exterior:		
Equivalência de saldos em moeda estrangeira	4.665.722.712,90	
Outras contas vinculadas a crédito	136.476.805.320,00	141.142.528.032,90

EMPRESTIMOS EM CONTA

Da Carteira de Crédito Geral

Ao Tesouro Nacional:

Saldo das contas de acomodação e despesas do exercício financeiro corrente	83.000.954.622,96	
Contribuição para o Fundo Monetário Internacional	2.389.754.442,70	
Governo Federal, financiamento de exportação, saldo — Instrução 213, SUMOC	600.919.422,50	
Outras dívidas	338.128.714.703,42	425.021.342.783,58
A governos estaduais	12.967.169.907,90	
A governos municipais	788.533.783,80	
A outros entidades públicas	21.845.677,00	
A autarquias	6.722.484.733,30	
A entidades de economia mista	376.822.959,00	
A bancos:		
Por conta própria	657.856.466,30	
Por conta da Caixa de Mobilização Bancária	9.699.967.486,30	
Ao comércio (operações específicas destes produtos de caráter regional)	2.604.472.329,90	
Ao comércio (outras aplicações)	4.113.300.377,20	
À indústria (operações específicas destes tipos extrativos e produtos naturais de caráter regional)	7.717.784.861,70	
À indústria (outras operações)	25.220.819.868,10	
A lavoura (operações específicas destes produtos de caráter regional)	2.741.690.280,30	
À lavoura (outra operação)	145.822.405,60	
À pecuária	46.641.967,70	
A atividades não especificadas	837.830.870,70	
A diversos, no município	77.759.766,20	405.426.763.226,40

Da Carteira de Crédito Agrícola e Industrial:

Aplicação	76.070.930.865,20	
Agro-industria	261.885.465,90	
Agropecuária	647.436.825,40	
Pecuária	30.168.959.982,10	
Industrias	27.066.813.927,60	
Em letras hipotecárias	382.196,10	
Sobre produtos agrícolas decorrentes de associações com o Governo Federal (gêneros de produção nacional — Lei 1.506, de 19-12-51)	4.871.342.705,80	
A cooperativas	6.128.317.885,10	
Fiduciários a prazo (empréstimos)	439.841.029,30	
Diversos, no município	704.644.298,10	126.450.822.396,40	402.226.095.772,50

DIVERSOS DESCONTADOS

Da Carteira de Crédito Geral

A governos estaduais	100.000.000,00	
A autarquias	4.881.000.000,00	
A entidades de economia mista	371.000.183,00	
A bancos:		
Por conta própria	200.000,00	
Por conta da Caixa de Mobilização Bancária	134.231.138,10	
Ao comércio (operações específicas destes produtos de caráter regional)	18.201.247.434,90	
Ao comércio (outras operações)	24.471.205.220,00	
À indústria (operações específicas destes tipos extrativos e produtos naturais de caráter regional)	14.169.658.776,30	
À indústria (outras operações)	77.234.057.984,90	
À lavoura (operações específicas destes produtos de caráter regional)	17.810.464.141,50	
À lavoura (outras operações)	3.900.796.703,90	
À pecuária	3.529.280.604,70	
A atividades não especificadas	421.555.896,10	162.902.477.903,30

OUTROS CREDITOS E VALORES

Créditos		
Títulos a receber de conta própria	3.431.594.230,70	
Créditos em liquidação	2.251.751.576,70	
Saldos em poder do Banco e da Caixa, créditos correspondentes à emissão obrigatória (Decreto-lei 9.170, de 30-4-46)	26.710.464,20	
Superintendência da Moeda e do Crédito, depósitos obrigatórios	31.340.425.384,00	
Caixa de emissão de títulos especiais	17.846.826.296,10	
Compra e venda de produtos de importação	8.275.865.314,70	
Caixa de Mobilização Bancária, conta de transferência de reservas bancárias (Decreto 38.701, de 10-1-55)	665.651.899,90	
Comissão executiva do plano de recuperação econômico-social da lavoura cacaueira (Decreto 46.987, de 20-2-57)	2.601.680.000,00	
Carteira de Comércio Exterior, conta de financiamento de aquisição de produtos para exportação	2.353.130.942,60	
Correspondentes no país	757.770.157,30	
Caixinha de Conservação, conta de aplicações	581.486.750,70	
Outras contas	15.794.981.613,80	
Valores		
Títulos e valores mobiliários:		
Apólices e outras obrigações federais	299.060.000,00	
Apólices estaduais	31.950,50	
Outros títulos e valores mobiliários	3.865.804.194,70	4.164.896.145,20
Imóveis não destinados a uso do Banco	6.417.738.458,30	69.579.736.305,10
Direção Geral e Agências (contas de relações internas)		1.761.334.101.074,50
Agências no exterior (total do ativo líquido)		1.927.951.478,20	2.461.911.370.446,90

IMOBILIZADO

Imóveis de uso do Banco	7.447.328.687,20	
Móveis e utensílios	1.874.390.128,70	
Material de expediente	639.153.992,80	9.960.872.808,70
Agências no exterior (total do imobilizado)		560.568.939,80	10.521.420.335,80

DE RESULTADO PENDENTE

Despesas de anos e exercícios	2.430.977.477,70	
Despesas de liquidação	49.053.814,70	
Despesas gerais e outras despesas administrativas	4.369.067.733,00	
Outras contas de resultado pendente	1.377.867.447,10	12.226.961.046,21
Agências no exterior (total de resultados pendentes)		76.221.439,00	12.427.444.424,01

2.461.418.231.157,80

DE COMPENSAÇÃO

Valores em garantia	249.325.394.055,80	
Valores depositados:		
Caixa do Tesouro Nacional (213.666.192.243 gr. ...	6.263.715.356,20	
Outros valores depositados	123.224.000.320,70	129.487.609.810,90	697.272.294.980,02

Títulos a receber de conta alheia	164.686.865.525,90	
Outras contas de compensação	941.970.820.725,80	
Agências no exterior (total de compensação)	1.132.891.862,40	1.787.470.886.728,20	2.484.743.181.709,02

4.724.666.670.607,80

Brasília, DF, 29 de setembro de 1962
VITO MUSTO GALVÃO
Presidente

PASSIVO

NÃO EXIGIVEL

		Cr$
Capital		7.200.000.000,00
Fundo de reserva	914.995.229,90	
Fundo de previsão	12.209.574.238,20	
Fundo de amortização de títulos, móveis e imóveis	8.172.565.989,70	
Fundo para previsões eventuais	1.600.179.370,60	24.361.314.114,40
Fundo para o desenvolvimento de atividades do interior público	116.877.991,30	
Agências no exterior (total de ativo exigível)	2.125.189.384,00	31.804.407.489,70

EXIGIVEL

Operações de crédito, à conta do Tesouro Nacional:

Correspondentes no exterior (Equivalência de saldos em moeda estrangeira)	27.395.771.177,20	
Depósitos obrigatórios (decreto 24.116, de 26-3-34)	7.310.060,60	
Depósitos especiais (instrução 204, da SUMOC)	24.700.414.153,90	
Outras contas vinculadas a crédito	76.438.784.494,20	136.015.482.112,40

DEPOSITOS A VISTA E A CURTO PRAZO

Do Tesouro Nacional:		
À disposição do ministério interno	25.406.789.430,20	
Fundo de indenizações (Dec. 21.347, de 29-6-46)	25.361.044,00	
Fundo de estimulação agrícola	956.295.000,10	
Fundo de previsão do ministério de relações exteriores (Lei 2.583, de 23-8-55)	2.236.602.618,30	
Governo Federal, fundo de estabilização e fomento da agro-pecuária cacaueira	249.772.683,70	
Fundo de cooperação econômico-rural do interior nacional	2.102.000.000,00	
Governo Federal, fundo de incentivação da cafeicultura	50.000.000,00	
Fundo especial para concessão de subsídios a beneficiamento no país (Lei 3.244, de 14-8-57 — Art. 10)	230.662,00	
Outros créditos	13.310.327.401,40	45.133.267.896,90
Do governo estaduais		3.702.000.000,00
Do governos municipais		786.565.000,00
Do outros entidades públicas		11.000.190.135,30
De autarquias:		
Superintendência da Moeda e do Crédito:		
Conta de Emissão	66.446.522.707,30	
Contas de juros	1.924.466.325,50	
Depósitos vinculados à instrução 220, da SUMOC	2.304.446.450,60	
Depósitos vinculados à instrução 220, da SUMOC	809.767.334,20	
Fundo financiário internacional	7.234.122.605,10	
Banco Internacional de Reconstrução	367.453.429,90	
Fundo de reserva de dividendos de ouro	42.700.309,10	
Promessas de liberação de importação	2.402.060.323,90	
Fundo de reserva de dividendos café	22.673.962.969,40	127.917.598.456,20
Caixa de Mobilização Bancária	5.335.887.458,30	
Outras autarquias	66.026.965.383,00	195.280.450.457,50
De sociedades de economia mista		32.249.929.255,50
De bancos		99.363.604.189,50
Do público (compulsórios):		
Instituto (Decreto-lei 5.057, de 26-2-43)	7.280.701.305,30	
Do empréstimo compromissório do governo paulista (Decreto-lei 2.057, de 28-7-40)	298.985.186,20	
Obrigatórios de bancos estrangeiros (Decreto-lei 9.159, de 5-4-46)	26.460.070,10	
Depósitos para investimentos (Lei 1.474, de 26-11-51)	2.152.116.983,70	
Depósitos para aplicação de letras (Instrução 204, da SUMOC)	8.737.000,00	
Depósitos de importadores (Instrução 220, da SUMOC)	30.167.643.591,10	
Outros depósitos obrigatórios	72.709.372,00	69.259.422.499,40
Do público (diversos):		
Sem limite	28.355.865.868,50	
Limitados	3.307.051.220,90	
Populares	13.366.707.727,90	
Sem juros	3.377.682.305,20	
Outros depósitos	7.267.726.150,60	55.655.033.304,90
Valores cobrados de empréstimos		261.601.343,60	606.701.366.792,40

DEPOSITOS A PRAZO

De autarquias	3.156.280.495,20	
Do público (compulsórios):		
Instituto (Decreto-lei 5.057, de 26-2-43)	21.468.335,10	
Do público (diversos):		
De prazo menor	28.758.815.399,40	
A prazo fixo	795.280.025,80	23.917.399.360,50	27.388.062.019,30

OUTRAS RELAÇÕES DISPONIVEIS

Títulos e cupônes redescontados	383.902.582.982,00	
Obrigações de emissão em circulação	2.650.000.000,00	
Caixa de Mobilização Bancária (arrecadação)	4.941.570.236,10	
Caixinha de Conservação, conta de reserva	138.366.887,00	
Bônus e letras hipotecárias da Caixa de Crédito Agrícola e Industrial, em circulação	329.017.000,00	
Correspondentes no país	125.072.223,60	
Ordens de pagamento	12.105.452.180,70	
Cobranças efetuadas em trânsito	5.267.958.858,50	
Cheques de caixa	3.367.808.059,60	
Dividendos a pagar	14.928.912,20	
Letras a pagar (instrução 102, da SUMOC)	49.700.000,00	
Letras a pagar (instrução 204, da SUMOC)	27.747.194.585,00	
Outras contas de passivo exigível	16.687.553.462,90	539.480.132.323,70

Direção Geral e Agências (contas de relações internas)		1.771.146.740.342,00
Agências no exterior (total do ativo)		162.907.383,00	2.555.067.705.771,00

DE RESULTADO PENDENTE

Receita de anos, exercícios, créditos e diversos	71.969.906.750,00	
Outras contas de resultado pendente	60.190.317.370,70	92.160.598.898,80
Agências no exterior (total de resultados pendentes)		106.176.557,70	92.266.775.455,50

2.663.418.231.157,80

DE COMPENSAÇÃO

Responsáveis de valores em garantia e custódia		697.272.294.980,02
Encarregados de efetuar para cobrança:		
Do país	332.470.124.360,90	
Do exterior	8.748.994.422,60	341.219.118.783,50
Outras contas de compensação		946.275.424.725,70
Agências no exterior (total de compensação)		1.132.891.862,40	1.287.408.316.588,10

4.724.666.670.607,80

GONÇALO ROBERTO LEITE
Chefe do Departamento de Contabilidade
Contador — C.R.C.-GB n. 6.678
C.R.C.-DF-TA. nº 4

Alinhamentos Especializados United S/A

Rua Marquês de Olinda, 41

BALANÇO GERAL REALIZADO EM 30 DE DEZEMBRO DE 1961

ATIVO

	Cr$	Cr$
Imobilizado		
Máquinas e Equipamentos	1.310.000,00	
Moveis e Utensílios	387.570,00	
Ferramentas e Acessórios	218.172,20	
Instalações	872.140,80	
Benfeitorias de Aluno	178.781,40	3.006.906,20
Disponível		
Caixa	40.332,70	
Bancos	813.840,80	957.960,50
Realizável — Curto Prazo		
Duplicatas a receber	2.711.200,00	
Devedores Diversos	384.432,20	
Almoxarifado	4.210.500,00	7.306.189,90
Realizável — Longo Prazo		
Emprestimos Letras Rural	127.742,20	
Emprestimos Compulsórios	161.740,80	287.183,00
		4.982.479,80
Fixados		
Despesas a Amortizar	54.187,40	
Lucros e Perdas	788.185,20	842.342,60
Compensação		
Ajuste ao Custo		10.042,05
		11.824.417,05

PASSIVO

	Cr$	Cr$
Não Exigível		
Capital	5.500.000,00	
Fundo de Reserva Legal	107.853,35	5.607.853,35
Fundo de Depreciação	1.000.017,70	
Fundo de Eventuais Acidentes	184.293,45	1.184.311,15 7.832.244,50
Exigível		
Obrigações Bancárias	1.100.281,80	
Fornecedores a Pagar	980.000,00	
Despesas Diversas	1.000,00	
Impostos Sobre Vendas	3.453,90	
Dep. de Bens Alug. ou Terc.	403,85	
Fallcoscorro	1.809.587,20	3.783.373,35
Compensação		
Ajuste ao Custo		10.000,00
		11.625.617,85

Alinhamentos Especializados United S/A — **Le Roy Frank Rho.** — **Nelson Coelho dos Santos.** — CRC-GB — 17.701.

DEMONSTRAÇÃO DA CONTA DE LUCROS E PERDAS, EM 31 DE DEZEMBRO DE 1961

	DEVE Cr$	HAVER Cr$
Custo de Vendas — Peças	7.225.111,80	
Custo de Vendas — Gasolina	64.988,70	
Óleo	9.813.184,00	
Ordenados Gerência	1.200.000,00	
Ordenados Vendedores	1.200.000,00	
Material de Escritório	60.000,00	
Material de Limpeza	1.800.417,20	
Material de Oficina	58.770,00	
Juros	32.500,00	
Aluguéis e Luvas	1.200.000,00	
Fretes e Carretos	78.197,35	
Custo de Caixa	300.318,00	
Diversos	454.880,70	
Ordenados-Retiradas	1.165.300,00	
Ajuste	10.042,05	
Comissões	342.800,00	
Anúncios e Propagandas	732.473,80	
Correio e Telegrafia	28.630,00	
Condução	60.000,00	
Indenizações Trabalhistas	372.000,00	
Juros e Descontos	1.165.483,45	
Luz, Força e Telefone	174.810,70	
Material de Expediente	286.117,50	
Reparos	332.715,20	
Refrigerantes	60.000,00	
Conservação e Limpeza de Máquinas	11.302,50	
Descontos e Gratificações	21.278,20	
Fretes de Mercadorias	751.402,70	
Serviços Gráficos	31.477,00	
Consultórios e Assistência	774.444,50	
Seguros e Prioridade	1.200.000,00	
Publicidade	600.850,70	
Diversos	31.727,50	
Despesas de Viagens	59.753,80	
Depreciação de Ativos Imobilizados	252.512,20	
Água e Esgotos	44.310,80	
Custo de Serviços	30.317,80	
Donativos Sociais	174.300,50	
Impostos e Taxas	132.440,20	
Juros de Títulos	1.200.000,00	
Despesas Bancárias	1.080.000,00	
Aluguel de Instalações	1.767.132,1	
Ordenados de Escola	72.000,00	
Outras Despesas	728.472,10	
Custo de Peças		14.977.321,50
Custo de Gasolina		12.500.687,70
Custo de Óleo		234.125,90
Custo de Serviços		300.332,20
Lucros e Perdas		638.889,50
TOTAIS	37.005.861,80	37.005.861,80

Alinhamentos Especializados United S/A — **Le Roy Frank Rho.** — **Nelson Coelho dos Santos.** — CRC-GB — 17.701.

SRS. DIRETORES E CONTADORES

O serviço de composição rápida de textos — JORNAL DE NEGÓCIOS — se encarrega de sua publicação. Com uma distribuição a melhor apresentação técnica e gráfica, em ambos os jornais, sobre a Eleição das Sociedades Anônimas, Ata e convocação de Diretoria.

Rapidez e uma preferência evidente, boa tiragem. Não perca tempo, não perca dinheiro, não desanime! Ligue para o JORNAL DE NEGÓCIOS.

Lembre-se: publicações, atas e balanços em dois jornais custam **O PREÇO MAIS ECONÔMICO DOS GRANDES JORNAIS**

AVISOS FÚNEBRES

Ladislau Alves de Sousa

(MISSA DE 7º DIA)

Maria Eugenia Alves de Souza, Waldemar Alves de Souza e Senhora, Ozimbo Noaste e Senhora, Regina Alves Amado e filhos, Manoel Angelo, senhora e filhos, Familia Garcia de Souza, agradecem todas demonstrações de pesar recebidas por ocasião do falecimento do seu querido e inesquecivel esposo, pranto, cunhado e tio — **LADISLAU ALVES DE SOUSA** —, e convidam para a missa de 7º dia que, em intenção de sua alma bemaventurada, será celebrada hoje, sábado, dia 29, às 11 horas, na Capela de Nossa Senhora das Vitórias, à rua São Clemente nº. 214, antecipando agradecimentos aos que comparecerem a esse ato de fé cristã.

Navios esperados na Guanabara

Estão sendo esperados na Guanabara, os seguintes navios:

Hoje — Vapores Almirante Lamego, Ministro Salgado de Castro, Aracaju, Jaceguay, dia 30 — Paraguassu — Mapendima, vindo respectivamente de Nova York para Santos Mercantil e Nacional Aires e Montevidéu Italiano — Augusto Antero Carpenter — Mercantil — Antero Carpenter — Mercantil — Antero Carpenter — Mercantil —

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TO: Secretary of State

NO: 812, OCTOBER 10

FIBAN CIRCULAR LETTER 492, ISSUED UNDER OCTOBER 2 DATE, SUSPENDS AUTHORIZATION PROFIT REMITTANCES, CAPITAL REPATRIATION, LOAN AUTHORIZATION, ROYALTY AND TECHNICAL ASSISTANCE PAYMENTS, ETC. PENDING REGISTRATION CAPITAL UNDER PROFIT REMITTANCE LAW.

SUMOC EXPECTED ISSUE NEXT DAYS REGULATIONS UNDER WHICH REGISTRATION TO PROCEED.

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DEPARTMENT OF STATE

AIRGRAM

838.10/10-1062

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A-410 NO. | OFFICIAL USE ONLY HANDLING INDICATOR

TO : DEPARTMENT OF STATE

FROM : AmEmbassy RIO DE JANEIRO DATE: October 10, 1962.

SUBJECT: BANK OF BRAZIL OPERATIONS - AUGUST

REF : CERP D-12, A-300, September 10, 1962.

Another substantial expansion of credit took place in August, according to an analysis of the main accounts of the Bank of Brazil balance sheet of August 31. Loans to the Treasury increased by approximately Cr$ 13 billion bringing the total to over Cr$ 94 billion for the year (compared with Cr$ 128 billion for the entire year in 1961). Loans to the total private sector increased by Cr$ 21 billion, Cr$ 8 billion of which consisted of coffee financing. Also cash holdings of the Bank declined by Cr$ 5.5 billion during the month. The only significant credit restrictive factors during the month were: a Cr$ 10 billion increase in the short-term deposits of autarchias and mixed-enterprises and a Cr$ 6 billion increase in the compulsory reserve account of commercial banks.

Stabilization goals, projected earlier in the year, have long since been surpassed and are no longer of interest.

A summary of the major accounts is transmitted as Enclosure 1. Six (6) copies of the August balance sheet are also transmitted.

For the Ambassador,

John Krizay
Second Secretary of Embassy

Encl. As stated.

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FORM DS-323 4-62

Drafted by: JKrizay:anc

Contents and Classification Approved: Robert Akens

Clearances: Ralph V. Korp

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A-410
Encl. 1
1

A - FACTORS TENDING TO EXPAND MONEY SUPPLY IN AUGUST

1. Outstanding Loans to other than National Treasury

	(millions of cruzeiros)			
	July 31 1961	August 31 1961	July 31 1962	August 31 1962
Loans to private sector (including coffee)	200,087	211,125	328,609	349,959
Loans coffee	-	-	39,966	47.9
Private sector ex-coffee	-	-	288,643	302.0
Loans to states and municipal governments	14,843	14,943	14,834	14,767
Loans to autarchias	8,529	9,819	11,058	13,390
TOTAL ...	223,459	235,887	354,511	378,116

2. Net Debtor Position of Treasury

May 1962	June 1962	July 1962	August 1962
42,117	59,281	81,576	94.5

3. Bank of Brazil Currency Holdings

May 1962	June 1962	July 1962	August 1962
12,852	13,566	21,190	15,659

4. Deposits with Bank of Brazil against Foreign Purchases for Future Delivery

July 1962	August 1962
31,264	28.8

B - FACTORS TENDING TO RESTRICT MONEY SUPPLY IN AUGUST
(cont'd next page)

B - FACTORS TENDING TO RESTRICT MONEY SUPPLY IN AUGUST

1. Short Term Deposits of

	Mar. 1962	Apr. 1962	May 1962	June 1962	July 1962	Aug. 1962
Mixed Economies	25,916	27,178	27,544	26,948	31,487	23,296
Autarchies (other than SUMOC)	49,554	49,363	55,301	55,036	55,475	64,057
TOTAL ...	75,470	76,541	82,845	81,984	86,962	96,353

2. Conta de Fundos, SUMOC (Compulsory Reserves of Commercial Banks)

May 1962	June 1962	July 1962	August 1962
72,368	72,840	84,390	88,449

C. - O T H E R

1. Coffee and Cocoa Differential Account (Deposits)

	May 1962	June 1962	July 1962	August 1962
Coffee	54,747	37,327	22,165	22,674
Cocoa	646	176	131	49

2. Outstanding Bank of Brazil Import Letters and Advance Deposits

	Apr. 1962	May 1962	June 1962	July 1962	Aug. 1962
Import Letters - (SUMOC Instr.204)	84,627	78,505	67,483	51,641	37,252
Advance Cash Import Deposit - (SUMOC Instr.226)	-	665	4,457	16,440	30,168
TOTAL	84,627	79,170	71,940	68,081	67,420

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3. Outstanding Rediscounts at Rediscount Bureau

	July 1961	Aug. 1961	Incr. Decr.(-)	July 1962	Aug. 1962	Incr. Decr.(-)
For Bank of Brazil	107,592	142,861	35,269	237,325	243,592	6,267
For Commercial Banks	17,980	21,202	3,222	30,114	29,240	-0,874
TOTAL ...	125,572	164,063	38,491	267,439	272,832	5,393

4. P.L. 480 Account

June 1962	July 1962	August 1962
14,571	14,337	14,197

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 813, October 11, 8 a.m. (SECTION ONE OF TWO)

ACTION DEPARTMENT 813, INFORMATION MEXICO CITY 17, RECIFE UNNUMBERED.

MEXICO CITY FOR HERBERT MAY

Reference: Department telegram 870

832.10/10-1162 XR 832.131

With elections out of way, GOB near future likely make fundamental choices direction economic and financial policies. Continuing acute shortage exchange and mounting inflation appear rapidly forcing Goulart and Cabinet such decisions. Choice broadly between A) support financial stabilization measures of type Calmon trying institute, with all that implies increased possibilities external help, or B) severe exchange controls, increasingly regimented economy and attempts widen economic relations with Soviet bloc.

Nevertheless, Goulart may well try avoid long as possible final commitment one or other above lines policy, or Congress (such as by refusal pass tax legislation this year) may make clear-cut choice difficult. At moment appears as if GOB will make some efforts consistent with choice A. Early phases this effort may well be in grey area in which some worthwhile actions taken, but over-all implementation and quality may remain short of comprehensive program that could be fully endorsed by US separately, or with IMF. Such situation would pose delicate problems for US, but may create opportunities in which judicious use moderate financial assistance for balance payments could effectively strengthen and encourage elements in GOB working for stabilization. Situation could well develop in three phases a

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phases as follows:

Phase I up to end November. This phase testing period in which US can judge extent and quality stabilization measures undertaken or recommended by executive and reception by Congress, while Goulart watching US reactions. In such a situation modest US B/P assistance could prove useful either A) prevent sudden exchange collapse (e.g., inability continue petroleum imports) which might make untenable position proponents of stabilization or B) respond to constructive actions taken by GOB so as to encourage further progress.

Phase II from end November to early 1963 may involve negotiations between GOB, US and other external financing sources on whether comprehensive financial program feasible for 1963. If negotiations protracted or even if situation marginal (e.g., Congress refused pass tax bill) small injection B/P assistance could continue be useful.

Phase III of implementation in parallel with GOB performance would follow if comprehensive program agreed for 1963.

During Phase I would not wish give impression to GOB that US has changed policy line of Department's A-44. Believe policy consistent with modest effective B/P assistance during this period if assistance confined advances under existing program commitments between US and GOB, mainly northeast. (Understand has been some feeling in Washington A-44 should be construed exclude even indirect B/P assistance to GOB, e.g., COPEG loan. This never our intent and we felt paragraph 5 of A-44 and paragraph 3 TOAID-145 made this clear). During Phase II would contemplate possibility further advances this nature plus, if appropriate, approval new loans such as part of federal road program. If Phase III materialized would need take comprehensive look all possibilities cover B/P gap including advances against local currency needs of approved AID programs and projects, Department rescheduling, general B/P assistance etc, including maximum contribution from non-US sources.

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 813, October 11, 8 a.m. (SECTION TWO OF TWO)

ACTION DEPARTMENT 813, INFORMATION MEXICO CITY 17, RECIFE UNNUMBERED.

MEXICO CITY FOR HERBERT MAY

In order equip US meet possible needs and take advantage possible opportunities described above, I urge prompt reconsideration possibility project anticipation financing along lines described Section 1.6 TOAID A-793 which on way to you. Briefly would entail: A) Establishing US Treasury special dollar account geared estimated eventual requirement dollar-financed cruzeiros for projects under programs already agreed, B) Deposit by GOB into counterpart account of cruzeiro value dollars disbursed for imports from US, and C) maintenance value cruzeiro counterpart account up to time disbursed for projects. In present circumstances dollar account would in most cases have to be established before approval project for which cruzeiros to be used. Realize project anticipation device when applied on large scale must be related to availability PL 480 currency and take account internal mometary effects. However, in Phase I only concerned relatively modest amounts (up to $20 million) for which dollar conversion into cruzeiros foreseeable under program commitments and PL 480 not available. Such amounts would only partially cover Bank Brazil's payments deficit (uncovered deficit $92 million for September-December projected Embassy's A-280 still likely and may be on low side) but may well provide margin necessary avoid drastic change for worse in GOB policies.

Believe Section 611 need not be problem so long as justification obligation within

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obligation within USG is basis B/P support. Fact that obligation would also involve project element would not our opinion as matter law require completion project plans and cost estimates before obligation so long as cruzeiros not earmarked specific projects. Dollar obligation would not in fact be dependent later carrying out any particular project (e.g., roads) since clear even if projects now contemplated should not be agreed, US still committed to and intends contribute minimum total $131 million projects under NE agreement. Moreover, also clear regardless disposition cruzeiros, controlling purpose obligation i.e., B/P, would have been served. (See page 18 Wilkin GC draft memorandum dated August 4, 1961 on MSA Section 517).

Realize advancing dollars for B/P purposes before cruzeiros needed projects may necessitate raising primary dollar repayment obligation on some federal authority other than Sudene thus possibly eliminating use "two step" as now proposed COPEG. Would not expect presence or absence of two-step, however, affect extent federal government participation in projects since for these purposes Sudene is federal government and will be deeply involved under terms NE agreement regardless form of financing.

Have taken advantage presence Draper team to discuss above fully with Draper, Costanzo and Naughton.

GORDON

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Rec'd: October 13, 1962
3:15 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 835, October 12, 7 p.m.

Embassy A-371

Unconfirmed data Bank of Brazil deposits major US banks showed increase to $29.4 million on October 8. Reflects new credit line drawings ($10 million) advance from New York banks against gold collateral loan in process ($10 million) and upturn normal export receipts to Bank of Brazil at rate significantly above low September level.

Old credit lines $45 million drawn in July completely repaid. Utilization new credit lines stood $27.5 million October 8, thus net repayment $17.5 million.

Major payment obligations Bank of Brazil October are $10.3 million IDB subscription and roughly $10 million promised petroleum companies (EMBTEL 790).

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 831, October 12, 7 p.m.

ACTION DEPARTMENT 831; INFORMATION MEXICO CITY 18

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MEXICO FOR HERBERT MAY

Finance Minister presented outline new anti-inflationary program to Cabinet October 11. Press today carries description program as officially released and reports Cabinet will meet again October 17 to pass on program.

Summary published program will be sent airgram. General objectives for 1962 reduce potential increase money supply during year from 53.8 percent to 40 percent, mainly through reduction budget deficit by CR $50 billion from potential deficit. Latter would be accomplished increase public service rates, decrease subsidies, further postponements expenditures, flotation bonds, et cetera. For 1963 foresee potential deficit CR $944 billion, to be reduced to CR $607 billion by cuts and postponements and further to CR $300 billion if additional economies made and tax revision yielding CR $200 billion new revenue approved. Proposal is obtain tax revision from Congress still this year.

Published program along general lines indicated privately by Calmon. However, manner public release prior definitive Cabinet decision (allowing criticism to mount, particularly against tax measures) and 1963 budget of CR $300 billion cash deficit, even after assuming tax reform, are disappointing. There are presumably other elements of program and perhaps targets not released to public. I plan see Calmon Monday and hope clarify situation.

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DEPARTMENT OF STATE

AIRGRAM

832.10/10-1562

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A-422 (NO.) CONFIDENTIAL (HANDLING INDICATOR)

TO : DEPARTMENT OF STATE 1962 OCT 17 PM 1 54

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
OCT 18 1962

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: October 15, 1962

SUBJECT : Conversation with Finance Minister Miguel Calmon

REF :

For-XMIC
11/62 - RA

I am attaching a memorandum describing my talk with Finance Minister Miguel Calmon on September 20, 1962. The highlights of this conversation were reported in Embassy telegrams 668, 671, 673 and 709.

Lincoln Gordon

Lincoln Gordon

FILED
OCT 22 1962

Enclosure: As stated

CONFIDENTIAL

FORM DS-323 4-62

FOR DEPT. USE ONLY
☑ In ☐ Out

Drafted by: RVKorp/dh

Contents and Classification Approved by:

Clearances:

0210

CONFIDENTIAL

MEMORANDUM OF CONVERSATION

September 20, 1962

PLACE: The Finance Ministry

SUBJECT: **The Finance Minister's Outlook on Economic and Financial Situation**

PARTICIPANTS: Miguel Calmon, Minister of Finance
Ambassador Lincoln Gordon
Ralph V. Korp, Financial Attaché

The meeting took place at Ambassador Gordon's request. This was the first opportunity for the Ambassador to talk with Minister Calmon since the latter's appointment to the position, following the resignation of former Finance Minister Moreira Salles.

On matters of broad policy, Calmon indicated he was working steadily toward formulating plans for reducing the budgetary deficit and generally bringing inflation under control. He did not yet know whether such a plan would be acceptable to the President or, indeed, whether he would remain after the Cabinet reorganization which was likely shortly after the elections. For his part, Calmon was ready to serve and to try his best to put a reasonable plan into effect.

Calmon stated that it would be a very difficult problem and a continual struggle to persuade the President and the Cabinet to accept and to follow a financial program along sound lines. The President, the Prime Minister and many Cabinet members are surrounded by numerous advisors of a leftist and/or nationalistic bent. Former Prime Minister Brochado da Rocha had been particularly susceptible to this kind of advice. (As an example, Calmon mentioned that when he had described the problem of mounting unpaid bills for petroleum imports, Brochado da Rocha's first reaction was: "Why don't we get the oil from the Soviet Union?").

Nevertheless, Calmon expressed some hope that through gradual persuasion, President Goulart and some of his advisors could be induced to support a constructive program. Calmon feels he has an asset in that he is not particularly "suspect" by the Left and has more easy access to the left-nationalist groups than many bankers and businessmen more closely associated with conservative opinion. Be that as it may, the Minister indicated that, at the least, he wished to formulate a reasonable program and present it to the President, so as to give the latter the opportunity of passing on it.

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The Minister described his main preoccupations as being the balance of payments deficit and the internal budget. On the external side, he was convinced that close cooperation with the U.S. was essential for Brazil. However, as he saw it, the first order of business was for Brazil to formulate a financial program and put some parts of this program into effect before an approach to the U.S. for assistance would be appropriate. The current balance of payments problem was very severe, particularly the problem of growing petroleum and other arrears in import payments. However, he felt that the problem could be handled in the immediate future through careful management including a gradual shipment to the U.S. of Brazil's remaining free gold stock (for pledging against loans or other disposal).

Internally, after the elections, Minister Calmon foresaw a program of cutting subsidies, increasing public service rates and petroleum prices and raising new revenue (perhaps Cr$250 billion) through a tax bill to be presented to the Congress soon, so as to become effective during 1963. The general idea was to reduce inflation gradually, perhaps to a rate of 30 percent in 1963 and of 15 percent in 1964.

The Ambassador raised a number of specific items with the Minister, as discussed in the numbered paragraphs below:

1. Investment Guarantee Agreement

The Minister said that he had reviewed the agreement and sent it back to the Foreign Office, earlier in the week, with his endorsement, except for minor comments along the lines already reported in TOAID A-620.

2. Profit Remittance Legislation

Minister Calmon expressed himself as feeling confident that the amendatory legislation approved by the Senate would be passed in the Chamber of Deputies when the Chamber convenes after the elections. He ascribed the failure of the Chamber to act in September, to the political crisis that had then occurred. He said that he had personal assurances from President Goulart, Chamber President Mazzilli, as well as the party leaders that early passage of the Senate bill would take place. In this connection, the Minister said that he would delay publishing regulations under the present legislation until the new Senate bill was approved.

3. SULEXCO Problem

The Ambassador described to Minister Calmon the problem of discrimination against the U. S. inherent in the exemption given to LAFTA countries from the 80 percent advance import deposit requirement and particularly

0213

the harmful effects this was having on U.S. exports of sulphur. The Ambassador left a comprehensive memorandum on this subject which the Minister promised to study. He also suggested (without conceding the over-all principle) that one way of resolving the sulphur problem quickly would be to put sulphur on the list of goods exempted from the deposit requirement. This would be logical since much of the sulphur imported was used for fertilizer and fertilizer was already on the exempted list.

4. IT&T Expropriation Problem

Minister Calmon showed himself closely familiar with the problem of ITT expropriations as well as with the general question of nationalization of foreign-owned public utilities. He said that he was convinced of the urgency of settling these problems and was working toward their resolution as quickly as possible.

5. BNDE Favoring of Procurement from Czechoslovakia

The Ambassador mentioned the difficulties posed for any possible U.S. assistance to the Cachueira Dorado power project in Goias, by the insistence of the BNDE that Czechoslovakia equipment be used despite a lower Japanese bid (on the argument that Brazil should use up available bilateral balances with Czechoslovakia).

The Minister indicated that he was very familiar with this question. He commented merely that: "The problem of the BNDE and of its President Leocardio Antunes must be resolved".

RVKorp/dh

LG

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

08366

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Classification

Origin

ACTION: Amembassy RIO DE JANEIRO 971

Info:

RIO 971

Marcilio Moreira arriving Rio Varig October 17. Wishes see Ambassador soonest deliver documents and message from Campos. Purpose visit is to assist in working out solutions IT&T, AMFORP, SULEXCO, Profit Remittance problems prior Presidential visit.

END.

RUSK

enciphered by RMR

3

Drafted by: ARA:EST/B:[redacted]Crane:am 10/15/62

Telegraphic transmission and classification approved by: ARA:EST - Mr. Wellman

Clearances:

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INCOMING TELEGRAM — Department of State

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CONFIDENTIAL

Control: 13091
Rec'd: October 17, 1962
10:31 a.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 857, October 16, 9 p.m.

ACTION DEPARTMENT 857, INFORMATION MEXICO CITY 21

MEXICO CITY FOR HERBERT MAY

EMBIEL 831

I saw Calmon October 15, accompanied by Draper, Costanzo and Korp. Main items:

1. Calmon not going to Mexico City due physicians objection attitude. Said not clear who will replace. Mentioned Celso Furtado as possibility.

2. Finance Minister indicated description stabilization program as published (reference telegram) accurate reflection targets he felt realizable without foreign aid. External assistance could obviously help accelerate reducing inflation but not included program because, (a) could not count on such aid, and (b) did not wish suggest to public efforts foreseen in program might not be necessary if aid obtained. Said targets with aid component would be different but indicated on such presentation yet prepared.

3. Believes foreign exchange position just about manageable until end year. Deficit about $80 million (apparently excluding any net repayment arrears) could be covered mainly by shipment $70 million free gold for pledging against new bank plans. Said had told Goulart could not see how operate beyond end November. Reported attitude New York banks unfavorable renew present credit lines $27.5 million which repayable deceiter).

4.

(6)

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ORIGIN/ACTION

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DEPARTMENT OF STATE

AIRGRAM

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832.00/10-1762

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A-436 NO. OFFICIAL USE OLD HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 OCT 19 PM 12-59

RM/AN ANALYSIS & DISTRIBUTION BRANCH

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS OCT 22 1962

FROM : AmEmbassy, RIO DE JANEIRO DATE: October 17, 1962

SUBJECT : CALMON's "ANTI-INFLATION" PROGRAM SUBMITTED FOR CABINET STUDY.

REF :

5(3)12-year
11/15/62 - RB

Finance Minister Miguel Calmon, on October 11, unveiled the outlines of his proposals to the Cabinet for "reversing the inflationary trend". The program outlined, which extends to the end of 1963, makes no pretense of stabilizing the nation's financial situation at any time in the foreseeable future. It aims rather at, first, reversing the current trend of a rising rate of inflation? and eventually, gradually reducing the inflationary rate with stabilization some distant goal. According to the Finance Minister's program, to achieve even the modest goals outlined for 1962 and 1963 will require a substantial effort involving measures - heretofore considered too unpopular to undertake - such as a consumption tax hike and utility rate increases.

Briefly, Calmon's program for the control of inflation calls for the following:

1. For 1962. A possible cash deficit of Cr$ 293.7 billion is projected (up roughly Cr$ 60 billion since the projection reported in Embassy's A-299). The total issuance

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? Rates for Price Increase for 3-Year Periods since 1950:

1950 to 1953	.....	51 %
1953 to 1956	.....	76 %
1956 to 1959	.....	81 %
1959 to 1962	.....	126 %

FILED 16 1962 PM '62

FORM 4-62 DS-323

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Drafted by: JKrizay:anc

Contents and Classification Approved by: Robert Eakens

Clearances: RVKopp

0217

of new paper money for the year is projected at Cr$ 137.9 billion for an increase of 46.9% over the December 1961 level. Prices would be expected to rise about 50%, according to the presentation. The objective for 1962 is to keep the rate of inflation to some level defined only as "well below 50%" - (though the Finance Minister has reportedly stated privately that even with the best of efforts, he expects the rate of inflation to reach 50%).

To accomplish this objective, Calmon proposes to cut the Treasury cash deficit by Cr$ 50 billion by reducing expenditures, postponing some payments until next year, calling a halt to expenditures not appropriated for, eliminating the present subsidies of foodstuffs and "bringing public utility rates up-to-date". To reduce the necessity for issuing new currency to cover the entire remaining cash deficit, Calmon would float bonds issued by the Treasury and which could not be used by commercial banks as compulsory reserve deposits. In addition, he would have the BNDE market some of its loan paper to diminish its dependence on the Treasury for support.

2. For 1963, Calmon projects a potential budgetary expenditure level of approximately Cr$ 1.6 trillion, a figure which includes some Cr$ 216 billion in unpaid bills from past years plus an unspecified amount to cover another federal pay raise. Of this amount, Calmon expects that Cr$ 337 billion in obligations would not be liquidated during the year so that actual disbursements would be Cr$ 1.262 trillion. Estimated receipts are Cr$ 655 billions and the probable cash deficit is projected as Cr$ 607 billion, the financing of which, according to the program, would entail the issuance of Cr$ 230 billions in new paper money for an increase of 58% in paper money in circulation and an increase of 53% in prices. The objective for 1963 is to achieve a "substantial" reduction in the rate of inflation by an economy plan which would reduce disbursements to Cr$ 1.155 trillions and a tax increase (including principally a hike in indirect taxes) which would increase revenues by Cr$ 200 billions. Hence the cash deficit would be reduced to about Cr$ 300 billions. The Finance Minister has privately stated that he would expect to be able to finance Cr$ 150 billion of this amount by means other than the issuance of new currency.

Aside from the meager results projected, the program contains some mystifying details. For example, in 1962, the possible cash deficit is estimated at Cr$ 293.7 billions involving the issuance of only Cr$ 137.9 billions in new currency. In 1963, a probable cash deficit of over Cr$ 600 billion is projected as involving a new currency issuance of Cr$ 230 billions. Generally, in past years, the level of new currency issues has much more closely approximated the cash deficit. What sort of financing would be used to cover



the rather large gap in these two years is not very well explained. So far as 1962 is concerned, financing through compulsory loan which may bring in about Cr$ 15 billion plus the issuance of so-called "títulos de recuperação" - marketable IOU's the government is now passing out to contractors who have gone many hard months without being paid for services rendered - may account for some of the gap though it still seems inordinately large. For 1963, the only significant source of financing other than currency issuances might be the cost-of-living voluntary loan bonds which, it will be recalled, were authorized early this year as part of the late stabilization program. None of these have yet been issued. The maximum of these that could in any case be issued is Cr$ 100 billion. The Finance Minister did mention (as stated above) the issuance of some additional Treasury paper "which could not be used as commercial bank reserve deposits", but it is doubtful that any significant amount could be marketed. There are, of course, other sources of financing which could be used: e.g. the surplus in the coffee account and the increment in deposits against foreign exchange purchases which is likely to occur as the cruzeiro continues to depreciate. In the past, however, the Government has never succeeded in tapping these funds to any significant extent. Regulations provide that the coffee account shall be used for the benefit of coffee producers and the IBC has seen to it that none escapes. The foreign exchange deposit account increments, on the other hand, have generally gone to increase the outstanding loan balances of the Bank of Brazil to the private sector. Judging by past performance, therefore, it seems likely that a cash deficit of Cr$ 300 billion would entail a new currency issue of over Cr$ 200 billion.

Another confusing, but not too important factor in the Calmon program is projection of rates of inflation for 1962 and 1963. Calmon states that a 46.9% increase in money supply in 1962 would bring 50% increase in prices while a 58% increase in money supply in 1963 would bring only a 53% increase in prices. There is no explanation as to why the coefficient of correlation between price increases and new money issuances changes from 1 plus in 1962 to less than 1 in 1963. This could only come about through a decline in velocity which hardly seems likely in the circumstances.

The third surprising factor in this program is the size of the government deficit projected for 1963 in spite of all the anti-inflation measures contemplated. In our analysis of the budget proposal for 1963, (Embassy's A-8 of July 5) we calculated that, barring any radical change in the government's behavior with respect to fiscal policy, the 1963 deficit should range from Cr$ 240 billion to Cr$ 520 billion. We did not include in our calculations another federal pay raise (since one had just been granted in mid-1962) but, for our high estimate, a number of other costs were included which are

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apparently not included in Calmon's calculations. Offsetting these we should still add about Cr$ 125 billion (9) to cover additional costs due to pay raise (which the Finance Minister says is "inevitable"). We would thus arrive at an estimated before-stabilization-program deficit of from Cr$ 375 to Cr$ 645 billions. Calmon, however, proposes to: (1) institute an economy plan (2) raise utility rates and (3) raise taxes by Cr$ 200 billion, and still wind up with a Cr$ 300 billion cash deficit.

The possibility that Calmon's figures have been padded to dramatize the urgency of the situation is not borne out by a close analysis of the figures presented in the program. A more likely explanation is that the steps described in the program only in general terms - i.e. all except the tax hike - consist of more words than action. For example, we can calculate, using Calmon's figures that the "economy plan" for 1963 is only expected to lop off Cr$ 107 billion - about 6% of potential expenditures - which should cause no one any strain (99). Also, judging by the level of potential expenditure projected for 1963, it does not appear that the utility rate increases he advocates should take place now, would be substantial (999). The Calmon Plan, therefore, at best seems to be a plan designed to do no more than prevent the inflationary trend from spiraling. But, in so doing, by its emphasis on substantial tax increases with almost no emphasis on reducing expenditures, it represents another step in the direction of a growing public sector.

The above is only by way of a preliminary analysis based principally on the published portion of the proposed anti-inflation-program. The Finance Ministry has promised the Embassy a copy of the unpublished material pertaining to the program. A further analysis will be submitted upon receipt of this information. It should also be added that the Finance Minister's calculations do not take into account any foreign aid which may be forthcoming.

For the Ambassador,

John Krizay
Second Secretary of Embassy

(9) This figure assumes that pay raise would not be effective during entire year.

(99) Calculated by deducting past-economy plan expenditure goal from level of potential expenditures less postponments.

(999) Barring rate increase, the deficits of the railroads, Merchant Marine and post and telegraph system in 1963 would likely reach Cr$ 150 billion. A realistic adjustment of utility rates should eliminate a large part of this deficit thereby substantially reducing budgetary subsidies. No such substantial reduction is reflected in the expenditure level projected.

INCOMING TELEGRAM *Department of State*

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Control: 14074

Rec'd: October 18, 1962 11:17 a.m.

INFO: RM/R FILES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 868, October 17, 9 p.m.

ACTION DEPARTMENT 868, INFORMATION MEXICO CITY 23, BRASILIA 40

MEXICO CITY FOR HERBERT MAY, BRASILIA FOR AMBASSADOR

Following informal information from Bank of Brazil:

1. Commercial arrears reached $117.9 million (of which $99.8 to US and $18.1 for Europe) on October 8.

2. Bank's exchange receipts from exports, other ordinary sources, first half October about $34 million consistent monthly level projected in Embassy's A-372, compared actual only $49 million in September. Nevertheless, bank projects uncovered deficit $80-$100 million for October-December. (Details by airgram).

3. Bank preparing schedule debt burden for use during President Kennedy's visit. Connection Calmon statement (paragraph 4, DEPTEL 857) that mainly concerned balance of payments relief in form rescheduling debt, interesting note bank's work on debt position includes large short-term liabilities, e.g., commercial arrears, exchange contracts outstanding, maturing "swaps", bankers credit lines, as well as interest burden and usual medium and long-term debt schedules. This basis "debt repayment problem" could easily build up to much as $850 million in 1963 alone. (Medium and long-term principal and interest, 400, arrears 200, maturing "swaps" 150, exchange contract commitments 100). Will report when details become available.

4. Working

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ORIGIN/ACTION

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AIRGRAM

100-4/10-1962
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A-109 NO. — CONFIDENTIAL with a SECRET enclosure — AIR PRIORITY HANDLING INDICATOR

XR-832.10
811.0032
732.00

TO : DEPARTMENT OF STATE

FROM : Amcongen SAO PAULO DATE: October 19, 1962

SUBJECT: Draper Inter-Agency Survey Team Visit to São Paulo

REF : Deptel 813 September 27, 1962 to Amembassy, Rio de Janeiro

S/S G ARA PM/A

An inter-agency survey team headed by Ambassador William H. Draper, Jr., visited São Paulo on October 16 and 17, 1962. The composition of the team, their activities in São Paulo, and memoranda of conversations between team members and prominent local figures are set forth in the enclosures.

In accordance with instructions contained in the referenced telegram, local publicity on this visit was kept to a minimum.

Ambassador Draper and his colleagues made many contacts with knowledgeable Brazilians and Americans at São Paulo. On departure, the Ambassador and members of his party expressed satisfaction with their visit.

Daniel M. Braddock
Minister Consul General

Enclosures:
1. Composition of the Inter-Agency Survey Team. (CONFIDENTIAL)
2. Schedule for visit. (~~CONFIDENTIAL~~) (UNCLASSIFIED)
3. Guest List for Luncheon October 16 (UNCLASSIFIED)
4. Guest List for Dinner October 16 (UNCLASSIFIED)
5. Memorandum of Conversation with Dr. Gastão Eduardo de Bueno Vidigal (CONFIDENTIAL)
6. Memorandum of Conversation with Dr. Adhemar de Barros (CONFIDENTIAL)

FORM A-32 DS-323

CONFIDENTIAL with a SECRET enclosure

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DBraddock/
JLiebor/DDraper/CLLlama
G.Fasoli/ mec 10/19/62

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DEPARTMENT OF STATE

AIRGRAM

838.10/10-2462
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A-164 NO. | LIMITED OFFICIAL USE | XR 238.1141 HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 OCT 29 AM 9 00 838.0511

RM/AN ANALYSIS & DISTRIBUTION BRANCH

DEPARTMENT OF STATE OCT 3 1962

FROM : Amembassy, PORT-AU-PRINCE DATE: October 24, 1962

SUBJECT : Claims of U. S. Citizens Against the Government of Haiti

REF : (a) A-22, October 10, 1962
(b) Embassy Despatch No. 262, January 17, 1962

In connection with the Department's request contained in refernece (a) the Embassy refers to reference (b). As enclosures attached to reference (b), there was an unofficial English translation of a note from the Foreign Office (No. EC/A-2)2 dated January 15, 1962. From the enclosures it will be noted as follows:

(a) The GOH claims to have paid for nine of these claims including the claim made by Lankton, Ziegele, Terry and Associates.

(b) Eight of the claims are on both the lists submitted with Reference (a) as well as with Reference (b). In the above referenced note, Reference (b), the Haitian Government rejects three claims but has two claims under consideration, namely Drake America Corporation of New York and Donald S. Lavigne of Miami, Florida. The balance of the claimants apparently were asked to furnish additional information.

Although the note from the Foreign Office does not necessarily determine the decisions that may be reached by the Claims Commission, it may be an indication of the Commission's likely attitude towards these claims.

The chairman of the Claims Commission, Vilfort BEAUVOIR, told an Embassy Officer on October 22 that he now expected the Commission to complete its work andforward its recommendations to the Minister of Finance by the end of November or certainly not later than the first week in December. In response to a question, he said that the Commission

FILED 62 30 PM

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Drafted by: COMM:VEBlacque:bar | Contents and Classification Approved by:

Clearances:



has been concerned only with those claims submitted prior to the cut-off date fixed in the decree. Any later claims, he said, would have to be settled directly between the parties concerned. He felt certain, however, that there were no major claims in this category and that any which exist will be settled satisfactorily.

FOR THE AMBASSADOR:

V. E. Blacque
Commercial Officer

0224

ORIGIN ACTION

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DEPARTMENT OF STATE

AIRGRAM

832.00/10-2462
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A-110 NO. — OFFICIAL USE ONLY — XR 832-10 HANDLING INDICATOR

DOC OCT 25 AM 11 41

811-0032

TO : DEPARTMENT OF STATE

INFO: RIO DE JANEIRO

RECORDS ANALYSIS & DISTRIBUTION BRANCH

FROM : Amcongen, SÃO PAULO DATE: October 24, 1962

SUBJECT : São Paulo Opinion on Current Economic Problems

REF : CERP, D-10

This airgram records a conversation among a group of well-informed American businessmen in Brazil and two Consulate General officers on current economic problems. The group included the President of the American Chamber of Commerce in São Paulo, an officer of a locally established American bank, and representatives of several of the most important American-connected firms in Brazil; some of the opinions expressed may be of interest to the Department.

The group agreed that the two most serious current economic problems in Brazil were inflation and nationalistic-leftist attitudes in the national government.

With respect to inflation, they said that the rate which had prevailed until the last year had not been intolerable, and may even have stimulated the economy. Currently, however, the excessive rate of inflation was creating serious problems. One businessman reported, for example, that some months ago his working capital amounted to about 80 percent of one month's operations. Now his working capital, with the same cruzeiro value, amounted to only 50 percent of a month's operation. Credit was more and more difficult to obtain. Sooner or later the lack of credit would curtail business operations. It was said that the first crucial point would be reached toward the end of this year when it became necessary to pay the thirteenth month Christmas bonus required by recent law. It was estimated that this payment for all eligible employees in Brazil would reach about 100 billion cruzeiros, and it was hard to see where this amount could be obtained. Illustrating the difficulty of credit at the present time, the banker mentioned that the current definition

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Classified by: ECON/RCDesmond 10/24/62

Coordination and Classification Approved by:

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0229

São Paulo
A-110
10/24/62

of long-term credit was credit of more than 120 days, and that, in fact, such credit was not available from commercial banks. From other lending institutions, he said, an A-1 firm might get a loan for 180 days at 40 percent on an annual basis.

Concurrent with and related to the problem of inflation, the businessmen remarked, was the increasingly critical shortage of foreign exchange that Brazil is experiencing which jeopardizes essential imports. As these problems become more acute, one participant remarked, he was convinced that Brazil would reach a severe crisis within six months. The others agreed, only adding that the crisis would arrive sooner, probably within three months. The opinion was unanimously expressed that it would be better for the crisis to arrive sooner rather than later, while the United States, as they said, still had a number of friends in influential places. They all agreed that it would be a mistake for the United States to postpone the crisis by extending additional balance of payments loans.

The group made no review of the national political attitudes which they considered to be a current problem, but it was implicit that they were thinking of such recent measures as the remittance of profits law. They deplored specifically the tendency of the Federal Government to intervene more and more in economic and business affairs, since, at the level of maturity and competence in public administration prevailing in Brazil, such intervention inevitably meant graft and inefficiency on an increasing scale. For this same reason, one businessman mentioned, the current expropriation of public utilities is a tragedy, for it will mean, quite aside from considerations of justice to the previous owners, deterioration of service and of plant and increasing deficits of operation.

Concerning the Alliance for Progress, the businessmen expressed the opinion, for reasons evident in the previous paragraph, that the United States should seek to maximize aid to non-governmental entities, and, in particular, minimize participation of the federal government. The suggestion was also made that aid be limited to those states the governors of which were friendly to the United States.

For the Minister Consul General:

Richard C. Desmond

Richard C. Desmond
Consul

0226

ARA-4

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DEPARTMENT OF STATE

AIRGRAM

832.10/10-2562

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A-469 NO. | LIMITED OFFICIAL USE HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 OCT 29 AM 9 00

RMFAN
ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: October 25, 1962

SUBJECT : National Security Council Authorizes Gold Shipment

REF : CERP D-12

DEPARTMENT OF STATE
BUREAU OF
INTELLIGENCE AFFAIRS
OCT 29 1962

According to press reports, the National Security Council of the Brazilian Government met on October 19 (for the first time in six years) and approved the shipment to the Federal Reserve Bank of New York of approximately $60 million in gold physically located in Brazil. Presumably, the gold is to be used for pledging against additional gold collateral loans from private banks.

The Bank of Brazil has not yet been officially notified of the exact text of the National Security Council action. Therefore, it is not yet clear whether the amount mentioned in the press reports is accurate or whether the Council's action permits the shipment of the entire remaining official gold located in Brazil, which, on August 31, amounted to 62,957 kilograms, valued by the Bank of Brazil at $70,844,000.

It will obviously take some time before the physical transfer of the gold can be accomplished by surface means.

This is being reported by Airgram due to the LIMITEL restriction on telegraphic traffic that is currently being enforced.

For the Ambassador:

Ralph V. Korp
Financial Attaché

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Drafted by: RVKorp/dh

Contents and Classification Approved by:

Clearances: REakens

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DEPARTMENT OF STATE

22 AIRGRAM

832.10/10-2662

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A-474 NO. | CONFIDENTIAL | PRIORITY HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1962 OCT 31 PM 4 42

RM/AN ANALYSIS & DISTRIBUTION BRANCH

Re

RM/R-Lee 11/16-RB

FROM : Amembassy RIO DE JANEIRO

DATE: October 26, 1962

SUBJECT : Brazilian Financial Crisis

REF :

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS NOV 1 1962

At luncheon Thursday, October 25, San Tiago Dantas, who has again become one of Goulart's closest advisers and has been promoting his appointment as Minister of Finance, outlined to me his thoughts on the financial policies, internal and external, which he intended to discuss with Goulart October 26 and over the weekend.

Dantas fully recognizes that the balance of payments is in desperate condition and that the country is faced with highly critical financial problems both internally and externally. We reviewed together the outlook for the balance of payments for 1963, using both SUMOC estimates and those prepared in the Embassy for discussion with the Draper Committee, which differ in minor respects but show similar over-all deficits. Dantas' first preoccupation is to develop an anti-inflationary program which contains the classic elements but is made politically palatable by distributing the burdens among the various social groups, with a substantial share falling on the entrepreneurial class. Like Calmon, he would have a drastic reduction in unnecessary or postponable public investments and would limit wage increases rigorously to the cost-of-living index figures. He would reduce government subsidies by bringing the wheat import rate up to 480 and increasing the price of petroleum products, and would also divert some of the Petrobras profits to cover deficits of other enterprises such as the railroads, alkali factory, and national motor factory. He would also gradually increase railroad passenger and freight rates.

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With respect to new revenue, however, he would depend heavily on the compulsory loan device contemplated last March by Moreira Salles, but increasing the volume to 100 percent of income tax instead of 20 percent. This would make a total corporate tax plus loan of 40 percent instead of 24 percent. He would also limit the distribution of dividends to the absolute amount in 1961, with adjustments for cases where the base year was very low, but freely permitting the reinvestment of undistributed profits. He did not yet have quantitative calculations on the additional revenue such a program would produce, but said studies were in motion on that point.

At the same time, he would seek major expansion of iron ore exports, promotion of meat exports, import saving through oil shale development, and further expansion of traditional exports in Iron Curtain country markets.

On the basis of this program, he would seek to negotiate the release of all the May 1961 stabilization AID commitments, including the IMF and the European credits linked to the IMF, and would ask Alliance for Progress loans for certain major going projects now being financed with currency emissions, notably the completion of Usiminas, Furnas, Cosipa, Tres Marias, and the paving of the Rio-Bahia road.

He believes that the combination of these measures should see them safely through 1963 and lay a foundation for meeting the balance of payments problem in 1964 and thereafter.

It is not possible to appraise this line of thought without the quantitative estimates still in preparation. It is, however, significant that the gravity of the internal and external financial situation appears to be fully recognized by Dantas, as well as by more conservative elements in the Government such as Finance Minister Calmon.

At an informal dinner Wednesday night, October 24, Calmon told me something of his general philosophy in dealing with the present critical situation and in negotiating with his colleagues in the Government. He said that his main effort was to force the Government to reduce various types of subsidies to consumption. For many years, every difficult financial problem had been resolved simply by adding to subsidies and to the issuance of currency. The

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see attached A-475 on this subject. R.C.

only way to bring this to an end was to emphasize the disastrous magnitudes of the deficits thereby being created. He was well aware that foreign aid would also almost certainly help the budget, but was anxious not to emphasize this point with his colleagues, who might consider it an easy way out. Hence his failure to include any allowance for the counterpart of foreign aid in his program recently presented to the Cabinet.

He felt that he was making gradual progress in securing an understanding of his viewpoint. He had already succeeded in winning Goulart's agreement to limit minimum wage increases to the amounts required to meet recorded cost-of-living index figures, and to put off the effectuation of the next minimum wage increase until after January 1, so that it would not have a double effect in the calculation of the thirteenth month bonus in December. He said that Goulart's reported "agreement" with the trade union leaders last week to give the minimum wage increase this calendar year was in fact a tactical device, the intention being to study the figures and announce the amount of the increases some time in November, but to have them become effective only 60 days thereafter.

Lincoln Gordon

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DEPARTMENT OF STATE

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AIRGRAM

832.10/10-2662

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A-475 NO. | CONFIDENTIAL | PRIORITY HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1962 OCT 31 PM 4 42

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: October 26, 1962

SUBJECT: Galmon's Anti-Inflation Plans Count on Foreign Aid

REF : Embassy Airgram A-436

Alexander Kafka, Chief, Division of Research of the Getulio Vargas Foundation, advised the reporting officer and Economic Counselor Robert Rabens that Finance Minister Galmon was counting on external aid to cover roughly half of the anticipated deficit next year. It will be recalled from Embassy's A-436 that the Finance Minister, in discussions with the Ambassador and the Financial Attache, had said that his calculations did not take into account possible external assistance.

A-436 pointed out that of the Cr$300 billion deficit anticipated by Galmon for 1963 in spite of tax increases and other deficit cutting measures, roughly Cr$150 billion would be financed by new money issuances. In that airgram we indicated that the financing of the balance was not explained in the published portion of the plan and further that other sources of financing of that magnitude were unlikely to be found. According to Kafka, the unpublished portion of the plan (which has not yet been given to the Embassy although promised) concerns itself largely with foreign aid prospects and counts on such aid to cover the major part of the Cr$150 billion not covered by new money.

If Kafka's statement is true and considering that most observers give the tax increase recommended by Galmon little chance, the financial prospects for 1963 appear to be even more chaotic than had been previously supposed.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
NOV 1 1962

For the Ambassador:

John Krizay
Second Secretary of Embassy

AMB
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ADMIN
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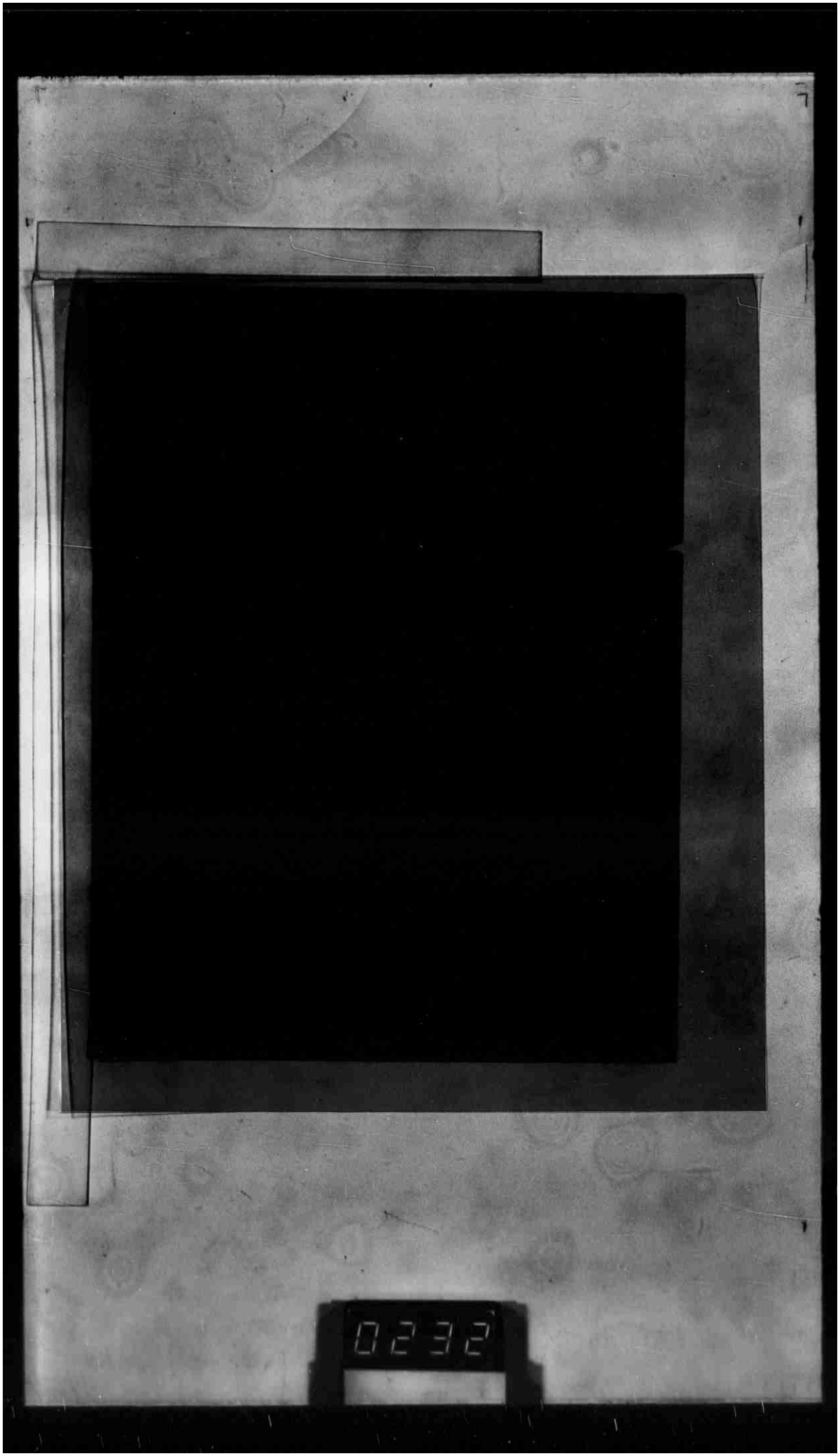
FORM DS-323 A-62

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Contents and Classification Approved by: Robert Rabens

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DEPARTMENT OF STATE

AIRGRAM

832.10/10-3062

A-484 | CONFIDENTIAL | PRIORITY

NO. | HANDLING INDICATOR 832.131

TO : DEPARTMENT OF STATE 1962 NOV 2 AM 8 59

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: October 30, 1962

SUBJECT : Bank of Brazil Exchange Reserves and Transactions - September 30, 1962

REF : CERP, Sec. B-231; Embassy's A-371 of Sept. 28, 1962

Attached are tables on the Bank of Brazil's foreign exchange reserves and on the foreign exchange transactions of the Bank of Brazil and of other banks, as of September 30, 1962.

COMMENT

There was a somewhat surprising improvement of $32.9 million in the net convertible reserve position of the Bank of Brazil during September. This increase is illusory, however, since it was almost exactly offset by a further accumulation of commercial arrears, which rose from a level of about $75 million at the end of August to $108 million at the end of September (increase of roughly $33 million).

The major part of the September increase in reserves reflected a net repayment of $20 million against credit lines drawn from United States banks. By early October, the entire $45 million of 90-day credit line drawings made in June and early July have been repaid, and new drawings of $27.5 million had been made available by American banks. (See footnote 1 to tables). In spite of credit line repayments and other considerable debt obligations in September (including repayment of $17.5 million to the IMF), the Bank of Brazil's deposits abroad in convertible currencies increased by about $33 million. This was accomplished through the further growth of arrears, careful husbanding of resources and special operations. The latter included a loan of $10 million from the First National City Bank of New York, in anticipation of the completion of formalities on a new gold collateral loan of this amount, and receipt of $7.3 million

Enclosure: As stated

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from Argentina in payment of the old balance under the now expired bilateral agreement.

Preliminary telegraphic reports of official Brazilian deposits in major U. S. banks show balances of about $25 million on October 22. This is after a payment of $10.3 million IDB subscription which Brazil has made in October.

In September, the Bank of Brazil's exchange receipts, as reflected in purchases of exchange contracts by the Bank, amounted to only $49.8 million, the lowest monthly figure for the year and about $20 below the Bank's forecast for the month (Embassy Airgrams A-280 and A-372). During the first three weeks of October, however, the rate of exchange contract purchases has improved and is consistent with the Bank's forecast of $68.3 million for the month of October. (Footnote 4 to tables and Embassy's A-443).

The level of commercial arrears continues to mount. These arrears stood at $117.6 million on October 22 of which $103.2 million were denominated [redacted] in dollars and $14.4 million in other convertible currencies. This is despite the payment of $6.8 million to petroleum companies in payment of 20 percent of petroleum arrears, in accordance with the scheme for consolidating arrears that the Bank of Brazil has worked out with the oil companies. (See Embtel 766).

For an analysis of Brazil's dim balance of payments outlook for the rest of the year, see Embassy Airgrams A-443 and A-469.

For the Ambassador:

Ralph V. Korp
Financial Attache

(a) Payments actually effected as of October 22.

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TABLES ON BRAZIL's RESERVES AND FOREIGN EXCHANGE TRANSACTIONS

(All figures in millions U. S. dollars, or dollar equivalents)

I. CONVERTIBLE FOREIGN EXCHANGE RESERVES

A. Net Reserve Position of the Bank of Brazil

End of Period	Unpledged gold	Freely Available US$	Other Freely Available Conv. Curr.	Sub-Total	Less N. Y. Credit Lines in Use	Total Net Reserves
1961						
Dec.	70.1	39.2	2.3	111.6	-50.5	61.1
1962						
Mar.	70.5	25.5	12.6	108.6	-25.0	83.6
June	81.1	41.4	6.9	129.4	-41.5	87.9
Aug.	81.1	30.3	6.4	117.8	-45.0	72.8
Sept.	81.1	41.6	8.0	130.7	-25.0	105.7

For more recent figures, see footnote 1/

B. Gross Reserve Position of the Bank of Brazil 2/

End of Period	Total Gold (1)	Unpledged Gold (2)	U. S. Dollars (3)	Other Convertible Currencies (4)	Unutilized N. Y. Credit Lines (5)	TOTAL (2+3+4+5)
1961						
Dec.	285	70	126	47	40	283
1962						
Mar.	285	70	92	42	67	271
June	285	81	94	31	46	252
Aug.	285	81	55e	20e	46	202
Sept.	285	81	54	20	64	219

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II. FOREIGN EXCHANGE TRANSACTIONS

A. Bank of Brazil Contracts for Purchases and Sales of Foreign Exchange 3/

1. Convertible Currencies

Monthly Transactions	U.S. DOLLARS			OTHER CONV. CURRENCIES			TOTAL CONVERTIBLE CURRENCIES		
	Purchases	Sales	Net	Purchases	Sales	Net	Purchases	Sales	Net
1962									
Jan.	63.9	77.5	-13.6	20.0	23.9	-3.9	83.9	101.4	-17.5
Feb.	51.6	80.4	-28.8	11.4	25.1	-13.7	63.0	105.5	-42.5
Mar.	45.2	78.8	-33.6	12.3	17.5	- 5.2	57.5	96.3	-38.8
Apr.	49.7	69.3	-19.6	14.2	14.8	- 0.6	63.9	84.1	-20.2
May	51.3	85.8	-34.5	24.3	19.7	+ 4.6	75.6	105.5	-29.9
June	41.9	68.5	-26.7	11.9	18.1	- 6.2	53.8	86.7	-32.9
Total (Jan/June)	303.6	460.4	-156.8	94.2	119.1	-24.9	397.8	579.5	-181.7
July	59.2	55.2	+ 4.0	21.3	17.9	+ 3.4	80.5	73.1	+ 7.4
Aug.	60.5	38.6	+21.9	17.0	16.3	+ 0.7	77.5	54.9	+ 22.6
Sept.	38.0	40.5	- 2.5	11.8	14.3	- 2.5	49.8	54.8	- 5.0
Total (Jul/Sept.)	157.7	134.3	+23.4	50.1	48.5	+ 1.6	207.8	182.8	+ 25.0

For more recent figures see footnote 4/

2. Inconvertible Currencies

Monthly Transactions	Purchases	Sales	Net
1962			
January	7.5	4.5	+3.0
February	7.2	12.7	-5.5
March	8.5	6.7	+1.8
April	9.1	5.6	+3.5
May	11.8	5.8	+6.0
June	23.0	11.6	+11.4
Total, Jan/June	67.1	46.9	+20.2
July	10.6	8.8	+1.8
August	8.8	23.8	-15.0
September	4.7	14.9	-10.2
Total, July/Sept.	24.1	47.5	-23.4

B. Foreign Exchange Transactions of Commercial Banks in Convertible Currencies

1. Total Purchases and Sales

Monthly Transactions	PURCHASES: For Own Acct.	PURCHASES: Transferred to BOB	PURCHASES: Total	SALES: For Own Acct.	SALES: w/resources furnished by BOB	SALES: Total	NET TOTAL
1962							
Jan.	28.3	4.3	32.6	28.9a	0.3	29.2a	+3.4
Feb.	29.3	3.0	32.3	32.1a	0.3	32.4a	-0.1
Mar.	43.2a	9.7	52.9a	41.2a	0.2	41.5a	+11.4
Apr.	50.7	2.3	53.0	50.4	0.1	50.5	+2.5
May	73.0	6.5	79.5	67.6	0.1	67.7	+11.8
June	49.6a	5.4a	55.0a	48.8	0.2	49.0	+6.0
July	17.5	14.3	31.8	12.7	1.9	14.6	+17.2
Aug.	33.8	13.2	47.0	35.8	2.5a	38.3a	+8.7
Sept.	40.2	2.1	42.9	42.0	0.7	42.7	+0.2
Total, Jan/ Sept.	365.6	61.3	427.0	359.8	6.2	365.9	+61.1

For more recent figures, see footnote 5/

2. By Type of Transaction

Monthly Transactions	PURCHASES: Exports	PURCHASES: Financial Transactions	PURCHASES: Total	SALES: Imports	SALES: Financial Transactions	SALES: Total	NET TOTAL
1962							
Jan.	21.0	11.6	32.6	14.9a	14.3a	29.2a	+3.4
Feb.	18.4	13.9	32.3	15.1a	17.4a	32.4a	-0.1
Mar.	33.1a	19.8a	52.9a	17.1a	24.3a	41.5a	+11.4
Apr.	30.9	22.0	52.9	15.3	35.2	50.5	+2.5
May.	51.4	28.1	79.5	24.7	43.0	67.7	+11.8
June	44.4a	10.6a	55.0a	30.6	18.4	49.0	+6.0
July	23.6	8.2	31.8	9.3	5.3	14.6	+17.2
Aug.	36.3	10.7	47.0	33.2	5.0	38.3a	+8.7
Sept.	35.7	7.1	42.3	30.2	12.6	42.7	+0.2
Total, Jan/ Sept.	294.8	132.1	426.9	190.4	175.5	365.9	+61.1

C. Bank of Brazil "Swaps"

End of Period	"SWAPS" OUTSTANDING: U. S. Dollars	Other Convertible Currencies	TOTAL
1961			
Dec.	313.7	34.1	347.8
1962			
Mar.	323.1	38.4	361.5
June	384.5	31.5	416.0
July 5/	377.7	32.6	410.3
Aug.	374.6	31.7	406.3
Sept.	367.0	32.5	399.5
Change during Jan 1/Sept.30, 1962	+53.3	- 1.6	+51.7

For more recent figures, see footnote 6/

(a) Revised from previously reported figure.

1/ Preliminary unconfirmed data from major U. S. banks (accounting for a large portion of deposits in the U.S.) showed dollar deposits at about $29 million on October 8, $32.5 million on October 18, and $25.1 million on October 22. Credit lines in use increased to $27.5 in early october and were at this level on October 22.

2/ Continuation of the series appearing in Table 17 (Page 34 of Part II) of the IMF's report on the 1961 Article XIV Consultations with Brazil (Document SM/62/12 of February 28, 1962). The main difference between this gross series (IB) and the series on the net reserve position (IA) is that the gross series reflects, in addition to freely available dollars and other convertible deposits, certain receivables in transit and earmarked deposits, without showing corresponding liability items. The net series shows only the freely available deposits and would therefore seem the more meaningful of the two sets of data.

3/ These transactions reflect the movement of contracts for the sale or purchase of foreign exchange; not cash flows. Direct cash transactions of the Bank of Brazil, on its own behalf are never reflected in these figures. Thus, items such as "swaps" and drawings and repayments of foreign loans to the Bank of Brazil do not form part of the transactions recorded in this series. Since exchange contracts liquidations are not reflected in these figures, cumulative totals over a period of time have little significance. They bear no relationship to the outstanding "float" of unliquidated exchange contracts.

4/ Bank of Brazil's exchange contract transactions in convertible currencies during October 1 - 22 show the following: Dollar contract purchases, $37.1 million; sales, $33.1 million; surplus, $4.0 million; other currencies purchased, $14.1 million; sales $12.6 million; surplus $1.5 million; total convertible contract purchases $51.2 million; sales, $45.7 million; surplus $5.5 million.

5/ During September 1 - 5, total purchases by commercial banks amounted to $24.7 million, and sales $25.2 million.

6/ The "swap" position as of October 22 showed a slight increase, the position being: Dollar "swaps", $366.2 million; other convertible "swaps", $34.1 million; total "swaps" $400.3 million.

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OLD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

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TO : DEPARTMENT OF STATE 1962 NOV 3 PM 3 53

RPAN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: October 30, 1962

SUBJECT : New Schedule of Rates for Bank of Brazil "Swap" Transactions

REF : CERP, D-12

The attached table shows the new exchange rate and interest rate schedule for the Bank of Brazil's "swap" transactions, which became effective on September 20, 1962.

Under the "swap" transactions the Bank of Brazil enters into contracts whereby foreign exchange is purchased by the Bank for a stated period of time; the repurchase of the exchange in cruzeiros being guaranteed at the same exchange rate as the original purchase. The Bank of Brazil exchange risk in these transactions is somewhat reduced by the fact that the exchange rate for the "swap" is kept below the prevailing exchange rate for normal transactions.

The new "swap" exchange rates are roughly 20 percent higher than the former rates. Before September 20, "swap" rates ranged from Cr$230 to Cr$300 per U.S. dollar. The new rates which became effective on this date, range from Cr$280 to Cr$370 per dollar.

The bulk of the outstanding "swaps" involve a straight repurchase arrangement (Category I of attached table) for which the new exchange rates are in the Cr$280-320 range. In cases where maturing "swaps" are renewed, the renewals are made at the new rates (i.e., the Bank of Brazil pays out additional cruzeiros equal to the difference between the original exchange rate and the new exchange rate.)

For the Ambassador:
Ralph V. Korp
Ralph V. Korp
Financial Attache

Enclosure: As stated

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FORM DS-323 4-62

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Drafted by: RVKorp/dh
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Contents and Classification Approved by:

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EXCHANGE RATE AND INTEREST RATE SCHEDULE FOR "SWAP" TRANSACTIONS OF THE BANK OF BRAZIL, EFFECTIVE SEPTEMBER 20, 1962

I. "SWAPS" UNDER WHICH FOREIGN EXCHANGE TO BE REPURCHASED

Period	Exchange Rate (Per U. S. Dollar)	Interest Rate Payable Quarterly to Bank of Brazil on Cruzeiro Amount (per annum)
1 year	Cr$280	3%
2 years	Cr$300	2.5%
3 years or more	Cr$320	2%

COSTS: Payable by interested party

II. "SWAPS" TO BE REPURCHASED WITH PROCEEDS FROM EXPORTS (Except Coffee)

Period	Exchange Rate (Per U. S. Dollar)	Interest Rate Payable Quarterly to Bank of Brazil on Cruzeiro Amount (per annum)
12 months	Cr$330	2%
9 months	Cr$350	1%
6 months	Cr$370	none

COSTS: Payable by interested party

REPURCHASE: Any time while contract in force. Contracts are not renewable. In case the planned exports are not realized, the foreign exchange with which the "swap" was created must be definitively sold to the Bank of Brazil.

III. "SWAPS" TO BE REPURCHASED WITH THE DEFINITIVE SALE OF THE FOREIGN EXCHANGE

Period	Exchange Rate (Per U.S. Dollar)	Interest Rate Payable Quarterly to Bank of Brazil on Cruzeiro Amount (per annum)
12 months	Cr$330	2%
9 months	Cr$350	1%
6 months	Cr$370	none

COSTS: Payable by interested party

REPURCHASE: Through the definitive sale (at the exchange rate prevailing at the time) of the foreign exchange brought in for the "swap" transaction, in accordance with the following schedule:

a) 12 month "swaps" - 50% in 180 days; 25% in 270 days; 25% in 360 days.
b) 9 month "swaps" - 40% in 180 days; 60% in 270 days.
c) 6 month "swaps" -100% at maturity.

SOURCE: Foreign Exchange Department
Bank of Brazil

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DEPARTMENT OF STATE

AIRGRAM

832.10/10-3162

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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
NOV 6 1962

RM/AN
ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy RIO DE JANEIRO DATE: October 31, 1962

SUBJECT: FEDERAL CASH DEFICIT SURPASSES CR$100 BILLION.

REF :

RM/R - Yeo
11/7 - KB

The uncovered federal deficit for the current year (financed by Bank of Brazil loans to the Treasury) reached Cr$105 billion as of October 13, according to the latest available SUMOC calculations. An additional Cr$11.9 billion of the federal deficit was financed by an increase in outstanding Treasury letters. The uncovered deficit for the like period last year was Cr$53.4 billion which included Cr$3.4 in redemptions of Treasury letters. For the same period this year, new currency issues amounted to approximately Cr$100 billion indicating that other sources of funds available to the Bank of Brazil, such as the coffee fund, deposits against foreign exchange purchases and commercial banks' deposits to the compulsory reserve account, are not being used to the extent anticipated to finance Treasury loans.

Budgetary subsidies to federal autarquias and mixed economic enterprises through October 13 amounted to Cr$125.7 billion, exceeding the amount of the total federal deficit during the same period. As the following breakdown of budgetary subsidies to autarquias and mixed enterprises indicates, the largest single recipient of budgetary subsidies continues to be the Federal Railway System. (Up roughly 50% over the like period in 1961.) Subsidies to the Merchant Marine, on the other hand, have increased scarcely at all over last year in spite of continued inflation, this improvement resulting from the increase in merchant shipping rates and the elimina-

Encl.1 - Summary Budgetary Situation as of October 13, 1962 and like period previous year.

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FORM 4-62 DS-323

Drafted by: JKrizay:anc

Contents and Classification approved by: Robert Eakens

Clearances: RVKoop

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ORIG. SYMBOL ARA-4

RAM/R 2	REP 1	AF
ARA	EUR	FE
NEA	CU	IHR 5
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AGR	COM 10	FRB 3
INT	LAB	TAR
TR 2	XMB 4	AIR
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0241

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Rio A-495
Encl. 1

SUMMARY BUDGETARY SITUATION
AS OF OCTOBER 13, 1962
AND LIKE PERIOD PREVIOUS YEAR.

	As of October 14 1961	October 13 1962
	(billion of Cruzeiros)	
Budgetary expenditures	250.7	395.6
Receipts	213.3	317.0
Budgetary Deficit	37.4	78.6
Other Expenditures (Unappropriated expenditures, disbursements of previous year's obligations, etc.)	12.6	38.3
TOTAL DEFICIT	50.0	116.9
Financing		
Treasury Loans at Bank of Brazil	53.4	105.0
Increase or Decrease in outstanding Treasury Letters	-3.4	11.9

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tion of subsidies to private shippers and shipyards:

	October 14 1961	October 13 1962
Merchant Marine	Cr$ 16.4	Cr$ 19.3
Federal Railway System	32.8	50.3
Social Security Institutes	2.2	9.3
Others	25.8	44.8
	Cr$ 77.2	Cr$ 123.7

The level of the federal deficit this year has increased relatively little since the end of August by which time it had already reached Cr$ 97 billion. This relatively slight increase in the federal deficit (Cr$ 7 billion) during the six weeks following the end of August may be attributable to the fact that the bulk of income tax payments are usually collected at this time. The deficit may be expected to increase at an accelerated pace during the next several weeks, although SUMOC officials do not anticipate that it will exceed Cr$ 200 billion for the entire year.

A summary of the budgetary situation as of October 13, compared with like period in 1961 is transmitted as Enclosure 1.

(NOTE: Hereafter, unless the Department objects, the Embassy will periodically report on Federal Fiscal Operations in this general summary form using SUMOC estimates which are available much more promptly than the detailed accounting of expenditures by Ministry and receipts by category which we have previously used. The Embassy will continue to make a detailed analysis of the budget execution once a year.)

For the Ambassador,

John Krisay
Second Secretary of Embassy

0243

ORIGIN/ACTION

ARA-4		
RU/R 2	REP 1	AF
ARA	EUR	FE
NEA	CU	INR 5
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TR 2	XMB 4	AIR
ARMY	CIA 10	NAVY
OSD	USIA 8	NSA 3

DIST:
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DEPARTMENT OF STATE

AIRGRAM

22

932.30/10-3162
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832.10
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A-496 NO. | CONFIDENTIAL | HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1962 NOV 5 AM 8 34

RECORDS ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: October 31, 1962

SUBJECT : IT&T Rejects Bank of Brazil Loan as Solution Rio Grande do Sul Expropriation.

REF : A-111, October 23,1962. AFA

With the delivery October 29 of the telegram transmitted as Enclosure 1, to President Ney Galvão, Bank of Brazil, International Telephone and Telegraph Corporation rejected a Bank of Brazil loan on the basis on which such a loan had been offered as temporary compensation for the Company's expropriated properties in Rio Grande do Sul.

The Embassy received a copy of Enclosure 1 from Mr. Forrest H. Farmer, Managing Director of Standard Electrica, S.A., IT&T's Senior Official in Brazil who has been handling the expropriation settlement negotiations, on October 25, 1962. The Embassy considered that it would be preferable for IT&T not to deliver the telegram inasmuch as it made no alternative offer by which the Rio Grande do Sul expropriation case might be settled. Ambassador Gordon indicated this to Mr. Farmer and suggested for IT&T's consideration the possibility of making a counter offer providing: (1) IT&T would accept the alternative loan proposal reported in Embtel 878 if at the same time (2) a commitment were made by President Goulart that IT&T's Parana and Rio Grande do Sul properties would be purchased by the Brazilian Government within 60 to 90 days after February 1, 1962.

On the basis of the Ambassador's suggestions, Mr. Farmer held up the delivery of the telegram to the President of the Bank of Brazil and reported the Ambassador's suggestions to IT&T in New York for consideration.

Enclosures:

1. Telex to Forrest H. Farmer, October 29, 1962.
2. Telex to Forrest H. Farmer, October 29, 1962.

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FORM DS-323 4-62

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Drafted by: REakens:dft

Contents and Classification Approved by:

Clearances:

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Mr. Farmer was instructed October 29 that a further meeting had been held with the Department of State, the IT&T position as set forth in Enclosure 1 had not changed, and he was to proceed to deliver the telegram to the President of the Bank of Brazil promptly. This was done October 29.

The same afternoon Ambassador Gordon received the explanation for IT&T's decision in a message from Mr. Ted B. Westfall, Vice President of IT&T, which is transmitted as Enclosure 2.

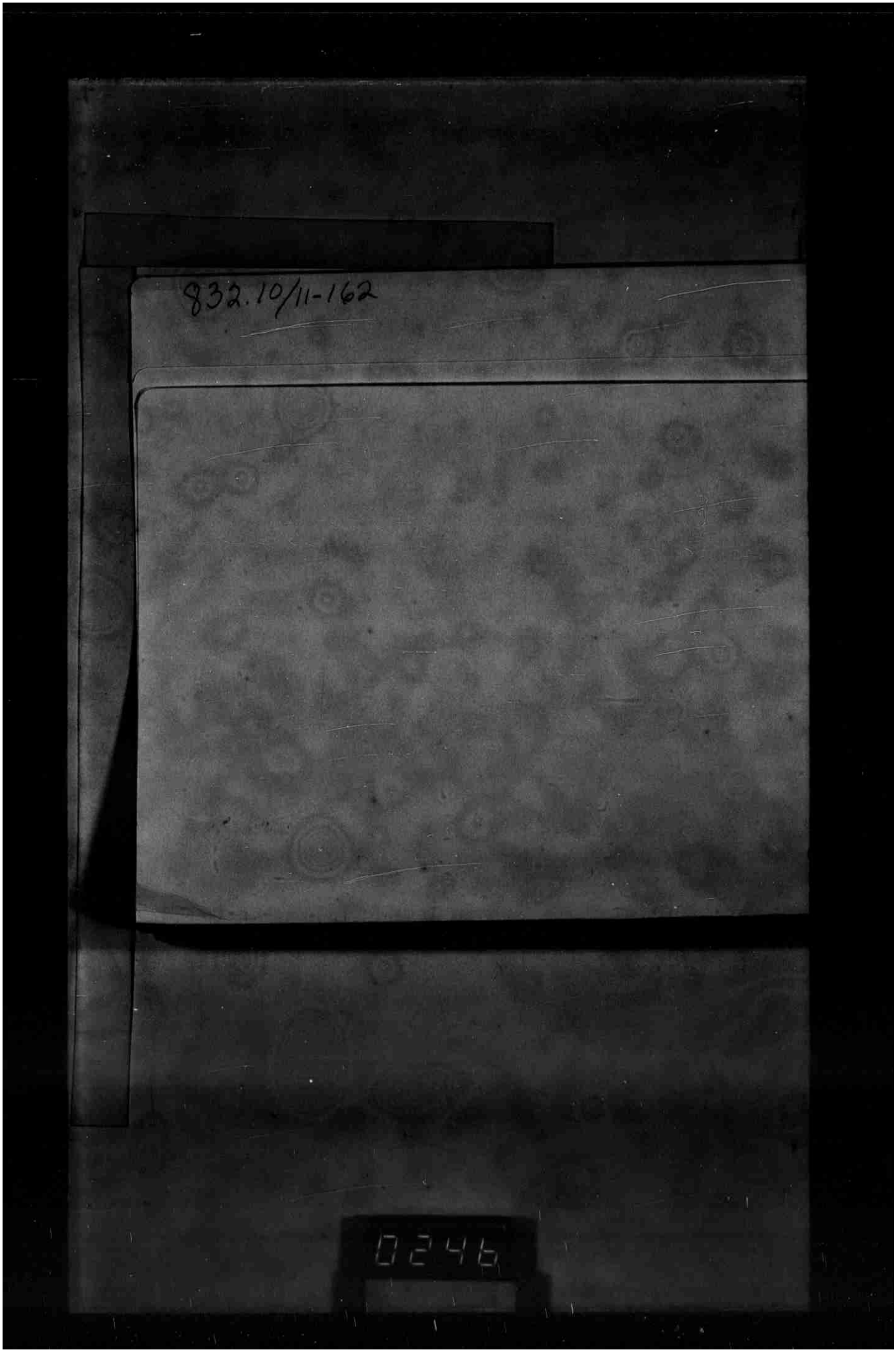
The Embassy has also received the Department's report on the meeting with IT&T officials (the referenced airgram) on October 22.

The Embassy is continuing to seek a means by which the case can be resolved prior to February 1, 1962, which marks the end of the six months' period prescribed in the expropriation provision of Foreign Assistance Act of 1962, and will explore the possibilities suggested in the referenced airgram, the possibility of a purchase by the Brazilian Government of the stock of Companie Telefonica National (CTN), the IT&T subsidiary which runs the telephone systems in the States of Rio Grande do Sul and Parana, as well as others.

For the Ambassador:

Robert Eakens
Counselor for Economic Affairs

0245


832.10/11-162
0246

ORIGIN/ACTION

RM/R 2	REP 1	AP
ARA	EUR	FE
NEA	CU 3	INR 5
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TR 2	XMB 4	ARR 4
ARMY 5	CIA 10	NAVY 5
OSD 12	USIA 8	NSA 3

(19) (2)

DEPARTMENT OF STATE

AIRGRAM

832.10/11-162

A-125 NO. UNCLASSIFIED 1962 NOV 5 PM 2 18 HANDLING INDICATOR

TO : DEPARTMENT OF STATE

INFO : RIO DE JANEIRO

RM/AN ANALYSIS & DISTRIBUTION BRANCH

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS NOV 6 1962

FROM : AmConGen SAO PAULO DATE: November 1, 1962

SUBJECT : Governor-Elect de Barros Discusses Fiscal Matters with Mayor of St. Petersburg.

REF :

Memorandum of Conversation

DATE: October 31, 1962
4:40 to 5:20 p.m.

PLACE: Home of Dr. Adhemar de Barros

PARTICIPANTS: Dr. Adhemar de BARROS, Governor-Elect of the State of São Paulo
Mr. Herman W. Goldner, Mayor of St. Petersburg, Florida
Consul Scott C. Lyon, American Consulate General, São Paulo.

COPIES TO: AmEmbassy Rio de Janeiro, Mr. Kubish, USAID, Rio, ARA (1cc) by Pouch, INR, (1cc) by Pouch, Central Files

Summary: Dr. de Barros showed interest in fiscal finance, regional planning, and the Alliance for Progress. He plans to visit St. Petersburg in late November or early December.

Mayor Goldner made a courtesy call on Dr. de Barros, at the suggestion of a mutual friend in the United States. Mr. Goldner was a member of a delegation of U.S. mayors which visited São Paulo after the IX Inter-American Municipal Congress at Montevideo.

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FORM 4-63 05-323

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Drafted by: SCLyon:rel 11/1/62

Clearances:

Contents and Classification Approved by: R Im/R Rice 11/9/62
J Cadwell - REA

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Dr. de Barros was affable and appeared to take a genuine interest in Mr. Goldner's discussion of fiscal finance and regional planning. Mr. Goldner appeared well informed in this field. He stated that he has a master's degree in administration from Harvard School of Business, and has published a number of technical papers on municipal administration. He said that he had organized the Tampa Bay Regional Development Authority in 1961.

Dr. de Barros showed interest in Mr. Goldner's suggestion that self-liquidating public works be financed by "revenue certificates" issued by entities specially created to carry out a given project, such as a toll bridge, a toll road, a water system, or other public utility. In an inflationary situation, Mr. Goldner said, the payments to holders of the certificates could be tied to a price index, so that payments in terms of cruzeiros would increase with inflation, while the issuing authority would obtain the necessary funds by increasing rates.

Dr. de Barros also showed interest in Mr. Goldner's discussion of the "performance budget" which he has developed to facilitate municipal budgeting and provide a check on efficiency of operations. This budget shows not merely dollar appropriations, but also indicates the physical quantities of work to be done (amount of garbage to be collected etc.) and the budget unit costs.

Dr. de barros showed most interest in the problem of dredging, remarking that he wishes to improve the harbor facilities at Santos. Mr. Goldner offered to send plans for a dredge which his city employees had built much cheaper that similar equipment could be purchased. (Dr. de Barros had complained that a dredge would cost $2,500,000, and that it was not possible to get cooperation from the Brazilian Federal authorities to pay for it.) Mr. Goldner also stated that there are many large pumps, suitable for dredges, available as war surplus in the U.S., and he suggested that Dr. de Barros try to obtain them through USAID.

Mr. Goldner suggested that Dr. de Barros visit St. Petersburg and see for himself the machanized accounting system in use there, as well as the dredges. He offered to send his Cessna airplane to Miami to bring Dr. de Barros to St. Petersburg. Dr. de Barros accepted the invitation, saying that he plans to visit Washington for a week in late December of this year, and that he will telegraph Mr. Goldner from Washington to fix the exact time for a visit of two or three days before returning to Brazil.

0248

Dr. de Barros remarked that he has thirty men working on plans which have a bearing on the Alliance for Progress, such as harbor improvements at Santos and railway electrification. He mentioned having conferred recently with Mr. KUBISH, USAID chief at Rio. Dr. de Barros spoke highly of Mr. Kubish, calling him "a wonderful man...very intelligent and practical."

Dr. de Barros appeared rested and relaxed, as though he had just got up from a nap (which was very likely the case). His nose was less red and bloodshot than on October 26. He poured himself a meager helping of Scotch whiskey (after giving his guest three times as much), remarking that he had already had four or five Scotches that day and had to go easy.

Comment: Mr. Goldner is a vigorous man of about 40. He appears intelligent, well-informed, and practical. He believes that much good can be accomplished by bringing together local officials of different countries to discuss mutual problems. He admits lack of knowledge of the mechanics of foreign aid, but is willing to cooperate with U.S. Federal agencies in any way he can. He would like to have the Department of State send an escort with Dr. de Barros when the latter visits St. Petersburg. He plans to write to the Secretary of State with suggestions based on his current tour of South America.

Mr. Goldner says that impatience is one of his faults. He is accustomed to size up a situation and then drive ahead, without spending enough time convincing everyone else that he is right. This gets him into controversies, he says.

He says that he got into politics more or less by accident. He had criticized the local government of St. Petersburg so severely that he finally decided he should do something about it rather than just criticize. He is proud of his record as mayor since about 1960, especially of his introduction of modern management techniques and far-sighted regional planning.

Daniel M. Braddock
Minister Consul General

0249

INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

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Control: 791
Rec'd: NOVEMBER 2, 1962
5:19 PM

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 925, NOVEMBER 2

TREASURY FOR COSTANZO.

1. SECTION 2.03 OF LOAN AGREEMENT BETWEEN BANK OF BRAZIL AND CONSORTIUM US BANKS PARTICIPATING IN $38 MILLION LOAN OF JUNE 15, 1961 READS AS FOLLOWS: "IF AT ANY TIME FROM THE DATE HEREOF UNTIL PAYMENT IN FULL OF THE NOTES, ANY PRIVILEGE OR PRIORITY (INCLUDING ANY MORTGAGE, PLEDGE, LIEN OR CHARGE BY OPERATION OF LAW OR OTHERWISE) IS CREATED ON ANY OF THE PROPERTY, ASSETS, REVENUES OR RECEIPTS OF BANCO OR OF THE UNITED STATES OF BRAZIL AS SECURITY FOR THE PAYMENT OF ANY DEBT, IT IS AGREED THAT SUCH PRIVILEGE OR PRIORITY WILL EQUALLY AND RATABLY SECURE THE PAYMENT OF THE PRINCIPAL OF, AND INTEREST, PREMIUMS AND FEES (IF ANY) ON, THE NOTES, AND BANCO AGREES THAT EXPRESS PROVISION TO THAT EFFECT WILL BE MADE IN CREATING ANY SUCH PRIVILEGE OR PRIORITY AND IN INCURRING ANY SUCH DEBT; PROVIDED, HOWEVER, THAT THE PROVISIONS OF THIS SECTION 2.03 SHALL NOT APPLY TO THE MORTGAGE OR PLEDGE OF GOLD BARS SECURING LOANS OUTSTANDING ON THE DATE HEREOF (OR ANY FUTURE REFUNDING OF SUCH LOANS) MADE TO BANCO BY UNITED STATES COMMERCIAL BANKS."

2. SECTION 4.01 OF LOAN AGREEMENT PERMITS IMMEDIATE CALL OF LOAN IN EVENT NON-COMPLIANCE BANK OF BRAZIL WITH LOAN AGREEMENT PROVISIONS INCLUDING SECTION 2.03.

3. WITH REF TELECON NOVEMBER 1 WOULD APPRECIATE ANY FURTHER THOUGHTS POSSIBILITIES RESOLVING CURRENT GOB PROBLEM, INSIGHT ABOVE TEXT.

Identified by NARA

GORDON

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RIO 925

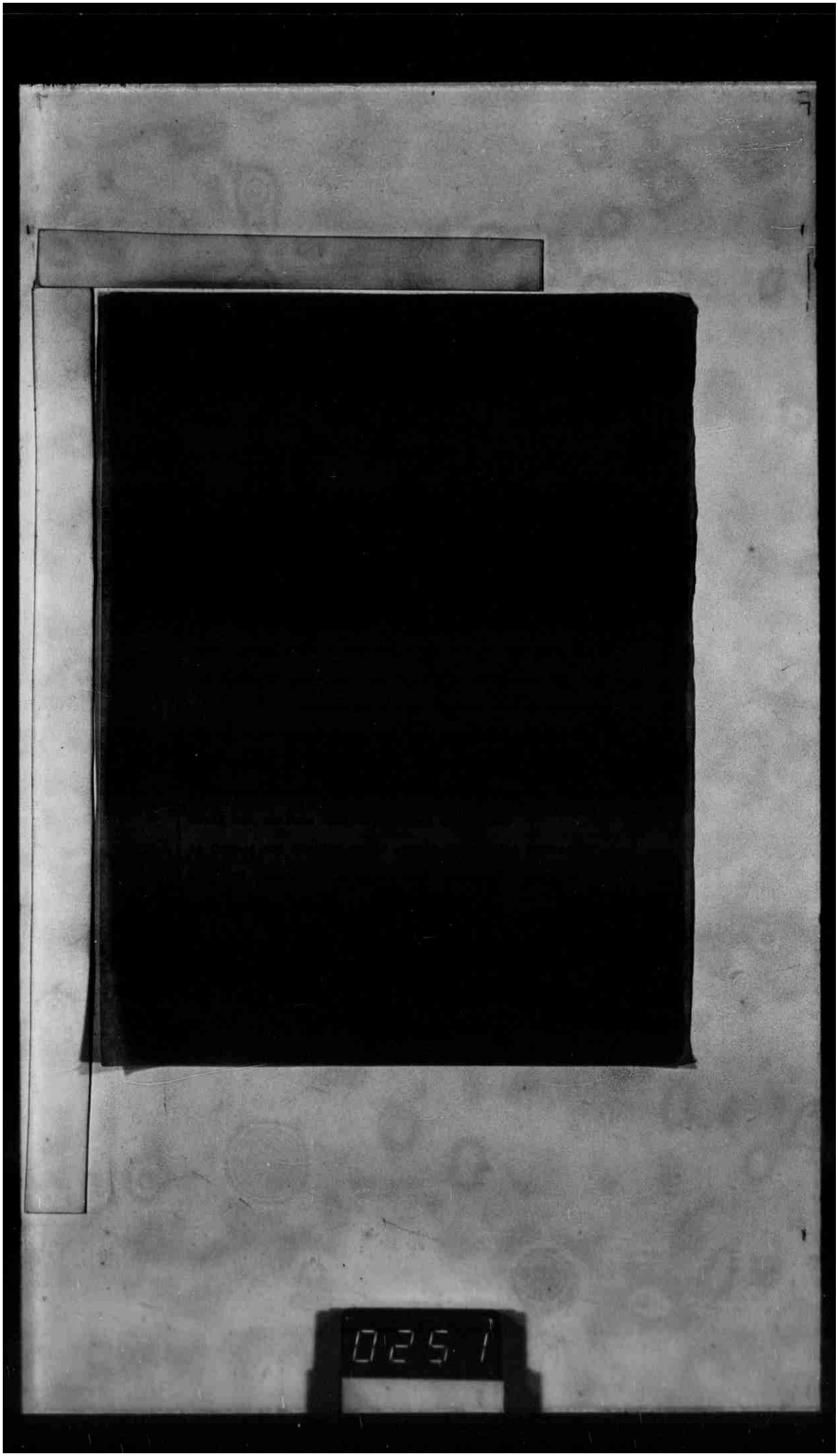
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INCOMING TELEGRAM *Department of State*

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SECRET

Control: 1252
Rec'd: November 4, 1962
3:21 PM

FROM: Rio de Janeiro

TO: Secretary of State

NO: 927, November 4, 2 PM (SECTION ONE OF TWO)

PRIORITY

PASS DILLON

LIMIT DISTRIBUTION S/S

832.10/10-2262

Embassy telegram 924, Department telegram 1069

Following results from November 3 conversation with Calmon:

Timing and political context internal financial measures.

1) Calmon confirmed our impression Goulart postponing both increase minimum wage and question elimination subsidies and raising public service rates until after January 6 plebiscite. According Calmon, President unwilling take any major political risks now and therefore not possible develop and get agreement on comprehensive long-term approach to Brazil's internal financial problems before end year. Deferral minimum wage increase and consequent lower base for December 30th month bonus is, however, an important step in reducing this year's credit expansion from what otherwise would be.

2) Until early January Calmon foresees possibility only two major positive steps, passage tax legislation and approval "economy plan" for 1963 budget. In order improve chances Congress will approve tax measure, has simplified and reduced incidence tax proposal as well as trying to couch it in terms likely win support groups looking for socially desirable income re-distribution. Revised project concerns only consumption tax

832.10/11-462

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		DATE OF ACTION	Reply TOPRO 1111	DISPOSITION TO RM/R file

GPO 820 504

0252

with emphasis taxation goods consumed high income groups and income tax with emphasis closing tax loopholes. Estimates additional revenue yield 120 billion cruzeiros today's prices and perhaps 160 billion actual 1963 collections. Tax project has approval Hermes Lima but has yet to be discussed with President. Calmon hopes obtain Goulart approval coming week and head administrations management of bill in Congress. "Economy plan" for 63 similar to cuts and postponements approved for 1962 budget, although perhaps smaller percentage.

3) Beyond plebiscite, Calmon foresees good possibilities President, and Cabinet he would then form, would be able and willing undertake serious internal financial program. Was somewhat vague as to how soon after January 6 visible evidence such action would be forthcoming. Hoped could be by end January, but admitted establishment more permanent government might take somewhat longer.

Balance of payments problem.

4) We took opportunity discuss with Calmon balance of payments problem roughly along lines presentation developed during Draper visit. Founded is similar to estimates used by Calmon, although latter somewhat more optimistic on trade account and particularly on possibility inflow private capital. Calmon formulated his balance of payments problem in terms debt amortization and interests payments next 3 years of 1,073 million dollars (exclusive of "swaps" and bankers credit lines) which if commercial arrears are added totals about 1.2 billion dollars. Said "impossible" for Brazil meet this problem during 1963-65 and therefore needs "grace period" from this burden.

5) I emphasized the size of the problem and therefore need participation IMF and Europeans. Calmon gave impression that while not enthusiastic about IMF he recognizes importance its role in any general compensatory financing arrangement.

Timing comprehensive financial discussions. /6) We pointed

SECRET

-3- 927, November 4, 2 PM, from Rio de Janeiro (SECTION ONE OF TWO)

6) We pointed out importance timing problem. On one hand balance of payments problem not allow much delay; on other hand atmosphere for discussions not propitious unless internal program well advanced.

7) Calmon said understood. Hoped he or next Finance Minister would be in condition go Washington toward end January for talks IMF and US. In meantime pleaded US should help out with short run balance of payments stringency so that (A) Goulart could have evidence of potential US goodwill, at time when US international political stock high but competition anti-US advisers for Goulart's ear still very strong, and (B) January talks could take place in environment avoiding impression GOB program imposed by US or IMF.

GORDON

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Note:Advance copy to SS and SS/O CWO JSW

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INCOMING TELEGRAM *Department of State*

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Control: 1251
Rec'd: November 4, 1962
3:12 PM

FROM: Rio de Janeiro
TO: Secretary of State
NO: 927, November 4, 2 PM (SECTION TWO OF TWO)

FW 832.10/11-462

PRIORITY

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LIMIT DISTRIBUTION S/S
Embassy telegram 924, Department telegram 1069

Immediate balance of payments and gold problem.

8) With use 10 million dollars free gold presently in New York and 60 million dollars gold ready for shipment from Brazil, Calmon believes Brazil can end 1962 without financial crisis necessitating change basic policy, although also kept referring would be useful have available 33 million dollars balance EXIM Bank loan from May package. (We explained again this tied stabilization performance.)

9) In face failure receive private bank waiver on new 10 million dollar gold loan, Calmon hopes in first instance get 30-day renewal National City Bank advance on this potential loan (while ready repay National City Bank if necessary). Did not say whether would renew effort obtain waiver from other private banks.

10) Regarding sale gold to US Treasury Calmon indicated not interested, even under repurchase arrangement, unless were able receive some parallel USG financing, in addition to proceeds sale. Said sale politically difficult for GOB but great value to USG. In circumstances to make sale possible would be useful

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both governments if additional US loan arranged as part deal. Otherwise could always sell gold in other markets. Also stressed such US financing politically useful along lines paragraph 7 above.

11) Calmon prepared send special representative to US next few days (possibly Sergio Frazao accompanied technicians Bank of Brazil and Sumoc) to negotiate gold disposition, if promising basis exists negotiations. Asked our advice this point. We said would consult and let him know.

12) Not clear amount gold or size additional US financing Calmon has in mind. Indicated sale 10 million dollars free gold in New York could be used as pilot operation. Presumably roughly 60 million dollars gold in Brazil could form part bargain and perhaps some or all 200 million dollars now pledged against gold loan. (Latter less likely now, perhaps possible in future.) When queried about ideas on quid pro quo financing Calmon again mentioned 33 million dollar balance EXIM money on terms allowing 3 years grace. Presumably this related to 70 million dollar sale, but this not clear.

Comment:

13) Talk with Calmon confirms analysis on which Embassy telegram 924 based, that continued drift and temporizing in cards at least until plebiscite. Next few days we will continue impress on key people size balance of patients problem, importance passage Congress tax, economy plan and profit remittance measures in session beginning November 4, and vital importance GOB be in good posture conduct talks abroad soon as possible after plebiscite.

14) On gold problem, we not in position evaluate importance USG attaches purchase substantial portion GOB gold. Do not like obvious GOB attempt use gold as leverage for financing it not otherwise entitled, but should be understood GOB operating with

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-3- 927, November 4, 2 PM, (SECTION TWO OF TWO), from Rio de Janeiro

some desperation. Since in Embassy telegrams 924 and 813 Embassy already recommended use modest project anticipation assistance in appropriate circumstances, Washington might wish explore whether would not be useful tie such assistance to gold sale.

15) Disposition gold must be solved if balance of payments not to be unduly complicated before end year. If private banks unwilling give waiver permitting new gold loan, sale would be only alternative open GOB. Risk exists that if GOB not satisfied with terms offered by US it might turn other markets. This alternative would obviously not help atmosphere for future financial understandings.

16) Need earliest advice for reply to Calmon on whether negotiator should be sent.

GORDON

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W I T H D R A W A L N O T I C E

RG: 059

ENTRY: CDF60-63

TAB #: 1

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Control: 2090
Rec'd: November 6, 1962
8:58 p.m.

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 938, November 6, 8 p.m.

PRIORITY

LIMIT DISTRIBUTION

PASS TREASURY

EMBTEL 927

1. Bank of Brazil $10 million gold loan anticipation advance.

2. Bulhoes considering suggesting GOB sell $200 million gold now pledged as collateral if A) US banks willing extend new $20-30 million loan, without collateral, upon repayment gold loan with proceeds gold sale and B) USG willing extend $20-30 million loan as part gold sale to treasury. Says this would give Brazil $50-60 million which needs up to end year. Bulhoes idea not necessarily endorsed by Galmon. Proenca doubts bank would go along. Bulhoes studying whether sale $200 million gold would create legal difficulties in view 25 percent gold or foreign exchange requirement against domestic currency issue. Has promised inform us on latter point.

3. Bank of Brazil proceeding arrange shipment about $50 million in gold bars to New York, (leaving roughly $20 million in Brazil), perhaps via Brazil Navy ship. Estimates would arrive New York about December 15. Proenca fears with time needed for shipment, assay, etc., gold may not be available meet December payments, unless advance could be arranged against gold still in shipment.

JT/4

GORDON

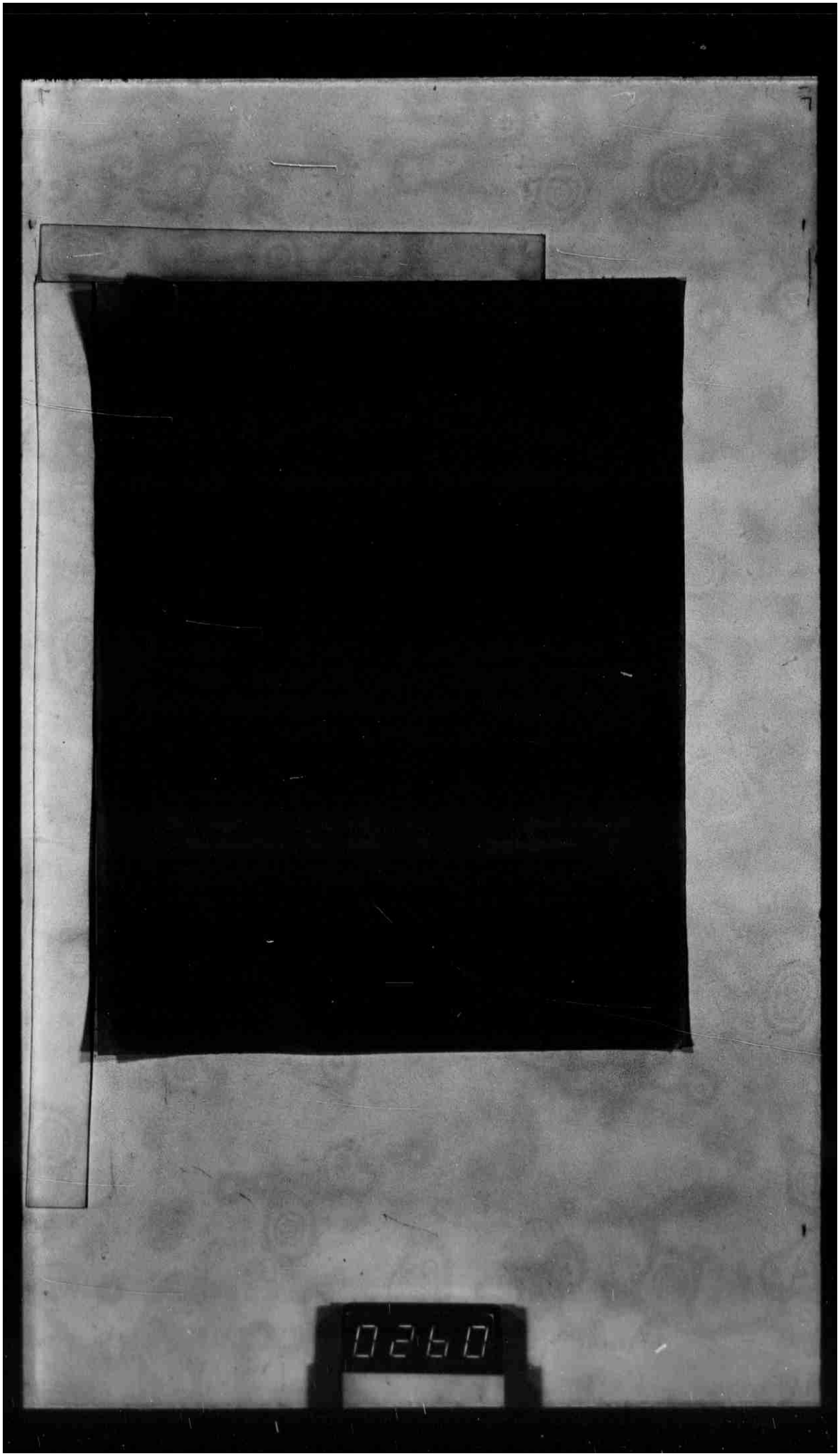
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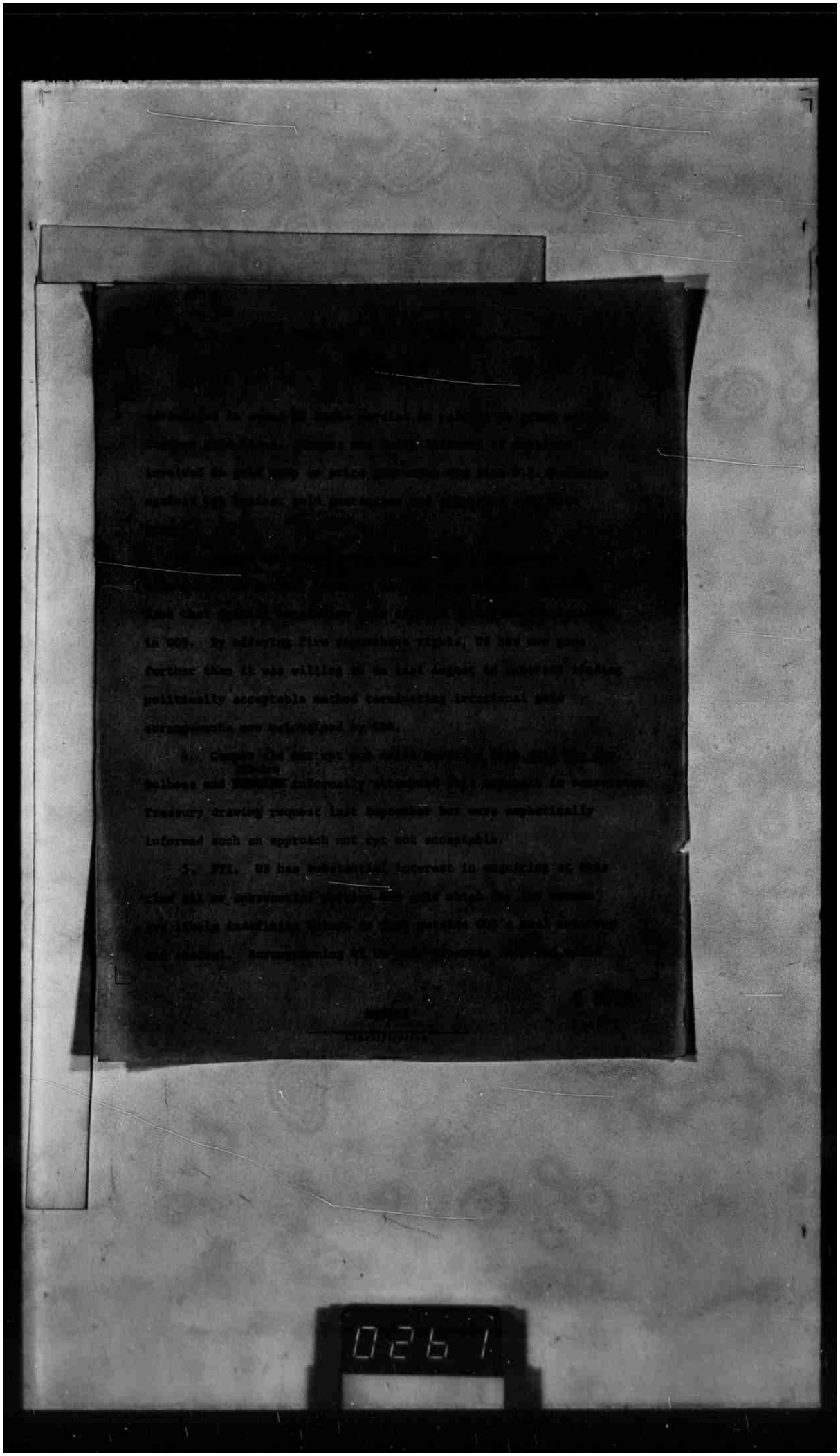
RIO 938 NO 1 Rec'd 9a this on deposit in Brazil, RB Who BOB Hqtrs (EXEC), RB 832.10/11-662 JAN 10 1963

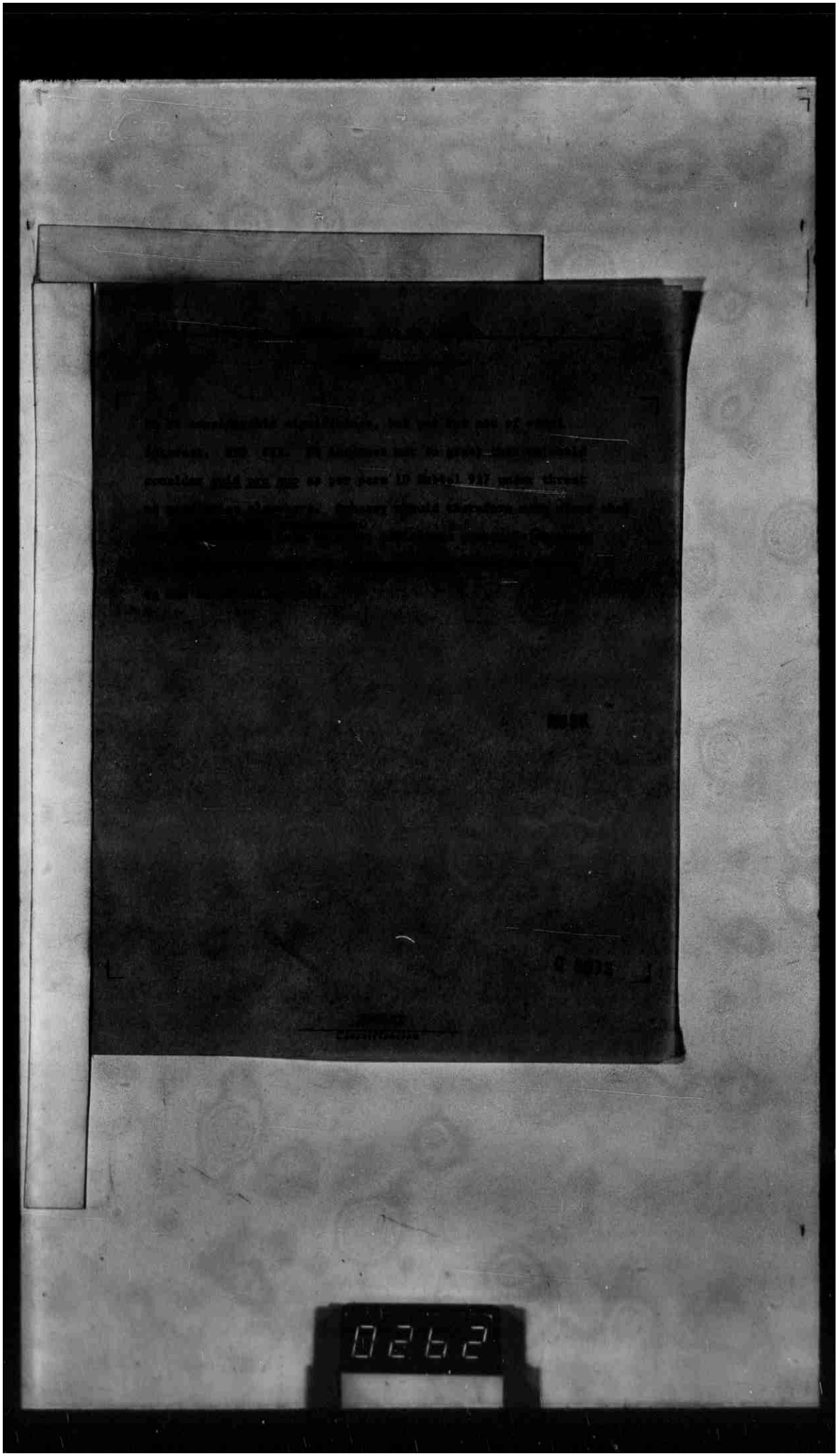
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INCOMING TELEGRAM **Department of State**

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Control: 2908
Rec'd: November 8, 1962
2:32 p.m. EST

ACTION
INFO:
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001/10

FROM: Rio De Janeiro

TO: Secretary of State

NO: 945, November 8, 2 p.m.

PRIORITY

LIMIT DISTRIBUTION

PASS TREASURY

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RIO 945

EMBTEL 938.

1. Bulhoes told Korp would not feel safe sell more than $100 million gold now in view legal requirement 25 percent gold or foreign exchange backing for rediscount departments liability for currency issue, totalling cruziros $304 billion on October 31. However, amount in bill pending in Congress providing for writing off part this liability (Embassy despatch 921 of May 18, 1962), recently been increased from cruziro $100 billion to cruziro $270 billion. Bulhoes believes bill will be approved before end of year and would permit sale another $100 gold.

2. Bulhoes prefers sale gold now pledged in New York rather than new gold. Believes politically easier and would give GOB leverage to obtain loan from private banks in addition to USG, as reported paragraph 2 reference telegram. Would be willing sell $100 million of pledged gold right away and enter into contingent agreement sell balance $100 million upon Congressional approval currency liability cancellation. Presumably any combination sale free gold and pledged gold could also be worked out although Bulhoes personally reluctant part with free gold. He hopes defer use latter, perhaps for

-backing-

832.10/11-862

JAN 10 1963

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CONFIDENTIAL

-2- 945, November 8, 2 p.m. from Rio De Janeiro

backing internal dollar bonds to attract repatriation of Brazilian capital.

3. Above not been discussed by Bulhoes with Calmon. Bulhoes said would undertake persuade Calmon sell pledged gold rather than free gold, if larger transaction that could thereby be arranged would be more attractive to all parties (including private banks).

GORDON

DMB

CONFIDENTIAL

INCOMING TELEGRAM Department of State

0264

DEPARTMENT OF STATE

AIRGRAM

811.0032/11-862
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CLASSIFICATION		
ARA 4		
RMR 1	REP 1	AP
ARA	EUR	FE
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ABR	COM 10	FRB 2
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DIST:
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OF-2
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A-525 NO. CONFIDENTIAL 1962 NOV 10 AM 8 53 HANDLING INDICATOR

TO : DEPARTMENT OF STATE

ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: November 8, 1962

SUBJECT : Possible Brazilian Approach in New Aid Negotiations

REF :

There is transmitted, as an enclosure to this airgram, a memo of conversation summarising a long discussion the reporting officer had with Ernani Galveas, Special Assistant to the Finance Minister, on the subject of future aid to Brazil. As the memo of conversation indicates, Galveas is now in the process of assisting Calmon in working out a basis for new aid negotiations.

Galveas had earlier served as special advisor to Finance Ministers Mariani and Moreira Salles and is considered one of the outstanding young Brazilian economists. Because of his ability and the continuity he provides to that office, it is expected that he may exert considerable influence on the thinking of the present Finance Minister.

His views on the subject of aid may, therefore, be of significance.

For the Ambassador:

John Krizay
Second Secretary of Embassy

Enclosure:
Memorandum of Conversation dated November 7, 1962.

CONFIDENTIAL

FORM A-62 DS-323

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☒ In ☐ Out

Drafted by: JKrizay:dft
Comments and Classification Approved by: Robert Eakens
Clearances: RVKorp

0265

CONFIDENTIAL

MEMORANDUM OF CONVERSATION

PLACE: Mesbla Restaurant November 7, 1962

SUBJECT: Possible Brazilian Approach in New Aid Negotiations

PARTICIPANTS: Mr. Ernani Galvêas, Special Advisor to the Finance Minister
John Krissy, Second Secretary of Embassy

Ernani Galvêas, Special Advisor to the Finance Minister, told me at lunch today that there was great concern in the Finance Ministry that the U. S. would take a rigid line on further aid to Brazil. To insist on an IMF solution, emphasizing control of inflation at this time, he felt would only lead to an impossible situation where continuance of U. S. aid to Brazil would be impossible. To "save" Brazil, in his view, the U. S. would have to come up with $800 millions in balance-of-payments assistance through the end of 1964, with $200 millions being made available before the end of this year and $300 million in each 1963 and 64. This balance-of-payments assistance, he said, should not be given to the government, however, but should be employed to finance imports of private firms. Without such aid, he said, imports would have to be severely curtailed with the result being not only a slow-down in industry, but an added squeeze on private firms and an acceleration of the trend toward statism.

Galvêas agreed that continuing inflation might also result in greater government control but described this process as "creeping statism" whereas a collapse on the exchange front would provide a much more sudden shift in the direction of greater government control. A government exchange monopoly, perhaps even a government foreign trade monopoly, were not out of the range of possibilities in the circumstances. Such actions would inevitably give the government great control over private firms relying heavily on imports. U. S. failure to help now, said Galvêas, would only strengthen the positions of people like Lacadio Antunes who think greater government control is the only answer to Brazil's problems anyway.

In Galvêas's view it is useless to place so much emphasis on stabilization and exchange rate liberation, things which, out of political motivation, Goulart feels he cannot do anyway. Since most of Brazil's exports were inelastic, he said, freeing the exchange rate would, in any case, be of no help. As to inflation, he said, the U. S. and the IMF

CONFIDENTIAL

November 8, 1962

Dear Linc:

Enclosed is a copy of the 24th Report [illegible] on which we should be prepared to vote early next week. [illegible] Report with one of the Resolutions. If you wish that [illegible] Resolution that the IAEA will review the safeguards and [illegible] with its recommendations, your Delegation should be on hand [illegible] Report regarding Brazil's financial situation here at earliest [illegible] should forward to the White House.

Sincerely,

Edwin S. Martin
Assistant Secretary

Enclosure:

1. Copy of Report report.

The Honorable
Lincoln Gordon,
American Ambassador,
Rio de Janeiro, Brazil.

Received by ACDA

[illegible] ARA:ESM/R:RJBrownell:ale 11/7/62

[illegible]

[illegible]

[illegible]

ORIGIN/ACTION

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ARA	EUR	FE
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ARMY	SIA 8	NAVY
OSD	USIA	NSA 3

Pres/A-E-1
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DEPARTMENT OF STATE

AIRGRAM

832-10/11-962

FOR RM USE ONLY

A-534
NO.

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HANDLING INDICATOR

TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
NOV 19 1962

1962 NOV 17 PM 3 27

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy RIO DE JANEIRO

DATE: November 9, 1962

SUBJECT: BANK OF BRAZIL OPERATIONS - SEPTEMBER 1962

REF : CERP D-12; A-410, October 10, 1962

Continuing the trend of some months the Bank of Brazil operations for September again showed substantial expansion of credit according to its September 28 balance sheet. Principal expansionary factors were a Cr$ 26.5 billion increase in loans to the private sector (of which Cr$ 10.5 billion consisted of coffee financing), and a Cr$ 15 billion increase in loans to the Treasury. A third major expansionary factor in September resulted from an increase in outstanding rediscounts for commercial banks of Cr$ 12 billion. These rediscounts on behalf of commercial banks, however, were mainly the consequence of increased demands for liquidity on part of the public during the September political crisis. It is likely, therefore, that the volume of outstanding rediscounts for commercial banks will be rapidly reduced in subsequent months.

Major credit restrictive activities in the Bank of Brazil's September operations were (1) Cr$ 7 billion increase in the Bank's cash holdings, (2) Cr$ 5 billion increase in deposits against foreign exchange purchases for future delivery, (3) Cr$ 6 billion increase in short term deposits of autarchias and mixed economies, (4) Cr$ 6 billion increase in various advance deposits against foreign exchange purchases, and (5) Cr$ 10 billion increase in the commercial banks compulsory reserves.

Encl. As stated.

FILED
Nov 20 1 53 PM

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FORM DS-323
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Drafted by: JKrizay:ano

Contents and Classification Approved by: Robert Hakens

Clearances: RVKorn

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The increase in the Bank of Brazil cash holdings undoubtedly reflects the return flow of a portion of the Cr$ 40 billion issued during September to meet commercial banks liquidity runs.

Total increase in outstanding Bank of Brazil loans to the private sector since December 31, 1961 amounted to Cr$ 96.6 billion, by the end of September. During the same period Bank of Brazil loans to the Treasury amounted to Cr$ 109.2 billion (reduced to Cr$ 104 billion by mid October, as reported by Embassy's Airgram A-377, October 2, 1962).

A summary of major accounts is transmitted as Enclosure 1. Six (6) copies of the Bank of Brazil balance sheet is also enclosed.

For the Ambassador,

John Krizay
Second Secretary of Embassy

0269

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Rio A-534
Encl. 1
1

A - FACTORS TENDING TO EXPAND MONEY SUPPLY IN SEPTEMBER

1. Outstanding Loans to other than National Treasury

(millions of cruzeiros)

	August 31 1961	Sept. 30 1961	Aug. 31 1962	Sept. 28 1962
Loans to private sector (including coffee)	211,125	227,571	349,959	376,398
Less coffee	-	-	47.9	58,563
Private sector ex-coffee	-	-	302.0	317,835
Loans to states and municipal governments	14,943	14,807	14,767	14,789
Loans to autarchias	9,819	11,212	13,390	14,437
TOTAL	235,887	253,590	378,116	405,624

2. Net Debtor Position of Treasury

June 1962	July 1962	August 1962	September 1962
59,281	81,576	94.5	109.2

3. Outstanding Rediscounts at Rediscount Bureau

	Aug. 1961	Sept.1961	Incr. Decr.(-)	Aug. 1962	Sept. 1962	Incr. Decr.(-)
For Bank of Brazil	142,861	139,201	- 3,660	243,592	272,523	28,931
For Commercial Banks	21,202	29,564	8,362	29,240	41,133	11,893
TOTAL	164,063	168,765	4,702	272,832	313,656	40,824

B - FACTORS TENDING TO RESTRICT MONEY SUPPLY IN SEPTEMBER
(cont'd next page)

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Rio A-534
Encl. 1
2

B - FACTORS TENDING TO RESTRICT MONEY SUPPLY IN SEPTEMBER

1. Bank of Brazil Currency Holdings

June 1962	July 1962	August 1962	September 1962
13,566	21,190	15,659	22,360

2. Deposits with Bank of Brazil against Foreign Exchange Purchases for Future Delivery

August 1962	September 1962
28.8	33.0

3. Short Term Deposits of

	Apr. 1962	May 1962	June 1962	July 1962	Aug. 1962	Sept. 1962
Mixed Economies	27,178	27,544	26,948	31,487	32,296	38,539
Autarchies (other than SUMOC)	49,363	55,301	55,036	55,475	64,057	63,607
TOTAL ...	76,541	82,845	81,984	86,962	96,353	102,146

4. Conta de Fundos, SUMOC (Compulsory Reserves of Commercial Banks)

June 1962	July 1962	August 1962	September 1962
72,840	84,390	88,449	98,566

5. Outstanding Bank of Brazil Import Letters and Advance Deposits

	May 1962	June 1962	July 1962	Aug. 1962	Sept. 1962
Import Letters - (SUMOC Instr.204)	78,505	67,483	51,641	37,252	22,379
Advance Cash Import Deposit - (SUMOC Instr.226)	665	4,457	16,440	30,168	47,674
Import Deposits (SUMOC Instr.229)	-	-	-	-	3,465
TOTAL ...	79,170	71,940	68,081	67,420	73,518

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6. P.L. 480 Account

July 1962	August 1962	September 1962
26,116?	26,067?	28,444

? Corrected figures. Figures reported in previous Airgrams erroneously included only 3rd agreement funds.

C. - OTHER

1. Coffee and Cocoa Differential Account (Deposits)

	June 1962	July 1962	August 1962	Sept. 1962
Coffee	37,327	22,165	22,674	22,255
Cocoa	176	131	49	618

0272

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BANCO DO BRASIL S. A.

BALANCETE EM 28 DE SETEMBRO DE 1962

COMPREENDENDO DIREÇÃO GERAL E AGÊNCIAS NO PAÍS (490) E NO EXTERIOR (4)

ATIVO

DISPONÍVEL

REALIZÁVEL

IMOBILIZADO

DE RESULTADO PENDENTE

DE COMPENSAÇÃO

PASSIVO

NÃO EXIGÍVEL

EXIGÍVEL

DEPÓSITOS A VISTA E A CURTO PRAZO

DEPÓSITOS A PRAZO

OUTRAS RESPONSABILIDADES

DE RESULTADO PENDENTE

DE COMPENSAÇÃO

MAT. PATRIM. OAL/62

Presidente

Rio de Janeiro, 28 de setembro de 1962

HERMÍNIO BARRETO COELHO
Chefe do Departamento de Contabilidade
Contador — C.R.C. (GB) n.º 1.473
C.R.C. (SP) n.º

S/A. MOINHO SANTISTA – Indústrias Gerais

RELATÓRIO DA DIRETORIA

ORIGIN/ACTION

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DEPARTMENT OF STATE

AIRGRAM

832.13/11-962

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A-535 NO. | OFFICIAL USE ONLY | XR-832.10 HANDLING

TO: DEPARTMENT OF STATE

1962 NOV 17 PM 3 27

832-131

RM/AN ANALYSIS & DISTRIBUTION BRANCH

FROM: AmEmbassy RIO DE JANEIRO DATE: November 9, 1962

SUBJECT: CURRENCY IN CIRCULATION AS OF OCTOBER 31, 1962.

REF:

After the issuance of Cr$ 40 billion in new currency in circulation during the September political crisis, there were no further net additions to outstanding currency in circulation up until the end of October. The level of currency outstanding as of that date remained at Cr$ 413.8 billions, an increase of Cr$ 105 billions or approximately 34% over the December 31, 1961 level. (Cr$ 100 billions in new issuances plus Cr$ 5 billions drawn down from SUMOC sterilized account).

The September currency issuances having been made largely to meet runs on commercial banks during the political crisis, gradually flowed back to the Bank of Brazil following the return of normal conditions. This increase in Bank of Brazil cash holdings facilitated to some extent, financing Treasury borrowings in October without resort to new currency issuances. In addition, also contributing to the fact that no currency was issued in October was a relatively large increase in outstanding Treasury letters, which, in the first two weeks of the month amounted to over Cr$ 5 billions. These Treasury letters probably consisted mainly of "Títulos de Recuperação", which were being issued in early October to contractors in payment of obligations incurred in previous years. It has been reported that Finance Minister Calmon had suspended

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Drafted by: JKrizay:anc

Contents and Classification Approved by: Robert Elkens

Clearances: RVKorp

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the issuance of these letters for use in payment of contractors after only a small portion of the total authorization had been issued. (See Embassy Bi-Weekly Economic Report A-465 of October 25, 1962, Item 5).

For the Ambassador,

John Krizay
Second Secretary of Embassy

(NOTE: Unless the Department perceives objections, the Embassy will, hereafter, report monthly changes in currency in circulation instead of the analysis of the Rediscount Department balance sheet. This was, in any event, the main purpose of the Rediscount Department balance sheet analysis. The currency in circulation figure can be obtained 4 or 5 days after the end of the month, about 10 days earlier than the publication of the balance sheet. Embassy will continue to analyse the balance sheet, however, reporting any other factors of financial significance which the level of outstanding currency in circulation alone may not reveal.)

0276

ORIGIN/ACTION

RMA		4
RMA/R 1	REP 1	AP
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
L 2	FBO	AID 12
ADN	COMM 10	FRB 3
INT	LAB	TAR
TR 2	RMR 4	AIR
ARMY	SIA 10	NAVY
OSD	USIA	NSA 3

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DEPARTMENT OF STATE

AIRGRAM

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NO.

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HANDLING INDICATION
832-05111

TO : DEPARTMENT OF STATE
DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
NOV 19 1962

1962 NOV

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RM/AN
ANALYSIS & DISTRIBUTION

FROM : AmEmbassy RIO DE JANEIRO DATE: November 13, 1962.

SUBJECT : IMPLEMENTATION OF PROFITS REMITTANCE BILL.

REF :

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11/21/62
GR. Clinton

There are transmitted herewith as enclosures 1 and 2 translations of SUMOC Instructions Nos. 231 and 232, dated October 24, 1962, implementing the profits remittance bill, sanctioned on September 3, 1962.

The Instructions set forth the procedure for (1) the registry of all foreign companies and of Brazilian companies with foreign participation operating in Brazil and (2) the registry of property held by individuals and legal entities abroad. To supply the information required, individuals and companies will have to fill out appropriate forms furnished by SUMOC. Two (2) complete sets of these forms are also transmitted.

The implementing instructions concern themselves only with the technicalities of registration and contribute nothing to clearing up the conflicts and contradictions in the law. The speculation in the press and in official and private circles is now centered on the Krieger amendment designed to restore the text of the Joint Congressional Committee. (See Embassy Airgram A-61 of July 16, 1962). It is rumored that the Instructions were issued in general terms deliberately so that no revision would be necessary should the Krieger's amendment pass.

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For the Ambassador,

John Krieger
Second Secretary of Embassy

Encls: As stated.

FORM A-61 DS-323

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Drafted by: WBlomeyer:ano

Clearances:
RVKopp

Comments and Classification Approved by: Robert Eakens

Declassified A-615 11/18/77 letter attached (8 pp)

0277

UNCLASSIFIED

Rio A-547

Encl. 1

FREE TRANSLATION
Source: American Chamber of Commerce for Brazil - Special Publication No. 16/62

SUMOC INSTRUCTION No. 231
of October 24/62

The Superintendency of Currency and Credit, in accordance with the deliberation of its Council, during the meeting of October 10, 1962, and in compliance with the provisions of Law No. 4,131 of September 3, 1962, and Article No. 6 of Decree No. 7,293 of February 2, 1945, RESOLVES:

I - The registration of foreign capital will be requested through a declaration by interested parties, to be presented at this Superintendency in the forms and dates specified below.

II - Investments in the form of goods without exchange cover and loans, credits and financing for imports continue to be dependent on the previous authorization system in effect. The registration of the capital will be made as the goods come in or as the loans are used, in accordance with Items VII and IX of this Instruction.

III -Loans, credits and financing in currency, that is, through the financial market, can at the request of interested parties, be object of examination and previous authorization, which processing will obey the norms covering operations referred to in the previous Item. The registration of such capital will be made as it comes in, in accordance with Item X of this Instruction.

IV - The registration of direct investments, in the form of goods or in currency, and their reinvestment, effected up to September 27, 1962, shall be requested up to February 26, 1963 (Form SMC-101-RINVE-I or SMC-109-RINVE-III).

V - The registration of loans, credits or financing, effected up to September 27, 1962, shall be requested up to February 26, 1963 (Form SMC-103-REFIN-I).

VI - The registration of direct investments in currency, that is, through the financial market, which entered into the country after September 27, 1962, shall be requested within a term of 30 days as of the liquidation of the exchange operation (Form SMC-102-RINVE-II). The declaration can be expanded subsequently, in applicable cases, with the acts of approval, by the Company's competent department, of the incorporation of these goods into

UNCLASSIFIED

0278

its patrimony and corresponding capital increase.

VII- The registration of direct investments in the form of goods which were authorized to enter into the country, according to Item II of this Instruction, shall be requested within a period of 30 days as of the Customs' liberation of the goods (Form SCM-102-RINVE-II). The declaration should be complemented, subsequently, with the acts of approval, by the company's competent department, of the incorporation of these goods into its patrimony and corresponding capital increase.

VIII-Reinvestment of profits, effected after September 27, 1962, shall be declared within a period of 30 days as of the date of its approval by the Company's competent department (Form SMC-105-REINV).

IX - The registration of loans, credits and financing intended for the importation of goods authorized to enter into the country, as referred to in Item II of this Instruction, shall be requested within period of 30 days as of the utilization of the credits (Form SMC-104-REFIN-II).

X - The registration of loans, credits and financing in currency, that is, through the financial market, including those authorized to enter into the country, according to Item III of this Instruction, shall be requested within a period of 30 days as of the liquidation of the exchange operation (Form SMC-104-REFIN-II).

XI - The registration of contracts of royalties, technical, scientific or administrative assistance and other similar items, prior to or after September 27, 1962, involving the transfer of revenue abroad, shall be requested through Form SMC-106-RECEX.

XII -The registration of changes in the monetary evaluation of corporate capital shall be requested within 30 days as of the date of its approval, by the company's competent department, and accompanied with the documentation of all pertinent acts. These alterations should be made according to legislation in effect.

XIII-The registration being approved, this Superintendency will issue the competent Certificate and will have the act published in its Bulletin and in the Official Gazette.

XIV- This Superintendency will inform the Exchange Department of the Bank of Brazil S.A. of the periodical limits for remittances abroad to be effected as a result of the registrations granted. The said Department will authorize the permissible remittances, through proof of payment of the income tax and will inform the Superintendency of these authorizations.

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Rio A-547

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Encl. 1
3

Within a period of 30 days as of the transfer date, the interested party will request this Superintendency for the registration of the remittance effected, in Form SMC-107-REMES, duly accompanied by proofs justifying said transfer, under the terms of the law.

XV - The registrations referred to in this Instruction shall be requested independently of others processed previously for any purpose.

XVI- The forms mentioned above will be obtained at this Superintendency's headquarters or in its branches.

Rio de Janeiro, October 24, 1962

Superintendency of Currency and Credit

(sgd.) Octávio Gouvea de Bulhões
Executive Director

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UNCLASSIFIED

Rio A-547

Encl. 2
1

FREE TRANSLATION -
Source:- American Chamber of Commerce for Brazil -
Special Publication No. 16/62.

SUMOC INSTRUCTION No. 232

The Superintendency of Currency and Credit, in accordance with the deliberation of its Council, during the meeting of October 24,1962, and in compliance with the provisions of Article 6 of Decree No.7,293 of February 2, 1945, and Sole Paragraph of Article 17 of Law No.4,131 of September 3, 1962, RESOLVES:

1 - Individuals or legal entities domiciled or with headquarters in Brazil, who possess assets abroad, in compliance with Article 17 and 18 of the above mentioned Law, shall present, within a period of 60 days, as of the publication date of this Instruction, their declarations to this Superintendency's headquarters, in Form SMC-108-BENEX, which is at the disposal of interested parties in this Superintendency or in its branches.

2 - They shall, likewise, fill out the same Form, in compliance with Article 19, in the case of acquisition of new assets abroad indicating the resources utilized for their purchase.

3 - The same Form shall be used for the annual declaration, up to January 31, of the total amount of their assets and bank deposits abroad, on December 31 of the previous year, together with a justification of any variation occurring in same.

Rio de Janeiro, October 24,1962

Superintendency of Currency and Credit

(sgd) Octavio Gouvea de Bulhões
Executive Director

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ORIGIN/ACTION

ARA-4

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AGR	COM 10	FRB 3
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TR 2	RMB 4	AIR
ARMY	CIA 10	NAVY
OSD	USIA	NSA 3

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DEPARTMENT OF STATE

AIRGRAM

FW 832.10/11-1362

A-615 — UNCLASSIFIED

NO. — HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 DEC 3 AM 11 04

RM/AN
ANALYSIS & DISTRIBUTION
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also 832.10/11-1362

FROM : AmEmbassy RIO DE JANEIRO — DATE: November 28, 1962

SUBJECT : CORRECTION TO AIRGRAM No. A-547 ON SUMOC INSTRUCTIONS 231 AND 232.

REF :

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
DEC 4 1962

This is a follow-up to Airgram No. A-547 of November 13, 1962 transmitting SUMOC Instructions Nos. 231 and 232. The date in paragraphs IV and V of Instruction No. 231 should read March 26, 1963, instead of February 26, 1963, as was transmitted by mistake.

For the Ambassador,

Ralph V. Korp
Financial Attaché

FORM DS-323 4-63

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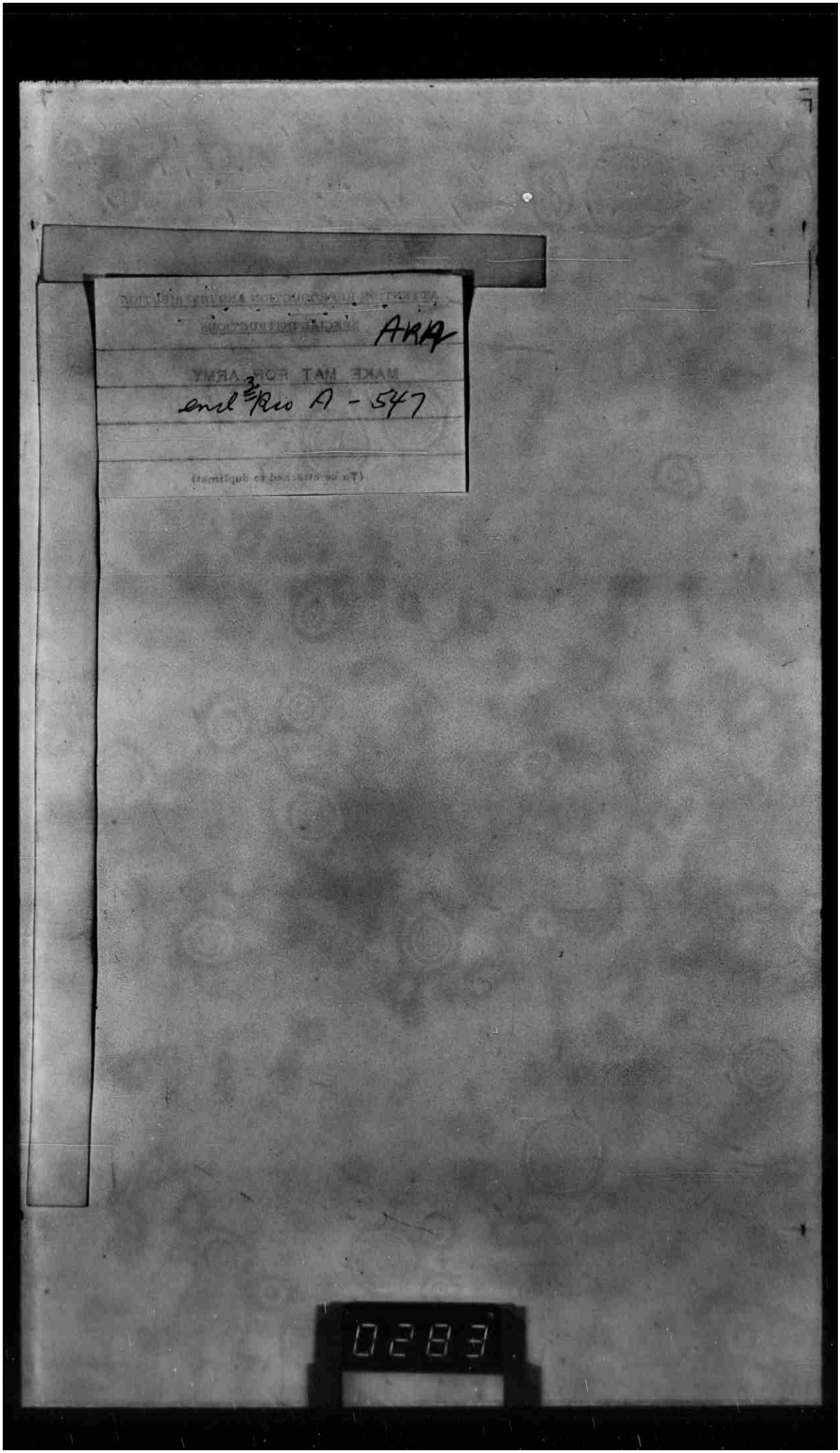
Drafted by: WBlomeyer:anc

Contents and Classification Approved by:

Clearances:

Robert Eakens

0282


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ATTENTION REPRODUCTION AND DISTRIBUTION

SPECIAL INSTRUCTIONS

MAKE MAT FOR ARMY

(To be attached to duplimat)

0284

ESTADOS UNIDOS DO BRASIL

SUPERINTENDÊNCIA DA MOEDA E DO CRÉDITO

REGISTRO DE CAPITAIS ESTRANGEIROS

INVESTIMENTOS DIRETOS E AFINS
DECLARAÇÃO INICIAL

Protocolo

Espaço reservado à SUMOC

Em (data)

Emprêsa :

Sede :

Endereço :

Ramo de atividade :

Data e forma de constituição (1):

Filiais, Sucursais ou Agências no País ?

É Filial, Sucursal ou Agência de pessoa jurídica com sede no estrangeiro ?

Capital social :

Tipo de ações ou quotas :

a) Com direito a voto — Quantidade : Valor : %:

b) Sem direito a voto — Quantidade : _____ Valor : _____ %: _____

Total :

Participação estrangeira :

Ações ou Quotas { Com direito a voto — Quantidade : Valor : %:

Sem direito a voto — Quantidade : _____ Valor : _____ %: _____

Total da participação estrangeira :

Diretoria :

N.º de inscrição na Divisão do Impôsto de Renda :

(1) Juntar cópia dos Estatutos ou Contrato Social e síntese das alterações posteriores.

SMC — 101 — RINVR — 1

Fls. 1

FW 832.10/11-1962
XR 832.05111
" 832.

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I — **Investimentos diretos de capital estrangeiro :**

a) Em moeda :

— Montante total na moeda de origem :

Repatriamento :

Montante atual :

— Investidor(es) e endereço :

— Datas e vias de ingresso (1) :

— Apropriação contábil nos livros da emprêsa (2) ;

Data : Valor em Cr$:

b) Em bens :

— Valor total na moeda de origem :

— Investidor(es) e endereço :

— Número e data das licenças de importação (3) :

— Apropriação contábil nos livros da emprêsa (3) :

Data : Valor em Cr$:

— Valor em cruzeiros no último balanço :

c) Outras formas de participação :

d) Alterações do valor dos investimentos :

(1) Juntar comprovantes.
(2) Juntar cópia(s) da(s) ata(s) da(s) Assembléia(s) que autorizou(aram) a capitalização.
(3) Ou documento autorizador da importação.

Fls. 2

II — Rendimentos do Capital Estrangeiro:

— Lucros (1)

EXERCÍCIO	LUCRO LÍQUIDO	LUCRO ATRIBUÍDO AO CAPITAL ESTRANGEIRO	REMESSAS DE LUCROS EFETUADAS	PARA USO DA SUMOC	LUCRO REINVESTIDO	CAPITAL ESTRANGEIRO

(1) Juntar Balanço(s), Demonstração da Conta de Lucros e Perdas e outros comprovantes julgados úteis.

As declarações prestadas no presente formulário correspondem à verdade, assumindo o(s) signatário(s) integral responsabilidade por sua autenticidade.

Aa.) _____

0287

ESTADOS UNIDOS DO BRASIL

SUPERINTENDÊNCIA DA MOEDA E DO CRÉDITO

REGISTRO DE CAPITAIS ESTRANGEIROS

INVESTIMENTOS DIRETOS E AFINS

Protocolo

Espaço reservado à SUMOC

Em (data)

Emprêsa :

Sede :

Endereço :

Ramo de atividade :

Data e forma de constituição (1):

Filiais, Sucursais ou Agências no País ?

É Filial, Sucursal ou Agência de pessoa jurídica com sede no estrangeiro ?

Capital social :

Tipo de ações ou quotas :

a) Com direito a voto — Quantidade : Valor : %

b) Sem direito a voto — Quantidade : ..... Valor : ..... % :.....

Total :

Participação estrangeira :

Ações ou Quotas { Com direito a voto — Quantidade : Valor : %

Sem direito a voto — Quantidade : ..... Valor : ..... % :.....

Total da participação estrangeira :

Diretoria :

N.º de inscrição na Divisão do Impôsto de Renda :

(1) Juntar cópia dos Estatutos ou Contrato Social e síntese das alterações posteriores.

SMIC — 103 — RINVE — II

Fls. 1

I — **Investimentos diretos de capital estrangeiro :**

a) Em moeda :

— Montante total na moeda de origem :

— Investidor(es) e endereço :

— Datas e vias de ingresso (1) :

— Apropriação contábil nos livros da emprêsa (2) :

Data : Valor em Cr$

b) Em bens :

— Valor total na moeda de origem :

— Investidor(es) e endereço :

— Número e data das licenças de importação (3) :

— Apropriação contábil nos livros da emprêsa (2) :

Data : Valor em Cr$

— Valor em cruzeiros no último balanço :

c) Outras formas de participação :

d) Alterações do valor dos investimentos :

As declarações prestadas no presente formulário correspondem à verdade, assumindo o(s) signatário(s) integral responsabilidade por sua autenticidade.

as.) _____

(1) Juntar comprovantes.
(2) Juntar cópia(s) da(s) ata(s) da(s) Assembléia(s) que autorizou(aram) a capitalização.
(3) Ou documento autorizador da importação.

0289

ESTADOS UNIDOS DO BRASIL

SUPERINTENDÊNCIA DA MOEDA E DO CRÉDITO

REGISTRO DE CAPITAIS ESTRANGEIROS

EMPRÉSTIMOS, CRÉDITOS E FINANCIAMENTOS
DECLARAÇÃO INICIAL

Protocolo

Espaço reservado à SUMOC

Em (data)

Emprêsa :

Sede :

Enderêço :

Ramo de atividade :

Data e forma de constituição (1) :

Filiais, Sucursais ou Agências no País ?

É Filial, Sucursal ou Agência de pessoa jurídica com sede no estrangeiro ?

Capital social :

Tipo de ações ou quotas :

a) Com direito a voto — Quantidade : Valor : % :

b) Sem direito a voto — Quantidade : ..... Valor : ..... % : .....

Total :

Participação estrangeira :

Ações ou Quotas { Com direito a voto — Quantidade : Valor : % :

Sem direito a voto — Quantidade : ..... Valor : ..... % : .....

Total da participação estrangeira :

Diretoria :

N.º de inscrição na Divisão do Impôsto de Renda :

(1) Juntar cópia dos Estatutos ou Contrato Social e síntese das alterações posteriores.

SMC — 103 — REFIN — I

Fls. 1

0290

I — Empréstimos, Créditos e Financiamentos Estrangeiros destinados à importação de bens :

Credor(es) e endereço [1] :

Valor :

Prazo para liquidação :

Obrigações [2] :

Juros :

Objetivo da Operação :

N.º e data das licenças de importação :

Data(s) do ingresso dos bens no País :

Registro contábil nos livros da emprêsa :

Data : Valor na moeda de origem :

Data e valor das quantias levantadas junto ao Credor à medida em que os ditos levantamentos foram efetuados [3] :

Data da comprovação junto à FIBAN do recebimento dos materiais e equipamentos :

Características dos contratos de câmbio relativos às remessas das prestações e dos juros do(s) financiamento(s), tais como [3] :

1) Nome do Banco operador :

2) Número e data :

3) Vencimento :

4) Natureza da transação :

5) Valor em moeda estrangeira :

6) Taxa de câmbio :

7) Equivalência em cruzeiros :

Total das remessas de principal já efetuadas :

Total das remessas de juros já efetuadas :

Saldo devedor do principal :

Saldo devedor dos juros :

(1) Juntar cópia autenticada do contrato da operação ou, se já existir registro anterior na SUMOC, citar o n.º e a data do Certificado respectivo.
(2) Juntar esquema de pagamentos.
(3) Juntar relação se necessário.

0291

II — Empréstimos, Créditos e Financiamentos através do mercado financeiro (em divisas):

Credor(es) e endereço [1] :

Valor :

Prazo para liquidação :

Obrigações [2] :

Juros :

Objetivo da operação :

Data do ingresso no país das divisas [3] :

Registro contábil nos livros da emprêsa :

Data : Valor em moeda estrangeira :

Características dos contratos de câmbio relativos às remessas das prestações e dos juros do(s) financiamento(s), tais como [4] :

1) Nome do Banco operador :

2) Número e data :

3) Vencimento :

4) Natureza da transação :

5) Valor em moeda estrangeira :

6) Taxa de câmbio :

7) Equivalência em cruzeiros :

Total das remessas de principal já efetuadas :

Total das remessas de juros já efetuadas :

Saldo devedor do principal :

Saldo devedor dos juros :

As declarações prestadas no presente formulário correspondem à verdade, assumindo o(s) signatário(s) integral responsabilidade por sua autenticidade.

as.) _____

(1) Juntar cópia autenticada do contrato da operação.
(2) Juntar esquema de pagamentos.
(3) Juntar comprovantes.
(4) Juntar relação se necessário.

0292

ESTADOS UNIDOS DO BRASIL

SUPERINTENDÊNCIA DA MOEDA E DO CRÉDITO

REGISTRO DE CAPITAIS ESTRANGEIROS

EMPRÉSTIMOS, CRÉDITOS E FINANCIAMENTOS

Protocolo

Espaço reservado à SUMOC

Em (data)

Emprêsa :

Sede :

Endereço :

Ramo de atividade :

Data e forma de constituição (1):

Filiais, Sucursais ou Agências no País ?

É Filial, Sucursal ou Agência de pessoa jurídica com sede no estrangeiro ?

Capital social :

Tipo de ações ou quotas :

a) Com direito a voto — Quantidade : Valor : %:

b) Sem direito a voto — Quantidade : ..... Valor : ..... %: .....

Total :

Participação estrangeira :

Ações ou Quotas { Com direito a voto — Quantidade : Valor : %:

Sem direito a voto — Quantidade : ..... Valor : ..... %: .....

Total da participação estrangeira :

Diretoria :

N.º de inscrição na Divisão do Impôsto de Renda :

(1) Juntar cópia dos Estatutos ou Contrato Social e síntese das alterações posteriores.

0293

I — Empréstimos, Créditos e Financiamentos Estrangeiros destinados à importação de bens :

Credor(es) e endereço (1) :

Valor :

Prazo para liquidação :

Obrigações (2) :

Juros :

Objetivo da operação :

(1) Juntar cópia autenticada do contrato da operação.
(2) Juntar esquema de pagamentos.

0294

II — Empréstimos, Créditos e Financiamentos através do mercado financeiro (em divisas):

Credor(es) e endereço (1):

Valor:

Prazo para liquidação:

Obrigações (2):

Juros:

Objetivo da Operação:

Data do ingresso no país das divisas (3):

As declarações prestadas no presente formulário correspondem à verdade, assumindo o(s) signatário(s) integral responsabilidade por sua autenticidade.

as.) _____

(1) Juntar cópia autenticada do contrato da operação.

(2) Juntar esquema de pagamentos.

(3) Juntar comprovantes.

0295

ESTADOS UNIDOS DO BRASIL

SUPERINTENDÊNCIA DA MOEDA E DO CRÉDITO

REGISTRO DE CAPITAIS ESTRANGEIROS

REINVESTIMENTOS DE LUCROS

Protocolo

Espaço reservado à SUMOC

Em (data)

Emprêsa :

Sede :

Endereço :

Reinvestidor :

Endereço :

N.º e data do Certificado de Registro de Capital na SUMOC :

Exercício :

Lucro apurado no exercício (1) :

Lucro distribuido ao Investidor Estrangeiro :

Lucro remetido (2) e equivalência percentual sôbre o capital investido :

Lucro reinvestivel :

a) Com direito à remessa :

b) Sem direito à remessa :

Pagou o Impôsto de Renda respectivo (3) ?

As declarações prestadas no presente formulário correspondem à verdade, assumindo o(s) signatário(s) integral responsabilidade por sua autenticidade.

as.) _____

(1) Juntar balanço e demonstrativo da conta de lucros e perdas.
(2) N.º do registro na SUMOC.
(3) Juntar comprovantes.

SMC — 105 — REINV.

0296

ESTADOS UNIDOS DO BRASIL

SUPERINTENDÊNCIA DA MOEDA E DO CRÉDITO

REGISTRO DE OUTROS CONTRATOS COM O EXTERIOR

«ROYALTIES», ASSISTÊNCIA TÉCNICA, CIENTÍFICA, ADMINISTRATIVA E SEMELHANTES OU QUALQUER OUTRO TÍTULO QUE IMPLIQUE EM TRANSFERÊNCIA DE RENDIMENTOS PARA O EXTERIOR

Protocolo

* Espaço reservado à SUMOC

Em (data)

Emprêsa :

Sede :

Endereço :

Ramo de atividade :

Data e forma de constituição (1) :

Filiais, Sucursais ou Agências no País ?

É Filial, Sucursal ou Agência de pessoa jurídica com sede no estrangeiro ?

Capital social :

Tipo de ações ou quotas :

a) Com direito a voto — Quantidade : Valor : % :

b) Sem direito a voto — Quantidade : Valor : % :

Total :

Participação estrangeira :

Ações ou Quotas { Com direito a voto — Quantidade : Valor : % :

Sem direito a voto — Quantidade : Valor : % :

Total da participação estrangeira :

Diretoria :

N.º de inscrição na Divisão do Impôsto de Renda :

(1) Juntar cópia dos Estatutos ou Contrato Social e síntese das alterações posteriores.

SMC — 100 — RECEX

Fls. 1

0297

I — **«Royalties»:**

Concedente da Patente e endereço:

Data do Contrato [1]:

N.º e data do depósito da patente no Departamento Nacional da Propriedade Industrial:

O privilégio caducou no País de origem [2] ?

Incidência sôbre o produto:

Receita bruta, no último exercício, do produto, fabricado ou vendido, sujeito a «royalty» [2]:

Unidades produzidas e valor unitário:

Receita bruta da emprêsa no último exercício [2]:

A produção da emprêsa abrange outras linhas de fabricação não sujeitas a «royalties» ?

II — **Assistência técnica:**

Concedente da Assistência e endereço:

Data do contrato [1]:

Forma de Assistência { Remuneração Fixa ? base:
Em bases percentuais ? %:

Receita bruta da emprêsa, no último exercício, do produto fabricado ou vendido [2]:

Receita bruta da emprêsa no último exercício [2]:

A produção da emprêsa abrange outras linhas de fabricação não sujeitas a Assistência Técnica ?

(1) Juntar cópia autenticada do Contrato.
(2) Juntar comprovantes.

0298

III — **Assistência Científica, Administrativa e Semelhantes:**

Concedente da Assistência e endereço:

Data do Contrato (1):

Forma de Assistência { Remuneração Fixa ? base:
Em bases percentuais ? %:

Receita bruta da emprêsa no último exercício (2):

As declarações prestadas no presente formulário correspondem à verdade, assumindo o(s) signatário(s) integral responsabilidade por sua autenticidade

as.) .....

(1) Juntar cópia autenticada do Contrato.
(2) Juntar comprovantes.

0299

ESTADOS UNIDOS DO BRASIL

SUPERINTENDÊNCIA DA MOEDA E DO CRÉDITO

PEDIDO DE REGISTRO DE REMESSAS

Protocolo

Espaço reservado à SUMOC

Em (data)

Remetente :

Endereço :

Ramo de atividade :

N.º e data do Certificado de Registro da operação base na Superintendência da Moeda e do Crédito :

Beneficiário :

Endereço :

Remessa a que título (1) ?

Valor da remessa em cruzeiros :

Valor da remessa na moeda do país de destino :

País : Data : Taxa de conversão :

N.º de inscrição na Divisão do Impôsto de Renda :

Pagou o impôsto de renda devido (1) ?

As declarações prestadas no presente formulário correspondem à verdade, assumindo o(s) signatário(s) integral responsabilidade por sua autenticidade.

as.) _____

(1) Juntar comprovantes.

SMC — 107 — REMES

ESTADOS UNIDOS DO BRASIL

SUPERINTENDÊNCIA DA MOEDA E DO CRÉDITO

DECLARAÇÃO DE BENS E DEPÓSITOS NO EXTERIOR

(ARTS. 17, 18 E 19 DA LEI N.º 4.131, DE 3-9-62)

Protocolo

Espaço reservado à SUMOC

Em (data)

Nome ou Razão Social :

Endereço :

1 — **Depósitos bancários no exterior :**

Valor :

Nome do(s) Banco(s) ou Entidade(s) Depositária(s) :

Endereço :

N.º da(s) conta(s) :

Data(s) da abertura :

Rende(m) juros ?

2 — **Outros Bens ou Valores no exterior :**

Discriminação :

Valor Total :

Aufere rendimentos dêsses bens ou valores (1) ?

as.) _____

(1) Discriminá-los.

SMC — 106 — BENEX

0301

ESTADOS UNIDOS DO BRASIL
SUPERINTENDÊNCIA DA MOEDA E DO CRÉDITO

REGISTRO DE CAPITAIS ESTRANGEIROS

INVESTIMENTOS DIRETOS E AFINS
DECLARAÇÃO DO INVESTIDOR

Protocolo

Espaço reservado à SUMOC

Em (data)

Investidor Estrangeiro :

Sede :

Endereço :

Ações :

Quantidade :

Valor nominativo :

Valor correspondente em moeda estrangeira :

Emitente :

Sede :

Endereço :

Nominativas : Quantidade : Valor :

Ao Portador : Quantidade : ..... Valor : .....

Total :

As declarações prestadas no presente formulário correspondem à verdade, assumindo o(s) signatário(s) integral responsabilidade por sua autenticidade.

as.) .....

SMC — 102 — RINVE — III

0302

DEPARTMENT OF STATE

AIRGRAM

A-288

TO : Amembassy, RIO DE JANEIRO

FROM : Department of State DATE:

SUBJECT : Implementation of Profits Remittance Law

REF : Sao Paulo A-149 and Embassy A-507

The Department appreciates receipt of the translations of [illegible] instructions Nos. 231 and 232, implementing the profits remittance [illegible]

In view of the considerable interest on the part of U.S. businessmen in the effects of the bill, we would appreciate the Embassy's comments on the implementing instructions of the bill as well as the reaction of not only U.S. businessmen but other foreign business interests to the regulations. We would be particularly interested, in the light of the information contained in Sao Paulo A-149, in your assessment of the effect the bill will have on firms offering professional services and having relatively small capital investments. What has been the reaction of foreign residents of Brazil to the requirement to formally register a declaration of all assets held abroad?

RUSK

OFFICIAL USE ONLY

DS-323

ARA:EST/B:HDCrane:alo 11/27/62 | REF - Mr. Neilsen

Clearances: EST/B - Mr. Burton RB

0303

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PERMANENT RECORD COPY

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Control: 5022
Rec'd: November 14, 1962
4:21 p.m.

Action
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Info
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INR
FRB
RMR

FROM: Rio de Janeiro

TO: Secretary of State 001

NO: 960, November 14, 8 a.m.

LIMIT DISTRIBUTION

DEPTEL 1111.

1. Negative reply to Calmon's proposal for parallel new credits in connection gold sale, conveyed by Korp and me to Calmon November 12. On short-term problem gold disposal tried encourage Calmon undertake new attempt obtain waiver from private banks. Finance Minister indicated would do this. At present GOB does not appear interested straight gold sale to US, even under re-purchase arrangement reported DEPTEL 1069.

2. Calmon again stressed balance of payments problem and need perhaps $30-40 million (in addition to proceeds $60-70 million gold loan) in order end year without constant harassment from foreign creditors with unpaid accounts. He continued mention 33 million balance EXIM loan along lines paragraph eight EMBTEL 927.

3. Conversation on problem divergence timing between A) balance of payments needs and B) postponement decisions on major parts internal financial program until January 6 plebiscite (with great possibility further 90-day period uncertainty pending congressional action revising constitution in accordance plebiscite. Led to Calmon question as to what would be conditions for fruitful financial talks in Washington in near future. We emphasized three items for immediate action, particularly congressional approval tax bill and Krieger bill on foreign investment. In addition urged Calmon

RIO 960

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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0304

SECRET

-2- 960, November 14, 8 a.m., from: Rio de Janeiro

proceed right away with Reform Bank of Brazil which he said was ready to recommend to Goulart. Latter would consist administrative action through decision Bank of Brazil stockholders meeting (Finance Minister has majority) whereby bank would be divided two separate sections, with separate balance sheets, one encompassing central banking functions and other commercial banking functions. Central banking section would be headed new Bank of Brazil vice-president who would be same person as executive director Sumoc. As contribution alleviating inflationary pressures, Calmon also reported GOB standing firm that minimum wage increase would not become effective before end January.

4. For actions after January 6 (if this is earliest politically feasible date) emphasized oft-repeated measures in fields budget, elimination of subsidies, credit control and exchange policy. I pointed out difficulties, in view past history, conducting financial negotiations prior implementation considerable part stabilization program, particularly if negotiations took place before definitive cabinet, including Finance Ministry, established. I said did not know, but could explore, what atmosphere would be for negotiations in December or early January if items enumerated paragraph three completed and firm commitment on detailed intentions GOB in broad fields mentioned this paragraph were expressed in some written communication signed Goulart. (Am assuming any financial understanding would provide for assistance to be phased in with performance on internal program).

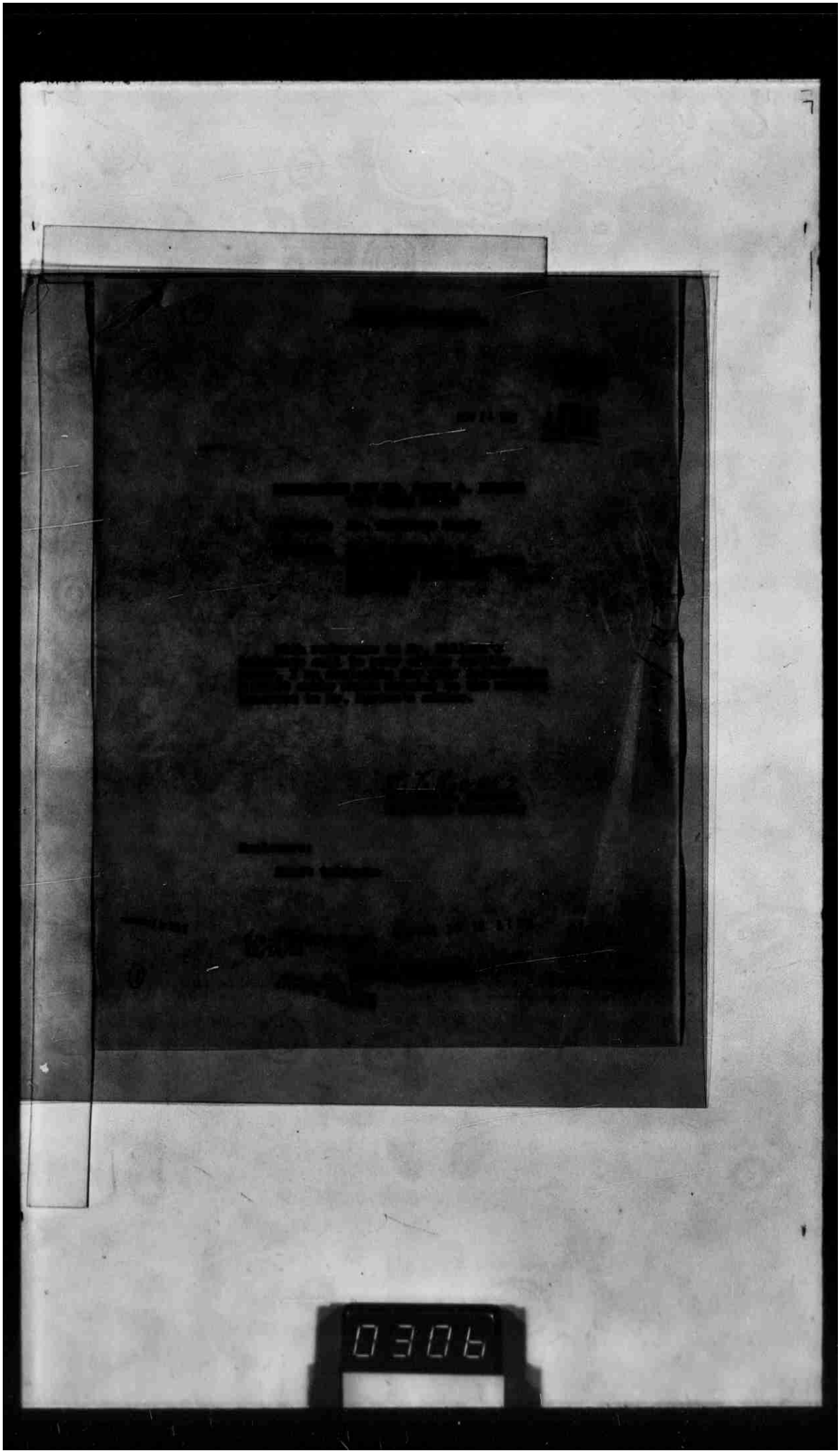
5. Calmon said would discuss contents paragraphs three and four with Goulart probably Wednesday. I have tentative appointment with Goulart Thursday and may well have occasion raise these points as well as others.

GORDON

MRJ

SECRET

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0306

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SECRET

RM/R

FILE

Amembassy, RIO DE JANEIRO

Ref. Embtel 924.

U.S. Government agencies appreciate considerations involved in approaching solution Brazil's serious financial problems as outlined your 924; but we also believe that earliest possible approach COB desirable in order 1) express serious USG concern, 2) leave no doubt USG position, and 3) make further effort while there is still time to stimulate prompt action toward sound economic growth and stabilization measures by COB necessary to that growth.

After careful consideration Ambassador Draper views and your assessment situation we have reached following conclusions:

1. Existing circumstances Brazil are not conducive immediate adoption comprehensive stabilization program. However, goal next few months must be series major actions which, among other objectives, would warrant support principal creditors. On other hand, we recognize it is unreasonable expect achievement full stabilization in less than year or two. Accordingly, we would expect provide assistance for development

ARA:EEB:Crane/Durton:gv 11/13/62

ARA - Edwin M. Martin

ARA - Mr. May
IO/AA/LA - Mr. Graham Martin
EUR:EST - Mr. Wellman

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FORM 5-61 DS-322

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2 Amembassy, RIO

SECRET

development and to ease problem achieving stabilization before repeat before stabilization "achieved" provided that major efforts simultaneously being undertaken by GOB toward these objectives. Development efforts should have priority which can help success of stabilization.

2. GOB should be informed we are neither willing nor able to provide massive reserves necessary to meet Brazil's existing foreign exchange shortage and prospective enormous B/P deficit, but are willing and even anxious participate with other Western countries and international institutions in multi-lateral effort to assist in meeting B/P problem, when GOB has provided reasonable evidence such assistance will be effectively used to promote stability and development in Brazil.

3. We do not have any basis approach Europeans at this time for release funds from 1961 commitments. However, we are prepared informally discuss situation with them as soon as situation appears make discussion fruitful in order ascertain on what basis they would participate discussions with GOB early 1963, with view reaching agreed approach and combined effort assist Brazil through difficult period. However, as important as European collaboration may be, USG obviously will not abandon U.S. objectives because of any reluctance which Europeans may show to join with us.

4. Meanwhile,

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4. Meanwhile, we will be prepared to extend limited emergency stop-gap assistance provided that and to extent that GOB shows itself reasonably responsive to need for internal measures to help resolve its financial problem.

5. Insofar as deemed feasible by you, we should make known our broader political concerns about internal and international orientation and direction GOB since these can affect both our and Brazil's capabilities in solving its financial problems, especially with respect foreign private investment. (See Political Considerations below.)

Based on foregoing, Department and other agencies agree on following course of action:

At earliest opportunity you should inform President Goulart of our assessment seriousness situation stressing magnitude and imminence foreign exchange crisis pointing to relationship it with budget deficits, credit expansion and inflation. Suggest you emphasize following points:

We are very much disturbed by the sheer enormity of the financial problems confronting Brazil and feel we have an obligation to discuss this concern with him. As we see it, Brazil faces in 1963 a foreign exchange deficit of $900 million, an internal budget deficit of Cr$950 billion and serious short-term and long-term adverse impacts on its economy if inflation continues at high rate.

Situation

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Situation appears to be deteriorating at rapid pace and could reach critical point within next few months.

U.S. is genuinely interested in helping Brazil, but a massive effort by all concerned, including particularly Brazil, is needed for our help to be effective. Neither half-way measures by Brazil nor stop-gap financial aid from U.S. will solve problem. It is impossible U.S. alone carry burden assist Brazil meet B/P problem. It is therefore essential Brazil develop and implement stabilization measures which will make possible avail itself financial resources European countries, IMF and other international financial institutions, and U.S. We are prepared to try, together with European creditors and IMF, to help Brazil implement sound economic development program and make serious beginning in program to stabilize economy, by contributing to external assistance which may be found necessary. This, however, can only be accomplished if accompanied by a comparable substantial effort by Brazil and will be conditioned on substantial assurances that any external assistance provided will contribute to both a sound development program and the stable economy necessary for its accomplishment.

It is essential Brazil face up to enormity and seriousness of problem and need for immediate action. Should Goulart indicate stabilization action required as base for development program to get him minimum necessary start on solving problem is too severe for

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for him politically, you should respond that if such is case then problem is obviously too big for us.

You may assure Goulart that if during next two months, Brazilian Executive and Congress take positive steps toward sound economic development program and stable economy, you will strongly recommend to Washington that stop-gap funds be found as required to permit continued efforts toward economic and financial stability and growth pending more fundamental steps and more substantial assistance along with those steps. (It should be made clear that stop-gap funds will not be of a magnitude to relieve pressure for fuller solution.) You would find it difficult to make such recommendations at present owing to real concern of U.S. public and Congress about current economic and political situation in Brazil as well as over recent actions adversely affecting climate for foreign private investment in Brazil.

We recognize political problem announcing and taking first steps to implement a stabilization program prior January 6. However, there are steps which must be taken promptly such as a) passage tax legislation before existing Congress, b) removal such barriers private investment as existing profit remittance law, discriminatory exchange regulation, restrictions on investment in mineral production and export, IT&T expropriation problem and threat further expropriations, c) approval budget expenditure reduction for 1963.

GCB

SECRET

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10-20-50 FORM DS-322A

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6 Amembassy, RIO

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GOB will surely recognize that an contributory cause for present shortage of foreign exchange stems from discriminatory legislation and other unfavorable government policies which have discouraged flow of private foreign investment to Brazil during recent part. U.S. would hope and expect that as part of any stabilization plan and financial arrangement which Government of Brazil would work out, a broad program of real encouragement to private foreign capital would be launched by Brazilian Government.

Finally need for an overall financial arrangement which can become effective during the early part of 1963 is urgent. It would seem therefore to be imperative from Brazilian Government's point of view that all required tax legislation for structural changes and for increased rate changes be enacted during present session of Congress in order to comply with provisions of Brazilian Constitution and still become effective in 1963. Any failure in this regard could well make a sound viable development and stabilization plan impossible for another year.

POLITICAL CONSIDERATIONS

Department increasingly concerned indications GOB including office of President has been giving direct and indirect support to a type of extreme leftist, anti-democratic, anti-foreign investment, ultranationalist thinking, of which Leonel Brizola is the extreme example. A trend on the part of GOB away from hemispheric solidarity

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solidarity internationally and internally would be cause for even more fundamental concern than Brazil's financial plight. Such a trend would limit our ability to help Brazil and Brazil's ability to help herself, much as we desire both.

Heretofore Goulart has spoken of need for him to exploit politically shock troops of extreme left. In actuality, it appears that those on the extreme left are moving in and exploiting GOB positions with weight quite disproportionate to their numbers. Goulart has deplored various extreme leftist actions and has disassociated himself and his government from them. Yet he and other high officials GOB have given open deference and support to such groups and many of their actions. GOB support for hemispheric and U.S. position on Cuban issue has been lukewarm and equivocal. It has offered no military or even moral support to quarantine operations its representative approved. Its Prime Minister found it desirable and appropriate, for domestic political reasons to address personally and reassure a few hundred mas noisy pro-Castroites -- this at a time when all governments in western hemisphere were confronting critical danger of communist offensive military build-up in Cuba.

Goulart wishes to assure loyalty in armed forces. This is understandable in view of resistance in armed forces against his succeeding to presidency. But there are indications that instead of

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of adopting policies they could at least tolerate, he has by appointments, reassignments, promotions and other manouvers, placed officers with anti-U.S., extreme leftist, or ultra-nationalist orientation increasingly in highest commands of Brazilian armed forces. It gives cause for real concern that role of Brazilian military as effective force in defense of constitutional democracy is being progressively weakened.

Various actions are being taken by you to influence GOB and President Goulart away from course described above. Short of being counterproductive, it appears desirable that you continue to press President Goulart directly and forthrightly. A confrontation with broader content but in tone of President Kennedy's recent foreign policy letter to President Goulart (Deptel 1192) may be indicated. While we agree Goulart may seldom make up his own mind, but is strongly influenced by his close associates, it is not clear to us who of his associates would be receptive to arguments designed to modify the position of Brazilian Government in our favor.

Your views are requested concerning interpretation which should be placed on developments described above. If conclusion should be that GOB under Goulart moving in directions on both internal and external fronts contrary to U.S. interests and objectives, we request your views also on 1) what we should do further to seek

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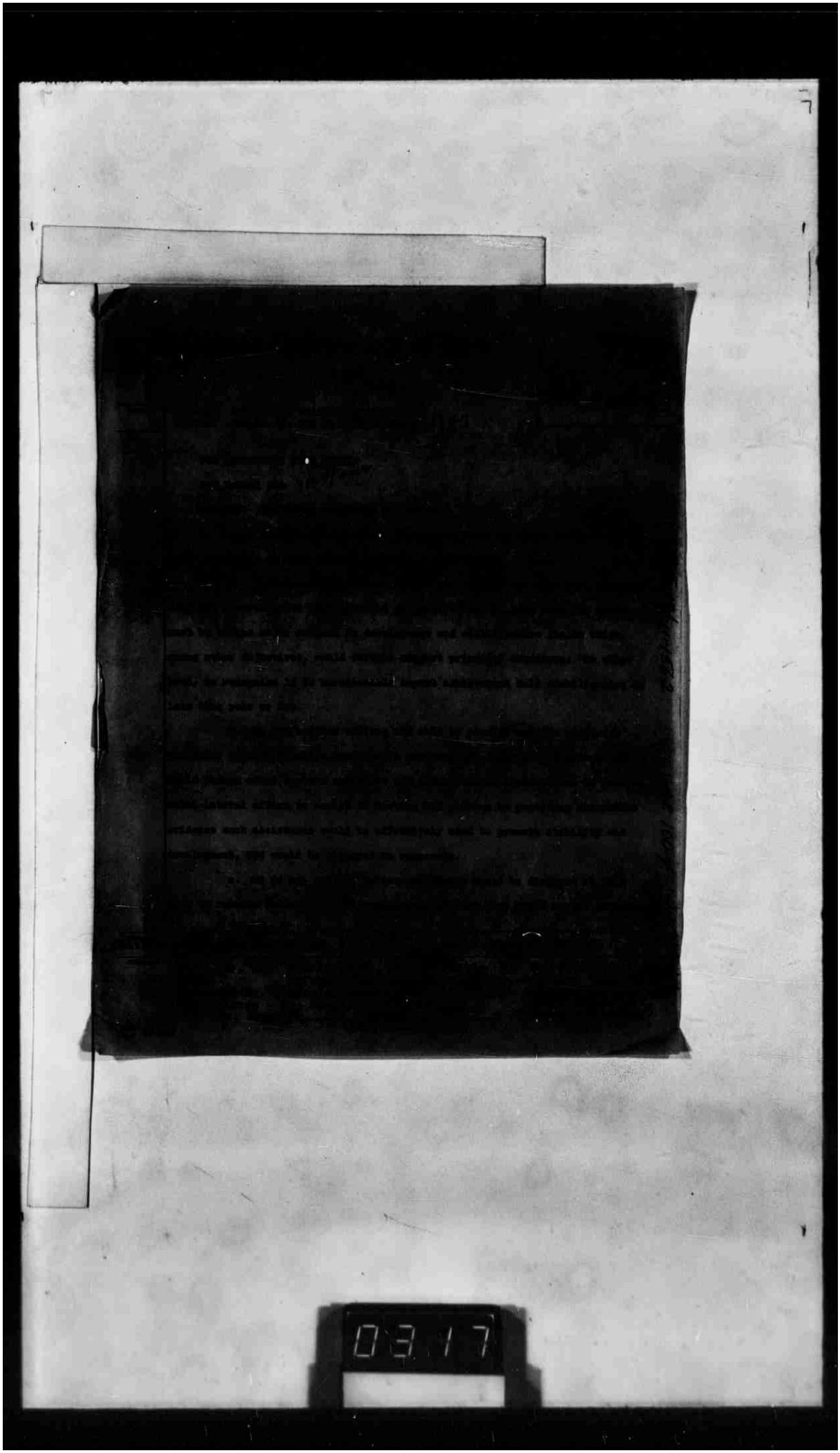
seek to influence GOB to follow courses we can support, 2) whether and to what extent these political considerations should be introduced into discussion with Goulart of present serious financial situation, and 3) what would be best timing for approach to Goulart outlined above, from a political standpoint, which would be also acceptable in context financial situation, including conditional offer U.S. assistance.

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DC/T
THIS TELEGRAM IS TO BE SENT FIRST
IN A SERIES OF TWO TELEGRAMS
1. Brazilian Financial Situation
2. Brazilian Political Orientation

0316



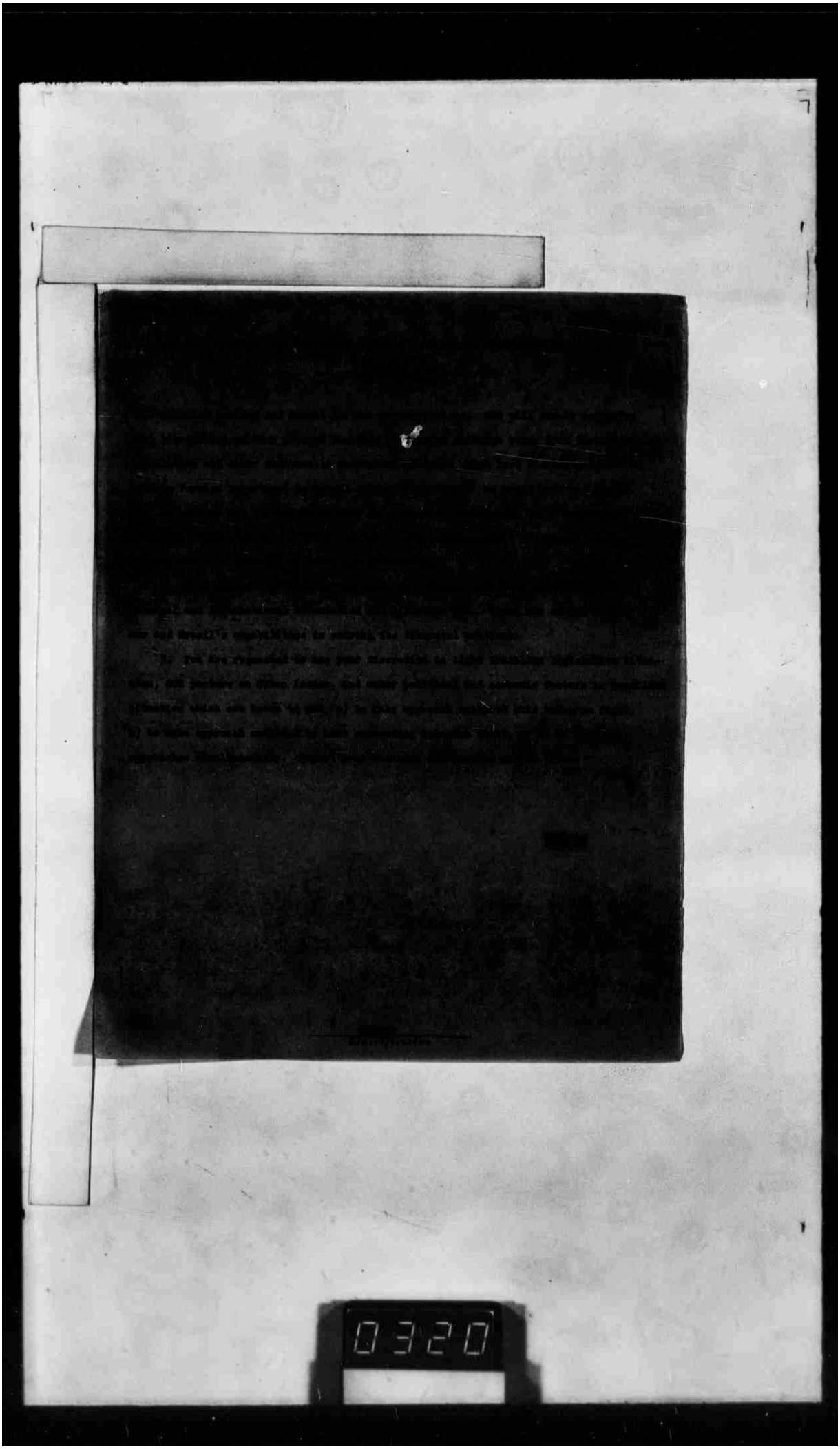
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Classification

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CROSS REFERENCE FILE

BRAZILIAN POLITICAL ORIENTATION

732.00/11-1562

XR 100.4

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SEE

TELEGRAM 43 TO BRASILIA,
REPEATED TO RIO AS TEL. 1148
NOVEMBER 15, 1962

0321

INCOMING TELEGRAM

Department of State

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Control: 6119

Rec'd: November 16, 1962 7:50 p.m.

ACTION

INFO:

RM/R FILES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 969, November 16, 7 p.m.

LIMIT DISTRIBUTION

Exchange Department, Bank of Brazil, preparing send about 60,000 KG gold in bars for earmarking at New York Federal. Value of fine weight probably around $60 million. Plan is ship by Brazilian Navy vessel leaving Rio de Janeiro about December 3 arriving New York December 21.

This connection Bank of Brazil asked Embassy request following information:

1. Could ship dock Brooklyn Navy Yard or other US Naval installation for disembarking gold?

2. Could US authorities supply necessary transport and security arrangements for unloading and bringing to Federal? Are security arrangements such that insurance could be dispensed with for this phase shipment?

3. What are customs and other formalities at port and documentation required?

4. What formalities and documents required by Federal for completing earmarking process? Would assay be necessary? Bank of Brazil plans have shipment accompanied by bank officials probably including Chief of Treasurers Department who would be empowered complete formalities.

Embassy would appreciate early reply above questions together with any other comments and suggestions believed appropriate.

GORDON

RIO 969

832.10/11-1662

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WORF:mw 11/16

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reply cabled to Rio 11/20/62 - drafted R. Crain

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Control: 6109
Rec'd: November 16, 1962
7:30 p.m.

ACT: GTB
INFO: 001
RM/R FILES

RM/R-yes
11/20 - RB

FROM: Rio de Janeiro

TO: Secretary of State

NO: 970, November 16, 7 P.M.

LIMIT DISTRIBUTION

Timing shipping arrangements for $60 million gold reported today Embassy telegram 969, obviously complicate GOB's ability meet its heavy December payment obligations unless some means can be found convert gold into cash through sale or loan. GOB not presently inclined sale and procedures for gold collateral loan at best lengthy, if possible at all because of waiver problem. Accordingly looks as if GOB's financial problem will be even more difficult in December than originally estimated.

GORDON

MJA

RIO 970

832.10/11-1662

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OSD	USIA	NSA
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DEPARTMENT OF STATE

AIRGRAM

832.10/11-1662

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1962 NOV 20 AM 8 37

TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS NOV 20 1962

INFO: RIO DE JANEIRO RM/AN ANALYSIS & DISTRIBUTION BRANCH

FROM : Amcongen, SÃO PAULO

DATE: November 16, 1962

SUBJECT : Some São Paulo Reactions to SUMOC Instructions 231 and 232 Regulating Remittance of Profits Law.

REF : D-13, CERP

The legal counselor of the American Chamber of Commerce reported to the Chamber's Economic Committee on November 14, 1962, that his efforts last month to offer some suggestions to the Federal officials drafting the administrative regulations of the Remittance of Profits Law had not been fruitful. He advised the Chamber that the regulations, which are known as SUMOC Instructions 231 and 232, largely say the same thing as the law itself, without providing much clarification and without attenuating the harshness of the law.

In regard to non-manufacturing firms which offer professional services, and which therefore have a small capital investment, the Chamber's legal counselor said their problems are as ignored in the regulations as in the law. (Under both the law and the SUMOC regulations, all foreign firms can remit profits on the basis of ten percent of their invested capital).

A Consulate General officer recently discussed the problems of foreign-owned service firms with the manager of Procon Engenharia Industrial e Comercial of São Paulo, which is owned by the "Procon" engineering company of Des Plaines, Illinois. Procon has been in São Paulo for about two and one-half years; its staff of American engineers render engineering and technical assistance in the erection of chemical, petrochemical, and petroleum construction projects. Procon's investment in Brazil consists principally in having sent to this country highly competent engineers whose services could easily be marketed elsewhere. The investment in material goods, however, consists only of some office

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Drafted by: ECON:DPMann:ip 11/16/62

Contents and Classification Approved by:

Clearances:

0324

São Paulo
A-149
11/16/62

equipment, according to the manager. He said that as a result of the Remittance of Profits Law and the SUMOC regulations, under which profit remittances will apparently be limited to ten percent of the value of the office equipment plus the initial working capital, as well as some other restrictive laws, he is now ready to advise his superiors in the United States that the climate in Brazil is not hospitable to a foreign-owned service organization and that operations in Brazil should be terminated. He believes that foreign-owned advertising, insurance, and accounting firms are largely in the same position as his company.

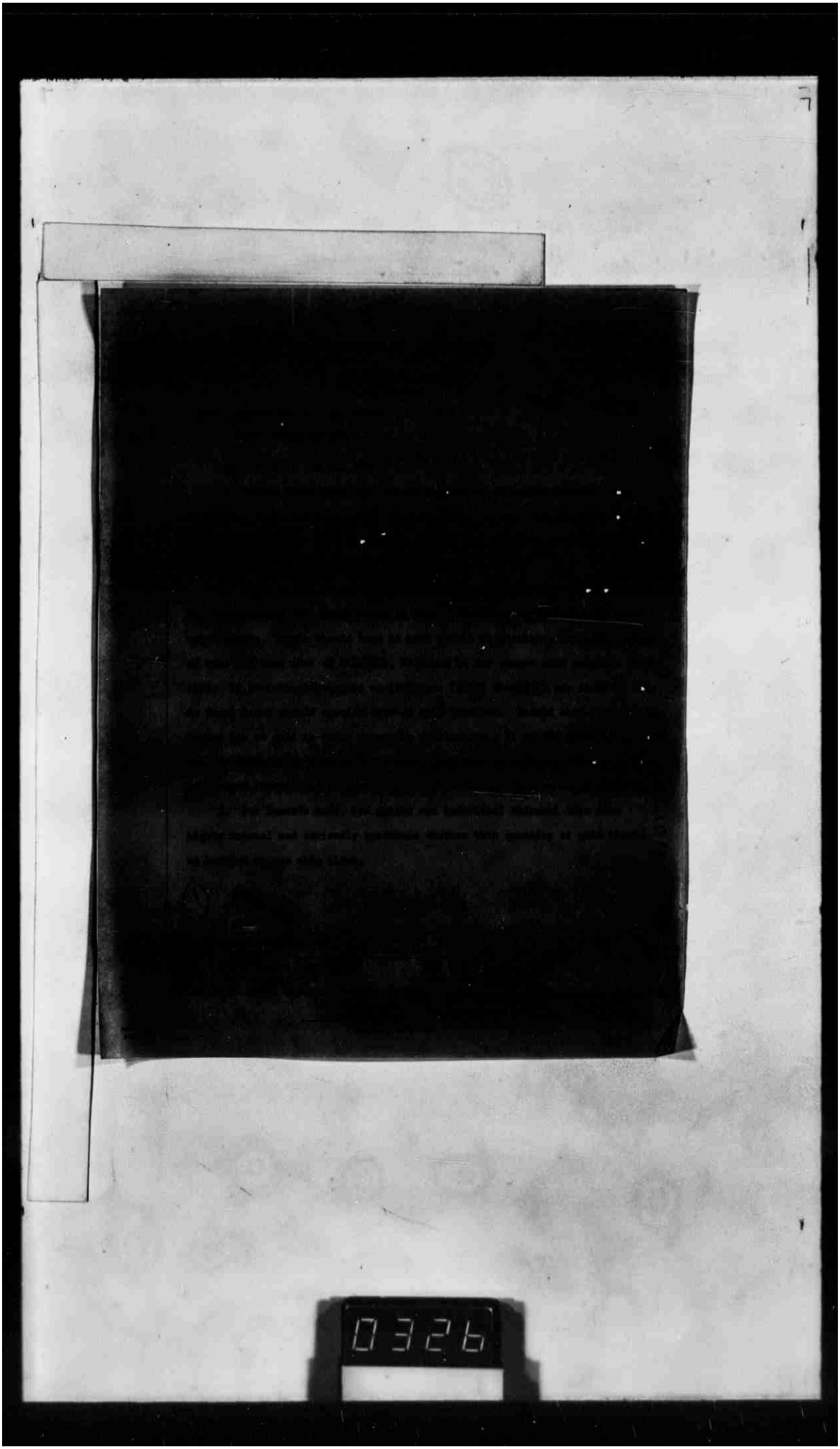
Press comment in São Paulo about SUMOC Instructions 231 and 232 has tended to deplore the fact that the regulations did not seek to make the best possible interpretation of the law. This was the principal comment of O Estado de São Paulo and Diário de São Paulo. Likewise, A Gazeta took note of the hopes in São Paulo business circles that the regulations would attenuate the harshness of the law, but it defended SUMOC by saying that that agency had no choice but to reflect the sentiments of Congress as expressed in the legislation.

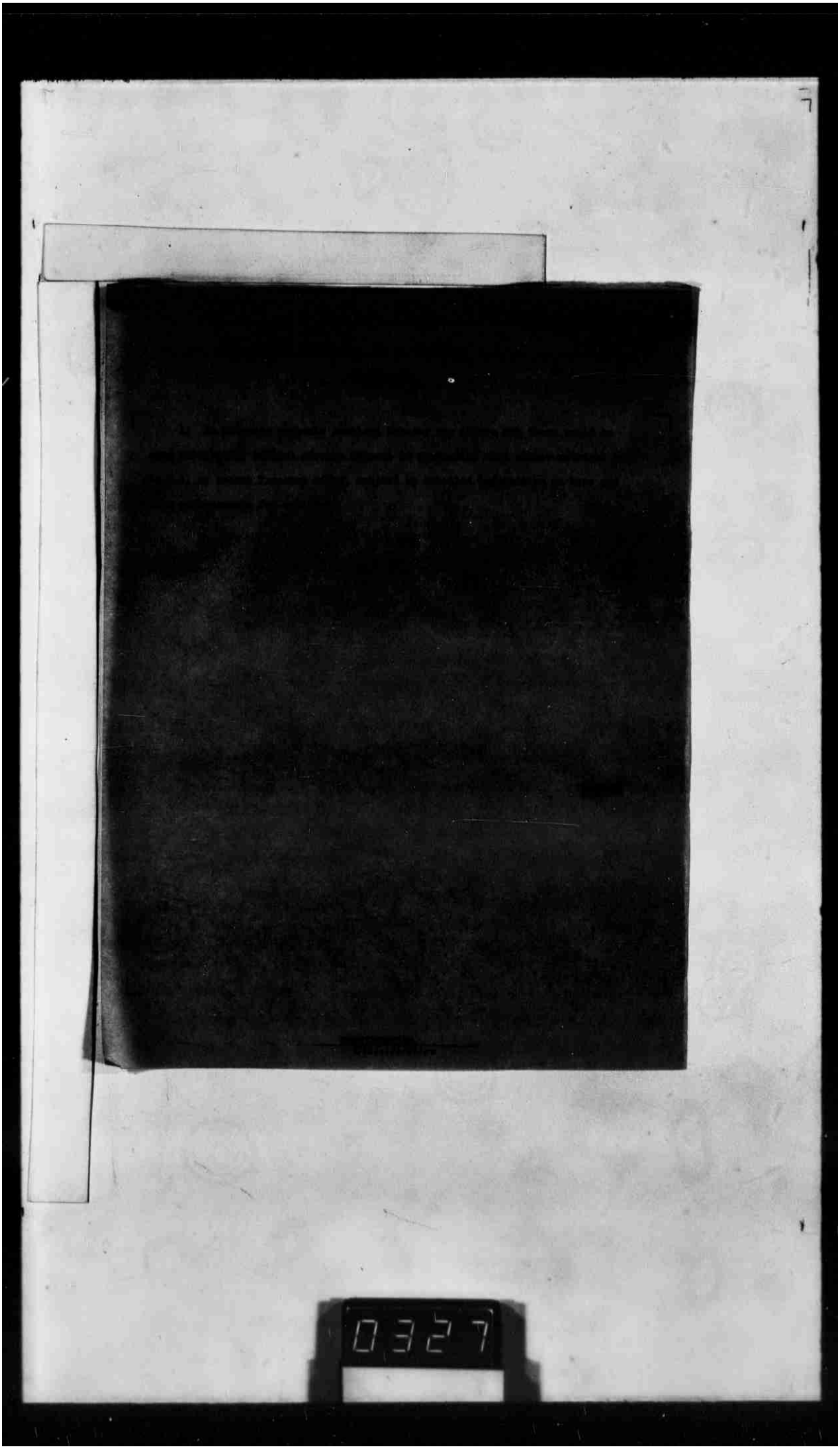
For the Minister Consul General:

Richard C. Desmond

Richard C. Desmond
Consul

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INCOMING TELEGRAM **Department of State**

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Action SS

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Control: 7014
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12:44 a.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 976, November 19, 7 p.m. (SECTION 1 of 3)

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Rio de Janeiro 976

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CORRECTION ISSUED 11/21/62 4:30 PM TRT

Action AID

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Control: 7539

Rec'd: November 20, 1962 7:40 PM

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FROM: Rio de Janeiro - Corrected Copy

TO: Secretary of State

NO: 988, November 20

1. To assist revision GOB balance of payments presentation need telegraphic information by individual calendar years 1956 through 1961 on following PL-480 operations Brazil, on basis estimated market value (rounded nearest hundred thousand dollars):

(A) Title I, both shipments and dollar disbursements, with O.T. separated.

(B) Title II and III shipments and/or transfer authorization with O.T. separated.

(C) Title III shipments and/or transfer authorizations.

2. Specify authority, publication or otherwise, each case.

GORDON

CC-17

Rio 988

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DEPARTMENT OF STATE 1962 NOV 22 AM 8 21

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INT	LAB	TAR
TR 2	XMB 4	AIR
ARMY 5	CIA 8	NAVY 5
OSD 12	USIA 8	NSA 3

DEPARTMENT OF STATE

AIRGRAM

832.10/11-2062

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A-572 NO. | CONFIDENTIAL | PRIORITY HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1962 NOV 23 AM 8 57

RM/AN
ANALYSIS & DISTRIBUTION
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FILED
DEC 10 1962

FROM : AmEmbassy, Rio de Janeiro DATE: November 20, 1962

SUBJECT : Preliminary Forecasts of the 1963 Balance of Payments

REF : CERP, Section B-102 and Section D-12; TOAID A-793, October 5, 1962

GENERAL OUTLOOK

All available forecasts agree that a balance of payments deficit in the general range of $400-600 million looms ahead for Brazil in 1963. The very complex problem of how Brazil can cope with a deficit of this magnitude has been covered in other Embassy messages. It need merely be noted here that means of covering, or of reducing, this potential deficit do not appear in sight without changes in Brazil's present economic and financial policies, including its financial relationships with U.S. and other sources of potential foreign assistance. Brazil's own policies could of course change either in a liberal direction (i.e. more exchange freedom, stimulation of private foreign investment inflow), or become more restrictive through direct controls, rationing of resources, multiple exchange rates etc.

Various projections made by Brazilian sources, as well as estimates developed during the recent visit to the Embassy of the special mission headed by Ambassador William H. Draper, while differing in detail and in the form of presentation, arrive at broadly similar results for the estimated uncovered 1963 deficit. The table below shows the differences and the similarities in these projections:

Encls.:
Table I - Bank of Brazil's Preliminary Projection of 1963 Exchange Transactions (Limited Official Use).
Table II - Preliminary SUMOC Working Estimate of Over-All Balance of Payments in 1962 and 1963 (Limited Official Use).
Table III - Embassy's Rough Projection of Brazil's Balance of Payments Financing Problem for 1962 and 1963 (Limited Official Use).
Table IV - Estimated Service in 1963 on Brazil's Medium and Long-Term Debt as Registered with SUMOC (Unclassified)

FORM 4-62 DS-323

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Drafted by: RVKorp/bc
Contents and Classification Approved by:
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Comparison of Various Projections of 1963 Balance of Payments

(in millions of U. S. dollars)

	A 1/ Bank of Brazil Projection (see Table I)	B SUMOC Projection (see Table II)	C Embassy Projection (See Table III)
Trade Account	165	50	25
Invisibles)	-429 2/	-390	-325
Capital Account)		192/	-267
Balance to be Financed	-264	-321 3/	-567
"Swaps Maturing in 1963	-155	-155	-155
	-419 4/	-476	-722
Commercial arrears carried into 1963	-120	-120	-120
Bankers' credit lines outstanding at beginning of 1963	-28	-28	-28
Repayments to IMF in 1963 (incl. in A and C but not B)	5/	-82	5/
Balance to be Financed	-567	-706	-870 6/
Likely Means of Financing:			
Net private capital, specific project loans and grants, P.L. 480 grants and loans (incl. in A and B but not C)	7/	7/	220-320 8/
New or renewed "swaps"	100-150	100-150	100-150
UNCOVERED DEFICIT	427-467	556-606	400-550

Footnotes:

1/ Not strictly comparable to the other projections since A is a forecast of the exchange transactions and B and C are balance of payments estimates. Thus A takes into account leads and lags in payments on trade account. Also A is concerned only with convertible currencies while B and C also include transactions in bilateral currencies. However, most projections usually assume that bilateral transactions will tend to cancel out on a net basis.

2/ Included items are shown under "Means of Financing" in Column C (see footnote 7/)

Footnotes continued on bottom of page 3.

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All of the projections are preliminary and are being constantly reviewed. All of them are made on the assumption that Brazil will not be able to afford anything but a relatively restricted level of imports in 1963. A higher level of imports--one that would perhaps be more adequate for a rapidly growing economy--would imply a larger balance of payments gap to be financed. On the other hand, a free exchange rate, internal stabilization measures and a restoration of private investors' confidence in Brazil could do much to expand export earnings and other receipts of foreign exchange.

THE BANK OF BRAZIL'S FORECAST

The Bank of Brazil's preliminary forecast of 1963 exchange transactions in convertible currencies (Table I) has a major omission in that it does not take into account the problem of commercial arrears that will almost certainly be carried over into next year. The amount of such arrears at the end of 1962 is somewhat difficult to predict. The Embassy has estimated the amount at roughly $120 million 1/. It may turn out to be somewhat greater or smaller than this depending mainly upon (a) the willingness and ability of the Brazilian authorities to realize funds from their remaining free gold resources, (b) the trend of export receipts until the end of the year and (c) the willingness of U.S. banks to renew credit lines which fall due in December.

Another point of interest about the Bank of Brazil's projection is that it assumes that the Bank of Brazil will be a net purchaser from the private exchange market to the extent of $66.8 million 2/. Up to now during 1962, the Bank of Brazil has been a net seller of exchange to the market 3/. Reversing this situation in 1963 would mean more pressure on the exchange rate to depreciate as well as inflationary pressures from the flow of Bank of Brazil cruzeiros used to purchase the exchange 4/. The Bank of Brazil's analysis also does not take into account the problem of $27.5 million of outstanding credit line drawings from New York banks. Of these $17 million are repayable in December, 1962, and $10.5 million in January, 1963. Thus at least the $10.5 million becomes a repayment problem for 1963.

THE SUMOC PROJECTION

The preliminary balance of payments estimate for 1963 prepared by SUMOC (Table II) leaves out the problem of $155 million in "swaps" maturing in 1963 as well as the problem of

---

Footnotes this Page:
1/Including roughly $32 million in petroleum arrears already consolidated and payable in the course of 1963.
2/In addition to contribution quotas and other surrender required from coffee and cocoa export proceeds.
3/See Embassy's A-484 of October 30, 1962.
4/However, in a deficit situation such as forecasted it may be presumed that exchange transactions as a whole are likely to exert a net deflationary influence.

Footnotes carried over from page 2:
3/Uncovered balance as shown in Table II.
4/Uncovered balance as shown in Table I.
5/ Included in capital account above.
6/ Potential deficit as shown in Table III.
7/ Already included in capital account above.
8/ Sum of lines 12,13 and 14 of Table III.

commercial arrears. It also does not consider the $82 million in payments due by Brazil to the IMF in 1963.

On the whole, the SUMOC estimate appears to be overly optimistic in its projection of private capital inflows. This would certainly be the case, unless the present foreign investment legislation is amended. SUMOC may also be overly generous in projecting exports at a level achieving a trade surplus of $50 million, unless it can be assumed that the exchange rate will be relatively free and that special efforts will be made to stimulate the growth of exports.

THE EMBASSY'S PROJECTION

The Embassy's Projection of the 1963 balance of payments prospects (Table III) is based essentially on the detailed table transmitted with the Brazil Aid Program budget submission for FY 1964 (TOAID A-793 of October 5) 1/.

1/See also footnote 1 of Table IV.

THE FOREIGN DEBT BURDEN IN 1963

A summary of Brazil's 1963 service burden for medium and long-term debt registered with SUMOC is shown in Table IV. The Brazilian authorities are particularly worried about the size of the debt burden and have recently been emphasizing this problem as the one for which external relief is vital.

Finance Minister Calmon indicated recently that Brazil would not be in a position to carry the debt service burden over 1963-1965, which he estimated at $1,070 million (including interest). If commercial arrears are added, he said the "debt problem" facing Brazil over the next three years amounted to about $1.2 billion. It is believed that Minister Calmon derives his figures in the following manner, based on debt tables prepared by SUMOC 2/:

(figures in millions of dollars)

	1963	1964	1965	Three years total
Amortization of Debt	331	335	215	881
Less: Agreed refinancing	42	20	11	73
Net Debt Amortization	289	315	204	808 2/
Interest	93	96	73	262 2/
	382	411	277	1,070 3/
IMF payment postponed from 1962 until 1963	29			29
Commercial arrears	120			120
	531			1,219

Footnotes at bottom of Page 5

The Bank of Brazil is now working on a detailed analysis of Brazil debt structure, presumably for use in any discussion with the U. S. and other creditors on obtaining new balance of payments relief.

FOR THE AMBASSADOR

Ralph V. Korp
Financial Attache

1/ Tables in the SUMOC Boletim of June, 1962.
2/ of which $52.1 million is in convertible currencies.
3/ of which 8.9 million is in convertible currencies.

0334

TABLE I - A

Bank of Brazil's Preliminary Projection of 1963 Exchange Transactions:

Total in all Convertible Currencies
(In Millions of U. S. Dollars)

	BANK OF BRAZIL			Other Banks	TOTAL
	1st Half 1963	2nd Half 1963	Total 1963	(1963 Total)	
RECEIPTS:					
Exports	371.4	371.4	742.8	272.0	1,014.8
Financial Transactions	39.0	39.0	78.0	222.0	300.0
TOTAL RECEIPTS	410.4	410.4	820.8	494.0	1,314.8
EXPENDITURES:					
A. Commitments Already Assumed					
Imports	27.7	12.3	40.0	-	40.0
Financial Transactions	27.2	28.7	55.9	-	55.9
Amortization of Balance of Payments Loans (principal and interest)	109.6	92.9	202.5	-	202.5
Amortization of Loans for specific projects (principal and interest)	86.7	85.8	172.5	-	172.5
Maturing "Swaps"	108.0	46.8	154.8	-	154.8
Sub-Total	359.2	266.5	625.7	-	625.7
B. Commitments to be Assumed					
Imports	288.6	286.8	575.4	234.0	809.4
Financial Transactions	52.8	52.8	105.6	193.2	298.8
Sub-Total	341.4	339.6	681.0	427.2	1,108.2
TOTAL EXPENDITURES	700.6	606.1	1,306.7	427.2	1,733.9
DEFICIT (-) or SURPLUS (+)	-290.2	-195.7	-485.9	+66.8	-419.1

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TABLE I - B

Bank of Brazil's Preliminary Projection of 1963 Exchange Transactions:

Transactions with the United States Only

(In Millions of U. S. Dollars)

	BANK OF BRAZIL			Other Banks	TOTAL
	1st Half 1963	2nd Half 1963	Total 1963	(1963 Total)	
RECEIPTS:					
Exports	181.2	181.2	362.4	116.0	478.4
Financial Transactions	33.0	33.0	66.0	174.0	240.0
TOTAL RECEIPTS	214.2	214.2	428.4	290.0	714.4
EXPENDITURES:					
A. Commitments Already Assumed					
Imports	8.5	4.0	12.5	-	12.5
Financial Transactions	20.3	19.7	40.0	-	40.0
Amortization of Balance of Payments Loans (principal & interest)	102.7	86.0	188.7	-	188.7
Amortization of Loans for Specific projects (principal & interest)	44.7	42.2	86.9	-	86.9
Maturing "Swaps"	97.3	44.3	141.6	-	141.6
SUB-TOTAL	273.5	196.2	469.7	-	469.7
B. Commitments to be Assumed					
Imports	212.4	210.6	423.0	90.0	513.0
Financial Transactions	45.6	45.6	91.2	157.6	248.8
Sub-Total	258.0	256.2	514.2	247.6	761.8
TOTAL EXPENDITURES	531.5	452.4	983.9	247.6	1,231.5
DEFICIT (-) or SURPLUS (+)	-317.5	-238.2	-555.5	+42.2	-513.1

0336

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TABLE I-C

Bank of Brazil's Preliminary Projection of 1963 Exchange Transactions:

Transactions with Other Convertible Currency Countries Only

(in millions of U. S. dollars)

	BANK OF BRAZIL				
	1st Half 1963	2nd Half 1963	Total 1963	Other Banks (1963 Total)	TOTAL
RECEIPTS:					
Exports	190.2	190.2	380.4	156.0	536.4
Financial Transactions	6.0	6.0	12.0	48.0	48.0
TOTAL RECEIPTS	196.2	196.2	392.4	204.0	596.4
EXPENDITURES:					
A. Commitments Already Assumed					
Imports	19.2	8.3	27.5	-	27.5
Financial Transactions	6.9	9.0	15.9	-	15.9
Amortization of Balance of Payments Loans (principal & interest)	6.9	6.9	13.8	-	13.8
Amortization of Loans for Specific projects (principal & interest)	42.0	43.6	85.6	-	85.6
Maturing "Swaps"	10.7	2.5	13.2	-	13.2
SUB-TOTAL	85.7	70.3	156.0	-	156.0
B. Commitments to be Assumed					
Imports	76.2	76.2	152.4	144.0	296.4
Financial Transactions	7.2	7.2	14.4	35.6	50.0
SUB-TOTAL	83.4	83.4	166.8	179.6	346.4
TOTAL EXPENDITURES	169.1	153.7	322.8	179.6	502.4
DEFICIT (-) or SURPLUS (+)	+27.1	+42.5	+69.6	+24.4	+94.0

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Page 1, Encl. 2
Airgram A-572
Rio de Janeiro

TABLE II

Preliminary SUMOC Working Estimate of Over-All Balance of Payments in 1962 and 1963

(in millions of U. S. dollars)

	1961 (Actual)	1962 (Estimated)	1963 (Projection)
TRADE ACCOUNT:			
Exports (f.o.b.)	1,405	1,242	1,350
Imports (f.o.b.)	1,292	1,239	1,300
TRADE BALANCE	113	3	50
SERVICES:			
Receipts	119	90	110
Expenditures:			
Freight	-102	-100	-105
Foreign Investment Income:			
Profits and Dividends	-31	-30	-30
Interest on Loans and Financing	-110	-120	-110
Total Foreign Investment Income	-141	-150	-140
Other Services	-237	-220	-260
Total Expenditures on Services	-480	-470	-505
Net Services	-361	-380	-395
Private Grants	7	-	5
Net Current Account	-241	-377	-340
CAPITAL:			
Inflow:			
Private Direct Investment:			
In the Form of Equipment	47	24	36
In Cash	61	53	54
Total Private Direct Investment	108	77	90
Specific Project Loans and Financing: 1/			
In the Form of Equipment	250	182	160
In Cash	195	97	110
U. S. Surplus Agricultural Commodities (PL 480)	100	50	36
Total Specific Project Loans and Financing	545	329	306
TOTAL INFLOW OF CAPITAL	653	406	396

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TABLE II (Continued) (in millions of U. S. dollars)

	1961 (Actual)	1962 (Estimated)	1963 (Projection)
CAPITAL: (Cont'd)			
Outflow:			
Amortization of Private and Official Loans and Financing	-326	-338	-357
Other (Incl. Subscription of IDB)	- 57	- 59	- 75
Total Outflow of Capital	-383	-397	-432
ERRORS AND OMISSIONS	27	35	-
BALANCE OF PAYMENTS	+56	-333	-376
COMPENSATORY ITEMS:			
Drawings on Balance of Payments Loans:			
IMF (net)	40	- 17	
U. S. Treasury	35	10	
Export-Import Bank	84	44	
AID	50	24	
U. S. Commercial Banks	48	10	
European "standby"	27	-	
Total Drawings	284	71	
Agreed Loan Refinancing 2/	25	59	55
Commercial Arrears (reduction -)	-68	-	
Short-Term Assets (increase -)3/	-180	32	
Short-Term Liabilities (reduction -)3/	-119	105	
Monetary Gold (Increase -)	2	9	
Total Compensatory Items	-56	276	
UNCOVERED BALANCE TO BE FINANCED	-	-57	-321

1/ Official and private

2/ Automatic refinancing of loan repayments under various agreements negotiated in 1961.

3/ Including "swaps" and bankers' credit lines.

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TABLE III

EMBASSY'S ROUGH PROJECTION OF BRAZIL'S BALANCE OF PAYMENTS FINANCING PROBLEM

FOR 1962 AND 1963 1/

(in millions of U. S. Dollars)

	1962 (projection)	1963 (projection)
1. Exports (f.o.b.)	1,230	1,300
2. Imports (f.o.b.)	1,290	1,275
3. Trade Balance	-60	25
4. Net Invisibles	-360	-325
5/ Net Current Account	-420	-300
6. Amortization of Medium and Long-term Debt Registered with SUMOC	-150 3/	-267 2/ 3/
7. Subscription to IDB	-10	---
8. Commercial Arrears to be Paid at the Beginning of the Year	---	-120 4/
9. "Swaps" Maturing During the Year	-158	-155
10. Bankers Credit Lines Outstanding at the Beginning of the Year	-50	-28 6/
11/ Deficit to be Financed	-788	-870
Probable Means of Financing:		
12. Net Inflow of Private Capital	70	20-70 8/
13. Specific Project Loans and Grants 5/	105	100-150
14. P.L. 450 Titles I-III Loans and Grants	105	100
15. Accumulation of Commercial Arrears	120 4/	9/
16. New Bankers' Credit Lines	28 6/	10/
17. New or Renewed "Swaps"	220	100-150 11/
18. Balance of Payments Loans:		
19. IMF		
20. Eximbank	41	
21. AID	24	
22. Treasury	10	
23. Total balance of payments loans	75	
24. Decrease in reserves or increase in short-term liabilities	65 7/	
25. Uncovered Potential Deficit	---	400-500

1/ Based mainly on a) the detailed balance of payments projection contained in Table C-4 annexed to the FY 1964 Budget Submission of USAID/Brazil (TOAID A-793 of October 5, 1962), b) certain estimates developed during the recent visit to Rio de Janeiro of the special mission headed by Ambassador William H. Draper and on c) the balance of payments forecast for October-December, 1962, contained in the Embassy's A-443 of October 19, 1962.

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2/ Estimates of the amortization of most private debt, particularly that not guaranteed by the Brazilian Government (including short, medium and long-term inter-company private credit), is already included in the calculations of the net inflow of private capital (Item 12). Therefore Item 6 is smaller than the total official and private debt amortization figure used by SUMOC in the capital outflow item of Table II. Agreed refinancing under arrangements negotiated in 1961 has been taken into account.

3/ Excludes $57 million portion maturing next year under $200 million gold collateral loan arrangements with U.S. commercial banks. This is assumed to be easily renewable. Includes $29 million of repayments to the IMF shifted from 1962 to 1963.

4/ Includes petroleum import payments arrears of roughly $32 million consolidated as of November 1, 1962, and payable one-half in March, 1963, and one-half in September, 1963. A total arrears level of about $120 million as of January 1, 1963, assumes that the Brazilian Government will sell, or obtain a loan on $60-70 of its remaining free gold holdings.

5/ Includes AID, Eximbank, IBRD, IDB, suppliers' credits, etc.

6/ Of $27.5 million of credit lines from U. S. banks currently outstanding, 17.0 million mature in December, 1962(10.5 in early January, 1963). If the banks should prove unwilling to renew all or part of these credits, Brazil will have to accumulate larger commercial arrears (Item 15) or dip further into gold and foreign exchange reserves (Item 24). These tables are based on what, at the moment, appears to be a somewhat optimistic assumption that the banks will agree to renew $17 million of credit lines into 1963.

7/ Mainly sale or pledging of most of remaining free gold.

8/ This item is particularly difficult to project since the inflow of private capital will be influenced by a number of variables including importantly on whether the Brazilian Congress will approve the pending amendatory legislation which seeks to correct some of the most restrictive features of the foreign investment law.

9/ This item is left blank. Presumably if necessary Brazil may be able to accumulate further arrears, although as time goes on exporters will presumably tend to shift increasingly to a "cash and carry" basis of shipment.

10/ It is difficult to predict whether it will be possible for Brazil to obtain or renew any credit lines in 1963.

11/ The possibility of renewing "swaps" or of new "swap" arrangements depends on factors such as the investment "climate," Brazilian policy on exchange rates used for "swaps" etc.

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TABLE IV

ESTIMATED SERVICE IN 1963 ON BRAZIL'S MEDIUM AND LONG-TERM DEBT AS REGISTERED WITH SUMOC[1]

(in millions of U. S. dollars)

	Principal Due in 1963					Interest due in 1963
	International agencies	U. S.	Other conv. countries	Inconvertible	Total	
I. Project Loans						
IBRD [2]	10.4				10.4	6.0
IDB (ordinary capital)	0.3 [3]				0.3	2.1
Eximbank		17.3			17.3	14.4
Other U. S. Gov't		0.7			0.7	0.1
Private: U. S.		33.3			33.3	10.0
Germany			8.2		8.2	2.9
Canada			9.2		9.2	4.0
France			0.8		0.8	0.2
Italy			---		---	---
Japan			11.9		11.9	2.5
U. K.			3.8		3.8	0.7
Switzerland			1.1		1.1	0.4
Other Convertible			9.3		9.3	3.2
Inconvertible				9.6	9.6	2.1
Total Project Loans	10.7	51.3	44.3	9.6	115.9	48.6
II. Consolidated Debt						
Dollars		4.9			4.9	---
Sterling			5.0		5.0	---
Total Consolidated Debt					9.9	
III. Balance of Payments Loans						
IMF	82.0 [4]				82.0	3.0
Eximbank: ($212.6 mill)		12.2			12.2	11.2
($168.0 mill)		----			-----	7.3
($92.0 mill)		----			-----	2.0
AID ($100.0 mill)		~~80.0~~			~~80.0~~	9.6
Treasury ($70.0 mill)		20.2			20.2	1.3
Germany (Refinancing)			---		----	0.4
France (Refinancing)			---		----	0.3
U. K. (Refinancing)			---		----	0.3
U.S. Banks:						
($200 mill. gold)			(57.0) [5]		(57.0) [5]	9.3
($38 mill)			12.7		12.7	1.1

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Table IV Continued

Chase Manhattan ($10 mill)		3.3			3.3	0.3
European Standby ($110 mill)			10.7		10.7	0.9
Total Balance of Payments Loans	82.0	48.4	10.7	---	141.1	38.0
GRAND TOTAL	92.7	104.6	60.0	9.6	266.9	86.6

After agreed refinancing

1/ Based on table prepared by Henry J. Costanzo, member of recent mission headed by Ambassador William H. Draper, revised, as necessary in accordance with more recent SUMOC data on Brazil's debt. (Tables 5.3-5.6 of SUMOC's Boletim of June, 1962, showing debt position, as of June 30, 1962)

2/ Includes $6.0 million estimated amortization and $3.5 estimated interest on original total of $108.8 million in loans to Brazil, formally made to Brazilian Traction of Toronto, Canada. This debt is not included in the basic SUMOC data.

3/ Based on status of IDB loans as of August 31, 1962.

4/ Includes $29.0 million postponed from September, 1962, into 1963. Of the $82.0 million total, $54.75 consist of 5-year maturities and $27.25 reach 5 years in 1965.

5/ Excluded from total as refinancing is assumed.

0343

33

INCOMING TELEGRAM *Department of State*

M
Action
SS
Info

CONFIDENTIAL

Control: 8030 026
Rec'd: November 21, 1962
4:51 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 990, November 21, 1 P.M.

PRIORITY

POLICY

LIMIT DISTRIBUTION 321/32.10/32

Rio de Janeiro 990

033.3211/11-2162

0344

INCOMING TELEGRAM

Department of State

41

SECRET

Action
SS

Control: 8948
Rec'd: November 23, 1962
4:36 p.m.

Info

FROM: Rio de Janeiro

TO: Secretary of State

NO: ~~1101~~ 1001, November 23, 2 P.M. (SECTION I OF III)

PRIORITY

LIMIT DISTRIBUTION S/S

Embassy telegram 976

RECORD COPY

Rio de Janeiro 1001

033.3211/11-2362

RG 332.10

611.52

0345

ORIGIN/ACTION: ARA-4

RM/R	REP	AF
1	1	
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
1	FSO	AID 12
AGR	COM 10	FRB 2
INT	LAB	TAR
TR 2	XMB 4	AIR
ARMY	CIA 8	NAVY
OSD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

832.10/11-2362
TR 732.13
FOR RM USE ONLY

A-588 NO. CONFIDENTIAL HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 NOV 29 AM 8 12

RM/AN ANALYSIS & DISTRIBUTION BRANCH

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS NOV 29 1962

FROM : AmEmbassy, Rio de Janeiro DATE: November 23, 1962

SUBJECT : Finance Minister Calmon's Ideas on Various Financial Matters

REF : CERP D-12

RM/R-Fuller KB-1215

In a conversation which Ambassador Gordon and the reporting officer had with Finance Minister Miguel Calmon on November 12, the following points, which have not been otherwise reported, came up:

1. Monetary Reform

The Finance Minister indicated that he was convinced that the operations of the Bank of Brazil could not be brought under the control of the Finance Minister and of SUMOC without structural reform of the Bank. For this reason, he was ready to recommend to President Goulart that the structure of the Bank of Brazil should be changed at an early meeting of the Bank's assembly of stockholders. The Minister has in mind separating the Bank of Brazil into two sections, a Monetary Section and a Banking Section, each with separate balance sheets. The Monetary Section would take in the central banking functions of the Bank of Brazil and would be comprised of the following departments of the Bank of Brazil:

(a) The Rediscount Department
(b) The Foreign Trade Department (CACEX)
(c) The Bank Loan Department
(d) The Foreign Exchange Policy Formulation Function and the Foreign Exchange Inspection Function (FIRAN) now lodged in the Foreign Exchange Department.

All of these departments and staffs would retain their individual directors and managers but would all be responsible to a new Vice President of the Bank of Brazil who would be the same person as the Executive Director of SUMOC. The Banking Section of the Bank of Brazil would take in the remaining departments of the Bank.

FILED 12 41 PM

CONFIDENTIAL

FORM DS-323 4-62

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Drafted by: RVLopp/bc

Contents and Classification Approved by:

Clearances:

0346

Finance Minister Calmon stated that he thought this kind of administrative reform, which would take place wholly within the present structure of the Bank of Brazil, could be done without legislative authority by a simple decision of the Bank of Brazil stockholders among whom the Minister of Finance, as a representative of the Brazilian Government, has a controlling voice.

2. Tax Reform

According to the Finance Minister, he is submitting his new tax revenue measure to the present Congress as simply a stop-gap action designed to improve the Treasury's cash prospects for next year. He is far from satisfied with it and believes that Brazil needs a thorough-going reform of both tax legislation and of administrative procedures for collecting taxes. In order to help bring about a long-range tax reform, he has begun negotiations with the Getulio Vargas Foundation looking forward toward a contract between the government and the foundation. Under this contract the Getulio Vargas Foundation would be charged with recommending a comprehensive revision of the Brazilian tax code and of tax administration and would be empowered to call upon experts from all over the world to help in developing these recommendations. The implication seemed to be there that the Minister felt that the Getulio Vargas Foundation could, in this connection, call upon substantial assistance from the U.S. in this task.

3. Exchange Policy

The Minister expressed himself as favoring a free exchange market. For the present, he felt that the exchange rate being maintained by the Bank of Brazil and by commercial banks was not far from a realistic rate, although it would of course have to be adjusted as inflation continued. He reported that his soundings had indicated that the 20 cruzeiro premium (Bonecc) which was frequently paid "under the counter" was a fee being exacted by the official exchange brokers. Thought was being given to adjusting the exchange rate by 20 cruzeiros, to increasing the authorized remuneration of the brokers and to making clear to the brokers that exceeding the authorized fee would imply loss of brokers licenses.

In this connection, it is of interest that Octavio Bulhões, Executive Director of SUMOC, told the reporting officer a few days ago that he no longer saw any great political difficulties in having a free exchange rate, as long as Brazil could be assured of some line of credit or reserves to draw on in order to prevent wide speculative fluctuations in the rate. He saw no difficulty in making firm commitment in any financial negotiations with the IMF, for example, about freeing the rate at the same time as outside resources became available.

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4. Project Financing Problems

It was made clear to Minister Calmon that U.S. consideration of the possibility of advancing dollar funds against prospective cruzeiro needs for Alliance for Progress projects was being seriously hampered by the fact that there were large availabilities of P.L. 480 generated cruzeiro balances on hand and procedural difficulties of working with the BNDE were standing in the way of rapid use of these balances. The Minister replied that he was aware of the problem and that he had recommended some time ago that Leocadio Antunes, the President of the BNDE, should be discharged.

5. Restructuring of 1964 Budget

Minister Calmon's assistant, Victor Gradin, said that the Ministry was ready to propose to the Congress a new format for the preparation and presentation of the Brazilian Government's budget, beginning in 1964. He thought that this new format would be proposed to the Congress in the next few days. It consists mainly in dividing budgetary expenditures in various functional categories that have been endorsed by international fiscal experts and is designed greatly to facilitate analysis of the budget as well as to indicate more adequately the significance to the economy of the various revenue and expenditure items included therein.

For the Ambassador

Ralph V. Korp
Financial Attache

33

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

05561

SECRET
Classification

Nov 24 6 49 PM '62

Origin

Info.

ACTION: Amembassy, RIO DE JANEIRO PRIORITY 1180

LIMIT DISTRIBUTION S/S

Ref EMBTELS 976, 977, 990

Subject: Dantas' conversations

1. Request you ascertain from GOB and preferably from Goulart official capacity in which Dantas will be holding conversations here and extent his authority to speak for GOB. Also to assist us in responding to press inquiries advise of any GOB or Embassy statement on Dantas mission. (Campos states Dantas will bear letter from Goulart designating him as special representative President and next Minister of Finance).

2. Campos informed us on Nov 23 of Dantas projected arrival US on December 3 and Washington December 5. As indicated telecon Nov 23, May advised Campos not possible at this time decide specifics of conversations with Dantas which might prove useful. May stated Dept waiting for your views on political as well as economic and financial aspects of present US-Brazilian relations. Before working out definite program for Dantas, we wish first to have opportunity confer with you and would like clearer view of what Dantas able achieve before his departure along lines indicated URTEL 990 and consequently to offer on behalf GOB. We will want to discuss with you also inter alia

SECRET

Drafted by: ARA:EST:RJBurton:HRHellman:ed:dhh 11/23/62

Telegraphic transmission and classification approved by: ARA - Mr. Martin

ARA - Mr. May

SECRET
Classification

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Rio de Janeiro 1180 033.9211/11-2362

0349

ORIGIN/ACTION

RM/R	REP	EAP
1 ARA-4	1	
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
L 2	FSO	AID 12
	WHFB 1	
AGR	COM 17	FRB 2
INT 7	LAB	TAR 2
TR 2	XMB 4	AIR
ARMY 5	FRB 8	NAVY 5
OSD 12	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

832.10/11-2662

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HANDLING INDICATOR XR 832.2553 232.1141

TO : DEPARTMENT OF STATE 1962 NOV 30 AM 10 35

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: November 26, 1962

SUBJECT : Settlement of Petroleum Import Arrears

REF : CERP, D-12

By the end of October, the Bank of Brazil had reached agreement with seven out of eight foreign oil suppliers, on the terms for settling accumulated arrears estimated at about $50 million as of November 1, 1962.

The enclosure shows that agreements concluded with seven companies affected $44.2 million of arrears for petroleum imports. Cash payments of $8.8 million, representing 20% of the arrears were largely completed in October. The remaining 80%, amounting to $35.4 million, is payable in 1963, one-half in March and one-half in September.

No agreement has as yet been reached with the eight suppliers, the California Crude Sales Company. It was estimated in October that arrears with this company would reach about $6.8 million as of November 1. Despite the lack of agreement, the Bank of Brazil has made a 20% cash payment to this company also.

Beginning November 1, the Bank of Brazil has been meeting promptly all petroleum import payments due on the completion of the normal 120-day term specified in petroleum supply contracts with Brazil.

Enclosure: Att.

Table on Payments Schedule to Petroleum Suppliers.

For the Ambassador:

Ralph V. Korp
Financial Attache

FILED
Dec 5 12 44 PM '62

FORM 4-62 DS-323

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Drafted by: RVKorp:dft

Contents and Classification Approved by:

Clearances:

0350

Payments Schedule Under Agreements Made With Petroleum Companies to Settle Import Arrears as of November 1, 1962 1/

(In millions of U. S. dollars)*

Company	Cash Payment Made in October (20%) 2/	Consolidated and Payable in 1963 (80%) Payable March 31,1963	Payable Sept. 30,1963	Total Payable in 1963
Atlantic Refining Co. (Philadelphia)	0.12	0.25	0.25	0.50
Esso International Inc. (New York)	1.36	2.73	2.73	5.46
Gulf Oil Corporation (Pittsburg)	1.54	3.07	3.07	6.14
Shell International Petroleum Co. Ltd. (London)	4.02	8.04	8.04	16.08
Texico Export Inc. (New York)	0.55	1.09	1.09	2.18
Texico Overseas Petroleum Co. (New York)	0.73	1.46	1.46	2.92
Venezuelan Sun Oil Co. (Philadelphia) 3/	0.53	1.06	1.06	2.12
Total all Companies 4/	8.85	17.70	17.70	35.40

* rounded from complete figures

1/ Source: Exchange Department, Bank of Brazil

2/ Estimated

3/ In the case of Sun Oil there appears to have also been some supplementary agreements on mutual cancellation of debts with Petrobras (Sun is a purchaser of Bahian crude produced by Petrobras)

4/ Excludes California Crude Sales Co., San Francisco with which no agreement reached to date.

0351

ORIGIN/ACTION

ARA-4		
RM/R 1	REP 1	AF
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
L	FSO	AID 12
IGA/AID 3		
AGR	COM 10	FRB 2
INT	LAB	TAR
TR 2	XMB 4	AIR
ARMY	CIA 10	NAVY
OSD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

832-10/11-2662

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A-600 NO. | CONFIDENTIAL | AIR POUCH HANDLING INDICATOR XR 832-05114

TO : Department of State 1962 NOV 30 AM 10 35

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : Amembassy, Brasilia Office DATE: November 26, 1962

SUBJECT : 1) Key Brazilian Deputy Tells Embassy Mild Profit Remittance Bill Will Not Pass; (2) Rio Grande do Sul Wants to Begin Participation in AFP.

REF :

Attached is a memorandum of conversation among Embassy officers and Daniel Faraco, Chairman of the Chamber of Deputies Committee on the Economy. Faraco said he will become State Secretary of Economy in the new Rio Grande do Sul government and that he and the new Governor want to participate in the AFP.

He also gave his opinion that the Krieger bill (a milder version of the present profits remittance act) will not be passed by the present Chamber of Deputies. He said the next Chamber might pass it, but he also said the ideological orientation of the next Chamber would be practically the same as at present. He also defended the present law, saying it is natural for Brazil to make such experiments.

Comment: The constructive attitude toward the AFP by the new Rio Grande do Sul government is most encouraging. On the other hand, the defense of the profits remittance law by the Chamber's foremost exponent of sound economics was somewhat discouraging. Faraco's statement that the Chamber might pass the Krieger bill next year may have been more a placebo for his listeners than a prediction. His comments add evidence to the impression gained by officers at this post who have been working with the Chamber that the profits remittance issue remains cloaked in the nationalism

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FORM DS-323 4-62

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Drafted by: HWeiner/jhm

Contents and Classification Approved by:

Clearances:

0352

that smothers reason and prevents rational action.

For the Ambassador:

Harry Weiner
Second Secretary of Embassy

APPROVED BY:

John Keppel
Counselor of Embassy
for Political Affairs

DISTRIBUTION: All consulates Brazil; Amb, DCM, Pol I (5), AID, Pol II, Cons, Econ (2), USIS, Army, Navy, Air Attachés, CF (3), Brasilia (5)/31.

Enclosure:

Memorandum of Conversation
dated November 24, 1962.

0353

CONFIDENTIAL

CONFIDENTIAL

MEMORANDUM OF CONVERSATION

November 24, 1962

PARTICIPANTS: Daniel Faraco (PSD-RGS)
Chairman of the Chamber of Deputies
Permanent Committee on the Economy

Harry A. Quinn, Political Officer

C. Dirck Keyser, Political Officer

Harry Weiner, Political Officer

SUBJECTS: Alliance for Progress in Rio Grande do Sul.
Profits Remittance Law.

PLACE: American Embassy Office, Brasilia

The meeting took place at the request of Deputy Faraco. He announced that he has been invited by Ilde Menenghetti, Governor-elect of Rio Grande do Sul, to become State Secretary of Economy, and that he will accept the post. The purpose of his call was to begin the process of making contact with the various U.S. and international agencies concerned with economic development assistance. He said that he and the new Governor are convinced that Rio Grande do Sul should participate in the Alliance for Progress. Faraco asked whether a meeting could be arranged with an appropriate U.S. official, preferably in Brasilia, inasmuch as the current Congressional session will keep him tied here for at least the next two weeks. Mr. Quinn assured him that action would be taken promptly.

Referring to the tax proposals now before the Chamber, he said he expected them to come to a vote next week, but he did not predict the outcome. He described his own views on economic policy--anti-inflation and for fiscal sanity--as "a voice in the desert" vis-a-vis the rest of the Chamber.

On leaving, Mr. Weiner asked him whether the Krieger bill (a milder version of the present profits remittance law) had any chance of passage by the Chamber. Faraco replied "Not in the present Chamber but perhaps in the next." (He was referring to the Chamber elected on October 7, 1962 which will convene in February 1963 and begin work in March 1963.) Immediately thereafter, however, he said that the ideological makeup of the next Chamber would be largely unchanged from the present one. Faraco then went on to make an apologia for the present profits remittance law, saying that nations learn only through experimentation. He

0354

said it is natural for Brazil to make such experiments, it is a phase that all nations pass through and one from which Brazil will ultimately benefit, since the claims of the extreme nationalists will be shown to be unfounded. He said the U.S. has also made many experiments which were initially controversial.

The meeting lasted twenty minutes.

0355

33

INCOMING TELEGRAM

~~ED GABBERT~~

Department of State

ACTION COPY

PERMANENT RECORD COPY

Rio 1038

57

UNCLASSIFIED

Action
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Info
ARA
CAP
AID
RMR

Control: 10440
Rec'd: November 27, 1962
6:54 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1038, November 27

988-832.10
411.32/41
832.49

Expedite reply Embassy telegram ~~998~~ 988.

GORDON

MJA-6

NOTE: Reftel believed to be 988

File
Reftel transferred
to AID; Mrs Betterman
for action.
CLB
11/28/62

E MESSAGE CENTER
CONTROL
NOV 28 1962
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DEPARTMENT OF STATE
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832.10/11-2762

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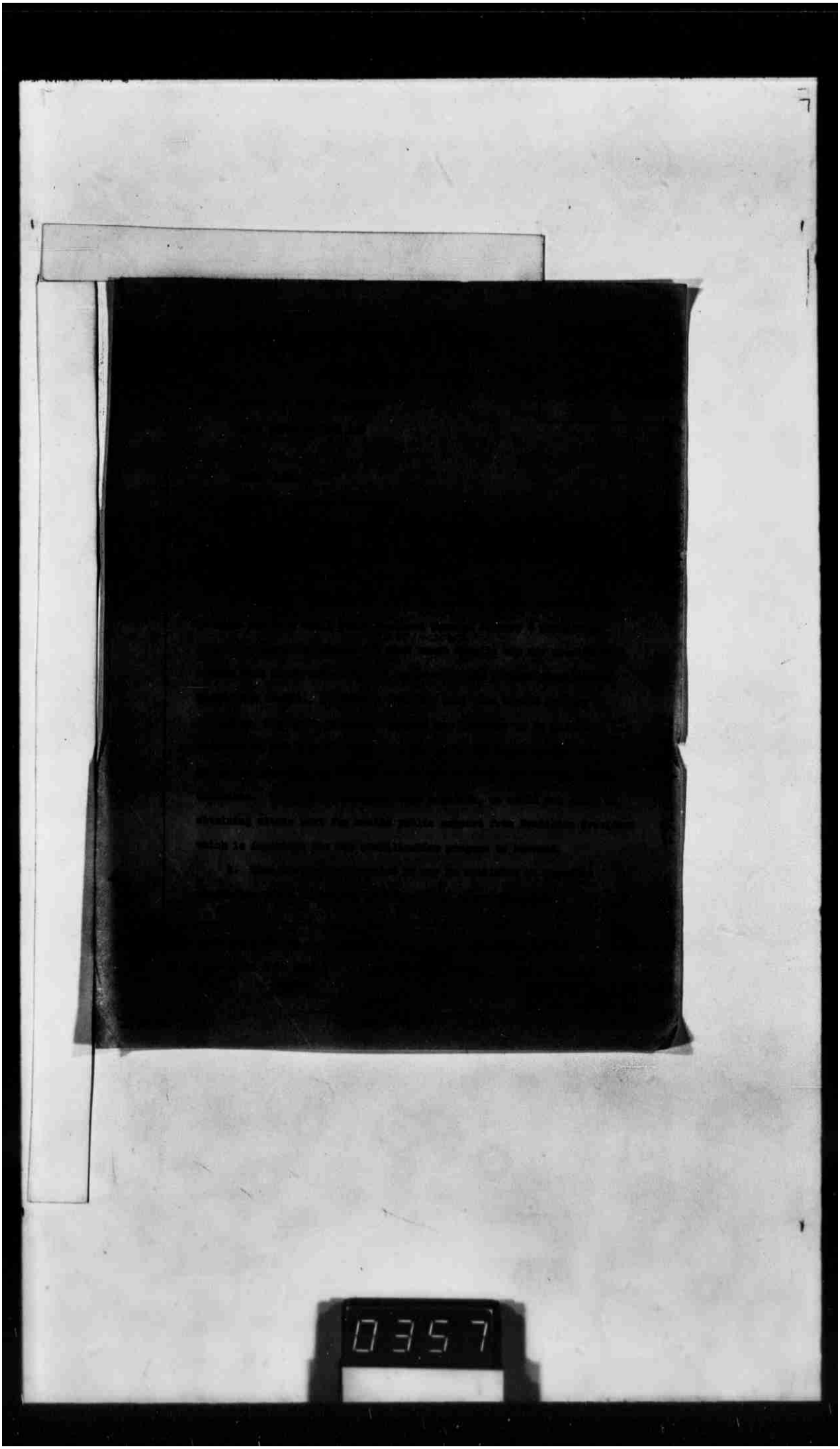
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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0356


0357

SECRET
Classification

personal letter? Is Soviet project assistance a serious possibility?

3. Is it possible to amplify what Goulart has in mind in wanting Brazil "reconstructed on path to new type social order"?

4. Do Goulart assertions mean IA would support him in opposition to, do Goulart and CGT realize extent of distrust among bulk of Brazilian leadership stimulated by CGT's pro-Castroite foreign policy and equivocal position in Cuba crisis? What can we do to bring this home to Brazilians? Should we seek to maneuver GOB into choice of either isolation or support of GOB policy towards Cuba, bearing in mind it was only by reluctant affirmative vote on October 23 resolution that GOB avoided isolation then? Should not US also seek to avoid any actions which would tend to lend prestige to GOB's hemispheric policies, particularly as far as Cuba concerned.

5. We feel Goulart should be challenged on his implication that Venezuelan example indicates that governments lose popular support at home by being friendly to US. This betrays ignorance of Venezuelan situation where Betancourt was losing public confidence because of failure to halt communist-directed terrorism and subversion but now appears to have strengthened his domestic position by his vigorous and unequivocal support of GOV and US policy in recent Cuban crisis. Does Goulart believe communists and extreme left seeking to overthrow Betancourt are genuinely popular representatives and that open friendliness to US would lose him popular support?

SECRET
Classification

0358

Page 2 of telegram

SECRET

Classification

6. How only Goulart but also professional economist Antonacci compare employ terms of trade argument to justify demand for continued US assistance on substantial scale.

7. In your consultation possibilities effective cooperation with Goulart opponents on who are his principal advisers, what are prospects for his having advisers in future with whom we can work? Whom effort will groups up professional system have on other operations and which prospects?

END

RUSK

SECRET

Classification

0359

DEPARTMENT OF STATE

AIRGRAM

832.10/11-2862
XR 832.131
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A-618 NO.

CONFIDENTIAL

PRIORITY HANDLING INDICATOR

TO. : DEPARTMENT OF STATE 1962 NOV 30 AM 10 35

RM/AN ANALYSIS & DISTRIBUTION BRANCH

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS NOV 30 1962

FROM : AmEmbassy, Rio de Janeiro DATE: November 28, 1962

SUBJECT : Bank of Brazil Exchange Reserves and Transactions - October 30, 1962

REF : CERP, Sec. B-231; Embassy's A-484 of October 30, 1962

ARA

Attached are tables on the Bank of Brazil's foreign exchange reserves and on the foreign exchange transactions of the Bank of Brazil and of other banks, as of October 31, 1962.

COMMENT

The Bank of Brazil's net convertible reserves fell by $17.9 million during October to a level of $87.8 million. The decrease reflected mainly drawings on dollar balances in U. S. banks.

The receipts of the Bank of Brazil in October improved markedly over the September level, mainly as a result of increased shipments of coffee. Convertible exchange contracts purchased rose to $76.9 million in October, compared with $49.8 million in September. However, October was also a month of substantial payments, including $10.3 million for the Brazilian subscription to the IDB and about $9 million to petroleum companies in partial settlement of arrears for imports. 1/

Beginning November 1, the Bank of Brazil has been committed to pay petroleum import bills as they become due. 2/ This factor is adding to the current level of payments to be made by the Bank, compared with payments in

1/ In most cases 20% of arrears.
2/ Pursuant to arrangements with petroleum companies. See Embassy A-596.

Enclosure: As stated

FILED DEC 5 12 Mar 29

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FORM DS-323 4-62

CONFIDENTIAL

Drafted by: RWKorp/bc
Clearances: REakens PE
Contents and Classification Approved by:

CLASSIFICATION/ACTION
ARA-4

RM/R	REP	AF
1	1	
ARA	EUR	FE
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L	PSC	AID 12
AGR 10	COM 10	FRB 2
INT	LAB	TAR
TR 2	XMB 4	AIR
ARMY	CIA 10	NAVY
OSD	USIA	NSA 3

RM/R file 12/5 - RS

0360

the July 9-October 31 period when arrears were allowed to accumulate. The significance of this may be seen in the early reports on November exchange contract transactions, which show a large increase in exchange contract sales (see footnote 4 to tables).

Preliminary incomplete telegraphic reports of official Brazilian deposits in major U. S. banks show that balances fell from $22 million on November 1 to $15.2 million on November 15. This decrease reflects among other things, repayment of $10 million to the First National City Bank of New York of its September advance in anticipation of completion of formalities for a new gold collateral loan for $10 million of Brazilian free gold earmarked in New York. Inasmuch as arrangements for the gold collateral loan ran into difficulties in securing a needed waiver from the consortium of ten banks which had granted Brazil a $38 million loan in 1961, it was necessary for Brazil to repay the First National City Bank advance.

To add to the $10 million of free gold earmarked in New York, the Bank of Brazil is making arrangements to ship approximately $60 million in gold bars from Brazil to the United States. This will leave only about $10 million (mostly in gold coins) of officially held gold physically in Brazil.

Brazil's commercial arrears amounted to $87.9 million on November 13, excluding payments already made to oil companies as well as $35.4 million payable to these companies in 1963 in accordance with arrangements concluded to liquidate arrears outstanding as of November 1, 1962. 1/

For the Ambassador

Ralph V. Korp
Financial Attaché

1/ See Embassy A-596.

A

0361

CONFIDENTIAL

TABLES ON BRAZIL'S RESERVES AND FOREIGN EXCHANGE TRANSACTIONS

(All figures in millions of U.S. dollars, or dollar equivalents)

I. CONVERTIBLE FOREIGN EXCHANGE RESERVES

A. Net Reserve Position of the Bank of Brazil

End of Period	Unpledged gold	Freely Available US$	Other Freely Available Conv. Curr.	Sub-Total	Less N. Y. Credit Lines in Use	Total Net Reserves
1961						
Dec.	70.1	39.2	2.3	111.6	-50.5	61.1
1962						
Mar.	70.5	25.5	12.6	108.6	-25.0	83.6
June	81.1	41.4	6.9	129.4	-41.5	87.9
Sept.	81.1	41.6	8.0	130.7	-25.0	105.7
Oct.	81.1	27.7	6.4	115.2	-27.5	87.8

For more recent figures, see footnote 1/

B. Gross Reserve Position of the Bank of Brazil 2/

End of Period	Total Gold (1)	Unpledged Gold (2)	U. S. Dollars (3)	Other Convertible Currencies (4)	Unutilized N.Y. Credit Lines (5)	TOTAL (2+3+4+5)
1961						
Dec.	285	70	126	47	40	283
1962						
Mar.	285	70	92	42	67	271
June	285	81	94	31	46	252
Sept.	285	81	54	20	64	219
Oct.	285	81	33	17	61	192

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II. FOREIGN EXCHANGE TRANSACTIONS

A. Bank of Brasil Contracts for Purchases and Sales of Foreign Exchange 3/

1. Convertible Currencies

Monthly Transactions	U. S. DOLLARS			OTHER CONVERTIBLE CURRENCIES			TOTAL CONVERTIBLE CURRENCIES		
	Purchases	Sales	Net	Purchases	Sales	Net	Purchases	Sales	Net
1962									
Jan.	63.9	77.5	-13.6	20.0	23.9	-3.9	83.9	101.4	-17.5
Feb.	51.6	80.4	-28.8	11.4	25.1	-13.7	63.0	105.5	-42.5
Mar.	45.2	78.8	-33.6	12.3	17.5	-5.2	57.5	96.3	-38.8
Apr.	49.7	69.3	-19.6	14.2	14.8	-0.6	63.9	84.1	-20.2
May	51.3	85.8	-34.5	24.3	19.7	+4.6	75.6	105.5	-29.9
June	41.9	68.5	-26.7	11.9	18.1	-6.2	53.8	86.7	-32.9
Total (Jan/June)	303.6	460.4	-156.8	94.2	110.1	-24.9	397.8	579.5	-181.7
July	59.2	55.2	+4.0	21.3	17.9	+3.4	80.5	73.1	+7.4
Aug.	60.5	38.6	+21.9	17.0	16.3	+0.7	77.5	54.9	+22.6
Sept.	38.0	40.5	-2.5	11.8	14.3	-2.5	49.8	54.8	-5.0
Oct.	57.5	52.0	+5.5	19.4	20.5	-1.1	76.9	72.5	+4.4
Total (Jul/Oct)	215.2	186.3	+28.9	69.5	68.9	+0.6	284.7	255.2	+29.5

For more recent figures see footnote 4/

2. Inconvertible Currencies

Monthly Transactions	Purchases	Sales	Net
1962			
Jan.	7.5	4.5	+3.0
Feb.	7.2	12.7	-5.5
Mar.	8.5	6.7	+1.8
Apr.	9.1	5.6	+3.5
May	11.8	5.8	+6.0
June	23.0	11.6	+11.4
TOTAL (Jan/June)	67.1	46.9	+20.2
July	10.6	8.8	+1.8
Aug.	8.8	23.8	-15.0
Sept.	4.7	14.9	-10.2
Oct.	5.0	6.3	-1.3
TOTAL (July/Oct.)	29.1	53.8	-24.7

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B. Foreign Exchange Transactions of Commercial Banks in Convertible Currencies

1. Total Purchases and Sales

Monthly Transactions	PURCHASES: For Own Acct.	PURCHASES: Transferred to BOB	PURCHASES: Total	SALES: For Own Acct.	SALES: w/resources furnished by BOB	SALES: Total	NET TOTAL
1962							
Jan.	28.3	4.3	32.6	28.9*	0.3	29.2*	+3.4
Feb.	29.3	3.0	32.3	32.1*	0.3	32.4*	-0.1
Mar.	43.2*	9.7	52.9*	41.2*	0.2	41.5*	+11.4
Apr.	50.7	2.3	53.0	50.4	0.1	50.5	+2.5
May	73.0	6.5	79.5	67.6	0.1	67.7	+11.8
June	49.6*	5.4*	55.0*	48.8	0.2	49.0	+6.0
July	17.5	14.3	31.8	12.7	1.9	14.6	+17.2
Aug.	33.8	13.2	47.0	35.8	2.5*	38.3*	+8.7
Sept.	40.2	2.1	42.9	42.0	0.7	42.7	+0.2
Oct.	36.4	3.6	40.0	41.7	0.3	42.0	-2.0
Total (Jan/Oct)	402.0	64.9	466.9	401.5	6.5	407.9	+59.0

For more recent figures, see footnote 5/

2. By Type of Transaction

Monthly Transactions	PURCHASES: Exports	PURCHASES: Financial Transactions	PURCHASES: Total	SALES: Imports	SALES: Financial Transactions	SALES: Total	NET TOTAL
1962							
Jan.	21.0	11.6	32.6	14.9*	14.3*	29.2*	+3.4
Feb.	18.4	13.9	32.3	15.1*	17.4*	32.4*	-0.1
Mar.	33.1*	19.8*	52.9*	17.1*	24.3*	41.5*	+11.4
Apr.	30.9	22.0	52.9	15.3	35.2	50.5	+2.5
May	51.4	28.1	79.5	24.7	43.0	67.7	+11.8
June	44.4*	10.6*	55.0*	30.6*	18.4	49.0	+6.0
July	23.6	8.2	31.8	9.3	5.3	14.6	+17.2
Aug.	36.3	10.7	47.0	33.2	5.0	38.3*	+8.7
Sept.	35.7	7.1	42.3	30.2	12.6	42.7	+0.2
Oct.	32.4	7.6	40.0	32.4	9.6	42.0	-2.0
Total (Jan/Oct)	327.2	139.7	466.9	222.8	185.1	407.9	+59.0

0364

C. Bank of Brasil "Swaps"

End of Period:	"SWAPS" OUTSTANDING: U. S. Dollars	: Other Convertible Currencies :	TOTAL
1961			
Dec.	313.7	34.1	347.8
1962			
Mar.	323.1	38.4	361.5
June	384.5	31.5	416.0
July5/	377.7	32.6	410.3
Aug.	374.6	31.7	406.3
Sept.	367.0	32.5	399.5
Oct.	356.9	34.6	391.5
Change during Jan 1/Oct 31, 1962	43.2	+0.5	43.7

For more recent figures, see footnote 6/
* Figures revised from previous reports.

1/ Preliminary unconfirmed data from major U.S. banks (accounting for a large portion of deposits in the U.S.) showed dollar deposits at about $22 million on November 1, $16.0 million on November 28, and $15.2 million on November 15. Credit lines in use showed no change, as of November 15.

2/ Continuation of the series appearing in Table 17 (Page 34 of Part II) of the IMF's report on the 1961 Article XIV Consultations with Brazil (Document SM/62/12 of February 28, 1962). The main difference between this gross series (IB) and the series on the net reserve position (IA) is that the gross series reflects, in addition to freely available dollars and other convertible deposits, certain receivables in transit and earmarked deposits, without showing corresponding liability items. The net series shows only the freely available deposits and would therefore seem the more meaningful of the two sets of data.

3/ These transactions reflect the movement of contracts for the sale or purchase of foreign exchange; not cash flows. Direct cash transactions of the Bank of Brazil, on its own behalf are never reflected in these figures. Thus, items such as "swaps" and drawings and repayments of foreign loans to the Bank of Brazil do not form part of the transactions recorded in this series. Since exchange contracts liquidations are not reflected in these figures, cumulative totals over a period of time have little significance. They bear no relationship to the outstanding "float" of unliquidated exchange contracts.

4/ Bank of Brazil's exchange contract transactions in convertible currencies during November 1-14 show the following: Dollar contract purchases, $26.3 million; sales, $76.9 million; deficit, $50.6 million; other convertible currencies purchased, $5.1 million; sales $8.0 million; deficit $1.9 million; total convertible contract purchases $31.4 million; sales, $84.9 million; deficit, $52.5 million.

0365

5/ During November 1 - 9, total purchases byncommercial banks amounted to $9.4 million, and sales to $9.2 million.

6/ The "swap" position as of November 14 showed no change from the October 31 position.

0366

INCOMING TELEGRAM — Department of State — ACTION COPY

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Action: ARA

Info: SS, SR, G, SP, L, H, CAP, E, AID, P, USIA, INR, COM, CEA, XMB, FRB, TRSY, RMR

Control: 11872
Rec'd: November 30, 1962
7:44 a.m.

FROM: Rio De Janeiro

TO: Secretary of State

NO: 1055, November 29, 7 p.m.

INFO: RM/R FILES

Eleuterio Proenca, Director Foreign Exchange department, Bank of Brazil, left for US November 28. Understand he plans mainly discuss with New York Banks possibilities renewing credit lines ($27.5 million.) Expiring December and January and further use normal acceptance credit and other normal facilities. Trip apparently prompted recent indication US banks increasingly reluctant extend this kind credits.

Proenca will presumably also discuss arrangements for gold shipment with New York Federation. Understand vessel carrying gold scheduled leave December 3. Extent to which Proenca will take up with private banks waiver problem in connection further gold collateral loans not clear. This presumably awaiting decisions on disposal free gold not yet made by GOB.

Proenca scheduled visit Washington for contacts Campos, Coutinho, other GOB officials but apparently has no plans contact US agencies, unless otherwise instructed in meantime.

GORDON

DMB

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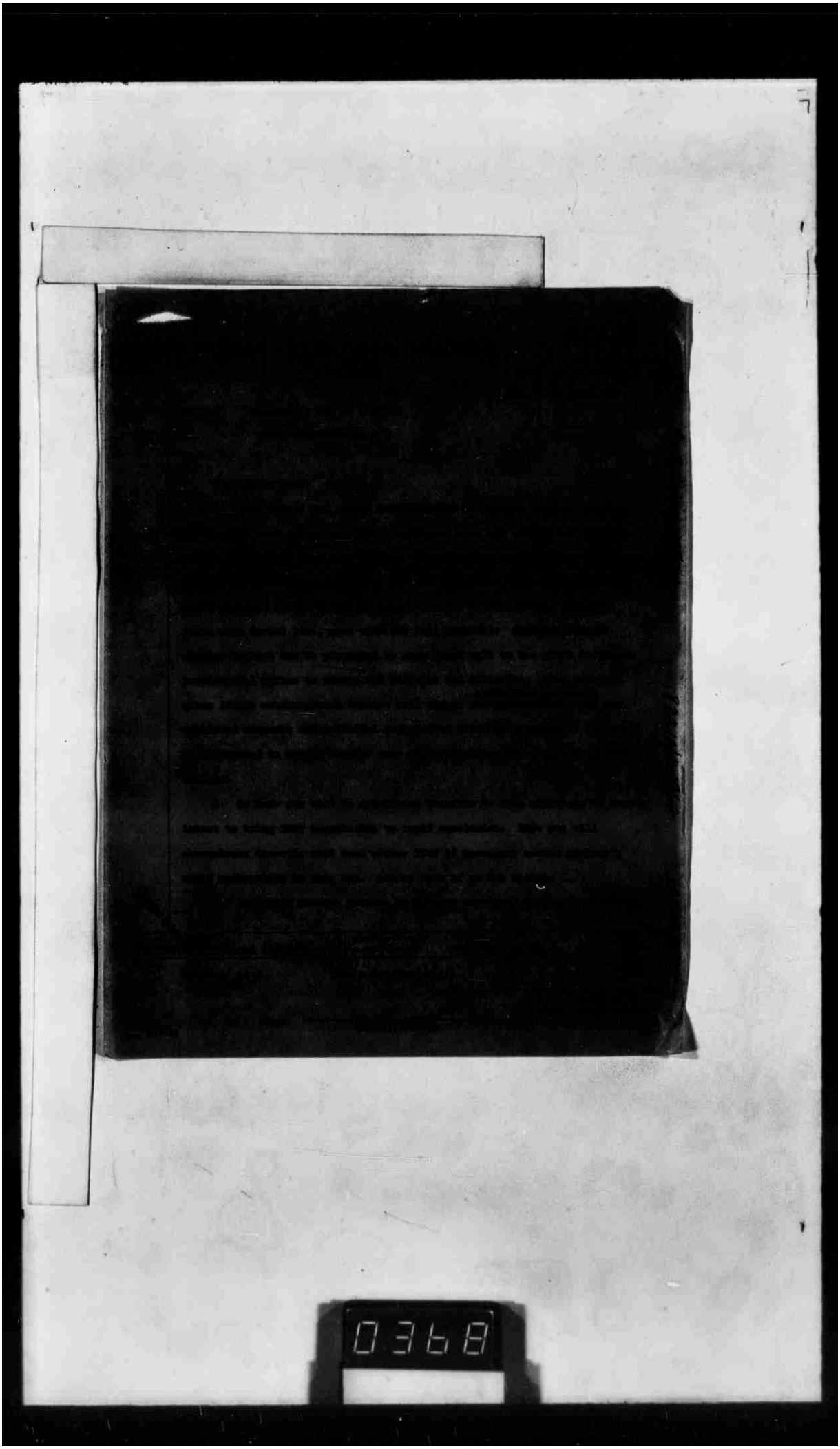
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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0367



Page 2 of Chapin to Hoover, FBI HQ dispatch

SECRET
Classification

law is another example of his reneging on previous commitment. Presume it is too late now for you to seek overseas FBI and CIA leaders of impeachment action this session Congress, but assume you will do anything feasible. In assertion Goulart valid that abstention PTB deputies as he promised would mean absolute quorum for voting purposes?

4. Can we expect further information requested on embassy Polish delegations for voting, including indication whether or not GOB has determined(obscenants deal?

RUSK

SECRET
Classification

0369

Department of State

Classification

ACTION: Embassy, RIO DE JANEIRO 1803

Ref: Embtel 1055.

Penenna called at Department November 28. Stated $10 million interest payment due EXIM December 1, but Brazil had maximum $5 million available. Penenna said planned request postponement EXIM payment. If this not granted would endeavor obtain cruzeiros in order obtain dollars from private sources to meet obligation supplemented through loan from banks after waiver [illegible]. Inquired Department's views. As final alternative would consider sale of gold to U.S. Treasury with possibility repurchase provision. Department replied EXIM Bank and was assured Bank would not press for collection for a period of about 5 days. Understand N.Y. bank disinclined waive/advised sale of gold. END.

RUSK

Classification

EXIM - Mr. Burton
[illegible] - Mr. Wallenstein
[illegible] - Mr. Wallenstein

Treasury - Mr. Dettmann
Exim Bank - [illegible]

0370

Department of State

CONFIDENTIAL
Classification

ACTION: Ambassador, RIO DE JANEIRO - PRIORITY 1197

For Estep.

To assist us in preparing for discussions next week would appreciate Embassy comments on following: 1) Recent messages indicate Brazil needs $30-40 million stop-gap assistance balance 1962. Is this accurate? 2) What is Embassy's best estimate of stop-gap needs after January 1?

END

RUSK

Drafted by: ARA:BSP/BaBrowne:gle 11/29/62 | Telephone extension and authorized classifier: EST - Mr. Wellman

Clearances: EST/B - Mr. Burton

CONFIDENTIAL
Classification

FORM DS-322

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033.1611/12-2962

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ORIGIN/ACTION

ARA:4

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ARA	EUR	FE
NEA	CU	INR 5
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IGA 4/IG 3	1	
AGR	COM 10	FRB 2
INT	LAB	TAR
TR 2	XMB 4	AIR
ARMY	EIA 8	NAVY
OSD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

832.053/11-2962

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A-158 NO. — LIMITED OFFICIAL USE — XR-832.10 HANDLING INDICATOR

1962 DEC 3 PM 12 10 832-0511

TO : DEPARTMENT

INFO : RIO DE JANEIRO, BRASILIA

ANALYSIS & DISTRIBUTION BRANCH

FROM : AmConGen SAO PAULO DATE: November 29, 1962

SUBJECT : American Businessmen at São Paulo Take Gloomy View of Current Situation in Brazil.

REF : CERP D-10 and 13

Summary: Private enterprise in Brazil is on its way out, in the opinion of experienced American businessmen at São Paulo, who take an unprecedentedly pessimistic attitude in the face of increasing encroachment by Brazilian Federal authorities.

The Board of Directors of the American Chamber of Commerce at São Paulo met on November 22, 1962, and discussed at length the current economic and political situation in Brazil.

Gloom was predominant, epitomized by an unchallenged statement of the chairman to the effect that private enterprise, both native and foreign, is on its way out in Brazil, in face of the growing power of Federal Government economic organs. Others present added their own gloomy contributions to this theme.

The President of a pharmaceutical company, Paul ALBRIGHT of E. R. SQUIBB & Sons S.A., stated that he and others in his industry have recently decided to break openly with the authorities. For fifteen weeks, he said, the industry has maintained a conciliatory attitude toward the unreasonable policy of the price control authorities because of promises that the industry's interests would be taken care of if it allowed officials to appear to have won a victory. Now he and his colleagues have decided that the officials are not to be trusted, even when they give their word of honor in

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Drafted by: SCLyon:el 11/23/62

Contents and Classification Approved by:

Clearances:

0372

public. The cause of this, he said, stems from the character of the man at the top of the Federal Government. The industry intends to embark on a public relations campaign, and to appeal to the courts to protect its rights. He believes that although the lower courts of appeal may be politically controlled, the Federal Supreme Court is not -- though he is alert to detect any attempt to "pack" the Supreme Court. The pharmaceutical industry is coordinating its efforts with the meat packers, who are also under pressure, he said, adding that he believes that the fight against encroachment by the Federal Government is a fight for all free enterprise to join, both Brazilian and foreign. In the pharmaceutical industry, there has been no discrimination between foreign and Brazilian firms on the part of the Government -- pressure has been put on all firms equally, and even nationalistic Brazilian firms are cooperating in the fight.

Several members of the Board reported on a recent meeting with leaders of the Federation of Industries in which the latter had urged more active participation by American businessmen in the Federation and its allied organization, the Center of Industries of the State of São Paulo (CIESP). The Federation officials indicated a willingness to arrange for the election of as many as twelve American business leaders as directors of the Center. The Board decided that heads of American firms should be encouraged to be personally active in the Federation and Center.

Among those contributing gloomy comments on the situation was the head of an automobile manufacturing firm, who said that he had just finished rehearsing a presentation to be made to his board of directors in the United States proposing a modest expansion program in Brazil. He said that in preparing himself to meet the questions he might reasonably expect in regard to conditions in Brazil, he had concluded that they would think he was crazy to make the proposal.

Various directors expressed concern that the United States Government might be stupid enough to bail Brazil out of its financial difficulties without making sure of getting something in return. One director raised the question as to whether the Chamber should try to "torpedo" the forthcoming visit of Santiago DANTAS to the United States, which he assumed was for the purpose of seeking financial aid. 1/ Others used profanity in expressing their low opinion of high Brazilian officials.

1/ Several directors have recently stated in private the opinion that an economic breakdown is practically inevitable, and that it is better to have it come soon, before President Goulart still further weakens the opposition.

0373

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1/ Several directors have recently stated in private the opinion that an economic breakdown is practically inevitable, and that it is better to have it come soon, before President Goulart still further weakens the opposition.

0374

ORIGIN/ACTION: ARA-4

RM/R	REA	AF
1	1	
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
	FBO	AID 12
	U/P	
AGR	COM 10	FRB 2
INT	LAB	TAR
TR 2	XMB 4	AIR
ARMY	CIA 8	NAVY
OSD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

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832.10/11-3062

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A-635 NO.

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PRIORITY

HANDLING INDICATOR

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS 1962 DEC 5 23

DEC 6 1962

RM/AN ANALYSIS & DISTRIBUTION BRANCH

TO : DEPARTMENT OF STATE

FROM : AmEmbassy, Rio de Janeiro

DATE: November 30, 1962

SUBJECT: Brazilian Government's Financial Planning

REF : CERP D-12

The following items of interest were told to the reporting officer at lunch on November 29 by Victor Gradin, Chief of Cabinet of the Minister of Finance:

1. Postponement of San Tiago Dantas' Trip to Washington

Mr. Gradin reported on the meeting held on November 27 at which it was decided to postpone Ex-Foreign Minister San Tiago Dantas' trip to Washington for financial discussions. The meeting was attended by San Tiago Dantas, Finance Minister Calmon, Minister Celso Furtado, Octavio Bulhoes of SUMOC, and many others. According to Gradin, the coup de gras to the idea of a Dantas trip next week was given by Celso Furtado. Furtado said he was not prepared to give to Dantas any summary or description of his economic plan that Dantas could use in Washington talks. Furtado indicated that his plan was not yet ready, that it had not been formally adopted by the Government and that therefore it was not possible to describe specifically in Washington what kind of economic and financial policies and measures Brazil would follow in 1963. (Apparently the Furtado plan is still scheduled to be unveiled around the 15th of December.)

There was also a consensus of opinion at the meeting that a Dantas trip prior to substantial implementation of a new economic and financial program would be inconsistent with the kind of approach which it was thought best for Brazil to adopt vis-a-vis U. S. and international sources of financing. The idea, as described by Gradin, is to change, both in substance and in public relations aspects, the techniques of international negotiations for financial assistance. Previously Ministers of Finance or other negotiators proceeded to Washington,

FORM 4-62 DS-323

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Drafted by: RVKorp/hc

Clearance: RHickens

Contents and Classification Approved by:

0375

hammered out program in negotiations and then returned to Brazil in order to apply--unsuccessfully in each case--a stabilization program. The new approach would consist of the next Finance Minister going to Washington and asking for foreign assistance to a program already approved and substantially implemented by the Brazilian Government. This is considered to be an important change in approach, which would tend to remove the basis for any charges that the Brazilian Government had "capitulated" to the IMF. It was also felt that prior implementation would greatly improve Brazilian chances for obtaining substantial assistance, since such implementation would tend to dispel much of the scepticism about Brazilian performance that prevails abroad. 1/

2. Planning for Financial Talks Early Next Year

Gradin believes that Brazil will be ready for financial talks in Washington toward the end of January, or at the latest, by early February. Before this, the Government would be able to show performance on a) a tax increase (Congressional approval of which was completed November 29), b) elimination of subsidies for petroleum and wheat, c) a program of railroad and other transportation rate increases aiming at a gradual, but steady, reduction of subsidies phased-in with increased investments designed to put Government transportation enterprises on a self-sustaining basis, d) approval of an investment program for the Government, and for the country, with a priority list, e) approval of financial and credit control measures in line with the objectives of gradually reducing the rate of inflation and f) a firm commitment, through a contract with the Getulio-Vargas Foundation, for a comprehensive study and recommendations designed to produce a thoroughgoing reform of the Brazilian tax system and of tax collection procedures (see Item 4 below).

Gradin admitted that a great number of details were still missing. For example, there was as yet little known about the objectives and composition of the Celso Furtado plan. In general it was known that Furtado contemplated an investment program with strict economic priorities, particularly for the Government sector. This program would be geared in with a stabilization plan which had the objective of reducing the average increase in the cost of living during 1963 to 30%, but with gradual reduction in the rate of increase throughout the year, such that assuming a monthly increase of 4% in January (annual rate about 60%) the marginal rate in December of 1963 would only be about 1.5% per month (annual rate about 20%). The investment program would be of such nature that a decrease in the rate of inflation could be accelerated, if foreign credit were available to finance certain cruzeiro investment projects included in the program.

1/ It does not appear that the "new" approach as described by Gradin actually entails more than perhaps a shade of difference from the recent past. President Quadros implemented his exchange reform (SUMOC 204) and announced the basic lines of his economic policies before the May, 1961, negotiations. Likewise in the March-April, 1962, negotiations Finance Minister Moreira Salles was armed with a program approved by the Cabinet on March 15.

(footnote continued on next page)

0376

Another point emphasized by Gradin was that the Brazilian program that would be discussed in Washington would be in conformity with Brazilian "realities." He said there were certain points on which progress could be made only slowly and this should be understood by Washington. For example, he was rather pessimistic about the ability of the Brazilian Government to do anything, in the short run, about foreign investment legislation. He said a change in the law would have to wait until the next Congress and until there was sufficient experience with the law so that it could be positively demonstrated that a change was necessary in order to lift restrictions that were injuring Brazilian development. (The reporting officer pointed out the difficulty of extending U.S. Government credit in substitution for private investment that would flow in the absence of the present harmful legislative provisions. Gradin said that he was quite aware of this but argued that the matter was beyond the control of the Brazilian Executive and that this was something on which patience was required.)

3. Interim Balance of Payments Problem

On the payments problems facing Brazil before the time that broad financial discussion would take place early next year -- in particular the heavy external obligations falling due in December -- Gradin indicated the Government had not yet decided how to deal with the problem. However, actions that had been taken or that were being contemplated, included:

a) The Director of Exchange Department of the Bank of Brazil, Eleuterio Proenca, had left for the U.S., mainly to discuss with private banks the possibilities of extending credit lines of $27.5 million maturing in December and early January.

b) Ambassador Campos would probably be asked to make another approach to U.S. authorities for interim financing, on the basis of stabilization plans in progress and performance in getting the tax bill through the Congress. The reporting officer explained to Gradin that "project anticipation assistance" involving estimated local currency costs in AID programs on which the U.S. was already committed was being studied in Washington. However, he indicated that policy decisions on even the modest amounts of assistance (say $20-30 million) that could potentially be available, if such advances proved feasible, were being greatly hampered by an inability, thus far, to reach agreement with the BNDE on uses of large amounts or cruzeiros generated under P.L. 480.

c) An approach would probably be made to the IDB, to attempt to secure a partial investment of IDB liquid resources (from Ordinary and Special Capital, but not SPTF) in Bank of Brazil dollar obligations. This would be

Continued from page 2

Presumably this time the Brazilians have in mind more detailed development of an economic program and greater implementation, in depth, than was the case previously. Moreover, to the extent that the Brazilian public can be convinced that new negotiations are on a different basis from the past, this could indeed be helpful in combatting criticism against new stabilization program.

0377

restricted to amounts no greater than Brazil's paid-in subscription to the IDB in dollars (about $31 million), which, in turn, would be no greater than forecasted local currency needs of projects already approved by IDB in Brazil. In this way, Gradin argues, the IDB would not take any risk even if it should happen that the Bank of Brazil would not have foreign exchange to redeem these obligations to the IDB.

d) About $60 million in free gold was being shipped to New York to add to $10 million in free gold already there. Gradin said it would be preferable to sell the gold but this could not be done without a repurchase guarantee at a fixed price. Brazil was also reluctant to sell the gold without receiving an additional credit, above the gold sale price. (For the longer-run, Gradin mentioned that sale of $200 million in gold presently pledged in New York could be contemplated, as gold loans matured, as part of the January financial discussions.)

4. U. S. Assistance for Tax Reform

Victor Gradin reported that Brazil was hoping for extensive U.S. and international assistance for the broad tax reform plan, which would be undertaken with the help of a contract between the Government and the Getulio Vargas Foundation. (The contract has been drafted and is scheduled to be signed in the next few days.) The plan has four main aspects:

a) Reform of tax policy and drafting of a new comprehensive tax code. For this it was hoped to be able to enlist U.S. and international fiscal experts who would be invited to Brazil. 1/ The recommendation would then be translated into legislative proposals by the group of technicians who had been used to draft the recent successful tax bill.

b) Administrative reform of tax collection and tax policy agencies.

c) Training of tax officials.

d) Mechanization of procedures through adaptation of data-processing machinery and techniques.

The reporting officer suggested that proposals for U.S. technical assistance to this program should be formulated in writing. When this was done, a meeting with appropriate USAID officials could be arranged for discussing these proposals.

1/ The reporting officer suggested that, in this connection, Brazil might well take advantage of the inter-American tax policy meeting scheduled for Santiago next year.

For the Ambassador

Ralph V. Korp

Ralph V. Korp
Financial Attache

0378

ORIGIN/ACTION

ARA-4

RM/R	REP	AF
1	1	
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
L	FBO	AID 12
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AGR 10	COM 10	FRB 2
INT	LAB	TAR
TR 2	XMB 4	AIR
ARMY	CIA 8	NAVY
OSD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

832.131/11-3062
XR 832.10
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A-631 NO. | CONFIDENTIAL | PRIORITY HANDLING INDICATOR

TO : DEPARTMENT OF STATE

FROM : AmEmbassy, RIO DE JANEIRO DATE: November 30, 1962

SUBJECT : Bank of Brazil's Revised Forecast of 1963 Exchange Transactions

REF : CERP, Section B-102 and Section D-12; Embassy's A-572 of November 20, 1962

The Bank of Brazil has revised its initial forecast of 1963 exchange transactions in convertible currencies, which was transmitted as an enclosure (Table I) to the Embassy's Airgram A-572, dated November 20, 1962. The new forecast raises the estimated 1963 deficit from $419.1 million to $456.8 million. This increase results mainly from a decrease in estimated Bank of Brazil purchases of foreign exchange from the private exchange market, from $66.8 million in the previous estimate to $24.4 million in the new estimate. The new deficit figure is calculated on the same basis as the deficit discussed in A-572 and does not include any provision for the repayment of commercial arrears.

The new Bank of Brazil projection is of particular interest in showing a monthly breakdown of transactions for January-June, 1963. This tends to show that even assuming (a) that the Bank of Brazil's relatively optimistic projection materialized and (b) that Brazil will be able to arrive to the end of 1962 without being forced to make basic changes in its foreign exchange, debt repayment and import policies and/or without being able to obtain substantial new credits abroad, this situation could hardly continue beyond March, 1963. Even if the further assumption is made that Brazil would be able to roll-over all "swaps", bankers' credit lines and gold collateral loans as these mature, the residual deficit would still be substantial in January, March and June, 1/ as shown below:

1/ Figures do not take account of any possible purchases of exchange by the Bank of Brazil from the private exchange market.

Enclosures: Bank of Brazil's Projections (Tables I A & I B) attm'n.

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Clearances: RZakens

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January	-$31.3 million
February	+31.2 " (surplus)
March	-60.0 1/"
April	-10.7 "
May	-3.5 "
June	-80.2 "
TOTAL	-$154.5

For the Ambassador

Ralph V. Korp
Financial Attaché

1/ $42.3 million from table, plus $17.7 million due to petroleum companies on account of 1962 arrears (not included in table).

0380

ORIGIN/ACTION

ARA-4

NMR	REP	AF
1	1	
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
L	FBO	AID 12
AGR	COM 10	FRB 3
INT	LAB	TAR
TR 2	XMB 4	AIR
ARMY	CIA 8	NAVY
OSD	USIA	NSA 3

AMB
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ADM

DEPARTMENT OF STATE

AIRGRAM

832.13/12-462
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A-651
NO.

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HANDLING INDICATOR

832.131

TO : DEPARTMENT OF STATE

FROM : AmEmbassy, RIO DE JANEIRO DATE: December 4, 1962

SUBJECT : CR$ 10 BILLION INCREASE IN MONEY IN CIRCULATION IN NOVEMBER, 1962

REF : CERP D-12, A-535, November 9, 1962.

According to the Caixa de Amortizaçăo outstanding currency in circulation increased to Cr$ 423.7 billion in November, for an increase of Cr$ 10 billion during the month. Thus far in 1962, the level of currency effectively in circulation has increased by Cr$ 115 billion, or 37%.(o) The increase for the first eleven months of 1961 was 40%.

One factor which tended to keep the rate of increase of new currency issues down has been the greater use of Treasury bills in financing the deficit over the past three months. Since the end of September, Treasury bills outstanding have increased by approximately Cr$ 20 billion (as of November 10), consisting of some "Títulos De Recuperaçăo" which were used to a small extent at the beginning of October to pay outstanding bills to government contractors, but mainly of letters issued against payments under the compulsory loan legislation passed by the Congress in June (See Embassy's Despatch No. 796, of April 9, 1962). Treasury letters issued, at the option of the importer pursuant to SUMOC Instruction 233, in lieu of deposit at the Bank of Brazil against foreign exchange purchases may also account for some of this increase. All in all, 20% of the federal deficit through November 10 was financed by Treasury bills as opposed to less than 10% for the same period last year.

(o) Consists of Cr$ 110 billion in new issuances plus Cr$ 5 billion drawn down from sterilized SUMOC account.

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4-62

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Contents and Classification Approved by: Robert Eakens

Clearances: RVKorp

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Rio A-651

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The outlook for December is for a very large increase in currency issuances to cover the usual sizeable December government expenditures, as well as to supply banks with cash needed to accommodate credit demand expected to arise out of the law requiring payment of the 13th-month salary (see Embdes 849, April 27, 1962).

For the Ambassador,

John Krizay
Second Secretary of Embassy

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32

INCOMING TELEGRAM *Department of State*

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NUMBERED

Action ARA

Control: 12297
Rec'd: November 30, 1962
5:53 p.m.

Info SS SR G SP L CAP E AID P IOP INR COM FRB TRSY RMR

FROM: Rio de Janeiro

TO: Secretary of State

INFO

RM/R FILES

NO: 1061, November 30, 6 p.m.

ITT and Profits Remittance Legislation

Hermes Lima asked me to call at Foreign Office Thursday November 29 to cover various points before my departure for Washington.

On ITT, he confirmed GOB decision make loan without mortgage or detailed control over use, first installment to be 1.3 billion cruzeiros and second similar installment when 70 percent of first already drawn down. Linkage to Rio Grande judicial settlement would be in form letter from Bank of Brazil committing bank to extend loan as often as needed until judicial decision forthcoming. Hoping to complete negotiations Monday. We are maintaining contact with company and following further developments closely.

I then raised problem failure secure Krieger amendment passage to profits bill. Emphasized objective difficulty that this was frightening away new investors, net direct private investment having fallen $100 million from last year to this and prospects for next year a further fall or even a negative balance. In addition, there was subjective difficulty failure Goulart to follow through on his personal commitment. Lima replied that, whatever merits, no chance passage Krieger amendment in present form this congress. Went on to state personal opinion that amendment had grave disadvantage permitting reinvested profits to build up foreign owned capital base without any limitation whatever, which was politically unacceptable. We discussed various possible types formulas

(3)

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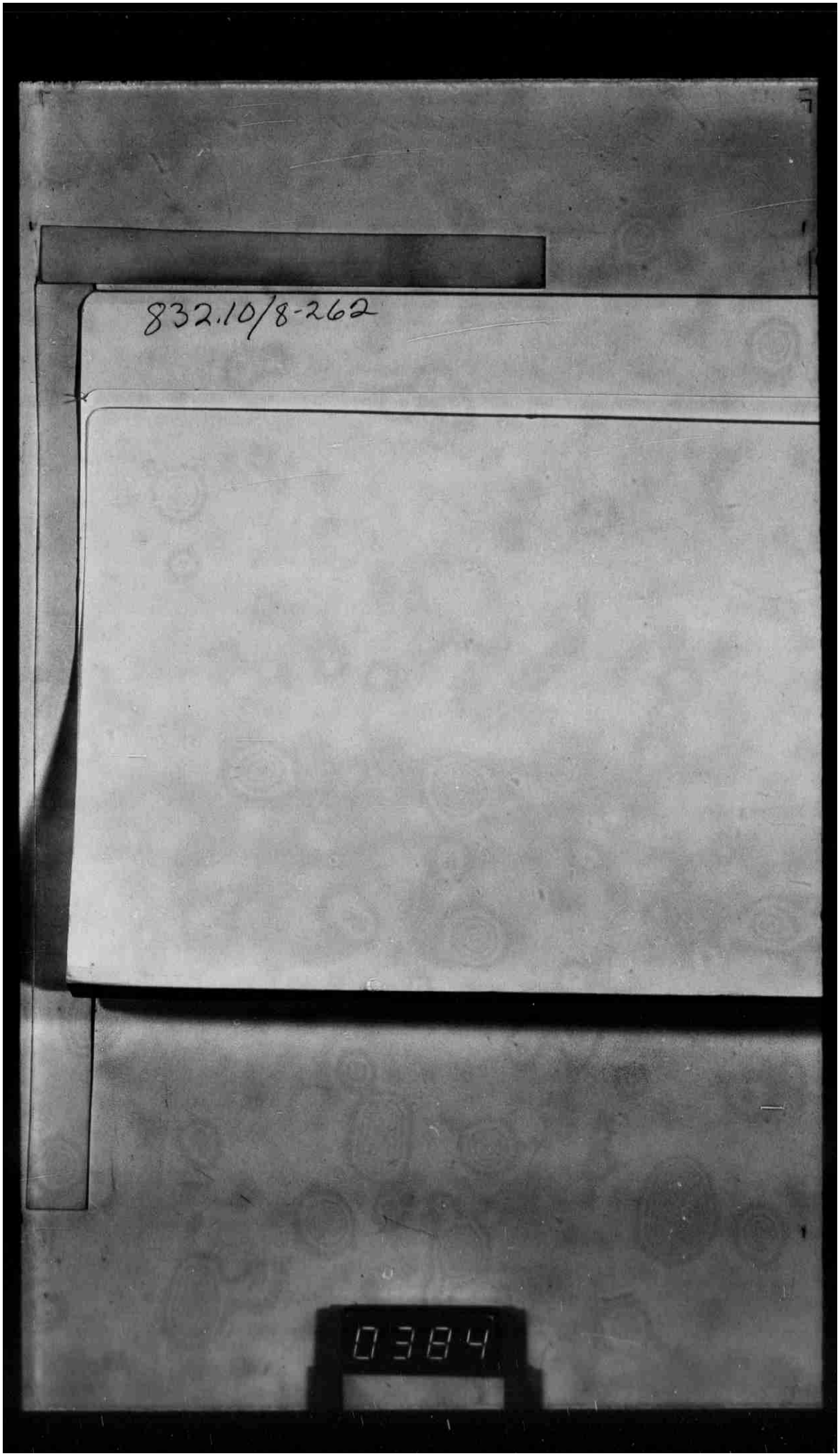
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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

Rio 1061

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832.05/11-3062 AM 732.34
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832.10/8-262
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ORIGIN/ACTION
ARA-4

RM/R 2	DEF 1	AF
ARA	EUR	FE
NEA	CU	IRR 5
S 3	P	IO
L 2	PSD	AID 11
ASR	COM 10	FRB 3
INT	LAB	TAR
TR 1	BNSO 2	AIR
ARMY	CIA 8	NAVY
OSD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

832-10/8-262

XR-832-05111

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A-135 NO. UNCLASSIFIED PRIORITY HANDLING INDICATOR

TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS 1962 AUG 6 AM 10 01

AUG 7 1962

RYAN ANALYSIS AUG 3 1962 DISTRIBUTION BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: August 2, 1962

SUBJECT : Substitute Profit Remittance Bill as Passed by the Senate

REF : CERP D-12 and Embassy Airgram A-61 of July 16, 1962

file Dard 8/8/62

On July 13, the Brazilian Senate passed the Substitute Profits Remittance Bill, virtually in the form recommended by the Special Congressional Committee, headed by Senator Mem de Sá.

The text of the Senate version is the same as the text of the Committee's draft which was transmitted by Airgram A-61 of July 16, 1962, with the exception of the underlined words in the following three Articles which were amended:

Article 21. Enterprises, including corporations, are obliged to state in all balance-sheets the portion of capital and credits belonging to individuals and legal entities resident, domiciled, or having their principal place of business situated abroad, registered with SUMOC.

Article 22. An indication must also be made in the profit-and-loss statement of the portion of profits, dividends, interest, or any other return whatsoever destined to individuals or legal entities resident, domiciled, or situated abroad, whose capital is registered with SUMOC.

Article 42. The abovementioned tax shall be collected with an increase of twenty per cent (20%) in the case of enterprises operating in economic fields of less interest to the national economy, bearing in mind also the place of such activity, as defined in Executive Decree based on hearings before the National Economic Council and the Council of the Superintendency of Currency and Credit.

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Clearances: RRake RR

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The Senate version now returns to the Chamber for final action. It is difficult to predict when such action will take place, although there is still very serious doubt that the Chamber will have the time or inclination to act before the October 7 elections.

For the Ambassador:

Ralph V. Korp
Financial Attaché

0386

ACTION

AID-18

RMR	REP	AF
ARA 4	EUR	FE
NEA	CU	INR
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L	PSO	AID 10
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DEPARTMENT OF STATE

AIRGRAM

22

832.10/8-262
XE 811.0032

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A-133 — UNCLASSIFIED — HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1962 AUG 6 AM 10 02

RMAN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : Amembassy, RIO DE JANEIRO

DATE: August 2, 1962

SUBJECT : Collections on ELF Loan

AUG 3 1962

REF :

Received 300.000,00 and 1.630.152,60 Brazilian Cruzeiros from Cooperativa Agro-Pecuaria Batavo Limitada and Sociadade Cooperativa Castrolanda Limitada, Castro, Parana on August 1. Semi Annual repayment and interest on Loan Number ELF-45. No exchange rate applicable.

For the Charge d'Affaires a.i.

Reginald R. Soupe
Counselor of Embassy
for Administration

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FORM DS-323

Drafted by: DO:ABR/RTAbell/abr

Contents and Classification Approved by: S.R.LOUPE

Clearances:

AUG 7 AM 8 52

0387

INCOMING TELEGRAM / Department of State — PERMANENT RECORD COPY

47

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Action: CAP

Control: 3604
Rec'd: August 4, 1962 7:21 P.M.

Info: SS, SR, G, SP, L, H, ARA, EUR, IO, E, IGA, AID, PC, P, USIA, NSC, INR, CIA, NSA, COM, CEA, XMB, FRB, SEC, TRSY, RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 293 August 4, 3:00 P.M.

ACTION DEPARTMENT 293, INFORMATION PARIS 2

PARIS ALSO FOR TUTHILL

PASS SOUTHARD

Werther Azevedo, Director, Exchange Department, Bank of Brazil, returned from financial mission in Europe. Reports he completed negotiations $25 million new credit (less $120,000 share of Sweden which not participating) along lines described EMBTEL 3075 (repeated Paris 23). New credit becomes repayable and availability remaining balance old $110 standby ceased by December 31, unless Brazil by that date has concluded new agreement with IMF. Azevedo actually signed agreements with banks all countries agreeing to participate, except Belgium and Netherlands.

Azevedo told Financial Attache he shocked at exchange policy followed during his nine week absence and its results. (Azevedo proponent free rate without intervention Bank of Brazil). Said dollar holdings virtually exhausted (preliminary reports holdings in major US banks stood at $12.5 million on July 30). Under Sumoc 228, Bank of Brazil has been both selling considerable amounts exchange and accumulating arrears. Azevedo reports since July 7, unpaid bills accumulated $31 million to US and about $10 million to Europe. Predicts payments deficit $50 million for August alone. In face this situation Azevedo submitted his resignation to Moreira Salles who said would give answer on Monday.

In his pique, Azevedo may be somewhat exaggerating, but there is no doubt foreign exchange situation serious. Parallel rate depreciated

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R	FILE-DC/T

FILE-DC/T

0388

CONFIDENTIAL

-2- 293 August 4, 3:00 P.M., From Rio de Janeiro

depreciated to CR $502 buying, CR $507 selling per dollar on August and was quoted CR $513/518 this afternoon.

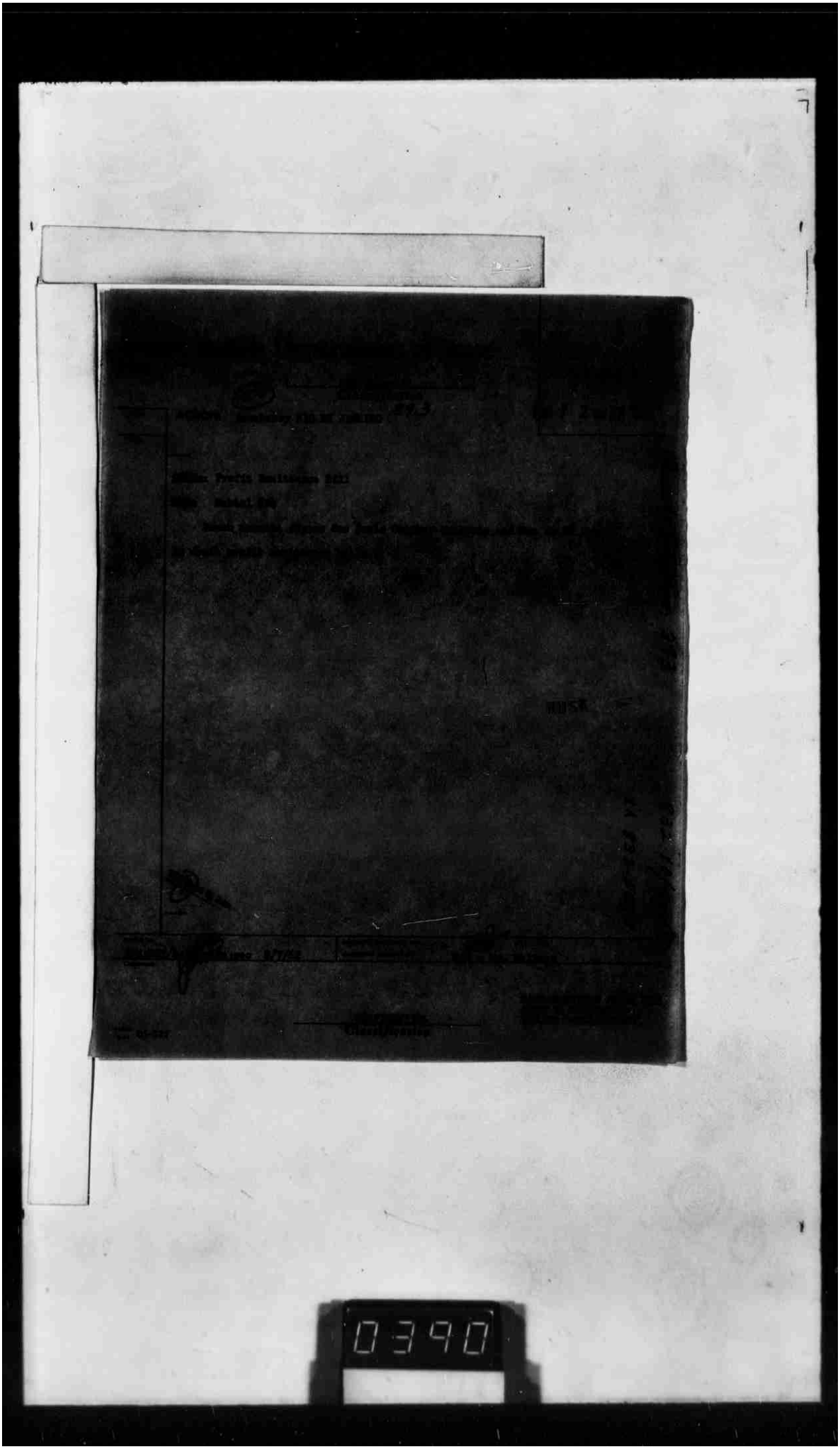
Sumoc Council met August one to discuss possible exchange measures. There was apparent agreement on technical level that considerable rate adjustment necessary, but any decision postponed until becomes more clear whether new political complications will arise during congressional session next week.

Airgram follows on Bank of Brazil's projection on debt repayment burden next five months.

GORDON

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INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

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Rec'd: August 4, 1962
7:16 p.m. AM 5 54

ACTION: CSTC
INFO:
RM/R FILES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 294, August 4, 5 p.m.

Reference: Department A-15, Text Profit Remittance Bill, as passed Senate July 13, transmitted Embassy A-61 and A-135

Representatives both Rio de Janeiro and Sao Paulo Chambers met with Ambassador today. They believe Senate version bill would also be quite harmful to foreign investors. They have heard from congressional contacts that very good possibility bill will be voted on by Chamber during 10-day "concentrated effort" beginning August 6. Chambers feel best solution would be pigeonhole bill. If this not possible they hope Goulart could be induced veto worst provision.

Sao Paulo Chamber has prepared article-by-article annotated analysis both original Celso Brant bill and Senate version. Through good offices Ambassador, representatives both Chambers meeting with Miguel Calmon (Moreira Salles to attend if has time) to present their arguments.

Understand Senate substitute has been sent to Chamber as series ammendments to Cello Brant bill. Thus, procedurally, Chamber may approve either Senate bill in entirety, or Celso Brant bill in entirety, or any combination of original and amended articles. President has the complete power of item veto power.

GORDON

Rio de Janeiro 294

832.10/8-462

Telegram confirmed by RMR

(2)

DLW

pc

Suppose they will send us this? J

Tel to Rio drafted 8/3/62 RH Clarizio

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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[redacted]

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3. In view earlier discussions with French, please convey info para 2 to de Lattre, on confidential basis, on behalf Leddy and May.

4. De Lattre noted here a "Paris Club" meeting would be held July 24 to discuss both Brazil and Argentina. Would appreciate any information de Lattre might provide on results this meeting.

RUSK

CONFIDENTIAL

Classification

0393

ORIGIN/ACTION: AID-11 (19)

RM/R	REP	AP
	1	
ARA 3	EUR 3	FE 4
NEA	CU	INR 5
E 3	P	IO
L	FBO	AID
	PC 13	IOA 3
AGR	COM 8	FRB 2
INT	LAB	TAR
TR 2	RMB 2	AIR
ARMY	CIA 8	NAVY
OSD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

832.10/8-662

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A-144 NO. | CONFIDENTIAL | PRIORITY HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 AUG 9 AM 8 50

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AMEMBASSY, RIO DE JANEIRO DATE: August 6, 1962

SUBJECT : Estimates of Brazilian Debt Service During August - December, 1962

REF : CERP D-12; Embtel 293 of August 3.

With reference to Embassy Telegram 293, there is transmitted a table showing the estimated monthly breakdown of Brazil's major capital and interest payment obligation during the remaining months of this year. This is not a complete listing of debt service obligations in that principal and interest payments due on loans for specific projects and for suppliers' credits are excluded, i.e., the debt repayments covered in Table IV of Embassy Airgram A-43 of July 12, 1962. However, much of this debt has already been refinanced. For example, there are no principal repayments due to the Export-Import Bank this year. According to the latest available information (as of May 31, 1962) Brazil's obligations under specific project loans and suppliers' credits, which have not been refinanced, could be broken down as shown below, for the June-December period. Obviously a portion of these obligations has already been paid.

Specific Loan and Suppliers' Credit Obligations
(in convertible currencies)
June-December, 1962

(millions of U. S. dollars)

Institution or Country	Principal	Interest	Total
IBRD	3.0	2.7	5.7

Enclosure: Table, as stated

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FORM DS-323 4-62

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TABLE, Continued (millions of U.S. dollars)

Institution or Country	Principal	Interest	Total
U. S.			
Eximbank	-	10.5	10.5
Other U.S. Govt.	0.7	0.1	0.8
U.S. Private	39.2	10.8	50.0
Total U. S.	39.9	21.5	61.4
Germany	12.6	4.0	16.6
Canada	0.4	0.2	0.6
France	14.5	2.0	16.5
Italy	9.7	4.0	13.7
Japan	3.2	6.4	9.6
U. K.	1.8	0.7	2.5
Switzerland	1.0	0.3	1.3
Other	9.5	1.8	11.3
Total	95.6	43.6	139.2

If we assume arbitrarily, that monthly payments of interest and principal are roughly equal, we would arrive at the following rough estimate of total debt service obligations for the August-December period (in millions of dollars

	Principal	Interest	Total
Obligations listed in the attached table	209.2	23.4	232.6
Specific project loans and suppliers' credits	68.0	31.0	99.0
Total	277.2	54.4	331.6

These figures should be considered with caution, not only because of the rough, arbitrary calculation made above, but also because some of the obligations, such as "swaps" ($73.6 million) and repayments under New York banks' credit lines ($45 million), have in the past frequently been renewed or replaced with new availabilities of the same nature.

For the Ambassador:

Ralph V. Korp
Financial Attaché

0395

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TABLE I

Bank of Brazil's Projection of Major Capital and Interest Payment Obligations Due During August-December, 1962 1/

(in millions of U.S. dollars)

A. Obligations in U. S. Dollars

	August	September	October	November	December	Total
Interest						
Bond & Share, Light and Power, I.T.T.	1.9	1.8	1.9	-	0.8	6.4
Balance of Payment Loans	-	1.1	2.9	-	11.7	15.7
Subtotal	1.9	2.9	4.8	-	12.5	22.1
Principal						
Consolidated Debt	0.4	0.4	0.4	0.4	0.4	2.0
Subscription to IDB	-	-	10.3	-	-	10.3
IMF	-	46.5	-	-	-	46.5
U.S. Treasury Exchange Agreement	-	1.8	1.8	1.8	1.8	7.2
U.S. Banking Consortium ($38 million)	-	-	-	-	6.3	6.3
Chase Manhattan ($10 million)	-	-	-	-	1.7	1.7
New York Bank Credit Lines	-	37.0	8.0	-	-	45.0
Maturing "Swaps"	6.5	7.1	13.9	14.7	30.0	72.2
Subtotal	6.9	92.8	34.4	16.9	40.2	191.2
Total Dollars	8.8	95.7	39.2	16.9	52.7	213.3

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B. Obligations in Other Convertible Currencies

	August	September	October	November	December	Total
Interest						
Outstanding drawings on $110 million European standby	-	-	-	-	1.3	1.3
Subtotal	-	-	-	-	1.3	1.3
Principal						
Consolidated Debt	0.3	0.1	0.2	0.6	0.1	1.3
Debts under expired commercial agreements	0.5	0.5	1.7	0.5	0.5	3.7
Repayment of drawing under $110 million European standby	-	-	-	-	5.3	5.3
Italian (pre-financing)	-	6.3 2/	-	-	-	6.3
Maturing "Swaps"	0.1	0.5	0.7	0.1	-	1.4
Subtotal	0.9	7.4	2.6	1.2	5.9	18.0
Total Other Convertible Currencies	0.9	7.4	2.6	1.2	7.2	19.3
GRAND TOTAL	9.7	103.1	41.8	18.1	59.9	232.6

1/ Excludes specific project financing and suppliers' credits.

2/ According to information from the Exchange Department of the Bank of Brazil, this repayment will in effect be refinanced by a roughly equivalent amount corresponding to the Italian share of a new $25 million European credit to Brazil, which will be repayable by December 31, 1962, unless Brazil by that time has reached a new agreement with the IMF.

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INCOMING TELEGRAM *Department of State*

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CORRECTION ISSUED 8/8/62, 8:45 a.m. hmr

Control: 4334
Rec'd: August 6, 1962 6:47 p.m.

RIO 300

FROM: Rio de Janeiro - CORRECTED COPY

TO: Secretary of State

NO: 300, August 6, 1 p.m.

PASS SOUTHARD

Reference: Embassy's telegram 293.

GOB plans on financial policy still confused and obviously depends on political decisions and developments this coming week. Following are thoughts of financial authorities as learned in recent conversations:

1. Moreira Salles told me yesterday he is recommending to President tax adjustments should be requested as part delegation powers from Congress, with executive at the same time taking companion measures in effort dampen inflationary pressures. Casimiro Ribeiro, working with Prime Minister's staff in Brasilia, is urging actions such as increase railroad rates, mobilization Petrobras profits and cuts in budgetary cash deficit, which SUMOC now estimates at 105 billion cruzeiros for second half of year compares actual 65 billion in first half.

2. Moreira Salles said SUMOC 228 will have to be revised soon. Some imports are being allowed but most firms living off inventories imported goods. This situation could drift for 2 or maximum 3 months, before critical stoppage develops in productive activities. Exports not doing well since official rate is too low, coffee buyers abroad holding off purchases awaiting results International Coffee Conference and mineral policy problem persists hampering large potential expansion iron ore exports. In general, Finance Minister and monetary authorities appear vague and undecided as to what can be done in exchange

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in exchange field unless measure of confidence and political tranquility restored.

3. Tentatively, Moreira Salles planning trip to US and Europe, accompanied by Eleuterio Proenca (probably to replace Werther Azevedo as Exchange Department Director), and Antonio Cotinho of SUMOC, as early as August 7 or 8, depending on developments next couple days (#) Minister says he realizes under present conditions unrealistic ask for new money, but is interested in debt postponement, particularly for 46.5 million due IMF, and any other payments to US and Europe on which he can negotiate relief.

4. Finance Minister reports he is still insisting with Goulart on replacement of Leocardio Antunes. One name he suggests is Simoes Lopes.

GORDON

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(#) Omission, correction to follow.

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DEPARTMENT OF STATE

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FROM: Rio de Janeiro
NO.: TOAID 212, August 7, 1 p.m.

CONTROL: 5390
REC'D: August 7, 1962
10:53 p.m.

JOINT EMBASSY/USAID MESSAGE

DISTRIBUTION
ACTION

AIDTO 131

INFO.

1. In view considerations in TOAID 145, continued uncertainties here on direction Brazil's economic policy, and preoccupation GOB officials with immediate problems, have made no attempt begin discussion with GOB on problem dollar conversions to finance local costs. Therefore, have no answer to questions reference telegram.

2. Under circumstances not planning early talks with GOB. In meantime we trying improve estimates amounts and timing minimum conversion needs.

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OTHER AGENCY

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AID-5-19 (5-60)

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INCOMING TELEGRAM *Department of State*

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RIO 334

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Control: 7189
Rec'd: August 9, 1962
6:09 pm

FROM: Rio de Janeiro

TO: Secretary of State

NO: 334, August 8, 8 pm

ACTION DEPARTMENT 334, INFORMATION PARIS 3

PARIS ALSO FOR TUTHILL

PASS SOUTHARD

Moreiara Salles has confirmed plans reported paragraph three Embassy telegram 300. Leaving tonight for US with Fromos and Coutinho. Will stop in New York, arriving Washington Monday, when appointment with Secretary Dillon tentatively being arranged. Will proceed to Europe from US and may return again to US if finds useful. Moreira Salles describes objectives his mission as following:

1. General talks and continuation contacts with IMF, and US and European officials and private financial circles. Wishes to explain recent developments in Brazil. Not disposed ask for new money in present Brazilian situation.

2. Will discuss with IMF possibility postponement debt repayment $46.5 million, except about $18 million which says not postponable in view IMF five-year limitation.

3. Wishes discuss with Secretary Dillon and private US banks possibilities using roughly $80 million unencumbered gold reserves. Depending on reaction may seek gold collateral loan or even sell all or portion free gold. Says has discussed and obtained approval gold sale with military who have traditionally been opposed.

4. In Europe Finance Minister's main concern will be attempt obtain

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-2- 334, August 8, 8 pm from Rio de Janeiro

obtain better terms than five-month repayable $25 million credit negotiated by Werther Azevedo (EMBTEL 293, repeated Paris 2).

5. Among the delegation of powers that will be asked of Congress will be authority adjust and increase taxes. Moreira Salles says such powers would allow increase income taxes for next year and consumption taxes right away. Only in event Congress grants such delegation, would Moreira Salles ask for new money. Mentioned remaining $25.5 million from Treasury and $25.5 million from AID, but not $43 million Export Import Bank.

Moreira Salles leaves general impression what he says in Washington will depend considerably on political developments here next few days. Admits there will not be much to talk about if political situation continues interfere with his and Miguel Calmon's attempts steer better economic course.

GORDON

PM/LRJ

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INCOMING TELEGRAM **Department of State**

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Control: 6114
Rec'd: AUGUST 8, 1962
4:15 PM

ACTION
INFO:
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FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 321, AUGUST 8, 11 AM

PRIORITY

FOLLOWING FROM BRASILIA

ON EVE OF PRIME MINISTERS DEMANDS TO CHAMBER TODAY OR TOMORROW FOR SPECIAL POWERS AND EARLY PLEBISCITE RUMORED IN SOME INSTANCES NOT BE SO EXTREME AS TO INEVITABLY LEAD FALL OF CABINET AND RENEWED POLITICAL CRISIS, BRASILIA TEEMING WITH RUMORS OF COUPS, COUNTER COUPS CENTERING AROUND GOULART'S DRIVE FOR FULL POWERS.

DESPITE FOREGOING HERBERT LEVY, PRESIDENT UDN, IN CONVERSATION LAST EVENING WITH BRITISH AMBASSADOR AND EMBASSY OFFICER EXPRESSED CONSIDERABLE RELIEF AND OPTIMISM BASED ON UNDERSTANDING REACHED WITH PSD LEADERS THAT CONGRESS WILL BE FIRM IN REJECTING ANY BUT ABSOLUTELY NECESSARY POWERS AND WILL NOT COUNTENANCE EARLY PLEBISCITE. SAID THAT PLANS ALREADY FIRM FOR CONGRESS TAKE INITIATIVE IN REFORMS FIELD DURING PRESENT TWO WEEKS WORK SESSION, E.G., SENATOR MILTON CAMPOS (UDN-MINAS GERAIS) YESTERDAY AFTERNOON PRESENTED IN SENATE BILL FOR AGRARIAN REFORM DRAWN UP SIX MONTHS AGO BY COMMISSION WHICH HE HEADED; URGENT CONSIDERATION HAS BEEN AGREED UPON FOR BANKING REFORM BILL; MAJORITY APPROVAL ASSURED FOR EARLY PASSAGE PROFITS REMITTANCE BILL AS UNANIMOUSLY APPROVED IN SENATE LAST MONTH; AGREEMENT REACHED FOR PASSAGE IMPORTANT INTERNAL REGULATIONS CHAMBER DEPUTIES. PLANS ARE TO GIVE PRIME MINISTER AND CABINET MINISTERS GOING OVER IN CHAMBER WITH UDN AND PSD AGREED ON MAINTAINING INITIATIVE. DESPITE STATEMENTS FROM MILITARY MINISTERS FAVORING EARLY PLEBISCITE

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Control: 6760
Rec'd: August 9, 1962
10:19 a.m.

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 335, August 8, 7 p.m.

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ACTION DEPARTMENT 335, INFORMATION BRASILIA 13, SALVADOR 23.

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SALVADOR FOR AMBASSADOR GORDON

FYI Moreira Salles told Financial Attache that on his trip to US (EMBTEL 334) he carrying letter from Goulart to President Kennedy. Said did not want "anyone" know about this and left impression he may or may not ask for appointment with the President to deliver the letter, depending on political developments in Brazil next few days. He did not elaborate on contents of letter, except to say covered number of subjects, including ITT expropriation and "explanation" of why solution this problem delayed.

GORDON

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OUTGOING TELEGRAM Department of State

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SENT TO: AmEmbassy Rio de Janeiro 455

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REF: Embtels 334 and 353
Deptel 453

In call on Secretary Dillon, Moreira Salles touched on two topics: financial situation and coffee agreement.

On financial situation, Moreira Salles said he was seeing only Dillon and Jacobsson before proceeding to Paris to discuss easing terms on new $25 million credit. In meantime, Proenca and Coutinho prepared stay on in Washington as long as necessary bring U.S. up to date with facts and figures current situation. Would then plan on discussions during IMF meetings in September on possible postponement IMF repurchases as well as possibilities other debt postponements (specifically excluded USG credits). Moreira Salles hopeful delegation of powers would be obtained for fiscal reform and new banking act increasing powers and function SUMOC. Advised Secretary disregard other requests for powers, such as for oil import monopoly, implying these requests tactical moves and would not be approved by Congress.

(6)

coordinated by EWR

Drafted by: TREAS:HJCostanzo:ebb 8/13/62 | Telegraphic transmission and classification approved by: ARA - Herbert K. May

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INCOMING TELEGRAM **Department of State**

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FROM: Rio De Janeiro

TO: Secretary of State

NO: 344, August 9, 1 p.m.

ACTION: ARA

INFO:

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PRIORITY

Following from Brasilia.

(1) EMBTEL 321. 732.00

Council Ministers announces transmitting executive message accompanied by emergency plan to Chamber tomorrow morning. Prime Minister scheduled defend message orally next Tuesday. Emergency plan reportedly consists of 20 drift bills, 19 of which economic and financial character 20 being request for early Plebiscite date. Strategy appears to be request special powers only for such matters as Congress does not act upon in considering emergency plan.

(2) PSD, UDN and PSP issued joint statement last night defending Congress against recent efforts discredit legislature, claiming uncontestable moral authority after August 1961 solution which saved country from Civil War. Note goes on to state that early Plebiscite will not solve Brazils serious economic problems but agitation for Plebiscite will stimulate disorders and continued lack confidence. Note alludes to virtual impossibility obtain two-thirds vote for constitutional amendment move up Plebiscite date which parties hold should in any event be acted upon by new Congress. Concludes with statement that no reason exists why Congress cannot act upon needed legislation including even basic reforms. Effect of statement likely to be weakened by fact that only 28 of more than 100 PSD bench present at meeting which approved statement. 9 of 28 mostly Kubitschek -supporters-

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AIRGRAM

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A-44, NO.

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PRIORITY HANDLING INDICATOR

RIO A-44

TO : Amembassy RIO DE JANEIRO

Aug 9 3 33 PM '62

FROM : Department of State DATE:

SUBJECT : U.S. Financial Policy Toward Brazil.

REF :

Ambassador Gordon met with representatives of interested Washington agencies on July 27, 1962, to present his views on the current political and economic situation in Brazil and to endeavor to determine what the United States financial assistance policy toward Brazil should be in the light of recent political developments and Brazil's failure to carry out an effective stabilization program. The following conclusions were reached:

1. There is little expectation on the part of the U.S. Government that a meaningful Brazilian-IMF agreement is possible at least prior to the October elections. In any case, it would be politically unwise for the U.S. to take the lead in pressing this course of action at this time. If the Brazilians take the initiative, however, we should of course welcome it.

2. Despite the return of Moreira Salles as Finance Minister, there is little expectation that financial stabilization measures meriting U.S. financial support will be carried out in the near future.

3. Given the two previously stated conclusions, partial or total releases of funds for balance of payments purposes from the $84 million remaining in the stabilization package agreed in May, 1961, might be of no real value in encouraging effective stabilization action.

4. The U.S.

* Corrected figures show $84 million remaining rather than previously used figure of $94 million. $10 million difference represents ~~xxxxx~~ EXIM funds ~~xxxxxxxxxxxxxxxxxxxxxxxxxxx~~ already disbursed.

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FORM DS 4-62 323

Drafted by: EUR:FN:PRMosher:jw 8/3/62

Clearances: EUR:ESTB:REGrabow (in draft) 8/3/62

LA/B - Mr. H. Dawson

Contents and Classification Approved by: ARA - Mr. May

EST - Mr. Wellman Amb. Gordon (in draft)

EST/B - Mr. Wilson IMF - Mr. Southard (informed)

E - FN - Mr. Palmer

Treasury - Mr. Costanzo EXIM - Mr. Shields

732.00/8-562 XRP32,10

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DEPARTMENT OF STATE

AIRGRAM

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TO : DEPARTMENT OF STATE 1962 AUG 14 AM 9 48

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JWW 9/12/62

FROM : AmEmbassy, Rio de Janeiro DATE: August 10, 1962

SUBJECT : Profit Remittance Bill

DEPARTMENT OF STATE
BUREAU OF
INTER[illegible]N AFFAIRS
AUG 20 1962

REF : CKRP D-12 and Deptel 393, Aug. 7, 1962

As requested in the Department's Telegram 393 of August 7, 1962, there is transmitted one copy in Portuguese of the report on the Profit Remittance Bill, prepared by Senator Mem de Sá, Chairman of the Mixed Commission which studied this proposed legislation. The Embassy is endeavoring to get more copies for transmission to the Department.

For the Ambassador:

Ralph V. Korp
Financial Attaché

SEP 13 9 55 AM '62
FILED

Enclosure: (UNCLASSIFIED) Portuguese Text, Profit Remittance Bill

enclosure retained in ARA/EST/B because we did not receive copy from Rio A-229 - 8/23/62 distribution.

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FORM DS-323
4-62

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Encl to Rio de Janeiro A 175

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PARECER

DA COMISSÃO MISTA DE SENADORES E DEPUTADOS ao Projeto de Lei da Câmara nº 189, de 1 961 (nº 3 251-D/61, na Casa de origem), que disciplina a aplicação de capital estrangeiro e as remessas de valores para o exterior, e da outras providencias.

RELATOR: Senador MEM DE SÁ

O projeto de lei da Câmara nº 189, foi lido no expediente da sessão do Senado Federal de 5 de dezembro de 1 961. A 14 do mesmo mês, requerimento dos líderes desta Casa do Congresso determinou a constituição de uma Comissão Mista de Senadores e Deputados, incumbida de estudar o problema da disciplina dos capitais estrangeiros e da remessa de seus rendimentos, apresentando as soluções que se lhe afigurassem mais convenientes aos interêsses nacionais.

Constituida, instalou-se ela a 20 de fevereiro do corrente ano, durante a sessão extraordinária do Congresso, sendo eleito seu presidente o Deputado José Maria Alkmin que indicou para relator o Senador Mem de Sá. Dois dias depois, a Comissão fixou o roteiro de seus trabalhos, resolvendo que, numa primeira fase, proceder-se-ia a uma ampla e acurada investigação sôbre os dados estatísticos existentes, relativos ao problema, verificando sua legitimidade e fidedignidade, para a seguir, em segunda etapa, tomar depoimentos de pessoas especialmente credenciadas para versar a matéria, bem como ouvir e receber sugestões de entidades e órgãos de classe interessadas.

Em cumprimento da primeira tarefa a Comissão recebeu em sessão realizada a 15 de março os srs. Octávio Gouveia de Bulhões, Superintendente da SUMOC, Werter Teixeira de Azevedo, diretor da Carteira de Câmbio, Arnaldo Taveira, diretor da Carteira do Comércio Exterior, e Antonio de Abreu Coutinho, chefe da seção de levantamento do balanço de pagamento, da SUMOC, com êles debatendo longamente todos os aspectos referentes às estatísticas oficiais, especialmente a respeito de seu processamento, rigor de fiscalização e de análises, etc. Para completar esta perquirição, transportou-se a Comissão para o Rio de Janeiro, onde, a 2 de abril, no Gabinete do Superintendente da SUMOC, com a presença de seus principais dirigentes e técnicos, bem como de outras autoridades fiscais, inclusive do Diretor da Divisão do Impôsto sôbre a Renda, concluiu o exame dêste aspecto fundamental da questão.

A seguir, em reuniões realizadas em Brasília, a 11 e 12 de abril, a Comissão colheu, como depoimentos, as exposições que lhe fizeram o economista Cáio Prado Junior e os professôres Nogueira Porto e

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Eugênio Gudin. A 9 e 10 de maio, no Rio de Janeiro, ouviu as exposições dos economistas Aristóteles Moura e Sidney Lattini, do sr. Mário Leão Ludolf, presidente da Confederação Nacional da Indústria, e de uma delegação da Câmara Teuto-Brasileira de Comércio, de São Paulo. Recebeu, ainda, a visita e as sugestões da Câmara de Comércio Americano Brasileira e da Câmara de Comércio Britânica, bem como diversas contribuições de outras entidades de classe. Em reunião especial ouviu o sr. Orlando Tôrres, diretor da Fábrica de Cimento Cominsi. A 23 de maio, recolheu a exposição do prof. Alexandre Kafka, último economista a depor.

Em reunião de 31 de maio, decidiu a Comissão dar por concluidos seus trabalhos preliminares e passar à fase dos debates e conclusões, ficando assentado que êstes se processassem tendo por base o parecer e o substitutivo que o relator pretende apresentar.

Em conseqüência, temos a honra de sujeitar à consideração dos eminentes colegas o seguinte trabalho.

QUESTÃO PRELIMINAR

Nesta palpitante questão do tratamento a ser dispensado aos capitais estrangeiros, o ponto de partida, ou a indagação fundamental, como base para o exame de todos os demais aspectos, está em estabelecer se o Brasil dêles precisa ou se, ao contrário, pode dispensar sua colaboração.

Parece fora de dúvida que, quando uma nação se acha em condições de desenvolvimento tal que não mais carece de auxílio de capitais externos, sua legislação e sua política terão liberdade de desestimulá-los a nela ingressarem, ou mesmo de hostilizá-los, se assim lhe recomendar algum ponderável interêsse. Para uma outra que dêles necessite, a fim de superar as fases do sub-desenvolvimento, manter o desejado rítmo de progresso e assegurar trabalho à sua população ativa, embora tenha liberdade e soberania para adotar normas desfavoráveis aos investimentos externos, tal política lesará os seus interêsses econômicos fundamentais e lhe pode comprometer o futuro.

No caso do Brasil, ninguém discute sua situação de sub-desenvolvimento e as imensas necessidades de que se ressente em todos os setores e regiões.

Rudimentares noções de Economia ensinam que o desenvolvimento de um país é função direta de suas possibilidades de capitalizar, isto é, de aumentar sua taxa de investimentos em bens de produção. Temos aqui um dos casos de círculo vicioso, ou, como diz, com maior precisão, a linguagem dos economistas modernos, de causação circular acumulativa.

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Se um povo é pobre, sua renda per cápita é diminuta; em conseqüência, sua produção anual é, na maior parte, consumida e pouco resta, como poupança, para ser investido em bens de capital. Ora, dêste investimento em bens de capital depende o aumento da produção, capaz de aumentar a renda nacional e a renda per cápita em têrmos que permitam uma taxa de crescimento econômico maior do que a taxa do crescimento demográfico. Efetivamente, o fato de crescer a população do país, impõe que a sua produção deva ter um incremento maior que sua taxa de expansão demográfica. Assim, no Brasil, se o aumento da produção total, por ano, se fizesse apenas na taxa de 3%, não teríamos alterado nossa situação; o povo continuaria igualmente pobre, com o mesmo índice de renda per capita, sem nenhum avanço na luta contra o sub-desenvolvimento, por isto que a população brasileira, na década de 1 950 a 1 960, cresceu, também, à razão de 3% cada 12 meses, em média. Teria aumentado a produção, em números brutos, mas sem influência alguma em sua marcha para o desenvolvimento que, na hipótese formulada, estaria estacionária.

Isto demonstra que nas nações com elevada taxa de aumento populacional, mister se fazem investimentos bem mais elevados a fim de romper aquela barreira ou o círculo vicioso aludido. Produção e renda em taxas superiores às do crescimento demográfico permitirão que uma parte maior delas seja poupada e introduzida como novo capital no processo de produção que, assim, cada vez mais pode ser acelerado.

Esta noção comesinha precisa ser permanentemente lembrada:-daquilo que uma nação produz cada ano, o chamado Produto Nacional Bruto, uma parte se destina ao consumo da população e, portanto, desaparece, e outra, subtraida ao consumo, pode ser aplicada, em forma de bens de capital, para o aumento da produção.

A ATUAL SITUAÇÃO DO BRASIL

Atualmente, a situação brasileira está perfeitamente descrita em documento oficial - o "Programa de Govêrno" com que o Consêlho de Ministros se apresentou ao Congresso, em setembro do ano findo.

Dêle se podem retirar, sem possibilidade de contradita, as seguintes indicações e afirmações, de suma importância para o problema que nos prende a atenção:

1. Nos últimos 13 anos, o Produto Nacional Bruto Brasileiro cresceu à taxa anual de 5,2%. Como o ritmo da expansão demográfica atingiu 2,7% ao ano (*1), o aumento anual da renda per cápita, em média,

*1.O "Programa de Govêrno"menciona a taxa de 2,7% a.a., mas, posteriormente, os dados da apuração preliminar do Recenseamento de 1 960, revelaram que foi superior a 3%, em média, o crescimento da população entre 1 951 e 1 960.

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foi da ordem de 2,5% a.a. Entretanto, na Austrália, o PNB (Produto Nacional Bruto) tem crescido á razão de 6,7% e a renda per capita à de 4,1%, nos últimos dez anos. Em países como o Japão e a Alemanha - depois de tremendamente sacrificados pela última guerra - o PNB aumentou de 10,3 e 10,4% respetivamente por ano, e a renda per capita em 8,7 e 8,3%, em média, no decênio vencido.

2. O nível médio anual do coeficiente de investimentos do Brasil, nos últimos 6 anos - tidos como de grande progresso - tem sido de cêrca de 14%, em têrmos de investimento bruto em capital fixo. Dada a alta taxa de crescimento da população, nada menos que investimentos equivalentes a 12% do PNB seriam necessários, anualmente, apenas para impedir a queda das rendas per capita (grifo nosso). A pequena margem que resta, sôbre o nível mínimo (2%), não é suficiente para absorver a população subempregada do país.

3. "Com relação aos investimentos nas demais atividades promocionais do desenvolvimento econômico, é necessário indicar que a correlação entre crescimento econômico e despesas com educação e pesquisa é mais estreita que a correlação entre investimento em capital fixo e desenvolvimento econômico. Os países que se desenvolvem rapidamente despendem entre 6 e 8% do seu PNB em educação, além de 1,5 a 2% em pesquisas tecnológicas".

A anotação é de suma importância, pois mostra que, mais do que os investimentos diretos em capitais fixos, para o progresso econômico se impõem investimentos indiretos em educação e pesquisas, a bem de aumentar, como diz o documento governamental, o rendimento dos fatores da produção.

Realmente, é universalmente proclamado que, para a expansão econômica, o fator fundamental está na qualidade, isto é, na capacidade, de sua população, muitíssimo mais do que em sua quantidade. Uma população sadia, educada e tècnicamente instruida, obtém um rendimento elevadíssimo dos fatores físicos da produção, ou, noutras palavras, assegura altos índices de produtividade. Ora, em países como o Brasil, os investimentos em educação e pesquisa dependem em máximo gráu do setor público, isto é, dos poderes públicos, e, pois, da parte do PNB que vai para o Estado, como receita pública. Não sendo êles lucrativos, em têrmos monetários, as poupanças e os capitais privados concorrem em proporção muito menor para estas despesas, pois que, como estamos vendo, são insuficientes até para os investimentos de alta rentabilidade. Êste aspecto essencial do problema conduz à conclusão que o Estado, em nações

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como a nossa, deve reservar o máximo de seus esforços e investimentos às atividades que não atraem os capitais privados, ou são necessários à segurança nacional, e, sobretudo à educação e à pesquisa. Quando o poder público toma a si serviços públicos, para os quais haveria capitais particulares interessados, (transportes marítimos, ferroviários, serviços urbanos, por exemplo) e os mantém deficitários, pode alegar, como o faz, que, graças a esta intervenção, assegura aos usuários tarifas baixas, que não são ditadas para garantir lucros às emprêsas concessionárias. É certo que, assim procedendo, o Estado favorece a parte da população que usa aquêles serviços. Mas, do mesmo passo, está desviando, para êste fim, recursos que, empregados em educação, pesquisa tecnológica, higiene, saúde, agricultura, teriam um rendimento social imensamente mais alto, beneficiariam a nação em seu conjunto e assegurariam condições basilares para o desenvolvimento nacional.

4. Tendo em vista a taxa do crescimento anual da população brasileira, e, tendo em conta que a taxa de crescimento anual do Produto Nacional Bruto, nos últimos 13 anos, embora seja de 5,2%, se mostra inferior a de muitos outros países e insuficiente para dar ao desenvolvimento da nação o ritmo conveniente, o Conselho de Ministros entende que ela deve ser elevada, com urgência, para 7,5% ao ano. "Êste crescimento exigiria - assevera o Programa - sòmente em capital fixo, um investimento líquido anual da ordem de 18,75% (23,75% de investimentos brutos), o que pode ser contrastado com os 9% de investimentos líquidos em capital fixo (14% de investimento bruto) realizados nos últimos anos no Brasil. Tal objetivo exige, portanto, um aumento de quase 70% no esfôrço de investimento bruto". Isto sem aludir - registre-se - aos indispensáveis investimentos em educação, higiene, saúde e pesquisas, cuja relevância ficou acima acentuada. Quer dizer que nossos investimentos têm sido insatisfatórios e precisam imperativamente ser majorados.

5. Aceita, como necessária, a taxa de 23,75%, sôbre o PNB, de investimentos brutos em capitais fixos, para o desenvolvimento brasileiro, e, doutra parte, aceitando-se a estimativa mínima de 2.400 bilhões de cruzeiros (dois trilhões e quatrocentos bilhões de cruzeiros) (*2) para o Produto Nacional Bruto em 1 961, vemos que, em números absolutos, carecemos de investimentos brutos, em capitais fixos, bem superiores a 500 bilhões de cruzeiros por ano (em moeda de 1 961, isto é, sem contar a desvalorização que ela sofre e que se situa, últimamente, perto

*2. A estimativa de 2.400 bilhões de cruzeiros para o PNB de 1 961 figura no discurso do Ministro da Fazenda na Câmara dos Deputados, em 19/4/1961, mas o nº 2 de "Conjuntura Econômica" do corrente ano, a pag. 28, a avalia em 3.400 bilhões

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de 4% ao mês). Ora, a triste e dolorosa realidade mostra que estamos investindo cêrca de 300 bilhões, anualmente, em recursos internos, o que representa déficit ou deficiência bem acima de 200 bilhões de cruzeiros, ou 600 milhões de dólares.

6. Outra maneira de apresentar o problema e que conduziria ao mesmo resultado, seria demonstrar os investimentos em capitais, necessários para garantir trabalho ao contingente humano que, cada ano, atinge a idade ativa e precisa empregar-se no processo da produção, sob pena de se tornar esta insuficiente, estagnar-se a economia e avultar o perigo do desemprêgo, com suas trágicas consequências sociais, econômicas e políticas. De 1 950 a 1 960, informam as apurações preliminares do Recenseamento, a população aumentou de 19 milhões de pessoas, o que dá a média anual de 1,9 milhões. Multiplicando o número de pessoas que, cada ano, alcança idade ativa pelo investimento em capital reclamado para dar trabalho a cada uma, chega-se às mesmas cifras antes alinhadas, comprovadoras da insuficiência atual da capitalização brasileira.

Não é ocioso acentuar que esta perspectiva só tende a agravar se, bastando recordar que as estimativas, com base matemática, preveem uma população de 100 milhões de habitantes para o Brasil dentro dos próximos 15 anos.

O PAPEL DAS POUPANÇAS EXTERNAS

Capitalização ou investimento depende da taxa ou capacidade de poupança. Repisemos que, do Produto Nacional Bruto, só pode ser investida, como capital, a parte que não é consumida para a satisfação das necessidades da população. Não padece dúvida que sòmente da poupança podem sair os recursos para novos investimentos. Mas, como há países em que a renda nacional e a taxa de poupança são tão elevados que uma boa percentagem dela pode ser aplicada em outros, sempre resta aos que sofrem de carência de poupança interna, apelar para a externa, quer dizer, a poupança de outros povos disposta a emigrar em busca de aplicações lucrativas. Qualquer nação, portanto, para alcançar o coeficiente desejável de investimentos capaz de lhe fazer superar a barreira do sub-desenvolvimento, tem de adotar um dos dois caminhos possíveis: - ou aumenta a taxa interna de sua poupança ou aceita e procura a poupança externa.

Note-se que êstes assertos são válidos em qualquer parte do mundo e qualquer que seja o regime político, econômico ou social das nações. Tanto é isto verdade, que nos Estados ditos comunistas, repelida a colaboração da poupança externa, o processo empregado só pode ser

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o do aumento da poupança interna, mediante o uso de compulsões e coer - ções que caracteriza o regime nêles imperante. O Estado totalitário planifica a economia, impondo ou fixando, para cada período, as taxas de consumo e de poupança - investimento. Naturalmente, tem de reduzir e sacrificar a parte do PNB reservada ao consumo, a fim de aumentar, correspondentemente, a da poupança. Para isto, maneja os instrumentos próprios: fixação dos salários, dos preços e dos impostos indiretos, mediante cujo jôgo alcança o incremento desejado das taxas de investimento.

Para nós, êste caminho seria também possível se o decidísse - mos trilhar integralmente, isto é: para obter o mesmo resultado, impor se-ia adotar os mesmos meios - Estado totalitário, planificação de economia , supressão de partidos, parlamentos e liberdades democráticas.

Ainda uma outra opção se oferece a países como o nosso: - ou recusar a colaboração da poupança externa, sem, entretanto, adotar o regime totalitário socialista, ou aceitar e favorecer o ingresso dos capitais estrangeiros. Na primeira hipótese, se a nação não consegue, dentro dos processos democráticos, majorar espetacularmente as taxas de poupança, cai nos riscos da estagnação e do desemprêgo (em face do aumento explosivo da população), ou, no melhor dos casos, não supera a muralha do sub-desenvolvimento.

Faz-se preciso aqui relembrar que, escolhida a segunda hipótese, a da aceitação das poupanças externas, estas não trazem consigo apenas os bens físicos imprescindíveis ao incremento da produção mas ainda a inestimável colaboração da técnica da experiência, e da organização. Realmente tão importantes quanto os capitais são a técnica, a experiência e a organização para alcançar-se o almejado índice de desenvolvimento. A técnica, consubstanciada em patentes de invenção, em segredos de produção, em fórmulas de tôda espécie, resulta da pesquisa e esta da ciência. São necessários investimentos largos em educação, instrução , pesquisa, como acima foi dito, citando-se a palavra oficial do Programa de Govêrno, repetidos e renovados em cíclos, para que a técnica frutifique nas fabulosas conquistas do progresso moderno. Ocioso será exemplificar, tão extraordinàriamente diversificadas se apresentam as suas manifestações nos dias correntes. De tal maneira habituados nos fize - mos a elas que quase esquecemos sua constante presença, pois delas nos beneficiamos de tôdas as formas, insensìvelmente, diuturnamente, da manhã à noite. Êstes prodígios da ciência e da pesquisa - desde os misteriosos, incompreensíveis para a maioria dos homens, da eletrônica e das fórmulas químicas, que hoje curam em 72 horas moléstias havidas por incuráveis há trinta anos, até a utilização ilimitada dos plásticos e dos

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sintéticos - todos êstes prodígios custaram centenas de milhões de dólares e anos de investigação, de parte de milhares de pesquisadores. E todos êles se tornam acessíveis a tôda a humanidade, favorecendo e auxiliando, de maneira inapreciável, os países e os povos, cuja situação de sub-desenvolvimento não permitiria descobrir, por seus próprios recursos, os segredos dêsses aperfeiçoamentos. Graças a tais conquistas, certamente se torna possível a êstes países dispor de muito maiores facilidades, em sua cruzada pelo desenvolvimento, do que dispuseram outras nações há 50 anos. E também a elas se deve - mesmo ainda dentro das agruras do sub-desenvolvimento - a possibilidade de favorecer os povos na libertação de muitos de seus mais antigos e cruéis sofrimentos, tais como, apenas para exemplificar, a lepra, a tuberculose, a malária...

Alegar-se-á que as patentes de invenção e os segrêdos técnicos podem ser obtidos mediante pagamento de preços determinados ("royalties"), sem que seja mistér o ingresso de capitais estrangeiros. Parcialmente, isto é certo. Mas igualmente certo é que, em muitos casos, os primores da técnica, bem como os da organização e da experiência, sòmente chegam a uma nação sub-desenvolvida com os capitais que os vêm pôr em prática. Noutros casos, o segrêdo ou patente de invenção, a experiência e a organização são mais importantes que o capital; ou, em outras palavras, a emprêsa tem na patente de invenção, na descoberta técnica, na experiência e na organização os fatôres substanciais do êxito.

Assim, nos têrmos da opção antes formulada, mistér se faz sublinhar que ao ingresso dos investimentos externos, está associado, ou êle faz parte, o ingresso, na mais larga proporção, das conquistas da técnica, da experiência e da organização. Parece claro, portanto, que uma nação sub-desenvolvida que repila a colaboração dos primeiros, difícil ou só parcialmente usufruirá os destas.

De quanto foi expôsto, afigura-se evidente chegar à conclusão de que o Brasil, em seu estágio econômico atual e ainda por muitas décadas, padecendo de clamorosa deficiência de poupança interna para atingir pleno desenvolvimento, se quiser conservar o estilo de vida próprio da democracia e fugir dos riscos da estagnação econômica e do desemprêgo, precisa socorrer-se, em larga escala, da cooperação dos capitais e da técnica externos.

Aliás, dêles se tem fortemente valido, até aqui e, em grande parte, graças a êles atingiu, sobretudo nos últimos anos, o confortador ritmo de progresso que lhe permite a fundada esperança de superar os fatôres negativos antepostos a seu futuro de grande potência.

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Quem o atesta é a autoridade do Consêlho Nacional de Economia que, em trabalho recente, dedicado ao tema em exame, assim afirma: - "Ora, nossa parcela final da taxa de investimentos, a contribuição dos capitais estrangeiros é ponderável. Se, entre 1 954 e 1 960, não tivéssemos dispendido divisas com as remessas de lucros, amortizações e juros, mas, em compensação, não tivéssemos recebido novos capitais de risco e de empréstimo, a taxa bruta de investimentos, ao invés de 17,1%, teria sido de 15,8%. Como a parcela necessária para compensar as depreciações e o avanço demográfico continuaria sendo equivalente aos 11% sôbre o Produto Nacional Bruto, restaria apenas 4,8% para sustentar a melhoria da renda per capita". "Isto significa - arremata - que os capitais alienígenas proporcionaram 25% do aumento da renda per capita".

A esta mesma conclusão leva a análise dos dados estatísticos referentes ao levantamento da Renda Nacional, que nos abstemos de reproduzir para não alongar êste Parecer.

Para encerrar o capítulo, realçando, com outras palavras, a significação do concurso externo para o nosso desenvolvimento, relembremos que a produção deriva de fatôres que os economistas clássicos reduziam a três - Natureza, Trabalho e Capital - e aos quais autores modernos acrescentam, pela importância, destacando-os daquêles, mais a Técnica e a Organização. Da conjugação dêles, em dosagem adequada, é que resulta a riqueza das nações. Ora, como bem frisou o prof. Nogueira Porto, em sua exposição perante esta Comissão, a marcha da produção pode ser comparada à do um comboio marítimo. Assim como nêste, a velocidade do conjunto é determinada pela da unidade menos veloz, assim o ritmo da produção é determinado pela contribuição do fator mais escasso. No Brasil, as possibilidades dos elementos decorrentes da Natureza são pràticamente ilimitadas e a disponibilidade de mão de obra, Trabalho, é imensa, constituindo seu aproveitamento um dos mais graves problemas que se nos apresentam. Escasso, escassíssimo, é o Capital, bem como a capacidade técnica e de organização. A marcha de nossa produção e de nosso desenvolvimento depende, portanto, essencialmente, do crescimento da participação do Capital, da Técnica e da Organização, para o máximo aproveitamento dos fatôres abundantes.

PRINCIPAIS MODALIDADES DOS CAPITAIS EXTERNOS

De diversos tipos são os capitais que nos tem vindo em auxí - lio.

Foge inteiramente ao escôpo dêste estudo, analisar a modalida

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do de contribuição estrangeira que prevaleceu entre nós até 1 930. Predominaram, então, os empréstimos que os poderes públicos, da União, dos Estados e de muitos municípios, contraiam, sobretudo na Europa, mediante a intervenção de grandes casas bancárias, para obras públicas e, muito a miudo, para cobrir déficits orçamentários. A triste história desta Dívida Externa está contada, em todos os pormenores, e, felizmente, encerrada.

Mas não é possível esquecer que, a par dêstes empréstimos, ao capital e à técnica forâneos deve o Brasil as estradas de ferro, as usinas de energia elétrica e os serviços públicos urbanos de transporte, luz, gás e telefone que foram então construidos e implantados, afora outros empreendimentos, quando o capital e a técnica nacionais eram incapazes de realizá-los, e dos quais decorreram, em parte substancial, as condições básicas do nosso desenvolvimento relativo.

Passado o período da grande crise do começo da década dos anos 30 e, a seguir, o da segunda conflagração mundial, interessa-nos aqui examinar a colaboração dos capitais estrangeiros nos últimos 15 anos, ou, mais precisamente, a partir de 1 947, pois sòmente desde esta data é que passamos a contar com dados estatísticos precisos sôbre o balanço de pagamentos do Brasil - o que vale dizer, passamos a dispor de cifras relativamente exatas sôbre o movimento de capitais, com a indicação de suas modalidades, de seus ingressos e de suas remessas, a vários títulos.

Sem preocupações de rigor doutrinário, é possível classificar pela seguinte forma os capitais que têm vindo para o Brasil:

A) Capitais de risco ou investimentos diretos de capitais particulares na economia nacional. Chamam-se capitais de risco, precisamente porque vêm livremente, sem nenhuma garantia ou compromisso de indenização, de nossa parte, assumindo o risco de empreendimentos os mais diversos e, òbviamente, visando ao lucro.

B) Empréstimos e Financiamentos - isto é, capitais, oficiais ou privados, que nos chegam em forma de operações de crédito, com cláusulas expressas quanto à sua aplicação, seu prazo de vigência, compromissos e têrmos de seu pagamento ou reembolso, com respetivas taxas de juros.

Êstes empréstimos oferecem várias modalidades, já que podem ser efetuados:

a. por capitais particulares em favor de emprêsas privadas, de propriedade de nacionais ou de estrangeiros, com séde no Brasil;

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b. por organizações oficiais de Estados estrangeiros e, algumas vezes, pelos próprios Estados, ou por organismos internacionais (o Eximbank norteamericano é o exemplo típico das primeiras e o Banco Internacional de Reconstrução e Desenvolvimento - BIRD - e o Banco Interamericano de Desenvolvimento - BID - o são dos segundos) em favor ou de emprêsas privadas, nacionais ou estrangeiras, estabelecidas no Brasil, ou da União e dos Estados brasileiros, bem como de suas autarquias e sociedades de economia mista.

No conjunto das transações englobadas nêste ítem é possível distinguir como mais importantes, dentre as efetuadas, sobretudo em favor da União e dos Estados brasileiros, os chamados Financiamentos de Projetos Específicos e os denominados Financiamentos Oficiais Compensatórios.

Os primeiros, como bem se percebe, tem por finalidade concorrer para a execução de um determinado projeto, geralmente de origem estatal: obras públicas especificadas, ferrovias ou rodovias, centrais elétricas, portos, etc.

Os segundos, de grande vulto e importância, destinam-se a conceder ao Brasil créditos para regularização de seus déficits na balança de contas, representando, em geral, a consolidação de dívidas em suspenso no exterior.

Assim, exemplo característico dêste caso, nos oferece a situação criada com o enorme déficit registrado em 1 952, quando, pelo temor da deflagração de nova guerra mundial, o Brasil abusou do crédito no exterior, efetuando compras acima de sua capacidade de importar. O déficit recorde do balanço nêsse ano - de 615 milhões de dólares - deu origem aos chamados "Atrasados Comerciais", isto é, pagamentos comerciais não efetuados. Em tal situação, ou os fornecedores e credores estrangeiros concedem diretamente prazos mais dilatados para o resgate das dívidas (o que não é normal, nem plausível) ou organizações bancárias , particulares ou oficiais, estrangeiras, decidem efetuar o pagamento devido a êsses credores, concedendo ao Brasil um financiamento compensatório no montante daquelas dívidas que são, assim, consolidadas.

A mesma situação ocorreu em 1 961, quando, em face das imensas responsabilidades acumuladas que pesavam sôbre o Brasil para pagamento imediato ou em prazos brevíssimos, de dívidas vencidas ou a vencer a curto prazo, foram negociados e obtidos financiamentos e créditos de diversas modalidades.

Convem acentuar que tais financiamentos dizem respeito ao pa-

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gamento de bens e serviços que o Brasil recebeu; representam, portanto, entrada de capitais correspondentes às divisas que deveríamos ter remetido para saldar os fornecimentos obtidos.

Assim sendo, não é ocioso chamar a atenção para a diferença existente entre os empréstimos comuns, inclusive os chamados financiamentos de projetos específicos, e as operações rotuladas de financiamentos compensatórios. Os primeiros precedem ou acompanham as compras e despesas que o país devedor pretende efetuar para os fins a que respondem as operações de crédito. Concedidos que sejam, com base nêles, promovem-se as importações de bens e serviços. Os segundos, ao contrário, são realizados, a posteriori, depois de efetuadas as compras e importações e tem por objetivo, precisamente, resgatar compromissos vencidos.

ALGUMAS CIFRAS OFICIAIS E SUA SIGNIFICAÇÃO ECONÔMICA

O que importa, para nosso estudo, porém, é fixar, dentro das cifras oficiais o montante dos capitais que, sob os diversos tipos, tem o Brasil recebido do exterior e, doutra parte, o que tem remetido para fora, em decorrência dêles.

Consoante os dados da SUMOC, os ingressos de Capitais de Empréstimos e Financiamentos - sob tôdas as modalidades - de 1 947 a 1960, totalizaram 4 bilhões e 388 milhões de dólares. Nêste mesmo período, remetemos, a título de amortizações, 2 bilhões e 450 milhões, e, a título de juros, 625 milhões. Assim, entre entradas e saidas, derivadas de empréstimos, o saldo a nosso favor, no período, eleva-se a um bilhão, 313 milhões de dólares.

É significativo observar que o movimento de capitais, a título de empréstimos, mais que duplicou de 1 954 a 1 960, em confronto com os sete anos anteriores, de 1 947 a 1 953. Enquanto no primeiro septênio entraram, como empréstimos, um bilhão e 341 milhões de dólares, no segundo, o total dos ingressos foi de 3 bilhões e 47 milhões.

Quanto a capitais de risco ou investimentos diretos, isto é, poupanças externas vindas para se integrarem na economia brasileira em emprêsas de tôdas as espécies, a estatística aponta os seguintes quantitativos:

			US$ milhões
Ingressos efetivamente recebidos -	de 1 947/53	- 97	milhões
Ingressos efetivamente recebidos -	de 1 954/61	- 721	"
Lucros e dividendos remetidos -	de 1 947/53	- 327	"
Lucros e dividendos remetidos -	de 1 954/61	- 269	"

Saldos dos períodos. No primeiro, de 1 947/53, havendo o Brasil efetivamente recebido 97 milhões de dólares e remetido, como lucros e divi -

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dendos, 327, o saldo foi negativo, dando-nos o déficit de 230 milhões de dólares. No segundo, entretanto, havendo efetivamente ingressado capitais no total de 721 milhões, e somando as remessas de lucros e dividendos 269 milhões, o saldo foi positivo, deixando-nos o superávit de 452 milhões de dólares.

Graças a êle, no conjunto do período dos 15 anos, o saldo ainda nos foi favorável, no total de 222milhões de dólares. Isto é, de 47 a 61 entraram 818 milhões em capitais de investimento e sairam 596 milhões de dólares como lucros e dividendos.

Conjugando as cifras dos capitais de empréstimo com os de risco, vemos que no espaço de tempo indicado, entraram 5 bilhões e 206 milhões de dólares no Brasil (não incluindo 565 milhões correspondente a lucros reinvestidos) e sairam 3 bilhões e 636 milhões - sendo 2,45 bilhões de amortizações, 625 milhões de juros e 596 de lucros. O saldo final, no período,sobe, pois, a um bilhão e 535 milhões de dólares, a nosso favor (Observe-se que não estão incluidos os dados relativos aos capitais de empréstimo do ano de 1 961, ainda não disponíveis).

Cometeria êrro grosseiro e grave, entretanto, quem considerasse estas quantias apenas sob o prisma contábil de uma conta-corrente.Embora, ainda sob êste aspecto secundário, o saldo seja positivo, o que sobreleva fixar, como já fizemos, é a significação dos ingressos dos capitais para a economia nacional e per cápita, em suma, para o processo de nosso desenvolvimento. Os capitais de empréstimo representam, duma forma ou de outra, a entrada de bens e serviços que veem não sòmente aumentar a riqueza do país, elevando a quantidade de bens e serviços a serviço de nossa economia, como permitir o incremento de nosso processo produtivo. Assim, v.g., os financiamentos de projetos específicos, permitem a realização de obras públicas de sentido altamente fecundo, como rodovias, aparelhamento de ferrovias, construção de centrais elétricas, aparelhamento de portos, etc. ou fornecem máquinas e insumos (peças, matérias primas,etc.) para empreendimentos privados que respondem a aumento e aperfeiçoamento da produção. E os investimentos diretos dos capitais de risco correspondem a emprêsas, de diversos tipos em variados setôres, que se aplicam à produção de bens e serviços no Brasil, aumentando diretamente o PNB, dando emprêgo a milhares de brasileiros, pagando bilhões de cruzeiros em tributos e taxas para os fiscos federal, estaduais e municipais, empregando bens e matérias primas nacionais que, de sua vez, empregam milhões de brasileiros para sua produção, pagam impostos e aumentam a renda e a riqueza do país. Ainda mais. Da aplicação

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dos empréstimos e, especialmente da atividade dos capitais de risco, resulta, a produção de bens que substituem importações. Isto é, graças a êles passam a ser produzidos no Brasil artigos que anteriormente eram importados, consumindo divisas. Efetivamente, as dificuldades cambiais crescentes para a importação de bens de capital e de consumo, sobretudo mais a barreira aduaneira altamente protecionista, têm estimulado a vinda de emprêsas para nosso país, com o objetivo de conservarem um mercado cada vez mais atraente, em função de seu crescimento, a fim de aqui produzirem as mercadorias, bem como as máquinas e as matérias primas que antes nos exportavam. Para não multiplicar os exemplos, basta citar, para ilustração do asserto, o recente caso da indústria automobilística, nela incluindo, naturalmente, tôda a constelação de emprêsas dedicadas à indústria de auto-peças. É certo que, para sua implantação, pode ser criticado o excesso de favôres cambiais e fiscais outorgados, em grande parte desnecessários. Mas, não menos inegável - e, até certo ponto, impossível de fixar ou medir - é o complexo de vantagens daí derivados para a economia nacional, com o aumento da produção e da renda, de emprêgos e impostos, de estímulos diretos e indiretos a outros setores de atividade e, ainda, da eliminação progressiva da importação de automóveis, caminhões e respetivas peças.

O balanço da Volkswagen, relativo ao ano de 1 961, para oferecer apenas um exemplo, bem ilustra a assertiva. Para um Capital de 7,8 bilhões de cruzeiros (Capital, mais reservas e fundo de depreciação - 10,6 bilhões), distribuiu 865 milhões de lucros e pagou de impostos 4 bilhões e 680 milhões de cruzeiros, isto é, os impostos representaram 6 vezes o montante dos lucros.

Doutra parte, o economista Sidney Lattini, citando dados do GEIA perante esta Comissão, estimou em mais de 200 milhões de dólares, por ano, a economia líquida de divisas que a indústria automobilística produz atualmente para o Brasil, sendo certo que esta cifra tende a crescer progressivamente.

As remessas para o exterior, ficam anuladas, portanto, mesmo em têrmos cambiais, e deixam saldos enormes, pois as divisas poupadas, pela supressão das importações, cobrem largamente as dispendidas com juros, dividendos, royalties e assistência técnica. A autorizada revista "Conjuntura Econômica" da Fundação Getúlio Vargas, em seu número de janeiro do corrente ano, à página 48, informa que, em 1 957, as emprêsas americanas estabelecidas no Brasil fabricaram e venderam produtos do valor de 431 milhões de dólares que, se não fôssem aqui elaborados, teriam

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de ser adquiridos no exterior, "pois,não obstante a produção nacional , ainda se realizaram importações dêsses mesmos produtos no valor de 386 milhões de dólares". Êstes dados foram extraidos do "U.S.Business Investments in Foreign Countries", do Departamento do Comércio dos Estados Unidos, publicação oficial, portanto, de um país famoso pelo apuro de suas estatísticas. Aliás, o arrolamento dos artigos que há bem poucos anos eram importados e são, cada vez mais, agora produzidos no Brasil - da indústria pesada e da leve, da indústria mecânica, da química e farmacêutica, até os utensílios domésticos - justifica aquela cifra e faz admitir que cada ano é maior a economia de divisas que fazemos graças à produção interna de bens substitutivos de importações, devida à colaboração dos capitais e da técnica estrangeiras.

Ainda há, a ponderar, o montante das divisas que a aplicação de capitais e de técnicas, provenientes do exterior, pode carrear para nosso país mediante a exportação de bens aqui produzidos. Esta exportação só tende a aumentar e corresponde a um imperativo do nosso desenvolvimento econômico. Precisamos, como é afirmado sem discrepâncias, diversificar a pauta de nossas exportações e passarmos a vender para fora não sòmente matérias primas e gêneros alimentícios, mas, em escala crescente, artigos manufaturados. Isto começa a ser feito, firmando-se o conceito de diversos produtos industriais brasileiros no exterior. De suma importância é, no capítulo, sublinhar que a criação e o êxito da Associação Latino-Americana de Livre Comércio, tendendo a formar uma zona de livre comércio, sem barreiras alfandegárias, no prazo de 12 anos, assoguram a nosso país uma brilhante perspetiva quanto à exportação de produtos fabris para as nações latino-americanas associadas. Com a recente adesão da Colombia, já são oito as integrantes do Tratado (Brasil, Argentina, Chile, México, Paraguái, Perú, Uruguái e Colombia), sendo certa a ampliação dêste futuro mercado comum latino americano, à medida que seus frutos demonstrarem a excelência do sistema. Ora, ninguém duvida de que boa parte dos artigos que a Associação nos permitirá exportar serão resultantes dos capitais e, sobretudo, das técnicas que recebemos da Europa e da Norte-América. Automóveis, jipes, tratores, caminhões, produtos químicos, farmacêuticos, máquinas, motores, aparelhos domésticos, são disto provas irrecusáveis.

De qualquer forma e sob qualquer ângulo de exame, parece inegável, pelo expôsto, que o Brasil não pôde e não pode prescindir da colaboração da poupança externa para o processo de seu desenvolvimento. A cifra de 5 bilhões e 200 milhões de dólares, entre capitais de empresti

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mo e de risco, recebida em 15 anos, por si só, desfaz dúvidas e, tendo em atenção a importância dos resultados desta cooperação, a conclusão a tirar é a de que precisamos, para a concretização de nossos ideais de progresso, continuar atraindo e aumentando a soma dos ingressos dos capitais e das técnicas externas.

Em consequência, a legislação a êles referentes deve garantir lhes situação de segurança e não ser discriminatória, de forma a atraí-los e estimulá-los, embora, como é óbvio, reprimindo abusos e defendendo sempre os altos interêsses nacionais.

VANTAGENS E INCONVENIENTES DOS EMPRÉSTIMOS E FINANCIAMENTOS

São numerosas, entretanto, as críticas, senão as condonações, que se levantam aos capitais estrangeiros.

Como vimos, duas as principais modalidades que êles tomam: - capitais de empréstimo e capitais de risco. Estas categorias não se opõem, nem excluem, antes se completam, cada uma com características e finalidades específicas.

Os empréstimos e financiamentos oferecem uma grande vantagem e um grande inconveniente para a nação que os recebe. Está a primeira em que, uma vêz liquidada a operação de crédito, pelo pagamento integral, deixam de haver novas remessas, sob qualquer título, para o exterior. O Capital entrou, trouxe e deixou os benefícios que dêle se esperavam e, após, restituido, não mais onera o balanço de pagamentos do país. Reside o segundo em que, até ser saldado, pesa de forma compulsória e dura naquele balanço, criando-lhe, a miude, situações aflitivas. É que os empréstimos obedecem a cláusulas contratuais em que os quantitativos das amortizações e as parcelas dos juros são fixadas e têm de ser satisfeitos, ano por ano, qualquer que seja o estado do balanço de contas, a situação cambial e o preço das divisas em cruzeiros. Esta pressão se faz sentir, por vezes de maneira insuportável, maxime quando as transações creditícias são de curto prazo. Em suma, o problema de obter as divisas para as pesadas remessas anuais do serviço dos empréstimos, é problema exclusivamente do devedor que em nada afeta os donos dos capitais emprestados.

A relação abaixo ilustra as assertivas acima, com a eloquência das cifras. Eis as quantias, em milhões de dólares, correspondentes a amortizações e juros de capitais de empréstimos, quer do setor oficial, quer do particular, (isto é, aos Podêres Públicos, Autarquias, etc. e às empresas e organizações privadas) nos anos arrolados:

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ANOS	AMORTIZAÇÕES	JUROS	TOTAL
1957	242	67	309
1958	324	58	383
1959	377	91	468
1960	410	106	516
1961	316	107	423
1962	300,7	72,6	373
1963	329,8	71	400
1964	331	66	397
1965	219,5	48,8	268
1966	161	34	195

Assim, nêste decênio, cujos dados, a partir de 1 962, foram tomados do quadro da "previsão do total anual dos dispêndios cambiais a longo prazo decorrentes de financiamentos estrangeiros registrados na SUMOC" (*3) encontramos a média de 373 milhões de dólares, por ano, pesando em nosso balanço. Isto representa cêrca de 25% do total de nossas exportações que, em última ratio, é que respondem pelos encargos internacionais do Brasil. Acrescentemos que,no mesmo quadro, a previsão das despesas totais, por financiamentos estrangeiros, a ambos os setores, oficial e particular, no decênio 1 962 a 1 971, soma 2 bilhões e 312 milhões de dólares, com a média anual de 231 milhões.

Os adversários extremados dos capitais estrangeiros costumam afirmar, ainda, em desabono dos empréstimos, que a concessão dêles é geralmente ditada por interesses de dominação imperialista, obedecendo a intenções políticas de interferência na soberania das nações devedoras que, quando os obtém, ficam presas a injunções mais ou menos sigilosamente impostas.

Se é certo que a história das relações financeiras, entre as nações poderosas e as sub-desenvolvidas, no passado encerra páginas e episódios que fundamentam estas increpações, não menos certo é que, no século atual e sobretudo nos últimos anos, a situação se transformou radicalmente. De uma parte, países como o Brasil, com o surto de progresso econômico e político adquiriram um sentimento extremamente vivo de sua independência e de sua soberania, e, doutra parte, os mais poderosos, compreendendo o espírito de uma nova era do mundo, cada vez mais se preocupam em não ferir melindros nacionais, na justa percepção de que a livre cooperação e a consciente solidariedade entre os Estados constituem hoje características e condições básicas das democracias ocidentais.

(*3). Nêste quadro, constante do Boletim nº 12, dezº 1 961, as cifras referentes ao ano de 1 961 são de 126,5 milhões para amortização, e 36,7 para juros. No quadro fornecido pela SUMOC a esta Comissão, em abril do corrente ano, porem, figuram os quantitativos que acima alinhamos.

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A contra-prova do que assoveramos, a demonstração de que, nos dias correntes, a maturidade política e a personalidade internacional do Brasil não mais admitem que se suponham cláusulas de compromissos secretos, nós a temos no êxito sem precedentes que êle alcançou, no govêrno do sr. Jânio Quadros, ao negociar, com Estados, entidades oficiais, internacionais e particulares, financiamentos compensatórios, créditos e empréstimos de diversas espécies, em montante superior a 1,5 bilhões de dólares, em virtude dos quais, diga-se de passagem, podem ser modificadas as cifras das previsões acima referidas. Nunca o Brasil conseguira tanto, com tanta facilidade e em tão pouco tempo. Pois tudo foi obtido, como é sabido, sem o mais remoto comprometimento ou vinculação política de nossa parte. Ao contrário, nosso país, ao mesmo tempo que contratava as transações creditícias, timbrava em comprovar, por atos inequívocos, uma independência de posições, no terreno internacional, que mais uma vez foi increpada de excessiva. Ajunte-se que o atual govêrno, acentuando a mesma linha de soberania nas conferências e na ação política internacionais, acaba de receber, de parte dos Estados Unidos, novas manifestações de aprêço e de respeito, bem como novos propósitos de auxílio e colaboração econômicos, isentos da mais remota subordinação ou ajustes ocultos.

Parece fora de dúvida que as relações econômicas e financeiras, entre as nações, no mundo de nossos dias, não podem ser consideradas alheias a interêsses políticos e materiais. É intuitivo que, tal como sucede entre os indivíduos, os povos e os Estados se auxiliam e se vinculam, por laços múltiplos, de acôrdo com afinidades morais, ideológicas e políticas, assim como por móveis e interesses econômicos. Quando a Rússia empresta centenas de milhões de dólares ao Egito, para a construção da barragem de Assuã, ou faz financiamentos a Cuba de Fidel Castro - ainda que os não condicione a injunções de comportamento interno ou internacional - tem uma visada e um propósito político evidentes. Também os terá, como terá interêsses econômicos, se fizer empréstimos e financiamentos ao Brasil, e à Argentina, independentemente de clausulações misteriosas.

Da mesma forma, é translúcido o interêsse político e econômico, de longo alcance, nos auxílios gratuitos e nos variados empréstimos que o plano da "Aliança para o Progresso" destina às nações latino-americanas, tal como houve no Plano Marshall, dirigido à Europa.

Também não há dificuldade em compreender porque, na hora atual, a China Nacionalista ou a Albânia não podem esperar qualquer socôrro da Rússia, tal como Cuba e a China continental não o terão dos Estados Unidos.

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De igual sorte, não poderíamos conceber que o Banco do Brasil, o Banco de Desenvolvimento Econômico ou mesmo emprêsas e capitalistas brasileiros fizessem empréstimos a algum país sul-americano cuja política e cuja legislação fôssem hostís aos interêsses políticos e econômicos do Brasil e dos capitais brasileiros nêle estabelecidos.

Reconhecendo, portanto, a existência dêste tipo de interêsses e sobretudo o denso conteúdo político das relações internacionais, queremos acentuar que, na hora atual do mundo, uma nação como a nossa não tem porque temer interferências humilhantes em sua soberania para alcançar a cooperação financeira e econômica de que carece, a fim de atingir o desenvolvimento que responde não sòmente ao imperativo de seus interêsses como também aos da civilização democrática e ocidental.

Assim, os empréstimos e financiamentos externos, apresentam, realmente, como inconveniente e motivo de preocupação, o defeito de exercerem pressões excessivas sôbre o balanço de pagamentos para o resgate de juros e amortizações em datas certas. Como vimos, esta carga significa, nos anos em curso e nos próximos, entre 20 e 25% do total do valor de nossas exportações. Por isto, na análise contida no Programa de Govêrno do Conselho de Ministros, em setembro de 1 961, demonstra-se que as necessidades da expansão econômica nacional reclamam, além dos substanciais auxílios prometidos pela "Aliança para o Progresso", o aumento de um bilhão de dólares em nossas vendas para o estrangeiro, até 1 965. Noutras palavras. precisamos, em três anos, elevá-las de 1,5 para 2,5 bilhões, meta ambiciosa que, fàcilmente atingiremos em tão curto prazo. Evidente, também, é que tal necessidade se agrava à medida e na proporção que obtemos novos e maiores auxílios. A consequência, irrecusável, é que teremos de esperar novas margens de tolerância e de espírito de compreensão das fontes internacionais de crédito, a fim de serem dilatados os prazos de nossos compromissos e renovados os créditos, de modo a suavizar o pêso dos encargos até que nosso desenvolvimento econômico e o alargamento de nossas exportações nos permitam salvá-los. Seria negar a luz da evidência negar que aquelas fontes tem revelado, até hoje, o espírito de tolerância e de compreensão a que aludimos, nos renovados auxílios e ampliação de prazos sucessivamente concedidos.

É claro - repetimos - que quando elas assim nos socorrem,não o fazem movidas por altruismo ou generosidade cristã, mas por variados motivos de ordem polític, e também por interêsses econômicos já consti

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tuidos, como, ainda, pelos que se ligam ao futuro de nosso país. Mas igualmente claro é que: 1) precisamos vitalmente do auxílio dos capitais externos para vencermos a barreira do sub-desenvolvimento e, 2º), como decorrência, devemos oferecer, em nossa administração interna, condições de ordem e tranquilidade política e social, bem como de sadía orientação econômico-financeira para inspirar e fortalecer a confiança de nossos credores, incutindo-lhes a certeza de que nossas responsabilidades contratuais serão honradas.

INVESTIMENTOS DIRETOS OU CAPITAIS DE RISCO

Os investimentos diretos apresentam vantagens e inconvenientes opostos aos dos capitais de empréstimo, do ponto de vista da balança de pagamentos. A respeito dêles, não assume o país nenhum compromisso quanto ao montante dos lucros que anualmente queiram ser remetidos , nem quanto ao seu retôrno, integral ou parcelado, para o país de origem, ao contrário do que se passa com os juros e amortizações de empréstimos, os quais, como vimos, são contratualmente devidos, em quantias certas que devem ser transferidas ano por ano, qualquer que seja a situação cambial e os ônus daí decorrentes para a nação devedora.

As remessas de lucros são feitas por conta e de acôrdo com os interêsses de seus titulares, depois de pagos os impostos devidos, e,assim, comumente, em função das taxas de câmbio, podendo ser retidas em certos períodos, quando estas sejam desfavoráveis. Também é normal, de parte dos detentores do capital, sacrificarem remessas de lucros, preferindo reinvestí-los no Brasil. A desvantagem, entretanto, reside em que, ao contrário do caso dos empréstimos, as transferências de lucros não ficam limitadas no tempo, como a dos juros e amortizações; enquanto o capital pertencer a residentes no exterior as remessas se processarão.

Os outros méritos dos investimentos diretos já foram ressaltados e não devem ser esquecidos: com êles vêm para o país técnicas e patentes de invenção, organização adiantada, processos de produtividade e incrementos sensíveis da produção.

Entretanto, é contra esta modalidade dos capitais foráneos que se verifica a mais frequente e, por vezes, apaixonada hostilidade.

A objeção fundamental está na alegação do que se tem chamado "sangria de nossa economia","sangria de divisas", "espoliação do trabalho e da riquez, nacional através da remessa ilimitada de lucros produzidos à custa dos brasileiros".

Para verificar a consistência do argumento, preciso é, fugindo das palavras, ir às cifras e dados estatísticos. Só êstes podem situar a verdade. Diga-se a respeito, preliminarmente, que, no Brasil,só

existe uma fonte para estas informações: a Superintendência da Moeda e do Crédito (SUMOC), onde, a partir de 1 947, são efetuadas, com o maior rigor possível e com absoluta probidade técnica, as estatísticas relativas ao balanço de pagamentos do país. Não existe outra fonte, insista-se. Assim, todos os números que a respeito circularem, em livros, jornais e discursos, sem serem procedentes da SUMOC, correm por conta de estimativas ou cálculos mais ou menos fantasiosos, ao sabor das intenções de seus autores.

Ainda de advertir é que a Divisão do Impôsto de Renda, ao contrário do que alguns imaginam, não dispõe de elementos sôbre a efetiva remessa de lucros ou quaisquer transferências para o estrangeiro. Ela investiga os lucros e a contabilidade das emprêsas, com sede no Brasil, mas lhe não cabe perquirir das transações cambiais realizadas pelos titulares dos lucros, royalties, etc. Quem destas conhece é a SUMOC.

Ora, os dados que a Superintendência fornece - a que já nos referimos e que se encontram, pormenorizados, nos quadros anexos a êste parecer - dizem claramente que não houve sangria de divisas, ou da economia nacional, em consequência dos investimentos diretos estrangeiros em nosso país. Muito ao contrário, o movimento de entradas de capitais e saidas de lucros, no período de 15 anos do que temos estatísticas (1 947/61), deixou-nos o saldo positivo de 222 milhões de dólares. E ainda, que a média anual das remessas de lucros caiu de 46,7 milhões de dólares, registrada no septênio 47/53, para 33,6, verificada de 1 954 a 1 961. Isto significa, como assinala o prof. Hélio Schlittler Silva , simplesmente menos de 2% da despesa cambial do Brasil e uma fração insignificante da renda nacional. Noutras palavras: - se as remessas de lucros estivessem proibidas radicalmente, em todos êstes anos, o alívio daí derivado pràticamente não afetaria nem a nossa situação cambial ou o balanço de pagamento, nem ainda menos, a renda nacional, tão inexpressiva é a percentagem que êle representa.

E porque assim é, frequente se tornou a acusação de que os lucros são, em grande parte, remetidos clandestinamente. Boa porção, ao que se diz, sái sob o título ou a pretexto de pagamento de "royalties" e de assistência técnica.

Importa observar, inicialmente, que não sòmente as emprêsas estrangeiras efetuam tais remessas. Em numerosos casos, emprêsas nacionais, de capitais brasileiros, pagam "royalties" pelo uso de patentes de invenção, marcas de indústria ou de comércio, assim como assistência técnica ou científica prestada por organizações estrangeiras. Ainda de

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anotar é que "royalties" e assistência técnica são, muita vez, tão importantes como o capital para a produção de inúmeros artigos. Em certos casos, o segrêdo técnico, a fórmula química, é o fator decisivo da produção.

Isto pôsto, examinemos, na estatística, a significação das remessas de divisas, a título de "royalties" e assistência técnica. Eilos:

De 1 952/61 - Remessas por "Assistência Técnica" - 177 milhões de dólares.
Remessas por "royalties", patentes e alugueres - 146 milhões " " .

Isto nos dá a média anual de 17,7 milhões de dólares por aquele título e de 14,6 por êste. Admitindo, para argumentar, que a terça parte destas transferências ocultasse lucros, fôsse de lucros disfarsados, encontraríamos, na soma de ambos os títulos (royalties e assistência técnica) um aumento médio anual, na remessa de lucros, de 10,7 milhões de dólares. E se não sòmente a terça parte mas até a metade dos envios a título de "royalties" e assistência técnica fôsse de lucros clandestinos, o aumento na rubrica da transferência de lucros seria de 16,1 milhões de dólares por ano. Em tal hipótese, no período 1 954/61, teríamos, em média anual:

Remessas de lucros ostensivos.	33,6	milhões	de	dólares.
A título de royalties e assistência tecnica.	16,1	"	"	"
TOTAL	49,7	"	"	"

Ora, a média anual de nossas despesas com "Viagens Internacionais", isto é, com turistas brasileiros no exterior, foi de 50,7 milhões de dólares, no quinquênio 1 956/60, o que mostra que, com êles, dispendemos mais do que com remessas de ganhos, ainda que acrescidas estas com 50% das efetuadas em pagamento de royalties e assistência técnica.

Comprovado, assim, que estas transferências têm diminuta significação no conjunto do problema, cumpre acentuar que os possíveis abusos podem e devem ser coibidos, mediante medidas legais, administrativas e tributárias. Com êste alcance, já o projeto de lei de repressão aos abusos do poder econômico contém dispositivo declarando automàticamente cassadas as patentes que hajam caducado no país de origem, com o que será coibida uma das formas de evasão.

Também é de admitir-se que a lei vede o pagamento de royalties por parte de filiais ou subsidiárias, estabelecidas no Brasil, em favor da matriz no estrangeiro, e, em têrmos mais gerais, de emprêsa aqui sediada cujo contrôle de capital pertença a emprêsa ou grupo fi-

nanceiro, no exterior, proprietário da patente ou marca de indústria , etc. A fiscalização dos contratos referentes a royalties e marcas de indústria, bem como dos relativos à assistência técnica, deve ser reforçada, por disposições legais e por eficiência prática, para que tanto a Divisão do Impôsto Sôbre a Renda, como os órgãos competentes da SUMOC exerçam o maior contrôle sôbre as quantias transferidas sob êstes títulos.

Aliás, no mesmo sentido e com alcance que dispensa comentários, pois elimina grande parte das possibilidades e causas de abusos, o projeto da Comissão de Economia da Câmara dos Deputados inclui preceito pelo qual são considerados como lucros distribuidos, e como tal tributadas, as importâncias devidas a título de royalties, pela exploração de marcas de indústria ou de comércio .e de patentes de invenção, bem como por assistência técnica, científica, administrativa e semelhantes, que não satisfizerem as condições ou excederem os limites previstos no art. 37, §§ 5º a 7º, inclusive, do Regulamento do Impôsto de Renda, isto é - excederem a 5% da receita bruta do produto fabricado.

No substitutivo que temos a honra de oferecer ao exame desta Comissão, encontram-se estas e outras medidas que, em conjunto, eliminam a possibilidade de fraude na remessa de lucros mascarados de royalties ou pagamento de assistência técnica.

"OUTROS SERVIÇOS" - DONATIVOS - SUB E SUPERFATURAMENTOS

Ainda se argue, no capítulo da evasão fraudulenta de lucros, a possibilidade de serem êstes enviados, sob diversas roupagens, indiscriminados no título impreciso de "Outros Serviços", contante das estatísticas do nosso balanço de pagamentos. Em verdade, existe êste título nas estatísticas da SUMOC, englobando várias operações, e é certo que, lamentàvelmente, são ponderáveis as cifras nêle lançadas, alcançando a média anual, dos saldos negativos, no período de 1 955 a 1 961, de 3¾ milhões de dólares. Cumpre advertir que esta rubrica - "Outros Serviços" - é o resíduo, não especificado, do título "Serviços Diversos" que aparece nas publicações oficiais da SUMOC e que abrange muitas outras despesas perfeitamente discriminadas nas apurações dêsse órgão, embora não divulgadas para não tornarem mais longos os quadros dados a lume.

Assim, incluem-se no título "Serviços Diversos", e são exatamente conhecidos, os ingressos e saidas por conta de: a) Vencimentos pessoais e salários (diminutos); b) Pensões (diminutos); c) Administração e Assistência Técnica; d) Corretagens, comissões, etc. (cujos saldos são sempre favoráveis ao Brasil, em média anual superior a 6 milhões de dó-

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lares); e) Lucros e Perdas em transações no exterior (cujo saldo médio anual, no período, foi de quase 9 milhões de dólares, a nosso favor) ; f) Comunicações (diminutas); g) Publicidade (diminutas); h) Assinaturas de jornais, revistas, etc. (diminutas); i) Direitos autorais (diminutas), j) Aluguéis de filmes cinematográficos; l) Patentes, outros "royalties" e aluguéis; m) Despesas bancárias, cobranças, descontos, portes, etc. (pequenas); n) Provisões de bancos para fins não especificados (saldos sempre positivos para nós, com a média anual de 7,5 milhões de dólares entre 1 956/1 961); o) Bilhetes e prêmios de loteria (sem registro algum no período indicado); p) Outras despesas sôbre importação (saldos negativos de cêrca de 22 milhões, em média, entre 55/61). Finalmente - q) Outras Despesas", correspondendo à parte sem discriminação. Como dissemos, o saldo negativo desta rubrica, nos sete anos em que a SUMOC fornece dados especificados, alcançou a média anual de 39,4 milhões de dólares. Tomamos, aqui, os saldos anuais e não apenas a coluna das remessas, porque a imputar sòmente estas últimas no passivo dos capitais estrangeiros, forçoso seria, por lógica, incluir os ingressos em seu ativo. O resultado das operações seria o saldo que registramos.

Dos itens arrolados, os relativos a Royalties e a Assistência Técnica já foram por nós considerados. Os demais, como claramente se depreende de suas denominações, não dizem respeito a rendimentos de capitais, em grande parte nos são favoráveis, outros insignificantes e sempre fàcilmente fiscalizáveis. Quanto a "Outras Despesas", admitindo que 50% dos saldos negativos verificados ocultassem lucros, o aumento no total das transferências dêstes cresceria em menos de 20 milhões por ano,o que não alteraria de maneira sensível a posição dêles no balanço de pagamentos.

Cumpre, porém, continuar a SUMOC a aprimorar seu esfôrço nas apurações estatísticas, como de ano a ano vem fazendo, de modo a sanar deficiências como a que estamos considerando.

Nêste sentido, o substitutivo que apresentaremos, esposando sugestões do projeto, bem como do substitutivo da Comissão de Economia da Câmara e de outras fontes, inclui uma série de providências que concorrerão decisivamente para esta finalidade.

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balanço acusada de prestar-se à fraude. Na estatística brasileira, entretanto, ela não só encerra donativos pròpriamente ditos como também as remessas feitas por imigrantes às suas famílias nos países de origem. Mesmo assim, de 1 950 a 1 960 a média das remessas por êste título não chegou a 8 milhões de dólares por ano, sendo, naturalmente, Portugal e Itália as nações mais aquinhoadas - o que demonstra a insignificância e a inverossimilhança desta hipotética evasão de lucros.

A principal denúncia de maquinação do capital de risco, contra os interêsses nacionais, reside, porém, nas imensas possibilidades oferecidas pelo processo do sub e do super faturamento. Usa-se o sub-faturamento nas operações de exportação. Dando a estas valor inferior ao real, o exportados no Brasil, macomunado com o comprador no estrangeiro, dêste obtém uma quantia superior à declarada e que fica à sua disposição no país importador.

O Super-faturamento, inversamente, ocorre nas transações em que o Brasil adquire mercadorias de fora. Declarando um valor a estas, maior que o verdadeiro, o comprador e, em consequência, fica com crédito, no estrangeiro, em importância igual à diferença criada pelo super-faturamento.

Compreende-se que, numa e noutra hipótese, o abuso se torna de difícil verificação e fiscalização. Mas igualmente se percebe que é da mesma forma difícil, senão impossível, afirmar, ou simplesmente estimar, qual o montante a que êle alcança, em média anual. Temos de ficar no vago terreno das suposições e das presunções.

CAUSAS DAS DIVERSAS FRAUDES

Do que vimos, podemos deduzir dois tipos ou processos de fraude, nas acusações referentes às transferências clandestinas de lucros: ou estas se promovem usando outras classificações constantes das estatísticas do balanço de pagamento (sob a máscara de Royalties, Assistência Técnica, Donativos, Juros, por exemplo) ou mediante as manobras do sub e do super-faturamento.

Queremos afirmar, desde logo, que, do ponto de vista ou na esfera estritamente cambial não é possível aduzir razão plausível para explicar estas fraudes - com o objetivo referido - sempre que vigore no país o mercado de taxas livres de câmbio, sem restrições cambiais a qualquer espécie de remessa.

Que interêsse ou motivo - sempre sob o prisma exclusivamente cambial - teria alguém de efetuar transferências de lucros, lançando mão de artifícios ou disfarces que as ocultassem, se no Brasil há muitos a-

nos - desde 1 953 - não existe dispositivo legal limitando o direito de remeter lucros e sempre que as operações cambiais respetivas livremente se realizarem em mercado não controlado?

É evidente, portanto, que a matriz ou causa das possíveis fraudes não se encontra no campo cambial e sim no fiscal.

Convém explicar, nêste ponto, reforçando esta demonstração, que tôda e qualquer operação cambial, por ínfima que seja, só pode ser efetivada, no Brasil, mediante o preenchimento do que se denomina "nota de câmbio", em que ela é declarada, sob responsabilidade de quem a realiza, e através da qual se faz a sua classificação, de acôrdo com o Código adotado pela SUMOC que, de sua vez, resulta de padronização internacional. A nota de câmbio é, portanto, a transação, é sujeita à Fiscalização Bancária (FIBAN) e da Carteira de Câmbio, como as exportações e importações, sob todos os aspectos, o são à da Carteira do Comércio Exterior (CACEX). A fiscalização é a mais rigorosa possível, consoante afirmam os dirigentes e técnicos por ela responsáveis. Examinam-se e controlam-se todos os contratos e documentos que dão causa às operações cambiais, inclusive os relativos a Royalties, Assistência Técnica, Empréstimos e Financiamentos, Donativos, etc. Sempre que surja suspeita, a FIBAN ou a Carteira de Câmbio faz exame e verificação da contabilidade e dos documentos da firma que deseja a operação. E há, ainda, quanto a lucros, royalties, assistência técnica e outros títulos, a fiscalização da Divisão do Impôsto sôbre a Renda. Porque sòmente é possível remetê-los para o exterior mediante a comprovação de que sôbre êles foi pago o tributo devido, exigida pela FIBAN.

Assim, a remessa é livre e ilimitada - cambialmente - desde que pagos os impôstos correspondentes.

Percebe-se, então, que o motivo das possíveis fraudes - isto é, da transferência através de artifícios e manobras cambiais - está na sonegação fiscal. Havendo interêsse em sonegar o tributo, fazendo-se, perante o Fisco, declarações inferiores ao montante dos lucros verificados, surge, para os sonegadores, em consequência da fraude fiscal, a necessidade da fraude cambial - a de remeter, clandestinamente, lucros sonegados.

Afigurando-se incontestável o que ficou exposto, desde que se aceite a hipótese das manobras cambiais denunciadas, forçosas serão, lògicamente, as seguintes inferências:

1ª) A correção dos abusos apontados não está tanto na legislação ou na fiscalização relativas ao Câmbio, como, fundamentalmente, na concernen-

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to ao Impôsto sôbre a Renda, sendo fora de dúvida que ambas se devem co adjuvar e completar.

2ª) Qualquer lei que cuide de disciplinar investimentos estrangeiros o remessas de lucros estipulando limitações quantitativas, longe de resol ver o problema, agrava-o. Pois se, em regime de liberdade ou ilimitação de transferências de proveitos, assegura-se que se verificam fraudes , sendo aquelas muito maiores que as declaradas - evidente será o incenti vo ou a nova motivação para os abusos fiscais e cambiais se a lei pro- tender fixar um teto para as remessas lícitas.

3ª) Também qualquer sistema de contrôle cambial, ou todo artifício que nêle se adote, de modo a gerar um mercado de câmbio, chamado de paralelo ou negro, sòmente pode exasperar o problema, pelos estímulos que tra à fraude e à sonegação. O sub e o super faturamentos, por exemplo, como quaisquer outras manipulações cambiais, já não teriam como causa apenas a preocupação de enviar lucros sonegados ao pagamento do impôsto de renda, mas, também o objetivo do ganho substancial que a venda das divisas e moedas no mercado negro permite.

Anote-se, de resto, que o uso do sub e do super faturamentos, como fonte de proveitos nas transações do mercado negro, favorece as pessoas aqui residentes, sejam estrangeiras ou nacionais, que vendem por cruzeiros os dólares, moedas ou créditos que possuem no exterior. É óbvio que as emprêsas de capitais estrangeiros, quando se socorrem dêstes expedientes para remeter lucros sonegados ao impôsto de renda, têm em mira enviar as divisas ou moedas para o exterior e não negociá-las no mercado interno.

Também é claro que, vigorando um sistema de livres remessas e de taxas livres de câmbio, quem simplesmente desejar manter depósitos de moedas fortes no estrangeiro, não careca socorrer-se das maquinações do sub ou do super faturamento ,pois que lhe é facultado, por lei, efetuar qualquer transferência, desde que atendidas as obrigações fiscais.

Queremos, com isto, sublinhar que, quanto maiores e mais variadas forem as limitações ou restrições para as operações cambiais, inclusive e sobretudo as referentes ao movimento de capitais e de serviços, e quanto menos liberdade cambial houver - maiores serão as fraudes e os processos clandestinos no terreno do câmbio, pelos estímulos e vantagens que daí advém.

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. e qualquer forma, tudo aconselha que a lei, tal como consignam os projetos elaborados na Câmara dos Deputados, contenha disposições que armem as autoridades para o combate à evasão e à fraude. Dentre elas sobressái a que determina que o Brasil "celebre acôrdos de cooperação administrativa com países estrangeiros, visando ao intercâmbio de informações de interêsse fiscal, tais como remessas de lucros e royalties, pagamento de serviços ou assistência técnica, valor dos bens importados, aluguéis de filmes ou máquinas e outras que sirvam de base à incidência de tributos". Tais acôrdos de cooperação internacional tendem a generalizar-se, com evidentes resultados para quantos os adotam.

Outro preceito de grande importância é o que autoriza o Poder Executivo a estabelecer, por ato regulamentar, "planos de contas e normas gerais de contabilidade padronizados para grupos homogênios de atividades, adaptáveis às necessidades e possibilidades das emprêsas de diversas dimensões". A observância compulsória dêstes planos de contas e normas de contabilidade padronizadas facilitará imensamente a fiscalização das autoridades da Divisão do Impôsto de Renda, coibindo artifícios e malabarismos contábeis que favorecem a ocultação de lucros.

Porque, como pensamos haver demonstrado, a matriz da fraude cambial - quando existe - está na sonegação contábil de lucros para evitar ou diminuir o tributo que os grava

À medida, porém, que a ação fiscalizadora sôbre a escrituração das emprêsas, nacionais e estrangeiras, se fôr aprimorando e fortalecendo em eficiência, melhorará a situação orçamentária do Brasil, e, como sub-produto de real significação reduzir-se-ão progressivamente as manobras cambiais feitas para transferir lucros sonegados ao pagamento do impôsto.

A QUESTÃO DO REINVESTIMENTO DE LUCROS

Outra objeção levantada contra os investimentos diretos deriva da faculdade de serem seus lucros total ou parcialmente reinvestidos no Brasil. Dêste direito, conjugado com o da livre remessa, provêm, ao que se argue, a sangria de divisas que implica na espoliação da economia nacional. Cálculos arbitrários permitem concluir pela multiplicação dos capitais e das remessas conseqüentes, em progressão geométrica, aplicando ao caso raciocínio semelhante ao da capitalização indefinida de juros compostos que, ao cabo de certo número de anos, leva a cifras assustadoras.

Preliminarmente, deve ser dito que o Brasil não conta com elementos próprios a respeito, preparando-se a SUMOC, sòmente agora, para promover investigações e levantamentos diretos sôbre êste aspecto do

probloma. Os dados constantes das publicações da Superintendência da Mooda e do Crédito, referentes aos anos de 1 947 até 1 958, eram os divulgados pelo Departamento do Comércio, dos Estados Unidos, correspondentes, portanto, apenas aos reinvestimentos de lucros dos capitais norte-americanos aqui estabelecidos. Por esta razão, a SUMOC deixou de incluir êstes dados em suas publicações, a partir de 1 959. Consoante esta fonte, a média das reaplicações de proveitos, daquêles capitais, representa cêrca de 50% dos lucros totais auferidos, o que mostra serem exagerados os cálculos e estimativas correntes, a que acima aludimos.

No caso, por falta de elementos estatísticos suficientes, caímos no terreno das suposições, mais ou menos inspiradas pelo arbítrio ou pela fantasia. No presente estudo deixamos de mencionar as cifras dos reinvestimentos, precisamente por delas não dispormos no Brasil.

A raiz da questão a enfrentar, entretanto, está em estabelecer quem tem direito ao lucro de um investimento. Na hipótese dos capitais estrangeiros, diz-se que os lucros, no Brasil, são fruto do trabalho dos brasileiros, promanam do povo brasileiro, e ademais, sendo realizados em cruzeiros, não podem, se reinvestidos no processo produtivo, ser considerados capital estrangeiro. Quando muito, segundo esta concepção, serão capitais nacionais de propriedade de pessoas residentes no exterior, que, como capitais nacionais não mais podem produzir lucros transferíveis para fora do país.

Ora, em Economia não é certo dizer que o lucro provém do trabalho, seja êste de brasileiros ou de chinêses. Como errôneo será afirmar que dimana do capital ou de qualquer outro fatôr da produção, isoladamente tomado.

Tanto não é, que freqüentemente se verificam grandes lucros em emprêsas que empregam pouca mão de obra em relação ao capital aplicado, enquanto noutras o contrário sucede, conforme o setôr da atividade e a conveniência econômica de usar no processo produtivo mais capital ou mais trabalho. E a prova final de que o lucro não flúi de nenhum dos fatôres, isoladamente considerados, ou não, se tira do fato incontestável de ser comum, em muitas emprêsas e em muitos anos, não se realizar lucro algum ou muito pequeno - apesar do muito trabalho e do muito capital dispendidos, iguais ou maiores que os de anos de resultados compensadores ou fartos.

O lucro, em verdade, resulta da produção, depois que está é vendida, e dependo de várias circunstâncias. Sendo, òbviamente, a margem de diferença entre o custo da produção e o preço obtido no mercado, dependo daquele custo e dêste preço, os quais, de sua vez oscilam em

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. função de múltiplas variáveis. Por isto, em Economia se ensina que cada fator da produção tem direito a uma remuneração. A do trabalho é o salário; a da Natureza é a renda; a de quem empresta capital em forma monetária é o juro. Estas remunerações, como se sabe, são certas e fixas, independem do resultado melhor ou pior que a emprêsa alcança. Tais remunerações, acrescente-se, estão incluídas no custo do produto e só quando, elas satisfeitas, a diferença entre êste custo e o preço permite o surgimento do lucro, o empresário (cuja pessoa se confunde, pràticamente, com a do investidor) consegue a remuneração aleatória que lhe é própria. O empresário-investidor assume os riscos e a direção da emprêsa, distribui entre os fatôres da produção a remuneração de cada um e percebe os lucros. Assim se passam as coisas em tôdas as nações do mundo que adotam o regime da propriedade privada dos meios da produção, o sistema da iniciativa privada e da livre emprêsa - como é o caso do Brasil.

Afirmar-se, portanto, que o lucro dos capitais estrangeiros se deve ao trabalho e ao sacrifício dos brasileiros, constitui frase que impressiona a quem desconhece os rudimentos da ciência econômica e do sistema social em que vivemos, mas que não resiste à análise.

Aliás, se o lucro promana do trabalho e do povo, então, lògicamente, nenhuma parte dêle deve caber ao investidor, quer seja êste estrangeiro, quer seja nacional. Porque fixar em 8,12 ou 10% sôbre o capital a margem de lucro dentro da qual o investidor não residente no Brasil:-que, de resto, pode ser brasileiro - tem direito a fazer remessas para o exterior ou a fazer reinvestimento em novas aplicações aqui?

Cumpre não esquecer que, sendo o lucro um rendimento social, que flui da produção e do mercado, cabe ao Estado recolher dêle, como de todos os demais rendimentos, uma parte sob a forma de tributo. Bem se pode asseverar que o impôsto sôbre a renda devolve à sociedade a percentagem do lucro que o Poder competente julga ser justo lhe caber, em face dos damsi interêsses e conveniências da nação. Daí porque em países altamente capitalizados e desenvolvidos, o tributo alcança percentagens elevadíssimas, enquanto naquêles que se debatem com a escassez de capitais e em que os reinvestimentos e a capitalização precisam ser estimulados, a taxação progressiva do impôsto se mostra mais moderada. Mas, coerentemente, a taxação não distingue entre nacionais e alienígenas os lucros alcançados, pois sua razão de ser, seu fundamento e sua motivação são os mesmos, independentemente da origem do investimento.

O que a lógica e a justiça conduzem a concluir, destas premissas, é que sendo o lucro a parte dos frutos da produção atribuida ao in

vestidor, depois que êste entrega ao Fisco a parcela que o Estado determinou para benefício da coletividade, a porção restante lhe pertence em plena propriedade e com ela pode fazer o que quiser: consumir no Brasil, reaplicar na produção, capitalizando, ou remeter para o exterior a fim de lá ou consumir ou reinvestir. Isto - frise-se bem - tanto vale para os investidores residentes no Brasil como no estrangeiro, independente - mente de sua nacionalidade. Assim como o brasileiro, o alemão ou o japonês, residentes e investidores no Brasil, podem dispor livremente de seus lucros, depois de pagos os impostos, inclusive remetendo-os ilimitadamente para o exterior - lá dissipando-os ou aplicando em negócios - assim também igual direito e tratamento deve ser reconhecido ao brasileiro, alemão ou japonês, residentes fora do Brasil que aqui auferem lucros. Qualquer discriminação seria irracional e iníqua.

Basta um raciocínio singelo para convencer que, embora haurido no Brasil, o lucro não adquire, necessàriamente, a nacionalidade brasileira. Se não se fixasse um limite quantitativo para a remessa ao exterior - como não se fixa, repitamos, aos capitalistas de qualquer nacionalidade aqui residentes - o seu titular poderia ir ao mercado de câmbio, transformar os cruzeiros em dólares, marcos ou liras e remetê-los para onde quisesse. Na semana seguinte, mediante a operação inversa, transferiria para o Brasil importância igual à dos lucros remetidos, a fim de aqui investí-los, e ninguém poria em dúvida o caráter de estrangeiro dêste nôvo investimento. O fato, portanto, de ser tido como capital estrangeiro o lucro do não residente, reinvestido no Brasil, decorre da desnecessidade de obrigá-lo a realizar estas duas transações cambiais que nada representariam senão uma viagem forçada, de ida e volta, para conquistar a cidadania brasileira.

A fórmula nacionalizadora deriva, assim, da fixação arbitrária e discriminatória de um teto, dentro de cujos limites o lucro pode ser transferido ou reinvestido como capital estrangeiro.

Ora, se além dêste teto, o lucro passa a ser tido como capital nacional, sem direito de seus proprietários enviarem para fora os frutos que produzirem, devemos encarar as consequências que de tal medida lògicamente podem advir:

a) Os capitais estrangeiros aqui investidos tudo fariam para transferir, todos os anos, o máximo autorizado em lei. Atualmente, entretanto, estas remessas se situam, em globo, muito abaixo da percentagem alvitrada, de 10%. Embora não tenhamos estatística ou levantamento direto do montante dêstes capitais, tôdas as estimativas os avaliam em tôrno ou acima de 3

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bilhões de dólares. Dez por centro corresponderiam, portanto, a cêrca de 300 milhões de dólares anuais, quantia muitíssimo maior que a enviada, em média, desde 1 947, ainda que se somem e reunam, cada ano, as remessas a título de lucros, royalties, assistência técnica, donativos e 50% ou mesmo 100% da rubrica "Outros Serviços" de nosso balanço de pagamentos, como fica patente nos quadros estatísticos anexos a êste parecer.

b) Se a lei fixa um limite, cria para o Brasil a obrigação de garantir cada ano, aos capitalistas não residentes, a obtenção do total das divisas que legalmente lhes foi assegurado remeter.

c) Ninguém nega que os lucros dependem, decisivamente, do custo de produção, o que leva as emprêsas a se esforçarem por introduzir processos de maior produtividade para alcançar a degressão dos custos, fazendo, para tanto, inversões substanciais e adotando tecnologia avançada. Em país de capitais escassos, como o nosso, o ideal é obter a máxima produtividade, de modo que, o capital possibilite a maior produção. A medida de limitação da remessa de lucros levaria, naturalmente, as emprêsas estrangeiras ao desinteresse e ao desestímulo pelo aperfeiçoamento de sua produção, a seu incremento, ao emprêgo de melhores técnicas, em suma, à diminuição dos custos.

d) Os lucros excedentes do teto permitido para as remessas que, reinvestidos, passariam a ser capitais nacionais, dariam origem, necessàriamente, a tôda espécie de manobras o tentativas de fraude para a saida do país dos frutos que viessem a produzir. Como expusemos antes, compreende-se que haja sub e super faturamentos, ou outros expedientes ilegais, quando existe mercado negro de câmbio, ou quando existem lucros sonegados ao impôsto. As fraudes são tanto mais fomentadas quanto mais numerosas fôrem as restrições ou dificuldades cambiais. Se se afirma que, mesmo atualmente, embora sem vedações nem limitações legais, grande parte dos lucros sai clandestinamente; se se assevera que a fiscalização das autoridades cambiárias e tributárias se revela deficiente, - não há como contestar que a solução de limitar quantitativamente a transferência de lucros dará margem, mais do que outra qualquer providência, aos maiores esforços da fraude, sobretudo dos sub e super faturamentos.

e) Tudo leva a crer que o Brasil deixaria de ser procurado por novos capitais, e que boa parte dos atualmente existentes, dêle procuraria sair. Realmente, quer o nosso país, quer os demais, em situação semelhante, só recebem a contribuição de investimentos externos enquanto lhes oferecem atrativos. Dentro do regime da emprêsa privada, sabidamente o lucro é o objetivo que move os capitais. E não parece difícil compreender que seus

proprietários concordam em enviá-los para outros países quando nêstes encontram possibilidades de remuneração compensadora. Outro elemento que pesa decisivamente no ânimo do capitalista exportador de investimento está na garantia de ordem e estabilidade política, social, monetária e jurídica que lhe oferecem as nações onde se vão estabelecer. Òbvia - mente, só a perspectiva de lucros e de tranquilidade jurídica e social pode compensá-los dos riscos a que expõem suas poupanças. Ora, no país de origem, plenamente desenvolvido, ainda que usufruam lucros mais baixos, encontram segurança perfeita e, o que imp rta, sobretudo, frisar no ponto em exame, têm certeza de poderem usar livremente dêles, consumindo-os ou reinvestindo-os. Se, portanto, uma nação como o Brasil lhes limita a faculdade de disporem dos lucros aqui obtidos por seus investimentos - além dos demais riscos que já apresenta - deixa de lhes propiciar interêsse suficiente. Ainda que no país de origem seus lucros sejam inferiores a 10%, preferirão nêle permanecer em face da inestimável vantagem que é a segurança, a estabilidade, e a plenitude de direitos. Convém lembrar, doutra parte, que o Brasil não é o único país a que os capitais estrangeiros se podem dirigir. Muito ao contrário, grande e intensa é a concorrência entre as nações sub-desenvolvidas no esfôrço de chamarem a si investimentos externos, na Asia, na África e mesmo na América do Sul, entre as que nos são vizinhas. Releva sublinhar, que a capacidade de absorver e interessar investimentos longe está de haver - se esgotado nos países mais altamente desenvolvidos da Europa e da América do Norte. É extremamente curioso, a respeito, verificar o verdadeiro intercâmbio de capitais de risco que se nota entre estas nações, como mostraremos adiante, com cifras oficiais. Seja dito desde já que, segundo dados do Departamento de Comércio dos Estados Unidos, em 1 960 havia, na Inglaterra, 3,2 bilhões de dólares de investimentos diretos norte-americanos e, doutra parte, existiam, nos Estados Unidos, 2, 24 bilhões de dólares de investimentos inglêses. Ao todo, havia 4,7 bilhões de investimentos europeus nos Estados Unidos. Do próprio Canadá- país que recebe grande massa de capitais ianques - haviam êles recebido quase 2 bilhões de dólares. E até da América Latina 129 milhões estavam lá estabelecidos. Tudo isto comprova que, se o Brasil apresenta, pelo seu crescente mercado interno, forte sedução ao capital externo, ingênuo seria supor que êste é mal remunerado nos países de origem ou que não encontra nêles mesmos, ou noutras partes do mundo, aplicações de grande interêsse.

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A LIÇÃO DO PASSADO

Do período de 15 anos, em que temos estatísticas do balanço de pagamentos a lição que delas se tira confirma plenamente a tese aqui defendida.

Nos seis primeiros anos, de 1 947 a 1 952, não havia mercado de taxas livres de câmbio e prevaleceram as limitações legais de 8% para as remessas de lucro e de 20% , por ano, para o retôrno de capitais. Pois recebemos apenas 75 milhões de dólares de novos investimentos estrangeiros, com a ridícula média anual de 12,5 milhões, enquanto as transferências de lucros e dividendos, no mesmo espaço de tempo, atingiram a 234 milhões, com a média de 39 milhões por ano. Em 1 953, entrando em vigor a lei nº 1 807, que instituiu o mercado de taxas livres e extinguiu as restrições quantitativas, o panorama começou a modificar-se. As saídas de lucros e dividendos alcançaram a cifra mais alta do período , com o verdadeiro recorde de quase 94 milhões de dólares, como consequência natural de lucros represados pelo regime anterior e que se deram pressa em sair, logo que a lei o permitiu, provavelmente ainda temerosos das novas limitações. Mas já se registraram ingressos de novos capitais no montante de 22 milhões de dólares, quantia mais de 80% superior à média dos seis anos passados.

De 1 954 a 1 961, a ação benéfica do mercado de taxas livres de câmbio, a supressão das restrições e outros estímulos oferecidos aos investimentos diretos, externos, fizeram com que êstes somassem - excluídos os reinvestimentos de lucros - 721 milhões de dólares, com a média de 90 milhões de ingressos anuais. Doutra parte, o envio de lucros foi de 269 milhões, com a média de apenas 33,6 milhões por ano.

Temos aí, à luz dos números, o confronto das consequências dos dois sistemas. Sob a vigência do primeiro, de 47 a 52, o balanço entre as entradas de capitais de risco e saídas de lucros nos acarretou um déficit de 159 milhões de dólares, representando a perda média, anual(que se diria "sangria" se fôsse de maior significação) de 26,5 milhões. No ano de transição, 1 953, em que introduziu o segundo, o saldo negativo foi de 71 milhões, pela razão apontada. Mas, persistindo o sistema da liberdade e criados atrativos adquados, passamos a ter, de 1 954 a 1961, o saldo positivo de 452 milhões de dólares, com média de 56,5 milhões por ano.

A média dos ingressos efetivos de capitais, de 12,5 milhões subiu para 90, de um a outro período - mais de sete vezes maior - enquanto a média anual das remessas de lucros caiu de 39 milhões para 33,6.

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De tal sorte se comportou o capital estrangeiro, consoante o tratamento recebido, que, não obstante as sensíveis perdas anotadas nos primeiros sete anos, o conjunto dos 15 - de 1 947/61 - ainda apresenta o superávit de 222 milhões de dólares (818 milhões de ingressos de investimentos e 596 milhões de transferências de lucros).

A alegação de que êstes dados, a partir de 1 953 não são fidedignos porque o câmbio deixou de ser controlado e as operações foram efetuadas em mercado livre, não resiste à crítica. Como temos reiterado e é óbvio, os contrôles e restrições é que fomentam as fraudes, enquanto o regime da liberdade as torna sem razão de ser. Doutra parte, se o mercado de taxas livres elevou o valor do dólar - aí se encontra um estímulo para ingressos de capitais e reinvestimento de lucros, assim como desestímulo à remessa dêstes para fora do país. Ao em vez disto, a manutenção de uma taxa irreal de câmbio, valorizando artificialmente o cruzeiro em relação às moedas externas, constitui um prêmio para quem transfere dólares para o estrangeiro, por êles pagando menos cruzeiros, e uma punição para quem os deseja trazer para o país, pois por êles receberá menor quantia em cruzeiros.

Foi também o que se verificou no período 1 948/52, concorrendo para os maus resultados que assinalamos. Quem remetia rendimentos à [illegible] oficial recebia uma subvenção ou um lucro adicional, de que decorr[illegible], obviamente, um forte incentivo para as saidas, assim como quem trazia capitais era penalizado ao tê-los de vender por aquela taxa. Sendo esta, então, de Cr$18,50 e sendo a taxa real de equilíbrio(e a do chamado câmbio negro) de 27 cruzeiros, por exemplo, cada 100 cruzeiros de lucros, quando remetidos, davam direito a enviar 5,40 dólares, quando,pela taxa real de equilíbrio, não poderiam produzir mais do que 3,70 - o que redundava no lucro extra de 1 dólar e setenta centavos em cada 100 cruzeiros convertidos, ou seja, um lucro extra de cêrca de 50%, decorrente do câmbio.

D'outra parte, se a fraude mais cômoda e de mais fácil execução é a do sub e do super faturamento, evidentemente ela se processa,em idênticas condições, quer vigore um sistema de câmbio controlado ou monopolizado, quer um de taxas livres, pois as possibilidades da fiscalização bancária e do comércio exterior (FIBAN, CACEX), das Alfândegas e do Impôsto de Renda são as mesmas, num e noutro. Mas não padece dúvida que a limitação quantitativa das remessas de lucros só pode incentivar esta manobra, seja livre ou controlado o câmbio.

0443

O PONTO FUNDAMENTAL DO PROBLEMA

Da exposição feita, deduz-se que a maior objeção dirigida aos investimentos externos, reside na potencialidade de gerarem lucros e na faculdade de serem êstes remetidos para fora do país.

Quanto ao primeiro aspecto, deve ser lembrado que não é êle peculiar ao capital oriundo do exterior, pois inerente ao regime da propriedade privada dos meios de produção e da livre iniciativa, isto é, ao regime capitalista.

É inegável, pois, que um capital estrangeiro, ao cabo de certo número de anos pode conseguir lucros cuja soma seja superior a seu montante inicial e ainda continuar a usufruir novos proventos. O mesmo ocorre com o capital nacional, em gráu maior ou menor, conforme a rentabilidade da emprêsa e do setôr econômico em que esteja investido. É sabido, por exemplo, que em numerosas regiões do Brasil, o preço do arrendamento das terras cobre o valor de compra delas em 3 ou 4 anos, prosseguindo o proprietário a fruir indefinidamente novos alugueres.

Dentro do regime em que vivemos, não há como condenar, em princípio, o direito ao lucro, mas há e deve haver como combater os excessos e abusos do exercício dêste direito - quer sejam estrangeiros, quer nacionais seus titulares.

Cabe, a propósito, dar a máxima ênfase à importância da lei de combate aos abusos do poder econômico, contra os trustes e carteis e, em geral, contra as situações monopolísticas de que seoriginam os lucros mais escandalosos e condenáveis. Entendemos que o projeto que ora nos preocupa não poderá atingir suas finalidades sem a promulgação desta lei que o complementa e, sob certos aspectos, é de maior relevância. Tudo quanto fomente a concorrência, em princípio, deve merecer o apôio do Estado, pois na concorrência está o instrumento mais eficiente contra os lucros abusivos. A lei, as autoridades e órgãos competentes do Estado devem perseguir as manobras especulativas, as demasias escorchantes dos proprietários de terra, e de emprêsas de qualquer espécie, as maquinações contra a economia popular, independentemente da nacionalidade dos responsáveis por elas.

O outro instrumento a empregar na luta contra a cupidez da ganância, aqui como em tôda parte do mundo, está na taxação do impôsto sôbre a renda.

Mediante sadios critérios econômicos, êste tributo pode incentivar as poupanças e as reaplicações de lucros na produção, como desestimular os ganhos excessivos.

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No Brasil, é comum não se atribuir ao instrumento fiscal o valor que pode ter em muitas reformas e, em geral, na política econômica do país, já porque a adoção das reformas tributárias não oferece o efeito espetacular das medidas diretas, de restrição ou vedação, já porque, infelizmente, nosso aparelhamento arrecadador ainda denota pouca eficácia, sobretudo contra as sonegações. É sabido, entretanto, que o impôsto sôbre a renda oferece a possibilidade de retirar do detentor do lucro uma parcela tão substancial dêste que o faz, na maior parte rever - ter à sociedade, desalentando, assim, as iniquidades da ambição.

Mas se, independente das considerações e recomendações acima, os inconvenientes do lucro não são específicas dos investimentos estrangeiros e podem e devem ser combatidos, resta, afinal, contra êstes, como objeção cardial, a faculdade da remessa para o exterior.

Importa, porém, acentuar que a superestimação dêste prisma do problema, apresentado como único a merecer a atenção do legislador, leva a subestimar e até a eliminar os aspectos essenciais da significação e das consequências dos investimentos diretos, provenientes do estrangeiro.

Não é possível negar ou obscurecer que o efeito principal de qualquer investimento não é o lucro que aufere ou que é enviado para o exterior, mas sim o seu efeito no enriquecimento nacional. Como já assinalamos, êle vai gerar produção de bens ou serviços e assim aumentar o Produto Nacional Bruto, a renda nacional e a renda per capita. Quando traz consigo, como sucede, via de regra, com os estrangeiros, novos processos produtivos, tecnologia avançada, experiência acumulada e organização altamente eficiente, tanto maior se faz aquele efeito. O lucro, repetimos, deriva da produção e é, òbviamente, apenas uma parcela do preço. As demais parcelas, muitas vezes maiores que êle, vão para a remuneração do trabalho, em forma de salários, para a compra de materias primas, de combustíveis e energia, de manutenção, para pagamento de impostos diversos ao fisco federal, estadual e municipal e outras despesas que, de sua vez, geram novos emprêgos, novos salários e novas fontes de renda a um número indefinido de pessoas.

O efeito do investimento se verifica "para trás" e "para diante", como ensinam os economistas. Para trás, através das despesas que realiza quando paga tudo quanto precisa para produzir; para diante mediante as repercussões e estímulos que o bem produzido leva à sociedade, como, para exemplificar, quando produz ferro, cimento, metais, transportes, etc.

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Para se ter uma idéia precisa do significado do lucro em face ao volume total da renda nacional, basta mostrar como fez, em recente artigo, o prof. Eugênio Gudin, que, em 1 958, último ano de que foram publicados os dados a ela referentes, o "lucro distribuido" (isto é, a-fora o reinvestido) do setor urbano, no Brasil - onde se situam inteiramente os capitais de risco de procedência externa - foi de apenas 19, 2 bilhões de cruzeiros, para uma renda global de 770 bilhões, na qual a remuneração do trabalho representou cêrca de 500 bilhões.

Os dados da renda nacional de outras nações confirmam a proporção assinalada pela nossa. E mais, conferindo-se as estatísticas de longos períodos elas revelam que a percentagem destinada à remuneração do trabalho tem aumentado invariavelmente e a dos lucros e remuneração do capital, diminuido. Esta é tendência certa, justa, necessária, e universal.

Mas, se a parte reservada ao lucro distribuido é assim pequena, no conjunto da renda nacional, forçoso será inferir que êste aspecto, no caso do investimento externo, é imensamente menos importante e ponderável do que o efeito de enriquecimento que êle traz. E, por consequência, não há porque superestimar o problema derivado - o da remessa de lucros.

Aliás, adotando outra forma de exposição, chegaremos à mesma conclusão.

Os investimentos vindos do estrangeiro, podem aplicar-se em atividades ou setores de produção que: a) ou criem artigos de exportação, b) ou criem artigos que substituem produtos anteriormente importados, c) ou sejam neutros do ponto de vista cambial. Na primeira hipótese, êles propiciam divisas a que compensam largamente as que reclamam para a transferência de seus lucros; na segunda, poupam as divisas anteriormente dispendidas com a importação, como vimos citando a estatística do Departamento de Comércio dos E.U.S. relativas ao ano de 1 957 e o caso da indústria automobilística. Só na terceira hipótese, quando não criam nem poupam divisas, o resultado não pode ser medido em têrmos cambiais. Mas um exemplo dêste tipo pode ser alinhado para dar imagem exata da significação econômica do chamado "efeito de enriquecimento". Tiramo-lo da Light. Êste grupo financeiro canadense veio para o Brasil e construiu centrais elétricas numa época em que não dispunhamos nem de capitais nem de "know-how" para os empreendimentos que êle realizou e graças aos quais o Rio de Janeiro e, sobretudo, São Paulo, passaram a ter energia abundante, com oferta muito superior à procura. Sem esta garan

tia de fornecimento de energia, não teria sido possível o extraordinário surto industrial registrado naqueles dois centros. Por maiores que tenham sido os lucros auferidos pela emprêsa e por mais altas as remessas efetuadas para o exterior, ninguém recusará que os benefícios incomensuráveis, advindos da industrialização dessas regiões e, portanto, da energia elétrica criada pelo capital estrangeiro, foram muitas vezes superiores. Os benefícios superaram e pagaram largamente a desvantagem de haver uma parte do preço do quilovate saido do país em forma de lucro. Contrapondo-se ao quadro descrito, recordemos o que se passou no Rio Grande do Sul. Graças aos esforços de um ilustre engenheiro brasileiro, Rodolfo Ahrons, capitais europeus ofereceram-se para comemorar a data do centenário da Independência, em 1 922, com a construção de uma usina hidro-elétrica no Salto Grande do Jacuí, que, na época, assegura ria o desenvolvimento do incipiente movimento industrial daquêle Estado e ainda daria energia para eletrificar grande parte do seu principal tronco ferroviário. Duas vezes recusada a proposta - por motivos que não vêm a pêlo recordar - certamente o Rio Grande do Sul deixou de enviar para o exterior a parte dos lucros que a exploração da central permitiria aos investidores, mas não menos certamente perdeu, ao longo de decênios, um surto de progresso e de enriquecimento que hoje é impossível avaliar. Acrescente-se, apenas, que aquele Estado conta, até agora, com alarmante deficiência de potência instalada, e esta carência explica, em grande parte, a sua reduzida expansão industrial.

O mesmo efeito de enriquecimento e progresso - não mensurável em divisas nem mesmo possível de estimar de qualquer forma resulta da ação indireta e direta de uma ferrovia, de uma siderúrgica, de uma indústria pesada, mecânica, química, etc.

Sem dúvida, inúmeros investimentos não apresentam a mesma potencialidade e iguais efeitos no desenvolvimento da nação e de sua renda. Poder-se-ia, teòricamente, traçar uma escala ao longo da qual se situariam as emprêsas desde a de mais alto efeito para o país até a de mais baixo. Muitas destas serão, talvez, dispensáveis se seu efeito de enriquecimento for menor que o pêso das remessas de seus lucros sôbre a balança do país. Via de regra, porém, o saldo positivo, a ação do capital estrangeiro, unido à tècnica, à experiência e à organização que êle traz, sôbre o PIB e a renda nacional, supera de muito - em maior ou menor gráu - o inconveniente de reclamar que uma parcela do preço dos bens e serviços que produz para nosso enriquecimento seja transferida, em forma de lucro, de royalties, de assistência técnica, para além de nossas fronteiras.

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Nada do que foi dito impede, mas, ao contrário tudo aconselha, que o Brasil distingua, selecionando, mediante processos adequados de incentivos e desestímulos, e até, em determinados casos, mediante restrições expressas, os capitais alienígenas que o procuram, como os nacionais, dentro de um planejamento econômico do desenvolvimento.

Importa, entretanto, fixar que o aspecto fundamental, o prisma principal sob o qual deve ser considerado o investimento vindo de fora, o âmago da questão, está no efeito do enriquecimento que dêle resulta para o país e não no aspecto secundário da remessa do lucro que, por definição, representa uma parcela do total que permitiu fôsse produzido.

A POSSIBILIDADE DE EMPRÉSTIMOS EXTERNOS

Na legislação e no tratamento dispensado aos capitais de risco, procedentes do exterior, mistér se faz não descuidar dos efeitos que podem ter sôbre as facilidades para a obtenção de empréstimos e financiamentos, cuja necessidade ninguém contesta. Existem, aliás, opiniões respeitáveis que, condenando aquêles, pelas razões acima examinadas, advogam o indispensável concurso das poupanças externas exclusivamente sob a forma de operações de crédito, quer à União, Estados, Municípios, Autarquias e sociedades de economia mista, quer também às emprêsas nacionais, por intermédio de Bancos e Agências Oficiais.

Parece, porém, haver um excesso de otimismo na suposição de que um país que aplica tratamento discriminatório ou inamistoso a investimentos diretos provindos de um outro, espere que as fontes financeiras dêste, oficiais e privadas, estejam dispostas a lhe conceder créditos no volume por êle desejado. Também não se afigura razoável deduzir daí que as fôrças da finança internacional impõem às nações fracas uma legislação favorável aos capitais de risco, como condição para a outorga de empréstimos. A boa vontade, o espírito de compreensão, as atitudes solícitas, tanto nas relações entre os indivíduos como entre as nações, nunca podem ser unilaterais. A reciprocidade é princípio fundamental. Assim, sem que se faça preciso formular imposições ou insinuar sugestões, ensina o bom senso que nem os indivíduos, nem os países, devem esperar benevolência em matéria de crédito de parte daqueles a quem tratam com animadversão.

No momento atual e no caso do Brasil e demais repúblicas latino-americanas, seria inadmissível deixar de medir as imensas consequências do programa da "Aliança Para o Progresso" que a clarividência do Presidente Kennedy deseja executar em favor do desenvolvimento do hemisfério sul.

0448

Incurável ingenuidade seria desconhecer a poderosa motivação política desta orientação norte-americana, dentro do panorama do mundo em que vivemos. Nem por isto, porém, é lícito negar a largueza do espírito que a informa e, sobretudo, a magnitude da significação que apresenta para as nações favorecidas.

No "Programa de Govêrno" do Consêlho de Ministros claramente se diz da importância da contribuição da " Aliança para o Progresso"nos planos oficiais do desenvolvimento brasileiro, deixando transparecer que ela pode ser estimada em tôrno de 600 a 800 milhões de dólares por ano.

Já começamos, aliás, a receber as primeiras manifestações objetivas desta colaboração, sem que nossa independência e soberania tenham sofrido qualquer restrição.

Não é apenas dos Estados Unidos, entretanto, que podemos aguardar a cooperação de capitais e financiamentos que nosso ideal de desenvolvimento requer. Também a Alemanha Ocidental tem um plano de aplicação de recursos nos países sub-desenvolvidos, de evidente interêsse nosso, e também de outras nações europeias e do Japão nos é possível receber ajuda econômica e financeira.

Ora, grande parte de tal ajuda- sobretudo da "Aliança para o Progresso" - procede de forma direta, sem falar na de forma indireta, dos contribuintes dos Estados que nô-la propician. Todos êstes Estados vivem em regime democrático, em que os cidadãos são extremamente ciosos da aplicação que é dada aos tributos por êles prestados e, naturalmente, exercem legítima pressão sôbre seus representantes e seus govêrnos acêrca do destino dos fundos públicos.

Se um país demonstra, por atos inequívocos, que desdenha e até hostiliza a colaboração dos investimentos diretos oriúndos de um outro, parece natural que os contribuintes dêste revelem má vontade em favorecê-lo, entendendo que êle não se mostra desejoso ou necessitado de capitais externos.

Para compreender devidamente esta situação, basta imaginar a reação que seria de prever, dos brasileiros em geral, se nosso govêrno , nossos bancos oficiais ou particulares, quisessem fazer empréstimos e financiamentos de vulto crescente a uma nação mais fraca, cuja legislação fôsse hostil aos capitais privados brasileiros nela aplicados e, principalmente, se dêstes capitais participassem dezenas de milhares de acionistas patrícios.

O que vai dito não exclui o legítimo e inalienável direito que temos de defender os interêsses nacionais acima de tudo, protegendo-nos contra os capitais especulativos e predatórios, reprimindo os abusos

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dos trustes e monopólios, coibindo fraudes e sonegações e distinguindo, por meios convenientes, os capitais de risco e investimentos.

Apenas queremos afirmar que nossa legislação não deve ser hostil ou inamistosa, nem conter medidas discriminatórias e injustas ao investimento estrangeiro, sob pena de afugentá-lo e, do mesmo passo, afastar de nós, por via de consequência, a boa vontade das fontes de crédito internacional que, na maior parte, ou são agências oficiais de Estados ou a êstes, de uma ou outra forma, estão vinculadas.

A IMPORTÂNCIA DAS EXPORTAÇÕES E AS PERSPECTIVAS DA ALALC

Ainda convém insistir sôbre outro ponto, de substancial importância para o desenvolvimento brasileiro e para a questão dos capitais estrangeiros.

Como já mostramos, êstes sempre criam repercussões no balanço de pagamentos, seja pela remessa de lucros, royalties, assistência técnica, no caso do investimento direto, seja pela de juros e amortizações, no do empréstimo ou financiamento. Mas, enquanto a dos primeiros é problema dos detentores dos capitais - que a efetuam de acôrdo com seus interêsses, em dose maior ou menor - a dos últimos é problema nosso e tem de ser feita na data certa e nas quantias contratualmente prefixadas, qualquer que seja a taxa do câmbio. Denotam as estatísticas que a pressão destas remessas é intensa, senão positiva, e, lògicamente, tende a aumentar na razão direta do crescimento dos empréstimos que nos são fornecidos.

Decorre daí que êstes, mais ainda que aquêles, exigem do Brasil - como uma das condições básicas de seu desenvolvimento - o incremento das exportações. É improvável que alcancemos, em três anos, elevá-las para 2,5 bilhões de dólares, como preconiza o Programa do Govêrno, mas é incontestável que temos possibilidades de majorá-las substancialmente, desde que adotemos, com a máxima energia, uma política agressiva de estímulo às inúmeras fontes de produtos de que dispomos para conquistar e ampliar os mercados internacionais. Esta declamada necessidade de diversificação e intensificação de nossas exportações precisa sair dos discursos e relatórios para entrar na fase prática de execução, concentrando os recursos e as providências que desafiam nossa capacidade de superar a barreira do sub-desenvolvimento.

Para êste objetivo, além do alargamento dos mercados tradicionais temos de conquistar novos, onde quer seja possível colocar nossos produtos. E, no capítulo, devemos explorar ao máximo as virtualidades que nos oferece a Associação Latino Americana de Livre Comércio, a que

fizemos referência. Nunca será demais repisar as perspectivas que os mercados da ALALC, sem gravames alfandegários dentro de breves anos, apresentam para o parque industrial brasileiro que já é e continuará sendo o maior da América do Sul. Já em 1 961 nossas exportações para os mercados latino americanos somaram 115 milhões de dólares, com aumento de 14,5% em relação a 1 960, sendo de realçar que a de produtos manufaturados apresentou o aumento de 120%, passando de 3,5 milhões de dólares, em 60, para 7,8 milhões em 61.

Vencidos os percalços dos transportes e dos financiamentos para a exportação, com que hoje lutamos, ficaremos em posição de multiplicar os quantitativos de nossas vendas, não só de matérias primas e gêneros alimentícios mas também de tôda sorte de produtos manufaturados. Nêste sentido, acentue-se, por inegável, que as emprêsas de origem externa, que para o Brasil trouxeram com seus capitais, técnicas, experiência e organização de inapreciável valor, representarão papel de suma relevância, comprovando a excelência de sua atuação para o desenvolvimento nacional, pois boa parte dos produtos industriais que temos possibilidade de exportar, delas procedem.

Nêste passo, impõe-se advertir o Govêrno, o Congresso e a opinião pública, sôbre o risco que correria o Brasil se consagrasse uma legislação e uma política de indiferença ou inamistosidade para com os investimentos estrangeiros, em confronto com as vigorantes nas demais Repúblicas integrantes da Zona Livre de Comércio, criada pela ALALC. Se temos merecido a preferência dos capitais externos é sobretudo porque lhes aparecemos como o maior mercado de consumo sul-americano, fortemente protegido, pelo Fisco e pelo Câmbio, contra a indústria estrangeira. Mas, se, por fôrça dos princípios da ALALC, passamos a integrar uma zona de livre comércio, sem barreiras aduaneiras entre as nações associadas, e se, doutra parte, as repúblicas vizinhas oferecerem àqueles capitais motivos de atração, de segurança e de tratamento não discriminatório, que nós lhes recusamos, de esperar como certo será que êles as preferirão para sede de suas emprêsas e de onde terão, ao seu dispor, o mercado brasileiro. Então, ao em vez de fazermos dólares e divisas daqui exportando os bens produzidos pelos investimentos estrangeiros, agravaremos nossa penosa situação cambial já deixando de vender, já indo comprar lá fora, o que aqui poderia ter sido fabricado.

Êste aspecto do problema precisa ser encarado com a maior prudência pelos responsáveis na condução da política econômica do Brasil e sua transcendência fala por si, prescindindo comentários.

Em capítulo à parte, damos, a respeito, um quadro resumo do

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tratamento concedido aos capitais forâneos pelas nações participantes da ALALC e outras repúblicas latino-americanas, a fim de ilustrar, pela força do exemplo, a norma e a orientação que prevalescem nos países do hemisfério a que pertencemos e que são, naturalmente, nossos concorrentes no comércio continental e no recebimento de recursos externos.

INVESTIMENTOS DIRETOS EM OUTROS PAÍSES

Como tivemos oportunidade de frisar, convém fazer sentir que o Brasil, pôsto que seu crescente mercado interno se torne cada vez mais atraente ao estabelecimento de emprêsas estrangeiras, longe está de constituir uma área essencial para a aplicação de poupanças desejosas de emigrar de seus países de origem.

As cifras a seguir arroladas dão exata noção dêste aspecto, ainda que sejam parciais, pela carência de tempo para obtermos estatísticas mais completas.

Verifica-se, assim, por exemplo, que a Alemanha Ocidental, apesar de haver sido uma das nações mais cruelmente sacrificadas pela guerra finda em 1 945, realizou, de 1 951 a 30 de junho de 1 961, investimentos diretos no estrangeiro, no montante de 3,4 bilhões de marcos (cêrca de 850 milhões de dólares).

Dêste total, países da América receberam mais de 1,7 bilhões (51,2%), da Europa 1,25 bilhões (37%) e da África 198 milhões de marcos (5,8%).

E eis a distribuição mais pormenorizada dos investimentos: para a América do Sul - 839 milhões de marcos, para a América do Norte - 755 e para a América Central - 142 milhões. Mais interessante, entretanto, é a distribuição, pela ordem de importância, entre as nações que recolheram maiores investimentos alemães. Foram êles:

1º) - Brasil, com quase 598 milhões de marcos (17,6%)
2º) - Estados Unidos, com 449 milhões (13,2%)
3º) - Suiça, com 407,6 milhões (12%)
4º) - Canadá, com 306,5 milhões (9,1%)
5º) - França, com 175,8 milhões (5,2%).

Como se vê, os capitais germânicos, atribuindo honrosa preferência ao Brasil, consideram os Estados Unidos, a Suiça e o Canadá como países altamente interessantes para o seu investimento no exterior.

Igualmente instrutiva é a lição da estatística norte-americana. O número de outubro de 1 961, do "Survey of Current Business", publicação do U.S.Department of Commerce, apresenta o quadro dos investimentos diretos de capitais estrangeiros nos Estados Unidos. Por êle se fi

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cs sabendo que o total dêstes investimentos, que era de 3,39 bilhões de dólares em 1 950, subiu para 6,9 bilhões em 1 960. Na década anterior, de 41 a 50, êles cresceram na média anual de 100 milhões de dólares; mas já na seguinte, de 51 a 60, o incremento média anual foi de 350 milhões, sendo de acentuar que, desta soma, nada menos de 170 milhões, em média, por ano, provieram de lucros reinvestidos. Do total de 6,9 bilhões, 2,24 são oriúndos da Inglaterra e 1,9 do Canadá; de outros países europeus - 2,5 bilhões de outras áreas 269 milhões, dos quais, como já dissemos, 129 da América Latina. Ainda digno de registro é que a metade dos investimentos está aplicada em manufaturas.

Doutra parte, denotam as estatísticas que os Estados Unidos são, atualmente, a maior nação exportadora de investimentos diretos. Êstes somaram em 1 960, a enorme importância de 32,7 bilhões de dólares, havendo pràticamente triplicado durante o decênio, pois, em 1 950, eram apenas 11,7 bilhões.

A distribuição dos investimentos, por ordem de grandeza, é a seguinte:

	1 950	1 960
1º - Canadá	3,5	11,2 bilhões
2º - América Latina	4,4	8,3 "
3º - Europa	1,7	6,6 "
4º - Àsia	1,0	2,3 "
5º - África	0,28	0,9 "

Impõe-se, de logo, a importância que o Canadá assume no capítulo, pois nêle se concentrou, em 1 960, mais de um terço dos capitais de risco estadunidenses, em montante que é quase o dôbro dos que se dirigiram para a Europa e cêrca de 40% superior aos que se localizaram em tôdas as repúblicas latino americanas.

Interessa observar, d outra parte, que, relativamente, o fluxo para estas repúblicas cresceu bastante menos do que o orientado para os demais destinos. Enquanto, no decênio, os investimentos mais que triplicaram para o Canadá, para a Europa e para a África, e mais que duplicaram para a Ásia, para a América Latina não chegaram a dobrar.

A distribuição percentual dos investimentos oferece, a propósito, indicações proveitosas.

DESTINO	1 950	1 960
Canadá	30,3%	34,1%
América Latina	40,2%	25,5%
Europa Ocidental	14,6%	20,2%
Ásia	8%	7,1%
África	2,4%	2,8%
Oceania	1,7%	3%.

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Comprovada fica, pelo exame das percentagens, que sobretudo os países da Europa e o Canadá tendem a atrair os capitais de risco ianques e que a América Latina, se bem tenha visto quase duplicados êstes investimentos em suas Repúblicas, perdeu, em parte, a importância relativa que tinha há dez anos atrás.

Importa registrar que o Brasil, segundo as estatísticas do Departamento de Comércio dos E.U.A., não apresenta significação substancial para os investimentos diretos dos capitais privados norte-americanos. Elas os estimam em cêrca de 1 bilhão de dólares, a oitava parte do montante aplicado na América Latina, um sexto do dirigido à Europa e apenas um onze avos do que foi para o Canadá.

Convem indicar à distribuição percentual dêstes investimentos, entre nós, pelos setores de atividade, segundo as mesmas fontes:

Indústrias	1 950 44%	1 960 54%
Minas e Fundição	-	1%
Petróleo	17%	8%
Serviços Públicos	21%	22%
Comércio	11%	14,5%
Outros	7%	0,5%

Revelam claramente as percentagens a importância crescente que as indústrias despertam para os capitais norte-americanos no Brasil, o sensível decréscimo das aplicações na atividade petrolífera, a insignificância dos empregados na mineração e a queda substancial em serviços públicos, pois êstes há 30 anos atrás, representavam a metade do total dos investimentos.

Ainda digna de menção é a cifra oficial referente aos lucros do total dos investimentos diretos norte-americanos, em 1 960: 3,5 bilhões de dólares - que representa pouco mais de 10% dos capitais investidos, sendo de acrescentar que o "Survey of Current Business", mês de agôsto de 1 961, págs. 20 a 26, de onde êstes dados foram extraídos, considera o ano em apreço como de lucros altos.

Daqueles lucros cêrca de 2,5 bilhões entraram nos Estados Unidos.

De todos os elementos aqui reproduzidos, só se pode depreender, a plena validade dos assertos contidos em outros capítulos do presente estudo.

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À guisa de informação e para mais completo esclarecimento do leitor, transcrevemos, a seguir, alguns dados relativos aos totais do movimento de capitais entre os E.U.A. e demais continentes ou nações.

Capitais e investimentos totais (empréstimos de tôda espécie, investimentos diretos, etc., públicos e privados) dos Estados Unidos: Em 1 959: 64,8 bilhões de dólares; em 1 960 - [illegible] bilhões. Dêstes, provieram de fontes privadas: em 1 959 - 44,8 e em 1 960 - 50,3 bilhões; e de fontes governamentais, respectivamente - 20 e 21,1 bilhões.

Dos mencionados totais, no ano de 1 960, à Europa Ocidental tocaram 20,4, ao Canadá 17,2 bilhões de dólares, às repúblicas latino americanas 13,5 e às demais nações estrangeiras 12,7 bilhões.

Em contrapartida, o montante global de capitais estrageiros aplicados, de tôdas as formas (empréstimos, aplicações a longo e curto prazo, investimentos, etc.) nos Estados Unidos, alcançava 42,1 bilhões de dólares em 1 959 e 44,68 em 1 960.

Tudo isto comprova o intenso intercâmbio dos capitais e, ainda, a posição que a América Latina apresenta, em conjunto, para os Estados Unidos. Ela tende a aumentar substancialmente por fôrça do programa da "Aliança para o Progresso", consoante o qual pretende-se aplicar mais de um bilhão de dólares norte-americanos, por ano, em projetos vinculados ao desenvolvimento das nações do hemisfério sul. Segundo o programa, os capitais a tal fim destinados devem provir de fontes públicas e particulares dos Estados Unidos. Mas parece fora de dúvida que a maior parte dêles será de origem oficial. Com isto, irá alterar-se a atual composição dos capitais empregados na América Central e na do Sul, pois, em 1 960, dos 13,5 bilhões de dólares acima referidos, nada menos de 11,4 procediam do setor privado e, dêstes, como vimos, 8,3 bilhões representavam investimentos diretos.

De tôdas as cifras, particularmente das referentes aos investimentos diretos, cabe ressaltar que, ao contrário do que se pensa, os capitais norte-americanos não se alimentam, preponderantemente, de aplicações nas áreas menos desenvolvidas, pois que enquanto a Europa e o Canadá cada vez mais os atraem, a Ásia e a África ainda diminuta significação para êles apresenta e a América Latina perdeu terreno, percentualmente, na última década. E a "Aliança para o Progresso", que irá modificar os têrmos da situação, não é inspirada, reconhecidamente, em objetivos gananciosos.

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TRATAMENTO DE CAPITAIS E SEUS RENDIMENTOS

PAÍS	REGIME APLICÁVEL À ENTRADA DE CAPITAIS	REGIME APLICÁVEL À SAÍDA DE CAPITAIS	REGIME APLICÁVEL À REMESSA DE RENDIMENTOS	TAXA CAMBIAL
ARGENTINA	L I V R E	L I V R E	L I V R E	L I V R E
BOLÍVIA	L I V R E	L I V R E	L I V R E	L I V R E
C H I L E	Podem ser concedidos privilégios e isenções especiais para atividades prioritárias, indicadas em lei. Uma Comissão de Investimentos Estrangeiros supervisiona a entrada de capitais (OBS.2)	L I V R E	Livre. Privilégios e garantias especiais para as atividades prioritárias.	L I V R E
COLÔMBIA	Registro exigido somente para industrias do petrolgo e de extraçao de metais preciosos	Pelo câmbio oficial("certificado"), para industrias do petroleo e de extração de metais. Pelo cambio livre, para as demais	Livre. Pelo cambio oficial ("certificado") para industrias do petroleo e do metais. Para as demais, pelo cambio livre	Oficial, chamado "certificado", e Livre
EQUADOR	Exige-se registro e licença para capitais com direito a tratamento especial de cambio, Os demais não são registrados e não gozam de favores	L I V R E	Os investimentos registrados tem garantia do cambio oficial para remeter ate 12% ao ano de lucros. Para os demais, liberdade, pelo cambio livre.	OFICIAL e L I V R E
VENEZUELA	São registrados somente os capitais reconhecidos vantajosos para a economia nacional	Os capitais registrados podem ser repatriados pelo mercado "oficial controlado". Os demais o podem ser ou pelo mercado "oficial livre" ou pelo mercado livre.	Livre. Para os capitais registrados da-se garantia de cambio pelo mercado oficial controlado. Os demais fazem remessas pelo mercado oficial livre ou pelo mercado livre	Três tipos: Oficial controlado Oficial livre e Livre
MÉXICO	L I V R E	L I V R E	L I V R E	L I V R E
PARAGUAI	L I V R E	L I V R E	L I V R E	L I V R E
P E R Ú	L I V R E	L I V R E	L I V R E	L I V R E
URUGUAI	L I V R E	L I V R E	L I V R E	L I V R E

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OBS.1 - Estas indicações foram extraidas do livro "Twelfth Annual Report Exchange Restrictions", ano de 1 961, publicação oficial do International Monetary Fund, que divulga o resumo da legislação de todos os países a êle associados. Tivemos de lançar mão desta fonte porque o Ministério das Relações Exteriores não conseguiu obter legislação mais completa das nações sul-americanas, que lhe havíamos solicitado. Deixamos de incluir na relação países de outros continentes, bem como da América Central, por entendermos que são os sul americanos que especialmente nos interessam. O México foi incluido por ser membro da ALALC.

OBS.2 - A publicação acima indicada nada declarou sôbre a composição e a competência desta Comissão chilena.

S U M Á R I O

Para comodidade do leitor, resumimos, a seguir, os principais aspectos dos problemas abordados nêste parecer.

1. É incontestável que o Brasil não dispõe de poupanças internas, no estado atual de sua economia, capazes de lhe assegurar as taxas de investimento em capitais de produção, necessárias para vencer a barreira do sub-desenvolvimento, sobretudo tendo em vista seu índice de crescimento demográfico.

A deficiência é alarmante e compromete nosso futuro. Segundo a palavra oficial do Govêrno, carecemos de "um aumento de quase 70% no esforço de investimento bruto, a ser alcançado, em parte, pela absorção de recursos externos".

Isto, sem falar na necessidade de acréscimos substanciais nos investimentos em educação, pesquisas, saúde, etc., imprescindíveis para aumentar o rendimento dos fatôres da produção. - O concurso dos capitais alienígenas, para a superação desta insuficiência da poupança interna, é de inegável expressão. Consoante o Conselho Nacional de Economia, a êles devemos, atualmente, 25% do aumento de nossa renda per capita.

2. Enquanto dispomos de recursos naturais pràticamente ilimitados e de mão de obras super-abundante (já, em parte, sub-empregada e em crescente risco de desemprêgo, tendo em conta o incremento populacional) só o capital e a técnica nos são escassos. Do aumento dêles, portanto, depende o ritmo de nossa expansão econômica.

3. O aspecto fundamental a considerar no problema dos capitais estrangeiros reside em sua contribuição para a economia nacional, isto é, no efeito do enriquecimento que êle, como todo capital, traz consigo, pro

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movendo o aumento do Produto Nacional Bruto, da renda nacional e da renda per capita, estimulando outros setores de atividade, o surgimento de indústrias satélites e correlatas, dando ocupação a parcelas significativas da população, fortalecendo a concorrência e pagando impostos. O lucro, por grande que seja, é sempre, e necessàriamente, apenas uma fração do preço; dêste, as maiores percentagens se destinam ao pagamento de salários, matérias primas, despesas gerais e impostos. Consoante comprovam as estatísticas, a parcela correspondente ao "lucro distribuido"(que é a que interessa, pois o lucro restante é reinvestido) mostra-se diminuta em confronto com as demais. Em 1 958, para a renda global de 770 bilhões de cruzeiros, apenas 19,2 bilhões foram de lucros distribuidos ao setor urbano, sendo de 500 bilhões a parte relativa à remuneração do trabalho.

4. Ao contrário do que muitos supõem, os investimentos diretos, do estrangeiro, têm dado acentuada preferência aos setores da indústria de base. Assim, conforme quadro anexo, dos investimentos registrados nos têrmos do decreto nº 42 820 (antiga Instrução 113), 74,2% se destinaram a êste tipo de indústrias, num total de 379 milhões de dólares, enquanto apenas 25,8% se aplicaram em indústrias leves, no montante de 131 milhões de dólares.

Em todos os casos, porém, é inegável o efeito de enriquecimento e de aumento do produto e da renda nacional que êles apresentaram.

5. Não pode ser subestimada a importância da contribuição que as emprêsas estrangeiras oferecem graças à tecnologia avançada, à experiência e ao alto gráu de organização que introduzem na economia nacional. Em grande número de casos, as patentes de invenção e processos produtivos só nos podem chegar junto com as emprêsas que os detém e, ainda quando seja possível, mediante o pagamento de royaltios, explora-los no Brasil, os frutos e o inestimável valor da experiência e da organização nunca podem ser importados isoladamente.

6. O aspecto cambial do problema - correspondente aos ingressos e saídas de divisas, em nosso balanço de pagamento - é, portanto, secundário. Além disto, revelam as estatísticas que, entre 1 947 e 1 961, o saldo das operações nos foi plenamente satisfatório, embora nêste período se incluam os anos de 1 947 a 1 953, em que, devido ao regime cambial e às limitações então vigorantes, sofremos pesados déficits. As transferências de lucros, em média, não alcançam a 2% de nossa receita cambial e representam menos de meio por cento do Produto Nacional Bruto.

7. A maior pressão sôbre o balanço de pagamentos é exercida pe

los capitais de empréstimo e de financiamentos, específicos e compensatórios. Enquanto o Brasil não assume nenhum compromisso em relação à remessa de lucros, que é feita pelos investidores estrangeiros, de acôrdo com suas possibilidades e depende de seu desejo de reinvestimento, com referência ao serviço de juros e amortizações de empréstimos, ficamos obrigados a transferências contratualmente compulsórias, qualquer que seja a situação cambial e o valor da moeda estrangeira. Êstes compromissos absorvem, em média, entre 20 e 25% do global de nossa receita cambial.

8. Ainda que se acrescentem, às remessas de lucros, 50% das transferências feitas para pagamento de "royalties" e assistência técnica (tomando-as como lucros disfarsados), o montante delas, nos últimos anos, foi, em média, inferior às despesas que o Brasil teve, nos anos de 1 956 a 1 960, com seus turistas e viajantes no exterior.

9. Ainda sob o aspecto cambial, impõe-se considerar que os investimentos estrangeiros contribuem para nosso balanço de pagamentos, já mediante as divisas provenientes da exportação de bens por êles aqui produzidos, já mediante a poupança de divisas, graças aos artigos substitutivos de importações anteriormente efetuadas.

Se ainda é pouco significativo o montante das exportações de artigos industriais, são altamente promissoras as perspectivas que se apresentam ao Brasil sobretudo com a Associação Latino Americana de Livre Comércio que oferece à indústria nacional os mercados de um número crescente de repúblicas do continente, sem barreiras alfandegárias. Dêsde já, aliás, começam a se registrar exportações de nossas indústrias automobilística, de auto-peças, mecânicas, elétricas, e outras, até para fora do continente. Quanto à poupança de divisas com a produção interna de bens substitutivos de importações, esta é, incontestàvelmente, substancial. Consoante estatísticas do Departamento de Comércio dos Estados Unidos, no ano de 1 957, só as emprêsas de capitais norte-americanos fabricaram no Brasil artigos desta categoria no valor de 431 milhões de dólares. O dado é confirmado pelo GEIA que atribui à indústria automobilística, mesmo em sua fase inicial, uma economia líquida de divisas do montante de 200 milhões de dólares por ano, com tendência a crescer progressivamente. A produção nacional de tratores, máquinas agrícolas, navios, locomotivas e material ferroviário - apenas para citar umas poucas - eleva ponderàvelmente a economia de divisas, libertando-nos da importação. Isto também ocorre, graças a capitais estrangeiros, até na produção de bebidas, artigos de luxo, produtos de beleza e outros, que,

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embora sem expressão relevante para nosso desenvolvimento econômico, evitam o dispêndio de divisas com importações, e ainda nos podem fornecê-las, pela exportação. O exemplo de um fábrica de rum, com capitais emigrados de Cuba, estabelecida em Recife, é recente e ilustrativo.

Do exposto, conclúi-se que a possibilidade de criação de divisas, com as exportações, e a demonstrada poupança delas, mediante a produção de bens substitutivos de importações - devidas a emprêsas estrangeiras, compensam e sobrelevam, muitas vezes, as remessas de rendimentos que elas façam por mais que se pretendam exagerá-las, contrariando os dados estatísticos oficiais.

10. Demonstram, ainda, as estatísticas que, vigorando um regime de liberdade de remessas e de taxas livres de câmbio, os ingressos de capital aumentam - sobretudo de capitais de risco - e diminuem as saídas de lucros, sendo fortemente estimulados os reinvestimentos dêstes. O confronto dos dois períodos 1 947/53 e 1 954/61 não deixa margem a dúvidas, a respeito.

11. Impõe-se distinguir o problema da criação do lucro do problema de sua remessa para fora do país. O primeiro não é peculiar ao capital estrangeiro e deve ser adequadamente tratado já pela legislação de combate aos abusos do poder econômico, aos trustes e monopólios, já pela legislação tributária, especialmente dos impostos a auferir, de consumo e de renda. Coibidos os lucros excessivos, sobretudo os derivados de situações monopolísticas, e uma vez pagos os impostos devidos, da parte restante seus titulares devem poder dispor livremente - reinvestindo-os ou gastando-os - sejam brasileiros ou não, residentes ou não no Brasil. Assim como os nacionais e estrangeiros domiciliados os usam sem quaisquer restrições, podendo inclusive remetê-los para o exterior, em aplicações econômicas ou em viagens e prazeres, assim os proprietários dêles, não residentes no país, devem poder igualmente transferí-los para fora ou aqui desfrutá-los.

12. O interêsse da economia nacional reclama que seja estimulado o reinvestimento dos lucros, como meio de aumentar a capitalização para o desenvolvimento do país, quer se trate de capitais nacionais, quer de estrangeiros. Embora a SUMOC não disponha de elementos próprios acêrca dos montantes dos reinvestimentos, sabe-se que, dos capitais norte-americanos aplicados no Brasil 52% dos lucros tem sido reinvestidos, desde que se estabeleceu liberdade de remessas e de taxas de câmbio.

13. Sempre que o regime cambial supervaloriza internamente o cruzeiro em relação às moedas estrangeiras, estimulam-se as remessas de lucros, já que a taxa irreal de câmbio propicia um ganho extra, por

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vezes substancial, e desencorajan-se os reinvestimentos e a entrada de novos capitais, pois as divisas dêstes produzem menos cruzeiros do que lhes daria a taxa de equilíbrio real o o mercado negro ou paralelo.

14. Da mesma forma, a limitação quantitativa da remessa de lucros - sobretudo quando associada a um regime cambial controlado - leva os investidores a desfrutar ao máximo o direito da transferência, pelo receio de que as restrições se agravem. Ao contrário, não havendo pois desta ordem, não se sentiddo êles prisioneiros, a liberdddo de remessas e de taxas de câmbio lhes traz, com a sensação de segurança, bem como com a confiança no país, a tendência a reinvestir lucros para expandir suas atividades. Assim, se a fixação de um teto para as transferências pode reduzí-las em relação a algumas emprêsas, tem como consequência aumentá-los em relação ao conjunto delas.

15. A limitação quantitativa das remessas de lucros, além de não atingir a causa - que é a criação dos lucros - mas apenas o efeito secundário, implica uma discriminação contra o capital estrangeiro, que o leva a perder confiança no país, a sentir-se indesejado e injustamente tratado e, em consequência, a não mais ingressar ou mesmo a sair do seu território.

16. O lucro não promana do trabalho, como não deriva do capital; resulta da produção, dependendo do custo unitário desta e do preço obtido pelo produto no mercado. No regime de propriedade privada dos meios de produção e de livre emprêsa, êle constitui a remuneração do investidor e lhe pertence integralmente, uma vez pagos os impostos devidos. Se, portanto, o investidor estrangeiro os reaplica, aumenta seu capital, como acontece com o investidor residente no país. Recusar êste direito teria como consequência forçar o investidor estrangeiro a operar o envio dos lucros para fora e, a seguir, promover seu reingresso, realizando duas transações cambiais desnecessárias. Só é possível impedir o exercício dêste direito, estabelecendo-se um limite arbitrário para as remessas, além do qual os lucros, ainda que reaplicados na economia nacional, não podem produzir novos benefícios ou proventos com direito de sair do país, para seus titulares no estrangeiro. Tal situação, evidentemente, estimula o máximo das remessas permitidas e afugenta os investidores não residentes no país. É até de considerar que, para instituir êste regime, tornar-se-á necessário implantar um rôde de contrôles burocráticos que assumirá inevitàvelmente o caráter e a extensão do policialismo totalitário, que mais contribuirá para o afastamento das poupanças externas.

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17. É fàcilmente possível evitar fraudes na remessa clandestina de lucros sob a forma de pagamento de royalties e de prestação de assistência técnica. Dispositivos de ordem legal e fiscal os podem coibir, como se encontram no projeto-substitutivo que apresentamos com êste parecer.

18. Quanto às manobras do sub e do superfaturamento, como processo de transferência clandestina de lucros, torna-se evidente que elas só existirão no caso de lucros não declarados ao Impôsto de Renda, pois os que pagam o tributo devido podem ser remetidos livremente. Assim, a fraude cambial apontada, quando ocorre, deriva de um fraude fiscal anterior. A maneira segura de combater aquela, que é apenas efeito, será coibir esta última, a sonegação fiscal, que é a causa. De nada valerão dispositivos legais, enquanto nosso aparelhamento arrecadador e de fiscalização não atingir o grau de eficiência desejado e necessário. Portanto, se no sistema vigente, de ilimitação de remessas de lucros quitados com o Fisco, verificam-se transferências através de sub e superfaturamentos, a limitação delas a uma determinada percentagem terá como consequência estimular a prática das fraudes fiscais e cambiais, ao em vez de extinguí-las.

19. A seletividade dos capitais e seu encaminhamento para setores e regiões econômicos prioritários, tendo em vista o desenvolvimento nacional, devem obedecer a um planejamento global. Uma política de crédito e de assistência técnica pode, legìtimamente, dar preferência aos empreendimentos nacionais. Igualmente legítimas e necessárias serão as medidas de defesa contra capitais especulativos, não aplicados à produção de bens e serviços, que só prejudicam os interêsses brasileiros. Outras discriminações contra investimentos forâneos, que venham concorrer para o enriquecimento, o aumento da produção e da renda nacionais, terão como consequência afugentá-los do país, em detrimento do nosso desenvolvimento, do consumidor e dos trabalhadores brasileiros.

20. Como se vê nêste parecer, o regime vigorante nas nações sul-americanas e participantes da ALALC, com poquenas restrições, é de liberdade ao ingresso e sáida de capitais, liberdade e ilimitação de remessa de rendimentos e de tratamento não discriminatório contra êles. Mistér se fas não esquecer que o Brasil, em sua luta pelo desenvolvimento, concorre com êstes países no acolhimento de poupanças externas, imprescindíveis, como demonstrado, para alcançar a taxa de investimentos necessários ao ritmo de seu crescimento demográfico e econômico.

21. Não faltam aplicações para os capitais e as poupanças das nações desenvolvidas. Mostram as estatísticas que existe forte inter -

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câmbio de capitais entre elas, revelando que tôdas ainda oferecem grandes atrativos para novos investimentos. A êste respeito, um dos capítulos do presente parecer arrola cifras que não deixam margem a dúvida e indicam a posição do Brasil e mesmo da América Latina no conjunto dos investimentos realizados pelos países de economia poderosa. Nos Estados Unidos, recente inquérito do Departamento de Comércio indica que estão planejados investimentos em montante superior a 37 bilhões de dólares, na indústria e no comércio internos, no ano corrente, cêrca de 8% a mais do que em 1 961. E os velhos países da Europa, especialmente, depois da instituição do Mercado Comum, cada vez recebem maiores inversões e apresentam melhores perspectivas econômicas.

22. A adoção, pelo Brasil, de uma legislação hostíl aos capitais de risco do exterior, além dos prejuizos arrolados, teria como consequência, criar contra nós um ambiente desfavorável nos organismos oficiais, internacionais e privados, de crédito, dos quais dependemos vitalmente para a obtenção de empréstimos e financiamentos de projetos específicos e oficiais compensatórios.

Entretanto, a economia nacional e o balanço de contas não podem passar sem êles, sob pena de colapso, como flagrantemente demonstram as cifras estatísticas e a história recente da situação cambial brasileira. O imperativo de nosso desenvolvimento industrial força-nos a quantitativos nas importações superiores às possibilidades de nossas exportações. As deficiências destas, para o balanço de pagamento, são cobertas em parte substancial, pelo ingresso de capitais.

23. Releva ponderar que, atualmente, a quase totalidade dos empréstimos provém de organismos internacionais ou de entidades oficiais, de crédito, de países estrangeiros, quando não de fundos públicos, como no caso da "Aliança para o Progresso". Estas operações, portanto, de forma direta ou indireta, interessam e atingem os contribuintes de nações democráticas, extremamente ciosos da aplicação dada a seus impostos.

Assim, o clima hostil, criado num país sub-desenvolvido aos capitais de risco estrangeiros, gera um ambiente adverso a êle, para a obtenção de empréstimos e financiamentos, nos países de economia poderosa.

24. Com o êxito da Associação Latino Americana de Livre Comércio, se, de uma parte se abre ao Brasil ampla possibilidade de incrementar fortemente suas exportações de produtos industriais para as repúblicas do continente, de outro lado fica êle aberto, sem barreiras alfandegárias, à competição das indústrias destas nações. Se, portanto, consagrarmos uma legislação e um tratamento, relativos aos capitais de

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risco estrangeiros, muito mais rigorosos e restritivos que os adotados por elas (em que prevalesce o regime de liberdade e de ilimitação de remessas, como se vê no capítulo próprio dêste parecer) será de esperar que êles prefiram se estabelecer nos outros países da ALALC, sobretudo, nos que nos são vizinhos. Então, passaremos a importar, com dispêndio de divisas e sem arrecadação de impostos, os artigos que aqui poderiam ser produzidos e daqui exportados, graças às vantagens que estamos em condições de oferecer. Daí a conveniência de não estabelecermos, precipitadamente, uma legislação sôbre a matéria enquanto não fôr possível convencionar a adoção de normas uniformes pelas nações integrantes da ALALC.

O PROJETO DE LEI DA CÂMARA

Em face da orientação que, sôbre o tratamento a dispensar aos capitais estrangeiros, sustentamos nêste parecer, torna-se flagrante nossa discordância ao projeto de lei da Câmara nº 189/61 (na Câmara nº3251 D/61), cujos dispositivos cardiais, em nosso entender, teriam como consequência, se prevalescessem, afugentar do Brasil os investimentos diretos provenientes de poupanças externas e, ainda, criar-nos, nos meios financeiros internacionais, ambiente de dificuldades para a obtenção dos empréstimos e financiamentos de que tanto carecem nosso desenvolvimento e nosso balanço de pagamentos.

Os preceitos principais, que dão ao projeto um sentido de hostilidade aos capitais de risco procedentes do exterior, nìtidamente contra êles discriminatórios, são os seguintes:

1. A fixação em 10%, no máximo, das remessas anuais de lucros, sôbre o valor dos investimentos registrados (artº.22), maximé tendo-se em conta que por fôrça do § 1º do art. 2º, o registro referido deve ser efetuado em moeda nacional.

A conjugação dos dois artigos leva, pràticamente, ao confisco parcial dos capitais que se estabeleçam no Brasil. Cálculos de simples operações aritméticas, demonstram que, tendo em vista a progressiva desvalorização de nossa moeda e, portanto, sua perda de valor em relação às moedas estrangeiras, o capital de um milhões de dólares, registrado em moeda nacional, em 1 957, em cêrca de 70 milhões de cruzeiros, seria pràticamente em parte confiscado, desde que obedecidas as disposições do artigo 22, referente à remessa de lucros, e do art. 23, parágrafo único, segundo a qual se permite o retôrno do capital em parcelas anuais de 20%.

Basta, aliás, considerar que o capital de 70 milhões de cruzei-

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ros que, em 1 957, equivalia a um milhão de dólares, o assim foi registrado, em 1 962 já não corresponde senão a 200 mil dólares, para evidenciar que, sem a garantia de manter o capital o seu valor real, na moeda de origem, impõe-se-lhe um prejuizo que, só por si, o faria afastar - se do Brasil.

Convém acrescentar que, afora êste aspecto - que é como uma preliminar prejudicial, pois importa em barrar nosso país aos investimentos do exterior - a norma nem sequer cogita de distinguir entre os capitais, tratando com o mesmo rigor tanto os especulativos ou os aplicados em atividades de menor significação para o desenvolvimento nacional como os estabelecidos em indústrias de base, que trazem contribuição inestimável para nosso progresso e expansão econômica.

2. Complementando a disposição comentada, o art. 24 estabelece que os lucros excedentes do limite de 10% serão registrados à parte, como capital suplementar, e não dão direito a remessa de lucros futuros. E como o art. 25 determina que ao capital estrangeiro fica vedada a aquisição de emprêsas exploradas pelo capital nacional, depreende-se que os lucros excedentes dos 10% perdem qualquer sentido para o investidor estrangeiro, a não ser que êle, para usufruí-los, se mude para o Brasil. Qualquer aplicação que lhes dê, inclusive aplicando-os numa nova siderurgia ou na aquisição de títulos da Dívida Pública, proibido lhe fica perceber seus frutos no país em que resida.

3. Importa acentuar, por último, que, como nos parece, esta limitação quantitativa para a remessa de lucros, não alcança seu objetivo, uma vez que se admita - como constitui verdade axiomática para os que afirmam que tais remessas representam grave sangria de divisas no Brasil - a existência frequente, e, por assim dizer, normal, de transferências clandestinas, através, sobretudo, das manobras do sub e do super faturamento.

Consagrado o limite, teríamos, lògicamente, de aceitar que êle atuaria como o mais forte estímulo para o florescimento da fraude e da sonegação.

Às emprêsas, cujos lucros reais fôssem inferiores a 10%, nenhuma dificuldade adviria do preceito. Para as que os tivessem superiores e procedessem de má fé, como se pressupõe, os balanços acusariam apenas os lucros permitidos pelo teto, que seriam legalmente remetidos, pagos os impostos, enquanto os excedentes seriam transferidos pelos recursos clandestinos que tanto se denunciam. A não ser que, por absurdo, se assevere que tais processos sòmente são empregados quando existe liberda-

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do o ilimitação do remessas, depois do satisfeito o Fisco. Da mesma forma, como, segundo o projeto, os lucros superiores ao teto, ainda que reinvestidos no país, não dão direito a remessa de lucros futuros, serão pràticamente convidados a evadir-se usando de todos os meios possíveis.

Os dispositivos criticados teriam, portanto, como conseqüência, de uma parte punir as emprêsas e os investidores de boa fé, que os quisessem respeitar, e, de outra, fomentar e incentivar a fraude, a ela atraindo mesmo os mais tímidos e honestos. Para evitá-la, como para vigiar o destino dos lucros excedentes a 10%, ter-se-ia de recorrer a uma espessa rêde de mecanismos burocráticos e policiais, com tôdas as conhecidas inconveniências daí decorrentes.

4. Também a fixação, pelo art. 15, da taxa de 6% para a remessa de juros de empréstimos, estipulando-se que as quantias excedentes serão tidas como amortização do principal, merece recusa. Basta recordar que a taxa de desconto em bancos centrais da Europa é, por vezes, superior a ela, para demonstrar sua inadequação à realidade das transações. Ao em vez da eleição de uma taxa fixa, que pode ser inferior ou superior á real, deve a lei preferir norma flexível que não perturbe as operações legítimas, embora assegurando à economia nacional defesa contra possíveis abusos. É o que procura fazer o substitutivo que acompanha êste parecer.

5. A instituição do Conselho de Investimentos Estrangeiros, incumbido, entre outras atribuições, do planejamento da política do capital estrangeiro, também não recebe nossa aprovação.

Trata-se de medida agressivamente discriminatória, só por si capaz de afastar do Brasil os investimentos de origem externa. Reputamos de tôda conveniência o planejamento geral de uma política de investimentos, nacionais e estrangeiros, sem discriminações hostís, para orientar, mediante estímulos adequados, o processo de nosso desenvolvimento. Na forma prescrita, porém, o resultado imediato seria canalizar para as nações da Associação Latino Americana de Livre Comércio, especialmente as que nos são vizinhas, os capitais de risco que do Brasil fugiriam. Prevalescendo nelas regimes favoráveis a êstes capitais, poderiam êles, ali estabelecidos e à sombra das franquias da zona de livre comércio, exportar para o Brasil, consumindo-nos cambiais, os produtos que aqui teriam podido ser fabricados e daqui exportados, carreando-nos divisas.

O exame da competência do Conselho, consignada em oito itens do artigo 34, conduz forçosamente a esta conseqüência, claramente prejudicial a nossos interêsses. Basta, para tanto, verificar que o órgão es-

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tatal é que determinaria, aos investimentos, de forma compulsória, a região em que êles se poderiam estabelecer; vedaria a aplicação em setores que, a seu critério, não apresentam "repercussão apreciável no desenvolvimento do país"; fixaria o prazo de duração da exploração" para que o capital estrangeiro obtenha as vantagens justificáveis", o impo - ria o número de pessoas brasileiras a ser empregado nas emprêsas estrangeiras. Pelo artigo 35, sòmente se concede licença para se estabelecerem no Brasil às emprêsas que trouxerem "técnica nova ao país","importarem em economia de divisas ou concorrerem para nosso desenvolvimento" . Acrescenta, ainda, a proibição de instalação "nos setores ou regiões onde as emprêsas nacionais estejam atendendo plenamente às necessidades regionais",

O conjunto destas restrições e vedações implica o fechamento de nossas fronteiras aos investimentos forâneos. Releva acentuar que a imprecisão do texto conduziria o Conselho a decidir segundo os critérios arbitrários e variáveis que adotasse, ao sabor das mais diversas circunstâncias, pressões e interêsses, para não aludir à possibilidade das manobras de grupos e às tentações da corrupção e do poder econômico.

Assim,as expressões "de grande significação para o desenvolvimento do país ", "sem nenhuma repercussão apreciável no desenvolvimento do país", "vantagens justificáveis" - primam pela vaguidade e falta de nitidês, deixando ao arbítrio e ao capricho ocasionais fixar-lhes o conteúdo. Êste aspecto ainda mais se acentua no artigo 35, em que se admite a licença de instalação no Brasil, para a emprêsa que "importar em economia de divisas ou concorrer para o nosso desenvolvimento". Uma indústria de bebidas, como a recentemente montada em Recife, para produzir rum, ou uma outra de artigos de luxo ou de beleza, de reputação internacional - traz economia de divisas, pois evita a importação de produtos de ponderável consumo. Poderá, em conseqüência estabelecer-se no Brasil? Mas, conforme o critério do Conselho, concorrem elas "para o nosso desenvolvimento"? Que atividade produtora de bens ou serviços , trazendo capital, técnica, experiência e organização, dando emprêgo a centenas de brasileiros, comprando matérias primas e uma série de outros artigos de produção nacional, estimulando outras atividades, pagando impostos, aumentando o produto bruto, a renda nacional e a renda per capita - deixa de "concorrer para o nosso desenvolvimento "?

Mais ambíguo e perigoso, ainda, é o teor da parte final dêste artigo que não permite a instalação de emprêsas estrangeiras nos setores ou regiões "onde as emprêsas nacionais estejam atendendo plenamente às necessidades regionais". Como se apura isto, não o indica o projeto.

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Por atendimento das necessidades parece que o legislador quer figurar a situação em que a oferta satisfaça a procura, num momento dado. Ora, é sabido que a procura de um bem qualquer depende de seu preço e do poder aquisitivo de uma população. Se, devido à concorrência ou a um aumento da produtividade, baixa o preço, ou se, por fatores vários, aumenta a capacidade aquisitiva de determinadas camadas da sociedade, alteram-se os têrmos da procura e da oferta, podendo esta deixar de atender àquela. A situação de equilíbrio é,reconhecidamente, instável e variável, ao sabor de múltiplas circunstâncias.

Além dêste defeito essencial, é de indagar-se, em face do dispositivo,aceitando, para argumentar, a hipótese em que assenta, qual a razão que o ditou. Se se pretende justificá-lo com a alegação de ser conveniente evitar a aplicação de novos capitais em setores já suficientemente atendidos, a fim de dirigí-los a outros, mais necessitados, a alegação deve ser válida igualmente para os capitais nacionais. Se é a escassez dêste fator que fundamenta o preceito, se é a preocupação de forçar uma distribuição dos investimentos, de modo a promover mais rápida e harmoniosamente o desenvolvimento de economia, a norma deve prevalecer em têrmos gerais, quer sejam indígenas ou alienígenas ou capitais. Nêste caso, porém, adotado tal tipo de planejamento na aplicação de capitais, criará a lei um regime de monopólios ou oligopólios, ideal para o enriquecimento dos "beati possidenti" de situações privilegiadas, em detrimento do consumidor e do progresso, do aprimoramento da produção e do aumento da renda nacionais.

Acresce ressaltar que o artigo 35, nem ao menos exige que estejam satisfeitos "as necessidades nacionais" para que se negue licença de instalação a emprêsas estrangeiras; basta que as "necessidades regionais" o estejam. Como se definem estas, também não o diz o projeto.

A proteção que se cuida outorgar aos capitalistas nacionais fere, assim, mortalmente o regime de concorrência que é universalmente proclamado como o que assegura a melhor defesa do consumidor e o barateamento da produção. Parece, portanto, que êle vai fomentar as situações que a lei contra os abusos do poder econômico, monopólios e trustes - tão instantemente reclamada, como essencial entre as grandes reformas legais em curso - deve combater e coibir. Fomenta-se numa lei o que se combate na outra.

6. A vedação, às instituições oficiais de crédito, de concederem qualquer tipo de crédito ou financiamento às emprêsas estrangeiras é estabelecida em têrmos drásticos, sem admitir situações em que o interêsse do desenvolvimento nacional os aconselhe. É preferível acolher norma

que confira flexibilidade conveniente à aplicação do princípio. Uma política oficial de crédito não deve ficar adstrita a prescrições rígidas, sem que com isto se prejudique a legítima orientação de favorecer e estimular, predominantemente, os empreendimentos nacionais, assim como, em casos especiais, auxiliar investimentos estrangeiros considerados necessários ou de alta conveniência ao desenvolvimento de setores ou regiões econômicas do país.

7. O artigo 38 proibe às sociedades de investimento lançar no mercado nacional de capitais, ações e títulos emitidos por emprêsas controladas por capitais estrangeiros. Tal dispositivo contraria fundamente o interêsse da economia brasileira em assegurar e incentivar a mais larga participação possível das poupanças internas em empreendimentos lucrativos, impede a democratização, tão desejável e preconisada, do capital das emprêsas, sobretudo estrangeiras, e impossibilita a nacionalização, e ainda que parcial, destas emprêsas. Nem se pode afirmar, diante do texto, se com êle se visa a hostilizar os investimentos externos ou se tem por finalidade punir os investidores nacionais, inclusive os titulares de pequenas poupanças, negando-lhes a possibilidade de aquisição de títulos e ações que desejariam adquirir como bom emprêgo para suas reservas.

8. Dispõe o projeto que dependa do Conselho de Investimentos a fixação do montante dos valores em moedas, papel-moeda, cheques, ouro, jóias, medalhas, etc., que as pessoas que viajarem para o exterior poderão transportar, cabendo à fiscalização bancária fornecer a respectiva licença.

Bem é de prever que a prescrição ou se tornará letra morta, por inoperante, ou será fonte de perturbações, incômodos e vexames aos viajantes, inclusive e especialmente aos turistas. As pessoas honestas e cautelosas ver-se-ão obrigadas a satisfazer penosas formalidades burocráticas e a comprovarem, perante as autoridades policiais e alfandegárias nas estações de embarque, que os valores, jóias, medalhas "e etc." que transportam, se acham dentro dos limites permitidos. A dificuldade crescerá de vulto no caso de senhoras ricas, sobretudo estrangeiras que visitem o Brasil, atraídas por nossas atrações turísticas, para demonstrarem que suas jóias, medalhas e etc. realmente lhes pertencem e não estão sendo contrabandeadas.

Doutra parte, os profissionais do contrabando não encontrarão, nêste nôvo impedimento, maiores dificuldades do que os já existentes lhe deveriam criar na repressão da sua atividade criminosa. Aliás, o

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transporte de ouro ou de jóias, que não sejam de uso do viajante, constitui matéria de legislação específica, sendo ociosa sua reprodução. Quanto a cheques, papel moeda e mesmo jóias, medalhas "e etc.", para que o preceito tenha aplicação, far-se-á mistér, não apenas o exame das malas dos viajantes, mas a vistoria de suas vestes. E certamente os Guias e as Agências internacionais de turismo não deixarão de advertir os interessados em nos visitar sôbre o problema que suas jóias, medalhas"e etc." lhes criam no Brasil, o que será, sem dúvida, um admirável desserviço ao esfôrço de incrementar correntes turísticas para nosso país.Não é demais lembrar que o México - para não citar a Itália, França, Portugal e Espanha - obtém com o turismo receitas cambiais de muitas centenas de milhões de dólares e que o Brasil, se decidisse adotar as providências necessárias, poderia tirar desta fonte substancial reforço para seu balanço de pagamentos.

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Os demais aspectos do projeto são atendidos, com as alterações que se nos afiguraram aconselháveis, no substitutivo anexo a êste parecer, o qual inclui, ainda, diversos dispositivos novos e dá maior desdobramento a outros.

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O SUBSTITUTIVO

O substitutivo, que temos a honra de submeter ao exame desta douta Comissão, caracteriza-se, sobretudo, pelo esfôrço de alcançar, se não a conciliação das correntes ideológicas discrepantes no tratamento do problema em tela, pelo menos um têrmo médio em que elas se possam encontrar, mediante transigências recíprocas. Pretendemos ter chegado a um texto eclético, o quanto possível harmonioso, cuja preocupação fundamental consistiu em atender aos aspéctos políticos de uma questão essencialmente econômica. Assim, na elaboração de um projeto desta natureza, os ditames da ciência econômica em muitos pontos devem ceder às exigências ou possibilidades políticas, tendo em conta que as repercussões políticas da lei podem ser tão graves quanto as econômicas. Explican-se, desta forma, as concessões que, em diversos dispositivos, tivemos de fazer às nossas convicções doutrinárias, expostas no parecer, na tentativa de conseguir a fórmula de entendimento o superação de antagonismos.

Poucos ou raros são os preceitos de nossa autoria que figuram no substitutivo. A quase totalidade dêles procede dos que constam no projeto de lei da Câmara e no substitutivo da Comissão de Economia daquela Casa do Congresso, ou das sugestões apresentadas pela Confedera - ção Nacional da Indústria, Federação das Indústrias do Estado de São Paulo, Federação das Associações Comerciais, outras entidades de classe e alguns ilustres economistas, embora com as modificações que se nos afiguram aconselháveis.

Como se verá da leitura, dispensamos o maior empenho em dotar as autoridades competentes, sobretudo as da Superintendência da Moeda e do Crédito, de atribuições e instrumentos de ação eficazes para o policiamento das operações cambiais relacionadas com o movimento de capitais e seus rendimentos, introduzindo no projeto numerosas prescrições nêste sentido, de modo a combater as possibilidades de fraudes e sonegações.

Igualmente marcante é a preocupação de defender a situação cambial do Brasil sempre que as condições do balanço de pagamentos se mostrem gravemente desfavoráveis. As normas a respeito, além de conferir ao Conselho da Superintendência da Moeda e do Crédito autoridade para optar entre várias soluções e providências, são as mais rigorosas e eficientes possíveis. Veda, por exemplo, em tais situações, qualquer transferência a título de retôrno de capitais. Bem é de ver, entretanto, que, como demonstram as estatísticas, sendo as remessas de rendimentos dos capitais de risco de diminuta significação no conjunto de nos-

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sa balança de contas, a defesa cambial não se pode limitar, em casos de crise, à limitação delas. Daí a importância que atribuimos ao dispositivo que confere à SUMOC competência para criar, temporàriamente, nos momentos de maior escassez de divisas, um encargo financeiro sôbre as transações, quer de importação, quer de movimento de capitais, para constituir um fundo de reforço de nossas reservas e disponibilidades cambiais.

Fugindo de comentar as determinações consignadas no substitutivo, cuja leitura dispensa esclarecimentos, desejamos acentuar que a boa aplicação dêle, como, aliás, dos diversos textos propostos, dependerá de alterações que a legislação sôbre sociedade anônimas está reclamando, sobretudo a respeito das ações ao portador e da transferibilidade por endôsso, das nominativas.

Ainda queremos insistir, ao finalizar, na necessidade de não incidir o Brasil no êrro de uma legislação sôbre capitais estrangeiros distoante da que prevalece nas demais nações do continente, sobretudo das que integram a Associação Latino Americana de Livre Comércio. Daí o preceito que recomenda o estabelecimento de convênios entre elas, com o objetivo de alcançar-se uniformidade no tratamento a ser dispensado aos investimentos diretos das poupanças externas. Temos a pretensão de afirmar que o substitutivo pode, a êste respeito, ser justamente criticado pelo rigor de suas prescrições, em confronto com o regime vigorante nas demais repúblicas sul e centro americanas. E, em consequência, nosso receio de que, apesar de honesto esfôrço dispendido para alcançar um denominador comum entre correntes antagônicas, o substitutivo a nenhuma satisfaça e de ambas sofra iguais restrições, o que, afinal, demonstrará que se manteve equidistante das soluções extremadas na tentativa de um texto de harmonia e entendimento.

Substitutivo ao Projeto de Lei da Câmara Nº

Dispõe sôbre o capital estrangeiro, sôbre a remessa de sua remuneração para o exterior e da outras providencias.

Art. 1º - Consideram-se capitais estrangeiros, para os efeitos desta lei, os bens, máquinas e equipamentos, entrados no Brasil sem dispêndio inicial de divisas, destinados à produção de bens ou serviços, bem como os recursos financeiros ou monetários, introduzidos no país para aplicação em atividades econômicas, desde que, em ambas as hipóteses, pertençam a pessoas físicas ou jurídicas residentes, domiciliadas ou com sede no exterior.

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Art. 2º - Ao capital estrangeiro que se investir no País, será dispensado tratamento jurídico idêntico ao concedido ao capital nacional em igualdade de condições, sendo vedadas quaisquer discriminações não previstas na presente lei.

Art. 3º - Fica instituido na Superintendência da Moeda e do Crédito, um serviço especial de registro de capitais estrangeiros, qualquer que seja sua forma de ingresso no País bem como de operações financeiras com o exterior, no qual serão registrados:

a) os capitais estrangeiros que ingressarem no País sob a forma de investimento direto ou de empréstimo, quer em moeda, quer em bens;

b) as remessas feitas para o exterior como retôrno de capitais ou como rendimentos dêsses capitais, lucros, dividendos, juros, amortizações, bem como as de royalties, de pagamento de assistência técnica, ou por qualquer outro título que impliquo transferência de rendimentos para fora do País;

c) os reinvestimentos de lucros dos capitais estrangeiros;

d) as alterações do valor monetário do capital das emprêsas, procedidas de acôrdo com a legislação em vigor.

Parágrafo único - O registro dos reinvestimentos a que se refere a letra c será devido ainda que se trate de pessoa jurídica com sede no Brasil, mas filiada a emprêsas estrangeiras ou controlada por maioria de ações pertencentes a pessoas físicas ou jurídicas com residência ou sede no estrangeiro.

Art. 4º - O registro de capitais estrangeiros será efetuado na moeda do país de onde forem originários e o dos reinvestimentos de lucros em moeda nacional.

Parágrafo único - Se o capital for representado por bens, o registro será feito pelo seu preço no país de origem ou, na falta de comprovantes satisfatórios, segundo os valores apurados na contabilidade da emprêsa receptora do capital, ou, ainda, pelo critério de avaliação que for determinada em regulamento.

Art. 5º - O registro do investimento estrangeiro será requerido dentro de trinta dias da data de seu ingresso no País e independente do pagamento de qualquer taxa ou emolumento, não podendo ser denegado sob qualquer pretexto. No mesmo prazo, a partir da data da aprovação do respetivo registro contábil, pelo órgão competente da emprêsa, proceder-se-á ao registro dos reinvestimentos de lucros.

Parágrafo único - Os capitais estrangeiros e respetivos rein-

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vestimentos de lucros já existentes no país, também estão sujeitos a registro, o qual será requerido por seus proprietários ou responsáveis, ou pelas emprêsas em que estiverem aplicados, dentro do prazo de 180 dias da data da publicação desta lei.

Art. 6º - A Superintendência da Moeda e do Crédito tomará as providências necessárias para que o registro dos dados a que se referem os artigos anteriores seja mantido atualizado, ficando as emprêsas obrigadas a prestar as informações que ela lhes solicitar.

Art. 7º - Considera-se reinvestimento, para efeitos de registro, as quantias que poderiam ter sido legalmente remetidas para o exterior, a título de rendimentos e não o foram, sendo aplicadas na própria emprêsa de que procedem ou em outro setor da economia nacional.

Art. 8º - As remessas de juros de empréstimos, créditos e financiamentos serão consideradas como amortização do capital na parte que excederem da taxa de juros constante do contrato respectivo e de seu respectivo registro, cabendo à SUMOC impugnar e recusar a parte da taxa que exceder a taxa vigorante no mercado financeiro de onde procede o empréstimo, crédito ou financiamento, na data de sua realização, para operações do mesmo tipo e condições.

Art. 9º - As pessoas físicas e jurídicas que desejarem fazer transferências para o exterior a título de lucros, dividendos, juros, amortizações, royalties, assistência técnica, científica, administrativa e semelhantes, deverão submeter aos órgãos competentes da SUMOC e da Divisão do Impôsto sôbre a Renda, os contratos e documentos que forem considerados necessários para justificar a remessa.

Parágrafo único - As remessas para o exterior dependem do registro da emprêsa na SUMOC e de prova do pagamento do impôsto de renda que for devido.

Art.10 - O Conselho da Superintendência da Moeda e do Crédito poderá, quando considerar necessário, verificar a assistência técnica, administrativa ou semelhantes, prestada a emprêsas estabelecidas no Brasil, que implique remessa de divisas para o exterior, tendo em vista apurar a efetividade dessa assistência.

Art. 11 - A transferência para o pagamento de royalties, devidos por patentes de invenção, marcas de indústria e comércio ou outros títulos da mesma espécie, depende de prova, de parte do interessado, de que os respectivos privilégios não caducaram no país de origem.

Art. 12 - As somas das quantias devidas a título de royalties pela exploração de patentes de invenção, ou uso de marcas de indústria

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e de comércio e por assistência técnica, científica, administrativa ou semelhante, poderão ser deduzidas, nas declarações de renda, para o efeito do art. 37, do Decreto nº 47 373, de 7 de dezembro de 1 959, até o limite máximo de cinco por cento (5%) da receita bruta do produto fabricado ou vendido.

§ 1º - Serão estabelecidos e revistos periòdicamente, mediante ato do Ministro da Fazenda, os coeficientes percentuais admitidos para as deduções a que se refere êste artigo, considerados os tipos de produção ou atividades, reunidos em grupos, segundo o gráu de essencialidade.

§ 2º - As deduções de que êste artigo trata serão admitidas quando comprovadas as despesas de assistência técnica, científica, administrativa ou semelhantes, desde que efetivamente prestados tais serviços, bem como mediante o contrato de cessão ou licença de uso de marcas e de patente de invenção, regularmente registrado no País, de acôrdo com as prescrições do Código de Propriedade Industrial.

§ 3º - As despesas de assistência técnica, científica, administrativas e semelhantes sòmente poderão ser deduzidas nos cinco primeiros anos do funcionamento da emprêsa ou da introdução de processo especial de produção, quando demonstrada sua necessidade, podendo êste prazo ser prorrogado até mais cinco anos, por autorização do Conselho da Superintendência da Moeda e do Crédito.

Art. 13 - Serão considerados como lucros distribuidos e tributados de acôrdo com os arts. 39 e 40 as quantias devidas a título de royalties pela exploração de patentes de invenção e por assistência técnica, científica, administrativa ou semelhante , que não satisfizeren às condições ou excederem os limites previstos no artigo anterior.

Parágrafo único - Também serão tributados do acôrdo com os arts. 39 e 40 o total das quantias devidas a pessoas físicas ou jurídicas residentes ou sediadas no exterior, a título do uso de marcas de indústria e de comércio.

Art. 14 - Não serão permitidas remessas para pagamentos de royalties pelo uso de patentes de invenção e de marcas de indústria ou do comércio, entre filial ou subsidiária de emprêsa estabelecida no Brasil e sua matriz com sede no exterior, ou quando a maioria do capital da emprêsa no Brasil pertença aos titulares do recebimento dos royalties no estrangeiro.

Parágrafo único - Nos casos de que trata êste artigo não é permitida a dedução prevista no artigo 12 (doze).

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Art. 15 - A prática de fraude aduaneira ou cambial que resulte de sub ou superfaturamento na exportação ou na importação de bens e mercadorias, uma vez apurada em processo administrativo regular, no qual será assegurada plena defesa ao acusado, importará na aplicação aos responsáveis, pelo Conselho da Superintendência da Moeda e do Crédito, de multa até dez vezes o valor das quantias sub ou superfaturadas, ou da penalidade de proibição de exportar e importar.

Art. 16 - Fica o Govêrno autorizado a celebrar acôrdos de cooperação administrativa com países estrangeiros, visando ao intercâmbio de informações de interêsse fiscal e cambial, tais como remessas de lucros e royalties, pagamento de serviços de assistência técnica e semelhantes, valor de bens importados, alugueres de filmes cinematográficos, máquinas, etc., bem como de quaisquer outros elementos que sirvam de base à incidência de tributos.

Parágrafo único - O Govêrno procurará celebrar, com os Estados e Municípios, acôrdos ou convênios de cooperação fiscal, visando a uma ação coordenada dos contrôles fiscais exercidos pelas repartições federais, estaduais e municipais, a fim de alcançar maior eficiência na fiscalização e arrecadação de quaisquer tributos e na repressão à evasão e sonegação fiscais.

Art. 17 - As pessoas físicas e jurídicas, domiciliadas ou com sede no Brasil, ficam obrigadas a declarar à SUMOC, no prazo de sessenta dias, da data da publicação desta lei, os bens e valores que possuirem no exterior, inclusive depósitos bancários, excetuados, no caso de estrangeiros, os que possuia ao entrar no Brasil.

Art. 18 - A inobservância do preceito do artigo anterior importará em que os valores e depósitos bancários no exterior sejam considerados produto de enriquecimento ilícito e como tais objeto de processo criminal, para que sejam restituidos ou compensados com bens ou valores existentes no Brasil, os quais poderão ser sequestrados pela Fazenda Pública, na medida em que sejam suficientes para tanto.

Art. 19 - As pessoas físicas ou jurídicas, domiciliadas ou com sede no Brasil, deverão, ainda, comunicar à Superintendência da Moeda e do Crédito as aquisições de novos bens e valores no exterior, indicando os recursos para tal fim usados.

Parágrafo único - Anualmente, até o dia 31 de janeiro, comunicarão, outrossin, à SUMOC o montante de seus depósitos bancários no exterior, a 31 de dezembro do ano anterior, com a justificação das variações nêles ocorridas.

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Art. 20 - Por ato regulamentar, o Poder Executivo estabelecerá planos de contas e normas gerais de contabilidade padronizadas para grupos homogêneos de atividades, adaptáveis às necessidades e possibilidades das emprêsas de diversas dimensões.

Parágrafo único - Aprovados, por ato regulamentar, o plano de contas e as normas gerais contábeis a elas aplicáveis, tôdas as pessoas jurídicas do respectivo grupo de atividades serão obrigadas a observá-los em sua contabilidade, dentro dos prazos previstos em regulamento, que deverão permitir a adaptação ordenada dos sistemas em prática.

Art. 21 - É obrigatório, nos balanços das emprêsas, inclusive sociedades anônimas, a discriminação da parcela de capital e dos créditos pertencentes a pessoas físicas ou jurídicas, residentes, domiciliadas ou com sede no exterior.

Art. 22 - Igual discriminação será feita na conta de lucros e perdas, para evidenciar a parcela de lucros, dividendos, juros e outros quaisquer proventos atribuidos a pessoas físicas ou jurídicas, residentes, domiciliadas ou com sede no estrangeiro.

Art. 23 - As operações cambiais no mercado de taxa livre serão efetuadas através de estabelecimentos autorizados a operar em câmbio, com a intervenção de corretor oficial quando previsto em lei ou regulamento, respondendo ambos pela identidade do cliente, assim como pela correta classificação das informações por êste prestadas, segundo normas fixadas pela Superintendência da Moeda e do Crédito.

§ 1º - As operações que não se enquadrem claramente nos itens específicos do Código de Classificação adotado pela SUMOC, ou sejam classificáveis em rubricas residuais como "Outros" e "Diversos", só poderão ser realizadas através do Banco do Brasil.

§ 2º - Constitui infração imputável ao estabelecimento bancário, ao corretor e ao cliente, punível com multa equivalente ao triplo do valor da operação para cada um dos infratores, a declaração de falsa identidade no formulário que, em número de vias e segundo o modêlo determinado pela Superintendência da Moeda e do Crédito, será exigido em cada operação, assinado pelo cliente e visado pelo estabelecimento bancário e pelo corretor que nela intervieren.

§ 3º - Constitui infração, de responsabilidade exclusiva do cliente, punível com multa equivalente a 100% (cem por cento) do valor da operação, a declaração de informações falsas no formulário a que se refere o § 2º.

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§ 4º - Constitui infração, imputável ao estabelecimento bancário e ao corretor que intervieram na operação, punível com multa equivalente de 50 (cinquenta) a 100% (cem por cento) do respectivo valor, para cada um dos infratores, a classificação incorreta, dentro das normas fixadas pelo Conselho da Superintendência da Moeda e do Crédito, das informações prestadas pelo cliente no formulário a que se refere o § 2º dêste artigo.

§ 5º - Em caso de reincidência, poderá o Conselho da Superintendência da Moeda e do Crédito cassar a autorização para operar em câmbio aos estabelecimentos bancários que negligenciarem o cumprimento do disposto no presente artigo e propor à autoridade competente igual medida em relação aos corretores.

§ 6º - O texto do presente artigo constará obrigatòriamente do formulário a que se refere o § 2º.

Art. 24 - Cumpre aos estabelecimentos bancários, autorizados a operar em câmbio, transmitir à Superintendência da Moeda e do Crédito, diàriamente, informações sôbre o montante de compra e venda de câmbio, com a especificação de suas finalidades, segundo a classificação estabelecida.

Parágrafo único - Quando os compradores ou vendedores de câmbio forem pessoas jurídicas, as informações estatísticas devem corresponder exatamente aos lançamentos contábeis correspondentes, destas emprêsas.

Art. 25 - Os estabelecimentos bancários que deixarem de informar o montante exato das operações realizadas ficarão sujeitos à multa até o máximo correspondente a 30 (trinta) vezes o maior salário mínimo anual vigorante no País, triplicada no caso de reincidência.

Parágrafo único - A multa será imposta pelo Inspetor Geral de Bancos, havendo recurso de seu ato, sem efeito suspensivo, para o Conselho da Superintendência da Moeda e do Crédito, dentro do prazo de 15 (quinze) dias da data da intimação.

Art. 26 - No caso de infrações repetidas, o Inspetor Geral de Bancos solicitará ao Diretor Executivo da Superintendência da Moeda e do Crédito o cancelamento da autorização para operar em câmbio, do estabelecimento bancário por elas responsável, cabendo a decisão final ao Conselho da Superintendência da Moeda e do Crédito.

Art. 27 - O Conselho da Superintendência da Moeda e do Crédito poderá determinar que as operações cambiais referentes a movimentos de capital sejam efetuadas, no todo ou em parte, em mercado financeiro de câmbio, separado do mercado de exportação e importação, sempre que a

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situação cambial assim o recomendar.

Art. 28 - Sempre que ocorrer grave desequilíbrio no balanço de pagamentos, ou houver sérias razões para prever a iminência de tal situação, poderá o Conselho da Superintendência da Moeda e do Crédito, impor restrições, por prazo limitado, à importação e às remessas de rendimentos dos capitais estrangeiros e, para êste fim, outorgar ao Banco do Brasil, monopólio total ou parcial das operações de câmbio.

§ 1º - No caso previsto nêste artigo, ficam vedadas as remessas a título de retôrno de capitais de risco e limitadas a 10% (dez por cento), sôbre o capital registrado nos têrmos dos arts. 3 e 4, as de seus lucros.

§ 2º - Os rendimentos que excederem a 10% (dez por cento) do capital, deverão ser comunicados à SUMOC, a qual, na hipótese de se prolongar por mais de um exercício a restrição a que se refere êste artigo, poderá autorizar a remessa, no exercício seguinte, das quantias relativas ao excesso, quando os lucros nêle auferidos não atingirem aquele limite.

§ 3º - As limitações constantes dêste artigo podem deixar de se aplicar, a critério da SUMOC, aos capitais que se investirem em regiões ou setores econômicos prèviamente declarados de alto interêsse nacional, em decreto do Poder Executivo, ouvidos a respeito o Conselho Nacional de Economia e o Conselho da Superintendência da Moeda e do Crédito.

§4 º- Nos mesmos casos dêste artigo, poderá o Conselho da Superintendência da Moeda e do Crédito limitar a remessa de quantias a título de pagamento de "royalties" e assistência técnica, administrativa ou semelhante, até o limite máximo cumulativo, anual de 5% (cinco por cento) da receita bruta da emprêsa.

§ 5º - Ainda nos casos dêste artigo, fica o Conselho da SUMOC autorizado a baixar instruções limitando as despesas cambiais com "Viagens Internacionais".

§ 6º - Não haverá, porém, restrições, para as remessas de juros e quotas de amortização constantes de contratos de empréstimo devidamente registrados.

Art. 29 - Sempre que se tornar aconselhável economizar a utilização das reservas de câmbio, é o Poder Executivo autorizado a exigir temporàriamente, mediante Instrução do Conselho da Superintendência da Moeda e do Crédito, um encargo financeiro, de caráter estritamente monetário, que recairá sôbre a importação de mercadorias e sôbre as transferências financeiras, até o máximo de 10% (dez por cento) sôbre o valor

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dos produtos importados e até 50% (cinquenta por cento) sôbre o valor de qualquer transferência financeira, inclusive para despesas com "Viagens Internacionais".

Parágrafo único - O prazo máximo da faculdade impositiva de que trata êste artigo será de 150 (cento e cinquenta) dias, consecutivos ou não, durante o ano.

Art. 30 - As importância arrecadadas por meio de encargo financeiro previsto no artigo anterior constituirão reserva monetária em cruzeiros, mantida na Superintendência da Moeda e do Crédito, em caixa própria, e será utilizada, quando julgado oportuno, exclusivamente na compra de ouro e de divisas, para reforço das reservas e disponibilidades cambiais.

Art. 31 - Em qualquer circunstância e qualquer que seja o regime cambial vigente, não poderão ser concedidas às compras de câmbio para remessa de lucros, juros, royalties, assistência técnica, retôrno de capitais, condições mais favoráveis do que as que se aplicarem às remessas para pagamento de importações da categoria geral de que trata a lei nº 3 244, de 14.8.1 957.

Art. 32 - A nomeação dos titulares dos órgãos que integram o Conselho da Superintendência da Moeda e do Crédito, passa a depender de prévia aprovação do Senado Federal, excetuada a dos Ministros de Estado.

Art. 33 - Os Membros do Conselho da Superintendência da Moeda e do Crédito ficam obrigados a fazer declaração de bens e rendas próprias e de suas espôsas e dependentes, até 30 (trinta) de abril de cada ano, devendo êstes documentos ser examinados e arquivados no Tribunal de Contas da União.

Parágrafo único - Os servidores da Superintendência da Moeda e do Crédito que tiverem responsabilidade e encargos regulamentares nos trabalhos relativos ao registro de capitais estrangeiros ou de sua fiscalização, nos têrmos desta lei, ficam igualmente obrigados à declaração de bens e rendas prevista nêste artigo.

Art. 34 - O Tesouro Nacional e as entidades oficiais de crédito público da União e dos Estados, inclusive sociedades de economia mista por êles controladas, só poderão garantir empréstimos, créditos ou financiamentos obtidos no exterior, por emprêsas cuja maioria de capital com direito a voto, pertença a pessoas não residentes no País, mediante autorização em decreto do Poder Executivo.

Art. 35 - As emprêsas com maioria de capital estrangeiro, ou filiais de emprêsas sediadas no exterior, não terão acesso ao crédito das entidades e estabelecimentos mencionados no artigo anterior até o início

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comprovado de suas operações, excetuados projetos considerados de alto interêsse para a economia nacional, mediante autorização especial do Conselho de Ministros.

Art. 36 - As entidades e estabelecimentos de crédito a que se refere o artigo 34, só poderão conceder empréstimos, créditos ou financiamentos para novas inversões a serem realizadas no ativo fixo de emprêsas cuja maioria de capital, com direito a voto, pertença a pessoas não residentes no País, quando elas estiverem aplicadas em setores de atividades e regiões econômicas de alto interêsse nacional, definidos e enumerados em decreto do Poder Executivo, mediante audiência do Conselho Nacional de Economia.

Parágrafo único - Também a aplicação de recursos provenientes de fundos públicos de investimentos, criados por lei, obedecerá à regra estabelecida nêste artigo.

Art. 37 - Estão sujeitos ao desconto do impôsto de renda na fonte, nos têrmos da presente lei, os seguintes rendimentos:

A) os dividendos de ações ao portador e quaisquer bonificações a elas atribuidas;

B) os interêsses e quaisquer outros rendimentos e proventos de títulos ao portador, denominados "Partes Beneficiárias" ou "Partes de Fundador";

C) os lucros, dividendos e quaisquer outros benefícios e interêsse de ações nominativas ou de quaisquer títulos nominativos do capital de pessoas jurídicas, percebidos por pessoas físicas ou jurídicas, residentes, domiciliadas ou com sede no exterior, ou por filiais ou subsidiárias de emprêsas estrangeiras.

Art. 38 - As pessoas jurídicas que tenham predominância de capital estrangeiro, ou sejam filiais ou subsidiárias de emprêsas com sede no exterior, ficam sujeitas às normas e às alíquotas do impôsto de renda estabelecidas na legislação dêste tributo.

Art. 39 - Os lucros e dividendos atribuidos a pessoas físicas ou jurídicas, residentes ou com sede no exterior, ficam sujeitas ao pagamento, na fonte, do impôsto sôbre a renda às taxas que vigoraram para os dividendos devidos às ações ao portador.

Art. 40 - O referido impôsto será cobrado com um acréscimo de 20% (vinte por cento) no caso de emprêsas aplicadas em atividades econômicas de menor interêsse para a economia nacional, tendo em conta sua localização, definidas em decreto do Poder Executivo, mediante audiência do Conselho Nacional de Economia e do Conselho da Superintendência da Moeda e do Crédito.

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Art. 41 - Os rendimentos oriúndos da exploração de películas cinematográficas, excetuados os dos exibidores não importadores, ficarão sujeitos ao desconto do impôsto à razão de 40% (quarenta por cento), mas o contribuinte terá direito a optar pelo depósito, no Banco do Brasil, em conta especial, de 40% (quarenta por cento) do impôsto devido, podendo aplicar esta importância, mediante autorização do Grupo Executivo da Indústria Cinematográfica (GEICINE), criado pelo Decreto nº 50278, de 17 de fevereiro de 1 961, na produção de filmes no País, nos têrmos do Decreto nº 51.106, de 1ºde agôsto de 1 961.

Art. 42 - Os lucros provenientes da venda de propriedades imóveis, inclusive da cessão de direitos, quando o proprietário for pessoa física ou jurídica residente ou com sede no exterior, ficam sujeitos a impôsto às taxas previstas pelo art. 39.

Art. 43 - Os critérios fixados para a importação de máquinas e equipamentos usados serão os mesmos, tanto para os investidores e emprêsas estrangeiras como para os nacionais.

Art. 44 - Autorizada uma importação de máquinas e equipamentos usados, gozará de regime cambial idêntico ao vigorante para a importação de máquinas e equipamentos novos.

Art. 45 - O Conselho de Política Aduaneira disporá da faculdade de reduzir ou de aumentar, até 30 (trinta por cento) as alíquotas do impôsto que recaiam sôbre máquinas e equipamentos, atendendo às peculiaridades das regiões a que se destinam, à concentração industrial em que venham a ser empregados e ao gráu de utilização das máquinas e equipamentos antes de efetivar-se a importação.

Parágrafo único - Quando as máquinas e equipamentos forem transferidos da região a que inicialmente se destinavam, deverão os responsáveis pagar ao fisco a quantia correspondente à redução do impôsto que elas gozaram quando de sua importação, sempre que removidas para zonas em que a redução não seria concedida.

Art. 46 - Aos bancos estrangeiros, autorizados a funcionar no Brasil, serão aplicadas as mesmas vedações, ou restrições equivalentes, às que a legislação dos Estados em que tiverem sede suas matrizes impõe aos bancos brasileiros que nêles desejem se estabelecer.

Parágrafo único - O Conselho da Superintendência da Moeda e do Crédito baixará as instruções necessárias para que o disposto no presente artigo seja cumprido no prazo de dois anos, em relação aos bancos estrangeiros já em funcionamento no País.

Art. 47 - Aos bancos estrangeiros, cujas matrizes tenham sede em Estados em que a legislação imponha restrições ao funcionamento de

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bancos brasileiros, fica vedado adquirir mais de 30% (trinta por cento) das ações, com direito a voto, de bancos nacionais.

Art. 48 - Ao capital estrangeiro aplicado em atividades ou emprêsas não produtoras de bens e serviços é vedada a remessa de lucros para o exterior que excederem anualmente a 8% (oito por cento) do capital registrado na SUMOC.

Parágrafo único - As remessas de lucros que excederem o limite estabelecido nêste artigo serão consideradas retôrno do capital e deduzidas do registro correspondente para efeito de futuras remessas.

Art. 49 - Fica o Conselho de Ministros autorizado a promover entendimentos e convênios com as nações integrantes da Associação Latino Americana de Livre Comércio, tendentes à adoção por elas de uma legislação uniforme em relação ao tratamento a ser dispensado aos capitais estrangeiros.

Art. 50 - A SUMOC realizará, periodicamente, em colaboração com o Instituto Brasileiro de Geografia e Estatística, o Censo dos Capitais estrangeiros aplicados no País.

Art. 51 - Os Censos deverão realizar-se nas datas dos Recenceamentos Gerais do Brasil, registrando a situação das emprêsas e capitais estrangeiros em 31 de dezembro do ano anterior.

Art. 52 - Caberá à SUMOC elaborar o plano e os formulários do Censo a que se referem os artigos anteriores, de modo a permitir uma análise completa da situação, movimentos e resultados dos capitais estrangeiros.

Parágrafo único - Con base nos Censos realizados, a SUMOC, elaborará relatório contendo ampla e pormenorizada exposição ao Conselho de Ministros e ao Congresso Nacional.

Art. 53 - As infrações à presente lei, ressalvadas as penalidades específicas constantes de seu texto, ficam sujeitas a multas que variarão de 20 (vinte) a 50 (cinquenta) vezes o maior salário mínimo vigorante no País, a serem aplicadas pela Superintendência da Moeda e do Crédito, na forma prescrita em regulamento ou Instruções que, a respeito, forem baixadas.

Art. 54 - Esta lei entrará em vigor na data de sua publicação, revogadas as disposições em contrário.

Sala da Comissão de Finanças do Senado Federal,

em de junho de 1 962.

,PRESIDENTE.

,RELATOR.

0483

. EXO A

MOVIMENTO DOS CAPITAIS ESTRANGEIROS

1. Capitais de Empréstimos

(Milhões de dólares)

	Movimento de Capitais			Juros (4)	Saldo Geral (3) - (4)
	Ingressos (1)	Amortizações (2)	Saldo (3)		
1947	278	- 58	220	- 13	207
1948	9	- 138	- 129	- 23	- 152
1949	119	- 107	12	- 21	- 9
1950	52	- 88	- 36	- 27	- 63
1951	222	- 31	191	- 20	171
1952	110	- 61	49	- 21	28
1953	551	- 46	505	- 33	472
1947/1953	1 341	- 529	812	- 158	654
1954	369	- 134	235	- 44	191
1955	145	- 198	- 53	- 34	- 87
1956	248	- 215	33	- 67	- 34
1957	377	- 242	65	- 67	- 2
1958	626	- 324	302	- 58	244
1959	589	- 398	191	- 91	100
1960	763	- 410	353	- 106	247
1954/1960	3 047	- 1 921	1 126	- 467	659
1947/1960	4 388	- 2 450	1 938	- 625	1 313

0484

ANEXO B

MOVIMENTO DOS CAPITAIS ESTRANGEIROS

2. CAPITAIS de RISCO

(em milhões de dólares)

ANOS	Efetivamente recebidos	Lucros remetidos	Saldos
1947	36	23	13
1948	25	38	-13
1949	6	41	-35
1950	3	47	-44
1951	- 4	70	-74
1952	9	15	- 6
1953	22	93	-71
Sub-totais	97	327	-230
Média anual	13,86	46,7	-32,8
1954	11	49	-38
1955	43	43	0
1956	89	24	65
1957	143	26	117
1958	110	31	79
1959	124	25	99
1960	98	40	58
1961	103	31	72
Sub-Totais	721	269	452
Média anual	90	33.6	56,5
Totais 1947/61	818	596	222
Média anual	54,5	39,7	14,8

Obs.: Não foram incluídas as cifras referentes a reinvestimentos. a) - porque a SUMOC só agora se prepara para realizar êste registro, sendo os dados por ela publicados, até 1958, exclusivamente relativos aos investimentos norte-americanos, extraídos de publicações do Departament [illegible]erce; b) - porque são quantias que se anulam, figurando simultâneamente na coluna de ingressos e de saídas. Preferimos, por isto, registrar sòmente as efetivamente entradas e as efetivamente remetidas.

Fonte: SUMOC

0485

ANEXO C

SERVIÇOS DIVERSOS

REMESSAS PARA O EXTERIOR A TÍTULO DE:
(em milhões de dólares)

ANOS	Administração e Assistência Técnica	Patentes Royalties Alugueres	"Outros serviços" (saldo do ano)
1952	4	11	-7
1953	18	15	-20
1954	11	10	-27
1955	17	12	- 7
1956	21	12,8	-52,3
1957	19	13	-48,2
1958	20	15,8	-12,4
1959	19,6	15,7	-48,7
1960	19,6	21,9	-96,6
1961	27,8	19,7	-22,9
Totais	177,0	146,9	-342,1
Média anual	17,7	14,6	-34,2

Obs.: Tomado o período completo, de 1947 a 1961, a média anual se torna mais baixa.

Fonte: SUMOC

0486

ANEXO D

INVESTIMENTOS DE CAPITAIS ESTRANGEIROS, SEGUNDO OS TIPOS DE INDÚSTRIA

Registros deferidos por Decreto nº 42.820, de 16/12/57, (Antiga Instruçao nº 113 da SUMOC)

(Posição até 31.12.61, em milhares de dólares)

Tipo de indústria	Valor	% sôbre o total
I - Indústria de Base		
A - Siderurgia	12.319	2,4
B - Metalurgia de não ferrosos	14.097	2,8
C - Mecânicas e Elétricas pesadas	25.862	5,1
D - Veículos, automóveis e auto-peças	235.169	46,0
E - Mineraçao	6.252	1,2
F - Química de base e petro química	44.135	8,6
G - Cimento	5.932	1,1
H - Construção naval	13.825	2,7
I - Tratores, peças e implementos	21.851	4,3
Sub-total: Indústria de base:	379.445	74,2
II - Indústrias Leves		
A - Textil	18.981	3,7
B - Alimentação	12.789	2,5
C - Química leve e Ind. Farmacêutica	19.284	3,8
D - Cerâmica	349	0,1
E - Mecânicas e Elétricas	49.409	9,7
F - Óleos vegetais	2.568	0,5
G - Outras	28.350	5,5
Sub-total: Ind. leves	131.733	25,8
Total	511.178	100,00

Fonte : SUMOC

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FROM: Paris

TO: Secretary of State

NO: 733, August 10, Noon

ACTION: ~~ESTB~~
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RM/R FILES: file

DWW 8/14/62 ~~Jane~~ RC

ACTION DEPARTMENT 733, INFORMATION RIO DE JANEIRO 5.

~~M~~ Petitre (Financial Ministry) says he had had word from French Financial Counselor for South American that ~~Brazilian~~ Finance Minister Moreira Salles planning come to Europe end of August to present Brazilian financial problem to Europeans.

GAVIN

BGC

RC

Has adequate info on MS trip gone to Paris? If not, we should upgrade message for info Paris.

Jane

833.10/8-1062

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Control: 8903
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6:58 p.m.

Info SS SR G SP L H CAP E AID PC P IOP INR CIA NSA COM XMB FRB TRSY RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 353, August 10, Midnight (SECTION ONE OF TWO)

PRIORITY

PASS SOUTHARD

EMBTELS 300 and 334.

Following additional background for Moreira Salles visit, gathered in Financial Attache's talks with Finance Minister Miguel Calmon and Casimiro Ribeiro in Brasilia earlier this week and with Bulhoes today:

1. Bulhoes reports monetary authorities have green light from Cabinet and President to free exchange rate. Says intention is have rate determined in market "irrespective of the level the quotation may reach". There would only be certain limitations on financial transactions, nature of which not yet determined. Bulhoes indicated he hopes Moreira Salles will be able negotiate debt deferment, so that in next few months Bank of Brazil will not have to enter exchange market as buyer of exchange to cover its debt obligations.

2. Bulhoes qualifies that action to free rate will be taken only after known whether new political crisis will be avoided during current congressional meeting and after Congress finally adjourns for election recess. In explanation political acceptability exchange freedom, Bulhoes adduced: A) "Things have gotten so bad that people no longer resist exchange adjustment", and B) when Congress adjourns, monetary authorities will not need worry about congressional reaction.

3. According

(3)

033.3211/8-1062

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FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 365, AUGUST 11

RM/R - 1
10/5 - 2

FOLLOWING FROM BRASILIA

PRIME MINISTER YESTERDAY DELIVERED TO PRESIDENT CHAMBER OF DEPUTIES CABINET'S MUCH-HERALDED MESSAGES REQUESTING DELEGATED POWERS. ONE MESSAGE CONTAINS 20 "POINTS" OTHER MESSAGE IS DRAFT BILL DIRECTING SUPREME ELECTORAL TRIBUNAL SET PLEBISCITE DATE PRIOR DECEMBER 21, CONSTRUING "NINE MONTH" PROVISION OF ARTICLE 25 ATO ADICIONAL TO MEAN "NOT LATER THAN 9 MONTHS".

PROJECTS GROUPED UNDER 8 SECTIONS AS FOLLOWS: (1) AUTHORITY TO LEGISLATE ON FOOD SUPPLY AND AGRICULTURAL EXPANSION (B) CREATION FEDERAL FARMING FUND. (2) MEASURES FOR "AGRARIA RECISION" (A) RURAL LABOR LAW (B) REGULATION RURAL RENTS (C) EXPROPRIATION, IN SOCIAL INTEREST, INCLUDING LANDS UTILIZED "IN RATIONAL AND ECONOMIC MANNER" (D) CREATION OF AGENCY CARRY OUT AGRARIAN REFORM UNIFYING ALL EXISTING AGENCIES. (3) REPRESSION OF ABUSE ECONOMIC POWER. (4) (A) AUTHORIZATION FOR DISCIPLINE OF APPLICATION OF FOREIGN CAPITAL, REGULATION OF PROFIT REMITTANCES AND FORCING (BRAZILIAN) INDIVIDUALS AND CORPORATIONS TO DECLARE THEIR ASSETS ABROAD (B) GOVERNMENT MONOPOLY OF OIL IMPORTS AND EXPORTS OF "ATOMIC MINERALS" (C) INTERVENTION IN MINING AND HYDRO-ELECTRIC INDUSTRIES (D) EXERCISE OF MONOPOLY, WHEN NECESSARY, IN SEMI AND PRECIOUS STONE INDUSTRY, STIMULATION OF GOVERNMENT AIDED MINING COOPERATIVES (E) PROMULGATION OF TELECOMMUNICATIONS REGULATIONS (5) ADMINISTRATIVE MEASURES CONCERNING COURT INJUNCTIONS, REORGANIZATION OF FEDERAL DEPARTMENT OF PUBLIC SECURITY INTO NATIONAL POLICE FORCE, CREATION OF TWO MINISTRIES WITHOUT PORTFOLIO, (6) FISCAL MEASURES (A) AUTHORITY FOR TAX REFORM (B) REFORM OF LAW REGULATING PUBLIC DEBT (7) MONETARY AND EXCHANGE

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-2- 365, AUGUST 11, FROM: RIO DE JANEIRO

MEASURES (A) AUTHORITY TO LEGISLATE ON MONEY AND CREDIT (B). AUTHORITY TO ORGANIZE INTERNAL CAPITAL MARKET IN INTEREST OF NATIONAL DEVELOPMENT (8) AUTHORITY TO REGULATE RIGHT TO STRIKE. BECAUSE LATE HOUR PRESENTATION AND RANGE PROJECTS, NO COMMENT YET PUBLISHED. PM AND CABINET SCHEDULED APPEAR BEFORE CHAMBER TUESDAY DEFEND PROGRAM.

GORDON

MRJ

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8/16/62 12:10 a.m.
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1:08 a.m.

FROM: Rio de Janeiro - CORRECTED COPY

TO: Secretary of State

INFO:
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NO: 366, August 12, 6 p.m. (SECTION ONE OF TWO)

PRIORITY

Following from Brasilia

(1) With presentation August 10 executive messages transmitting projects economic and financial measures and request early plebiscite outlined Embassy telegram 365, second phase political crisis has begun. Administration program as outlined two messages highly statist in character, obviously more campaign document than serious government program since Congress will not delegate such wide powers and Cabinet obviously cannot last long enough carry out program needing years complete. Is nonetheless of interest as indication Goulart and PTB objectives, particularly in light August 13 speech President to recently promoted and other generals a principal point of which was insistence on need for reforms to meet "just demands common people and which would bring better distribution country's wealth". These reforms he said would be carried out during his mandate "at whatever cost".

(2) Other points heavily underscored same speech were President's "surprise" at allegations that intended promote coup and his insistence on inalterable respectives and defense democratic legality and existing institutions. This speech, first public statement made by President during current crisis, evidently part changed administration tactics aimed soften adverse reaction earlier heavy handed power play which Congress chose to ignore once assured (Embassy telegram 344) Military Ministers in speaking out for plebiscite it had no intention doing more than express opinion.

(3) Large party leaders (excepting Goulart's PTB) insist

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ready withstand any pressures on Congress and furiously endeavoring during present congressional work period pass number long delayed necessary bills which will make more difficult President's tactic discredit legislature in hopes strengthening drive for full powers. Congress position considerably strengthened by Military Ministers explanation recent statements and by statement from usually close-mouthed ex-President Dutra, still highly respected Marshal (retired) Brazilian Army deploring "misunderstanding between executive and legislative" and calling on colleagues stand firm in support democratic institutions.

(4) New phase crisis may become more acute after Tuesday when Prime Minister scheduled address Congress defending program day before meeting Governors Brasilia called by Goulart and Prime Minister consider national emergency problems. This phase will begin in atmosphere disarming friendliness executives part. Prime Minister and Goulart busily wooing friends and enemies in Congress with offers compromise solution under which Goulart apparently would accept commitment from party leaders that pelbiscite would be voted after October elections to be held early next year; delegated power to carry out three or four of more important reforms of 22 proposed; peaceful elections, and party rather than Goulart nominations for vacant Health and Industries Ministries. Prime Minister states not making any of program matter confidence until has heard Congress voice, i. e., playing by ear and may drive for whatever seems hold best propsects success. Important Goulart supporters in Congress among large parties, exhibited from acting during past week on pain appearing to be operating with military pistol at head, have begun again to push Brito and other amendments envisaging early plebiscite and formula for easier constitutional amendment for next Congress.

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FROM: Rio De Janeiro (CORRECTED COPY)

TO: Secretary of State

NO: 366, August 12, 6 p.m. (SECTION TWO OF TWO)

PRIORITY

FOLLOWING FROM BRASILIA

(5) Goulart apparently aware that overplayed hand from reaction military where his support (except for small number extremists) although predicated on general dislike Parliamentary system rests on premise his actions change same will be legal. Other evidence weakening Goulart position, is fact Leftist labor and student groups now pushing line that Plebiscite and delegation powers of secondary importance to passage basic reforms. Possible defection far left support related to above indicated by report received today from reliable journalist that Goulart told him PCB decided 3 days ago support Parliamentary system.

(6) Labor Minister in recent private conversation deplored concentration on political problems to exclusion "more important" economic problems, admitted possibility Cabinet fall and somberly hoped Brazil has not lost its genius solve problems peacefully. Prospect nonetheless is that with Congress firm and Presidents support weakened, satisfactory compromise may be reached. This, however, not assured since while PSD in deference to Kubitschek would be brought to compromise on Plebiscite issue, UDN President Levy, disillusioned with Goulart has said party will not compromise on this issue. Goulart, however, still holds several trump cards, principally threat Cabinet fall which would precipitate new and serious crisis unforeseeable consequences, least of which would be keeping Congress already champing at bit from campaign.

GORDON

FW 832.10/8-1262

RMR

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CONFIDENTIAL

Control: 9813
Rec'd: August 13, 1962
1:08 a.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 366, August 12, 6 p.m. (SECTION ONE OF TWO)

PRIORITY

Following from Brasilia

(1) With presentation August (#) messages transmitting projects economic and financial measures and request early plebiscite outlined Embassy telegram 365, second phase political crisis has begun. Administration program as outlined two messages highly statist in character, obviously more campaign document than serious government program since Congress will not delegate such wide powers and Cabinet obviously cannot last long enough carry out program needing years complete. Is nonetheless of interest as indication Goulart and PTB objectives, particularly in light August 13 speech President to recently promoted and other generals a principal point of which was insistence on need for reforms to meet "just demands common people and which would bring better distribution country's wealth". These reforms he said would be carried out during his mandate "at whatever cost".

(2) Other points heavily underscored same speech were President's "surprise" at allegations that intended promote coup and his insistence on inalterable respectives and defense democratic legality and existing institutions. This speech, first public statement made by President during current crisis, evidently part changed administration tactics aimed soften adverse reaction earlier heavy handed power play which Congress chose to ignore once assured (Embassy telegram 344) Military Ministers in speaking out for plebiscite it had no intention doing more than express opinion.

(3) Large party leaders (excepting Goulart's PTB) insist

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FW 832.10/8-1262

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-2- 366, August 12, 6 p.m. from Rio de Janeiro (SECTION ONE OF TWO)

ready withstand any pressures on Congress and furiously endeavoring during present congressional work period pass number long delayed necessary bills which will make more difficult President's tactic discredit legislature in hopes strengthening drive for full powers. Congress position considerably strengthened by Military Ministers explanation recent statements and by statement from usually close-mouthed ex-President Dutra, still highly respected Marshal (retired) Brazilian Army deploring "misunderstanding between executive and legislative" and calling on colleagues stand firm in support democratic institutions.

(4) New phase crisis may become more acute after Tuesday when Prime Minister scheduled address Congress defending program day before meeting Governors Brasilia called by Goulart and Prime Minister consider national emergency problems. This phase will begin in atmosphere disarming friendliness executives part. Prime Minister and Goulart busily wooing friends and enemies in Congress with offers compromise solution under which Goulart apparently would accept commitment from party leaders that pelbiscite would be voalbqmbver* voted after October elections to be held early next year; delegated power to carry out three or four of more important reforms of 22 proposed; peaceful elections, and party rather than Goulart nominations for vacant Health and Industries Ministries. Prime Minister states not making any of program matter confidence until has heard Congress voice, i. e., playing by ear and may drive for whatever seems hold best propsects success. Important Goulart supporters in Congress among large parties, exhibited from acting during past week on pain appearing to be operating with military pistol at head, have begun again to push Brito and other amendments envisaging early plebiscite and formula for easier constitutional amendment for next Congress.

inhibited?

GORDON

PMS

(#)Omission, correction to follow.
*As received, correction to follow.

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Rec'd: August 13, 1962
1:10 AM

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 366, August 12, 6 PM (SECTION TWO OF TWO)

PRIORITY

Following from Brasilia

(5) Goulart apparently aware that overplayed hand from reaction military where his support (except for small number extremists) although predicated on general dislike parliamentary system rests on premise his actions change same luxkpupe* legal. Other evidence weakening Goulart position, is fact leftist labor and student groups now pushing line that plebiscite and delegation powers of secondary importance to passage basic reforms. Possible defection far left support related to above indicated by report received today from reliable journalist that Goulart told him PCB decided three days ago support parliamentary system.

(6) Labor Minister in recent private conversation deplored concentration on political problems to exclusion "more important" economic problems yiu* admitted possibility Cabinet fall and somberly hoped Brazil has not lost its genius solve problems peacefully. Prospect nonetheless is that with Congress firm and President's support weakened, satisfactory compromise may be reached. This, however, not assured since while PSD in deference to Kubitschek could be brought to compromise on plebiscite issue, UDN President Lepy, disillusioned with Goulart has said party will not compromise on this issue. Goulart, however, still holds several trump cards, principally threat Cabinet fall which would pj nenmtate* new and serious crisis unforseeable consequences, least of which would be keeping Congress already champing at bit from campaign.

precipitate

FN 832.10/8-1262

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-2-366, August 12, 6 PM (SECTION TWO OF TWO) From Rio de Janeiro

GORDON

WGM

* As received, correction to follow.

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(19)

DEPARTMENT OF STATE

AIRGRAM

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DEPARTMENT OF STATE
HANDLING INDICATOR
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 21 1962

TO : DEPARTMENT OF STATE

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

file Jurd 8/22 RB

FROM : AmEmbassy RIO DE JANEIRO DATE: August 13, 1962

SUBJECT : Conversation with Under-Secretary of Finance, Miguel Calmon

REF : (1) CERP D-12

While on a visit to Brasilia early last week, the reporting officer had the opportunity of having a talk with Mr. Miguel Calmon, the newly named Under-Secretary of Finance.

Mr. Calmon makes a good impression. He seems to have a fresh and sincere approach to his job. He displays enthusiasm and perhaps a trace of an exuberance not yet leavened by practical experience of how difficult it is to get things done in the Brazilian Government. However, on the other side he specifically stressed that political difficulties could well nullify his best efforts.

Mr. Calmon described himself as a banker who has taken on the job of Under Secretary at considerable personal sacrifice. He has done this both because of the seriousness of the problems facing Brazil and because Finance Minister Moreira Salles had insisted on it. Calmon said that Moreira Salles picked him because he wanted a man of like ideas whom he could trust absolutely, especially since Moreira Salles planned to spend considerable time abroad. Calmon said that Moreira Salles' and his philosophies were very similar and indicated that the speech (transmitted by Embassy's A-136 of August 2) which Moreira Salles gave when he assumed office was a product of their joint discussions.

On matters of substance, Calmon reported that he felt that the internal financial situation was somewhat better than had been feared last month. He believes that with

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FORM DS-323
4-62

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Drafted by: RVKorp|dh

Contents and Classification Approved by:

Clearances:
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revenue increases and the sale of bonds authorized by the compulsory loan legislation, the new currency issue for the year as a whole could be limited to Cr$100 billion. 1/ He thought that perhaps performance could be better than this, if measures could be taken soon to raise railroad rates and perhaps to cut expenditures further, and if tax authority would be delegated to the Government by the Congress, making possible some increase in (consumption tax) revenue this year. The Under Secretary said he realized that the budget could only be brought under control slowly, but he thought that the deficit could be very much reduced next year through four measures, namely: a) an increase in revenue through tax reform; b) cuts and postponements in expenditures; c) the sale of Government bonds; and d) assistance (of an unspecified nature) for financing the budget deficit, from the profits of successful government enterprises. On the latter point, Calmon said that he thought it made no sense that the federal budget covered the losses of deficitary government enterprises, but did not get the benefit of the profits of the successful enterprises.

On the external side, the Under Secretary stated that he believed in close cooperation with the U.S. As a banker, he could well understand the attitude with which the financial community in the United States, and abroad generally, viewed Brazil. He would devote himself to getting rid of the artificialism which permeated both the external and the internal economic structure of Brazil.

In closing the interview, Under Secretary Calmon underlined that all his plans depended on realizing his hope of a return to political tranquility. Without this, there was little hope for constructive measures. He reiterated that Moreira Salles and he would work as a team and that, at the least, they hoped to defeat foolish proposals and to keep matters from becoming worse.

very frank!

For the Ambassador:

Ralph V. Korp
Financial Attache

1/ During the first seven months of the year, Cr$55 billion of new money was issued (not including Cr$5 billion released from SUMOC vaults). Thus Mr. Calmon's projections would imply the issuance of Cr$45 billion of currency during the August-December period.

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Control: 9720
Rec'd: August 13, 1962
8:31 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

INFO:

RM/R FILES:

NO: 370, August 13, 6 p.m.

PRIORITY

PASS SOUTHARD

Embassy telegram 353 I & II section

A.M. Please make changes on file copy. R.C.

In paragraph 5 of reference telegram words "in first half of year" should be corrected to "in first seven months.

GORDON

SMD: CJ

RIO, 370

033.32111/8-1362 XR 8.32.10 XR 8.32.131

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Control: 10743
Rec'd: AUGUST 14, 1962 8:14 PM

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 387, AUGUST 14, 7PM

ACTION DEPARTMENT 387 INFORMATION BRASILIA 16

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EMBTEL 376 – 811.0033 XR 732.00

REVIEWED SITUATION WITH LACERDA MONDAY EVENING. HE DOES NOT WHOLLY RULE OUT IDEA GOULART PLOT FOR COUP AGAINST CONGRESS, BUT DOES NOT SEE IT AS CLEAR PROSPECT AND DOUBTS WHETHER GOULART CONTROL OF MILITARY YET SUFFICIENT CARRY OFF.

LACERDA AND JURACY GOING BRASILIA TODAY TUESDAY, PARTLY TO JOIN IN GOVERNORS MEETING BUT MAINLY TO CONSULT UDN AND GATHER FRIENDLY CONGRESSMEN TO STIFFEN SPINE AGAINST UNDUE CONCESSIONS ON CABINET'S REQUEST FOR SPECIAL POWERS. LACERDA FEARS THAT CENTER PARTIES SO EUPHORIC ABOUT LAST WEEK'S VICTORY IN WARDING OFF OCTOBER PLEBISCITE THEY MAY BE TOO DISPOSED TO GRANT DANGEROUS EXTENT DELEGATIONS WHICH WOULD BE BADLY ABUSED. HE SHARES VIEW THAT LEFT WING ADVISORS BROCHADO NOT ESPECIALLY INTERESTED IN PLEBISCITE, BUT VERY INTERESTED EXTENSIVE POWERS FOR ECONOMIC, POLICE, AND OTHER INTERVENTIONS IN NATIONAL LIFE BY DECREE.

LACERDA PUZZLED BY MOTIVATION FOR GOVERNORS MEETING. ONLY RATIONAL EXPLANATION IS DESIRE FOR APPARENT COMMON FRONT ALL EXECUTIVES AGAINST CONGRESS, BUT SUBSTANTIAL NUMBER GOVERNORS WILL NOT ADOPT THAT POSITION. POSSIBILITY COUP AGAINST GOVERNORS HAS NATURALLY OCCURRED TO HIM, BUT HE DISCOUNTS AS TOO FANTASTIC EVEN FOR GOULART.

(2) AS ONE POSSIBLE PEACEFUL SOLUTION TO REGIME PROBLEM LACERDA IS

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DEPARTMENT OF STATE

AIRGRAM

832.00/8-1462

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HANDLING INDICATOR

TO : DEPARTMENT OF STATE, Washington, D.C. 4 02

ANALYSIS & EVALUATION

FROM : AMCONSUL, Belo Horizonte DATE: August 14, 1962

SUBJECT: ECONOMIC SUMMARY - Minas Gerais - July 1962

REF : ---

1. State Finance Schemes
2. USIMINAS Comes Clean
3. Inauguration of New Blast Furnace
4. Inauguration of Hydroelectric Plant
5. Bankers Declare National Policy
6. Civil Service Employees' Congress

1. State Finance Schemes - A spot check of banks in Belo Horizonte selling road improvement lottery-bonds under the new State of Minas Gerais financing plan (See Condespatch #39, June 30, 1962) indicates some sales success stimulated by fears of inflation and some limitations caused by the complicated nature of the plan. At least one bank has sold out its quota of the least expensive category of the first series --the sales tactic

= =

cc Couns. for Cons. Affairs/Amembassy/Rio de Janeiro
Amembassy/Rio/Econ Section

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FORM DS-323

Drafted by: JSLodeesan/PLAnalon

Contents and Classification Approved by: CONSUL: Edmund A. da Silveira

Clearances:

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has been along the line: "Even if inflation should consume all the interest, by the time the bonds are cashed in the owner will have had so many chances of winning prizes that he should be satisfied." There have been virtually no sales in the more expensive categories or in the parallel "Emergency Loan" plan. As drawing will not be held until all the bonds in one category of a series have been sold, investors are unwilling to purchase any but the fastest selling category. When a bank's quota is exhausted the individual desiring to make a purchase must visit other banks until he finds one where the bonds are still in stock.

A brighter note is supplied by A.R. sales stamps (See Condespatch 16, Feb 13, 1962 and Airgram A-2, July 12, 1962). State banking authorities are talking enthusiastically about a 50% increase in State tax revenues. While revenues may not increase by fully that amount after inflation, registrations of businesses have increased impressively and double bookkeeping is now decidedly more difficult. (UNCLASSIFIED)

(BEGIN OFFICIAL USE ONLY)

2. USIMINAS Comes Clean - An officer of USIMINAS has told the Consulate that the inauguration of the coke drying furnace in June was not only misleading, as reported in the Consulate's Airgram A-2, of July 12, 1962, it was a complete fake timed for maximum publicity advantages. The furnace was, however, inaugurated several days later and steel production is now definitely set for September or October.

A similar device has been used to force the BNDE(National Bank for the Economic Development) to provide its promised share of the company's financing. Several times in the past USIMINAS has been "rescued" at the last moment when it received a portion of overdue financing. Convinced that this was not the moment to be in fact heavily dependent on a last minute injection of funds from BNDE, USIMINAS started its campaign while it still had sufficient funds to cover current expenses. At the end of July rumors about USIMINAS's impossible financial situation began to circulate. Next came a spate of articles about the importance of USIMINAS. Finally, in early August, BNDE came through with Cr$2 billion (Cr$370 to the dollar). The rumors and articles were, of course, prepared by USIMINAS itself.

The company is not entirely happy about its tactics but finds them successful.

(END OFFICIAL USE ONLY)

3. Inauguration of New Blast Furnace - Companhia Ferro Brasileira, an iron pipe manufacturing concern in the nearby town of Caeté, inaugurated a new blast furnace on August 2. With a capacity of 180 tons of pig iron per day the new ultra-modern furnace dwarfs the production of the older facilities. The ceremony was marked by a strong sense of

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RM/R file 10/5 - Swa

BROCHADO DA ROCHA MADE ONE HOUR SPEECH TO UNENTHUSIASTIC CHAMBER LAST EVENING DEFENDING REQUEST FOR SPECIAL POWERS (EMBTEL 365) ON BASIS GRAVE ECONOMIC PICTURE AND IMMINENT DEPARTURE CONGRESSMEN ELECTION CAMPAIGNING. NO MENTION AFP. CUSTOMARY PERIODIC APPLAUSE ABSENT. THREE CONSERVATIVE ONE PBT SPEAKER FOLLOWED WITH INTERPELATION CENTERED MAINLY ON PLEBISCITE QUESTION. ORGANIZED DEMONSTRATION OF SEVERAL THOUSAND LOCAL LABORERS WHO PACKED GALLERY AND ENTRANCES CONGRESS CAUSED TEN MINUTE DELAY PRIOR BROCADO SPEECH BUT DEMONSTRATORS THEREAFTER REMAINED DISCIPLINED. BROCHADO SAID HE WOULD BE AVAILABLE TO CONGRESS FOR FURTHER QUESTIONING BUT NO DATE SET HIS APPEARANCE. CHANCES GRANT EVEN TOKEN PROPOSALS WILL REQUIRE PRESENCE BRASILIA CONSIDERABLY GREATER NUMBER DEPUTIES THAN 167 PRESENT YESTERDAY, SINCE ABSOLUTE MAJORITY (164) REQUIRED. NO EVIDENCE SO FAR THAT QUESTION CONFIDENCE INVOLVED. POLITICAL FOCUS WILL SHIFT AT LEAST PARTIALLY TO TWO DAY GOVERNOR'S MEETING OPENING TODAY IN BRASILIA. PLEBISCITE NOT ON AGENDA.

GORDON

JT/23

832.10/8-1562

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Control: 13214

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ACTION: ESMB

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10 - [illegible]

FROM: Rio-de-Janeiro

TO: Secretary of State

NO: 410, August 16, 6 p.m.

Following from Brasilia.

EMBTEL 365. 832.10 XR 732.21 832.13

Congressional committees established study request for special powers yesterday approved following: Establishment two Ministerial Posts without portfolio; food supply and agricultural expansion; government monopoly oil imports; intervention in mining and hydro-electric industries; certain measures preliminary to banking reform; production and sale of minerals; prohibition exploitation manganese in Bahia, Minah Gerais, Sao Paulo, Guanabara, Espirito do Santo, Parana (a prohibition which already exists de facto) and limitations on exploitation other localities. Number requests have been reported negatively since Congress already considering Legislation such as telecommunications code (already passed by both Houses) profit remittances (being given final consideration Chamber).

832.10/8-1662

Information from good executive and legislative sources indicates Congress will eventually delegate small number special powers to Cabinet expected not to amount to more than token delegation. Whereas committee recommendations normally considered very important Embassy informed committee approval in present circumstances will have relatively little influence on eventual action by Congress.

Chamber today approved delegation power on Ministerial Posts noted above (least controversial) with only few more votes than 164 minimum required.

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Rec'd: August 16, 1962
8:47 PM

ACTION:
INFO:
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RIO-402

FROM: Rio de Janeiro

TO: Secretary of State

NO: 402, August 16, 1 PM

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NIACT

Department telegram 567.

Memo to files
Walt Rostow
Myer Feldman

RMJR - Yes
DWW - 10/5

Rogers-Rehm telcon August 15.

In event, which appears to us highly debatable, and to attorneys Rogers, Nelson incorrect, that section 15 PL 87-535 reaches ITT Rio Grande Do Sul expropriation of February 16, 1962, by virtue of section 19 (A), our judgment also is that President should not determine that steps taken by GOB to discharge its obligations under international law toward US citizens have not been "appropriate and adequate". This judgment rests on combination judicial procedures and administrative negotiations. We would not want to say now that judicial procedures alone satisfy statute, although it is fact that judicial procedures invoked for determination and payment of compensation for expropriated properties not prima facie unfair and no basis for finding at this time that legal remedy invoked by ITT is unjust or will fall short of accepted international legal standards. Availability this remedy, plus negotiations looking toward substantial interim cruzeiro loan to ITT for reinvestment its manufacturing subsidiary thus off-setting possible injustice due to delays in judicial proceedings and inadequacy initial deposit, forestall determination now that steps not appropriate and adequate. This conclusion reinforced by fact that negotiations Bank of Brazil-ITT renewed yesterday.

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Miscellaneous drafts

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-2- 402, August 16, 1 PM From Rio de Janeiro

Judgment as to whether steps are appropriate and adequate is continuing one. Breakdown or stalling in negotiations or new evidence of unfairness of judicial proceedings would justify reconsideration of present determination and Embassy will maintain continued contact with matter as it develops. Moreover, in view present crisis and forthcoming elections invocation of sugar act sanction would have serious adverse consequences. (4)

GORDON

GDW

NOTE: Reftel believed to be 456 Mr. Sayre (ARA) notified 8/16/62 CWO-M

Y/2 G/5

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0508

ORIG. H/A TOR
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DEPARTMENT OF STATE

AIRGRAM

832.10/8-1662

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A-194 NO. OFFICIAL USE ONLY HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 AUG 20 AM 9 10

RM/AM ANALYSIS & DISTRIBUTION BRANCH

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS AUG 23 1962

FROM : AmEmbassy, RIO DE JANEIRO DATE: August 16, 1962.

SUBJECT : EXECUTION OF THE 1962 FEDERAL BUDGET - JANUARY/MARCH

REF : CERP, B-200; Embes 709, March 9, 1962.

file Fin w 8/28/62

I - SUMMARY - BUDGETARY ACTIVITIES

The latest available information from the Superintendency of Money and Credit shows that the Brazilian Federal Government incurred a financial budget deficit of about Cr$ 20 billion from January to March 31 of Fiscal Year 1962. This financial deficit represents the excess of total government obligations over government revenue, derived from sources provided for in the Budget Law. The cash deficit, representing the difference between actual budgetary expenditures and revenue collections available for budgetary purposes was also about Cr$ 20 billion, during this period. For the comparable quarter of 1961, the financial deficit was Cr$ 21.7 billion and the cash deficit was Cr$ 16.8 billion. Enclosure 1 shows the composition of financial and cash deficits for 1962 and the sources of financing the cash deficit.

II - ANALYSIS OF OBLIGATIONS

The rate of obligations for the first quarter of 1962 projected on an annual basis, ran substantially behind the total of Cr$ 790 billion which is the current estimate for obligations for the entire year. A breakdown of obligations by activity is transmitted as Enclosure 2. Heaviest obligations for the first quarter were those of the Ministry of

Encls.: 1) Composition of Financial & Cash Deficits for 1962;
2) Breakdown of Obligations by Activity;
3) Breakdown of major source of revenue & revenue estimates.

FILED AUG 30 12 PM

FORM 4-62 DS-323 OFFICIAL USE ONLY FOR DEPT. USE ONLY In Out

Drafted by: RVKorp/WBlomeyer:anc

Contents and Classification Approved by:

Clearances: Robert Eakens RE

0509

Transportation and Public Works followed by the Finance and War Ministries. The principal Ministries for which the rate of obligations lagged well behind the projected annual rate were Agriculture, Education, Labor and Mines and Energy. This was partly due to the delay resulting from a review of projects usual at the beginning of a new fiscal year. However, it probably also reflected implementation (without waiting for Congressional approval) of the emergency "Economy Plan" worked out by the Administration and calling for cuts of Cr$ 60 billion, for postponed payments of Cr$ 81 billion into fiscal year 1963 and other transfers of Cr$ 38 billion into future fiscal years.

III - ANALYSIS OF REVENUES

Consistent with normal seasonal trends, revenues collected during the first quarter ran behind the projected annual rate. Total revenue amounted to Cr$ 76.7 billion, representing 17.5% of Cr$ 439 billion total revenue forecasted for the entire year. Revenue collected for the first quarter shows a 62.2% increase over the comparable period of 1961. Income tax collections were small, since these normally fall almost entirely in the second half of the year, income tax billings being mailed beginning in July. Revenue collected for the first quarter from consumption and stamp taxes reflected further inflation. Import duties exceeded estimates due to the upward adjustment of the fiscal dollar in line with exchange rate depreciation. As a percentage of the estimates made for the entire year, the revenue collected through March from consumption taxes was 19.6%; from stamp taxes 21.2% and from import duties 25.5%. A breakdown of major source of revenue and revenue estimates is shown in Enclosure 3.

IV - PROSPECTS

It is clear that there will be a large Federal cash deficit this year. Prospects are that it will be considerably larger than the deficit of Cr$ 130.4 billion last year. Up to now, it appears that the "Economy Plan" for 1962 is being strictly adhered to and no appropriation is released unless it is cleared by a committee in charge of budget execution. The Economy Plan submitted by the Administration was approved by the Chamber of Deputies, but the Senate produced a substitute bill substantially modifying the original plan. The substitute bill keeps the cuts at roughly Cr$ 60 billion, but reduces some of the postponements, while stretching out others over more than one future fiscal year. In view of the forthcoming elections and the pressure of other business, the Chamber may not have a chance to give final approval to either the original or the substitute bill before the end of the fiscal year. However, even, if the Senate substitute bill is finally approved, the Executive authorities feel that they have sufficient powers to carry out the Economy Plan, more or less in its original form. Assuming that this will be the case, SUMOC now estimates that the cash deficit this year will reach Cr$ 170 billion, as compared

with the estimate of Cr$ 150 billion made at the beginning of the year. SUMOC increased the original estimate by Cr$ 20 billion to account for (1) the larger than anticipated Federal pay raise (Cr$ 95 billion instead of Cr$ 82 billion), and for larger outlays for SUDENE and the Federal Highway Department (plus Cr$ 7 billion). (1)

The figure for the Federal pay raise included in the new SUMOC estimate is understated since Congress has rejected nine of the eleven Presidential vetoes applied to the pay raise bill. The significance of this in monetary terms is difficult to estimate. However, it had been estimated that if all eleven vetoes had been rejected, expenditures would have increased by some Cr$ 12 billion over the Cr$ 95 billion, figure for fiscal year 1962. The SUMOC estimates also presumably do not take full account of the effect of the politically motivated hiring of new Government employees, which has been very substantial in this election year (1). These two items should account for at least Cr$ 20 billion of additional expenditures.

Assuming that an estimate of a deficit of Cr$ 170-190 billion is reasonable for 1962, the Government faces a deficit of Cr$ 105-125 billion for the second half of the year, compared with Cr$ 65 billion in the first half. To help cover this deficit, there is expected an increase in tax receipts, far in excess of the most optimistic forecasts. The increase over budget forecasts may well reach Cr$ 50 billion, with continuing inflation and assuming the "fiscal dollar" for the calculation of import duties continues to be adjusted to reflect exchange rate depreciation. It is estimated that at least Cr$ 6 billion will be generated by a 30% increase in the retail price of cigarettes effective in August. In addition, the Government now has authority for a compulsory loan (to yield about Cr$ 20 billion) and for a voluntary loan. There are serious doubts in the Government about the feasibility and the desirability (2) of floating voluntary bonds this year. Whether, the new Cabinet can realize the hope of Finance Minister Moreira Salles to make some further economies remains to be seen.

Assuming no startling changes in present policies regarding Government personnel, public works, railroads and other State operated enterprises and that the budget, in general, will continue to be executed along the present lines with no serious effort being made to compress expenditures, it seems inescapable that the Government will

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(1) It is of interest to note that expenditures in excess of appropriations for specific purposes (Despesas sem Crédito) reached Cr$ 16.6 billion during January-March 1962. (Compared with Cr$21.9 billion originally estimated for the whole year).

(2) It is contemplated that the "voluntary bonds" would have an adjustment clause against depreciation through inflation. Since inflation is proceeding at a rapid pace many feel that it would be too expensive for the Government to float such bonds in the near future.

have to finance at least Cr$ 100-120 billion of the Cr$ 170-190 billion estimated cash deficit by means of Bank of Brazil financing. Provisional figures indicating the trend for the cash deficit and its financing by the Bank of Brazil and by Treasury letters, during the first half of the year, and a rough projection for the second half of the year follows:

(In Cr$ billion)

	JAN/MARCH (actual)	JAN/JUNE (prelim.)	JULY/DEC. (estimate)	JAN/DEC. (estimate)
Cash deficit	20.0	63.9	106.0-126.0	170.0-190.0
Financing:				
Compulsory loans			20.0-20.0	20.0-20.0
Revenue increase over estimate (July-Dec.only)			30.0-30.0	30.0-30.0
Bank of Brazil loans to Treasury	19.7	59.3	60.0-80.0	110.0-120.0
Treasury letters	1.6	4.6	6.0- 6.0	10.0-10.0
Increase in cash holdings	-1.3			
	20.0	63.9	106.0-126.0	170.0-190.0

For the Ambassador,

Ralph V. Korp

Ralph V. Korp
Financial Attache

Composition of Financial and Cash Deficits and Source of Financing

(In Cr$ billion)

	JAN/MARCH 1961	JAN/MARCH 1962
Revenue	47.3	76.7
Budgetary & Supplementary Credits	50.7	72.7
"Budgetary" Deficit (-) or Surplus (+)	-3.4	+ 4.0
Plus Other Amounts Approved for Payment		
Restos a Pagar, registered	2.4	-
Special Funds and Deposits	-	-
Plus Expenditures approved from previous budgets	3.6	7.4
Plus Expenditures approved "Sem Crédito"	12.3	16.6
TOTAL FINANCIAL DEFICIT	21.7	20.0
Budgetary Operations		
Revenue	47.3	76.7
Budgetary Cash Expenditures	48.3	72.7
Budgetary Cash Deficit (-) or Surplus (+) I	-1.0	+ 4.0
Extra-Budgetary Expenditures		
Expenditures "Sem Crédito"	12.2	16.6
Liquidation of "Restos a Pagar"	3.6	7.4
Extra-budgetary Cash Deficit II	15.8	24.0
TOTAL CASH DEFICIT (I + II)	16.8	-20.0
Financing of Cash Deficit		
Bank of Brazil loans to Treasury	20.4	19.7
Treasury Letters	.9	1.6
Cash carried forward	less -4.5	less -1.3
Financing of Cash Deficit	16.8	20.0

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Encl.2

Breakdown of Obligations and Appropriations by Major Activity

(Cr$ million)

	Budget Law	Jan/March Obligations Budget	Plus "Sem Crédito"	Total Jan/March
Legislative	3,634	631	---	631
Tribunal of Acc.	657	48	-	48
Executive Power				
Presidency	9,162	539	-	539
DASP, etc.	19,646	651	180	831
Ministries				
Aeronautics	28,696	5,069	-	5,069
Agriculture	22,553	1,400	-	1,400
Education & Culture	48,552	4,118	170	4,288
Finance	106,471	12,630	1,184	13,814
War	46,804	10,694	-	10,694
Justice & Int.Aff.	11,498	1,259	-	1,259
Navy	26,343	4,528	-	4,528
Health	24,772	5,093	5	5,098
Foreign Affairs	4,993	638	-	638
Labor & Soc. Sec.	35,756	347	-	347
Mines & Energy	13,670	103	-	103
Transp. & Public Works	165,591	24,141	111	24,252
Industry & Commerce	1,611	84	-	84
Judiciary	3,127	754	125	879
TOTAL	573,536	72,727	1,775	74,502

Other Extra Budgetary Expenditures:

Expend. approv.from previous budgets	7,380
Expend. approv. "sem crédito"	16,637
TOTAL OBLIGATIONS	98,519

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Breakdown of Major Source of Revenue and Revenue Estimates

(Cr$ million)

TAXES	Actual 1961 full year	Actual 1961 1st Qtr.	Budget 1962	Collections 1st Qtr. 1962
Income	83,696	7,332	113,000	13,004
Consumption	122,690	20,543	178,556	34,962
Stamp	36,054	6,675	48,500	10,268
Import	35,716	6,997	41,723	10,628
Fees	2,454	523	3,000	565
Other	36,844	5,203	54,237	7,250
	317,454	47,273	439,016	76,677

INCOMING TELEGRAM · Department of State

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Control: 12657

Rec'd: August 16, 1962 9:20 p.m.

CORRECTION ISSUED: 8/23/62 - 1 a.m. - DLW

RIO 393

ACTION

INFO:

RM/R FILES

FROM: Rio de Janeiro - CORRECTED COPY

TO: Secretary of State

NO: 393, August 16, 6 p.m.

Re Department telegram 294

Following latest in fast moving developments on profit remittance bill:

1. Senate substitute and original chamber bill was sent for separate consideration of three chamber committees. Economics committee has approved Senate substitute. Finance committee has approved version restoring four pernicious features original bill, namely (a) 10 percent limitation profit remittance (apparently on basis cruzeiro valuation original capital), (b) limitation annual repatriation to 20 percent, (c) creation investment council and (d) prohibition loans official banking institutions to foreign owned firms. Judiciary committee has not yet made its decision. There is considerable possibility that after all committees have reported there will be quick consideration on chamber floor.

2. Among delegation powers requested by Executive is short decree that would authorize regulation of foreign capital, including strict registry of investment and limitation profit remittance to 10 percent for "investment" and 8 percent for others. Question of how investment base would be calculated is not clear. In speech to chamber August 14, Brochado da Rocha stressed need to restrict "speculative process" through control foreign investment and profit remittances which "bleed our wealth and our energies". Said could no longer wait for congressional action on this problem.

3. After talk with Miguel Calmon August 3, representatives American

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-2- 393, August 16, 6 p.m., from Rio de Janeiro

American Chambers of Rio and Sao Paulo saw Octavio Bulhoes of SUMOC last week. They reported understanding attitude on part Bulhoes who asked chambers prepare memorandum their views. Joint memo handed to Bulhoes on August 13.

GORDON

CJ

NOTE: Reference not identified by DC/T.

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0517

INCOMING TELEGRAM **Department of State**

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Control: 12615

Rec'd: August 16, 1962
8:05 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 400, August 16, 4 P.M.

ACTION:
INFO:
RM/R FILES

RIO 400

PRIORITY

PASS SOUTHARD

In line with information in Embassy telegram 353, SUMOC issued instruction 229 on August 15, providing cancellation exchange monopoly 228 and marking a major attempt return to the principles of SUMOC 204 and 208. Bulhoes confirmed this morning that commercial banks are free to quote any exchange rate and that Bank of Brazil will follow the market, rather than attempting to peg the rate. Bank of Brazil this morning opened at cruzeiros dollars 400 buying, cruzeiros dollars 412 selling; paralled market at cruzeiros dollars 510 buying cruzeiros dollars 540 selling. Commercial banks still awaiting detailed instructions and are not yet operating.

Major formal provision of SUMOC 229 are as follows:

1. Cancels SUMOC 228

2. Obligatory transfer to the Bank of Brazil of 60 percent of coffee and cacao export proceeds, in addition to contribution quotas these items restores Item IV of SUMOC 227.

3. Reduces to 30 percent, 150-day import deposit requirement but makes this a cash requirement, eliminating Bank of Brazil import notes.

4. Places similar 80 percent, 150-day cash deposit requirement on financial remittances.

5. Provides

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832.131/8-1662

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INCOMING TELEGRAM **Department of State**

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46 UNCLASSIFIED NUMBERED RIO 424

Action ARA
Info SS L H CAP E AID P USIA NSC INR CIA NSA RMR

Control: 14196
Rec'd: AUGUST 18, 1962 6 43 7:20 PM

ACTION: EAB
INFO:
RM/R FILES file

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 424, AUGUST 18.

AUGUST 17, CHAMBER APPROVED PROFIT REMITTANCE BILL, WHICH IS NOW FORWARDED FOR PRESIDENTIAL SIGNATURE.

ACCORDING PRESS REPORTS FINAL TEXT IS MEN DE SA SUBSTITUTE AS PASSED BY SENATE (EMBASSY'S A-61 AND 135) WITH FOLLOWING IMPORTANT CHANGES:

832.10 832.10 XR832.05111

1. ELIMINATION REFERENCE TO 8 PERCENT PROFIT REMITTANCE LIMIT FOR NON-PRODUCTIVE AND LUXURY ENTERPRISES (DELETION OF ART. 31 AND ACCOMPANYING SALE ARTICLE).

2. ADDITION OF THREE ARTICLES PROVIDING A) LIMITATION ALL REMITTANCES TO 10 PERCENT OF ORIGINALLY REGISTERED CAPITAL (AT FOREIGN CURRENCY VALUE), B) REMITTANCES IN EXCESS 10 PERCENT WILL REDUCE CAPITAL BASE, C) PROFITS IN EXCESS 10 PERCENT SHALL BE REGISTERED SEPARATELY (PRESUMABLY AT CRUZEIRO VALUE) AND WILL NOT INCREASE REGISTERED CAPITAL BASE FOR FUTURE REMITTANCES (REINVESTMENTS OVER THIS 10 PERCENT LIMITATION PRESUMABLY INCREASE CAPITAL BASE BUT AT CRUZEIRO VALUE), AND D) ANNUAL CAPITAL REPATRIATION SHALL NOT EXCEED 20 PERCENT OF REGISTERED CAPITAL.

NO OPPORTUNITY YET RECEIVE REACTION OF BUSINESS COMMUNITY.

GORDON

GDW

Declassified by RMR

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832.10/8-1862 XR832.05111

29. NW 6[illegible] 10 FILED 8:20 832.05-100

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Control: 14198
Rec'd: AUGUST 18, 1962
7:25 PM

RIO 423

FROM: RIO DE JANEIRO

TO: Secretary of State
423 Priority

NO: ~~468~~, AUGUST 18.

FOLLOWING FROM BRASILIA

CHAMBER OF DEPUTIES APPROVED UNANIMOUSLY SENATE VERSION PROFIT REMITTANCE BILL REJECTING ONLY ARTICLE 31 AND SUBSTITUTING ARTICLE 22 ORIGINAL CHAMBER BILL WHICH READS "ANNUAL REMITTANCE OF PROFITS ABROAD SHALL NOT EXCEED 18 PERCENT OF VALUE OF REGISTERED INVESTMENTS". CHAMBER ALSO RESTORED ARTICLES 23 AND 24 OF ORIGINAL BILL WHICH READ "23 PROFIT REMITTANCES EXCEEDING LIMIT ESTABLISHED BY PRECEEDING ARTICLE WILL BE CONSIDERED RETURN OF CAPITAL AND DEDUCTED FROM, CORRESPONDING REGISTRATIONS TO AFFECT FUTURE PROFIT REMITTANCES ABROAD. SLE *PARAGRAPH: AMOUNT OF CAPITAL RETURNED SHALL NOT EXCEED 20 PERCENT OF REGISTERED CAPITAL 24 PROFITS IN EXCESS OF LIMIT ESTABLISHED BY ARTICLE 22 OF THIS LAW WILL BE REGISTERED SEPARATELY AS SUPPLEMENTARY CAPITAL AND WILL NOT BEAR REMITTANCE RIGHTS".

CHAMBER REJECTED EFFORTS RESTORE TWO OBJECTIONABLE AMENDMENTS PRESENTED BY CELSO BRANT ORIGINAL DRAFTER. BILL NOW NEEDS ONLY PRESIDENT'S SIGNATURE BECOME LAW.

GORDON

GDW

*AS RECEIVED.

Received by EMA

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46-32

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Action ARA
Info SS G SP L H CAP E AID PC P IOP INR COM CEA FRB TRSY RMR

Control: 14333
Rec'd: August 19, 1962 9:39 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 427, August 19, 4 p.m.

INFO: RM/R FILES

PRIORITY

ACTION DEPARTMENT 427, INFORMATION BRASILIA UNNUMBERED.

Profits bill as passed by Chamber Friday unfortunately contains three bad provisions from original Brant bill, including 10 percent limitation on remittances, treatment as return of capital of anything in excess thereof, and segregated registration of any capital formed by reinvestments of profits in excess of 10 percent, such reinvestments being excluded from base for future permissible remittances. First two of these seem to me tolerable, even though highly undesirable, but third is disastrous. I can see very little prospect substantial new foreign investment in face this limitation. Effect is virtually to confiscate earnings beyond 10 percent, to encourage wasteful expenditures by businesses with larger prospective earnings, and to discriminate sharply between Brazilian and foreign enterprises.

I have begun discreet campaign, with help Roberto Campos, to build support for presidential veto, if possible of all three articles, but in any case of worst (Article 24). We are consulting with American Chamber Commerce, Finance Ministry, and Foreign Ministry. In addition, unless otherwise instructed, I propose make strongest personal representation to Goulart, arguing calamitous effects for Brazilian development, added obstacles posed by such legislation for any form US balance of payments support, and especially the contradiction between this provision and the policy statements made by him in Rio in March and in

Washington

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ACTION ASSIGNED TO:	ACTION TAKEN	
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RIO 427

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Action ARA
Info SS G SP L H CAP E AID PC P IOP INR COM CEA FRB TRSY RMR

Control: 14333
Rec'd: August 19, 1962 9:39 p.m.

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PRIORITY

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RIO 427

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CONFIDENTIAL

-2- 427, August 19, 4 p.m., from Rio de Janeiro

Washington, New York, and Chicago. Have some hope that he may be moved by this type personal argument.

Am seeking appointment Monday and Tuesday.

GORDON

LM: CJ

CONFIDENTIAL

0523

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

11245

CONFIDENTIAL
Classification

505

Origin

Info:

ACTION: Amembassy RIO DE JANEIRO ~~PRIORITY~~ NIACT

FOR AMBASSADOR

Embtel 427

Concur desirability your calling on Goulart soonest for purpose expressing concern profits remittance bill will seriously damage prospects success for private and foreign investment and Alliance for Progress in Brazil. In that connection you may wish point to (1) low rate capital inflow into Brazil during period in late forties and early fifties when very similar provisions in effect, (2) dramatic increase in capital inflow following adoption free exchange system in 1953, and (3) fact that, according SUMOC data, outflow due profit as well as capital remittances was as great under highly restrictive measures pre-1953 as during free system which has prevailed up to now.

Suggest also Embassy consult with other Embassies, particularly those of UK, Germany, France, Italy and Japan, to consider desirability joint or separate but coordinated representations to Goulart.

End.

RUSK

(4)

Drafted by: ARA:HKMay:sec 8/20/62

Telegraphic transmission and classification approved by: ARA - Mr. May

Clearances: AID/LA/B - Mr. Hopes EST - Mr. [illegible] EST/B - Mr. Rose

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FORM DS-322 8-61

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Control: 16267
Rec'd: AUGUST 21, 1962
8:50 PM

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 437, AUGUST 21, 1 PM

RIO 437

INFO: RM/R FILES

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XR 832.05100 Kittle-file
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LIMIT DISTRIBUTION.

DURING CALL ON GOULART AUGUST 20 (EMBASSY TELEGRAM 436) I ASKED HIS REACTION TO LAST WEEKS POLITICAL COMPROMISE ON FUTURE OF REGIME. HE EXPRESSED GREAT SATISFACTION AT ITS TERMS, EMPHASIZING THE COMMITMENT TO THE PLEBISCITE AS OF VITAL IMPORTANCE. I ASKED HOW CONFIDENT HE FELT THAT QUORUM OF BOTH HOUSES SUFFICIENT TO GET TWO-THIRDS, ABSOLUTE MAJORITIES COULD BE SECURED SEPTEMBER 10-15. HE REPLIED THIS IS OBVIOUS QUESTION ON EVERYONE'S MIND, BUT IT WAS INDISPENSABLE DUTY CONGRESSMEN TO ATTEND, AND THAT IF THAT DID NOT CARRY THROUGH BARGAIN MADE BY LEADERS ANYTHING WHATSOEVER MIGHT HAPPEN WITH UNPREDICTABLE RESULTS (THIS IS CURRENT CONVENTIONAL EUPHEMISM FOR COUP).

HE SAID HE WOULD NOT FAVOR SIMPLE RETURN TO 1946 TYPE PRESIDENTIALISM, BUT WOULD BE HAPPY WITH PROVISION FOR CHAMBER CONFIRMATION MINISTERIAL NOMINATIONS AND PROVISION FOR CHAMBER DISMISSAL INDIVIDUAL MINISTERS BY NONCONFIDENCE VOTE FOR SUBSTANTIVE REASONS OF POLICY. ALSO FEELS INDISPENSIBLE RESTORE DIRECT POPULAR ELECTION PRESIDENT.

CAMPOS AND I ALSO PRESSED FOR SPEEDIEST ACTION ON ITT CASE AND GENERAL PUBLIC UTILITY SETTLEMENT. I HAVE QUALIFIED OPTIMISM THAT UNDER CONSTANT BATTERING FROM CAMPOS, SOME HEADWAY MAY BE MADE THIS WEEK ON BOTH THESE FRONTS.

GOULART CONTINUED SHOW SAME DISINTEREST IN GENERAL EGONOMIC AND ADMINISTRATIVE PROBLEMS, AND SAME TOTAL PREOCCUPATION WITH QUESTION OF REGIME AND POWERS, AS HE HAS FOR RECENT MANY WEEKS.

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832.10/8-2162 XR 732.00

OCT 30 8 AM '62 FILED

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0525

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

PARIS MCP

13241

CONFIDENTIAL
Classification

VERBATIM TEXT 1108

Origin

Info.

ACTION: Amembassy PARIS PRIORITY

INFO: Amembassy RIO DE JANEIRO 529

Rio tel 438 to Dept, 5 to Paris; Rio tel 427 to Dept repeated Paris 1106.

Deptel 505 to Rio repeated Paris 1107

Department concurs Embassy Rio recommendation that appropriate Embassy officer contact Brazilian FinMin Moreira Salles and suggest he urge President Goulart veto Articles 31 to 33 of Profits Remittance Bill.

Text these articles as follows:

QUOTE:

31. The annual profit remittances abroad cannot exceed 10 per cent of the value of the registered investment.

32. Profit remittances which exceed the limits established in the previous article will be considered a repatriation of capital and deducted from corresponding registry for purposes of future profit remittances abroad.

Sole Paragraph: The annual amounts of foreign capital repatriation cannot exceed 20 percent of registered capital.

eliminated by ARA

33. Profits in excess of the limit established in Article 31 of this Law, will be registered separately as supplementary capital and will not carry the right to remittance of future profits. ENDQUOTE

Embassy

(5)

Drafted by: ARA/EST/BrHCleveland:mrzeg 8/22/62

Telegraphic transmission and classification approved by: ARA - Mr. May

Clearances: FN - Mr. Weissman (sub) IRB AID/LA/B - [illegible]

Treasury - Mr. Cos[illegible] (sub) WE - Mr. Im[illegible] (sub)

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FORM DS-322 9-61

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ACTION COPY

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INCOMING TELEGRAM **Department of State**

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Control: 16213
Rec'd: August 21, 1962
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FROM: Rio de Janeiro

TO: Secretary of State

NO: 438, August 21, 3 PM

PRIORITY

ACTION DEPARTMENT 438, INFORMATION PARIS PRIORITY 5

I recommend that Embassy Paris be instructed urgently to contact Moreira Salles to suggest to him that he make most vigorous possible personal representations to Goulart for veto of Articles 31 to 33 of profits remittance bill as passed by Chamber last week. These Articles were reinserted at last moment from original Brant Bill and would paralyze further private investment in Brazil.

GORDON

COT

NOTE: Mr. McManus (ARA) notified 8/21-62 CWO-M

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FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 436, AUGUST 21, NOON

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AS INDICATED EMBASSY TELEGRAM 427, I CALLED ON GOULART AFTERNOON AUGUST 20, ALONG WITH ROBERTO CAMPOS, TO URGE VETO THREE PROVISIONS REINSERTED LAST MOMENT BY CHAMBER OF DEPUTIES IN PROFITS REMITTANCE BILL (NOW ARTICLE 31 TO 33). CAMPOS MADE CASE VERY ELOQUENTLY, WHICH I SUPPLEMENTED BY EMPHASIZING DISCOURAGEMENT ANY NEW SIGNIFICANT CONSTRUCTIVE PRIVATE INVESTMENT. PRESIDENT APPEARED RECEPTIVE TO ARGUMENTS, ALTHOUGH HAD NOT YET STUDIED TEXT OF BILL. SAID WAS ASKING BALLINO FOR ARTICLE BY ARTICLE REPORT, AND URGED CAMPOS REVIEW WITH HIM. BALBINO JOINED US AT END OF CONVERSATION AND PRESENTED CASE TO HIM. HIS FIRST REACTION WAS TO TRY TO FIND MEANS INTERPRET LAW CONSTRUCTIVELY TO AVOID POLITICAL EMBARRASSMENT OF PRESIDENT, BUT AFTER SOME ARGUMENT HE SEEMED MORE RECEPTIVE. HE WAS DISCUSSING FURTHER WITH CAMPOS AND ACTING FINANCE MINISTER CALMON MONDAY EVENING.

CONSERVATIVE PRESS STRONGLY ATTACKING THESE PROVISIONS, INCLUDING MOST VIGOROUS FRONT-PAGE EDITORIAL GLOBO AUGUST 20 ENTITLED "THE CHAMBERS TREASON". I AM MEETING TUESDAY WITH JOINT REPRESENTATIVES AMERICAN CHAMBERS OF COMMERCE.

GORDON

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DEPARTMENT OF STATE

AIRGRAM

832-10/8-2262

XR-832.05111

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TO : DEPARTMENT OF STATE 1962 AUG 27 PM 4 16

INFO: RIO DE JANEIRO

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS AUG 30 1962 RM/AN ANALYSIS & DISTRIBUTION BRANCH

FROM : Amcon SÃO PAULO DATE: August 22, 1962

SUBJECT : Some São Paulo Opinions Regarding Remittance of Profits Bill

REF : CERP, D-13

file 9/4/62

In commenting on the Remittance of Profits Bill passed by the Federal Chamber of Deputies on August 18, 1962, Mr. John S. RICHARDS, President of the American Chamber of Commerce of São Paulo, told the Consulate General he was concerned over the reinsertion into the bill of three provisions from the original bill (known as the Celso Brant bill) passed by the Chamber last year. These three provisions were removed from the bill (known as the Mem de Sá bill) passed by the Federal Senate last month.

As restored in the latest Chamber version of the bill, these three provisions (1) limit annual remittances of profits to ten percent of registered investment, (2) declare remittances in excess of ten percent to be repatriation of capital, which must be deducted from the registered capital on which profits may be remitted in the future, and (3) prohibit any unremitted profits in excess of ten percent to be added to the investment base on which future remittances can be made. Although considering various other provision in the bill to be objectionable, Mr. Richards said he believed these three provisions to be probably the most objectionable feature of the bill.

Angus C. LITTLEJOHN, an American investment counselor of São Paulo who has advised a number of American firms regarding their Brazilian investments, told the Consulate General on August 20 that he believes one of the effects of the Remittance of Profits Bill passed by the Chamber on August 18 will be an increase in the amount of profits remitted to the United

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Drafted by: ECON/DPMann/cz 8/22/62

Contents and Classification Approved by:

Clearances:

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States by American firms. Very few companies in the past have remitted profits to the extent of ten percent per year on invested capital, but many are now likely to do so out of fear that the ten percent limitation may turn out to be only the first step toward more restrictive limitations in the future, plus the fact that an unused portion of the annual ten percent quota cannot be carried forward for use in some future year, according to Mr. Littlejohn. He described the Remittance of Profits Bill as one aspect of the growing uncertainty in the political climate for foreign investment in Brazil.

Political uncertainty and financial instability are the negative factors affecting foreign investment in Brazil, Mr. Littlejohn said. On the positive side, it continues to be true that Brazil is a sizeable and growing market for a great variety of products. He does not foresee an end to American investment in Brazil, but he does believe that it will be on a smaller scale than in the past. Exactly what the scale may be will depend, in part, upon several political developments in the coming months, including the political complexion of the new Congress to be elected in October and what action is taken in regard to the proposed "anti-trust" legislation, according to Mr. Littlejohn. He said he knows of several investment projects, including that of Corning Glass, which may go forward in spite of the Remittance of Profits Bill.1/

Mr. Warren T. WHITE, Director of Merck, Sharp & Dohme in Campinas, State of São Paulo, told the Consulate General on August 21 that he and the directors of other US firms in Campinas, such as Bendix and Singer, believe that enactment of a definite law, even with some harsh provisions, would be preferable to continuance of the prolonged period of uncertainty during which foreign firms are unsure of their status.

Following approval last month by the Federal Senate of the Mem de Sá version of the Remittance of Profits Bill, the American Chamber of Commerce of São Paulo invited selected American firms to submit written comments. As the bill passed by the Chamber of Deputies on August 18 was the same as the Senate bill in most of its provisions, the comments submitted by the firms in regard to the Mem de Sá bill apply to the bill approved by the Chamber of Deputies.

Willys-Overland took note of the high degree of bureaucratic authority over any business in which foreign capital is invested, and said it feared that such authority would be exercised in a discriminatory manner. The automobile firm considered that Article 14 regulating payment of royalties was very objectionable, and that the overall effect of the bill would be to discourage new foreign investment.

Anderson, Clayton & Company told the Chamber of Commerce that it thought the bill would discourage reinvestment of profits

in Brazil, as under Article 4 such investments would have to be registered in cruzeiros and thus soon be reduced to insignificance by inflation.2/ This company also took note of Articles 17, 18, and 19 to the effect that all firms register their assets held abroad, and said that as this would be difficult to control the "dishonest and unscrupulous" would be favored over firms submitting honest registration statements.

Two firms, E. R. Squibb & Sons and Firestone, objected to Articles 12 and 13 restricting and limiting payments to parent firms for scientific, technical, and administrative assistance. Firestone said that "research and the resulting improvement in product quality is a never ending expense" which is normally divided among Firestone plants in all parts of the world. Squibb said that continuous research expenses are an inherent part of the pharmaceutical business. Squibb also said that the overall effect of the new law would be to discourage new investment and additional investment in existing plants.

Union Carbide joined Anderson, Clayton & Company in objecting to the obligation to register reinvestment in cruzeiros, as well as objecting to numerous other provisions in the bill.

In spite of the objections and protests of various American firms as indicated above, Consulate General representatives on two committees of the American Chamber of Commerce of São Paulo noted a fairly widespread opinion among American business leaders on the committees that the Mem de Sá bill was far from being unendurable.

One of the first editorial comments in São Paulo on the bill passed by the Chamber of Deputies appeared in O Estado de São Paulo on August 21, 1962. O Estado cited the inconsistency created by the Chamber when it inserted into Senator Mem de Sá's bill certain provisions from the original Celso Brant bill (see page 1, paragraph 2), while at the same time retaining Article 28 of the Senate bill which would limit profit remittances to ten percent only under special circumstances, such as during a period of serious disequilibrium in the balance of payments. O Estado urged President Goulart to veto the provisions reinserted from the Celso Brant bill, "unless what he wishes is to put an end to foreign investment."

For the Minister Consul General:

Richard C. Desmond

Richard C. Desmond
Consul

0531

1/ The Consulate General's Commercial Officer also knows of a new US investment of approximately $200,000 which will go forward in spite of the Remittance of Profits Bill. On the other hand, he was recently advised of still another US investment project which has been suspended.

2/ Anderson, Clayton & Company may be mistaken in its apparent assumption that no procedure would exist for re-evaluating assets from time to time.

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 451, August 23, 1 p.m.

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Department telegram 505.

Foreign Minister Arinos provided me following information profits remittance bill problem on Wednesday. He described long Tuesday evening session with Goulart attended by himself, Calmon, Balbino, and Senator Mem de Sa, latter attending reluctantly at Arinos' insistence. Arinos and Calmon had signed a strong request for veto of Articles 31 to 33. The President was most reluctant to veto, alleging that action had been entirely in Chamber, that he had not been involved in any negotiations on it, that he was known to be in favor of joint committee version of law, and that he did not want to take on political onus of veto or to antagonize chamber when he needed all their support in September for proposed constitutional amendment on regime and plebiscite.

After very lengthy discussion, meeting ended with agreement that Mem de Sa should request his colleague Senator Krieger, still in Brasilia, to introduce in Senate on Wednesday new bill replacing Articles 31 to 33 by former Article 31 (a fairly innocuous provision limiting remittances on nonessential industries to eight percent in periods of exchange stringency). Mem de Sa telephoned me late Wednesday to say that he understood from Krieger that this would be passed by Senate on Thursday August 23. Goulart then undertook a strong personal effort to get full support of PTB to favor passage of this in chamber during September 10 to 15 session, including if necessary finding some way to ensure absence of deputies Brant and Losacco at time of voting.

Arinos

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Miscellaneous file

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-2- 451, August 23, 1 p.m., from Rio de Janeiro

Arinos was not happy with this conclusion, acknowledging obvious lack of courage on Goulart's part, but expressed conviction that Goulart would carry through on this personal promise. He expressed concern on effects on foreign exchange market during interim until mid-September, and would seek to stimulate some publicity after Senate action had been taken to minimize such adverse effects. Arinos also volunteered that signing of investment guaranty agreement would be strange action until this legislative matter is clarified. I had expressed similar view to Calmon at luncheon Tuesday, and believe that we should in fact hold up for time being.

Unwillingness Goulart use his authority in this case, in face constant complaints of lack adequate authority under present regime, is only one more indication his very unfortunate current trend.

GORDON

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DEPARTMENT OF STATE

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832.10/8-2362

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TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE INDICATOR
1962 AUG 27 PM 2 27
BUREAU OF INTER-AMERICAN AFFAIRS
AUG 29 1962
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ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy RIO DE JANEIRO DATE: August 23, 1962.

SUBJECT: REDISCOUNTS OPERATIONS, JULY 1962.

REF : CERP D-12; A-89, July 20, 1962.

832.10/7-2062

According to the July 31 balance sheet of the Bank of Brazil Rediscount Department, outstanding rediscounts increased by Cr$ 24.6 billion during the month.

The liability account, National Treasury increased by Cr$ 25 billion during the month indicating an addition to currency in circulation in that amount. The total increase in currency effectively in circulation during the first seven months of the year was Cr$ 60 billions(?) as compared to Cr$25 in the corresponding period of 1961.

For the Ambassador,

Ralph V. Korp
Financial Attaché

Encl.: Balance sheet of the Bank of Brazil Rediscount Department, July 31, 1962.

(?) Including Cr$ 5 billion of SUMOC vaults.

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BANK OF BRAZIL, S.A.
Rediscount Bureau

Balance Sheet on July 31, 1962

	Cr$	Cr$
A S S E T S		
Bank of Brazil - Current Account		4.735.611,50
Short-Term Receivable		
Rediscounts of Commercial Paper	218.585.848.904,80	
Rediscounts of Agric. Paper - (Law 3,253)	3.662.160.931,30	
Rediscounts of Export Paper - (Law 29,536)	44.929.960.828,40	
Rediscounts of commercial paper of banks in liquidation or bankruptcy	261.793.205,10	
Accounts Receivable	257.895.975,20	
Sundry Debtors and Creditors ...	5.031.399,60	267.702.691.244,40
Fixed Assets		
Capital Holdings		50.080.752,80
Accounts Pending		
Expenditures for issuing paper currency	189.810.405,20	
Miscellaneous expenditures	20.406.934,10	210.217.339,30
Contra-Accounts		
Securities in Guaranty	29.399.471,00	
Depositors of Misc.Securities ..	9.274.538,50	38.674.009,50
		268.006.398.957,50

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LIABILITY	CR$	CR$
Capital and Reserves		
Reserve Fund		3.264.382.848,70
Short Term Payable		
National Treasury:		
To the account of the Carteira	259.700.000.000,00	
Superintendency of Money and Credit	26.748.484,50	
Sundry Debtors & Creditors	1.084.437,20	259.727.832.921,70
Accounts Pending		
Provision for the expense of note printing	2.905.647.316,20	
Rediscounts	1.923.248.046,70	
Miscellaneous Income	122.117,50	
Interest	60.964.960,80	
Undistributed Profits	3.754.630,40	
Bills receivable	81.525.376,70	
Refund of counter-account credits.	246.729,30	4.975.509.177,60
Contra-Accounts		
Depositors of Securities in guaranty	29.399.471,00	
Capital Holdings for account of third parties	9.274.538,50	38.674.009,50
		268.006.398.957,50

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TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS AUG 31 1962

1962 AUG 27 PM 3 24

RM/AN ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy, RIO DE JANEIRO

DATE: August 23, 1962

SUBJECT : Profit Remittance Bill

File RM/R
JWW 9/12/62

REF : CERP, D-12; Deptel 393, August 7 and Embassy's A-175 of August 10.

Further to the Embassy's A-175 of August 10, 1962, there are transmitted four (4) additional copies (in Portuguese) of the report on the Profit Remittance Bill prepared by Senator Mem de Sa's Mixed Commission.

The final text of the Profit Remittance Legislation, as passed by the Chamber on August 17, follows by separate airgram.

For the Ambassador:

Ralph V. Korp
Financial Attache

Enclosure: As stated
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832.10/8-2362

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BUREAU OF INTER-AMERICAN AFFAIRS
1962 AUG 27 PM 2 32

AUG 31 1962

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ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy RIO DE JANEIRO

DATE: August 23, 1962.

SUBJECT: BANK OF BRAZIL OPERATIONS AND STABILIZATION PROGRAM - JUNE.

REF : CERP D-12; A-39, July 11, 1962.

The large expansion of credit indicated by the principal accounts in the Bank of Brazil's balance sheet for June, reflected the pressure for private credit which seasonally occurs in the second half of the year and the increased borrowing of the Treasury to meet its needs, including increased expenditures due to the 40% Federal pay raise approved in June(retroactive to April 1, 1962). Bank of Brazil's original stabilization goals for the year and performance to date stand as follows:

Bank of Brazil Outflow of Funds	Original Goal for 1962	Performance thru June
Loans to Treasury	41	59.3
Loans to private sector (ex coffee)	35	60.0
Loan to autarchies	5	-1.0
Redemption of Import Notes and Deposits	38	-4.9
	119	113.4
Bank of Brazil Inflow of Funds		
Net Accumulation Coffee Account	20-25	32.6
Bank Reserve Increase	22	11.8
Net Worth Deposits	15	5.2
Financial Remittance Deposits	15	4.0
	81-86	53.6

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A - FACTORS TENDING TO EXPAND CREDIT IN JUNE

1. Outstanding Loans to other than National Treasury

(millions of Cruzeiros)

	May 31 1961	June 30 1961	May 31 1962	June 30 1962
Loans to private sector (including coffee)	183,038	193,992	305,416	316,451
Less coffee	-	-	37,800	31,278
Private sector ex-coffee	-	-	268,600	285,173
Loans to states and municipal governments	14,022	14,452	14,429	14,757
Loans to autarchies ...	8,528	8,516	11,232	10,786
TOTAL ...	205,588	216,960	331,077	341,994

2. Net Debtor Position of Treasury

March 1962	April 1962	May 1962	June 1962
18,942	25,537	42,117	59,281

3. Coffee and Cocoa Differential Account (Deposits)

	March 1962	April 1962	May 1962	June 1962
Coffee	59,426	83,624	54,747	37,327
Cocoa	590	657	646	176

4. Conta de Fundos, SUMOC (Compulsory Reserves of Commercial Banks)

March 1962	April 1962	May 1962	June 1962
71,712	74,244	72,368	72,840

5. Outstanding Bank of Brazil Import Letters and Advance Deposits

(See next page)

During June, outstanding Bank of Brazil loans to the private sector (including coffee financing) increased by some Cr$ 11 billion and the debtor position of the Treasury increased by over Cr$ 17 billion. There was a Cr$ 9 billion decline in outstanding Bank of Brazil import letters and the coffee account decreased by some Cr$ 17 billion. The account consisting of advance payments against future foreign exchange purchases decreased by some Cr$ 3 billion. These expansionary factors were counteracted to a minor extent by a small (Cr$ 700 million) increase in the Bank of Brazil cash holdings and a Cr$ 1.6 billion decrease in the outstanding rediscounts to commercial banks. In addition, in June the Bank of Brazil incorporated into its reserves some Cr$ 5.2 billion of undistributed profits accrued during the first half of the year.

The outlook in the credit area for the rest of the year is not favorable. On the positive side, the coffee account which is seasonally low during the first months of the year should increase in the second semester, although so will coffee loans and rediscounts. The net coffee account may end up in a better position than projected in view of the continued devaluation of the cruzeiro. Increases in the import deposit account, in contrast with the projected decrease, and the increase of the cash deposit for financial remittances from 10 per cent to 80 per cent (see Embes A-201, August 17, 1962) constitute sources of funds not included by the Brazilian Government in the calculation of the March 15 stabilization program. On the other hand, Bank of Brazil loans both to the Treasury and to the public during the first six months already exceeded the programmed limits for the entire year. These two items will undoubtedly continue to be serious expansionary forces during the second half of the year.

~~Six~~ 6 copies of the June Balance Sheet are transmitted herewith.

For the Ambassador,

Ralph V. Korp
Financial Attaché

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5. Outstanding Bank of Brazil Import Letters and Advance Deposits

	Febr. 1962	March 1962	Apr. 1962	May 1962	June 1962
Import Letters - (SUMOC Instr.204)	82,046	85,660	84,627	78,505	67,483
Advance Cash Import Deposit - (SUMOC Instr.226)	-	-	-	665	4,457
TOTAL	82,046	85,660	84,627	79,170	71,940

B - FACTORS TENDING TO RESTRICT CREDIT IN JUNE

1. Bank of Brazil Currency Holdings

March 1962	April 1962	May 1962	June 1962
18,036	11,136	12,852	13,566

2. Outstanding Rediscounts at Rediscount Bureau

	May 1961	June 1961	Incr. Decr.(-)	May 1962	June 1962	Incr. Decr.(-)
For Bank of Brazil	110,471	110,110	-0,361	195,273	216,313	21,040
For Commercial Banks	10,179	13,286	3,107	27,125	25,505	-1,620
TOTAL	120,650	123,396	2,746	222,398	241,818	19,420

3. Short Term Deposits of

	Jan. 1962	Feb. 1962	Mar. 1962	Apr. 1962	May 1962	June 1962
Mixed Economies	27,258	26,225	25,916	27,178	27,544	26,948
Autarchies (other than SUMOC)	64,965	58,836	49,554	49,363	55,301	55,036
TOTAL	92,223	85,061	75,470	76,541	82,845	81,984

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C. OTHER

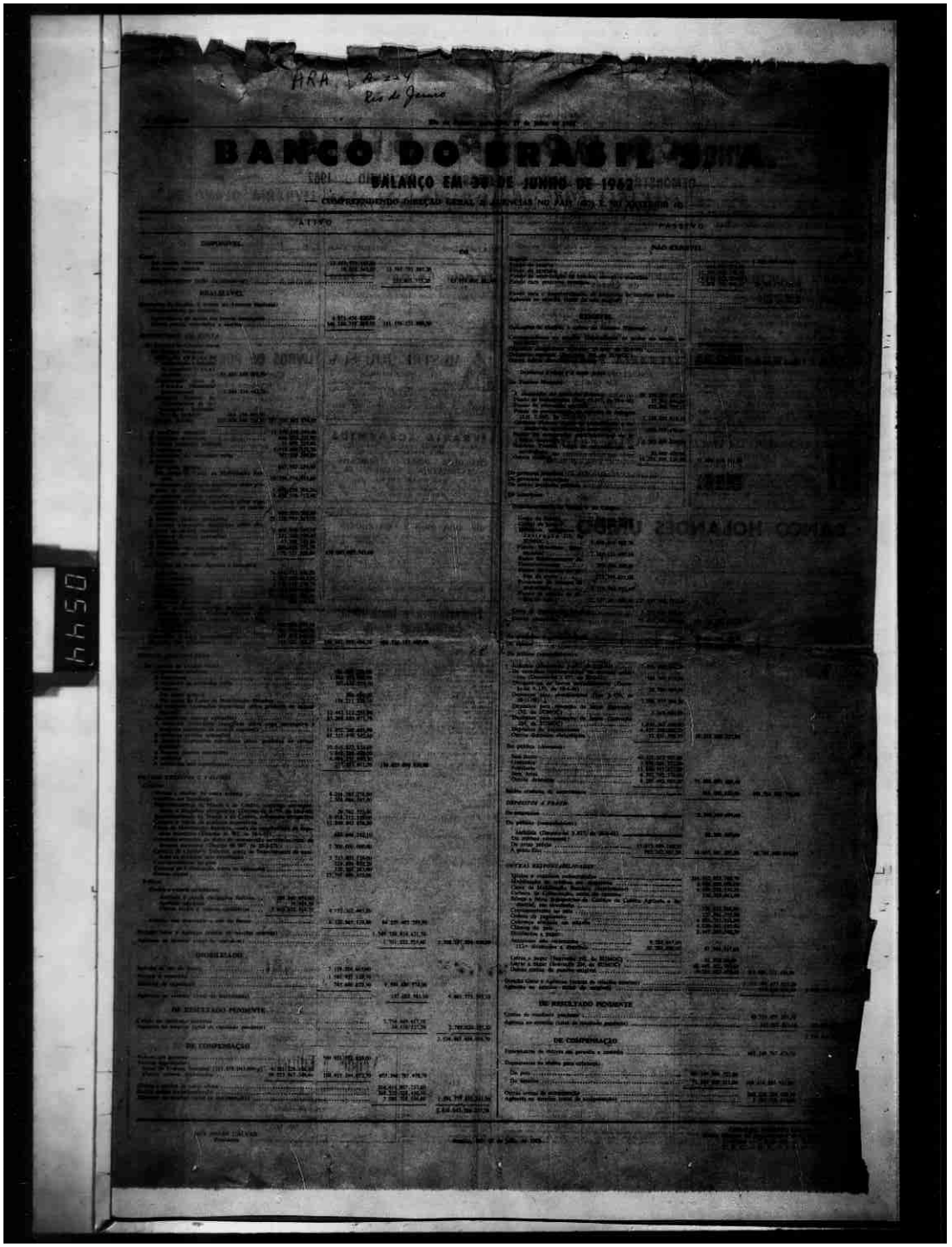
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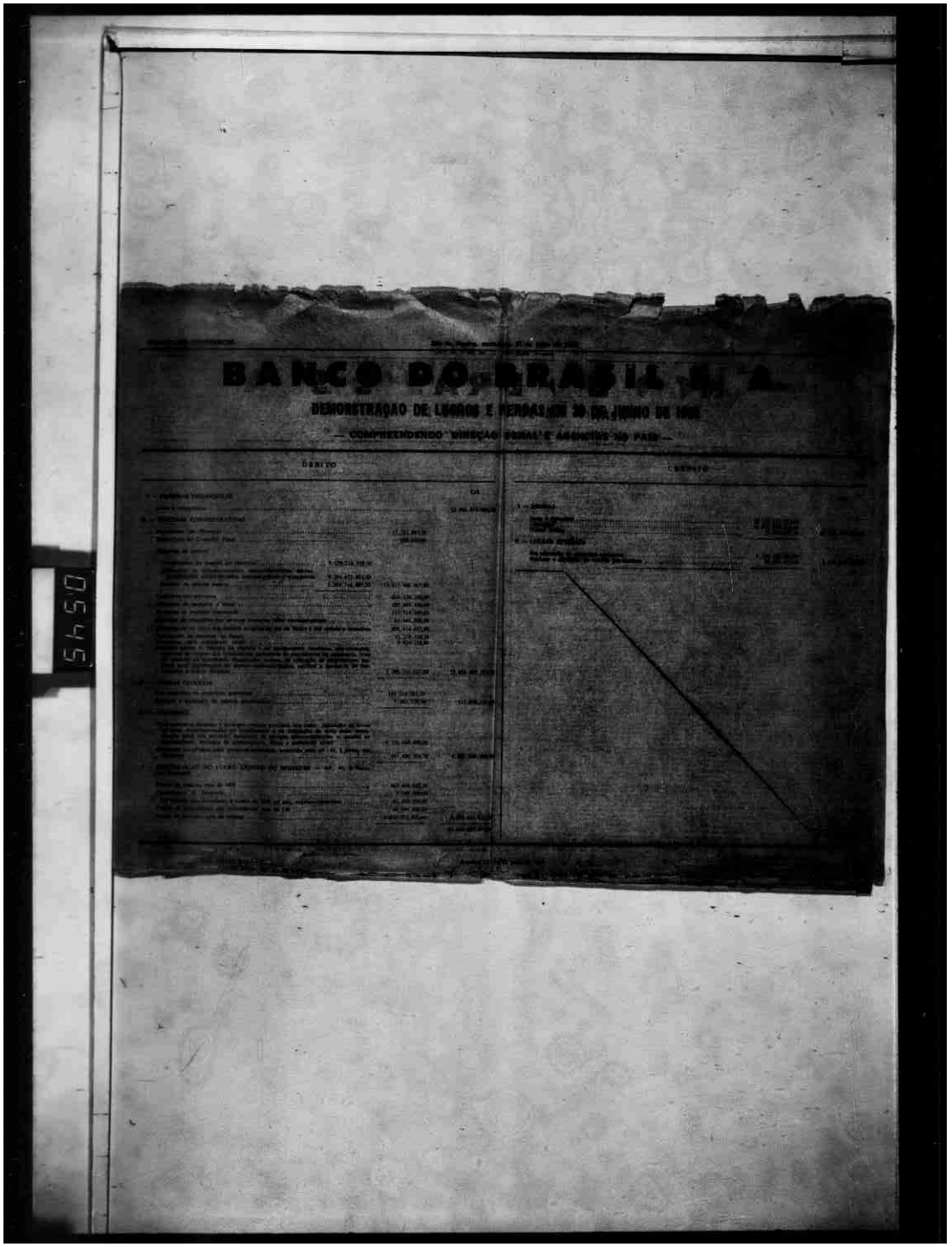
April 1962	May 1962	June 1962
14,574	20,675	14,571

2. Deposits with Bank of Brazil against Foreign Exchange Purchases for Future Delivery

May 1962	June 1962
40,996	37,332

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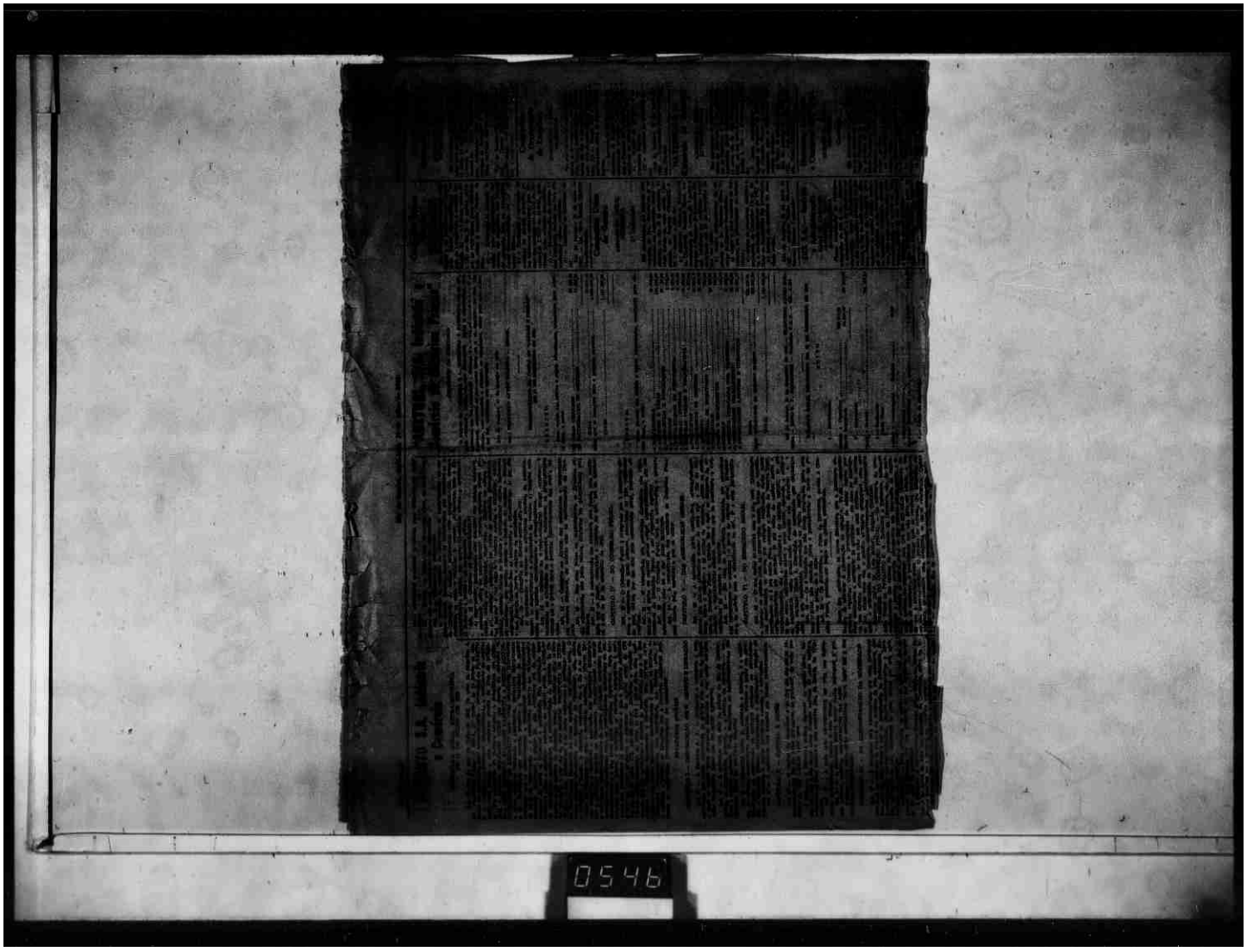
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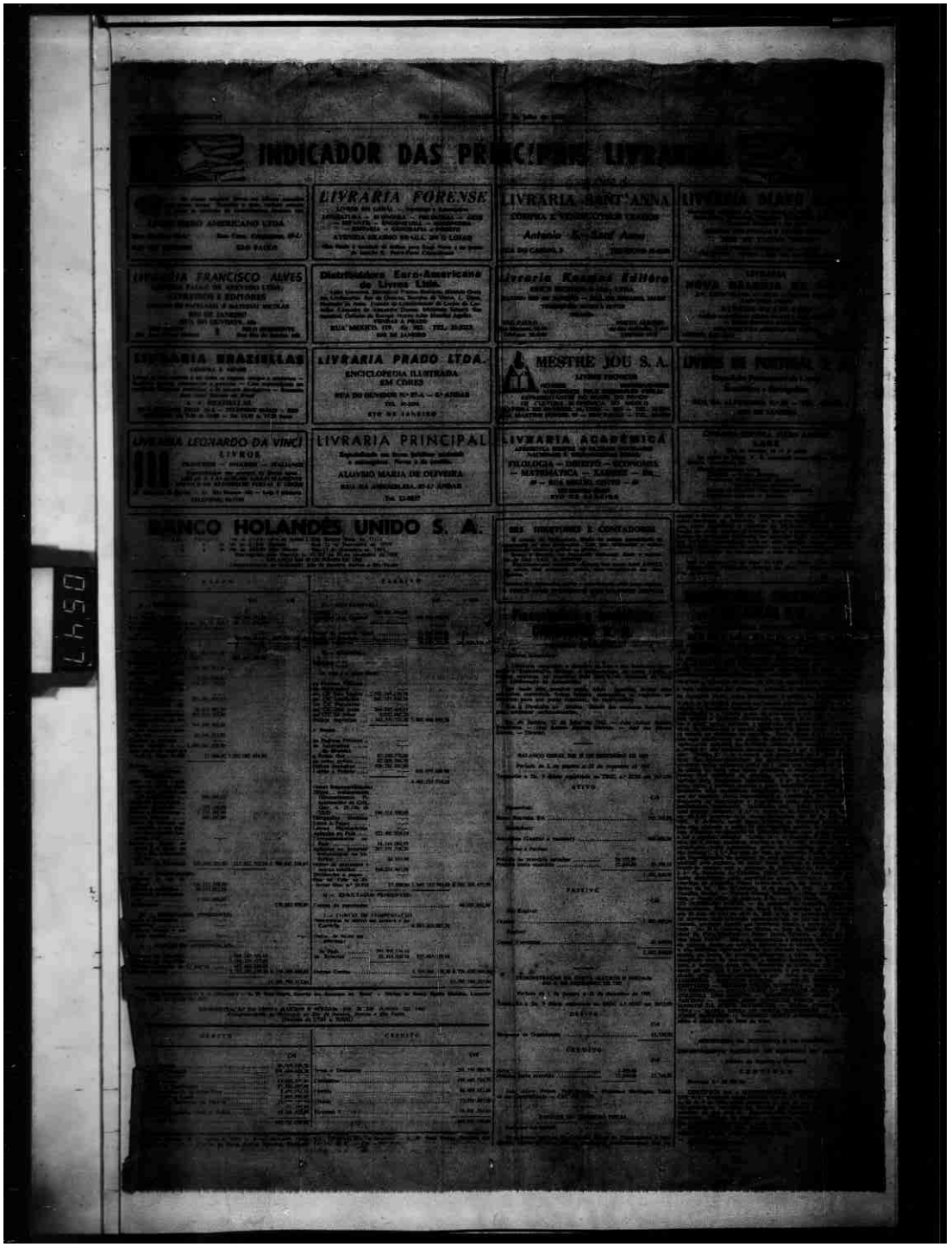
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AOS DIRETORES E CONTADORES

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Control: 18360
Rec'd: August 23, 1962
6:38 p.m.

ACTION
INFO:
RM/R FILES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 455, August 23, 5 p.m.

PRIORITY

Embassy telegram 451 —

In early hours August 23, Senate approved new bill designed to supersede previsions Articles 31-33 profit remittance legislation approved by Chamber.

Celmon has told representative US business community no regulations would be issued under present provisions, until new Senate bill acted upon. Goulart will now presumably sign present bill, if has not yet done so.

GORDON

DLW

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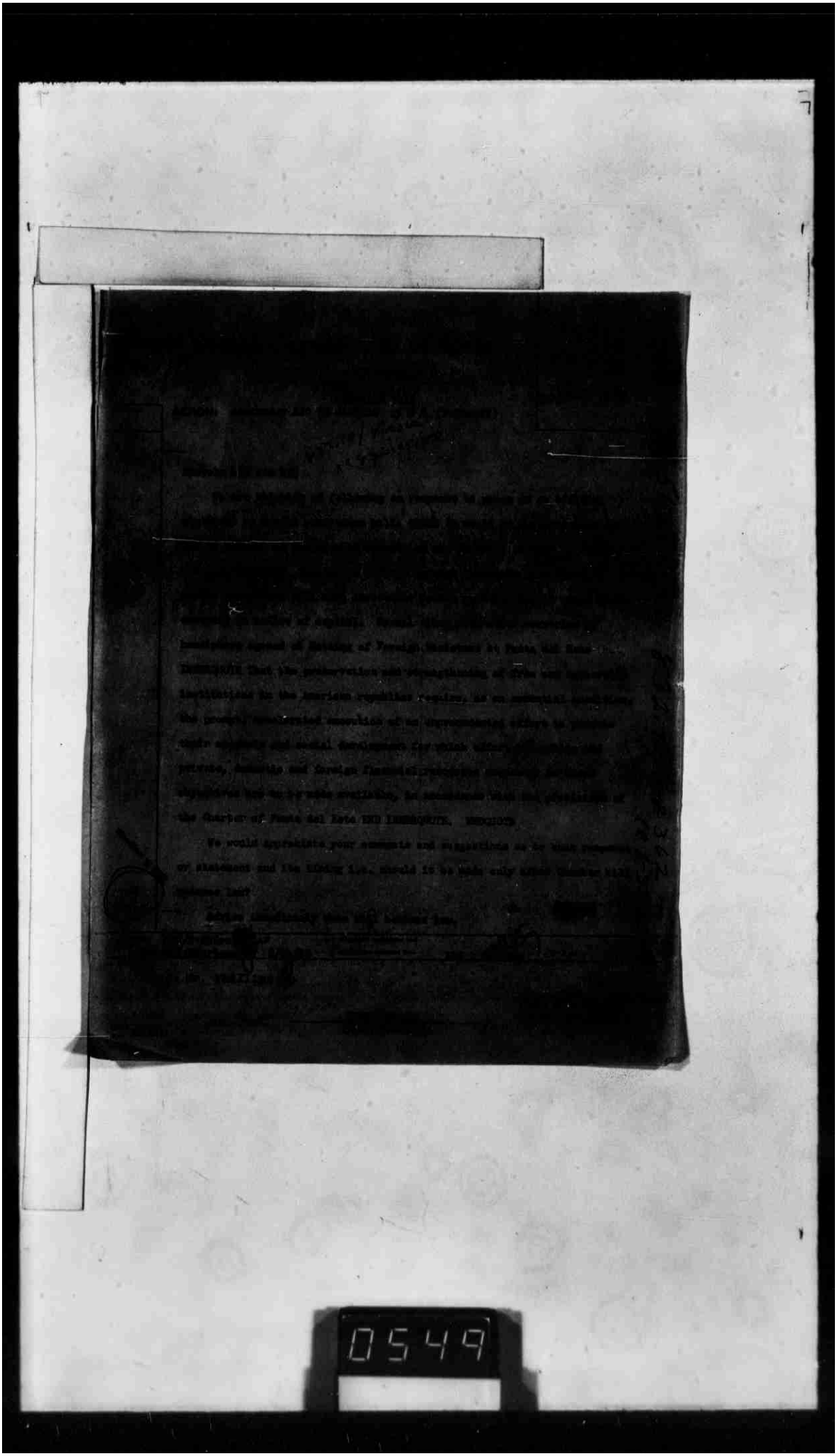
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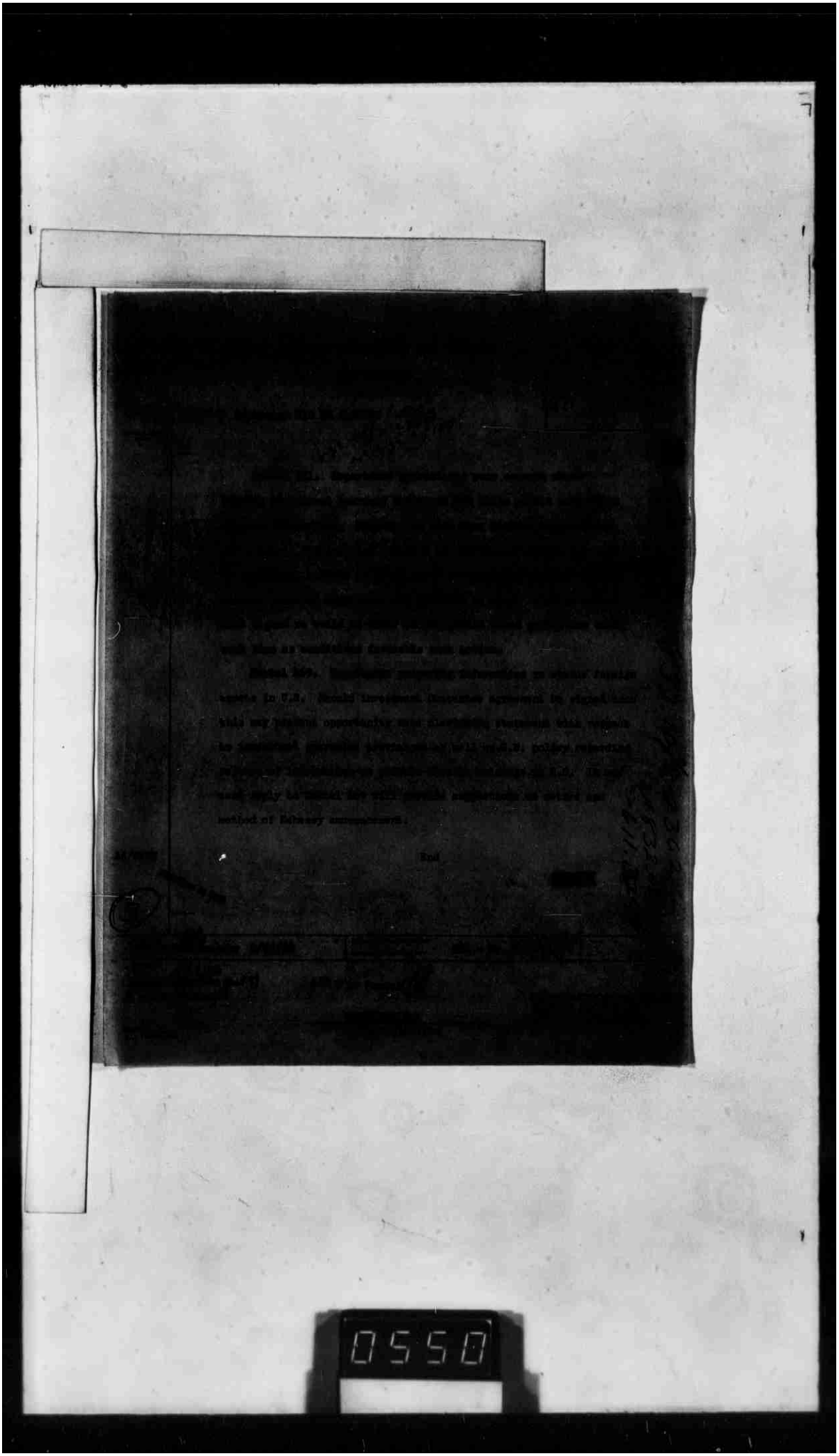
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NAME OF OFFICER / OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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Control: 17875
Rec'd: August 23, 1962
12:04 p.m.

FROM: Paris

TO: Secretary of State

NO: 931, August 23, 3 p.m.

PRIORITY

ACTION DEPARTMENT 931, INFORMATION RIO DE JANEIRO PRIORITY 8.

Reference: DEPTEL 1108 and Rio De Janeiro 48 to Department.

Embassy officer caught Moreira Salles on phone just as latter leaving hotel to catch train. Salles said he had discussed profits bill by phone with his Under Secretary, that he didn't think articles 31 and 32 too serious and that he believed it would be better solve problems "politically rather than by veto". By this he meant introduction new bill into Brazilian Congress between September 10 and 15. He added soundings with various political groups, he understood, indicated action would be favorable.

Regret circumstances made it impossible pursue matter further but Salles returning Paris 28 and said he would be glad receive Embassy officer at that time if we so desired. Please instruct.

LYON

SGC

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

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AUG 28 12 11 PM

CONFIDENTIAL
Classification

Origin

Info:

ACTION: Amembassy PARIS 1238

INFO: Amembassy RIO DE JANEIRO 577

Embtel 931

Please pass following from May to Moreira Salles:

I understand Brazilian Senate has approved new profit remittance bill designed supersede Articles 31 - 33 of Chamber bill and reportedly less discouraging to foreign investment than Chamber bill. While I would not presume to offer opinion on internal Brazilian legislation, I am communicating with you this way in thought you may not otherwise have heard about new Senate bill and might want seek influence your Government in important some way on this matter.

On another matter, you may have heard that various oil companies have been expressing concern over mounting arrearages for petroleum sales. Companies Have reportedly been advised by Bank of Brazil that policy on payment accumulated commercial arrears will not be formulated until you return to Brazil. Knowing how busy you are and in view report it may be some time before you return to Brazil, I am taking liberty transmitting this information to you in thought you might wish communicate with Bank of Brazil so as avoid unnecessary misunderstanding.

End.

RUSK

Microfilmed by RMR

Drafted by: ARA:HKMay:EST/B:RHOrmsbee 8/24/62

Telegraphic transmission and classification approved by: ARA - Mr. May

Clearances: FN - Mr. Weismann (in substance) EST - Mr. Burton RB

CONFIDENTIAL
Classification

FORM DS-322

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INCOMING TELEGRAM **Department of State** ACTION COPY PERMANENT RECORD COPY

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CONFIDENTIAL

Control: 19573
Rec'd: August 24, 1962 3l
9:29 p.m.

1962 AUG 27 AM 10 5a

FROM: Rio de Janeiro

TO: Secretary of State

NO: 469, August 24, 8 p.m.

PRIORITY

act trans Treasury

RIO 469

Ever since passage by Chamber of profit remittance bill in November, 1961, providing for registration private Brazilian holdings abroad, Embassy had been made aware nervousness on part some Brazilians about possibility US Government might in some way help GOB obtain information on bank deposits and other assets Brazilian nationals held in US. Representatives US banks passing through Rio early this year reported some movement Brazilian accounts from US to Switzerland and other havens considered more reliable.

Recent completion Congressional action on profit remittance legislation has apparently given new impetus to fears Brazilian depositors in US. These fears encouraged by articles in BOLETIM CAMBIAL and other papers in recent days alleging proposed investment guarantee agreement contains provisions under which US Government would divulge ownership Brazilian holdings in US. Embassy has tried informally get correction in BOLETIM CAMBIAL, but that news letter has merely carried accurate summary investment guarantee provisions without directly contradicting its previous statement on deposits in US and a further statement that France and the US have an agreement under which information of this type is exchanged.

Number of reports on public confusion this general problem have come to Embassy attention. Local representative Chase Manhattan told Embassy Brazilians in last few days accelerating transfers deposits from head office in New York to other countries. He has urged official statement correcting false

public

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CONFIDENTIAL

public impressions.

From both point of view US balance of payments and image US banking system, Embassy believes strong effort should be made clarify status private foreign assets in US for benefit Brazilian public. Realize this must be done carefully in order avoid possibility US charged with encouraging or abetting capital flight. However, Embassy would have good opportunity make comment in connection clarification misinformation circulating on proposed investment guarantee agreement.

For our use would appreciate soonest information that can be used publicly on legal status information about individual foreign ownership bank deposits in US as well as any possible statement US Government policy with respect such information. Also guidance on nature and method for Embassy announcement.

GORDON

SMD/DLW

CONFIDENTIAL

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DEPARTMENT OF STATE

AIRGRAM

832.10/8-2462

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ARA-4

A-237 (NO.) CONFIDENTIAL (HANDLING INDICATOR) PRIORITY

TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS AUG 28 1962

1962 AUG 27 PM 3 29 FST/B

RM/AN ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy, RIO DE JANEIRO

DATE: August 24, 1962

SUBJECT : Profit Remittance Legislation

ARA 832.10/7-1662

REF : CERP D-12: Emb Airgrams A-61 of July 16 and A-135 of August 2

ARA 832.10/8-262 832.05111

~~PA~~ ~~HWW~~ RB KM

Congress Passes Legislation with Damaging Provisions

As has been reported in Embtels 424 and 427, the Chamber of Deputies approved, late in the day, on August 17, 1962, a final version of profit remittance legislation and sent it to President Goulart for signature.

The changes made in the Chamber in the text of the version that was approved by the Senate on July 13 (Embassy's A-135 of August 2) are shown in Enclosure No. 1. Chamber amendments deleted Article 31 of the Senate bill (providing for an 8 percent limitation of profit remittances in non-productive and luxury industries) and substituted new articles 31, 32 and 33, having the following principal effects:

a) Limitation of all profit remittances to 10 percent of the originally registered capital (registered at its foreign currency value).

b) Remittances in excess of 10 percent would reduce the capital base.

c) Profits in excess of 10 percent would be registered separately (at their cruzeiro value and would not increase the capital base for future remittances of profit.

d) The repatriation of capital is not to exceed 20 percent. (Presumably annually but this is not clear).

file no action ARA/FST/B 9/6/62 J.W. Wilson

SEP 11 4:10 PM '62 FILED

Enclosures: As stated (UNCLASSIFIED)

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FORM 4-62 DS-323

Drafted by: RVKorp/dh

Contents and Classification Approved by:

Clearances: REakens RE

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According to Under Secretary of Finance, Miguel Calmon and others, the confused conditions in the Chamber on August 17 permitted the insertions of Articles 31 - 33 under circumstances in which the majority of the Chamber membership was not aware that this was being done, or of its significance. This is similar to the events which apparently surrounded the passage of the original Celso Brant version of the Profit Remittance Bill by the Chamber, in November, 1961.

As Miguel Calmon explained the events in a luncheon conversation with the Ambassador on August 21, he and other proponents of liberal legislation had worked until 2:00 in the morning of July 17 and had received the agreement of party leaders and key deputies that if any bill at all were approved, it would be the Senate version based on the Mem de Sá compromise. Actually at that time it looked as if there would be no quorum for any action in the Chamber, so that Calmon and others left Brasilia on the morning of August 17 in the belief that either no bill would be passed or that, if one should be passed, it would be the Mem de Sá bill as passed by the Senate. It apparently was true that no formal quorum developed in the Chamber during August 17 but Celso Brant and the group favoring a nationalistic bill were able to get the amended version approved under a rule of unanimous consent of all party leaders. Many of these apparently disclaim full knowledge of what they were really approving. There was thus, once more, a failure of conservative forces to be alert to their interests.

The Reaction

The high lights of the reaction in official circles to the profit remittance legislation approved by the Chamber have been reported in Embtels 427, 436 and 451. In summary, many high officials in the Brazilian Government, including Foreign Minister Alfonso Arinos, Acting Secretary of Finance, Miguel Calmon, Ambassador Roberto Campos, and Senator Mem de Sá, urged President Goulart to veto Articles 31 - 33. Antonio Balbino, Legal Advisor of the Presidency, was active in assisting Goulart in his consideration of this question.

Ambassador Gordon saw Goulart on August 21 with Ambassador Campos. He supported Ambassador Campos' arguments that Articles 31 - 33 should be vetoed, Ambassador Gordon pointing particularly to the effect that these provisions would have in discouraging any new significant private investment of a constructive nature.

Large sections of the press and some Brazilian business leaders attacked provisions of the profit remittance legislation.

Representatives of the American Chambers of Commerce of Rio de Janeiro and Sao Paulo met with Ambassador Gordon and other Embassy officials on August 22. They expressed their unhappiness with many provisions and particularly urged that sub-Para. 3 of Article 12 be

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added to Articles 31-33 in any requests for a Presidental veto. 1/ After the meeting, the Chambers sent telegrams to President Goulart and to Finance Minister Moreira Salles (in Paris) urging vetos of the above mentioned four Articles.

According to information provided by Foreign Minister Arinos to Ambassador Gordon, President Goulart expressed himself to his advisors as being most reluctant to use his veto (see Embtel 451), even in the light of a juridical argument pointing to the internal inconsistencies in the text, particularly the inconsistency of Article 28 with Articles 31 - 33. The discussions with the President ended in an agreement that a new bill would be introduced in the Senate getting rid of the most objectionable features of the proposed legislation now before the President.

The New Senate Bill

A new bill was introduced in the Senate on August 22 by Senator Daniel Krieger and was passed unanimously in the early hours of August 23.

The provisions of the text of the new Senate bill are included in Enclosure 2. It would have the effect of superseding Articles 31 - 33 and reintroducing the provisions of the original Article 31, calling for an 8 percent limit on profit remittances of non-productive and luxury investments.

The new Senate bill will presumably be on the agenda of the Chamber when it meets in its next scheduled "concentrated effort" during September 10-15. According to Arinos, President Goulart has promised that he would support the approval of this amendatory legislation in the Chamber. It remains to be seen whether Goulart will, in fact, give such support, and if so, whether it will be effective.

For the Ambassador:

Ralph V. Korp
Financial Attaché

1/ Paragraph 3 of Article 12, together with Article 13 has the effect of prohibiting deduction of technical assistance payments abroad from taxes or from profits, after a period of five years, renewable in certain cases by another five years. The businessmen argue that new technical innovation is a continuous process and that as a practical matter it is very difficult to express each new facet of it in the form of a technical assistance contract. They point out furthermore that this provision tends to be even more discriminatory against Brazil and firms than against foreign firms, who have naturally close relations with parent companies abroad.

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TEXTUAL CHANGES MADE IN THE PROFIT REMITTANCE BILL, WHEN APPROVED BY THE CHAMBER ON JULY 17, 1962 1/

(See text of Senate bill as reported in Embassy Airgrams A-61 of July 16 and A-135 of Aug.2,1962)

1. The minor changes made by the Senate in the text of Articles 21, 22 and 42 (see A-135) were deleted. These articles therefore stand in the version reported in the Embassy's Airgram A-61, except that original Article 42 has now become Article 44.

2. Article 31 of the Senate version is deleted (including accompanying sole paragraph).

3. New Articles 31-33 have been inserted reading as follows:

"Article 31. Annual profit remittances abroad shall not exceed 10 percent of the value of the registered investment.

"Article 32. Profit remittances which exceeded the limit established in the previous Article shall be considered a repatriation of capital and deducted from the corresponding registry for purposes of future profit remittances abroad.

"Sole Paragraph. The portion of foreign capital repatriated may not exceed 20 percent of the registered capital.

"Article 33. Profits in excess of the limit established in Article 31 of this Law shall be registered separately as supplementary capital and will not give the right of remittance of future profits."

4. Original articles numbered 32 through 57 are renumbered Articles 34 through 59.

1/ Based on informal translation of new text as published in the Jornal do Commercio of August 19, 1962.

0558

TEXT OF NEW AMENDATORY BILL ON PROFIT REMITTANCES, APPROVED BY THE SENATE AUGUST 23, 1962 (1/)

Article 1. Foreign capital applied to activities not productive of goods and services, or productive of goods and services for luxury consumption, as defined in an Executive Decree to be issued after consultation with the National Economic Council, is limited to annual remittance of profits of 8 percent of the capital registered with the Superintendency of Money and Credit.

Sole Paragraph. Profit remittances in excess of the limit set forth in this article, shall be considered capital repatriation and deducted from the corresponding register for the effect of future remittances; its reinvestment in activities considered of major interest to the national economy being thereby facilitated.

Article 2. Aside from the remittances covered in the previous article, only when there occurs a serious disequilibrium in the balance of payments or there are serious reasons for anticipating the imminent development of such a situation, may SUMOC impose, for a limited period, restrictions on imports and on the remittance of profits from foreign investments. For this purpose, it would give the Bank of Brazil a full or partial monopoly of exchange transactions.

Paragraph 1. Under the assumption covered by this Article, the repatriation of risk capital is prohibited and is limited, with respect to its profits, to 10 percent of the capital registered with SUMOC.

Paragraph 2. In any event, earnings not remitted abroad may be reinvested, being registered as capital in the enterprise from which it is derived or in sectors or areas of the national economy considered of major interest to the country, as defined in a decree to be issued by the Executive, after obtaining the opinion of the National Economic Council.

Article 3. Contrary provisions are revoked.

Article 4. This law will take effect on the date of its publication.

1/ Informal translation of text as reported in Jornal do Brasil of August 23, 1962.

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Action XMB Info SS L H ARA CAP EUR E AID P USIA INR CIA NSA COM FRB TRSY RMR

Control: 21072
Rec'd: August 27, 1962 10:28 p.m.

FROM: Buenos Aires

TO: Secretary of State

NO: 614, August 27, 7 P.M.

ACTION DEPARTMENT 614, INFORMATION LONDON 10, RIO DE JANEIRO 43, PARIS 9

PARIS FOR USRO

Substance Department telegram 489 communicated to Helbling today. He somewhat baffled by paraphrase of last sentence, particularly why terms European creditors "will offer" more "pertinent" than Brazilian 1961 transaction.

GOA and our understanding is that, initiative for making repayment schedule proposals rests with Argentines. For this purpose Argentines would like know what repayment terms concluded by Europeans with Brazil. Argentines appreciate circumstances of Brazilian and Argentine cases may differ. Nevertheless would like know rationale for 20-year repayment terms offered by Export Import Bank to Brazil and why in Brazilian case Export-Import Bank did not stipulate Europeans must match.

MCCLINTOCK

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Buenos-Aires-614

835.10/8-2762

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OUTGOING TELEGRAM Department of State

17829

INDICATE: ☐ COLLECT ☐ CHARGE TO Eximbank

CONFIDENTIAL
Classification

Aug 30 4 10 PM '62

Origin

ACTION: Amembassy BUENOS AIRES 542

Info

Embtel 614.

Eximbank undertook refunding Brazilian debt ~~without knowledge~~ ~~previous commitments to European creditors~~ early in 1961 shortly after new Board of Directors took over as part of large package which included substantial new funds from Eximbank, IMF, Treasury Stabilization Fund and large balance of payments loan from AID. Political assessment of Brazilian situation at that time was substantially more optimistic than current assessment of Argentina. Among other things effect of American package for Brazil was probably to improve position of European creditors and Eximbank wishes to avoid similar result in Argentine case.

(2)

Eximbank has firm understanding with Alsogaray and Alemann based upon their proposal that ~~proposed~~ Eximbank refunding would be comparable in all respects to terms agreed upon by Argentina and its European creditors. If latter prepared extend debts over long period Eximbank prepared to do likewise. Under circumstances Bank does not regard terms Brazilian settlement as germane and adheres to understanding with Alsogaray and Alemann. END

~~Approved for release~~

RUSK

Drafted by: Eximbank:ESConger 8/29/62

Telegraphic transmission and classification approved by: Emerson Ross

Clearances: Eximbank - Mr. Sauer
" - Mr. Linder
ARA - Mr. May

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Classification

FORM S-01 DS-322

BUENOS AIRES-542

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Rec'd: August 28, 1962 8:54 PM

ACTION:
INFO:
RM/R FILES file

FROM: Rio de Janeiro

TO: Secretary of State

NO: 488, August 28, 8 PM

PRIORITY

Reference: Department telegram 562

CONFIDENTIAL

Goulart today signed Chamber bill with no veto. Regarding proposed text Embassy considers statement might do harm rather than good with respect to pending Senate bill. Suggest Department might indicate, in response to question, "There is additional legislation pending on this subject and it would be inappropriate for USG to comment at this time." FYI: There have been assurances Goulart will support new legislation.

GORDON

COT/1

later passed unchanged and not

And G is not in R'd & must certainly did not see this reply would you check our suggested reply to see if understand why?

Sep 28 10 AM '62

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INCOMING TELEGRAM Department of State

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Control: 21363
Rec'd: August 28, 1962
8:00 a.m.

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FROM: Paris

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TO: Secretary of State

NO: 1003, August 28

ACTION DEPARTMENT 1003, INFORMATION RIO DE JANEIRO 9

After predicting President Goulart will sign into law without change pending Brazilian bill on foreign investment, newsletter CORRESPONDANCE ECONOMIQUE August 27 says European business circles do not consider its provisions as threat to rights of foreign capital. Cites views of "representatives of several large French enterprises" in Brazil, who say that for long time now their remittances of profits in any case well under 10 percent contrasts European attitude with agitation reportedly reigning among U.S. business interests in Brazil.

LYON

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OUTGOING TELEGRAM Department of State

16279

INDICATE: ☐ COLLECT ☐ CHARGE TO

CONFIDENTIAL
Classification

Aug 28 4 36 PM '62

Origin

ACTION: Amembassy RIO DE JANEIRO 580

Info:

RIO 580

Texas Oil Co. officials visited Dept. to discuss Brazilian situation. Stated their company deeply concerned mounting arrearages on payments petroleum sales and seriously debating whether continue shipments. No payments received since July 9. ~~Presently~~ Overdue payments ~~have~~ could reach $20 million by end of year if no effort made to effect payment.

End.

RUSK

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Drafted by: ARA:EST/BIRGhanetzec

Telegraphic transmission and classification approved by: ARA - Mr. May

Clearances:

E - Mr. Van Dusen

EST - Mr. Burton

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FORM 9-61 DS-322

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INCOMING TELEGRAM *Department of State*

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Control: 22899
Rec'd: August 29, 1962
2:19 p.m.

INFO:
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FROM: Rio de Janeiro

TO: Secretary of State

NO: 489, August 29, 10 a.m.

NIACT

EMBTEL 488.

Information re signing of bill released yesterday on official Radio Nacional now denied. Sources close to President now indicate signing expected around September 1.

GORDON

REE

NOTE: Advance copy Mr. Crane (ARA) 3:20 PM 8/29/CWO-JSW.

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Control: 23250
Rec'd: August 29, 1962
7:18 p.m.

ACTION: SAB
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RM/R FILES: file

Info

FROM: Rio de Janeiro

TO: Secretary of State

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NO: 491, August 29, 3 p.m.

Prime Minister Brochado has twice repeated in official statements that estimates over $800 million are held abroad by Brazilians. (We understand figure furnished by Minas Gerais Governor Magalhaes Pinto and trying trace background further). As discussed Embassy's A-515 we have no basis make estimate. Sumoc officials told Brochado they do not agree with his figure. They have nothing reliable to offer instead, but talk vaguely about roughly $250 million Brazilian assets worldwide.

RMR

In TV speech last Thursday, Brochado used $800 million figure in context implying that if this could be recaptured, Brazil would have no need for interest in AFP. Lucas Lopes has told me he is sure figure grossly overstated and desires refute. He has asked for any information we have and which he might publicly use bearing on question. Have you any estimates for Brazil or Latin America as a whole?

GORDON

DLW

Who can tell us this?

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~~R.B~~
~~H.W.B~~

I have talked to Henry Costanzo – Treasury – He will get a copy of the telegram and see what info is available. We can then decide whether it can or should be used.

Treasury expects to have a reply tomorrow to ~~our~~ earlier request for info on policy of divulging information on foreign deposits in the U.S.

→ R.C.

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Control: 23369 AM 10 13
Rec'd: AUGUST 29, 1962
10:01 PM

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 502, AUGUST 29, 8 PM

PASS SOUTHARD.

EMBASSY TELEGRAM 446.

CRUZEIRO CONTINUES DEPRECIATE IN "CAMBIO" MARKET. SELLING RATE AT LOW POINT YESTERDAY REACHED CR$730 (FOR CURRENCY NOTES). MARKET CLOSED YESTERDAY 675/685 AND BEING QUOTED THIS MORNING 670/680. COMMERCIAL BANK RATE HAS BEEN STEADY DURING PAST FEW DAYS AT ROUGHLY 425/430. BANK OF BRAZIL CONTINUES QUOTE 404/415.

WEAKNESS "CAMBIO" RATE PROBABLY DUE: A) CONTINUED POLITICAL UNCERTAINTIES, B) RESTRICTIONS ON FINANCIAL TRANSACTIONS IN AUTHORIZED MARKET, C) GENERAL KNOWLEDGE LOW RESERVES AND BALANCE OF PAYMENTS DIFFICULTIES, D) ABSENCE ANY NEWS MOREIRA SALLES HAS SUCCEEDED OBTAINING NEW FINANCIAL RELIEF ABROAD, E) CLIMATE EXPECTATION CONTINUED INFLATION AND DEPRECIATION DOLLAR RATE (NUMEROUS PRESS REPORTS SPECULATE DOLLAR MAY SOON REACH CR$1,000), AND PROFIT REMITTANCE LEGISLATION NOW BEFORE PRESIDENT FOR SIGNATURE, INCLUDING ITS REQUIREMENTS REGISTRATION FOREIGN ASSETS OF BRAZILIAN RESIDENTS. LATTER PROBABLY SUBSTANTIAL FACTOR MAKING FOR PREFERENCE ANONYMITY OF "CAMBIO" MARKET.

identified by RMR

BANK OF BRAZIL'S ARREARS HAVE REACHED $70 MILLION ACCORDING CASIMIRO RIBEIRO. ESSO REPORTS THAT RECEIVED FROM ACTING EXCHANGE DIRECTOR SIMILAR RESPONSE TO THAT GIVEN SUNOCO, NAMELY, BANK HAS DIFFICULT PAYMENTS PROBLEM AND WILL DISCUSS POLICY

(2)

RIO 502

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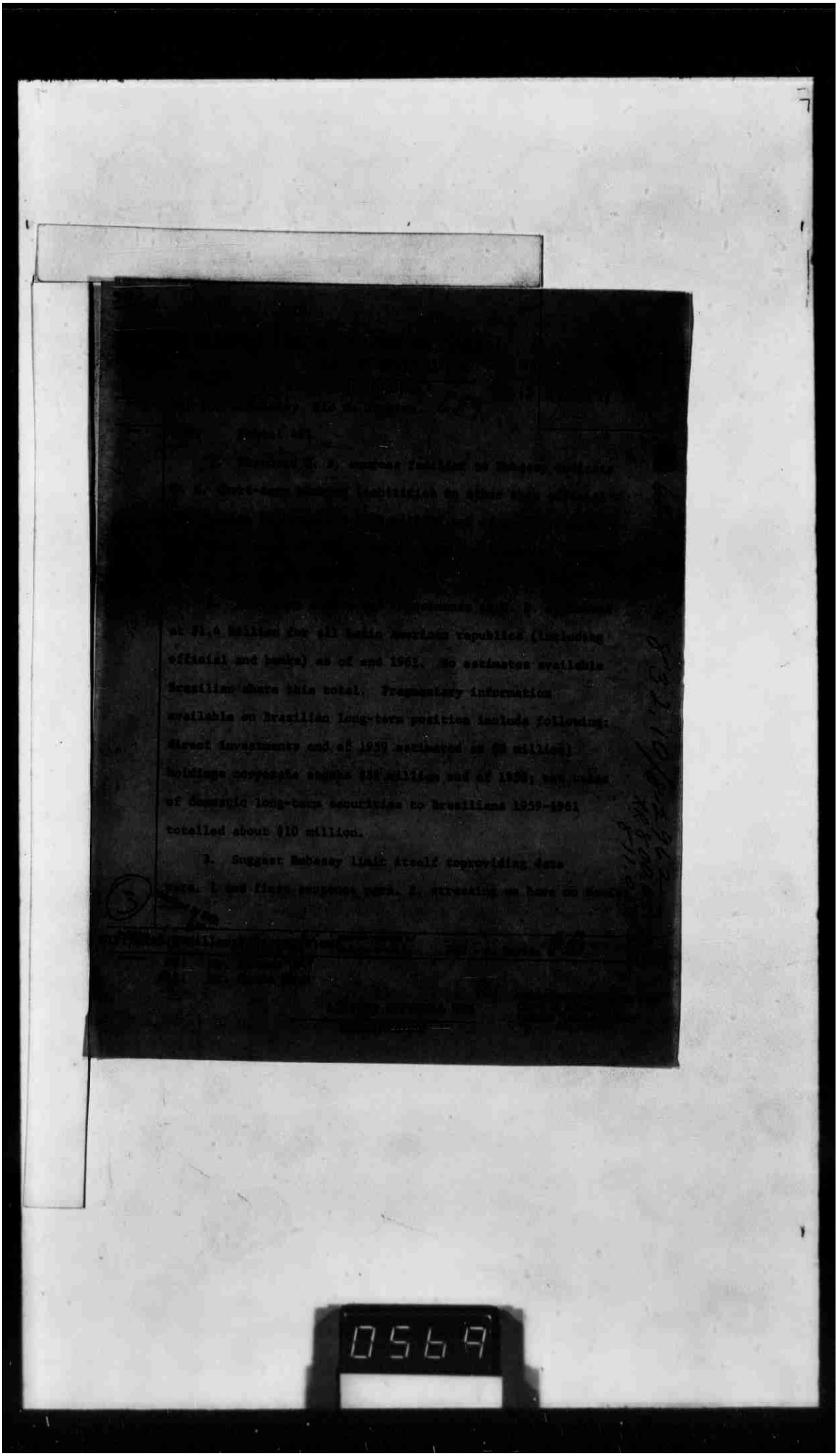
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& OFFICE SYMBOL			

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make any estimate total assets held abroad and otherwise keeping clear of controversy over estimates. END

RUSK

0570

INCOMING TELEGRAM Department of State

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Rec'd: August 30, 1962
3:23 p.m.

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FROM: Paris

TO: Secretary of State

NO: 1048, August 30, 4 p.m.

ACTION DEPARTMENT 1048; INFORMATION RIO DE JANEIRO 10.

Reference: DEPTEL 1238 August 28.

1. Embassy officer August 30 delivered REFTEL message from May to Moreira Salles.

2. Moreira Salles said information very helpful. He asked Embassy transmit following from him to May:

(A) Re profit remittance bill, he had personal understanding with Brazilian cabinet that Government would do everthing it could to secure adoption of modifications along lines recently voted by Senate. It is hoped Chamber, which reconvenes September 10, will also approve modifications by September 15 at latest. Moreira Salles said that while he personally disliked any legislation whatsoever of this character, because he felt it would inevitably tend discourage foreign investment, Senate version seemed to be about irreducible minimum in light exigencies of Brazilian politics.

(B) It correct that formulation policy on Arrears due oil companies awaiting his return.. However, he would be back in Brazil on September 1 and would give matter his early attention.

LYON

MRJ

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ARMY	CIA 8	NAVY
OSD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

832.10/8-3062
XR-832.131

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PRIORITY

TO : DEPARTMENT OF STATE 1962 SEP 4 AM 9 24

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
SEP 5 1962

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: August 30, 1962

SUBJECT : Bank of Brazil Exchange Reserves and Transactions - July 31, 1962

REF : CERP, Sec. B-231; Embassy's A-115 of July 26, 1962

pls. no action
NRH/EST/10
9/10/62
J.W. Letton

Attached are tables on the Bank of Brazil's foreign exchange reserves and on foreign exchange transactions of the Bank of Brazil and of other banks, as of July 31, 1962.

COMMENT:

The net convertible reserves of the Bank of Brazil showed a further decrease of $17.2 million during July. The pressure on the reserves, reflected in large part the delayed impact of the cumulative deficit of convertible exchange contracts sold over exchange contracts bought amounting to $182 million during the first half of 1962. This pressure, combined with political problems led to giving the Bank of Brazil a temporary monopoly over all exchange transactions under SUMOC Instruction 228 of July 7, 1962. (For analysis see Embassy's A-27 and A-44).

The level of net reserves apparently reached a low point about the middle of July. Official deposits in U. S. banks which amounted to $41.4 million at the end of June, fell to about $12 million on July 15, well below the roughly $25 million level that the Bank of Brazil regards as an "absolute minimum". Deposits in the U. S. rose to $17.2 million at the end of July and have increased further to roughly $23 million on August 15 and to $25 million on Aug. 28. This recovery has been achieved at the price of severely limiting imports under SUMOC 228 and of accumulating unpaid commercial arrears. The decrease in imports is reflected in the fact that the Bank of Brazil's exchange contract transactions in convertible currencies showed a surplus of $27.6 million during July 1 - August 28 (footnote 4 of tables). Commercial arrears of about

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Encl: Tables, as stated

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FORM 4-62 DS-323

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Clearances: REakens	

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$75 million have been accumulted from July 9 to date.

The Bank of Brazil's exchange monopoly was cancelled by SUMOC Instruction 229 of August 15 (see Embassy's A-201).

For the Ambassador:

Ralph V. Korp
Financial Attaché

0573

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TABLES ON BRAZIL'S RESERVES AND FOREIGN EXCHANGE TRANSACTIONS

(All figures in millions U.S. dollars, or dollar equivalents)

I. CONVERTIBLE FOREIGN EXCHANGE RESERVES

A. Net Reserve Position of the Bank of Brazil

End of Period	Unpledged gold	Freely Available US$	Other Freely Available Conv. Curr.	Sub-Total	Less N. Y. Credit Lines in Use	Total Net Reserves
1961						
Dec.	70.1	39.2	2.3	111.6	-50.5	61.1
1962						
Mar.	70.5	25.5	12.6	108.6	-25.0	83.6
June	81.1	41.4	6.9	129.4	-41.5	87.9
July	81.1	17.2 1/	17.4	115.7	-45.0	70.7

B. Gross Reserve Position of the Bank of Brazil 2/

End of Period	Total Gold (1)	Unpledged Gold (2)	U. S. Dollars (3)	Other Convertible Currencies (4)	Unutilized N.Y. Credit Lines (5)	TOTAL: (2 + 3+ 4 + 5)
1961						
Dec.	285	70	126	47	40	283
1962						
Mar.	285	70	92	42	67	271
June	285	81	132	31	46	290
July	285	81	112	34	46	273

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II. FOREIGN EXCHANGE TRANSACTIONS

A. Bank of Brazil Contracts for Purchases and Sales of Foreign Exchange 3/

1. Convertible Currencies

Monthly Transactions	U. S. Dollars			Other Conv. Currencies			Total Convertible Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net	Purchases	Sales	Net
1962									
Jan. f	63.9	77.5	-13.6	20.0	23.9	- 3.9	83.9	101.4	-17.5
Feb.	51.6	80.4	-28.8	11.4	25.1	-13.7	63.0	105.5	-42.5
Mar.	45.2	78.8	-33.6	12.3	17.5	- 5.2	57.5	96.3	-38.8
Apr.	49.7	69.3	-19.6	14.2	14.8	- 0.6	63.9	84.1	-20.2
May	51.3	85.8	-34.5	24.3	19.7	+ 4.6	75.6	105.5	-29.9
June	41.9	68.5	-26.7	11.9	18.1	- 6.2	53.8	86.7	-32.9
Total (Jan/June)	303.6	460.4	-156.8	94.2	119.1	-24.9	397.8	579.5	-181.7
July	59.2	55.2	+ 4.0	21.3	17.9	+ 3.4	80.5	13.1	+ 7.4 4/
Total (Jan/July)	362.8	515.6	-152.8	115.5	137.0	-21.5	478.3	652.6	-174.3

2. Inconvertible Currencies

Monthly Transactions	Purchases	Sales	Net
1962			
January	7.5	4.5	+3.0
February	7.2	12.7	-5.5
March	8.5	6.7	+1.8
April	9.1	5.6	+3.5
May	11.8	5.8	+6.0
June	23.0	11.6	+11.4
Total, Jan/June	67.1	46.9	+20.2
July	10.6	8.8	+1.8
Total, Jan/July	77.7	55.7	+22.0

0575

B. Foreign Exchange Transactions of Commercial Banks

1. Total Purchases and Sales

Monthly Transactions	PURCHASES: For Own Acct.	PURCHASES: Transferred to BOB	PURCHASES: Total	SALES: For Own Acct.	SALES: w/resources furnished by BOB	SALES: Total	NET TOTAL
1962							
Jan.	28.3	4.3	32.6	36.3	0.3	36.6	- 4.0
Feb.	29.3	3.0	32.3	24.7	0.2	24.9	+ 7.4
Mar.	42.9	9.7	52.6	40.5	0.2	40.7	+11.9
Apr.	50.7	2.3	53.0	50.4	0.1	50.5	+ 2.5
May	73.0	6.5	79.5	67.6	0.1	67.7	+11.8
June	27.4	2.4	29.8	48.8	0.2	49.0	-19.2
July	17.5	14.3	31.8	12.7	1.9	14.6	+17.2
Total, Jan/July	269.1	42.4	311.5	281.0	3.0	284.0	+27.5

2. By Type of Transactions

Monthly Transactions	PURCHASES: Exports	PURCHASES: Financial Transactions	PURCHASES: Total	SALES: Imports	SALES: Financial Transactions	SALES: Total	NET TOTAL
1962							
Jan.	21.0	11.6	32.6	18.0	18.6	36.6	- 4.0
Feb.	18.4	13.9	32.3	11.9	13.0	24.9	+ 7.4
Mar.	32.9	19.7	52.6	16.7	24.0	40.7	+11.9
Apr.	30.9	22.0	52.9	15.3	35.2	50.5	+ 2.4
May	51.4	28.1	79.5	24.7	43.0	67.7	+11.8
June	24.8	5.0	29.8	30.6	18.4	49.0	-19.2
July	23.6	8.2	31.8	9.3	5.3	14.6	+17.2
Total, Jan/July	203.0	108.5	311.5	136.5	157.5	284.0	+27.5

C. Bank of Brazil "Swaps"

End of Period	"SWAPS" OUTSTANDING: U. S. Dollars	Other Convertible Currencies	Total
1961			
Dec.	313.7	34.1	347.8
1962			
Mar.	323.1	38.4	361.5
June	384.5	31.5	416.0
July 5/	377.7	32.6	410.3
Change during Jan 1/July 31, 1962	+64.0	- 1.5	+62.5

0576

FOOTNOTES TO TABLES

1/ Preliminary unconfirmed data from major U. S. banks (accounting for about 90 percent of deposits in the U. S.) showed dollar deposits increased to about $23 million on August 15, and to $25.3 million on August 27.

2/ Continuation of the series appearing in Table 17 (Page 34 of Part II) of the IMF's report on the 1961 Article XIV Consultations with Brazil (Document SM/62/12 of February 28, 1962). The main difference between this gross series (IB) and the series on the net reserve position (IA) is that the gross series reflects, in addition to freely available dollars and other convertible deposits, certain receivables in transit and earmarked deposits, without showing corresponding liability items. The net series shows only the freely available deposits and would therefore seem more meaningful of the two sets of data.

3/ These transactions reflect the movement of contracts for the sale or purchase of foreign exchange; not cash flows. Direct cash transactions of the Bank of Brazil, on its own behalf are never reflected in these figures. Thus, items such as "swaps" and drawings and repayments of foreign loans to the Bank of Brazil do not form part of the transactions recorded in this series.

4/ Bank of Brazil's exchange contract transactions in convertible currencies showed a further surplus of $16.1 million during the first 15 days of August and $20.2 million during August 1 - August 28, attributable primarily to the drop in exchange sales under SUMOC 228.

5/ The "swap" position as of August 28, 1962 showed little change, the position being: Dollar "swaps", $378.1 million; Other convertable "swaps", $30.9 million; Total "swaps", $409.0 million.

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Info SS L H CAP E AID P USIA INR COM FRB TRSY RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 517, AUGUST 31, 7 PM

File 5N/E 9/7 GDW

PRIORITY

REFERENCE: DEPARTMENT TELEGRAM 563.

SIGNATURE INVESTMENT GUARANTEE AGREEMENT BEING FURTHER DELAYED. BOTH FINANCE MINISTRY AND SUMOC STUDYING IT AND PERCEIVE SOME PROBLEMS. DIAS CARNEIRO SAID YESTERDAY AGREEMENT WOULD NOT BE SIGNED AT LEAST BEFORE MIDDLE SEPTEMBER. SEPARATE MEMORANDUM FOLLOWS.

STORIES CONTINUE IN PRESS ABOUT POSSIBLE USG ASSISTANCE TO GOB TO CAPTURE BRAZILIAN ASSETS ABROAD AND REPS U.S. BANKS HERE INCREASINGLY CONCERNED IMPACT SUCH REPORTS. URGENTLY NEED STATEMENT REQUESTED EMBASSY TELEGRAM 469.

GORDON

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832.10/8-3162

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Control: 413

Rec'd: September 1, 1962
3:36 p.m.

ACTION: L:SMD

INFO:

RM/R FILES:

FROM: Rio de Janeiro

TO: Secretary of State

NO: 519, August 31, 4 p.m.

File RM/R 9/7 2nw

ACTION DEPARTMENT 519, PARIS UNNUMBERED.

FOLLOWING FROM BRASILIA.

Officer in charge French Embassy Brasilia told Raine that during call made yesterday on Prime Minister Brochado by Wilfrid Baumgartner, ex-President Bank France, and ex-Finance Minister visiting Brasilia for conerstone laying Alligence Francaise (of which he now President) building, Prime Minister pressed Baumgartner for views on Brazilian financial situation and remedies which Brazilians might undertake meet problems. Baumgartner first declined claiming lack knowledge Brazilian situation but on insistence Prime Minister who described himself as provincial lawyer with no knowledge these things Baumgartner told him (A) be careful profits remittance bill does not drive away foreign capital because if it does, Brazil is finished; (B) first steps halt heavy inflation is reduce expenses and increase taxes cover budget deficits. Baumgartner promised write Prime Minister after returns Paris and has chance look into problem more carefully.

GORDON

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TR 2	XMB	AIR
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DEPARTMENT OF STATE

AIRGRAM

832.10/8-3162
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A-48 NO. | OFFICIAL USE ONLY | AIR POUCH HANDLING INDICATOR

TO : Secstate WASHINGTON

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS SEP 6 1962

1962 SEP 5 PM 1 19

RM/AIN ANALYSIS & DISTRIBUTION BRANCH

FROM : Amcongen SÃO PAULO DATE: August 31, 1962

SUBJECT : Report that US Government to Disclose Brazilian Private Deposits in US.

REF :

There is a report from Brasilia published in O Estado de S. Paulo today (enclosed) to the effect that the Brazilian Government is expecting to receive in September from the United States Government information which it has requested of the latter with respect to the amount of Brazilian deposits in the United States and a list of the depositors. The report indicates that this information has been promised by the White House.

In the opinion of the Consulate General, and of the American Chamber of Commerce for Brazil (São Paulo), as expressed by its President, Mr. John S. Richards, ~~that~~ any disclosure of this sort would be highly prejudicial to such depositors and might lead to severe penalties against them. The Consulate General would appreciate reassurances from the Department that the aforementioned report is inaccurate and that such disclosure is not contemplated.

Daniel M. Braddock
Minister Consul General

Enclosures:

1. Article from O Estado de S. Paulo as stated.
2. Translation of above article.

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OCT 10 1962

FORM 4-62 DS-323

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Drafted by: DM Braddock/fmw August 31, 1962

Contents and Classification Approved by:

Clearances:

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TRANSLATION:

Brasilia 30 ("Estado") DEPOSITS

A high source in the Planalto Palace announced today that the Brazilian Government is expecting in the second half of September the receipt of information requested from the American Government as to the total of Brazilian deposits in the United States and the listing of the depositors.

The delay in the receipt of this information, which has already been promised by the White House, is attributed by the Brazilian authorities to the desire of the American leaders not to influence the Brazilian political process in any way, preferring therefore to wait for the end of the coming period of "concentrated effort" of the Congress, when it is hoped that the present state of crisis between President Goulart and the Deputies will have passed.

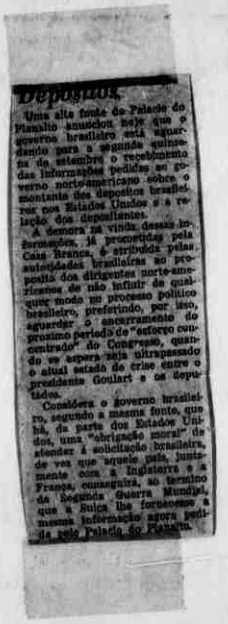
The Brazilian Government considers, according to the same source, that there is on the part of the United States a "moral obligation" to comply with the Brazilian request since the United States, together with England and France, succeeded at the end of the Second World War in getting Switzerland to furnish it the same information which is now asked for by the Planalto Palace.

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Enclosure 1
São Paulo A-48
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Depoimentos

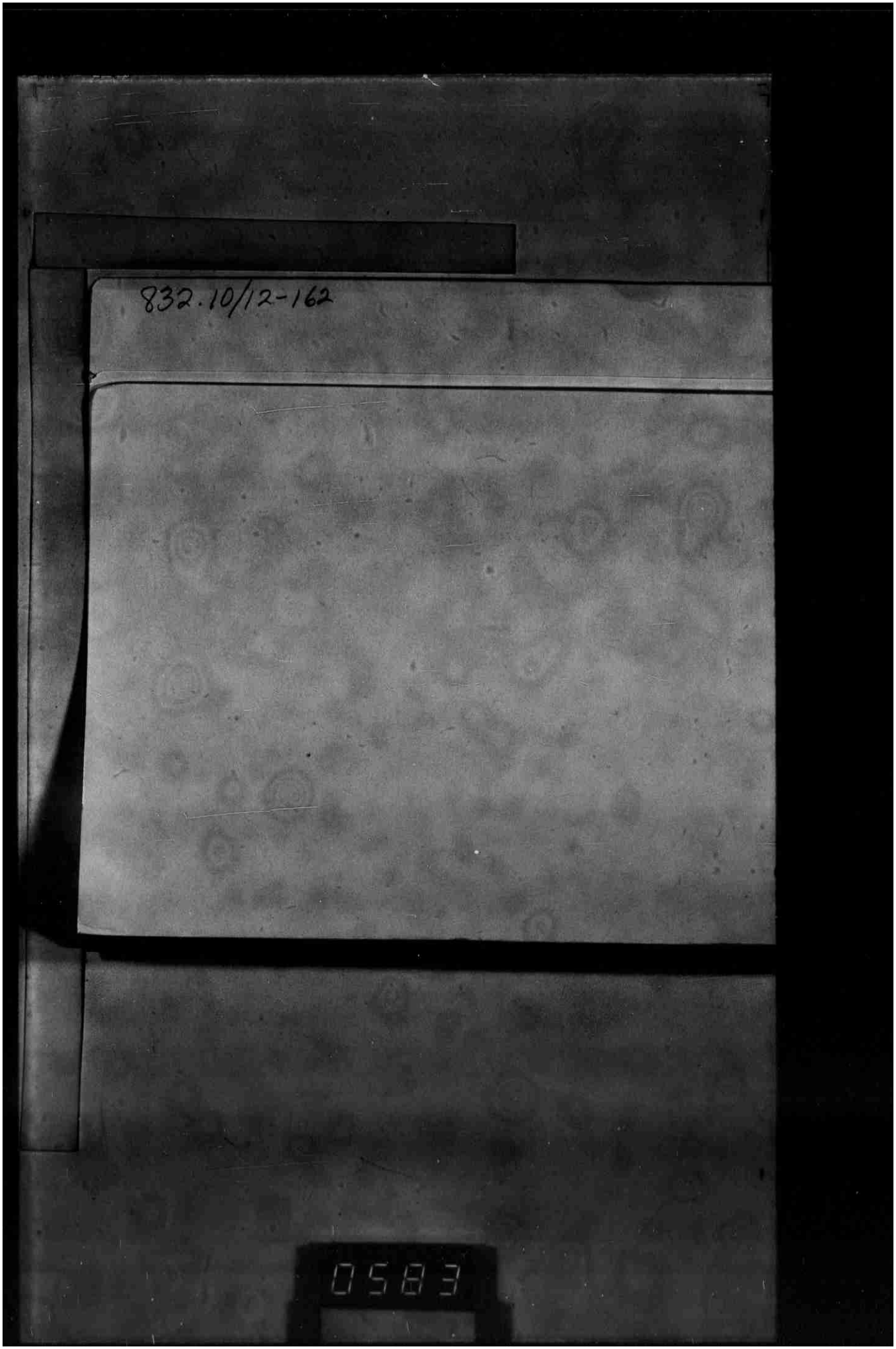
Uma alta fonte do Palácio do Planalto anunciou hoje que o governo brasileiro está aguardando para a segunda quinzena de setembro o recebimento das informações pedidas ao governo norte-americano sobre o montante dos depósitos brasileiros nos Estados Unidos e a relação dos depositantes.

A demora na vinda dessas informações, já prometidas pela Casa Branca, é atribuída pelas autoridades brasileiras ao propósito dos dirigentes norte-americanos de não influir de qualquer modo no processo político brasileiro, preferindo, por isso, aguardar o encerramento do próximo período de "esforço concentrado" do Congresso, quando se espera seja ultrapassado o atual estado de crise entre o presidente Goulart e os deputados.

Considera o governo brasileiro, segundo a mesma fonte, que há, da parte dos Estados Unidos, uma "obrigação moral" de atender à solicitação brasileira, de vez que aquele país, juntamente com a Inglaterra e a França, conseguira, ao término da Segunda Guerra Mundial, que a Suíça lhe fornecesse a mesma informação agora pedida pelo Palácio do Planalto.

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 1065, December 1, 5 P.M.

RM/R - full
12/4 - KB

PRIORITY

Reference: Department telegram 1197

1. Believe whether or not Brazil will have substantial payments problem in December, depends largely on GOB's willingness and ability sell, or borrow against, about $70 million free gold, of which $60 being shipped next week. GOB's reluctance sell gold appears great, particularly in absence repurchase guarantee at fixed price. since $60 million shipment scheduled arrive New York only about December 20, completion any gold loan operations in time meet December obligations appears doubtful, even assuming banks willing grant necessary waiver. You in better position evaluate chances arranging any advance from private banks against gold shipment while in transit.

2. Making no allowance any repayment of previously accumulated commercial arrears, we estimate Brazils residual December payments deficit about $75-$85 million. (Details in A-619 hand-carried by Ambassador). Figure includes $17 million repayment bankers credit lines maturing in December. Thus if banks renew, residual deficit is reduced roughly to level free gold availabilities. If banks do not renew, equivalent amount can probably be handled by further additions to commercial arrears.

3. If free gold not sold or pledged by end 1962, it is reasonable guess that there will be $3-$40 million gap that would be

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-2- 1065, December 1, 5 P.M., from Rio de Janeiro

would be difficult finance merely by adding to commercial arrears. Addition to non-petroleum arrears have been about $20 million per month (or other involuntary credit from abroad). In general GOB presumably has incentive minimize visible signs exchange crisis prior to January 6 plebiscite. This consideration could of course argue GOB gold sale or not depending on judgment effects publicity gold sale as against publicity of debt default or other consequences of non-sale.

4. Embassy's A-631 (also hand-carried by Ambassador) indicates estimated, on optimistic assumptions, that Bank of Brazil transactions will result residual deficit $30 million in January, surplus $30 million in February and deficit $60 million in March, even assuming credit lines, "swaps" and maturing gold loans renewed. If credit lines $10.5 maturing January not renewed, deficit that month $40, which probably about $20 million more than could be handled new commercial arrears. Any event appears clear present GOB policies could not stand strains of potential March deficit, without substantial modification policies, or substantial foreign assistance.

5. I will be prepared discuss problem stop-gap financing during next week's talks in Washington.

GORDON

MJA-6

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Rec'd: December 3, 1962 03
5:03 p.m.

ACT
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FROM: Rio de Janeiro

TO: Secretary of State

NO: 1071, December 3, 5 p.m.

RM/R - full
12/6 - KB

PRIORITY

Reference: EMBTEL 1061

Dantas had long discussion Jose Nabuco, ITT counsel, November 29. Main problem which emerged seemed to be over amount loan, but Dantas left impression wanted conclude negotiations by today, that he considered all problems resolvable, and he undertook make concrete proposal to Nabuco November 30.

Although Dantas proposal not yet made, he had further talk with Nabuco over week-end and is now supposed present proposal today.

General lines Dantas thinking which somewhat different those indicated REFTEL, as follows: (1) Loan 2.4 billion cruzeiros by BOB broken down (A) 1.4 billion industrial department and (B) one billion commercial department.

(A) In turn would consist 700 million convertible immediately to dollars at current rate CR $475 and 700 million industrial type loan.

Dantas indicated that (B) would be freely usable by Standard Electric and that supervisio (A) would be lenient but that at some stage BOB would want verify facilities in which presumably 700 million not coverted utilized.

(2) Dantas now suggesting side commitment not call loans be from Minister Finance to ITT.

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

Rio 1071

S 32.05/11 12-3 62
AR 832.10

0586

ACTION COPY

INCOMING TELEGRAM *Department of State* **PERMANENT RECORD COPY**

47-W
Action

SS
Info

SECRET

Control: 1072
Rec'd: December 3, 1962
9:00 p.m.

001

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1072, December 3, 6 P.M. (SECTION I OF IV)

PRIORITY

LIMIT DISTRIBUTION S/S

Message represents last look at fluid scene here prior my departure for Washington consultation and attempt focus facts and speculation toward answering, in so far as possible, following questions:

1) What alternative to cooperation with US is really open to GOB and how undesirable would this appear to major GOB figures primarily involved?

2) What is present thinking of GOB re relations with US in near and intermediate range future and what "alternatives" is GOB likely to "offer" US?

3) What consequences from US point of view would be likely to flow from a) accepting likely GOB "terms" for collaboration with US or b) rejecting such terms and insisting on our own.

Re question number one:

Among most relevant considerations are economic. If complete break Brazilian-US economic and commercial relations were to ensure, foreign exchange balance sheet from GOB point of view might look very roughly as follows:

Projected deficit for 1963 on basis no AFP or PL 480 assistance.

Loss to

832.10/12-362

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0587

SECRET

-2- 1072, December 3, 6 P.M. (SECTION I OF IV), from Rio de Janeiro

Loss to Brazil through cessation of US purchases of Brazilian exports: Minus $550 million.

Total Minus $1,350 million

This could be redressed in part as follows:

Savings through cessation profits remittances to US investors, debt repayments, et cetera plus $500 million.

Soviet bloc supply (if available) of Brazil's total requirements for foreign crude oil and other petroleum products: Plus $250 million.

Maximum practicable further cuts in Brazilian imports: Plus $200 million.

Total plus $950 million.

The GOB could seek further to redress new net anticipated deficit of $500 million by accepting further Soviet bloc assistance (if available) in such items as coking coal and capital goods and some more wheat and also by seeking to persuade some non-bloc countries, they might think of Italy and Japan, to furnish some additional capital by offering private investments on very favorable terms to those countries.

Above calculations are, of course, based on total break and on securing maximum non-military aid from Communist bloc. Brazilians, however, might visualize that partial break might be possible under which exports to US ($550 million) and PL 480 (about $100 million) might be continued as might some help from Inter-American Bank (about $50 million). They might, moreover, think this could be done while simultaneously suspending profits remittance, debt payments, et cetera, especially

SECRET

-3- 1072, December 3, 6 P.M. (SECTION I OF IV), from Rio de Janeiro

especially if across board and in general accord with IMF rules.

Same such considerations might have been basis for Furtado's statement to Kubish and Korp that his present plans call for about $500 million from US, international lending agencies, and other foreign sources including private, while if this not forthcoming it could be compensated by further austerity and control measures but at cost reduced growth rate.

BOND

MJA-6

Note-Advance copy S/SO 12:25a.m. 12/4 CWO-Jsw

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0589

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INCOMING TELEGRAM *Department of State* PERMANENT RECORD COPY

39-L
Action
SS
Info

SECRET

Control: 1220
Rec'd: December 4, 1962
5:37 a.m.

FROM: Rio de Janeiro

001
56

TO: Secretary of State
1077
NO: 1172, December 3, 6 p.m. (SECTION II OF IV)

PRIORITY

LIMIT DISTRIBUTION S/S

We think, however, he is understating problem -- perhaps partly from his own political and economic convictions and partly from understandable desire to maintain GOB's bargaining position.

GOB, moreover, simply could not be sure that partial break combined with continuing internal difficulties might not lead to fuller break, suspension of U.S. PL-480 assistance and purchase of Brazilian exports, and at same time full turn by Brazil to bloc for maximum non-military assistance.

In this light we think considerations arguing against break with UN should be deteriorating situation (considerations such as losses to production in important sectors involved in taking over U.S. companies would also be relevant); degree of potential commitment to Soviet bloc would be very great, assurance that bloc would help sufficiently and in time relatively low, and confidence that bloc could protect Brazil from U.S. in case of real show-down virtually zero after Cuba.

In view these considerations we think that any thoughtful Brazilian, however left-wing, should be hesitant seek or accept break with U.S. at this stage. At same time we should be aware we not fully capable of seeing alternatives through eyes Brazilians primarily involved, especially those heavily influenced by ideology, emotional bitterness, personal ambitions, et cetera. However, whatever else they may be, number of important

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0590

SECRET

-2- 1172, December 3, 6 p.m. (SECTION II OF IV) from: Rio de Janeiro

important people around Goulart, such as Dantas and Furtado, are highly intelligent and, I believe, they should see dangers sufficiently clearly to give them pause.

Goulart and company would also have to consider political side to such course of action. As I have previously reported, both he and Lima have indicated some nervousness over possibility of coups against them. They might calculate, however, that such possibility could be held off inasmuch as serious deterioration U.S.-Brazilian relations would not come about until after formation new government at earliest. Meantime, a few skillful shifts, sufficient to ensure future maintenance control, might be safely undertaken. Unconfirmed rumors, for example, pointing to consideration of Jair Dantas Ribeiro rather than Osvino as Kruel replacement as War Minister, if true, could point to thinking along this line.

While there is some pretty extreme anti-Goulart talk among high-ranking army officers, we do not get impression they have anything organized at present and feel they probably thinking of possibility of action only some months from now.

Re question number two:

There is great nervousness on part Goulart and left generally reflecting their awareness of weakness their position, especially financial, and corresponding fear that U.S. is about to adopt "hard line" including both economic and political performance requirements as price further assistance. As a result of this Goulart and others are obviously preparing to present us with their own pair of alternatives: formula for assistance more or less on Brazilian terms, or consequences unpleasant from U.S. point of view. These alternatives vary considerably fn formulation.

/Terms

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0591

SECRET

-3- 1172, December 3, 6 p.m. (SECTION II OF IV) FROM: Rio de Janeiro

Terms on which we might aid Brazil, for example, were most unreasonable presented by Goulart in our November 16 conversation when he suggested we should essentially confine ourselves to debt consolidation, import financing and general budget support. They were most reasonably presented in original Dantas formulation and in his idea that program would be exposed to us in advance in purely exploratory way. But Dantas mission has now been postponed. Whereas he originally told me not to pay attention to Furtado's ideas, he now says he must wait until he gets plan figures from Furtado before he can make trip.

Consequences of non-assistance have also been variously stated, most strongly by Goulart in November 16 conversation with me, much more restrainedly by Goulart to me November 28 and by Furtado to Kubish and Korp November 30 (Embassy's telegram TOAID 624). Goulart, however, keeps talking about possible denunciation of U.S. We are told at third hand that when he saw Kubitschek November 28 he said he was getting fed up with repeated delays by U.S. in assisting Brazil and was thinking of telling Brazilian people about recent Soviet aid offers and showing how U.S. was responsible for economic ills of Brazil. Some of things our AID people are hearing seem to indicate that Sudene is preparing specific case against us on northeast.

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INCOMING TELEGRAM *Department of State*

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39-L

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Action SS

Control: 1262

Rec'd: December 4, 1962 6:59 a.m.

Info

FROM: Rio de Janeiro

001

TO: Secretary of State

NO: 1072, December 3, 6 p.m. SECTION THREE OF FOUR

PRIORITY

LIMIT DISTRIBUTION S/S

In our A-580 we indicated that while Goulart wanted keep us soothed, some communist forces probably wanted bring an open break with us in immediate future. We are not now sure that this is correct. Furtado (who might or might not be essentially on communist side) is phrasing his objections to AFP efforts in NE in as moderate and permissive terms as possible and promises to make speech December 3 saying something nice about AFP (toaid 624). Arraes anticipating this line on November 30 used permissive language regarding AFP in NE provided its efforts addressed "basic problems" and channelled through Sudene. While Brizola is stumping country in favor complete break with us thus continuing long-term propaganda effort and making fearsome off-state noises - interestingly enough government radio stations and news agencies (including Agencia Nacional under very suspect Brizolaite Josue Guimaraes) are not carrying his anti-US remarks (Guimaraes saying he has Goulart orders not to do so). Rumors circulate that Brizola may soon get divorce from Goulart sister, but communication between brothers-in-law sufficiently good to permit them to come out almost simultaneously with line about "good" foreign private capital (evidently non-US) and "bad" foreign private capital) evidently US.

We thus have evidence to burn, pointing in all known directions, with trick being to know which parts to throw away. Same decisions, moreover, may not yet have been made by GOB with pulling and hauling still going on and position still developing. Much recent

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-2- 1072, December 3, 6 p.m. SECTION THREE OF FOUR from Rio de Janeiro

Much recent evidence however, seems to point to idea of acing us with rather smooth surface on which difficult to get handhold, namely choice between 1) continued cooperation with US, fairly reasonable on economic side, complete with performance requirements for stabilization assistance, permitting some AFP controls on project assistance but keeping these to minimum, and facing us with fait accompli in new government with some improvements or apparent improvements without, however, altering basic nature of regime including fairly cooperative coexistence with overt domestic communists: or 2) "Go it alone" program, moderately phrased, with emphasis on bad consequences for US arising from "collapse" AFP resulting from its "failure" in Brazil.

Actual GOB alternative course, as indicated earlier in message, probably considerably more drastic in long-run than GOB would indicate to us officially or, for reasons of regime's security, permit it to appear initially to Brazilian public, or than they might realize themselves.

Re question number 3:

We believe that to accept GOB economic program without substantial political improvement would be unsatisfactory and in long-run quite possibly disastrous from point of view US interest. In short run we would probably get more responsible financial behavior, but if statist-syndicalists and/or crypto-communists continued hold enough key positions, we believe that we would merely be somewhat postponing evil day while permitting regime to erode independence of military, which is only force here capable of effective opposition.

One could, of course, hope that acceptance and fulfillment of economic performance requirements might, together with some attendant

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0594

SECRET

-3- 1072, December 3, 6 p.m. SECTION THREE OF FOUR from Rio de Janeiro

attendant caution on political side, lead to prohibitive from GOB point of view since one would add heavy further setback to what is already rapidly frication between communist and non-communist forces to produce clarification of regime without US having to insist on dangerous political conditions.

There is evidently some dissension within PTB now, as evidenced by split in chamber group on Hermes Lima confirmation vote November 29 (EMBTELS 1067 and 1068), presumably over issue of whether immediate government crisis desirable. Although split appears being papered over, tension may well exist between Almino Afonso (Grupo Compacto) wing which may want Goulart to go for semi-authoritarian solution now and more moderate wing which realizes that if constitutionality (loose Brazilian version since Capenema law is itself unconstitutional) is to be maintained, new government will have to hale PSD support. Where Goulart himself stood on this not yet clear.

BOND

JGG

NOTE: Advance copies SS 12/4/GWO-JRL.

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34
Action
SS
Info

SECRET

Control: 1269
Rec'd: December 4, 1962
7:13 A. M.

FROM: Rio de Janeiro

TO: Secretary of State

001
36

NO: 1072, December 3, 6 P. M. (SECTION FOUR OF FOUR)

PRIORITY.

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On other hand Justice Minister Joao Mangabeira recently stated that return to Presidentialism is automatic immediately after favorable plebiscite vote, and hence implied Congressional approval of new Government unnecessary. If this statement was authorized by Goulart, which it presumably was, it does not raise one's confidence as to nature of Government with which Goulart is planning to confront us, since it should be relatively easy to get Congressional approval for kind of regime we would like to see.

As to longer-range political plans of regime we do not have much to go on. Danilo Nunes, important UDN Guarabara State Deputy, tells me that PTB thinking of 1965 in terms of following possibilities:

A) Amendment to Constitution so Goulart could succeed himself,

B) San Tiago Dantas as candidate to keep Presidence in Party,

C) Amendment so Brizola, now ineligible as Goulart brother-in-law, could run, and

D) Arracs as candidate.

While this is very unwholesome crew, it would be nice to be sure (and I am not)

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0596

SECRET

-2- 1072, December 3, 6 P. M. from Rio de Janeiro (Section 4 of 4)

sure (and I am not) PTB thinking in terms as much constitutionality as this.

Whatever bits and pieces of evidence we have relevant to question of what happens if we insist on our own terms for continued collaboration with GOB are scattered throughout preceding sections this message. Conclusion we draw from them is that chance for success in influencing regime for better are considerable. Although dramatic changes in this direction, especially on political side, are unlikely, we can hope for enough changes to commit regime to substantially altered course. As we have indicated under two above, we think negative GOB line would be unlikely itself be dramatic in early stages. I thus think that even when we knew Goulart's reaction to our approach and had had chance to look at personnel of new Government, we might well find ourselves with very difficult decision as to whether changes we had brought about were essentially in nature of "cover" for negative GOB attitude or whether we had really accomplished enough to make lasting change.

This message is from Ambassador drafted prior departure.

BOND

MBK-16

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33

INCOMING TELEGRAM *Department of State*

SECRET

47-W
Action

SS
Info

Control: 1072
Rec'd: December 3, 1962
9:00 p.m.

051

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1072, December 3, 6 P.M. (SECTION I OF IV)

Rio de Janeiro 1072

PRIORITY

LIMIT DISTRIBUTION S/S

Message represents last look at fluid scene here prior my departure for Washington consultation and attempt focus facts and speculation toward answering, in so far as possible, following questions:

1) What alternative to cooperation with US is really open to GOB and how undesirable would this appear to major GOB figures primarily involved?

2) What is present thinking of GOB re relations with US in near and intermediate range future and what "alternatives" is GOB likely to "offer" US?

833.10/12-362

3) What consequences from US point of view would be likely to flow from a) accepting likely GOB "terms" for collaboration with US or b) rejecting such terms and insisting on our own.

Re question number one:

Among most relevant considerations are economic. If complete break Brazilian-US economic and commercial relations were to ensure, foreign exchange balance sheet from GOB point of view might look very roughly as follows:

XR 732.00
611.32

Projected deficit for 1963 on basis no AFP or PL 480 assistance

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0598

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-2- 1072, December 3, 6 P.M. (SECTION I OF IV), from Rio de Janeiro

Loss to Brazil through cessation of US purchases of Brazilian exports: Minus $550 million.

Total Minus $1,350 million.

This could be redressed in part as follows:

Savings through cessation profits remittances to US investors, debt repayments, et cetera plus $500 million.

Soviet bloc supply (if available) of Brazil's total requirements for foreign crude oil and other petroleum products: Plus $250 million.

Maximum practicable further cuts in Brazilian imports: Plus $200 million.

Total plus $950 million.

The GOB could seek further to redress new net anticipated deficit of $500 million by accepting further Soviet bloc assistance (if available) in such items as coking coal and capital goods and some more wheat and also by seeking to persuade some non-bloc countries, they might think of Italy and Japan, to furnish some additional capital by offering private investments on very favorable terms to those countries.

Above calculations are, of course, based on total break and on securing maximum non-military aid from Communist bloc. Brazilians, however, might visualize that partial break might be possible under which exports to US ($550 million) and PL 480 (about $100 million) might be continued as might some help from Inter-American Bank (about $50 million). They might, moreover, think this could be done while simultaneously suspending profits remittance, debt payments, et cetera,

especially

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0599

especially if across board and in general accord with IMF rules.

Same such considerations might have been basis for Furtado's statement to Kubish and Korp that his present plans call for about $500 million from US, international lending agencies, and other foreign sources including private, while if this not forthcoming it could be compensated by further austerity and control measures but at cost reduced growth rate.

BOND

MJA-6

Note-Advance copy S/SO 12:25a.m. 12/4 CWO-Jsw

32

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Action
ARA

Control: 2465
Rec'd: December 5, 1962
6:28 p.m.

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RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1093, December 5

PRIORITY

832.10 1962 DEC 6

ACTION
INFO: RM/R FILES

DEC 21 10 58 AM '62 FILED

PRESS REPORTS GOULART AS HAVING TOLD PRESS CORPS AT BRASILIA LUNCHEON DECEMBER 4: (1) HE HAS NOT REQUESTED NEW LOANS FROM U.S. AND WAS CERTAIN NONE WOULD BE NEEDED, (2) ECONOMIC SITUATION NOT AS BAD AS ALLEGED AS DEMONSTRATED BY FOREING CONFIDENCE IN SIGNING CONTRACTS FOR EXPORTATION $1 BILLION IRON ORE AND FACT MANNESMANN NOW "STUDYING" $2 BILLION INVESTMENT POSSIBILITY (3) PAYMENTS SITUATION DETERIORATED BECAUSE OF DECLINE COFFEE PRICES BUT WOULD IMPROVE WITH INCREASED TRADE SOVIET BLOC AND (4) THAT THERE WERE SIGNS IMF CHANGING ITS OPINION OF BRAZIL WHICH UP TO NOW CLASSIFIED "IRRESPONSIBLE" IN LISTINGS CONFIDENTIAL FUND REPORT.

THOUGH PRESS CARRYING SOMEWHAT CONFLICTING REPORTS, MOST PAPERS AGREE PRESIDENT SAID BRAZIL STILL HAD $266 MILLIONS FROM QUADROS PACKAGE WHICH HAD NOT YET BEEN USED AND THAT BEYOND THIS ONLY DEBT STRETCH-OUT NEEDED. ADDED THAT TO ACHIEVE "ECONOMIC EMANCIPATION" COULD NOT SPEND "ONE DOLLAR" WHICH DID NOT CONTRIBUTE DEVELOPMENT TO WHICH END HE WILL PUT IFTO EFFECT PLAN FINANCIAL AUSTERITY PROBABLY INCLDUING IMPORT PRIORITY SYSTEM. BALANCE OF PAYMENTS SITUATION WOULD IMPROVE. HOWEVER, WITH INCREASE BLOC TRADE, STATING TRADE WITH USSR WOULD REACH $100 MILLION IN 1963 AND CITING LONG TERM LOAN POLAND FOR THERMAL ELECTRIC PLANT.

RE IMF CATEGGRIZATION BRAZIL "IRRESPONSIBLE" WHICH GIVEN BIGGEST PLAY IN PRESS, PRESIDENT REFERRED TO FUND STATISTICAL STUDY CLASSIFYING COUNTRIES AS RESPONSIBLE (FOLLOWING FUND POLICIES), IRREGULAR (FOLLOWING FUND POLICIES IN PART) OR IRRESPONSIBLE (AGAINST FUND POLICIES). WOULD APPRECIATE ANY INFO RE: EXISTENCED SUCH LISTING. BOND

(2) AAL/3

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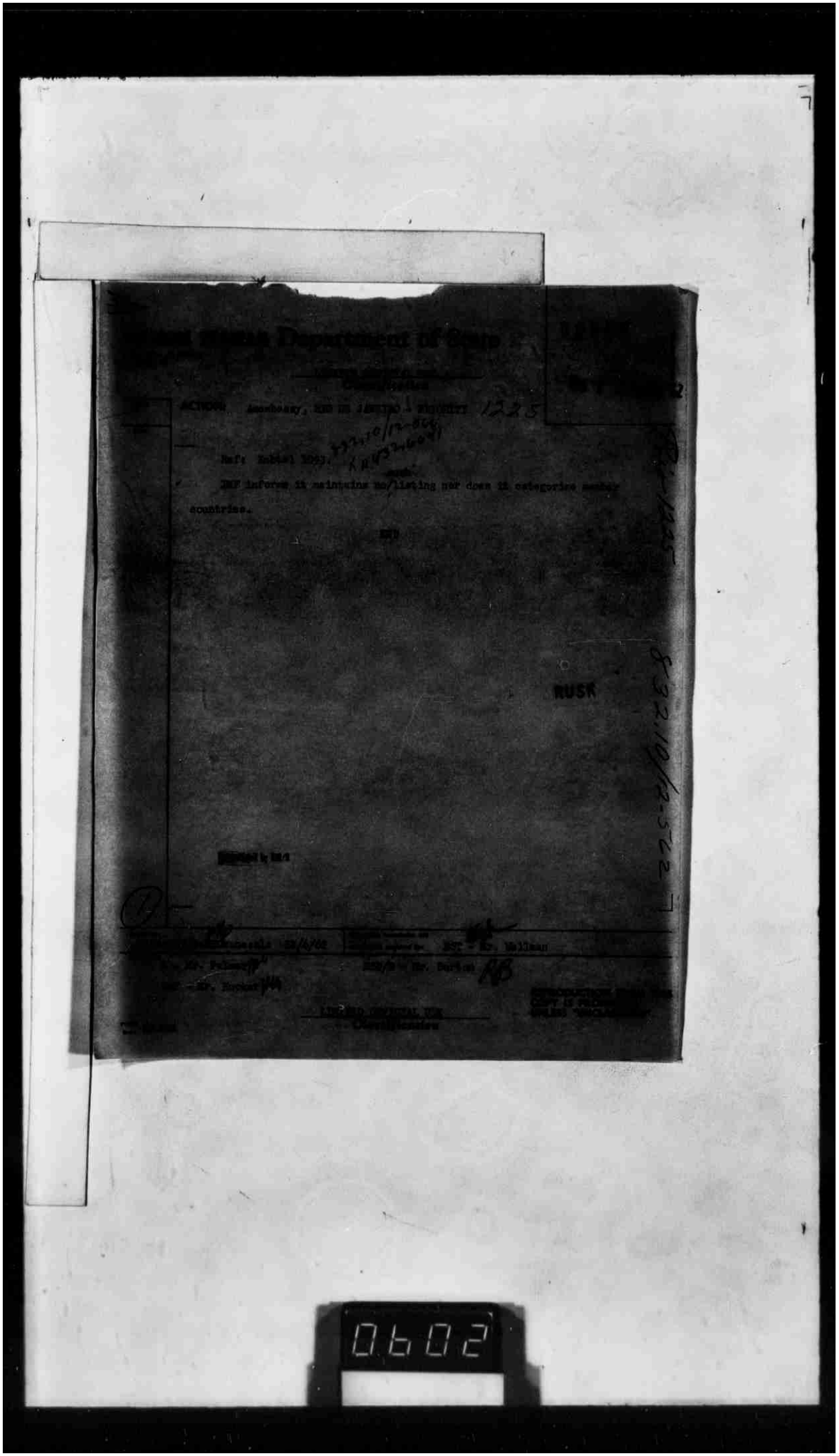
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NAME OF OFFICER & OFFICE SYMBOL	HRH-RBurton	DATE OF ACTION	12-10-62
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GPO 930 800

832.10/12-562 TF 832.0411

0601



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INCOMING TELEGRAM **Department of State**

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57

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Action ARA
Control: 2238
Rec'd: December 5, 1962
1:07 p.m.

Info SS SR G SP CAP E IGA AID PC P USIA INR CIA NSA OSD ARMY NAVY AIR O XMB LAB TRSY RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1083, December 5, 10 a.m.

Enite Rio press, much in Sao Paulo and presumably elsewhere in country concerned with statement by Minister Labor Joao Pinheiro Neto on late TV program night December 3 or early December 4. Entire press seems agree Minister stated "there is a financial dictatorship in country" and GOB cannot resolve its problems "as long as Sumoc is in hands Mr. Otavio Bulhoes and Ambassador Roberto Campos". Some press organs (ESTADO DE SAO PAULO and JORNAL DO BRASIL) also stated he referred to Ambassador Gordb* was being part of scheme, but no clear references or quotes available. References to Ambassador, if made, may have been made informally following telecast and been heard by few persons.

Queried on December 4, Pinheiro reported as defending position and stating he will not resign as long as workers, who indicated him for position, maintain their confidence in him. He also quoted as having said that "maneuvers aimed at my dismissal were part of economic pressure of IMF to overthrow ministers one by one and to end with downfall of President Goulart".

(3) Prime Minister reported generally as being irritated by statement and asking for Pinheiro's resignation. Gilberto Crockatt Da S. quoted as stating he will attempt find solution within 24 hours, since Pinheiro's position, as given on TV, "is not far distant from ideas of President Goulart". Attitude Goulart unclear with press reports conflicting.

Communist-dominated CGT threatening nation-wide general strike if Minister Labor resigns, according Dante Pelacani given in press.

Minister Labor recently stated to Romualdi and Labor Attache that capitalism had failed for Brazil and of no further value, that [illegible] and US aid in

Declassified by [illegible]

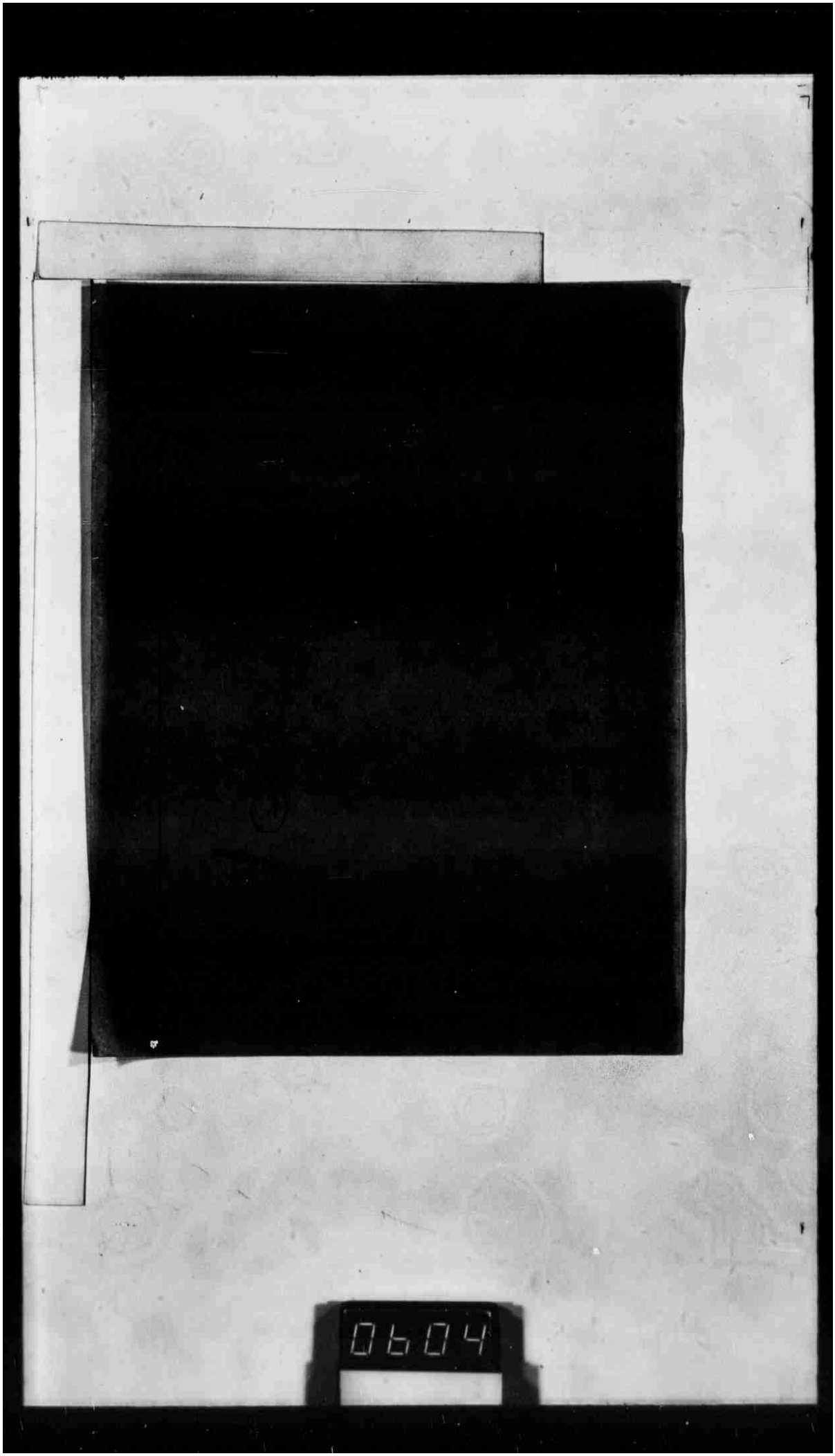
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NAME OF OFFICER	CLASSIFICATION	DIRECTIONS
OFFICE SYMBOL	ACTION	TO RM/R

RIO DE JANEIRO-1083 732.00 12-562 XN 83510

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0604

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TR 2	XMB	AIR
ARMY	CIA 10	NAVY
OSD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

20

932.30/12-1162
XR 232.1141-Companhia Telefonica Nacional
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A-562 (NO.) CONFIDENTIAL (HANDLING INDICATOR) XR 832.10

TO : DEPARTMENT OF STATE

FROM : AmEmbassy, RIO DE JANEIRO DATE: December 11, 1962

SUBJECT: Summary Analysis of Status of Negotiations in ITT Expropriation Case

REF : AIDTO-655, November 2.

This report covers subheads (A) and (B) of numbered Paragraph 2 of numbered Paragraph 2 of the referenced telegram. They requested the Embassy to report on the status of the IT&T Rio Grande do Sul expropriation case, including accounts of the conversations which the Embassy has had with IT&T representatives and an analysis of the proposals and positions of the Government of Brazil and IT&T aimed at achieving a settlement. The other questions in the referenced telegram have been answered by other communications.

With reference to conversations which the Embassy has had with IT&T representatives in Rio, the Embassy has reported by telegram and airgram the substance of all such conversations which reflected new and significant developments. One thing which should be clear but may not have been made completely clear with respect to these conversations is that the IT&T representatives in Rio are acting under instructions of strong-minded senior officials in the home office of the company in New York, primarily Mr. Ted B. Westfall, Vice President, and that they have practically no leeway in deviating from such instructions.

The main value of such conversations as a result has been to enable the Embassy to keep abreast of the company's thinking in New York. Some of the company's thinking has been communicated directly by the company officials to the Department. The Embassy nevertheless has endeavored to keep the Department fully informed of the company's views as it obtained them from the local IT&T officials. In many cases the complete texts of messages from IT&T in New York to the company's local officials have been transmitted by telegram or airgram. The local IT&T official who has been in charge of the negotiations is Mr. F. H. Farmer, Jr., Managing Director, Standard Electrica S.A., IT&T's manufacturing subsidiary

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Drafted by: REakens:dft RR

Contents and Classification Approved by:

Clearances:

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in Brazil. He has been assisted by Mr. Antonio Rosado, Executive Vice President, Companhia Telefonica Nacional (CTN), the subsidiary of IT&T which operated the telephone system in the State of Rio Grande do Sul and which still operates the system in Parana. Both Farmer and Rosado better understand the local situation, including the political, legal and other difficulties which must be surmounted if a settlement is to be reached in the Rio Grande do Sul expropriation case, than do their New York officials, and they have both shown themselves to be more flexible and practical in trying to find a solution. Their reasonableness and flexibility, however, do not seem to have tempered to any significant degree the instructions which they have received from New York.

The positions of IT&T and the Brazilian Government, although undergoing some change during the course of the last ten months, have not yet been reconcilable.

IT&T understandably has wanted prompt payment in cash of the fair value of the properties. In fact, the Federal Constitution of Brazil provides that such compensation shall be paid in advance, but in this and other cases the courts of first instance have accepted deposits of only a fraction of the value of the properties when turning such properties over to the seizing authority. As the court proceedings did not and do not offer any hope of an early settlement on any basis, the company has not been willing to rely exclusively upon its own efforts to secure a fair settlement in the courts. This led to the Embassy's efforts to try to resolve the problem by negotiation.

Govenor Brizola has strongly taken the position that the case is in the courts where it belongs, that the courts provide the proper machinery for settling the case, and that there is nothing to negotiate. The then Foreign Minister Santiago Dantas also took the position that the courts afforded the proper means for settling expropriation cases in democratic countries with independent judiciaries, such as the United States and Brazil, and he argued that there was no legal basis for the Federal Brazilian Government involving itself in the case. He left the impression, however, that it was desirable and he was willing to negotiate a settlement of the Rio Grande do Sul case apart from the judicial process in view of the disrupting effect it was having upon Brazilian-U. S. relations.

Developments during the ten months of negotiations suggest that either because they agree with Brizola and his stand or because they are afraid of being attacked by him, the Federal authorities concerned with the problem have only been willing to consider some indirect means of settling the case. The best example of this was the idea of a loan to Standard Electrica by the Bank of Brazil which would only be repayable when a final judgment was rendered by the courts and IT&T had received payment. Although a

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ORIGIN/ACTION: ARA:GJ

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TR 2	XMB 4	AIR
ARMY	CIA 10	NAVY
OSD	USIA	NSA 2

DEPARTMENT OF STATE

AIRGRAM

832.10/12-1162

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A-673 NO.

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TO : DEPARTMENT OF STATE

RM/AN ANALYSIS & DISTRIBUTION DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS DEC 1962

FROM : AmEmbassy, RIO DE JANEIRO DATE: December 11, 1962

SUBJECT :

REF : Department's Airgram A-166, November 27, 1962
São Paulo Airgram A-149, November 16, 1962

As Embassy's A-547 of November 13, 1962 indicated, the SUMOC Instructions 231 and 232, implementing the profits remittance law, do not throw much light on the subject of how the law is to be interpreted. This, according to SUMOC sources, was a deliberate act in the hope that the Krieger amendment would be passed and would itself provide the desired clarification, or that, barring the passage of the Krieger amendment, perhaps a case-by-case interpretation could be applied.

As to the case of service firms, obviously the law as it now stands, if strictly interpreted, would make it virtually impossible for firms of this type to operate in Brazil. We understand, however, that this matter is now under study in SUMOC and the hope is that a workable interpretation can be applied.

Reactions to the implementing regulations are varied at this moment, with concern over this law being obscured by more serious problems of the acute balance of payments situation, which threatens to make exchange for remittances through legal channels unavailable anyway, and by the continuation of political instability.

Reaction of foreign residents to the foreign asset registration requirement is mixed, ranging from substantial fear as to what registration may eventually mean or whether failure to register may involve risk of being caught t[illegible]

DEC 1962

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FORM DS-323 4-62

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Drafted by: JKrizay:cmc dft

Contents and Classification Approved by: Robert Eakens

Clearances: RVKorp

Rule
No action
AA/ARA/EST/CB
12/19/62
WJ Burton

0607

belief that the law is not enforceable in any case. It is interesting that most Brazilians having assets abroad lean toward the latter sentiment. Many Embassy contacts have indicated that they intend to register only small accounts held abroad on the theory that they are known to have external assets and cannot hide that fact. However, they intend to obscure the amount.

There is little belief here in business circles that the profits remittance law will soon be modified or repealed.

For the Chargé d'Affaires a.i.:

John Krizay
Second Secretary of Embassy

33

INCOMING TELEGRAM **Department of State**

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Control: 10949
Rec'd: December 20, 1962
7:35 a.m.

FROM: Rio De Janeiro

TO: Secretary of State

NO: 1177, December 19, 11 p.m. (SECTION ONE OF TWO)

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Rio de Janeiro 1177

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INCOMING TELEGRAM *Department of State*

Rio de Janeiro 1192

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Action
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Control: 12401
Rec'd: December 22, 1962
12:22 a.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1192, December 21, 8 p.m.

PRIORITY

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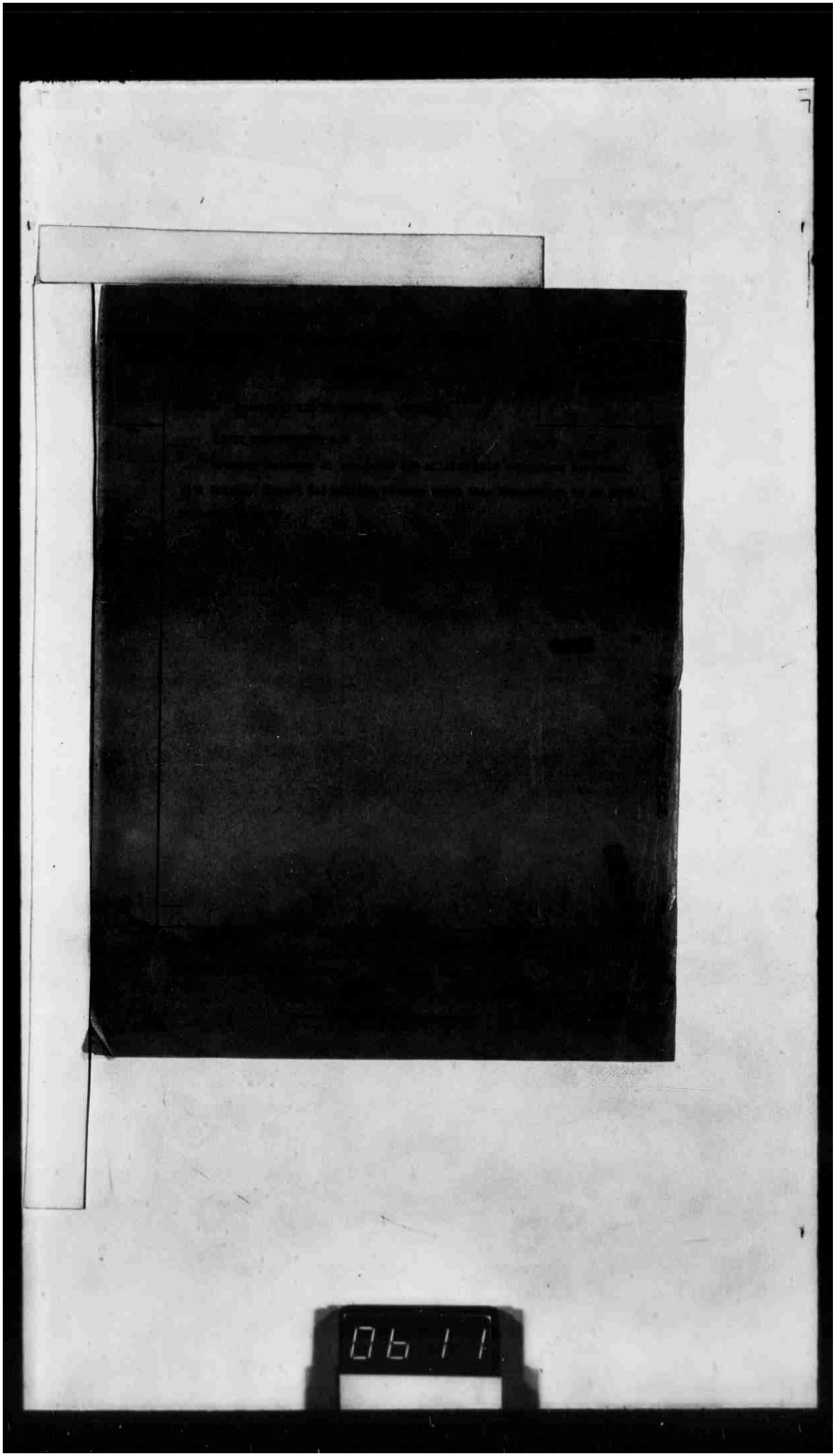
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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

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Dec 23 5 29 PM '62

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ACTION: Amembassy, RIO DE JANEIRO 1308 PRIORITY

LIMIT DISTRIBUTION - S/S

Ref Embtel 1177.

We have carefully considered your recommendation USG make available in response request GOB $30 million interim financial assistance, subject to prior settlement or reasonable offer IT&T expropriation case, announcement to be made along lines reftel immediately upon IT&T settlement but disbursement to be available only after January 1.

We have concluded it would be undesirable to offer and announce any short term assistance at this time for following reasons:

(1) GOB appears have no immediate critical need in period before Dantas conversations scheduled to begin which cannot be met from its own resources i.e., sale of gold to US Treasury. Brazilian Embassy has until now refused consider sale gold separately from assurance short term assistance. If critical situation really requires it, however, Brazil can sell gold upon arrival December 22 and Treasury will purchase in ample time permit GOB meet end of year

SECRET

Drafted by: ARA:H,RSD
ARA:EST:HRWellman:gv 12/21/62

Telegraphic transmission and classification approved by: ARA - [redacted] Mr. May

Clearances:
GAP(AID) - G. Martin (in draft)
EST/G-LA/B - R. Burton RB
ARA:- Mr. E. Martin EMcAB
E - D.Palmer DP
Treasury - Mr. Costanzo RB
White House - Mr. Dungan & Mr. Smith
S/S - Mr. Peterson (in substance)

SECRET
Classification

FORM DS-322

Rio de Janeiro 1308

833.05111/12-2362

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DEPARTMENT OF STATE

AIRGRAM

832.10/12-1262

FOR RM USE ONLY

A-679 — NO. — OFFICIAL USE ONLY — HANDLING INDICATOR

TO : DEPARTMENT OF STATE

FROM : AmEmbassy RIO DE JANEIRO DATE: December 12, 1962

SUBJECT : BANK OF BRAZIL CONTINUES TO EXPAND CREDIT IN OCTOBER OPERATIONS.

REF : CERP D-12; A-534, November 9, 1962

Nearly all major activities of the Bank of Brazil tended to expand credit again in October according to an analysis of the balance sheet for that month. Loans to the private sector again constituted the greatest expansionary factor, having increased by Cr$ 23.5 billions including increases in coffee loans and by Cr$ 17.5 billions excluding coffee loans. Thus, by the end of October, Bank of Brazil loans to the private sector had increased by Cr$ 120 billions or by 43%.

Outstanding loans to autarchias, which usually change very little, also increased in October and the coffee account which usually increases at this season (and is thus usually an anti-expansionary factor) decreased by over Cr$ 5 billions. At the same time, outstanding rediscounts on behalf of commercial banks mainly to finance coffee, increased by over Cr$ 5 billions further adding to the mystery of the decline in coffee deposits.

Loans to the Treasury increased very little in October, the increase in the Treasury deficit being largely financed in that month by an increase in Treasury letters arising mainly out of the remittance of compulsory loans. (See Embassy's Airgram A-651, December 4, 1962).

Principal factors tending to contract credit were (1) an increase in commercial bank compulsory reserve requirements of Cr$ 13 billions and (2) a Cr$ 12 billion increase in

Encls: As stated.

FORM DS-323 4-62

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Drafted by: JKrizay:anc

Contents and Classification Approved by: Robert Bakens

Clearances: RVKord

0613

short-term deposits of autarquias and mixed enterprises.

A summary of principal Bank of Brazil activities in October is transmitted as Enclosure 1. Six (6) copies of the October balance sheet are also transmitted.

For the Chargé d'Affaires a.i.:

John Krizay
Second Secretary of Embassy

0614

Rio A-679

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Encl. 1/1

A - FACTORS TENDING TO EXPAND MONEY SUPPLY IN NOVEMBER

1. Outstanding Loans to other than National Treasury

(millions of cruzeiros)

	Sept. 30 1961	Oct. 31 1961	Sept. 28 1962	Oct. 31 1962
Loans to private sector (including coffee)	227,571	242,761	376,398	399,894
Less coffee	-	-	58,563	64,337
Private sector ex-coffee	-	-	317,835	335,557
Loans to states and municipal governments..	14,807	14,688	14,789	14,807
Loans to autarchias	11,212	12,971	14,437	16,586
TOTAL	253,590	270,420	405,624	431,287

2. Net Debtor Position of Treasury

July 1962	August 1962	September 1962	October 1962
81,576	94,5	109,2	111,8

3. Outstanding Rediscounts at Rediscount Bureau

	Sept.1961	Oct. 1961	Incr. Decr.(-)	Sept./62	Oct./62	Incr. Dec.(-)
For Bank of Brazil	139,201	149,831	10,630	272,523	268,308	-4,215
For Commercial Banks	29,564	25,404	-4,160	41,133	46,064	4,931
TOTAL	168,765	175,235	6,470	313,656	314,372	726

4. Bank of Brazil Currency Holdings

July 1962	August 1962	September 1962	October 1962
21,190	15,659	22,360	16,221

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5. Coffee and Cocoa Differential Account (Deposits)

	July 1962	August 1962	Sept. 1962	Oct. 1962
Coffee	22,165	22,674	22,255	16,925
Cocoa	131	49	618	50

B - FACTORS TENDING TO RESTRICT MONEY SUPPLY IN NOVEMBER

1. Deposits with Bank of Brazil against Foreign Exchange Purchases for Future Delivery

September 1962	October 1962
33.0	37,4

2. Short Term Deposits of

	May 1962	June 1962	July 1962	Aug. 1962	Sept. 1962	Oct. 1962
Mixed Economies	27,544	26,948	31,487	32,296	38,539	45,268
Autarchias (other than SUMOC)	55,301	55,036	55,475	64,057	63,607	68,549
TOTAL	82,845	81,984	86,962	96,353	102,146	113,817

3. Conta de Fundos, SUMOC (Compulsory Reserves of Commercial Banks)

July 1962	August 1962	September 1962	Oct. 1962
84,390	88,449	98,566	111,762

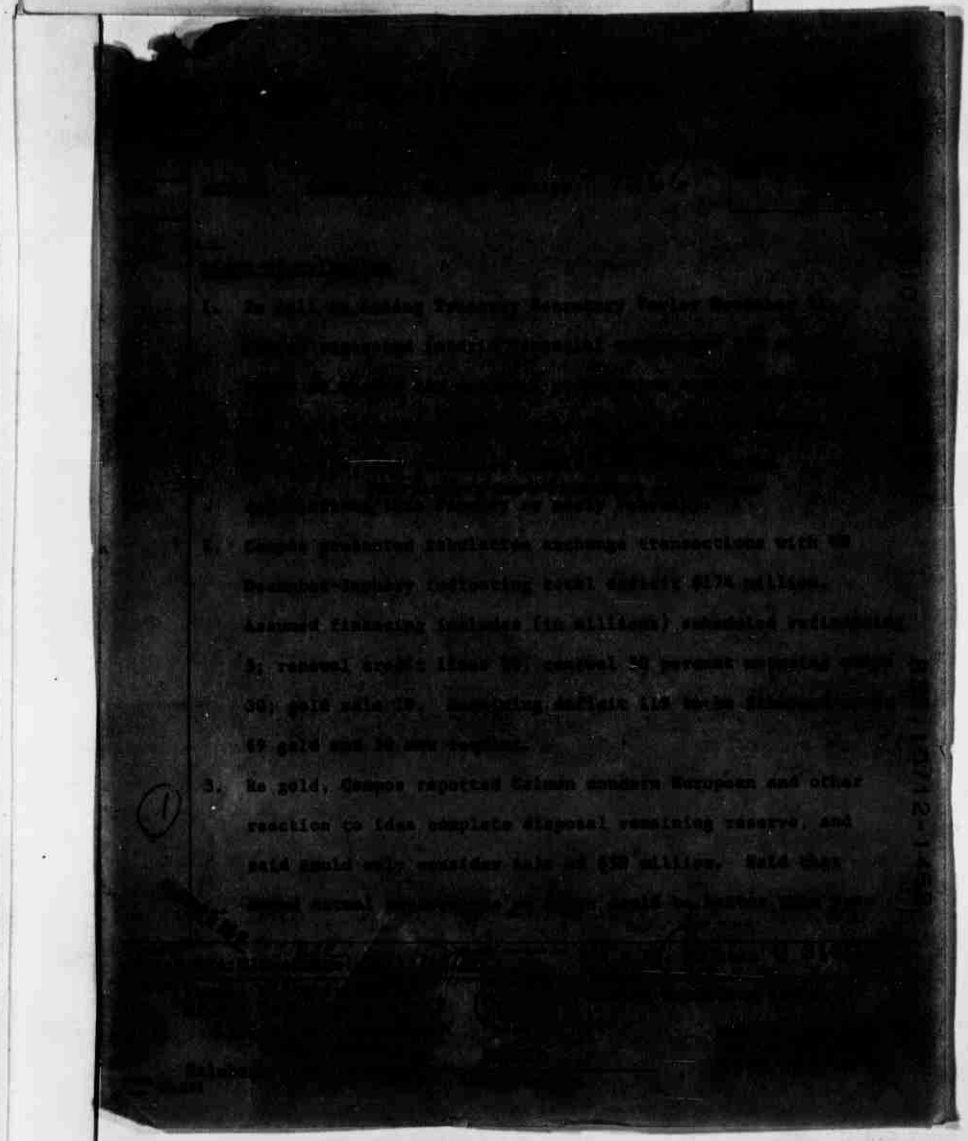
4. Outstanding Bank of Brazil Import Letters and Advance Deposits

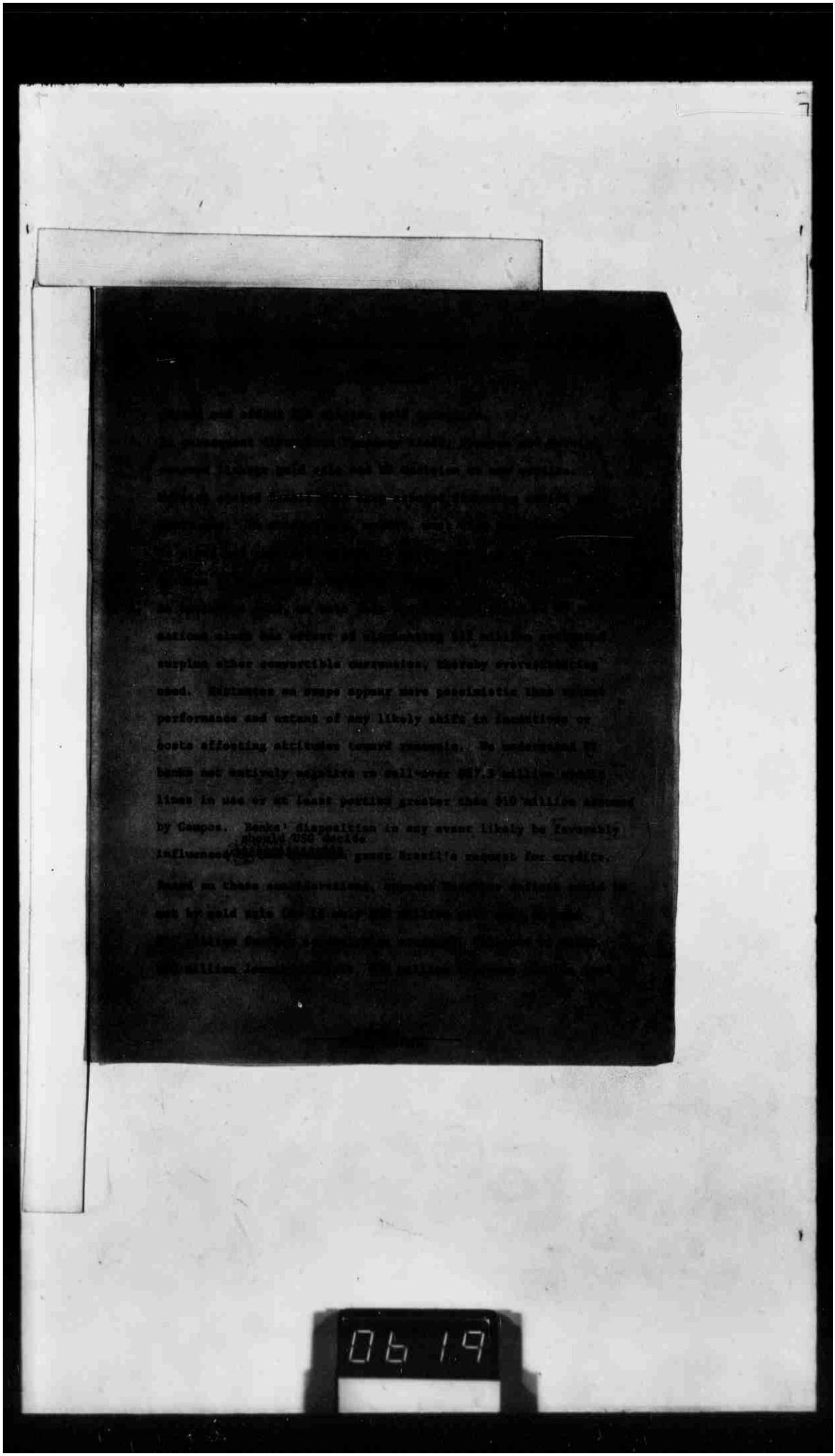
	June 1962	July 1962	Aug. 1962	Sept. 1962	Oct. 1962
Import Let. (SUMOC Ins.204	67,483	51,641	37,252	22,379	8,919
Adv.Cash Imp. Deposit(SUMOC Inst. 226)	4,457	16,440	30,168	47,674	63,785
Fin.Dep.(SUMOC Instr.229)	-	-	-	3,465	5,063
TOTAL	71,940	68,081	67,420	73,518	77,767

5. P. L. 480 Account

August 1962	September 1962	October 1962
26,067	28,444	31,890

0617





Page 4 of telegram to Ambassy, Rio de Janeiro

SECRET
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large March deficit not now under discussion). On these as well as more general grounds, inclined limit consideration interim assistance to $30 million as originally discussed.

6. Re gold sale, have cautioned that further delay decision and firm arrangements to raise proceeds may jeopardize ability make heavy end-of-year payments involving USG, New York banks, and European stand-by consortium, with extremely serious consequences. Treasury staff emphasized to Proenca that there can be no assurance at this time either as to nature or timing of USG decision on aid request, and that essential initiate promptly any arrangements on gold (which involve numerous complexities in view fact shipment arrives so late in year).

7. FYI. Agencies presently considering $30 million package, to be released on 90-day basis by Treasury on behalf of three agencies, with arrangements permitting AID and Eximbank assure Treasury of repayment to extent their agreed participation in total.

8. Would appreciate Embassy views. BALL

END

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INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

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Control: 9016 RED

Rec'd: December 17, 1962
11:31 p.m.

DEC 18 AM 10 24

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1153, December 17, 8 p.m.

ACTION
INFO:
RM/R FILES

Rio-1153

832.10 SB
832.131

Reference: Embassy's A-618

Latest available Bank of Brazil data show commercial arrears November 30, $99.5 million of which $81.3 million in dollars and 18.2 million other convertible currencies. Preliminary reports dollar balances in major U.S. banks $16 million on December 13, roughly same as on November 15.

Petroleum companies report reappearance in December delays of few days in receiving payment crude and products imports. However, at least some received partial payment after making inquiry as to reasons non-observance November 1 agreement with petroleum companies.

GORDON

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NAME OF OFFICER & OFFICE SYMBOL: R S Burton	DATE OF ACTION: 12/19/62	DIRECTIONS TO RM/R: file

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INCOMING TELEGRAM *Department of State*

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Control: 9326
Rec'd: December 18, 1962
12:32 a.m.

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FROM: Rio de Janeiro

TO: Secretary of State

INFO:
RM/R FILES

NO: 1154, December 17, 8 p.m. (SECTION ONE OF TWO)

PRIORITY

1. Ambassador, Kubish and Korp met with Celso Furtado December 15. Meeting arranged by Goulart who, in December 14 talk with Ambassador, indicated wanted Furtado present preliminary description his economic-financial plan, thus giving US opportunity make comments at early stage.

2. Furtado began by saying Brazil's problems have been due political crises and absence firm and consistent economic and financial policy. Stated understandable in circumstances that Brazil's image abroad greatly tarnished. He had been charged by President develop technical plan for next three years which would set forth policies and actions for this interim period, while not yet being long-term plan on which work continuing. Once plebiscite over, Furtado expects establishment permanent presidential cabinet charged with implementation firm program. However, his job finished when plan drafted and submitted. Did not know whether would be asked serve in next cabinet to help implement plan. Said would agree serve only if plan unequivocally adopted as government policy. Furtado believes good possibility Goulart will announce plan prior to plebiscite and that, GOB will also send to Congress proposals agrarian, tax, banking and administrative.

3. General objectives of plan are keep annual GNP growth next three years about 7 percent level achieved recent past, while bringing average annual cost of living increase to 25 percent in 1963, 15 percent in 1964 and about 10 percent in 1965.

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Rio 1154

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INCOMING TELEGRAM

Department of State

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Control: 10950

Rec'd: DECEMBER 20, 1962

7:36 AM

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FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1178, DECEMBER 19, 10 PM

REF: EMBTEL 1153

BANK OF BRAZIL SOURCES REPORT $17 MILLION REPAYMENT CREDIT LINES TO NEW YORK BANKS DUE IN DECEMBER ALREADY PAID, $11 MILLION ON DECEMBER 10 AND $6 MILLION ON DECEMBER 14. THIS PRESUMABLY DEPLETED BALANCES ON DEPOSIT US BANKS TO ABOUT $10 MILLION, ON LATTER DATE.

GORDON

JTC

RIO 1178

832.10/12-1962

FILED

JAN 10 1963

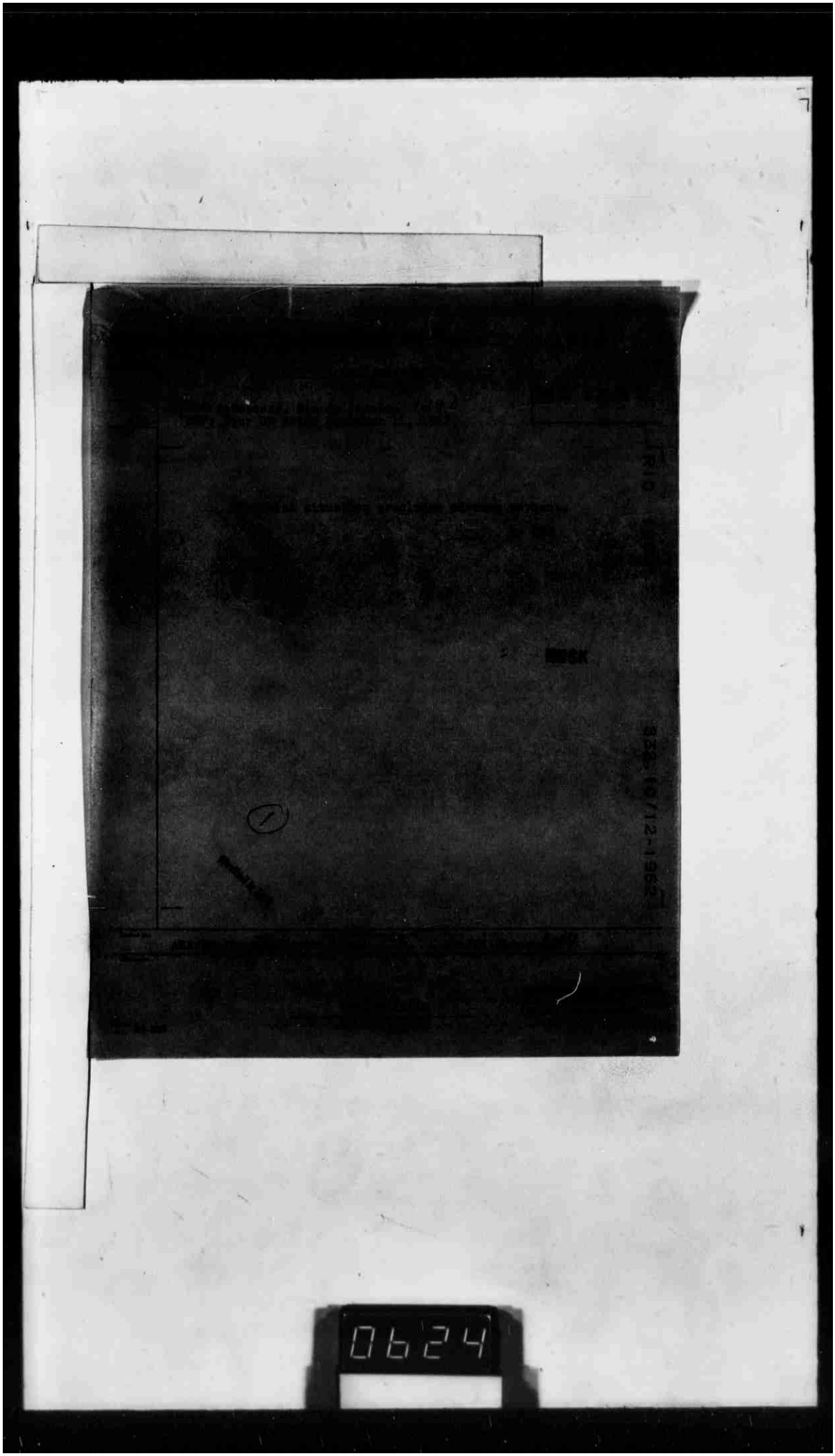
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NAME OF OFFICER • OFFICE SYMBOL	R. Burton	DATE OF ACTION	12/21/62	DIRECTIONS TO RM/R	File

GPO 930 500

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Control: 12411
Rec'd: December 22, 1962 1:29 a.m.

ACTION
INFO:
RM/R FILES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1188, December 21, 11 p.m.

PRIORITY

Reference: Embassy telegram 1153.

1. Bank of Brazil's preliminary estimate balances in major US banks $18.7 million on December 20, after repayment $17 million credit lines.

2. Remaining December obligations principal and interest to foreign official entities and banks estimated $23.1 million, consisting $1.8 to US Treasury, due December 28, other payments totaling $12.8 million in dollars and $8.5 million in other convertible currencies due December 31. Early January payments this nature consist mainly repayment $10.5 million credit lines to New York banks, payable in portions maturing January 5, 6 and 7.

3. On "swaps", Bank of Brazil analysis reveals only about $10 million maturing during December 21-December 31, but cannot completely explain how $35 million "swaps" originally estimated to mature December handled, since record shows only minor amounts "swaps" renewed or liquidated. Total level "swaps" $386.6 million on December 18, decrease $5 million from level October 31.

4. Bank of Brazil confirms value of gold shipped about $69 million, leaving only little over $1.0 million in coins physically in Brazil.

(1)

5. Pressure of current and past due import obligations and of

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NAME OF OFFICER & OFFICE SYMBOL	R J Burden	DATE OF ACTION	1/2/63	DIRECTIONS TO RM/R file

RIO 1188 832.10/12-2162

FILED JAN 10 1963

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-2- 1188, December 21, 11 p.m., From Rio de Janeiro

private financial obligation (latter normally heavy in December and January) continuing. Performance in settling official obligations obviously at expense private transactions, including some new delays petroleum payments reported reference telegram.

GORDON

WJH/18

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INCOMING TELEGRAM
Department of State
DEPARTMENT RECORD COPY

0626

ORIGIN/ACTION

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Brief & file matter and [illegible] Burton 1/8/63

DEPARTMENT OF STATE

AIRGRAM

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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 3 1963
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A-718 NO. — OFFICIAL USE ONLY — HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1962 DEC 31 AM 10 46

RIVAN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: December 21, 1962

SUBJECT : 1963 BUDGET LAW PASSES WITH ANOTHER LARGE DEFICIT.

REF : CERP D-12; Embassy's Airgram A-436, October 17, 1962
Embassy's Airgram A-8, July 5, 1962

The Congress, in completing action on the 1963 budget law, cracked the one-trillion cruzeiro barrier for the first time in authorizing appropriations of slightly over Cr$ 1,023 billions. The amount appropriated thus exceeds the budget request by Cr$ 229 billions. Receipts are estimated in the budget law at Cr$ 737 billions leaving a deficit estimated at Cr$ 286 billions.

As astronomical as these figures seem, it is a good bet that all three, - expenditures, receipts and deficit - will exceed these amounts by the end of 1963.

A more precise estimate of the likely level of expenditures and receipts will have to await study of the 600 page, telephone book size budget document itself. However, we can be fairly sure that expenditures over and above the amounts appropriated (which the Executive may incur under the provisions of the Federal Accounting Code) will be substantial to cover among others a new federal pay raise and the extension of the 13th month salary to federal employees. Both of these appear to be in the cards for 1963 and will probably add at least Cr$ 150 to Cr$ 200 billions to budgetary expenditures. In past years, at least, salary appropriations even at the going salary rate have generally been insufficient, this being one area where the Congress can safely skimp in the formal budget knowing that under the accounting code additional expenditures for salaries may be made automatically.

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FORM 4-62 DS-323

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Drafted by:	Contents and Classification Approved by:
JKrizay:ane	Robert Eakens
Clearances: RVKorp	

0627

This may also be the case this year. Additional expenditures usually arise to cover rising costs not accounted for in the budget estimates which is prepared roughly one year in advance and to finance various types of unanticipated operations (such as food subsidies this year).

Receipts, likewise, are evidently underestimated. In the first place, the revenue increment resulting from the new tax laws (see Embassy's Airgram A-678, December 11, 1962) are estimated at current prices in the budget law and should yield Cr$30 to 40 billion more of which about Cr$25 to 30 billion would apply toward the deficit (the remaining Cr$5-10 billion would arise out of the single tax on electrical energy and would involve expenditures in corresponding amounts). Tighter collection procedures, the broader application of the withholding tax plus a higher rate of inflation than that used in making the overall calculations could result in bringing total revenues as high as Cr$800 billions.

The budget law does authorize the Executive to apply a 45% "economy plan" to "variable" expenditures; i.e., all those expenditures not considered "fixed". As defined by the Finance Ministry in the past, "fixed" expenditures cover about 3/4th of total expenditures, comprising all personnel costs, subsidies and earmarked receipts. An economy plan on this basis, therefore, cannot be expected to result in savings of decisive proportions.

On the basis of limited details we now have and drawing largely on the calculations made by the Finance Ministry at the time of the submission of the "Calmon Anti-Inflation Plan", we might arrive at the following rough estimates as to the 1963 budget outcome:

	Billions of cruzeiros
Appropriations	1,023
Carry over Obligations	218
New Payraise	130
13th month wage	40
Other Expenditures without Appropriation	250
Potential Expenditures	1,661

The "potential expenditures" calculation is, of course, not too meaningful, representing only what would be spent if the government liquidated all of its outstanding bills. Actually, there is always a lag between obligations and actual disbursements and, in fact, the level of such unpaid bills should naturally increase in proportion to the size of the budget. If we deduct from the above calculation

0628

an amount representing the estimated level of unpaid bills at the end of 1963, plus the expected savings from the 45% "economy plan", we might arrive at the following estimate as to the possible deficit:

Potential Expenditures	Cr$	1,661
less: unpaid bills	337	
economy plan	145	482
Anticipated Disbursements		1,179
Anticipated Receipts		800
Anticipated Deficit	Cr$	379

Based on past budgetary experience, these calculations are probably optimistic since actual disbursements have consistently exceeded appropriations by far more than the 10% calculated here. (Generally, this excess has been on the order of 30 to 40% over appropriations). A change in the personnel policy or in the public utilities policy, however, could improve this outlook substantially.

A much more optimistic outlook on the expenditure side is projected by Minister for Planning, Celso Furtado who has stated that expenditures would be limited to Cr$ 1 trillion. If actual expenditures turned out to be less than appropriations as Furtado states will be the case, it would indeed be something new on the Brazilian scene. It is hard to imagine how this can happen, however, unless the federal payroll is drastically reduced and subsidies to autarchias - largely necessitated by heavy personnel costs - are curtailed. Salary costs constitute at least 35% of the budget and the Getulio Vargas Foundation officials unofficially, have stated that they may amount to as much as 50% of total expenditures. (As stated in previous reports, no one really knows what the precise payroll cost is because of the unauthorized practice of hiring and paying personnel out of other than personnel allotments).

How the deficit, whatever its magnitude, will be financed is perhaps a more important question at least from the standpoint of its inflationary impact. There are three (3) general sources of such financing: (1) borrowings from the Bank of Brazil out of deposit increments (2) issuance of Treasury letters or other forms of borrowing from the public, and (3) borrowings from the Bank of Brazil through the rediscount procedure involving the issuance of paper money. The first two are non-inflationary sources, the latter, of course, highly inflationary.

♀ - Furtado, however, only estimates receipts at Cr$700 billion, thus projecting a deficit of Cr$300 billion.

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The non-inflationary sources have been used only to a very limited extent in the past. The Bank of Brazil, unless limited in its private credit operations (which the government has never succeeded in accomplishing), uses its existing deposits to expand its loans to the private sector partly because such loans are more lucrative, thereby permitting payment of higher salaries to its employees, and partly because the Bank can be used in this way as a political instrument. Events surrounding the recent bank strike in protest against a bank reform bill (since shelved) which would have transferred a number of deposits to a central bank, seem to indicate that the Bank of Brazil will not soon be bridled. Extensive use of this source to finance the deficit in 1963 is, therefore, not to be expected.

If the deficit in 1963 is to be financed by non-inflationary means, then, it seems that the use of Treasury bills will have to be stepped up greatly. This source, also, has been used very little in the past mainly because in the prevailing inflationary situation, fixed-interest-rate securities are not attractive. Only under situations involving compulsory loans, such as existed in 1962, have any appreciable number of Treasury letters been marketed. However, the Executive now has the authority to float Treasury letters with provisions for periodic cost-of-living adjustments which, it is hoped, will find greater acceptance. In addition, according to statements of both Finance Minister Calmon and Planning Minister Furtado, it is contemplated that the issuance of one-year Treasury letters to importers in lieu of non-interest bearing 150-day deposit against foreign exchange purchases for imports will be greatly stepped up in 1964 and perhaps will be made compulsory.

How much financing can be derived by flotation of Treasury letters depends on a number of factors. If the acceptance of one-year Treasury letters by importers is made compulsory, over Cr$100 billion could be derived in this way. This would certainly be more effective as a stabilization measure than the past practice of issuing Bank of Brazil letters, proceeds of which were always loaned out by the Bank anyway. However, this measure would only supply relief of any sizeable magnitude for one year after which time it would become virtually a revolving fund if continued (except for increments due to further exchange depreciation). If discontinued it would actually turn into a financial burden in 1964.

The marketing of other Treasury letters, however,- unless also made compulsory in some manner - does not show much promise even with provisos for periodic cost-of-living adjustments. The idea here is to market such bonds on a long term basis but, though seemingly attractive financially, the sad fact is that few people have long term confidence in the integrity of the government.

At this stage, therefore, 1963, financially speaking, gives all signs of being another difficult year. We cannot definitively forecast that it will actually turn out that way, however, until details of the Furtado plan as it finally emerges after Cabinet consideration, are known.

For the Ambassador,

John Krizay
Second Secretary of Embassy

0631

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CORRECTION ISSUED: 12/28/62, 12:30 a.m., HC

Action ARA

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Rec'd: December 26, 1962 11:15 p.m.

Info

FROM: Rio de Janeiro - CORRECTED COPY

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TO: Secretary of State

NO: 1203, December 26, 9 p.m.

ACTION: WSTB
INFO:
RM/R FILES:

Rio 1203

In remarks made December 21, Octavio Bulhoes, Executive Director SUMOC heavily criticized profit remittance law. Strong reaction from PTB left-wing, including telegram from Aldino Alfonso, leader PTB Congressional Deputies, to Hermes Lima demanding dismissal Bulhoes, shows strong PTB commitment maintenance profits remittance law. Official government reaction may indicate whether Goulart able ignore extreme left in reaching new accommodations with US and IMF.

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INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

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Action
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Control: 13517
Rec'd: December 26, 1962
11:15 p.m.

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 1203, December 26, 9 p.m.

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INFO: _____
RM/R FILES _____

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RS

RMR

In remarks made December 21, Octavio Bulhoes, Executive Director SUMOC heavily criticized profit remittance law. Strong reaction from PTB left-wing, including telegram from Aldino Alfonso, leader PTB Congressional Deputies, to Hermes Lima demanding dismissal Bulhoes, shots strong PTB commitment maintenance profits remittance law. Official government reaction may indicate whether Goulart able ignore extreme left in reaching new accommodations with US and IMF.

GORDON

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ORIGIN/ACTION: ARA-4

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DEPARTMENT OF STATE

AIRGRAM

832.10/12-2662

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A-724 NO. — OFFICIAL USE ONLY

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS 1962 DEC 31 AM 8 46 JAN 4 1963 RM/AN ANALYSIS & DISTRIBUTION BRANCH

TO : DEPARTMENT OF STATE

FROM : AmEmbassy RIO DE JANEIRO DATE: December 26, 1962

SUBJECT : BUDGET DEFICIT FOR FIRST ELEVEN MONTHS OF 1962, Cr$ 181 billion. ara

REF : CERP D-12; A-495, of October 31, 1962.

The federal budgetary deficit reached Cr$ 181 billion by the end of November as compared with the deficit of Cr$ 66 billion during roughly the same period in 1961. Of the total deficit for the first 11 months of 1962, Cr$ 25.5 billion was financed by increases in outstanding Treasury letters, the balance by borrowing from the Bank of Brazil entailing the issuance of Cr$ 115 billion in new currency. The deficit increased by Cr$ 20 billion in the last week of November reflecting a rapidly increasing rate of expenditure which is expected to continue through the end of December. Present estimates of SUMOC are for an increase in the deficit of Cr$ 70 billion in December which would bring the year's total to about Cr$ 250 billion, roughly double that of last year.

A summary breakdown of the budgetary situation as of the end of November with comparable figures for the like period in 1961 is, as follows:

	1961	1962
Total budgetary expenditures	310	520
Other federal expenditures	15	43
Total	325	563
Total Receipts	259	383
Deficit	66	181

Financed by (cont.)

FILED JAN 8 1963

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Contents and Classification Approved by: Robert Rakens

Clearances: RVKorp

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(cont'd.)	1961	1962
Increase in Treasury letters	-7	26
Borrowings at the Bank of Brazil	73	156

Subsidies to autarchias and mixed enterprises for the period in question were, as follows:-

	1961	1962
Merchant Marine	16	25
Railroads	39	70
Social Securities Institutes	2	10
Others	32	62
Total	89	167

For the Ambassador,

John Krizay
Second Secretary of Embassy

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OSD	USIA	NSA 3

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DEPARTMENT OF STATE

AIRGRAM

832.10/12-2862
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A-737 NO. CONFIDENTIAL PRIORITY HANDLING INDICATOR

1963 JAN 4 AM 9 0

TO : DEPARTMENT OF STATE

RM/AN ANALYSIS & DISTRIBUTION BRANCH

DEPARTMENT OF STATE
BUREAU OF
INTER-AMER. AFFAIRS
JAN 4 1963

FROM : AmEmbassy, Rio de Janeiro DATE: December 28, 1962

SUBJECT : Bank of Brazil Exchange Reserves and Transactions - November 30, 1962

REF : CERP, Sec. B-231; Embassy's A-618 of November 28, 1962

Attached are tables on the Bank of Brazil's foreign exchange reserves and on the foreign exchange transactions of the Bank of Brazil and of other banks, as of November 30, 1962.

COMMENT

The net convertible reserve position of the Bank of Brazil showed little change during November.

Convertible exchange control sales by the Bank of Brazil reached $149.1 million in November, more than double the amount of contracts sold in October and a monthly record for 1962. This increase in contract sales is partly (but by no means entirely) explained by a resumption of payments for petroleum imports. 1/

Most recent data on official Brazilian bank deposits in the U.S., on the basis of incomplete telegraphic reports, show that balances decreased from $23.8 million at the end of November to $18.7 million on December 18. This is not surprising since among other payments in the first half of December the Bank of Brazil repaid $17 million under credit lines with New York banks. It also repaid to the First National City Bank of New York its September advance, in anticipation of completion of formalities for a new gold collateral loan for $10 million of Brazilian free gold earmarked in New York. Inasmuch as arrangements for the gold collateral loan ran into difficulties in securing a needed waiver

1/ Pursuant to arrangements made with petroleum companies. See Embassy's A-596.

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from the consortium of ten banks which had granted Brazil a $38 million loan in 1961, it was necessary for Brazil to repay the First National City Bank advance.

The Bank of Brazil is in process of shipping about $69 million of its remaining free gold from Brazil to the United States. This is understood to leave only somewhat over $1 million of officially held gold in stock in Brazil.

Brazil's commercial arrears totalled $99.5 million in dollars and $18.2 million in other convertible currencies. 1/

For an analysis of Brazil's difficult payments prospects for December, 1962, and January, 1963, see Embassy's Airgrams A-619 and A-631.

FOR THE AMBASSADOR

Encl all. N.N.

Ralph V. Korp/bd

Ralph V. Korp
Financial Attaché

1/ Excluding $35.4 million payable to petroleum companies in 1963.

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TABLES ON BRAZIL'S RESERVES AND FOREIGN EXCHANGE TRANSACTIONS

(All figures in millions of U.S. dollars, or dollar equivalents)

I. CONVERTIBLE FOREIGN EXCHANGE RESERVES

A. Net Reserve Position of the Bank of Brazil

End of Period	Unpledged gold	Freely Available US$	Other Freely Available Conv. Curr.	Sub-Total	Less N.Y. Credit Lines in Use	Total Net Reserves
1961						
Dec.	70.1	39.2	2.3	111.6	-50.5	61.1
1962						
Mar.	70.5	25.5	12.6	108.6	-25.0	83.5
June	81.1	41.4	6.9	129.4	-41.5	87.9
Sept.	81.1	41.6	8.0	130.7	-25.0	105.7
Oct.	81.1	27.7	6.4	115.2	-27.5	87.8
Nov.	81.1	23.8	9.2	114.1	-27.5	86.6

For more recent figures, see footnote 1/

B. Gross Reserve Position of the Bank of Brazil 2/

End of Period	Total Gold (1)	Unpledged Gold (2)	U. S. Dollars (3)	Other Convertible Currencies (4)	Unutilized N. Y. Credit Lines (5)	TOTAL (2+3+4+5)
1961						
Dec.	285	70	126	47	40	283
1962						
Mar.	285	70	92	42	67	271
June	285	81	94	31	46	252
Sept.	285	81	54	20	64	219
Oct.	285	81	33	17	61	192
Nov.	285	81	51	21	65	218

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II. FOREIGN EXCHANGE TRANSACTIONS

A. Bank of Brazil Contracts for Purchases and Sales of Foreign Exchange 3/

1. Convertible Currencies

Monthly Transactions	U. S. DOLLARS			OTHER CONVERTIBLE CURRENCIES			TOTAL CONVERTIBLE CURRENCIES		
	Purchases	Sales	Net	Purchases	Sales	Net	Purchases	Sales	Net
1962									
Jan.	63.9	77.5	-13.6	20.0	23.9	-3.9	83.9	101.4	-17.5
Feb.	51.6	80.4	-28.8	11.4	25.1	-13.7	63.0	105.5	-42.5
Mar.	45.2	78.8	-33.6	12.3	17.5	-5.2	57.5	96.3	-38.8
Apr.	49.7	69.3	-19.6	14.2	14.8	-0.6	63.9	84.1	-20.2
May	51.3	85.8	-34.5	24.3	19.7	+4.6	75.6	105.5	-29.9
June	41.9	68.5	-26.7	11.9	18.1	-6.2	53.8	86.7	-32.9
Total (Jan/June)	303.6	460.4	-156.8	94.2	110.1	-24.9	397.8	579.5	-181.7
July	59.2	55.2	+4.0	21.3	17.9	+3.4	80.5	73.1	+7.4
Aug.	60.5	38.6	+21.9	17.0	16.3	+0.7	77.5	54.9	+22.6
Sept.	38.0	40.5	-2.5	11.8	14.3	-2.5	49.8	54.8	-5.0
Oct.	57.5	52.0	+5.5	19.4	20.5	-1.1	76.9	72.5	+4.4
Nov.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	73.1	149.1	-76.0
Total (Jul/Oct)	215.2	186.3	+28.9	69.5	68.9	+0.6	284.7	255.2	+29.5
(Jul/Nov)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	357.8	404.3	-46.5

For more recent figures see footnote 4/

2. Inconvertible Currencies

Monthly Transactions	Purchases	Sales	Net
1962			
Jan.	7.5	4.5	+3.0
Feb.	7.2	12.7	-5.5
Mar.	8.5	6.7	+1.8
Apr.	9.1	5.6	+3.5
May	11.8	5.8	+6.0
June	23.0	11.6	+11.4
Total (Jan/June)	67.1	46.9	+20.2
July	10.6	8.8	+1.8
Aug.	8.8	23.8	-15.0
Sept.	4.7	14.9	-10.2
Oct.	5.0	6.3	-1.3
Nov.	1.2	7.2	-6.0
TOTAL (July/ Nov)	36.3	61.0	-24.7

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B. Foreign Exchange Transactions of Commercial Banks in Convertible Currencies

1. Total Purchases and Sales

Monthly Transactions	PURCHASES: For Own Acct.	PURCHASES: Transferred to BOB	PURCHASES: Total	SALES: For Own Acct.	SALES: w/resources furnished by BOB	SALES: Total	NET TOTAL
1962							
Jan.	28.3	4.3	32.6	28.9	0.3	29.2	+3.4
Feb.	29.3	3.0	32.3	32.1	0.3	32.4	-0.1
Mar.	43.2	9.7	52.9	41.2	0.2	41.5	+11.4
Apr.	50.7	2.3	53.0	50.4	0.1	50.5	+2.5
May	73.0	6.5	79.5	67.6	0.1	67.7	+11.8
June	49.6	5.4	55.0	48.8	0.2	49.0	+6.0
July	17.5	14.3	31.8	12.7	1.9	14.6	+17.2
Aug.	33.8	13.2	47.0	35.8	2.5	38.3	+8.7
Sept.	40.2	2.1	42.9	42.0	0.7	42.7	+0.2
Oct.	36.4	3.6	40.0	41.7	0.3	42.0	-2.0
Nov.	31.8	3.6	35.4	38.6	0.2	38.8	-3.4
Total (Jan/Nov)	433.8	68.5	502.3	440.1	6.7	446.7	+55.6

Fpr more recent figures, see footnote 5/

2. By Type of Transaction

Monthly Transactions	PURCHASES: Exports	PURCHASES: Financial Transactions	PURCHASES: Total	SALES: Imports	SALES: Financial Transactions	SALES: Total	NET TOTAL
1962							
Jan.	21.0	11.6	32.6	14.9	14.3	29.2	+3.4
Feb.	18.4	13.9	32.3	15.1	17.4	32.4	-0.1
Mar.	33.1	19.8	52.9	17.1	24.3	41.5	+11.4
Apr.	30.9	22.0	52.9	15.3	35.2	50.5	+ 2.5
May	51.4	28.1	79.5	24.7	43.0	67.7	+11.8
June	44.4	10.6	55.0	30.6	18.4	49.0	+ 6.0
July	23.6	8.2	31.8	9.3	5.3	14.6	+17.2
Aug.	36.3	10.7	47.0	33.2	5.0	38.3	+ 8.7
Sept.	35.7	7.1	42.3	30.2	12.6	42.7	+ 0.2
Oct.	32.4	7.6	40.0	32.4	9.6	42.0	- 2.0
Nov.	29.0	6.4	35.4	31.0	7.8	38.8	- 3.4
Total (Jan/Nov.)	356.2	146.1	502.3	253.8	192.9	446.7	+55.6

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C. Bank of Brazil "Swaps"

End of Period	"SWAPS" OUTSTANDING: U. S. Dollars	Other Convertible Currencies	TOTAL
1961			
Dec.	313.7	34.1	347.8
1962			
Mar.	323.1	38.4	361.5
June	384.5	31.5	416.0
July 5/	377.7	32.6	410.3
Aug.	374.6	31.7	406.3
Sept.	367.0	32.5	399.5
Oct.	356.9	34.6	391.5
Nov.	355.0 (p)	35.0 (p)	390.0 (p)
Change during Jan 1/ Nov. 30, 1962	+41.3	+0.9	+42.2

For more recent figures, see footnote 6/

n. a. -- not available
(p) -- preliminary

1/ Preliminary unconfirmed data from major U.S. banks (accounting for a large portion of deposits in the U. S.) showed dollar deposits at about $10 million on December 14, and $18.7 million on December 18. Credit line repayments amounted to $17 million as of December 14, so that credit lines in use on that date totalled $10.5 million.

2/ Continuation of the series appearing in Table 17 (Page 34 of Part II) of the IMF's report on the 1961 Article XIV Consultations with Brazil (Document SM/62/12 of February 28, 1962). The main difference between this gross series (IB) and the series on the net reserve position (IA) is that the gross series reflects, in addition to freely available dollars and other convertible deposits, certain receivables in transit and earmarked deposits, without showing corresponding liability items. The net series shows only the freely available deposits and would therefore seem the more meaningful of the two sets of data.

3/ These transactions reflect the movement of contracts for the sale or purchase of foreign exchange; not cash flows. Direct cash transactions of the Bank of Brazil, on its own behalf are never reflected in these figures. Thus, items such as "swaps" and drawings and repayments of foreign loans to the Bank of Brazil do not form part of the transactions recorded in this series. Since exchange contracts liquidations are not reflected in these figures, cumulative totals over a period of time have little significance. They bear no relationship to the outstanding "float" of unliquidated exchange contracts.

4/ Bank of Brazil's exchange contract transactions in convertible currencies during December 1-18 show the following: Dollar contract purchases, $29.6 million; sales,

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$41.2 million; deficit, $11.5 million; other convertible currencies purchased, $6.6 million; sales $13.7 million; deficit $7.1 million; total convertible contract purchases $36.2 million; sales, $54.9 million; deficit, $18.7 million.

5/ During December 1-7, total purchases by commercial banks amounted to $6.3 million, and sales to $6.3 million, as well.

6/ The "swap" position as of December 18 showed a small decrease from November 30, the position being: $351.6 million in U. S. dollars; $35.0 million in other convertible currencies; total "swaps" $386.6 million.

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OUTGOING TELEGRAM Department of State

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Dec 29 5 35 PM '62

SENT TO: Amembassy RIO DE JANEIRO 1332 PRIORITY

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Following is uncleared record conversation Martin-Campos December 28.

1. Campos called at his request mainly to press for favorable answer on request for interim financial assistance before his departure for Brazil now scheduled for January 3. He declared gold repurchase would barely cover December obligations. He said release from balance May 1961 package, which he referred to as second part of transaction, needed to cover January payments including about 10 million dollars due New York banks by January 10. He indicated Gelmon pressing him for reply. He also intimated he would be willing accept 30 million dollars instead of 50 million dollars requested.

2. Campos argued strongly US should make interim assistance available order keep negotiating channels open between US and Brazil. To do so would sustain those like himself and Dantas who desire maintain free economy, take advantage of international financial resources and proceed with AFF. Not to do so would strengthen those Brazilians who advocate requesting no new foreign credits; consolidation external debt, discontinuing AFF, socializing large sectors economy and raising funds needed for capital development by taxation or inflation and barter transactions with Soviet Bloc. He contended US could not afford to increase risk of loss of Brazil to West and failure AFF. He pleaded

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S/S - Mr. Johnson

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Rio de Janeiro 1332

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for very careful consideration of consequences and alternatives before turning down request. Campos was under great emotional strain and obviously moved in great part by his feeling failure to obtain release funds would jeopardize his own position.

3. Martin stated request still under consideration and no decision yet made. He indicated our concern Goulart and others in US and Brazil might interpret grant short term assistance now as indication US-Brazilian problems resolved and GOB need take no further action. (Campos alleged limited short term assistance would not be so interpreted.) Martin also questioned whether such aid now would promote or merely postpone necessary Brazilian decisions.

4. Martin agreed confer with Campos again January 2 or 3 after receipt Embassy's views and return of Martin and others involved in USG decision after New Year holiday. Embassy requested cable views with special reference to questions raised Deptel 1307 (1308). If Embassy recommendation favorable, request you also cable text announcement which in your view would best protect USG interests vis-a-vis Brazil and justify action vis-a-vis US Congress and public in case decision made to grant interim aid now.

5. Campos also requested Martin's views on conflicting interpretations in US and Brazil of recent discussion between Attorney General and Goulart. Martin stated we would have preferred keep exchange confidential and would have been satisfied with communique of President's office. Goulart Jornal do Brazil interview had given false impression talk had removed all US misconceptions about Brazil which we had felt constrained to correct.

6. Campos also referred to spate of press stories critical of Brazil allegedly reflecting official US attitudes and also cited President's press conference statement and

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and President's reference to bankruptcy Brazil and other Latin American countries in answer to question after speech at Economic Club of New York. Campos said these criticisms provoked resentment and caused reactions proceeding from irritation to humiliation, and he warned of danger of pushing Brazil to wall. He declared press criticism of Brazil's inflation ignored its sustained rate of growth and development within democratic institutions.

7. Martin declared USG not stimulating any press campaign against Brazil. He noted Brazilian press even more critcal than US press of GOB and observed USG had not decorated Americans attacking Brazil. He emphasized main issue between USG and GOB not financial or economic but political in that USG needed to know whether there was basis for future cooperation with GOB. Only GOB could make this choice and USG could neither make nor buy its decision. Selection new cabinet believed very important in this regard. If Brazilian decisions could not be made in advance plebiscite, as Campos contended, it was correspondingly difficult for USG to make decisions dependent upon them. Martin cited instances where GOB position equivocal and desire to collaborate with USG in doubt, mentioning GOB domestic posture in Cuban crisis, unanswered attacks on AFP and Peace Corps, appointment of officials hostile to US, Petrobas financing of broadcast of anti-US declaration, and publication Coleste announcement at very time Attorney General's visit.

8. Campos stated he had been recalled for consultation and intended spend three weeks in Brazil, also participating in conference on inflation and growth and assisting Kubitschek and staff in preparing for survey of AFP.

END

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Rio - 1233

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1233, DECEMBER 31, 7 P.M.

832.10

REFERENCE: EMBTELS 1203 AND 1223

RESIGNATION OCTAVIO BULHOES, AND ITS ACCEPTANCE BY GOB, ANNOUNCED IN PRESS DECEMBER 28. JULIO DE JOUZA AVELLAR, DIRECTOR, BANK OF BRAZIL REDISCOUNT DEPARTMENT, NAMED AS INTERIM ACTING EXECUTIVE DIRECTOR OF SUMOC.

RMR

EMBASSY NOT YET HAD CHANCE DISCUSS BULHOES RESIGNATION WITH HIS INTIMATES. HOWEVER, RECENTLY THERE HAVE BEEN GROWING INDICATIONS BULHOES DID NOT EXPECT OR DESIRE STAY LONG ON JOB. HE SEEMED INCREASINGLY PHYSICALLY AND EMOTIONALLY STRAINED, WHILE AT SAME TIME FELT LOSS OF INFLUENCE AND WIDENING GULF OF UNDERSTANDING BETWEEN HIMSELF AND GOVERNMENT COLLEAGUES. SOME OF HIS RECENT PUBLIC AND PRIVATE UTTERANCES HAVE BEEN INCREASINGLY UNGUARDED AND OF NATURE INVITING CONTROVERSY. ANY CASE APPARENTLY DID NOT RESIST DISMISSAL.

LITTLE DOUBT GOULART WELCOMED BULHOES RESIGNATION, EVEN THROUGH SUMOC DIRECTOR FAVORABLY KNOWN ABROAD. BULHOES LEAVING SISOP* TO LEFT-WING OF PTB (AS WELL AS TO SOME ANTI-IMF FOLLOWERS OF KUBITSCHEK) AND TENDS TO OFF-SET LEFTIST UNHAPPINESS DISMISSAL FORMER LABOR MINISTER PINHEIRO NETO ON ISSUE HIS CRITICISM FINANCIAL POLICIES ESPOUSED BY BULHOES.

832.-/12-3162

XR 732.00

FILED

BULHOES RESIGNATION DOES NOT NECESSARILY PORTEND ANY BASIC CHANGE STATED POST-PLEBISCITE FINANCIAL PLANS LOOKING TOWARD ACCORD WITH U.S. AND IMF. AVELLAR CONSIDERED BASICALLY CONSERVATIVE. WAS CLOSE COLLABORATOR OF MOREIRA SALLES.

Microfilmed by (2)

GORDON

RNL

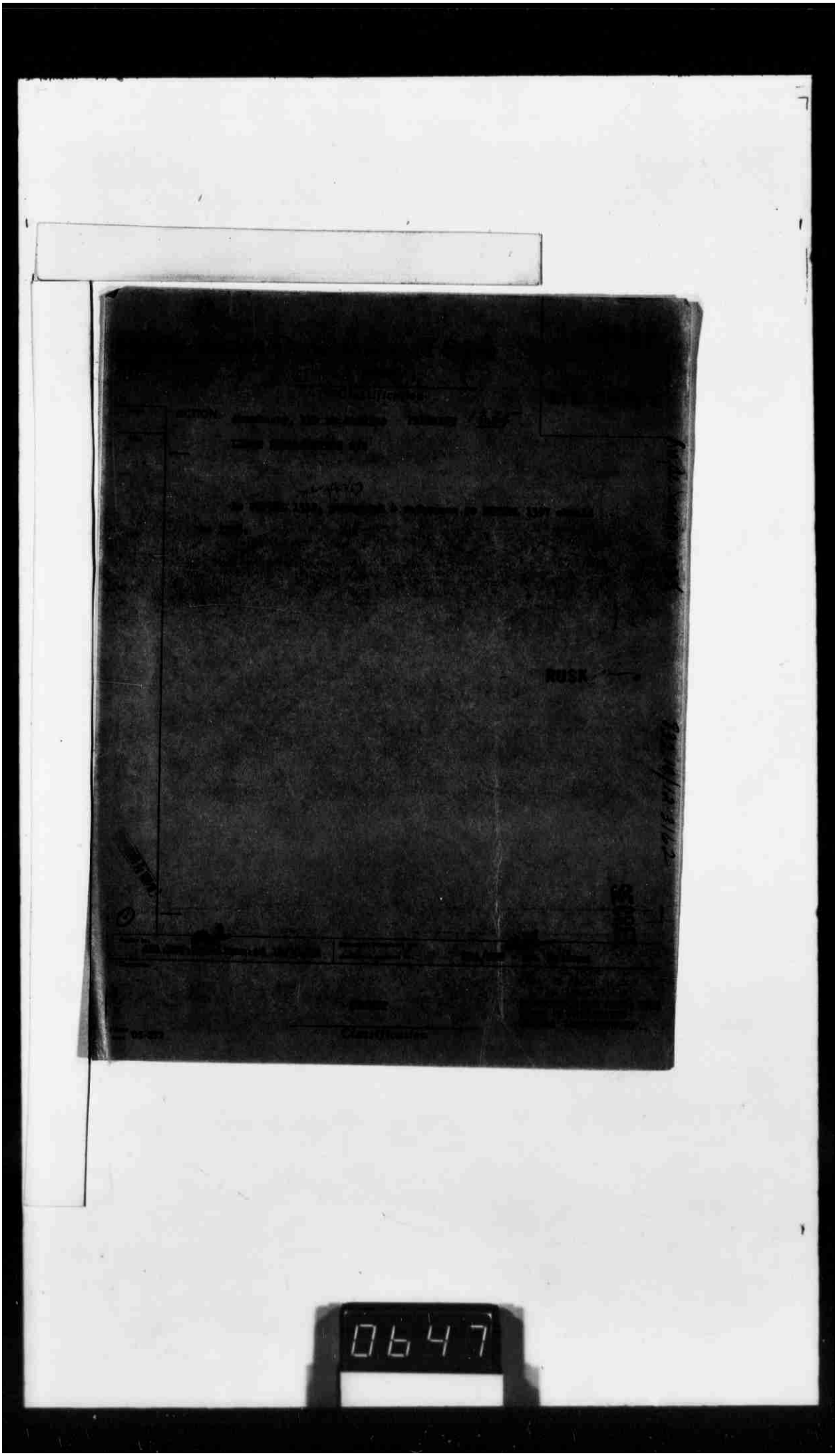
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NAME OF OFFICER & OFFICE SYMBOL	R.R. Fields ESTB	DATE OF ACTION	1/7/63	DIRECTIONS TO RM/R file

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Action SS 4RA
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SECRET

Control: 785
Rec'd: January 2, 1963
7:51 p.m. 001

Rio de Janeiro 1238

FROM: Rio-de-Janeiro

TO: Secretary of State

NO: 1238, January 2, 4 p.m. (SECTION ONE OF TWO)

NIACT

ACTION DEPARTMENT 1238, INFORMATION POLAD CINCARIB 20.

LIMIT DISTRIBUTION S/S

FOR ASSISTANT SECRETARY MARTIN

DEPTELS 1308 and 1332.

1. I was shown DEPTEL 1308 in country on December 29, and drafted outline of vigorous request for reconsideration, since it seemed to me to conflict with basic strategy NSC approved in Washington on our joint recommendation. We need time either for Attorney General mission to bear fruit, which we never expected to be immediate, or for NSC alternative B to be developed for which key Brazilian elements not yet ready. Essential purpose interim financing is to buy such time.

832.10/1-263

2. On returning to Rio, I have seen DEPTEL 1332, and believe favorable recommendation for interim financial assistance in EMBTEL 1177 strongly reinforced by your conversation with Campos. I basically share Campos' judgment that interim assistance would strengthen those Brazilians working for policies desired by US and that denial of assistance carries risk of significantly weakening these groups, with corresponding shift influence to forces aiming at adoption by GOB of non-AFP policies and measures. Extent this risk difficult to evaluate, but I believe that is considerable. Taking into account this risk and the other various elements of the complex

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0648

complex and evolving circumstances here, I stand on the recommendations made in EMBTELS 1177 and 1192.

3. As mentioned in paragraph 11 of EMBTEL 1177, I also recognize that approval interim assistance at this time carries danger of being misinterpreted, both by pro and anti-AFP elements, as indicating major softening US resolve insist on broad improvements in GOB policies and actions before substantial assistance made available. However, I feel that nature contemplated credit, in itself, reduces this danger and that manner making assistance available can do much to demonstrate interim credit is consistent with US policy lines recently made known to GOB and implies no softening these lines.

4. Particularly with gold sale reported DEPTEL 1307, justification for interim assistance based both on financial need and on political considerations. To be sure $30 million credit provides only small margin over $20 million GOB could realize if it were willing sell retained free gold. Nevertheless on financial side wish note that (A) GOB decision sell $50 million gold may have been heavily influenced hope interim US assistance forthcoming friendly GOB officials may be considerably "on a limb" on this vis-a-vis Goulart; (B) Difficult, particularly with background past US generosity and general expectations generated by AFP, insist GOB sell last of its gold, in preference defaults, without having some tangible indication US still offering GOB carrots as well as sticks; (C) US may have some possibility obtain GOB commitment or understanding will sell remaining gold or otherwise unable repay 90-day credit (although realize this may be complicated by waiver problem connection IBRD and private loans); (D) GOB external financial position continues very tight as indicated failure meet Sun Oil payments (DEPTEL 1317) and usefulness to GOB of $30 million US credit multiplied by effect this credit would have on attitude private community and (E) Coffee and other Brazilian export receipts being reduced by US dock strike.

5. Basic

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-3- 1238, January 2, 4 p.m. (SECTION ONE OF TWO), from: Rio-de-Janeiro

5. Basic political arguments for interim assistance, which discussed by me during recent Washington visit, are not fairly interpreted in DEPTEL 1308. Positive GOB measures and tendencies which should be taken into account in justifying tide-over assistance are not so much ITT (which to be considered as clearing away obstacle which should have been removed months ago), as tax law approval and indication already available on Furtado plan, whatever its weaknesses may be, that includes serious attack on fiscal deficit problem, subsidies and other aspects excessive monetary expansion. These objectives strongly backed by Goulart in new years eve message reported separately. Given time-table problems of plebiscite and general financial negotiations, I would have (as I mentioned in Washington) supported interim assistance even in absence Attorney General's visit. Settlement ITT case is natural, but incidental, prerequisite interim assistance since would appear fatuous extend interim credit in circumstances appearing likely require general cessation US aid 30 days hence.

GORDON

DMJ/16

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Action SS ARA

Info

Control: 812
Rec'd: January 2, 1963 9:23 p.m.

1/56

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1238, January 2, 4 p.m. (SECTION TWO OF TWO)

NIACT

ACTION DEPARTMENT 1238; INFORMATION POLAD CINCARIB 20.

LIMIT DISTRIBUTION S/S

FOR ASSISTANT SECRETARY MARTIN.

DEPTELs 1308 and 1332.

6. DEPTEL 1308 emphasizes absence strong positive signs salutary effects Kennedy visit. However, no significant response could be expected pre-plebiscite. Real bargaining power in relation to conversation for better is anticipated large-scale financial negotiations, not short-term interim credit. I continue believe economic confrontation will be much better without very short-term pressures resulting from denial of interim credit, that with them. If there is any hope of Attorney-General effort and parallel pressures from inside Brazil achieving success, we will come to know this only gradually, after plebiscite. If effort fails, our record and posture for pursuing clear anti-Goulart line will be stronger for having tided over the immediate gap. Indications should be available in time to be determining factor in broad negotiations, but not in time to be determining on interim credit.

7. Timing and character interim assistance such that full criteria appropriate to broad financial negotiations should not be expected or required. Credit for 90-days not really

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION 3/13/64	DIRECTIONS TO RM/R

0651

SECRET

-2- 1238, January 2, 4 p.m. (SECTION TWO OF TWO), from: Rio de Janeiro

stabilization assistance, except in formal sense. It is rather simply buying time, on basis indications that serious -- and possibly satisfactory -- stabilization effort is being prepared and is to be negotiated and that success achieving this objective might be seriously prejudiced by interim financial pressures, defaults, stoppage of oil shipments et cetera.

8. Fully concur remarks made to Campos, as described paragraph seven DEPTEL 1332. Recommend that indication to Campos US making interim credit available, be accompanied full oral statement making clear what this aid means and does not mean in both political and economic terms. Similar indications should be given in backgrounders for press.

9. Suggest following basic text for press release on interim credit: Begin text US lends Brazil $30 million for 90 days. In response to request of GOB, USG has made available limited, short-term credit totaling $30 million to Brazil. This credit is repayable in 90 days. (Brazilian Ambassador Roberto Campos,

Faced with strong inflationary pressures and other problems, Brazil has experienced increased external payments difficulties during 1962.

GOB has stated to US authorities that it is preparing definite plans and measures for putting into force, beginning early 1963, a new and effective program to limit inflationary pressures, support strong and balanced economic growth and generally achieve economic and financial recovery. While the details of this program have not yet been made available, certain actions in line with this objective have already been taken, including particularly the approval in November 1962 of legislation designed to help in reducing the potential government budget deficit in 1963 and to initiate a broad reform of Brazil's entire tax structure and machinery. The

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-3- 1238, January 2, 4 p.m. (SECTION TWO OF TWO), from: Rio de Janeiro

GOB has also indicated its intent, to initiate, at an early date, general financial discussions with the US, other countries and international financial institutions, with a view to considering what external financial support may be available to supplement GOB measures to achieve balanced and comprehensive financial recuperation.

The short-term US credit is designed to help GOB avoid further exchange restrictions and limitations by meeting certain dollar obligations falling due in the very near future. Pending the putting into effect of a new and vigorous program of economic and financial recovery in Brazil, it was not considered appropriate to make further releases of balances under medium and long-term credits earmarked for Brazil in May 1961. End Text.

GORDON

MRJ

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Department of State

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Jan 1 2 52 PM '63

CONFIDENTIAL
Classification

ACTION: Embassy, RIO DE JANEIRO 1347

PRIORITY

LIMIT DISTRIBUTION S/S

Decision today for 30 million Treasury loan repayable 90 days. Split of guarantee among agencies not yet decided. Will probably announce publicly this coming Monday. Ambassador Campos has been advised. Draft of announcement for your comment will follow shortly. END

Rio de Janeiro 1347

RUSK

833.10/1-363

CONFIDENTIAL

Drafted by: EST/DiRenzo:fmd 1-3-63 RB

Telegraphic transmission and classification approved by: ARA/EST H. Wellman RB

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FORM DS-322

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Department of State

CONFIDENTIAL

Classification

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JAN 17 08 PM '63

ACTION: Amembassy, Rio de Janeiro 1252 NIACT

Reference: 1347

LIMITED DISTRIBUTION

For Code Clerk: Please bring following to attention Ambassador Gordon by opening of business.

Following is proposed announcement of $30 million loan which has been cleared in substance with interested agencies and which reflects benefit of Campos' views beforehand. This would be U.S. announcement not joint, therefore does not require concurrence of Brazilian officials.

Quote Following intensive consultations with Ambassador Roberto Campos acting on behalf of the Brazilian Government, the United States Government has made available short-term credits totaling $30 million to Brazil which are repayable in 90 days.

The Brazilian Government has stated that it is preparing definite plans and measures for putting into force, beginning early 1963, an effective program to limit inflationary pressures as well as a development plan designed to support strong and balanced economic growth. Certain actions in line with this objective have already been taken, including particularly the approval in November 1962 of legislation designed to help in reducing the potential Government budget deficit in 1963 and to initiate a broad reform of Brazil's entire tax structure and collection machinery.

RIO-352 832.10/1-363

EST/B:RBurton:fl RB
R.Crane

ARA: Herbert K. May

ARA:EST: Harvey R. Wellman

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Ambassador Campos has indicated the intention of his Government to initiate, at an early date, discussions with the US, other countries, and appropriate international financial institutions, in order to describe the measures it will take to achieve financial recovery and assure sustained economic growth with a view to exploring what external financial support may be available to supplement the Brazilian effort. Releases from the balances under the medium and long-term credits earmarked by the U.S. for Brazilian stabilization program initiated in May 1961 may be considered when details of new stabilization program being prepared by Brazilian Government become known. Unquote.

Campos urges announcement be made Saturday before plebiscite. We believe this would generate various possible unfortunate political interpretations, and adhere to our view announcement should be Monday, January 7.

Would appreciate your views on timing of announcement keeping in mind likely advance press leaks since Campos informed and will inform GOB. Also any further suggestions on above text. Will advise of exact text and timing of announcement so you can inform GOB beforehand.

RUSK

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Control: 2175
Rec'd: January 4, 1963
3:06 p.m.

FROM: Rio De Janeiro

TO: Secretary of State

NO: 1257, January 4, 1 p.m.

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ACTION: EST/B
INFO:
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LIMIT DISTRIBUTION

DEPTEL 1352

Suggest following changes in text press announcement.

1. Delete "intensive" from first sentence on ground that this word more appropriate contemplated longer term negotiation.

2. Delete "entire" from last sentence paragraph two.

3. Revise third paragraph to read as follows; "The Brazilian Government has indicated its intention to initiate, at an early date, discussions with the US, other countries, and appropriate international financial institutions, with a view to exploring what external financial support may be available to supplement the Brazilian effort. Releases from the balances under the medium and long-term credits earmarked by the US for the Brazilian stabilization program initiated in May 1961 may be considered in the light of these discussions and of further measures of the Brazilian Government to achieve financial recovery and to assure sustained economic growth."

I believe it important not make second reference to Campos personally, since he is under constant attack in unfriendly quarters here and the intentions to initiate discussions have been indicated by high authorities here as well as in Washington. We propose

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832.10/1-463

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863 Authorized by [illegible]

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NAME OF OFFICER & OFFICE SYMBOL	R J Buston	DATE OF ACTION	1/3/63
		DIRECTIONS TO RM/R	file

0657

CONFIDENTIAL

-2- 1257, January 4, 1 p.m., from Rio de Janeiro

We propose deleting clause about describing the measures it will take in order to avoid implication that GOB coming to Washington with cut and dried program in take or leave frame of mind. This may well be Furtados frame of mind, but we should do our best to discourage it. Changes in last sentence designed to make clear that releases depend not only on knowledge of new program but also on action, and leave open modifications of program in light of discussions. Have discussed timing informally with Hermes Lima, and agree Monday satisfactory. Please advise soonest definitive text and release time.

GORDON

MDF

NOTE: Advance copy ARA, SS 410 PM 1/4/63 CWO-JSW

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Action ARA

Control: 2333

Rec'd: January 4, 1963 7:29 p.m.

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 1260, January 4, 5 P.M.

EST 1/8

INFO: RM/R FILES

RIO

1260

NIACT

LIMIT DISTRIBUTION

Embassy Telegram 1257

Campos suggests, and I endorse, adding in last sentence after May 1961 "as well as further financial support for economic development in Brazil,". This is to avoid implication that comprehensive discussions limited to releases from 1961 package.

GORDON

MJA-6

NOTE: Advance copy Mr. Burton (ARA) SB, 810 PM 1/4/63 CWD-W

FW 832.10/1-463

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JAN 18 1963

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ACTION ASSIGNED TO: ARA/EST/B	ACTION TAKEN Digtel 13528 Rio de Janeiro
NAME OF OFFICER & OFFICE SYMBOL RJ Burton	DATE OF ACTION 1/8/63
	DIRECTIONS TO RM/R File

0659

Department of State

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Classification

ACTION: Embassy, RIO DE JANEIRO (PRIORITY)

LIMITED DISTRIBUTION S/S

MARTIN TO AMBASSADOR

Ambassador Campos told May January 2 that Campos in telephone conversation with Santiago Dantas had reflected views obtained in conversations with us. Dantas advised Campos that Goulart would make a statement to press January 2 or 3 referring to Furtado plan and asserting:

1. Plan consistent with AFP.

2. Plan envisioned self-help principle of AFP.

3. Plan based on assumption private enterprise essential.

Dantas further advised that Carvalho Pinto will be in new cabinet either as Minister of Mines and Industry or Minister of Finance. If latter, Pinto will cover only internal finance with Dantas as Foreign Minister covering foreign financial negotiations. Also Eliezer Batista will continue in new government either as Minister of Mines or as head of PETROBRAS.

You should know our decision favoring interim financial assistance influenced by foregoing information from Campos.

ARA/B-Ralph J. Burton RB

ARA - Herbert K. May HM

EUR - Harvey G. Wellman HW

CONFIDENTIAL
Classification

Rio de Janeiro 1960

832.10/1-463

0660

OUTGOING TELEGRAM Department of State

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CONFIDENTIAL
Classification

JAN 5 2 30 PM '63

ACTION: Amembassy RIO DE JANEIRO 1362 PRIORITY

VERBATIM TEXT

Embtels 1257 and 1260.

Following text approved for press release.

BEGIN QUOTE. Following consultations with Ambassador Roberto Campos acting on behalf of the Brazilian Government, the United States Government is making available a short-term credit totaling $30 million to Brazil which is repayable in 90 days.

The Brazilian Government has stated that it is preparing definite plans and measures for putting into force, beginning early 1963, an effective program to limit inflationary pressures as well as a development plan designed to support strong and balanced economic growth. Certain actions in line with this objective have already been taken, including particularly the approval in November 1962 of legislation designed to help in reducing the potential Government budget deficit in 1963 and to initiate a broad reform of Brazil's tax structure and collection machinery.

The Government of Brazil has indicated its intention to initiate, at an early date, discussions with the US, other countries, and appropriate international financial institutions, both in order to describe the measures it is planning to take to achieve financial recovery and assure sustained

Drafted by: ARA:EST/B:RJBurton,RHCrane:am 1/5/63 Telegraphic transmission and classification approved by: ARA - Edwin M. Martin

Clearances: Treasury - Mr. Bullit (in substance) Exim Bank - Mr. Linder (in substance) AID - Mr. Mosocso (in substance) ARA/P - Mr. King AA/LA - Mr. Fitzgerald P - Mr. Philips/EST - Mr. Waldman

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FORM DS-322

Rio - 1362

832.10/1-1463

0661

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sustained economic growth, as well as with a view to exploring what external financial support may be available to supplement the Brazilian effort. END QUOTE.

Last sentence third paragraph earlier version deleted because interested agencies opposed because believe implied promise releases from 1961 package.

Brazilian Embassy on instructions GOB pressing for signing agreement so that funds available not later than close banking hours January 7.

Hope make press release Monday but definite timing still undetermined pending decision split among agencies. Will telephone you giving maximum possible advance notice.

END.

BALL

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Classification

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Control: 2782
Rec'd: January 5, 1963
3:34 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1264, January 5, Noon

ACTION EST/B
INFO:
RM/R FILES

Rio de Janeiro 1264

PRIORITY

LIMIT DISTRIBUTION S/S

FOR MARTIN

Department telegram 1360

Re Goulart statement to press, he did call in Juan de Onis January 2 and handed him statement published in full in O GLOBO January 3. Onis tells me that his own story to NEW YORK TIMES did not contain full text, but was his own write-up based on it and on oral interview as well. Understand this story published in west coast edition and distributed to TIMES syndicate, but Onis has no information on breadth of publicity in US. Campos trying get similar or identical statement also handed to major wire services.

Translation textual statement being wired unclassified. As you will see, it fully complies Campos description, with several favorable references to AFP and relation Furtado 3-year plan Punta del Este principles.

GORDON

MGG/18

NOTE: Advance copy SSO 5:30 p.m. 1/5 - CWO/JSW.

EST/B- BURTON CONTACTED 1/6/63 - BY MRA DUTY OFFICER C.A. Henderson

833.10/1-563

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NAME OF OFFICER & OFFICE SYMBOL	R. Burton	DATE OF ACTION JUL 2	DIRECTIONS TO RM/R

0663

ORIGIN/ACTION: ARA 4

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Rm/R file 2/4/63 no action R J Barton

DEPARTMENT OF STATE

AIRGRAM

832.10/1-763
XR 398.13
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A-778 NO. CONFIDENTIAL HANDLING INDICATOR

1963 JAN 11 AM 7 21

TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS REAJAN 11 1963

FROM : AmEmbassy, Rio de Janeiro

DATE: January 7, 1963

SUBJECT : Conversation with IMF Representative

REF : CERP D-12, Item "a"

Mr. Vaughn Mr. Daly Mr. Wyman

The reporting officer had occasion to lunch with Mr. Jorge Del Canto, Director of the Western Hemisphere Department of IMF, who is attending the Conference on Inflation and Growth currently taking place in Rio de Janeiro. Mr. Del Canto indicated that he would take advantage of this visit to Brazil to make contacts with Brazilian officials and to find out as much as possible about Brazilian plans for a new stabilization program and the Brazilian Government's intentions with regard to resuming discussions with the IMF for a new stand-by arrangement. Mr. Del Canto said that he would be joined in these conversations by Mauricio C. Bicalho, Brazilian Executive Director on the IMF who is expected to return to Rio on consultations this week.

While Del Canto could not purport to speak in an official capacity for the Fund on this visit, he indicated that he would be prepared to make comments and suggestions should the Brazilians request them. He said he did not know what the IMF's "minimum requirements" for a stand-by would be this year. As last March, the IMF's attitude would be presumably greatly swayed by the extent to which the Brazilian Government would be willing to take concrete prior measures, particularly in the fields of exchange policy, limiting the budgetary deficit, reducing subsidies and increasing public service rates. While new revenues that would result from the tax measure approved in November were a positive factor, this new tax law, Del Canto felt, did not have quite as much weight as had been given to it in the discussions last March, since the revenue expected to be generated by the tax law was a considerably smaller portion of the potential deficit than was the proportion of the revenue estimated to be generated by the tax measure discussed last year in relation to the deficit then foreseen.

FORM DS-323 4-62 CONFIDENTIAL

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Drafted by: RVKorp/bc

Contents and Classification Approved by:

Clearances: REakens

0664

As concerns the kind of three-year program for progressively reducing inflation over three years that is contemplated in the Celso Furtado plan, Del Canto indicated that the IMF would have some conceptual and policy difficulties in accepting this kind of progressive approach. Generally, the IMF wanted to be sure that the resources available to it to help a country would be applied throughout the period contemplated for stabilization to take effect. In a three-year program this was somewhat difficult, particularly if the financial requirements for IMF assistance the first year were very large. However, Del Canto thought that this may not be an insurmountable problem if the Brazilian program were really excellent, if there were good prospects that it would be carried out and if there were some flexibility on the Brazilian side to adjust to the IMF's policy requirements.

On timing of financial discussions, Del Canto contemplates that the Fund would find it necessary to send a mission to Brazil before any stand-by arrangement could be completed. Thus, if after the preliminary contacts here the Brazilian Government were to send a negotiating mission to Washington in January, the IMF would probably wish to send a mission to Brazil at an early date following the initiation of conversations. There would be then presumably have to be a final negotiation in Washington after the mission returns. Thus, in Del Canto's mind, even in the best of circumstances, negotiations for a new stand-by would probably carry on well past February, even if the initial discussions in Washington were to start at a fairly early date.

FOR THE AMBASSADOR

Ralph V. Korp
Financial Attaché

0665

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ARMY	CIA 10	NAVY
OSD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

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XR 832.10
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A- 777 NO. CONFIDENTIAL PRIORITY HANDLING INDICATOR

TO : DEPARTMENT OF STATE

DISTRIBUTION

FROM : AmEmbassy, Rio de Janeiro DATE: January 7, 1963

SUBJECT : IDB Loan Application of EUCATEX, S.A., Sao Paulo

REF :

Enclosed is a translation of a letter addressed to the Ambassador by the President of EUCATEX, S.A., of Sao Paulo. This letter is intended to summarize the justification and the main details of an application for a loan of approximately $1.5 million from the Inter-American Development Bank which has been made by EUCATEX, S.A. in order to expand its plant located in Salto, in the State of Sao Paulo. This plant produces various kinds of wood fiber board and tile for both domestic use and for export.

The letter from EUCATEX, S.A. was a follow-up to a visit to the Embassy by Mr. Paulo Maluf, Director-Superintendent of the firm. In the absence of the Ambassador, with whom the appointment was originally made, Mr. Maluf told the reporting officer that he was seeking the Embassy's and the U.S. Government's support for his firm's IDB application. Mr. Maluf said that he had recently visited Washington to talk to the IDB and had received the impression that the Bank, and particularly some of the members of its staff dealing with Brazil, had little interest in private enterprise projects and were giving much the greater preference and priority to Governmental projects. In view of this attitude Mr. Maluf was afraid that the EUCATEX application would be given a very low priority by the Bank and would encounter great delays in receiving appropriate study and consideration in the Bank. He hoped that if the U.S. Government were to express an interest, this would insure fair consideration of the application.

The reporting officer explained to Mr. Maluf both the lending criteria of the IDB* and the independent nature of the Bank as expressed in its charter. He accordingly discouraged Mr. Maluf from writing a letter to the

* Including supplementing and encouraging private investment

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Drafted by: RVKorn/hc
Cleared as: REakens, Counselor for Economic Affairs

Contents and Classification Approved by: JHowe, Acting Director, USAID/B

0666

Embassy asking for a favorable U.S. recommendation on the IDB application of EUCATEX. However, he did indicate to Mr. Maluf that the Embassy would be glad to be informed of the details of the EUCATEX project.

Subsequently, Mr. Maluf saw the Ambassador on January 7, 1963. He told the Ambassador that one of the firm's directors had returned from Washington in the last few days after making a further inquiry at the IDB on the status of the EUCATEX application. He reported that while the IDB had not given the project a final refusal, the news was discouraging. The Eucatex director had been told by the IDB that the project itself appeared to be quite good, but the Bank would most likely not be able to finance it since the Bank's policy was to finance Government projects.

On the face of it, the EUCATEX project appears to have promising features, but Embassy/USAID have not studied it and therefore have no opinion about the technical and economic merits of the project or of the loan applicant. However, agencies concerned may wish to take note of Mr. Maluf's allegations about the attitude of the IDB management and staff vis-a-vis private enterprise loan applications and to take such opportunities as may present themselves to assure that private enterprise loan applications from Brazil are accorded fair treatment under the agreed operating policies and procedures of the Bank.

Action Requested

In order that the Ambassador be enabled to make an appropriate reply to Mr. Maluf's inquiries, the Embassy requests that a check be made with the IDB on the status of the EUCATEX application. The Embassy would appreciate a telegraphic report on this status, together with any comments that Washington agencies may wish to make on this matter.

FOR THE AMBASSADOR

Ralph V. Korp
Financial Attaché

0667

Department of State

Classification

ACTION: Embassy BUENOS AIRES Telegram: 546

Following is text press release in connection with 90 day credit for Brazil.

BEGIN TEXT. Following consultations with Ambassador Roberto Campos, Minister of Planning for the Brazilian Government, the United States Government is making available a short-term credit totaling $30 million to Brazil which is repayable in 90 days.

The Brazilian Government has stated that it is preparing definite plans and measures for putting into force, beginning early 1963, an effective program to limit inflationary pressures as well as a development plan designed to support strong and balanced economic growth. Certain actions in line with this objective have already been taken, including particularly the approval in November 1962 of legislation designed to help in reducing the potential Government budget deficit in 1963 and to initiate a broad reform of Brazil's tax structure and collection machinery.

The Government of Brazil has indicated its intention to initiate, at an early date, discussions with the US, other

Classification

FORM DS-322

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0668

Page [illegible] of [illegible] pages [illegible] lines

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Classification

countries, and appropriate international financial institutions, both in order to describe the measures it is planning to take to achieve financial recovery and assure sustained economic growth, as well as with a view to exploring what external financial support may be available to supplement the Brazilian effort. END QUOTE.

If Argentines raise subject you may wish stress that credit represents interim short-term measure and is equivalent to about one third of unreleased funds remaining from 1961 package. [redacted] FYI Announcement Chilean and Colombian IMF agreements expected early next week. End FYI.

BALL

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Classification

0669

/ACTION
ARA-4

RM/R	REP	AF
1	1	
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
L	FBO	AID 12
AGR	COM 10	FRB 2
INT	LAB	TAR
TR 2	XMB 4	AIR
ARMY 5	CIA 8	NAVY 5
OSD 12	USIA	NSA 3

File
RM/R
1/24/63
J Boston
No action

DEPARTMENT OF STATE

AIRGRAM

832.10/1-863
~~NE 832.13~~
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A-782 CONFIDENTIAL

TO : DEPARTMENT OF STATE

1963 JAN 11 AM 7 21

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 11 1963

RECEIVED
JAN 25 AM '63

FROM : AmEmbassy, Rio de Janeiro DATE: January 8, 1963

SUBJECT : Resignation of Octavio Bulhoes

REF : CERP D-12; Embassy Telegrams 1203 and 1233

The reporting officer has had a chance to discuss with Dr. Octavio Bulhoes the reasons for the latter's recent resignation as Executive Director of SUMOC. Dr. Bulhoes indicated that he felt so strongly that the profit remittance law which SUMOC was charged with executing was a "disaster" for Brazil that he was constrained to make a public attack on this law, even though he knew that such an attack would subject him to pressures for his resignation. Bulhoes said that not only was the law a pernicious one having a bad effect on the inflow of private investment and on Brazil's ability to receive official foreign assistance, but the administrative burden of implementing the law was so severe on SUMOC that the agency was devoting a disproportionate amount of time and energy to profit remittance matters, at the sacrifice of working on higher priority problems.

Bulhoes gave the definite impression that he was not at all surprised that he had been relieved from his post and that he had at least half expected that this would happen as a consequence of his criticism of the profit remittance law. Nevertheless Bulhoes made a final comment to the effect that if the Government had been strong, it would not have found it necessary to give in to political pressures and dismiss him.

In addition to teaching duties as a professor at the University of Brazil, Dr. Bulhoes is going to assume full-time duties with the Institute of Economics of the Getulio Vargas Foundation. He is going to take over some of the duties of Dr. Alexandre Kafka who is shortly going to the U.S. (on a leave of absence from the Foundation) to become a professor at the University of Virginia.

FOR THE AMBASSADOR
Ralph V. Korp
Ralph V. Korp
Financial Attache

CONFIDENTIAL

FORM 4-62 DS-323

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Drafted by: RVKorp/bc
Contents and Classification Approved by:
Clearances: REakens

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33

Department of State

Classification

ACTION: Embassy Rio de Janeiro

1375

Jan 9 5 13 PM '63

XMSG Ambassador S/S

NIACT 1254

NE 7916

Goulart interview given only passing attention U. S. press (i.e. Baltimore Sun, Monitor-Herald) largely on tag line to later story of US military assistance agreement. [illegible] has played interview both on TTY transcripts (in Spanish, English and Portuguese) and at Wireless File, with distribution in latter case to Brazilian Embassy (January 5) included.

[illegible] failure U. S. press play story heavily due Brazilian errors timing and placement. Brazilian Embassy's Saturday press release did not catch press attention until Monday by which time had been submerged by U. S. announcement 30 million loan. Granting New York Times exclusive interview also believed be major Brazilian blunder because inevitably offended remainder U. S. press which has retaliated accordingly (eg., WASHINGTON POST has refused write editorial on subject despite [illegible] prompting). In addition, TIMES still not publishing which means Goulart in effect talking into dead microphone. Presumably TIMES West Coast edition carried interview but assessment on this unavailable here Department unable judge impact, if any.

Rusk.

RUSK

934.00/1-963

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AID/[illegible] 1/9/63

AID/Policy Dixon John Kerry

AID/WRF - [illegible] (in draft)

Classification

0671

ORIGIN/ACTION

	ARA	
RM/R 1	REP 1	AF
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
L	PBO	AID 12
AGR 10	COM 10	FRB 3
INT	LAB	TAR
TR 2	XMB 4	AIR
ARMY	EIA 8	NAVY
OSD	USIA	NSA 3

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Info
no action
ARA/R 1/15/63
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RJ Deutsch

DEPARTMENT OF STATE

AIRGRAM

832.19/17063

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TO : DEPARTMENT OF STATE

1963 JAN 14 AM 11 14

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 15 1963

RIVAN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: January 10, 1963

SUBJECT : TREASURY BORROWINGS LEAD CREDIT EXPANSION IN BANK OF BRAZIL NOVEMBER OPERATIONS.

REF : CERP D-12; A-679, December 12, 1962

Operations in November again showed a substantial credit expansionary tendency due principally to Cr$ 44 billion increase in the outstanding loans to the Treasury. Outstanding loans to the private sector likewise increased again in November at approximately Cr$ 18 billion of which Cr$ 2 billion consisted of coffee financing. Outstanding loans to the private sector for the eleven months of 1962 increased by Cr$ 138 billion, or almost 50 per cent.

Changes in accounts tending toward a restriction of credit in November were, by comparison with expansionary factors, of very small magnitude, consisting of Cr$ 4 billion increase in coffee accounts, a Cr$ 2 billion increase in short term deposits of mixed enterprises and autarchias, a Cr$ 5 billion increase in deposits against foreign exchange purchases and Cr$ 11 billion increase in deposits against future delivery of foreign exchange.

A summary of activities of major accounts is transmitted as enclosure 1. Six copies of the November balance sheet are also transmitted.

FILE
JAN 16 1963

For the Ambassador,
John Krizay
Second Secretary of Embassy

Encls. As stated.

FORM 4-62 DS-323

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Drafted by: JKrizay:anc

Contents and Classification Approved by: Robert Eakens

Clearances:
Ralph V. Korp

0672

Rio A-791

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Encl. 1/1

A - FACTORS TENDING TO EXPAND MONEY SUPPLY IN NOVEMBER

1. Outstanding Loans to other than National Treasury

(millions of Cruzeiros)

	Oct.31 1961	Nov.30 1961	Oct. 31 1962	Nov. 30 1962
Loans to private sector (including coffee)	242,761	258,533	399,894	418,102
Less coffee	-	-	64,337	66,806
Private sector ex-coffee	-	-	335,557	351,296
Loans to states and municipal governments .	14,688	14,571	14,807	14,734
Loans to autarchias ...	12,971	16,091	16,586	17,838
TOTAL	270,420	289,195	431,287	450,674

2. Net Debtor Position of Treasury

August 1962	September 1962	October 1962	November 1962
94,5	109,2	111,8	155,7

3. Short Term Deposits of:

	June 1962	July 1962	Aug. 1962	Sept. 1962	Oct. 1962	Nov. 1962
Mixed Econ.	26,948	31,487	32,296	38,539	45,268	36,114
Autarchias (other than SUMOC)	55,036	55,475	64,057	63,607	68,549	75,004
TOTAL	81,984	86,962	96,353	102,146	113,817	111,118

4. Conta de Fundos, SUMOC (Compulsory Reserves of Commercial Banks)

August 1962	September 1962	Oct. 1962	Nov.1962
88,449	98,566	111,762	107,124

B - FACTORS TENDING TO RESTRICT MONEY SUPPLY IN NOVEMBER

1. Bank of Brazil Currency Holdings

August 1962	Sept. 1962	October 1962	Nov. 1962
15,659	22,360	16,221	17,568

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2. Coffee and Cocoa Differential Account (Deposits)

	August 1962	Sept. 1962	Oct. 1962	Nov. 1962
Coffee	22,674	22,255	16,925	20,475
Cocoa	49	618	50	50

3. Deposits with Bank of Brazil against Foreign Exchange Purchases for Future Delivery

September 1962	October 1962	November 1962
33.0	37.4	48.0

4. Outstanding Bank of Brazil Import Letters and Advance Deposits

	July 1962	Aug. 1962	Sept. 1962	Oct. 1962	Nov. 1962
Imp.Let. (SUMOC Inst.204)	51,641	37,252	22,379	8,919	4,452
Adv.Cash Imp.Dep. (SUMOC 226)	16,440	30,168	47,674	63,785	72,022
Fin.Dep. (SUMOC 229)	-	-	3,465	5,063	6,180
TOTAL	68,081	67,420	73,518	77,767	82,654

5. P. L. 480 Account

September 1962	October 1962	November 1962
28,444	31,890	32,908

C - O T H E R S

1. Outstanding Rediscounts at Rediscount Bureau

	Oct. 1961	Nov. 1961	Incr. Decr.(-)	Oct. 1962	Nov. 1962	Incr. Decr.(-)
For Bank of Brazil	149,831	148,387	-1,444	268,308	278,508	10,200
For Comm. Banks	25,404	28,477	3,073	46,064	46,197	0,133
TOTAL	175,235	176,864	1,629	314,372	324,705	10,333

0674

Anal Rio A-791 ARA

BANCO DO BRASIL S. A.

BALANCETE EM 30 DE NOVEMBRO DE 1962

COMPREENDENDO DIREÇÃO GERAL E AGENCIAS NO PAIS (501) E NO EXTERIOR (4)

ATIVO

DISPONIVEL

	Cr$	Cr$	Cr$
Caixa:			
Em moeda corrente	17.377.818.481,30		
Em outras moedas	10.460.452,80	17.388.279.134,10	
Aplicações no exterior (total do disponível)		360.466.954,40	18.178.906.452,50

REALIZAVEL

Operações de crédito à ordem do Tesouro Nacional:

Correspondentes no exterior:			
Disponibilidade de ordem em moeda estrangeira	380.594.727,60		
Outras contas creditadas a crédito	157.327.867.964,70	157.708.462.692,30	

DEPARTAMENTOS SEM CONTA

Da Carteira de Crédito Geral do Tesouro Nacional:			
Saldo das contas de movimentação e resgate de moedas (Lei n.º 3.244, de 14-8-57)	14.341.284.483,30		
Contribuição para o Fundo Monetário Internacional	9.181.750.462,50		
Cordeiro Federal, Banco Nacional de Habitação — plano — Instrução 372 da SUMOC	854.315.421,70		
Depósito especial	307.751.426.324,60	694.722.197.691,10	
A governos estaduais	13.624.211.329,05		
A governos municipais	1.209.864.415,70		
A outras entidades públicas	29.865.495,20		
A autarquias	14.373.341.407,70		
A sociedades de economia mista	671.761.924,40		
A agências:			
Por conta própria	492.441.499,80		
Por conta da Caixa de Mobilização Rodoviária	9.862.971.176,50		
Ao exterior (operações ativas e passivas — Instrução 372 da SUMOC)	1.441.228.780,80		
Ao exterior (outras operações)	2.713.438.140,20		
A bancos (exceto agências) situados no País (inclusive a prestação conforme as cláusulas contratuais)	1.288.222.211,40		
A bancos (exceto agências) situados no exterior	20.776.722.415,70		
A outras instituições (inclusive agências) situadas no País (exceto as relativas a operações de redesconto)	6.240.259.343,80		
A outras instituições situadas no exterior	238.263.439,70		
A governos	20.791.214,60		
A particulares	1.967.462.467,40		
A diversos, em suspenso	68.348.913,80	961.172.616.960,60	
Da Carteira de Crédito Agrícola e Industrial:			
Aplicações	20.870.722.139,80		
Empréstimos	2.790,00		
Financiamentos	14.168.787,70		
Títulos descontados	16.884.324.184,80		
Títulos vinculados	11.886.438.288,10		
Títulos redescontados	271.732,60		
Títulos próprios (inclusive importação de produtos sob a garantia Petróleo — Instrução 372 da SUMOC)	1.842.124.187,90		
Para financiamento de armazéns gerais	1.842.787.482,50		
Títulos a receber	6.672.178.142,30		
Adiantamentos a pais beneficiários	477.467.762,70		
Diversos, em suspenso	707.298.292,10	161.899.366.241,30	966.277.327.184,70

DEVEDORES DESCONTADOS

Da Carteira de Crédito Geral:			
A governos estaduais	180.000.000,00		
A autarquias	1.967.899.200,00		
A sociedades de economia mista	2.364.599.588,20		
A bancos:			
Por conta própria	200.000,00		
Por conta da Caixa de Mobilização Rodoviária	131.982.373,10		
Ao exterior (operações ativas e passivas — Instrução 372 da SUMOC)	20.139.007.482,30		
Ao exterior (outras operações)	24.526.966.482,60		
A bancos (operações ativas) situados no País (inclusive agências)	20.289.092.486,90		
A bancos (exceto agências) situados no exterior	20.187.191.570,80		
A outras (operações ativas) situadas no País (exceto as relativas a operações de redesconto)	20.882.285.347,80		
A outras (exceto agências) situadas no exterior	1.847.701.360,80		
A governos	2.354.867.771,10		
A particulares	466.777.447,80	306.901.225.837,80	

OUTROS CRÉDITOS E VALORES

Caixa:			
Títulos a receber da conta própria	14.445.296.128,60		
Créditos em liquidação	2.212.258.408,70		
Importâncias de moeda e de crédito, a entregar, correspondentes a operações obrigatórias (Decreto-lei 9.025, de 26-2-46)	20.316.078,10		
Importâncias de moeda e de crédito, a destinar obrigatórias	15.264.361.000,00		
Caixa de Mobilização Bancária, conta de importâncias de aplicar transitórias (Decreto 50.703, de 18-1-61)	667.423.000,00		
Compra e venda de produtos superfinos	12.857.880.180,00		
Compra e venda de produtos de importação	11.364.139.160,00		
Cambiais de Colonização, conta de cobranças	789.082.779,00		
Contrato operação 02 (lei 20 recuperação patrimonial da lavoura cacaueira (Decreto 60.967, de 5-7-67)	4.456.189.000,00		
Correspondentes no país	556.351.447,00		
Outros contas	20.064.251.842,30		
Valores:			
Títulos e valores mobiliários:			
Ações e outras obrigações federais	289.660.000,00		
Ações estaduais	31.000,00		
Outros títulos e valores mobiliários	4.077.814.707,00		
	4.367.305.707,00	97.184.827.321,30	
Saldo das dotações a uso do Banco		1.489.282.779.606,30	
Sendo Geral e Agências (conta de relações internas)		2.282.742.304.969,00	2.282.742.304.969,00
Agências no exterior (total do ativo)		2.282.742.304.969,00	

IMOBILIZADO

Imóveis de uso do Banco	4.190.141.067,10		
Móveis e utensílios	1.412.245.115,20		
Material de consumo	972.744.883,10	31.565.099.705,70	
Agências no exterior (total do imobilizado)		162.421.458,10	31.727.521.163,80

DE RESULTADO PENDENTE

Despesas de juros e comissões	4.331.430.482,20		
Despesas de impostos	176.345.819,70		
Despesas gerais e outras despesas patrimoniais	19.471.480.485,60		
Outras contas de resultado pendente	2.652.738.154,50	76.632.494.484,70	
Agências no exterior (total de resultado pendente)		142.079.516,70	76.774.574.001,40
			3.791.982.441.322,80

DE COMPENSAÇÃO

Valores em garantia	970.423.080.833,80		
Valores depositados:			
Conta do Tesouro Nacional (229.374.675.840 do Ativo Permanente)	2.168.060.771,80		
Outros valores depositados	180.751.467.297,50	187.179.756.978,70	942.568.842.812,30
Títulos a receber da conta própria		209.917.940.163,70	
Outras contas de compensação		427.344.825.357,30	
Agências no exterior (total de compensação)		4.314.310.129,60	1.479.526.434.462,50
			4.422.309.429.111,80

PASSIVO

NÃO EXIGIVEL

Capital			5.200.000.000,00
Fundo de reserva	914.498.779,90		
Fundo de previsão	12.391.178.278,20		
Fundo de amortização de imóveis, móveis e utensílios	8.132.701.923,10		
Fundo para prejuízos eventuais	3.868.453.456,70	24.906.832.438,70	
Fundo para o reaparelhamento de bibliotecas ao interior público		116.057.561,30	
Agências no exterior (total do ativo próprio)		3.208.351.480,00	32.107.889.980,00

EXIGIVEL

Operações de crédito à ordem do Tesouro Nacional:

Correspondentes no exterior:			
Letras em moeda nacional	21.604.344.170,10		
Equivalência em moeda estrangeira	1.917.170.988,80	23.521.515.158,90	
Impostos sindicalizados (Decreto 24.830, de 28-5-48)		5.201.357,70	
Depósitos especiais (Instrução 334, da SUMOC)		47.370.483.329,90	
Outras contas creditadas a débito		93.201.332.497,50	163.896.489.988,00

DEPÓSITOS A VISTA E A CURTO PRAZO

Do Tesouro Nacional:			
A disposição de entidades federais	28.458.290.773,10		
Fundo de amortização Dec. 25.567, de 30-6-48	23.207.244,80		
Fundo de reservação especial	877.167.768,40		
Fundo de participação de estados de refugos (Lei 2.800, de 23-2-56)	2.236.482.303,30		
Caixa Federal, fundo de estabilização e fomento de agricultura especial	87.197.838,80		
Fundo de reservação monetário-cambial (Lei 3.244, de 14-8-57)	4.470.000.000,00		
Caixa Federal, fundo de reconstituição de patrimônio	14.000.000.000,00		
Outras contas	18.778.538.414,80	68.342.575.380,40	
Da primeira colocação	4.241.951.356,70		
Da primeira movimento	707.808.527,20		
De outras entidades públicas	13.995.296.713,90		
Da autarquias:			
Superintendência da Moeda e do Crédito:			
Conta de fundos	107.125.000.000,00		
Conta de juros	1.324.000.000,00		
Depósitos vinculados à Instrução 220, da SUMOC	1.297.000.000,00		
Depósitos vinculados à Instrução 220, da SUMOC	4.170.900.000,00		
Fundo Monetário Internacional	4.000.119.000,00		
Banco Internacional de Desenvolvimento	515.427.915,00		
Fundo de fomento à cultura do café	20.000.000,00		
Tesouraria das Bolsas de Importação	3.252.192.907,00		
Fundo de reaparelhamento da cultura do café	20.424.811.151,00	147.727.450.794,00	
Caixa de Mobilização Bancária	1.200.000.000,00		
Outras autarquias	71.804.120.116,50	223.032.240.810,50	
Da emissão de moedas metálicas		18.111.814.993,00	
De bancos		105.760.316.300,00	
Do público (empréstimos):			
Subsídio Obrigatório (Lei 3.077, de 26-2-41)	5.194.860.926,00		
De empréstimos compulsórios e serviços públicos			
Mútuo (Consolidação 3.077, de 26-2-41)	432.760.164,00		
Obrigatórios de lavoura cacaueira (Decreto-lei 9.139, de 10-4-46)	21.300.119,50		
Depósitos para aquisições (Lei 3.470, de 28-11-58)	1.264.200.145,50		
Depósitos para criação de letras (Instrução 204 da SUMOC)	910.000,00		
Quotas de importâncias (Instrução 226, da SUMOC)	71.301.177.477,20		
Outros depósitos obrigatórios	74.304.954,50	82.222.902.486,80	
Sem juros	49.304.264.138,90		
Sob juros	1.932.196.282,40		
Limitados	19.778.211.113,70		
Penhor	4.497.279.308,50		
Sem juros	9.778.581.564,20	86.977.163.396,80	
Outros depósitos		327.304.148,20	473.426.642.388,80
Saldos credores de empréstimos			

DEPÓSITOS A PRAZO

De acionistas	5.346.209.276,60		
De entidades de economia mista	30.000.000,00		
Do público (empréstimos):			
Subsídio (Decreto-lei 3.077, de 26-2-41)	72.316.057,10		
Do público (diversos):			
De prazo prefixo	37.801.766.726,60		
A prazo fixo	307.302.013,70	32.109.384.797,30	36.007.910.130,90

OUTRAS RESPONSABILIDADES

Títulos e coupons vencidos-pagáveis	270.308.400.498,80		
Alienação de créditos em negociação	2.600.000.000,00		
Cobrança de importâncias	4.566.779.178,10		
Caixa de Mobilização Bancária (empréstimo)	126.254.483,00		
Caixa de Estabilização, conta de reserva			
Caixa de Crédito Cooperativo, conta de financiamento de operações para exportação	777.663.333,70		
Títulos e outras importâncias da Carteira de Crédito Agrícola e Industrial, em circulação	730.700.300,00		
Correspondentes no país	142.227.403,80		
Correspondentes no exterior	14.302.228.218,10		
Ordens de pagamento	3.744.752.775,20		
Cobranças efetuadas no interior	4.764.552.370,00		
Cheques de pare	712.308.781,40		
Dividendos a pagar	10.110.000,00		
Letras a pagar (Instrução 102, da SUMOC)	4.857.236.500,00		
Juros a pagar (Instrução 206, da SUMOC)	11.127.307.370,90	324.139.771.407,10	
Outras contas de passivo exigível			
Sendo Geral e Agências (contas de relações internas)		1.486.303.356.787,00	
Agências no exterior (total do exigível)		162.907.303,00	1.487.266.264.090,00

DE RESULTADO PENDENTE

Receita de juros, descontos, comissões e diversos	30.257.710.870,40		
Outras contas de resultado pendente	46.627.307.124,80	76.885.017.995,20	
Agências no exterior (total de resultado pendente)		889.319.810,50	77.774.337.805,70
			3.791.982.441.322,80

DE COMPENSAÇÃO

Departamento de valores em garantia e custódia		941.568.842.812,30
Departamentos de efeitos para cobrança:		
Do país	321.454.571.704,20	
Do exterior	14.422.164.291,80	335.876.740.145,70
Outras contas de compensação		432.344.421.322,30
Agências no exterior (total de compensação)		6.314.310.129,60	1.479.526.434.462,50
			4.422.309.429.111,80

HIRT PEIXOTO GALVÃO
Presidente

Brasília, DF, 26 de dezembro de 1962

OSWALDO ROBERTO COSTA
Chefe do Departamento de Contabilidade
Contador — C.R.C.GB n.º 3.479
C.R.C.DF (T. V.) n.º 1

FARLOC DO BRASIL S/A. INDÚSTRIA E COMÉRCIO

ATA DA ASSEMBLEIA GERAL EXTRAORDINÁRIA REALIZADA EM 12 DE SETEMBRO DE 1962

Aos 14 horas do dia 12 de setembro de 1962, na sede social da «Farloc do Brasil S. A. Indústria e Comércio», à Avenida Rio Branco, 99, 7.º andar, nesta cidade, reuniram-se Assembléia Geral Extraordinária, regularmente convocada por 3 vezes, de acôrdo publicado para efeitos do Decreto-lei n.º 2, e 4, e pelo artigo 99 do Decreto n.º 2.627, de 26/9/1940, com a presença de representação representando pelo menos 2/3 partes do capital social, conforme verificação feita no livro de Presença. Foi, então, assinalado nos Estatutos Sociais, assumiu a presidência do trabalhos, por aclamação, o acionista Sr. James Joseph Drummond, que convidou a mim, Roberto Hector Sanchez, acionista Sr. Milton de Carvalho Coelho para, como Secretário, servirem de Mesa. Em seguida, o Presidente declarou que, de acôrdo com o artigo 4.º do Estatutos Sociais, o capital social é de Cr$ 500.000,00 (cruzeiros e oitenta mil cruzeiros) e Cr$ 500.000,00 (cruzeiros e oitenta mil cruzeiros), em conformidade com aumento aprovado pelas Diretorias Gerais em 31 de agosto de 1962, e que, de acôrdo com o artigo 4.º dos Estatutos Sociais, o aumento pode ser aprovado por unanimidade e somente por todos os acionistas presentes.

Rio de Janeiro, 12 de setembro de 1962. — (a) James Joseph Drummond. — Milton de Carvalho Coelho. — Roberto Hector Sanchez. — Walter Ernest Wilson. — Milton de Carvalho Coelho. — Robert Walter. — Ilda Ventura.

Certifico que a presente cópia foi fielmente extraída do original lavrado a fls. 45-V e 46 do livro de Atas das Assembléias Gerais n.º 1.

Rio de Janeiro, 20 de setembro de 1962. — Milton de Carvalho Coelho. — Secretário.

MINISTÉRIO DA INDÚSTRIA E DO COMÉRCIO

Departamento Nacional de Registro do Comércio

Divisão de Registro e Cadastro

CERTIDÃO

Processo n.º 40.648/62.

Certifico que a «Farloc do Brasil S/A — Indústria e Comércio», anteriormente sendo Divisão, sob o n.º 30767, por despacho de 12 de 12 de 1962, sendo autêntica fls. 45 e 46 do livro n.º 1, de Atas das Assembléias realizada em 12/9/1962, e Diretoria em Inscrição em Sociedades Anônimas, para os efeitos previstos no Decreto-lei n.º 2.627, de 26/9/1940, e Registro de Comércio. Divisão de Registro e Cadastro, em 20 de 12 de 1962. Eu, Abel V. Franco, Of. Adm., assinei, conferi e assino Abel V. Franco. Em. João Pereira Dias, Chefe da S. S. A. — OBS.: autêntico e sendo João Pereira Dias.

Sôlo com Cr$ 30,00.

LABORATÓRIOS FREDERICK STEARNS S/A.

Rua Senta Luzia, 74 — 11.º andar — Sala 1101 — Rio de Janeiro

RELATÓRIO DA DIRETORIA A SER APRESENTADO À ASSEMBLÉIA GERAL ORDINÁRIA DOS ACIONISTAS, QUE SE REALIZARÁ EM 30 DE DEZEMBRO DE 1962, RELATIVO AO EXERCÍCIO ENCERRADO EM 31 DE OUTUBRO DE 1962

Senhores Acionistas:

Cumprindo, mandato a apresentar o Vosso Autorizar as contas e balanço, cabe-nos de ofício vêm prestação pela Diretoria, os exercício findo encerrado a 31-10-62, e de acôrdo com as disposições em vigor, já aprovado pelo Conselho Fiscal, de Sociedade, sôbre a inteira discrição de Vossa Assembléia para apreciação.

Cumprindo, entretanto-nos ao ato bôrro dispor, para qualquer esclarecimento sôbre os mesmos.

Rio de Janeiro, 30 de novembro de 1962. — (a) Thomas Stearns Gardner — Diretor-Presidente; Dwight Neville Lea — Diretor-Secretário; Alfredo Charles Fernandes — Diretor-Tesoureiro; (a) João Maurício Cruz; Waterloo de Abreu Pinto — Diretor-Superintendente; José Alves da Oliveira — Diretor-Procurador.

BALANÇO GERAL EM 31 DE OUTUBRO DE 1962

ATIVO

	Cr$
Disponível	
Caixa	2.661,30
Realizável Produtivo	
Duplicatas de mercadoria, ...	687.304,70
Contas de Compensação	
Ações caucionadas	2.500,00
	692.532,00

PASSIVO

	Cr$
Não Exigível	
Capital	100.000,00
Exigível	
Obrigações a Pagar	442.532,00
Contas de Compensação	
Ações caucionadas	2.500,00
	545.532,00

DEMONSTRAÇÃO DA CONTA DE LUCROS E PERDAS

Não houve operações comerciais durante o exercício findo.

Dwight Neville Lea — Pel. Laboratório Frederick Stearns S/A.; Alfredo Charles Fernandes — Contador Reg. CRC — n.º 10.... — OB.

PARECER DO CONSELHO FISCAL

Aos Senhores Acionistas dos Laboratórios Frederick Stearns S/A.

Em cumprimento, com a colaboração dos exercícios transcendentes, de acôrdo com as disposições em vigor, vimos por meio do presente relatório ao qual, depois de examinado, aprovamos para Diretoria da sociedade para o ano findo em 31 de outubro de 1962, bem como as contas apresentadas

INCOMING TELEGRAM *Department of State* ACTION COPY

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Action TRSY

Info SS SR ARA CAP E AID INR XMB FRB RMR

Control: 6918
Rec'd: January 11, 1963
9:00 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1305, January 11, 7 p.m.

PASS SECRETARY DILLON

1. JORGE DEL CANTO OF IMF, ATTENDING CONFERENCE ON INFLATION AND GROWTH, HAS INITIATED USEFUL INFORMAL CONTACTS HERE WITH GOB OFFICIALS. (DETAILS JANUARY 8 CONVERSATION WITH CALMON, CAMPOS, OTHERS, SEPARATELY REPORTED EMBASSY'S A-797). THESE CONTACTS HAVE STIMULATED GOB THINKING ON TIMING TALKS WITH IMF AND LED TO PRESSURE ON DEL CANTO FOR EARLY IMF MISSION TO BRAZIL.

2. IN REPLY QUESTIONS HERE, DEL CANTO EXPLAINED FINANCIAL DISCUSSIONS COULD NOT PROCEDE VERY FAR WITHOUT SENDING IMF TECHNICAL MISSION TO BRASIL. REPORTED IMF'S OWN TENTATIVE SCHEDULE ARTICLE XIV CONSULTATIONS IN TERMS LATE FEBRUARY. CALMON, CAMPOS, PROENCA REACTED THAT BALANCE OF PAYMENTS PRESSURES MAKE NECESSARY DEFINITION BRAZIL'S POSITION VIS-A-VIS EXTERNAL SOURCES OF FINANCE BY MID-MARCH, THUS SCHEDULING IMF MISSION FOR FEBRUARY TOO LATE. ALSO GOB OFFICIALS INCREASINGLY PERSUADED IMF MISSION PRIOR TO BROAD FINANCIAL TALKS IN WASHINGTON POLITICALLY MUCH PREFERABLE TO LATER IMF MISSION IN ATMOSPHERE EXPECTATIONS GENERATED BY BROADER DISCUSSIONS.

3. AFTER CONSULTATIONS, INCLUDING CALMON WITH GOULART, DEL CANTO HAS BEEN ASKED CONVEY TO IMF, GOB DESIRE EARLY IMF MISSION IN FORM ARTICLE XIV CONSULTATIONS AND WITH MINIMUM PUBLICITY. DEL CANTO REPORTS ALSO CELSO FURTADO (TO HIS SURPRISE) MUCH INTERESTED IN EARLY CONTACTS WITH IMF, ALTHOUGH IS NERVOUS ABOUT POTENTIAL POLITICAL DANGERS OF MISSION. THIS HAS LED GOB SUGGESTION POLITICAL RISKS WOULD BE MINIMIZED IF DEL CANTO PROLONGED STAY IN RIO TO CONDUCT CONSULTATIONS. DEL CANTO AGREED CONSULT WITH IMF, BUT POINTED OUT HIS OWN SCHEDULE CALLS FOR SPENDING WEEK IN URUGUAY BEGINNING JANUARY [illegible] AND ANY CASE DESIRABLE FOR IMF MISSION HAVE SOME OVERLAP WITH TIMING CABINET CHANGES GIVING OPPORTUNITY CONSULT GROUP THAT WILL FORMULATE AND EXECUTE FUTURE POLICIES. ACCORDINGLY,

RIO DE JANEIRO - 1305

832.10/1-1163

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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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-2- 1305, January 11, 7 p.m., from Rio de Janeiro

DEL CANTO FEELS MISSION PRIOR TO ABOUT JANUARY 24 INADVISABLE. THIS DATE WOULD ALLOW ABOUT WEEK PRELIMINARY FACT FINDING AND WEEK CONTACTS WITH NEW OFFICIALS EXPECTED TAKE OFFICE ABOUT FEBRUARY 1. DEL CANTO SENDING REPORT TO IMF TODAY REQUESTING INSTRUCTIONS.

4. I BELIEVE IMPORTANT IMF SHOULD AGREE SEND MISSION TO BRAZIL IN TIME INITIATE CONSULTATIONS IN JANUARY (ABOUT JANUARY 24 MAY IN FACT BE OPTIMUM TIMING) AND RECOMMEND THIS BE APPROPRIATELY CONVEYED TO IMF MANAGEMENT AS U.S. VIEW. MY REASONING INCLUDES:

A) BOTH GOB AND OUR ANALYSES INDICATE PAYMENTS PRESSURES WILL REACH DECISIVE DIMENSIONS IN MARCH. THEREFORE ALL POSSIBLE SHOULD BE DONE SEE WHETHER THERE IS CHANCE OF IMPLEMENTING REASONABLE GOB PROGRAM AND AGREEING ON EXTERNAL ASSISTANCE IN NEXT 6-8 WEEKS.

B) EARLY IMF MISSION, PRIOR TO WASHINGTON TALKS AND AT FORMATIVE STAGE GOB PLANS, COULD FACILITATE INCORPORATION IMF SUGGESTIONS IN GOB PLANS AND ACTIONS. WOULD GIVE OPPORTUNITY EVALUATE, UNDER CONDITIONS MINIMUM PUBLICITY RISK, WHAT ARE ACTUAL CHANCES SUCCESS IN ANY BROAD FINANCIAL TALKS AND WOULD IMPROVE ADEQUACY TECHNICAL DATA AVAILABLE FOR SUCH TALKS.

C) BELIEVE IMF IMAGE AND POSTURE HERE WOULD BE BETTER IF SHOWED ITSELF RECEPTIVE TO GOB SUGGESTIONS ON TIMING AND PROCEDURE. THIS WITHOUT PREJUDICE SUBSTANCE ON WHICH OBVIOUSLY LARGE PROBLEMS. DEL CANTO SOMEWHAT ENCOURAGED BY PRESENT GOB OFFICIALS DESIRE CONTACTS WITH IMF. HOWEVER, HE NOT CONVINCED PRESENT FORM FURTADO PLAN, AS SUCH, PROVIDES BASIS FOR NEGOTIATIONS, APART FROM GENERAL OBJECTIVE STABILIZATION AND GROWTH.

GORDON

MGG/ AL/18

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ORIGINATION: ARA-4

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Brazil

DEPARTMENT OF STATE

AIRGRAM

832.10/1-1163
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A-795
NO.

UNCLASSIFIED

XR-832.131
HANDLING INDICATOR

832.05111

TO : DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 23 1963

1963 JAN 21 PM 5 06
RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

RC
~~RB~~

FROM : AmEmbassy, RIO DE JANEIRO

DATE: January 11, 1963

SUBJECT : 1962 Year-end Review by American Chamber of Commerce of Brazil

REF :

There is enclosed a year-end review by the American Chamber of Commerce of Brazil of the "exchange situation and money market". The review also covers certain other economic developments during calendar year 1962. It was prepared by the Chamber for distribution to members and for publication in the January 1963 issue of the organization's monthly magazine "Brazilian Business."

While duplicating in some degree information submitted in other Embassy reports, it is being furnished to the Department to provide the data included and as a direct reflection of the viewpoint of local American businessmen on certain aspects of Brazil's economic situation. It is believed that it will be of particular interest and value to Field Service Offices of the Department of Commerce in servicing business inquiries.

For the Ambassador:

Edward J. Bash
Commercial Attache

att

Enclosure:

As stated

FILED
JAN 25 1963

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FORM 4-62 DS-323

Drafted by: ECON:EJBash:dml

Contents and Classification Approved by: R. Eakens

Clearances:

VT

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Enclosure 1
Airgram No. A-795
January 11, 1963

REVEIW OF THE EXCHANGE SITUATION AND THE MONEY MARKET IN BRAZIL

1962

(Prepared by the Exchange and Finance Committee)

In retrospect, Brazilian events during 1962 traced a gloomy picture for the potential foreign investor or businessman already established in this market. From a purely internal standpoint, business activity continued to be fed by an inflation which during the final months of the year developed into what some economists have labed "Hyperinflation". Consumers have rushed to purchase durables and take advantage of credit facilities. Domestic savings have sought out the safest havens, which in the inflation have proven to be high-yield bills of exchange, certain cruzeiro equities or real estate, or perhaps more often foreign bank accounts or overseas investments which remain uninfluenced by the deterioration of the Cruzeiro's purchasing power. The trickle of savings channeled into Cruzeiro investments has been far from sufficient to provide a stimulus to the growth of basic industries and gross national product, whereas efforts by the Federal Government to fill the gap through deficit spending have in the final analysis added fuel to the inflation.

Meanwhile, and paradoxically, foreign investors, who are actively sought after and enticed to channel capital, organisational ability and know-how into most other developing nations of the Free World, have been hampered and discouraged in Brazil during recent months through the enactment of discriminatory measures regarding application of capital and remittance of profits. In certain respects, these seemed to be designed to appeal to often-heard-from ultra-nationalistic political groups on the domestic scene rather than to provide a rationally-conceived tool with which the authorities might discipline the flow of foreign funds to and from Brazil or induce new capital into more useful areas of the national economy.

In addition to this harsh legislative action affecting foreign capital, the Government expropriations of foreign-owned public-utility companies in various States without immediate and adequate compensation have increased the foreign businessman's apprehensions regarding Brazil. Then too, during the recent series of political crises, statements by the top Government Authorities have often been ambiguous and the only voices which seemed to come through the confusion with clear definitions were those from the far-left. This unfavorable climate for investment in Brazil has been artificially created, since the nation's economic potential continues to be viewed with awe by even the most skeptical

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foreign observer. It is now recognised that without a doubt Brazil's image has been damaged during the past year and although the local effects of this have been felt principally in the exchange and financial markets, some fear what might happen to the economy if and when the inflation-fired business momentum begins to run out of steam.

The year 1962 saw a continuation of Brazil's nagging international trade deficit. Coffee is still Brazil's major revenue-producer, and shipments, from the standpoints of both volume and foreign exchange earnings, remained relatively low during the year while other coffee-producing countries, particularly African, captured a growing share of the world market. The role which Brazil's international price-support policies has played in this respect is a subject for contention. Coffee exports for the month of December were 1,475,760 bags, bringing total exports for 1962 to 16,371,664 bags as compared with foreign shipments during 1961 of approximately 17 million bags. These figures do not include intra-coastal shipments. On the other hand, the need for imported materials and components to supply the industrial complex which has been created in Brazil during the past fifteen years placed demands against exchange reserves well in excess of availabilities. Foreign commercial arrears and domestic shortages of exchange availabilities were inevitable results of the situation and alternatives to a business collapse.

Domestically, the growing deficit in the execution of the Federal budget has been covered for the most part by the Banco do Brasil and in turn to an important extent by the issuance of additional paper currency. During the course of the year, currency effectively in circulation increased from Cr$308.8 billion on December 31, 1961, to Cr$508.7 billion on December 31, 1962. The Fundaçao Getulio Vargas cost-of-living index for the State of Guanabara increased by 8.2 per cent in December, bringing the total increase for 1962 to 52.7 per cent; however other indexes show a considerably larger rise, due in some measure no doubt to the fact that the Fundaçao Getulio Vargas generally bases its prices for stapled foods on the ceilings established by the Price Control Authorities, although in the State of Guanabara goods such as rice, beans, sugar and meat have been available, if at all, only in the black market at prices up to three times higher. Food shortages have been the result of price ceilings which have only been rigidly enforced in the State of Guanabara. Workers on both private and Federal payrolls have received substantial wage increases during the year and various strikes were called to press employers for salary adjustments, although many of these also had political connotations.

Important laws were enacted during 1962, including the much-publicised "Profit Remittance Law", which has been fully discussed in this publication on various occasions. As is now well known, the President of the Republic neither signed nor vetoed this legislation in the form approved by the Chamber of Deputies, so the President of the Senate

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was obliged to have the law promulgated in October. A tax reform law was enacted in November and is applicable to 1962 income. In effect it places major emphasis on increasing revenue for the Federal Treasury through higher rates applicable to individual and corporate income rather than endeavoring to bring about basic changes in the tax structure. An anti-trust law was also published which becomes effective February 10, 1963. In addition to these, the executive branch has announced its intention to sponsor a series of other laws which would be designed, ostensibly at least, to bring about Brasil's much-talked-of basic structural reform.

Events of an exchange and financial nature during 1962 merit a brief review in this report. In general, foreign exchange trading during the year was conducted in banks under a complex set of official regulations which were conceived and periodically modified by the Monetary Authorities in an effort to prevent speculative activities, limit the Cruzeiro's depreciation in relation to foreign hard currencies and channel available exchange into import or financial operations on a selective basis. During the early part of the year banks traded exchange in accordance with the terms of SUMOC Instruction 222 which had been issued during the final week of 1961. Under its terms the commercial and financial exchange markets had been reunified and banks were permitted to retain 20% of the value of coffee bills which they bought (less a $22 per bag exchange-free retention quota), this amount being available for resale at the banks' discretion. The remaining 80% had to be repassed to the Banco do Brasil. Certain bonuses were maintained to prevent an extra-heavy demand, the most important being a requirement that buyers of exchange for importations purchase 150-day, 6% bills issued by the Banco do Brasil (Letras de Importaçao) equivalent to 150% of the cruzeiro value of the exchange purchased, while other buyers (with certain exceptions) had to make a complementary 50% non-interest-bearing deposit at the Banco do Brasil. These percentages were to have been reduced at the rate of 10% per month until they disappeared completely. Importers were limited to $50,000 per week and if luxury goods or merchandise on the "list of similars" (equivalents manufactured locally) were involved, import licenses had to be acquired at auction, the "agio" or price paid being over and above the cost of buying the relative exchange cover in banks.

On January 3, a meeting of all banks authorised to deal in exchange was called by the Exchange and Monetary Authorities at which it was strongly "recommended" that trading be done at the rates of Cr$310/318 to buy and sell dollars respectively or their equivalent in other currencies in accordance with a table released daily by the Banco do Brasil. Almost without exception, all exchange contracts closed by banks were negotiated at these rates until May, when the next modification of importance was introduced. However, competition for the limited supply of cover available induced trading in what some have called a "grey market", premiums or "bonecos" being transacted through brokers. The seller

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receives a premium which is covered directly by the buyer and both exchange contracts are put through an authorized bank at the established rates.

During these first five months of the year the dollar selling rate in the parallel market varied between Cr$340 and Cr$380 and "boneco" quotations varied between Cr$15 and Cr$25 per dollar. In May the Banco do Brasil established new rates of Cr$350/359 per dollar and asked that other banks operate within Cr$3 on either side of these. This again was in the form of a strong "recommendation". Banks were then allowed to retain 40% of the negotiable portion of coffee export bills, repassing only 60% to the Banco do Brasil. The "retention quota" was increased from $22 to $23 per 60 kilos bag to partially offset the increased cruzeiro revenue to exporters. Then, under a rather unique scheme, buyers of exchange covering imports were favored by a regulation limiting a bank's daily exchange sales for non-import purposes to 30% of its overall sales to importers on the previous day (in June this percentage was modified to 50%). The previous complementary deposit rules were changed and importers were required to deposit 70% of the cruzeiro equivalent of exchange purchased in a non-interest-bearing account at the Banco do Brasil plus another 30% in 6% Import Bills (Letras de Importacao) of 150 days maturity. The complexities of this system and the continuing lack of sufficient cover to meet demand, particularly from buyers for financial remittances, produced a myriad of special combinations, bonecos, etc. The parallel market rates rose to the Cr$420 level and a weakening trend for the Cruzeiro in that market was initiated which remained unhalted, except for temporary reactions, through to the end of the year.

June saw the beginning of a period of political instability following the resignation of Prime Minister Tancredo Neves in order to become a candidate for Congress, and the ensuing strikes, riots and generally unsettled conditions forced the Authorities on July 6 to issue SUMOC Instruction 228 which, in effect, gave the Banco do Brasil a complete monopoly on foreign exchange transactions. Other banks had the right to purchase exchange with compulsory 100% repass to the Banco do Brasil or sell to customers with specific prior authorization against cover provided by the Banco do Brasil. This situation prevailed until August 15 when SUMOC Instruction 229 was issued, this allowing exchange rates, for what turned out to be a short period of time, to seek their own level. The Banco do Brasil's declared intention was to adjust its rates in accordance with the supply and demand situation; however in practice arbitrary rates were established. Initially these were Cr$405/417 per dollar while other banks were quoting approximately Cr$420/435. The freeing of the market was accompanied by another set of rules under which all buyers of exchange (again with certain exceptions), whether for imports or other purposes, had to effect a complementary

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150-day, non-interest-bearing deposit with the Banco do Brasil equivalent to 80% of the cruzeiro equivalent of the exchange purchased. Furthermore, each bank was limited in the amount of exchange which it might sell each week for purposes other than importations, this being based upon the mean weekly amount which it sold for such purposes during the previous twelve months, with no carry-over from week-to-week. Furthermore, out of this non-import exchange allotment at least 70% had to be sold to buyers meeting "contractual obligations", a term which has never been clearly defined but is determined by the criterion of the Banking Fiscalization Authorities. Importers were limited to $30,000 per week rather than $50,000.

Instruction 229 also provided for the issuance of Treasury bills, Series B, in lieu of the 150-day deposits referred to above, as from September 30. Only on November 7, however, under Instruction 233, were the ground rules for the issuance of this paper established, including interest at 8%, but with authority to the Minister of Finance to issue them at a discount, depending on money market conditions; to date, however, these bills have not yet been offered on the market, presumably because of the very high discount that would have to be granted, in order to make them saleable.

Subsequently, rates in private banks soared to around Cr$480 per dollar and on September 6 the Banco do Brasil brought its rates up to Cr$460/475, timing the action to coincide with the issuance of SUMOC Instruction 230 which stipulated new bases for the coffee bill retention quota, that applicable to the new crop being lowered from $23 to $22 per 60 kilo bag while the old crop quota was raised from $23 to $26 per bag, these to be flexible and vary with modifications in exchange quotations,

Thereafter demand for exchange outran supply in private banks and the rate rose over the Cr$500 per dollar level before the authorities called for another meeting with banks. This resulted in an "agreement" under which all banks would trade dollars exclusively at the Banco do Brasil's rates, other regulations remaining unaltered. At that time the Cr$460/475 per dollar level was fixed, and this has remained unchanged to the time of this writing. Trading in "bonecos" was reinitiated with quotations reaching the Cr$100 per dollar mark in December and at the same time the parallel market rate reached a peak of about Cr$840 per dollar. Following the passage of the Profit Remittance Law in October, sales of exchange covering remittances of profits, royalties, loan repayments, etc., were suspended pending clearance from the SUMOC, which in turn was made contingent upon the registration

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of capital and foreign financing under the terms of said law. Even in the absence of buyers for those purposes, demand for exchange has remained very heavy at the fixed rates with supply completely inadequate up to the present time.

As of this writing we understand that theBanco do Brasil is accepting applications for Swaps of Cruzeiros against Dollars under the following conditions:

Normal Swaps

Term	Rate	Interest on Cruzeiros
1 year	Cr $280	3%
2 years	300	2 1/2%
over 2 years	320	2%

For export-type Swaps (those involving no return of dollars since final liquidation at seller's option within the stipulated period is effected by the negotiation of export bills at Banco do Brasil in the free market), the following conditions are said to apply:

Term	Rate	Interest on Cruzeiros
1 year	Cr $330	2%
9 months	350	1%
6 months	370	None

In the financial market, more and more funds flowed out of low-yield time deposits in banks into negotiable Banco do Brasil Import Notes (which sold at a substantial discount to produce high yields for investors), bills of exchange (acceptances) floated by private finance companies or equities. As Import Notes are no longer being issued, the latter two types of investment media have attracted greater interest, and prices of blue chip issues on the Rio stock exchange registered spectacular gains during the final quarter of the year. The S-N price index, which stood at 804 on January 3, 1962, advanced to a high for the year of 1851 on December 28, 1962, the last day of trading. Credit has been extremely tight, particularly since the doubling of compulsory reserve deposits for banks was decreed in April of last year. December was a particularly crucial month as companies pressed banks to obtain funds to meet the compulsory 13th-month Christmas bonus payment. Many prime-risk borrowers have had to resort to acceptance financing outside of banks in the local money market at interest rates substantially higher than bank rates.

On January 8th, it was announced that the U.S. had made available to Brazil a short term credit of US$30 million repayable in 90 days. The press releases, emphasizing the short-term nature of the loan, acknowledged

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certain beginnings made by the Government of Brazil toward a stabilization program; in particular the recently passed tax increases and a program to initiate a broad reform of the tax structure and collection machinery. At the same time it was announced that the Brazilian Government had stated its intention to undertake discussions with the U.S., other countries and international financial institutions at an early date to describe further financial and economic measures it would undertake, and to explore the possibilities of additional external assistance to supplement this effort.

Earlier there had been reports that the major stumbling block in the settlement of the I.T. & T. case had been overcome, paving the way for a solution of this problem. Once this matter is settled, one important obstacle to the continuance of the U.S. aid program will have been cleared.

The Federal Authorities' plans for economic and social improvement during 1963 seem now to be centered around the three-year project just announced by Minister-Without-Portfolio Celso Furtado. This is not the place to discuss the proposed program in detail, but the casual observer might register doubt regarding what seems to be a fundamental assumption; this being that foreign capital will enter Brazil during the next three years on a scale similar to the period 1958/1961 under conditions which currently exist. It is to be hoped that a fuller appreciation of the role of private risk capital and know-how, foreign or national, in the growth of a developing area will create a more favorable environment for investment in Brazil in 1963 and gradually overcome the damage done during 1962.

INFO/ACTION

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DEPARTMENT OF STATE

AIRGRAM

832.10/1-1163
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A-797 — CONFIDENTIAL — PRIORITY

Classification — HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1963 JAN 16 PM 1 05

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 16 1963

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy, Rio de Janeiro DATE: January 11, 1963

SUBJECT : Informal Talk with Finance Minister and IMF Representative

REF : CERP D-12, Item "a"; Embassy's A-778, January 7, 1963 ara

I attended a luncheon on January 8, 1963, arranged by Dr. Alexandre Kafka of the Getulio Vargas Foundation, providing an opportunity for informal exchanges of views on Brazilian financial problems and the timing of possible new contacts between the IMF and Brazil. Luncheon guests included Finance Minister Miguel Calmon, Ambassador Roberto Campos, Jorge Del Canto, Director, Western Hemisphere Department, IMF, Julio Avellar, Acting Executive Director of SUMOC and Director of the Rediscount Department of the Bank of Brazil, Victor Gradin, Chief of Cabinet of the Minister of Finance and Ralph Korp, Financial Attache.

Brazilian Plans for 1963

Minister Calmon described his concept of the financial program that should be pursued in 1963. He also replied to a number of questions raised by Del Canto with respect to this and to the "Three-Year Plan" prepared by Celso Furtado.

Calmon said that there were a number of factors favorable to a stabilization effort in 1963. These include the approval of new tax legislation in November and the expectation that most agricultural crops, particularly food crops, would be large, even while the coffee crop would be small. The Minister indicated that although he believed that a gradual approach to bringing inflation under control was the best policy for Brazil to follow on general political and economic grounds, the Government actually possesses the instruments needed to control the rate of inflation, at will.

While explaining that members of his technical staff had assisted in drafting the "Three-Year Plan," Calmon appeared to be reluctant to

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Contents and Classification Approved by:

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support some of the specific elements in the Celso Furtado program. Calmon's illustrative figures on the estimated cash budget deficit for 1963 and how this deficit could be reduced and financed differ from the analysis in the presently available text of the "Three-Year Plan." The Minister was not able to answer all of Del Canto's questions on budget prospects for this year, but indicated that he would be glad to discuss them further. He believes that the Government actually has a considerable margin of safety which gives assurance that the budget deficit can be effectively and substantially reduced. For example, Calmon said that neither his estimates nor those in the "Three-Year Plan" took account of the effect of increases in public service rates and decreases in subsidies, which steps the Government had certainly in mind taking.

Calmon indicated that in his view the principal virtue of the "Three-Year Plan" is that it constitutes a political commitment by President Goulart to support economic and financial policies leading to the achievement of the general growth and stabilization objectives expressed in the plan. Calmon believes that Goulart cannot now easily disengage from this political commitment and that the plan can therefore serve for any future Finance Minister as protection against pressures for action (or inaction) inconsistent with reaching the general objectives of the plan. On the other hand, Calmon said he hoped the detailed elements of the "Three-Year Plan" would be continually subjected to improvements and revisions. (It appeared clear that Calmon himself would feel that appropriate adjustments to the plan could be made as a result of contacts and negotiations between Brazil and the IMF.)

In answer to questions, Calmon stated he was not in a position to give assurances as to how the "Three-Year Plan" would be implemented. His own mandate expires this month when the Cabinet is to be changed. He indicated there are many details in the plan on which there is as yet no agreement and on which the plan document is deliberately silent, particularly since it was issued before the date of the plebiscite. This includes the question of when and by how much subsidies will be reduced and public service rates raised. For his own part, Calmon said he would suggest at the Cabinet meeting this week that the outgoing Hermes Lima Government should take upon itself the political onus for implementing some of the needed measures. He has particularly in mind abolishing immediately the double subsidy to petroleum, inherent in the fact that the petroleum import rate is still based on an exchange rate of Cr$318/US$ 1, as well as that the "fiscal dollar" on which the petroleum tax is based has an even wider deviation from the prevailing official exchange rate used by the Bank of Brazil. Calmon thought that elimination of the wheat subsidy would take place somewhat more slowly than the elimination of the petroleum subsidy.

IMF Attitude

Jorge Del Canto explained that he was in Brazil in a personal capacity but that he was at the disposal of the Brazilian authorities for any contacts and conversations they felt would be useful. He indicated he was happy to hear from the Finance Minister that there appeared to be growing political support for the over-all objectives of bringing inflation under control while maintaining

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a high level of economic growth. He believes that it would be greatly encouraging to the Fund if the Brazilians themselves drafted and adopted a plan with such objectives. He contrasted this with Chile, mentioning that the original Chilean stabilization program drafted in 1956 represented "90% Klein & Saks." This foreign contribution to the formulation of the plan was well known in Chile and was one reason for its great political unpopularity.

Del Canto's remarks and his opinions about what the IMF's attitude is toward Brazil's stabilization and development problems were, I believe, constructive and indicated to the Brazilians a desire on the part of the Fund to be both understanding of Brazil's problems and as co-operative as possible, without sacrificing its technical standards. Del Canto stressed the importance which the Fund places on the taking of concrete measures to implement program goals and on the credibility of plans and estimates embodied in a program. He asked for clarification about a number of items in the "Three-Year Plan," which the Minister could not readily supply. These included, in addition to the problem of financing the budget deficit, the elements of the projected monetary flows, aspects of the balance of payments estimates and the internal monetary effects of the balance of payments deficit and its financing.

On balance of payments aspects, Del Canto showed a preoccupation with the problem of the aggregate external financing needs of Brazil in 1963. He pointed out that the IMF has only limited resources to contribute toward covering a balance of payments deficit of $500-$700 million foreseeable for 1963 and that the success of the financial program for the year would depend inter alia on the availability of resources from third parties. I commented, at this point, that it was the understanding of the U.S. that parallel with conversations between the IMF and Brazil, there would be contacts with U. S. agencies and other industrialized countries. Accordingly, it could be contemplated that by the time negotiations between Brazil and the IMF would reach a point at which final agreement on a stand-by seemed imminent, it would be possible to assess what other financial assistance would be available from third sources to supplement IMF credits.

Del Canto explained that the IMF would have some difficulties with both the concept of the three-year program to reduce inflation as well as with the target of bringing the rate of inflation down to 25% in 1963. He did qualify that performance and prospects for success would be the most important elements for the Fund. The Brazilian officials seemed to show some flexibility with regard to the 25% target for 1963 particularly in terms of emphasizing that the goal included a marginal rate at the end of the year of considerably less than 25% per annum. In this connection, Del Canto emphasized that, particularly, if there were to be a three-year program of stabilization, it would be important to have details of fiscal and monetary plans for 1964 and 1965, not now included in the "Three-Year Plan."

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Another point emphasized by Del Canto was the importance of a Central Banking Act, which would insure that monetary and credit policy could be effectively pursued. Calmon said that a draft bank reform bill was being considered urgently and that it had a good chance of being approved in the Chamber this month. He thought that Senate action would have to wait until the next Congress.

Timing of Possible IMF Mission

The Fund representative made clear that IMF would find it necessary to send a mission to Brazil before any stand-by negotiations could advance very far. He asked whether the Brazilian Government would be willing to invite a Fund mission. After some discussion of this, both Calmon and Campos expressed the opinion that it would be most useful to have a mission visit Brazil at an early date prior to initiating general negotiations in Washington. Both officials stressed that foreign payments pressures could not be contained beyond about the middle of March. They felt that if a Fund mission arrived without much publicity and under the guise of routine Article XIV consultations, it would be politically feasible to arrange for Brazil to accept an early IMF mission. Calmon said he was in favor of this procedure, would discuss it with his colleagues, particularly Celso Furtado, and would let Del Canto know the GOB's view. He also promised to deliver a copy of the Furtado Plan to Del Canto and to arrange an early appointment for him to see Minister Furtado.

Del Canto indicated that the IMF had been considering the possibility of sending a mission in February. However, he was prepared to communicate to his superiors the GOB's preference for an earlier date, if such a preference were to result from Minister Calmon's consultations.

Lincoln Gordon

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Origin

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ACTION: Amembassy RIO DE JANEIRO

Embtel 1305.

On assumption formal invitation will be forthcoming through Bicalho, IMF plans send four-man mission to Rio about January 19 to begin Article XIV consultations. Group will include Sacchetti, Thomas and Lobo. Del Canto will proceed Uruguay as scheduled returning Rio about January 23 for 7 - 10 days to head IMF mission.

END

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Identified by NARA

Drafted by: OFE:DKPalmerlmsh 1/15/63

Telegraphic transmission and classification approved by: ARA - Mr. Mann

Clearances: US/IMF - Mr. Dale DKP
Treasury - Mr. Costanzo DKP

REA - Mr. Weismann
EST - Mr. Crane DKP

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ACTION
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FROM: BUENOS AIRES

TO: Secretary of State

NO: 1622, JANUARY 14, 7 PM

DEPTEL 1567 CROSSED EMBTEL 1600, AND, IN CONFIDENCE, REACTION OF SENIOR ARGENTINE OFFICIALS REFERRED TO THEREIN HAS ALREADY BEEN REPORTED.

RE ATTITUDE OF PARIS CLUB MEMBERS TOWARD ARGENTINE ECONOMIC SITUATION BRITISH AMBASSADOR MIDDLETON CALLED ON ME TODAY TO HAVE A GENERAL GO-AROUND BEFORE MY DEPARTURE WEDNESDAY. HE SAYS BRITISH, GERMANS, ITALIAN, AND DUTCH ARE ALL NEGOTIATING BILATERAL AGREEMENTS WITH ARGENTINA FOR A 50 PERCENT RELIEF OF EXTERNAL DEBT ACCORDING TO AGREEMENTS MADE IN PARIS BY PEXZJ* AND PASVDN*. HOWEVER, THESE BILATERAL ACCORDS ARE ALL DEPENDENT UPON IMF STANDBY AGREEMENT BEING RENEWED. MIDDLETON SAYS FRENCH ARE BEING MOST STICKY AT PRESENT, AS THEY ARE UNWILLING TO NEGOTIATE BILATERAL ARRANGEMENTS EVEN IN DRAFT UNTIL AFTER IMF STANDBY HAS BEEN RENEWED. NEVERTHELESS FINCH, WHO CAME IN LATER THIS AFTERNOON, TELLS ME HE THINKS FRENCH CAN BE PERSUADED TO GO ALONG. HE DOUBTS IF ANY OF THESE BILATERALS CAN BE CONCLUDED BEFORE MID-FEBRUARY, AND BY THAT TIME IMF DECISION ON STANDBY SHOULD HAVE BEEN ARRIVED AT.

MCCLINTOCK

MRJ

*AS RECEIVED.

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ACTION

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Info SS SR G SP L CAP EUR E AID IGA STR P USIA NSC INR CIA NSA COM CEA SMB FRB TRSY RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1339, JANUARY 16, 9 PM

PRIORITY

PASS TREASURY

ROBERTO CAMPOS AND I MET WEDNESDAY MORNING WITH GOULART TO DISCUSS VARIOUS MATTERS INCLUDING FINANCIAL NEGOTIATIONS. GOULART EXPECTS ELECTORAL COURT TO PROCLAIM PLEBISCITE RESULTS OFFICIALLY NEXT MONDAY AND HOPES CONGRESS WILL HAVE DISPOSED OF PARLIAMENTARY SYSTEM BY THEN OR VERY PROMPTLY THEREAFTER, SO AS TO PERMIT CONSTITUTIONAL DEFINITIVE CABINET. CAMPOS HAS EMPHASIZED STRONGLY TO HIM IMPORTANCE MOVING FORWARD WITH STABILIZATION EFFORTS AND PREPARATION FINANCIAL NEGOTIATIONS. GOULART WAS SURPRISINGLY ENTHUSIASTIC AT PROSPECT PROMPT EARLY VISIT IMF MISSION, NOW SCHEDULED BEGINNING NEXT WEEK. ALTHOUGH RECOGNIZING THAT ANY DEFINITIVE NEGOTIATIONS MUST TAKE PLACE IN WASHINGTON, HE URGED MAXIMUM POSSIBLE PREPARATORY WORK HERE, ON PART USG AS WELL AS IMF.

SPECIFIC SUGGESTION IS THAT, IN ADDITION TO OUR KEEPING ABREAST OF IMF WORK, ALREADY AGREED WITH DEL CANTO, WE ARRANGE FOR COSTANZO AND MAY TO JOIN BOTH TECHNICAL AND PRELIMINARY POLICY DISCUSSIONS HERE AT SUITABLE STAGE. KORP AND I BELIEVE BEST TIMING WOULD BE COSTANZO BE AVAILABLE BEGINNING MONDAY, JANUARY 28 AND MAY TOWARD END THAT WEEK. ALTHOUGH DE FACTO COORDINATION WITH IMF WOULD BE CLOSE, WE WOULD AVOID ANY PUBLIC INDICATIONS OF SPECIAL COLLABORATION.

CAMPOS STATES GOULART NOW AGAIN STRONGLY FAVORING DANTAS AS FINANCE MINISTER, AND MAY BE PERSUADED NAME HIM INFORMALLY EVEN PRIOR CONSTITUTION NEW CABINET. BELIEVE REASONABLY

Rio 1336

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-2- 1339, JANUARY 16, 9 PM, FROM RIO DE JANEIRO

CERTAIN FINANCE MINISTER WILL BE INSTALLED BY THIRTY FIRST AT LATEST. MISSION TO WASHINGTON WOULD FOLLOW, PERHAPS FEBRUARY 1Ø OR 15.

GOULART HAS APPARENTLY UNDERSTOOD CAMPOS ARGUMENTS THAT IMF AND EUROPEAN PARTICIPATION ESSENTIAL AND THAT DEBT RESCHEDULING CAN PLAY ONLY SMALL PART EFFECTIVE TOTAL PACKAGE, MAIN RELIANCE BEING ON COMPENSATORY FINANCING AND PROJECT TYPE ASSISTANCE ON A COMBINED BASIS FROM IMF, EUROPEANS, AND U.S. WE ALSO DISCUSSED NECESSITY SOME HEADWAY ON AMENDMENT PROFITS LEGISLATION, TO BE REPORTED SEPARATELY. GOULART SAID OTHER PRELIMINARY ACTIONS WILL BE TAKEN BEFORE ANY NEGOTIATIONS, REMOVAL OF PETROLEUM SUBSIDIES ALREADY ANNOUNCED, INCREASES NEXT WEEK IN RAILROAD AND MERCHANT MARINE RATES, AND OTHERS TO FOLLOW, INCLUDING WHEAT AND PAPER SUBSIDIES, BUT WITHOUT DATE MENTIONED. OTHER ASPECTS CONVERSATION REPORTED SEPARATELY.

WHILE WE STILL WORKING ON ANALYSIS FURTADO PLAN, PRELIMINARY REACTION IS THAT BASIC OBJECTIVES AND MANY SPECIFICS ARE GOOD, BUT ALSO CONTAINS IMPORTANT GAPS, SOME INTERNAL INCONSISTENCIES, AND SOME UNDESIRABLE EMPHASES ALL OF WHICH SHOULD BE REMEDIED. TACTICS SHOULD PROBABLY BE TO ENDORSE CONCEPT AND OBJECTIVES OF PLAN BUT TO BRING ABOUT CONSIDERABLE REFORMULATION OF CONTENTS. WORK WITH NEW FINANCE MINISTER WILL BE INTEGRAL PART ANY SUCH STRATEGY.

I OF COURSE RECOGNIZE DANGER CREATING APPEARANCE PREMATURE COMMITMENTS BY BRINGING COSTANZO AND MAY HERE AT THIS STAGE, BUT CONSIDER BENEFITS TO SUBSTANCE OF PROGRAM AND TO PROBABILITIES SUCCESSFUL FINAL NEGOTIATION TO OUTWEIGH THOSE RISKS. WE HAVE ALREADY MADE QUITE CLEAR THAT WE CONSIDER PRESENT PLAN ONLY FIRST STEP AND THAT BOTH IMPROVED PROGRAM AND PERFORMANCE WILL BE INDISPENSABLE TO LARGE SCALE PROGRAM OF SUPPORT.

GORDON

CJ

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FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1345, JANUARY 17, 7 P.M.

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HEREWITH HIGHLIGHTS MY JANUARY 16 TALK WITH GOULART OTHER THAN ECONOMIC POINTS REPORTED IN EMBASSY'S TELEGRAM 1339.

MEETING WAS AT INITIATIVE AMBASSADOR CAMPOS, WHO HAD BEEN VERY TROUBLED BY GOULART'S SUSPICIONS ON ALLEGED GOLPISTA ACTIVITIES COLONEL WALTERS (ALSO SOME ALLEGATIONS AGAINST ME) AND WANTED AIR CLEARED. WE HAD SUBSTANTIAL DISCUSSION THIS POINT, IN WHICH I TOLD GOULART THERE WAS EVIDENT CONSPIRACY BY SOME ANTI-U.S. ELEMENTS TO DEFAME WALTERS THROUGH WHOLLY FABRICATED CHARGES. SOME OF THESE HAD BEEN PUBLISHED IN COMMUNIST WEEKLY NOVOS RUMOS, INCLUDING ALLEGED MEETINGS WITH LONG LIST OFFICERS AND CIVILIANS MOST OF WHOM WALTERS HAD NEVER EVEN MET. SIMILAR CHARGES OF MY CONSPIRING WITH LACERDA WERE ABSURD. I NOTED THAT ALTHOUGH KNOWING LACERDA WELL, I HAD NOT SEEN HIM SINCE EARLY OCTOBER.

GOULART APPEARED ACCEPT THIS, SAYING SECRET SERVICE PERSONNEL ALWAYS BUILD DRAMATIC STORIES OUT OF SLENDER FACTUAL FOUNDATION IN ORDER DEMONSTRATE THEIR EFFICIENCY. MENTIONED SOME REPORTS ON LUNCHEON MEETING I WAS SUPPOSED TO HAVE HAD WITH SCHMIDT AND LACERDA (REFERRING TO A LUNCHEON AT HOME NASCIMENTO BRITO EARLY SEPTEMBER) AND REPORTS THAT SCHMIDT HAD SAID ALL OVER WASHINGTON AND NEW YORK THAT GOULART WAS BENT ON INSTALLING LEFT-WING DICTATORSHIP AND HE SCHMIDT HAD RECEIVED MY ASSURANCES OF SUPPORT FOR RIGHT-WING COUNTER COUP. I REPLIED ALL THIS NONSENSE AND SCHMIDT WELL KNOWN FOR POETIC IMAGINATION.

USEFUL ELEMENT THIS PHASE CONVERSATION WAS LETTING GOULART KNOW THAT WE WELL AWARE CHARGES AGAINST WALTERS AND ANY REQUEST FOR HIS WITHDRAWAL -- WHICH SOME LEFT-WING ADVISERS ARE OBVIOUSLY

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-2- 1345, JANUARY 17, 7 P.M. FROM: RIO DE JANEIRO

PRESSING -- WOULD NOT BE WELL RECEIVED. I SUGGESTED AT ONE POINT, WITHOUT PRESSING HARD, IDEA OF DIRECT MEETING BETWEEN GOULART AND WALTERS, BUT GOULART DID NOT TAKE UP.

ON PROFITS REMITTANCE LEGISLATION, CAMPOS AND I BOTH PRESSED HARD ON NEED FOR KRIEGER AMENDMENT OR SOME EQUIVALENT AS IMPORTANT ELEMENT IN SUCCESSFUL FINANCIAL NEGOTIATIONS. WE DISCUSSED AT SOME LENGTH PROBLEMS LEGISLATIVE TACTICS AND POSSIBLE NEW FORMULA TO MAKE KRIEGER AMENDMENT POLITICALLY MORE ATTRACTIVE. CAMPOS WAS LEFT WITH CHARGE TO WORK OUT PROPOSED FORMULA WITH DANTAS AND BALBINO. I WILL FOLLOW UP PROMPTLY.

ON AMFORP CASE, GOULART SPOKE ENTHUSIASTICALLY OF CAMPOS EFFORTS TO ACHIEVE PROGRESS IN NEGOTIATIONS AND ASKED HIM CONTINUE SUCH EFFORTS URGENTLY.

ON GENERAL U.S.-BRAZIL RELATIONS, GOULART SAID HE FELT GREATLY HEARTENED BY PLEBISCITE RESULTS AND EXPECTATION PROMPT CONGRESSIONAL ACTION TO REVOKE PARLIAMENTARY SYSTEM. SAID HE REALIZED RELATIONS HAD BEEN WORSENED IN LAST FEW MONTHS BY VARIOUS DEVELOPMENTS HERE, INCLUDING FAILURE ON HIS PART FULFILL SEVERAL COMMITMENTS, BUT THAT OPPORTUNITY WAS NOW BEFORE US TO TURN OVER NEW PAGE WHICH HE HOPED WOULD BE ONE OF CLOSE AND CONSTRUCTIVE COLLABORATION. ALSO MENTIONED RUMORS MY DEPARTURE AND EXPRESSED EARNEST HOPE I WOULD STAY. I TOLD HIM RUMORS QUITE UNFOUNDED. GENERAL TONE CONVERSATION VERY CORDIAL. CAMPOS ASKED MY REACTION LATER, AND I REPLIED THAT AS ON OTHER OCCASIONS GOULART DOES WELL WHEN HE IS BEING WELL ADVISED.

PRIOR TO MEETING, CAMPOS TOLD ME OF HIS PRIVATE LUNCHEON CONVERSATION WITH GOULART TUESDAY. IN THIS GOULART SAID HE HAD NOW ONCE AGAIN TURNED TO DANTAS AS FINANCE MINISTER. ON FOREIGN OFFICE, SAID HE THOUGHT CAMPOS HIMSELF BEST QUALIFIED BUT THAT HIS SERVICES STILL BADLY NEEDED IN WASHINGTON AND THERE WERE SPECIAL TEMPORARY REASONS FOR LEAVING HERMES LIMA. (THIS APPARENTLY REFERS TO WIDELY RUMORED INTENTION APPOINT LIMA SUPREME COURT WHEN VACANCY AVAILABLE.) SAID HAD DECIDED KEEP BATISTA AT MINES AND ENERGY AND HELIO DE ALMEIDA AT TRANSPORT AND KRUEL AT WAR MINISTRY, BUT ALL OTHERS STILL TO BE NEGOTIATED WITH POLITICAL LEADERS LEOCADIO ANTUNES WOULD DEFINITELY LEAVE BNDE. ONMSLPDM FURTADO AND PLANNING MINISTRY, GOULART HAD SEEMED LESS ENTHUSIASTIC THAN BEFORE, BUT OUTCOME OBSCURE.

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-3- 1345, JANUARY 17, 7 P.M. FROM: RIO DE JANEIRO

CAMPOS HAD ALSO TALKED WITH GOULART ABOUT OUR CONCERNS AND CONCERN AFL-CIO ON CONTINUING COMMUNIST INFILTRATION AND INFLUENCE BRAZILIAN LABOR MOVEMENT. GOULART PROFESSED SOME ANNOYANCE AT COMMUNIST LABOR LEADERS, SAYING THEY HAD NOT HELPED AT ALL IN PLEBISCITE, AND INDICATED HE HAD SOME KIND OF PLANS FOR REDUCING THEIR INFLUENCE BUT IF ANY SPECIFICS WERE MENTIONED, CAMPOS DID NOT PASS THEM ON. GOULART ALSO BROUGHT UP BRIZZOLA'S NAME, SAYING HE HAD BECOME IRRECOVERABLY EXTREMIST. ON THIS POINT IT SHOULD BE NOTED THAT GOULART HAS SAZAIXWAUIK * BRIZZOLA IN RECENT DAYS, AND HAS STILL SAID NOTHING PUBLICALLY TO INDICATE A PARTING OF WAYS.

GORDON

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* AS RECEIVED, CORRECTION TO FOLLOW.

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ACTION: Amembassy RIO DE JANEIRO 1422 PRIORITY

Info

Embtel 1345.

With reference to efforts to amend Profit Remittance legislation, in view of past difficulties and surcharged emotional defenses built around [redacted] this issue, suggest consideration be given to new positive legislation to promote inflow of private investment into Brazil which could be identified as basic part of Brazil's three-year program for national economic development. Might be possible to build into such legislation not only some attenuation of existing profit remittance limitations but also other positive incentives. Believe it would be useful to get Brazilian leadership thinking in terms of a positive program for stimulating foreign investment and away from profit remittance issue. [redacted]

It may also be useful at same time encourage Brazil move ahead on Investment Guarantee Agreement as additional incentive for U.S. investors. Would appreciate report on current status agreement.

END.

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833.10/1-1763

Microfilmed by RMA

Drafted by: ARA/EST/B:AID/LA/B:RHBurton:am 1/18/63

Telegraphic transmission and classification approved by: ARA - Mr. May

Clearances:
E - Mr. Palmer
REA - Mr. Weisman
EST/B - Mr. Crane
EST - Mr. Wellman
AA/DFPE - Miss Burton (Substance)

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HANDLING INDICATOR STATE

TO : DEPARTMENT OF STATE 1963 JAN 23 PM 2 01

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 24 1963

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : AmEmbassy, Rio de Janeiro DATE: January 21, 1963

SUBJECT : Brazil's Balance of Payments for January - August, 1962

REF : CERP, Section B-102; Embassy Despatch 678 of February 27, 1962, and Airgram A-44 of July 12, 1962

According to data made available by SUMOC, Brazil's balance of payments showed a large deficit, aggregating $309.6 million, during the first seven months of 1962. This represented a very sharp deterioration of $257.0 million from the relatively small deficit of $52.6 million shown in the corresponding period of 1961. The worsening of the balance of payments was reflected in most of the specific categories of transactions but was most marked in the trade account and in the private and official capital flow. In addition there was a very large shift of no less than $113.9 million in "Errors and Omissions" probably reflecting a considerable capital flight.

The Trade Account

A trade deficit of $39.2 million was registered in the first seven months of 1962. Compared with the corresponding period of 1961, exports decreased by $61.8 million (10%) while imports declined by $41.7 million (6.6%). The net result was a deterioration of $74.0 million in the trade account from the trade surplus of $34.8 million shown in January-August, 1961.

The trend of Brazil's trade in major products is shown in the following table:

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Drafted by: RVKorp/bc

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TRADE TRENDS
(in millions of dollars)

	January - June			January - August		
	1962	1961	Change 1962 over 1961	1962	1961	Change 1962 over 1961
EXPORTS (f.o.b.):						
Coffee	306.7	311.1	-4.4	405.8	458.8	-53.0
Sugar	9.8	32.4	-22.6	16.7	43.4	-35.4
Cotton	34.1	47.4	-13.3	69.1	67.8	-26.7
Cocoa and products	21.2	25.0	-3.8	27.0	38.7	+1.3
Wood	22.8	23.3	-0.5	27.9	32.0	-11.7
Minerals	49.2	47.4	+1.8	66.5	60.7	+5.8
Misc. small exports	116.2	135.2	-19.0	161.0	202.2	-41.2
Total Exports	560.0	621.8	-61.8	774.0	903.4	-129.4
IMPORTS (f.o.b.):						
Petroleum and products	92.2	91.7	+0.5	121.1	125.4	-4.3
Wheat	56.6	49.3	+7.3	89.7	72.4	+17.3
Other	441.0	490.5	-49.5	602.4	670.8	-68.4
Total Imports	589.8	631.5	-41.7	813.2	868.6	-55.4
Surplus(+) or Deficit(-)	-29.8	-9.7	-20.1	-39.2	+34.8	-74.0

It would seem fair to attribute the decrease in exports both to special factors and to the relatively unrealistic exchange policy followed by the Brazilian authorities throughout 1962. Special factors affected particularly coffee, sugar and cocoa. Coffee exports were adversely affected during the third quarter of 1962 by market uncertainties in the face of the International Coffee Conference. (In fact, during the fourth quarter of the year the volume of Brazilian coffee exports has tended to catch up to more normal levels for the year as a whole.) For sugar, Brazilian access to the premium U.S. sugar market was considerably smaller in the January - August, 1962, period than during January - August, 1961. In the case of cocoa, draught leading to a relatively small crop appears to have been the main cause responsible to the decrease in exports.

There is however little doubt that the decline in other exports, particularly the large group of miscellaneous small exports, is directly associated with the maintenance of unrealistic exchange rates.

Private Capital Flow

It is particularly interesting to analyze the private capital account, January - August, 1962, from the point of view of what it might reveal about the effects of the turbulent political situation in Brazil during 1962 and particularly of the

0700

nationalistic Profit Remittance Bill passed in the Chamber of Deputies in November, 1961. 1/ The over-all net private capital account shows an inflow of $41.9 million in the first seven months of 1962, compared with $66.3 million in the like period of 1961, thus a decrease of only $25.4 million. However, on the inflow side direct investments decreased by $13 million to $59.8 million and private loans and financing (inter-company loans, suppliers' credits, etc.) fell by $88.6 million for a total decrease in these two items of over $100 million (over 60%). This is probably a more significant indication of the attitude of the private community abroad towards the investment "climate" in Brazil, than the fact that miscellaneous private capital items, including short-term capital movements, showed an inflow of $3.6 million in January - August, 1962, compared with an outflow of $65.4 million in January - August, 1962. This outflow last year may have reflected, in considerable part, special items such as a return of capital speculatively invested in high-yield Bank of Brazil import notes.

In any case, it should of course be remembered that the January - August, 1962, period was prior to the actual final passage of the Profit Remittance law and a period which still reflected some inflow of capital based on investment decisions made before the Quadros resignation in August, 1961.

The Official Capital Flow

Net official capital for project financing showed a decrease of $62.7 million between the two time periods in question. This reflected both a decreased inflow (e.g. Eximbank and IBRD loans) and an increase in debt amortization payments. The flow of official compensatory financing was also less by about $15 million.

The Errors and Omissions Items

One can only speculate about the significance of the "Errors and Omissions" item, which shows a negative (i.e. outflow) influence of $143.6 million in January - August, 1962, compared with a negative effect of only $29.7 million in January - August, 1961. Some of this shift of $113.9 million is probably due to normal errors in constructing the complex balance of payments accounts. But, it would be natural in the kind of atmosphere of political instability, speculation and large spread between officially authorized and "parallel" exchange rates that the "Errors and Omissions" account would show a substantial negative position, tending to reflect capital flight through devices such as over-invoicing of imports and underinvoicing of exports, etc.

FOR THE AMBASSADOR

Ralph V. Korp
Financial Attaché

1/ It will be recalled that this bill, greatly modified, but still containing many adverse provisions became law in September, 1962.

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Encl. 1, Page 1
Airgram A-828
Rio de Janeiro

BRAZIL'S BALANCE OF PAYMENTS

January - June and January - August, 1962
(in millions of dollar equivalents)

	1st Half: 1962 (p)	1st Half: 1961	Jan.-August: 1962 (p)	Jan.-August 1961
Exports (f.o.b.)	560.0	621.8	774.0	903.4
Imports (f.o.b.)	590.7	631.5	813.2	868.9
Trade Balance	-30.7	-9.7	-39.2	34.5
Invisible Receipts	36.1	50.7	56.8	82.3
Invisible Expenditures:				
Freight	-46.6	-49.0	-64.3	-65.3
Remittance of direct investment earnings	-75.1	-64.2	-94.2	-86.3
Other	-97.2	-133.1	-127.0	-169.3
Total Invisible Expenditures	-218.8	-246.2	-285.5	-320.9
Net Invisibles	-182.7	-195.5	-228.7	-238.6
CURRENT ACCOUNT (net)	-213.4	-205.3	-268.0	-204.1
GRANTS (Private and Official)	-3.8	-2.3	0.1	2.2
PRIVATE CAPITAL: 1/				
Direct Investments	44.5	54.7	59.8	72.8
Loans and Financing	81.7	127.8	98.2	186.8
Debt Amortization	-98.2	-104.2	-119.7	-128.0
Other (net)	7.5	-26.5	3.6	-65.4
NET PRIVATE CAPITAL	35.5	51.7	41.9	66.3
OFFICIAL CAPITAL (Incl. Banks):				
Financing for Projects	97.3	157.1	135.7	205.2
Amortization of Loans	-55.7	-60.4	-78.0	-92.5
Other	0.1	----	2.3	----
NET OFFICIAL CAPITAL	41.6	96.7	60.0	112.7
ERRORS AND OMISSIONS	-115.9	8.1	-143.6	-29.7
NET BALANCE OF PAYMENTS	-256.0	-51.0	-309.6	-52.6

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TABLE CONTINUED . . . . . .

Financing of Balance of Payments Deficit	1st Qtr. 1962	1st Qtr. 1961	Jan.-August, 1962	Jan.-August, 1961
Compensatory Financing:				
IMF (net)	----	60.0	----	60.0
U.S. Treasury	9.5	----	9.5	----
AID ($100 mill. loan)	24.5	----	24.5	----
Eximbank ($168 mill. loan)	43.8 2/	----	43.8 2/	----
Eximbank (refinancing)	20.7	----	25.8	----
European standby ($110 mill.)	----	----	6.3	----
European refinancing	10.0	----	12.7	----
U.S. Private Bank Loans	----	----	----	48.0
Total Compensatory Financing	108.5	60.0	122.6	108.0
Short-Term Official Capital: 3/				
Increase (-) or decrease (+) in assets	69.4	-20.0	80.4	-44.0
Increase (+) or decrease (-) in liabilities	79.2	11.8	107.3	-10.2
Gold (increase -)	- 1.1	-0.8	-0.7	-1.2
	256.0	51.0	309.6	52.6

SOURCE: SUMOC

(p) - preliminary

1/ Long and short-term private capital. Investment in both cash and in the form of machinery is included.

2/ $25 million disbursed in January, 1962, and $16 million in April, 1962, plus an adjustment of $2.8 million, on account of refinancing.

3/ Foreign exchange reserve deposits, credit lines, "swaps," commercial arrears, etc.

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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09033

RIO DE JANEIRO-1424 832.10/1-2163

JAN 21 6 05 PM '63

Origin

ACTION: AmEmbassy Rio de Janeiro 1424

Info:

For your information, Treasury informs $30 million credit drawn on January 9 and repayment due April 9. END

RUSK

O

Minimized by RMA

Drafted by: ARA/EST/BsHBurton 1/21/63

Telegraphic transmission and classification approved by: ARA/EST:HGHallman

Clearances:
ARA/EST/BsHBurton
Treasury/Mr. Randall (in substance)

FORM 5-61 DS-322

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OUTGOING TELEGRAM Department of State

11071

RIO DE JANEIRO -1444

INDICATE: ☐ COLLECT ☐ CHARGE TO

CONFIDENTIAL
Classification

JAN 24 6 58 PM '63

Origin

Info

ACTION: AmEmbassy RIO DE JANEIRO 1444

In view of recent reports indicating, that despite $30 million short-term loan, Brazil's financial situation may be deteriorating more rapidly than anticipated, it would be helpful to have Embassy's current appraisal ability Brazil meet foreign exchange requirements next two or three months. Disturbing recent developments include: 1) mounting commercial arrearages (A-812) 2) increased number U. S. firms expressing concern over failure BOB approve remittance payments due even though cruzeiro deposits made; 3) Brazil's failure remit payments due IBRD and IFC. END.

RUSK

832.10/1-2463

Modified by IRA

Drafted by: ARA/EST/BrEHCheisyc 1/24/63

Telegraphic transmission and classification approved by: ARA - Mr. Mann

Clearances:
AID/LA
ARA - Mr. Burton
EST - Mr. Wellman
HEA - Mr. Weisman
Treasury - Mr. Costanzo (Substance)
E - Mr. E. Chase

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Rec'd: January 25, 1963 53
9:37 p.m.

ACTION: L/T/B
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FROM: Rio de Janeiro

TO: Secretary of State

NO: 1412, January 25

Earlier this week Chamber Judiciary Committee unanimously voted declare Krieger Amendment Profits Bill unconstitutional on grounds financial bill which must originate in Chamber.

Next step requires whole Chamber vote on Committee report. If Chamber concurs, bill dead. If does not concur, bill returns to Judiciary Committee for further report, thence other interested committees.

In likelihood present Congress takes no action, measure can be called up at next Congress on initiative any deputy. No further Senate action required.

GORDON

MEM

RIO DE JANEIRO 1412 832.10/1-2563

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Control: 17507
Rec'd: January 28, 1963
7:47 A.M.
ACTION
INFO:
RM/R FILES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1417, January 26.

PRIORITY.

ACTION DEPARTMENT PRIORITY 1417, INFORMATION SAN SALVADOR 1.

PASS HERBERT MAY.

See #1416 for details

In expectation May arrival about February 3, Dantas scheduling series working sessions beginning Luncheon February 4. Need May's firm ETA and any information on Costanzo plans.

GORDON

MBK-3

(1)

RIO DE JANEIRO 1417 832.10/1-2663

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Action ARA
Info SS SR G SP L CAP E IGA AID STR P USIA NSC INR CIA NSA COM CEA XMB FRB HEW INT TRSY RMR

Control: 17261
Rec'd: JANUARY 27, 1963 12:19 AM

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1418, JANUARY 26, 5 PM ~~(SECTION ONE OF TWO)~~

ACTION DEPARTMENT 1418, INFORMATION SAN SALVADOR 2.

PASS HERBERT MAY

EMBTEL 1339

1. SAN TIAGO DANTAS HAS ASSUMED FINANCE MINISTERY AND HELD TWO HOUR CONVERSATION WITH KUBISH, KORP AND ME JANUARY 25. WISHED LAY GROUNDWORK FOR CONTACTS PRIOR HIS TRIP WASHINGTON AND PARTICULARLY FOR TALKS WITH MAY PLANNED BEGIN FEBRUARY 4. CAMPOS STAYING THROUGH MAY TALKS AND MARCILIO MOREIRA BEING CALLED FROM WASHINGTON TO JOIN. DANTAS INDICATED WOULD BE READY TRAVEL WASHINGTON AFTER ABOUT FEBRUARY 20, BUT WOULD BE GOVERNED BY ADVICE FROM CAMPOS AFTER LATTER'S RETURN ABOUT FEBRUARY 9 AND SOUNDINGS IN WASHINGTON.

2. DANTAS WISHES ADOPT THOROUGH AND METHODICAL APPROACH IN FORTHCOMING DISCUSSIONS AND COVER ALL OUTSTANDING PROBLEMS AND POINTS OF GRIEVANCE. WE AGREED COOPERATE WITH HIM DRAW UP AGENDA FOR SESSIONS WITH MAY AND WILL BE WORKING ON THIS NEXT WEEK. GOB WILL BE PREPARING SOME PAPERS. SPECIFIC POINTS DISCUSSED WITH DANTAS COVERED IN FOLLOWING PARAGRAPHS.

3. ON ITT DANTAS AND CAMPOS SHOWED ME TEXT RECEIVED FROM NEW YORK ON FINAL DRAFT PRESS RELEASE AS NOW SUGGESTED GENEEN (OF WHICH EMBASSY HAS NOT RECEIVED COPY). THEY HAD NO OBJECTION TO TEXT WHICH IN FACT REFLECTS ALL OUR PROPOSED DELETIONS AND UNDERSTOOD RELEASE WOULD NOT BE MADE UNTIL LOAN TO STANDARD ELECTRIC ACTUALLY COMPLETED, PROBABLY AT END JANUARY.

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RIO DE JANEIRO 1418

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FILE/R 033.37 11

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-2- 1418, JANUARY 26, 5 PM (SECTION ONE OF TWO), FROM RIO DE JANEIRO

4. CAMPOS SAID WOULD SPEND NEXT FEW DAYS INTENSIVELY ON AMFORP PROBLEM AND HAD HOPES COULD BE BROUGHT TO RAPID SATISFACTORY CONCLUSION. DANTAS MADE CLEAR HIS DISSATISFACTION WITH CONESP AND WILLINGNESS SEEK MORE EFFECTIVE MECHANISM FOR AMFORP AND OTHER EXPROPRIATION AND UTILITIES PROBLEMS.

5. IN AREA OTHER ACTUAL OR POTENTIAL THREATS ENCROACHMENT GOVERNMENT IN PRIVATE BUSINESS OPERATIONS I MENTIONED MEAT, PHARMACEUTICALS, PETROCHEMICALS AND MINERALS (HANNA PROBLEM). IN CASE PHARMACEUTICALS, DANTAS GREATLY INTERESTED CAMPOS SUGGESTION POSSIBILITY PHARMACEUTICAL COMPANIES MIGHT BE WILLING NEGOTIATE AGREEMENT SELL LIMITED LINE POPULAR DRUGS AT COST, IN RETURN GUARANTEE NO PRICE REGULATION ON OTHER PRODUCTS. HE INDICATED WOULD DISCUSS THIS WITH ALMINO AFONSO WHO HAS BEEN ESPECIALLY INSTRUMENTAL IN PRICE FREEZE AND NATIONALIZATION ATTEMPTS. IN GENERAL IN THIS AREA DANTAS APPEARED DISPOSED FIND SOLUTIONS THAT WOULD REMOVE UNCERTAINTIES HANGING OVER BUSINESS OPERATIONS IN AREAS MENTIONED. (HE AND CAMPOS INCIDENTALLY TRIED TO REASSURE ME THAT ALMINO AFONSO WOULD BE BETTER BEHAVED IN HIS NEW JOB AND WOULD BE USEFUL IN ASSURING LABOR WOULD COOPERATE WITH STABILIZATION MEASURES. I EXPRESSED DEEP SKEPTICISM).

6. I ADVISED DANTAS THAT BEFORE HIS TRIP TO WASHINGTON HE SHOULD HAVE CLEAR GOB POSITION, WITH CLEAR GOULART COMMITTMENT, ON NEW FOREIGN INVESTMENT LEGISLATION DESIGNED REMOVE MAJOR CRIPPLING FEATURES PRESENT LAW. DANTAS DISCUSSED PROBLEM AT LENGTH SHOWING HE HAD GIVEN MUCH THOUGHT TO IT. SAID HAD COME TO CONCLUSION MOST EFFECTIVE APPROACH WOULD BE DROP IDEA AMENDMENT PRESENT LAW AND SUBMIT NEW POSITIVE LEGISLATION BASED ON GOULART'S AUGUST STATEMENT EXPLAINING WHY HE DID NOT SIGN PROFIT REMITTANCE LEGISLATION. DANTAS CONSIDERING NUMBER OF FORMULAS (TO BE REPORTED BY AIRGRAM) WHICH HE WILL DISCUSS WITH AFONSO AND BALBINO AND WILL KEEP IN TOUCH WITH US ON IT.

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7. DANTAS DISPLAYED VERY STRONG INTEREST REFORMULATION INSTITUTIONAL FRAMEWORK AND REBUILDING COOPERATIVE RELATIONS WITH US ON AFP. WOULD HIMSELF TAKE LEAD IN INSTITUTIONAL MODIFICATIONS IN GOB BUT WANTED FIRST BE SURE BASIS EXISTS FOR SUCCESSFUL IMPLEMENTATION AFP. WANTS TO SEE 1963 AS YEAR IN WHICH AFP GIVEN GREAT IMPETUS IN BRAZIL. INDICATED IN ABOUT 3 DAYS WOULD BE ABLE TELL US WHAT WILL BE DONE WITH PRESIDENCY BNDE, DANTAS THINKING OF ISRAEL KLABIN AS HEAD NEW KIND AFP COORDINATING MECHANISM. DANTAS AGREED WITH MY IDEA BILATERAL CONTACTS WITH STATE GOVERNORS SHOULD NOT BE COMPLETELY DROPPED AND PERHAPS PORTION OF FUNDS SET ASIDE IN ADVANCE FOR PROJECT DEVELOPMENT AT THIS LEVEL, ESPECIALLY FOR SOCIAL INVESTMENT. DANTAS SAID WOULD BE PREPARED DISCUSS WITH ME PROBLEMS OF SPECIFIC PROJECTS. HE SHOWED INTEREST IN LINKING PROJECT ASSISTANCE TO STABILIZATION PROBLEM AND PROMISED WOULD DRAW UP LIST GOVERNMENT INVESTMENT PROJECTS.

8. DANTAS SAID HE CONCERNED ABOUT LAFTA FAILURE TO EXPAND. SAID LAFTA OBJECTIVES BEING NEGATED BY US RE-EXPORTS ENTERING LAFTA TRADE THROUGH MEXICO AND US PRESSURE WHEN TRADE DIVERSION OCCURRED SUCH AS IN SULPHUR CASE. WE EXPLAINED AGAIN DISTINCTION BETWEEN TRADE AND EXCHANGE RESTRICTION IN FREE TRADE AREA AND PROMISED GET DANTAS COPY US STATEMENTS RECOGNIZING LAFTA NECESSARILY IMPLIED CHANGE IN PATTERN US EXPORTS. FOR THIS, AIRPOUCH APPROPRIATE US STATEMENTS, INCLUDING REMARKS BY THOMAS MANN AT SECOND COMMITTEE OF TWENTYONE MEETING BUENOS AIRES.

9. GOB CONCERNED WITH PETROLEUM SUPPLY PROBLEM AND THINKING WAYS IN WHICH FUTURE INCREMENTS CRUDE OIL NEEDS COULD BE OBTAINED ON MORE ADVANTAGEOUS TERMS, SUCH AS BILATERAL AGREEMENT WITH VENEZUELA ON IMPORTS GOV ROYALTY PETROLEUM. I SAID WOULD BE INTERESTED IN DISCUSSING PROBLEM AND THOUGHT PRIVATE COMPANIES MIGHT BE INTERESTED IN SOME ARRANGEMENTS WHEREBY PART OF CRUDE

0710

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-4- 1418, JANUARY 26, 5 PM (SECTION ONE OF TWO), FROM RIO DE JANEIRO

IMPORTS COULD BE PAID IN CRUZEIROS AND USED FOR EXPORTS EQUIPMENT.

1Ø. NOT MUCH TIME FOR DISCUSSION FINANCIAL AND STABILIZATION PROBLEMS, AS SUCH. HOWEVER DANTAS SEEING DEL CANTO AND IMF GROUP JANUARY 28 AND STABILIZATION PROBLEMS WILL OF COURSE BE MAJOR ITEMS IN AGENDA FOR DISCUSSION WITH MAY. WE HAVING MEETING WITH DEL CANTO GROUP TODAY TO EXCHANGE IDEAS.

GORDON

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INFO/ACTION

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RM/R	REP	AF
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ARA	EUR	FE
NEA	CU	INR 5
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AGR	COM 10	FRB 2
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ARMY	CIA 10	NAVY
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DEPARTMENT OF STATE

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832.10/1-2863

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A-859 — CONFIDENTIAL — PRIORITY

1963 JAN 30 PM 1 36

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TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE
RECORDS DISTRIBUTION OF
ANALYSIS FOR INTER-AMERICAN AFFAIRS
JAN 31 1963

FROM : AmEmbassy, Rio de Janeiro DATE: January 28, 1963

SUBJECT : Finance Minister San Tiago Dantas' Ideas on Foreign Investment Legislation

REF : CERP D-12; Embtel 1418

As indicated in Paragraph 6 of Embassy's Telegram 1418, dated January 26, 1963, Finance Minister San Tiago Dantas at a meeting on January 25 mentioned several possible alternative ways of changing the present profit remittance legislation. It appears clear that Dantas has not yet made up his mind on what formula the Brazilian Government should adopt and is continuing discussions on this problem with Ambassador Roberto Campos, Labor Minister Almino Alfonso, and Industry and Commerce Minister Antonio Balbino. He has promised the Ambassador to keep in touch with him on the formulation of a specific approach. At the January 25 meeting San Tiago Dantas, in a kind of "thinking aloud" presentation, discussed the foreign investment legislation problem in the following terms:

1. On the whole San Tiago Dantas had come to the conclusion that there was no point in continuing to try to amend the present profit remittance bill. There was a lot of opposition to such an amendment, as had been shown by the failure of Senator Krieger's amendment which had originated in the Senate. (For the fate of this amendment see Embtel 1412.)

2. The politically more promising approach appeared to be Government sponsorship of a new positive foreign investment law, which would have the effect of removing provisions in the present law considered most discouraging to foreign investors which Brazil wished to attract.

3. The point of departure for Government sponsorship of a new law would be President Goulart's statement of September 1, 1962 (see Embtel 526), in which the President explained why he did not want to sign the profit remittance law. In this statement the President indicated that he had always been in favor of a law regulating foreign investments on a selective basis and that he did not consider that the profit remittance law was this kind of legislation.

FEB [illegible]

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Drafted by:

Clearances: RVKorp/bc

Contents and Classification Approved by:

0712

4. Dantas felt that it would be unavoidable to retain a 10% limit on profit remittances. He thought however that this could perhaps be tied to the foreign exchange situation of the country. Thus the government could be given discretion to (a) impose a 10% limit in case of balance of payments difficulties or (b) remove a 10% limit in case the balance of payments position became so comfortable as to permit removal of the limit. Dantas said he thought alternative(b) more logical, more suited to present foreign exchange circumstances and more salable to the Nationalists.

5. It would have to be considered whether or not the 10% profit remittance limitation would expire annually or would be cumulative. Dantas thought it might be possible to make the limit cumulative.

6. Another problem was whether reinvestment out of a maximum of 10% profits (either annual or cumulative) would be valued in foreign currency or in cruzeiros. Here again Dantas thought there was some possibility of having reinvestment valued in foreign currency.

7. Finally, there is the questinn of whether any reinvestment of profits, in excess of the 10% limit, could be added to the investment base. This was the most difficult problem. Here one idea that was being considered was making any removal of the prohibition against adding reinvestments above 10% to the capital base conditional on opening the foreign investment to a given percentage of Brazilian participation in the capital.

The Embassy will report further as developments occur.

FOR THE AMBASSADOR

Ralph V. Korp
Financial Attaché

Cpm

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Control: 18414
Rec'd: January 29, 1963
10:17 a.m.

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 1428, January 29, 11 a.m.

ACTION:
INFO:
RM/R FILES

Reference: (A) DEPTEL 1422 (B) EMBTEL 1418

1. Generally agree with your suggestion regarding profit remittance and have discussed same with new Minister Finance Dantas. See paragraph 6 reference (B).

2. Investment guaranty agreement still awaiting GOB action on both staff and ministerial levels. Foreign Office staff has been considering our latest proposals since early December and we understand they have prepared counter proposal which now being cleared at staff level with other GOB offices. Ministerial consideration awaiting attention new cabinet. Our judgment is agreement can be signed soon after GOB indicates serious interest negotiate.

GORDON

SGC

RIO DE JANEIRO-1428 8 31.10 1-29 63

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Rec'd: JANUARY 30, 1963
1:49 AM

ACTION: ESTB
INFO:
RM/R FILES:

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1436, JANUARY 29, 8 PM

REF: DEPTEL 1444

FIGURES USED IN MILLIONS OF DOLLARS

1. EMBASSY HAS NO REASON CHANGE ORIGINAL ESTIMATE THAT GOB EXTERNAL FINANCIAL POSITION WILL BE VIABLE UNTIL MARCH, WITH PROCEEDS 30 SHORT-TERM LOAN. PRELIMINARY REPORTS BANK OF BRAZIL DEPOSITS IN MAJOR US BANKS TOTALLED 42.7 JANUARY 24. THIS DOES NOT INCLUDE APPROXIMATELY 5 BANKS OF BRAZIL IS STILL TO RECEIVE ON GOLD "SWAP." LATEST BANK OF BRAZIL ESTIMATE DEFICITS FIRST FOUR MONTHS 1963 AS FOLLOWS ASSUMING ALL MATURING "SWAPS" RENEWLD: JANUARY 43, FEBRUARY 14, MARIO 82, APRIL 80 (MATTER INCLUDING REPAYMENT 30 LOAN).

2. AS POINTED OUT EMBASSY'S A-812 AGGREGATE OUTSTANDING COMMERCIAL ARREARS HAVE BEEN DECLINING. TOTAL 128 AT END 19[illegible], DECREASED TO 122 ON JANUARY 4 AND FURTHER TO 118 ON JANUARY 17. HOWEVER, WITH LARGE AMOUNT ARREARS GROWING OVER LAST FEW MONTHS ONLY NATURAL INCREASING COMPLAINTS HEARD FROM US EXPORTERS. BANK OF BRAZIL POLICY IS PAY OFF OLDER ARREARS FIRST, I.E., "FIRST IN, FIRST OUT" AND SOME PAYMENTS OLDER ARREARS MAY HELP CALM EXPORTERS. NEVERTHELESS GOB MAY NOT BE ABLE CONTINUE DECREASE TOTAL ARREARS OUTSTANDING AND SOME NEW NET ACCUMULATION MAY WELL BEGIN AGAIN IN FEBRUARY. EMBASSY ASSUMPTION HAS BEEN THAT EVEN WITH 30 LOAN NET ACCUMULATION ARREARS MIGHT CONTINUE.

3. BANK OF BRAZIL FAILURE TO REMIT SOME PAYMENTS IBRD AND IFC APPARENTLY

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ACTION ASSIGNED TO: ARA/ESTB	ACTION TAKEN: Noaction	
NAME OF OFFICER & OFFICE SYMBOL: L. J. Baxter	DATE OF ACTION: —	DIRECTIONS TO RM/R: FC 2/4/63

GPO 930 500

RIO DE JANEIRO-1436 8 33.10/1-29 63

0715

CONFIDENTIAL

-2- 1436, JANUARY 29, 8 PM, FROM RIO DE JANEIRO

IFC APPARENTLY DUE FAILURE ON PART BORROWERS DEPOSIT REQUISITE CRUZEIROS, RATHER THAN BANK OF BRAZIL DELAY REMITTING DOLLARS. EMBASSY CAN FOLLOW UP FURTHER IF DEPARTMENT FURNISHES SPECIFIC DETAILS.

4. ACCORDINGLY MARCH STILL LOOKS LIKE DECISIVE MONTH DURING WHICH GOB MAY DEFAULT ON MAJOR EXTERNAL CONTRACTUAL OBLIGATIONS, IN ABSENCE REFUNDING OR OTHER EXTERNAL ASSISTANCE. NOT CLEAR WHEN IN MARCH THIS LIKELY OCCUR BUT APPEARS MAJOR PAYMENTS PRESSURE IS CONCENTRATED AT END OF MONTH, SO THAT CONCRETE KNOWLEDGE OF DEFAULTS MIGHT NOT BECOME OBVIOUS UNTIL EARLY APRIL. IF GOB WILL SELL REMAINING 2Ø OF GOLD AND ACCUMULATE VERY LARGE COMMERCIAL ARREARS IN MARCH THERE IS OUTSIDE CHANCE THAT DEFAULT COULD BE DELAYED UNTIL EARLY APRIL BUT HARDLY BEYOND APRIL 9 WHEN 3Ø LOAN REPAYABLE.

GORDON

CJ

CONFIDENTIAL

0716

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

13555

RIO DE JANEIRO-1473

JAN 30 4 13 PM

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Classification

Origin

ACTION: Amembassy RIO DE JANEIRO VERBATIM TEXT 1473 PRIORITY

Info

[redacted]

IT&T advises press release will be issued February 1. Also that [redacted] release is same as last cleared with Dantas and shown to you. Text is as follows:

BEGIN QUOTE: IT&T today disclosed has reached "satisfactory interim arrangement" for payment of its expropriated telephone properties in State of Rio Grande do Sul in Brazil.

H.S. Geneen, president of corporation, said interim arrangement was reached following negotiations between representatives of IT&T and Bank of Brazil, under auspices of the Brazilian government. The arrangement is based largely on a proposal made by IT&T in March following expropriation of properties on last February 16.

Mr. Geneen called agreement a "demonstration of men of good will working together in a difficult situation to achieve an equitable conclusion which can only have the most constructive results in future, continuing relations.

"This was achieved through the understanding and close cooperation of the Brazilian Government and the U.S. State Department."

Mr. Geneen

832.05411/1-3063

Drafted by: ARA:EST/B:RJBurton:am 1/30/63 KB

Telegraphic transmission and classification approved by: ARA:EST - Mr. Wellman

Clearances:

FORM D-61 DS-322

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ORIGIN/ACTION

ARA-4

RM/R	REP	AF
1	1	
AR	EUR	FE
NEA	CU	INR
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4	1	
L	FSO	AID
		12
AGR	COM	FRB
		3
INT	LAB	TAR
TR	XMB	AIR
2	4	
ARMY	CIA	NAVY
	10	
OSD	USIA	NSA
	8	3

DEPARTMENT OF STATE

AIRGRAM

732.13/1-3063

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A-870 NO. UNCLASSIFIED XR 832.10

TO : DEPARTMENT OF STATE 1963 FEB 4 PM 1 05

RECEIVED ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy, Rio de Janeiro DATE: January 30, 1963

SUBJECT : Inaugural Statement by Finance Minister San Tiago Dantas

REF : CERP D-12

Enclosed is an informal translation of the statement made by Finance Minister San Tiago Dantas, upon assuming office in Brasilia on January 24, 1963.

FOR THE AMBASSADOR

Ralph T. Kemp

Ralph T. Kemp
Financial Attaché

FORM DS-323 4-62 UNCLASSIFIED FOR DEPT. USE ONLY ☑ In ☐ Out

Drafted by: RTKemp/bc

Contents and Classification Approved by:

Clearances:

REakens

0718

Informal Translation
(by R. V. Korp)

TEXT OF THE STATEMENT MADE BY FINANCE MINISTER SAN TIAGO DANTAS UPON FORMALLY RECEIVING THE OFFICE FROM FORMER FINANCE MINISTER MIGUEL CALMON IN BRASILIA,

January 24, 1963*

I receive the office from your hands, Mr. Minister Miguel Calmon, in full realization of the difficulties which your Excellency has had, and which I will have, in carrying out the duties of this office. These difficulties attend administration of finances under any circumstances, but are accentuated at present by the force which the inflationary pressure has attained. This factor has brought about disturbances which threaten the social order. At the same time there is the firm decision, which is no longer that of the Government alone but of the entire people, to carry forward the economic development of the country and to gain its emancipation.

To counter inflation and to accelerate development are, in appearance, two contradictory objectives, but we must attain them simultaneously. The Government of President Joao Goulart has this objective in view and it is to this that all the efforts of the Administration will be dedicated, in accordance with the President's decision. We are not facing the difficulties of the present moment with pessimism. The Brazilian people gave at the polls on the sixth of January a powerful demonstration of political vitality and crowned with this pronouncement the process of democratic maturation. This already appears to have permitted us to pass beyond the phase of institutional instability.

We have become a stable democracy led by the popular will and we are in condition to carry forward by peaceful means--without breaking democratic principles or respect for liberty--those social reforms to which the people aspire and the achievement of the complete economic independance of the nation.

Nevertheless, this does not keep us from being disturbed at the financial situation in which we find ourselves. The inflation which has been caused by a series of circumstances, among which can be listed a constant loss of substance /sic/ of the national economy, has been accentuated in recent years, threatening the stability of the activities which up to recently were stimulated by the inflation itself and imposing on the middle and popular classes a continuous increase in the cost of living, which destroys fixed salaries and incomes and only benefits those who live off speculation, or those in favored activities.

* Based on text as it appeared in the Jornal do Brasil, January 25, 1963.

0719

ORIGIN/ACTION

ARA *4

RMA	NEP 1	AF
ARA	EUR	FE
NEA	CU	INR 5
E 4	P 1	IO
L	PSO	AID 12
	5/5 27	PER 1
AGR 10	COM 10	FRB 3
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ARMY	EA 10	NAVY
OSD	USIA 8	NSA 3

AMB
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DEPARTMENT OF STATE

AIRGRAM

123 Gordon Lincoln

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XR-832610

A-870 NO. UNCLASSIFIED CLASSIFICATION

XLT Pouch HANDLING INDICATOR

411 3241

TO : DEPARTMENT OF STATE

FROM : AmEmbassy, RIO DE JANEIRO DATE: January 30, 1963

SUBJECT : Transmittal of Ambassador's Speech

REF :

Enclosed are ten copies each, Portuguese and English, of Ambassador Lincoln Gordon's speech, "On Terms of Trade and the Brazilian Balance of Payments" to the National Economic Council, delivered in Rio de Janeiro January 29, 1963.

For the Ambassador:

Frank H. Oram
Counselor of Embassy
for Public Affairs

FORM DS-323 4-62

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☑ In ☐ Out

Drafted by: USIS:JRCopperthwaite

Contents and Classification Approved by: [illegible]

Clearances:

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DEPARTMENT OF STATE

AIRGRAM

832.10/1-3163
XR-832.05100

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A-873 NO. | CONFIDENTIAL | 1963 FEB 6 PM 2 36 HANDLING INDICATOR

TO : DEPARTMENT OF STATE

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
FEB 7 1963

RIAN ANALYSIS & DISTRIBUTION BRANCH

file - no action
ARA/OST/IB
R J Burton
2/9/63

FROM : AmEmbassy, RIO DE JANEIRO DATE: January 31, 1963

SUBJECT : Furtado Tells CONCLAP Profits Remittance Law Not Restrictive

REF : Embassy Airgram A-859, January 28, 1963

ACTION		
ARA-4		
RM/R 1	REP 1	AF
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
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TR 2	XMB 4	AIR
ARMY	CIA 10	NAVY
OSD	USIA	NSA 3

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In discussing his three-year plan before CONCLAP (Brazilian Chamber of Commerce) Celso Furtado said that there was nothing in the Profits Remittance Law which should discourage foreign capital. The limitation on capital repatriation he said was designed to assure that such repatriation should be gradual; an aim which no one could consider unfair. As to the 10% limitation on remittances of profits, according to Furtado, this clause did not prohibit additional remittances but that these additional remittances would have to be "in the form of capital" - not profits - and "on the same basis as Brazilian capital" rather than being privileged as foreign capital.

Apparently what Furtado was referring to in his somewhat cryptic statement was an interpretation of the Profits Law that he and other highly placed Brazilian officials have voiced privately to Embassy officials at various times. According to this interpretation, the 10% limitation on profits remittances is really nothing more than a "right" granted foreign investors to remit profits up to 10% of registered capital through the official market. Additional profits, according to this interpretation, could be "capitalized" and subsequently remitted. One example given by Furtado and others in the Finance Ministry as to how this might be done is that profits over and above 10% might be invested in property which could later be sold "when exchange became available" with the proceeds being thus remitted as capital. Presumably, this capital investment in property would fall outside the Profits Remittance Law in the sense that the investment would neither be added to the capital base on which remittances are calculated nor would the remittance be deducted from the original capital base.

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FORM 4-62 DS-323

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Drafted by: ECON:JKrizay:dft

Contents and Classification Approved by: REakens

Clearances: RVKorp

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In the opinion of local American investors, based on analyses of their legal advisors, such an interpretation was not indicated by the terms of the Profits Remittance Law. Conceivably the Finance Ministry and SUMOC could make such an interpretation but it is generally believed in foreign investor circles that it would have little encouraging effect on potential new investors in view of its precarious legal base which could easily be upset in the courts.

It is nonetheless interesting that Furtado has for the first time suggested publicly this interpretation which has for some time been discussed privately within the Brazilian Government. It is also interesting in that Furtado's approach appears to be at variance with the latest views of San Tiago Dantas as reported in Embassy Airgram A-859 of January 28, who seems to feel that additional positive legislation is desirable and may be possible.

For the Ambassador:

John Krizay
Second Secretary of Embassy

A

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

CONFIDENTIAL
Classification

13505

Jan 30 3 50 PM '63

RIO DE JANEIRO-1471

Origin

ACTION: Amembassy Rio de Janeiro 1471

Info:

Buford of Hanna Mining Company visited Department January 24 to discuss Hanna's problems in Brazil. He left list thirty specific "current" cases against Hanna associated companies in Brazil and stated Embassy has similar list.

Buford believes essential Brazilian financial planning and discussions with U.S., IMF and Europeans include concrete evidence Brazil intends revise existing mineral policy to permit free foreign participation in export iron ore. He believes favorable action permitting foreign participation mining industry most positive step Brazil could take to restore confidence private foreign investors. He indicated this thinking reflects opinion large segment important U.S. and European potential investors. Buford made strong appeal that U.S. should provide no further financial assistance to Brazil until all Hanna problems resolved.

Department believes we should urge GOB take necessary steps to encourage increased mineral exports, including foreign participation mining operations and we should take every appropriate step to assist Hanna in protecting its legitimate interests and rights in Brazil but do not agree that our decision on financial assistance should be conditional on resolving all Hanna problems.

832.25/1-3063

832.05/1-1063

Drafted by: ARA:EST/B:R.H.Crane:fl 1/29/63 | Telegraphic transmission and classification approved by: EST - Mr. Wellman

Clearances: ARA:EST/B: Mr. Burt; U/IB-Mr. Robbins; ARA:REA - Mr. Weismann; E - [illegible]

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Classification

Mr. Colvin

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Control: 20857 NUMBERED
Rec'd: JANUARY 31, 1963
7:16 PM

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1445, JANUARY 31, 8 PM

PRIORITY

REF EMBTEL 1434

CAMPOS PRESENTED SARGENT GOB COUNTER OFFER $135.5 MILLION EVENING JANUARY 29 ARGUING OFFER FAIR, BEST THAT GOB WOULD MAKE, AND URGING ITS ACCEPTANCE. OFFER WHEN PRESENTED HAD APPROVAL MINISTER FINANCE DANTAS AND ELECTROBRAS, WHICH EXPECTED ULTIMATELY TO BE OWNER AND OPERATOR PROPERTIES. DANTAS OBTAINED APPROVAL MINISTER MINES AND ENERGY BATISTA AND FOREIGN MINISTER HERMES LIMA YESTERDAY.

TWO POINTS OVER WHICH SARGENT EXPRESSED CONCERN WERE LOWNESS TOTAL FIGURE AND MORE FAVORABLE TREATMENT ACCORDED MINORITY STOCKHOLDERS.

NEW PROBLEM AROSE TODAY IN DISCUSSION BETWEEN STAFFORD AMFORP AND ROMANO, PRESIDENT CONESP OVER PROVISION GOB OFFER CONCERNING PAYMENT TO AMFORP OF ARREARAGES OF INTEREST, DIVIDENTS AND CERTAIN MISCELLANEOUS ITEMS. STAFFORD MEETING WITH CAMPOS THIS EVENING IN EFFORT RESOLVE THIS PROBLEM.

(2) ON BASIS CURRENT NEGOTIATIONS SARGENT SAID JANUARY 29 HE CONSIDERED APPROPRIATE STEPS BEING TAKEN IN ACCORDANCE SECTION 620(E).

GORDON

TRT/18

RIO DE JANEIRO - 1445 833 26/14 1-31 63 XR 833.10

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GPO 930 900

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OPTIONAL FORM 23
FEB 1962
GSA Circular No. 259

CHARGEOUT RECORD

5023-101

DATE CHARGED OUT	CHARGED TO (PERSON & OFFICE)	IDENTIFICATION OF RECORD (NUMBER, TITLE AND/OR SUBJECT, DATE OF FILE OR DOCUMENT)
	1/13/88 Murray	100-63
		62.10
11/4/87	11/4/87 Kennedy	87-66355

OUT

* GPO : 1985 O - 461-275 (407)

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Box 3 12208	Reg. Mr. Taylor	
12223		
INCO-15-2	Mills	11/30/86 Rmc

OPTIONAL FORM 23
FEB 1962
GSA Circular No. 259

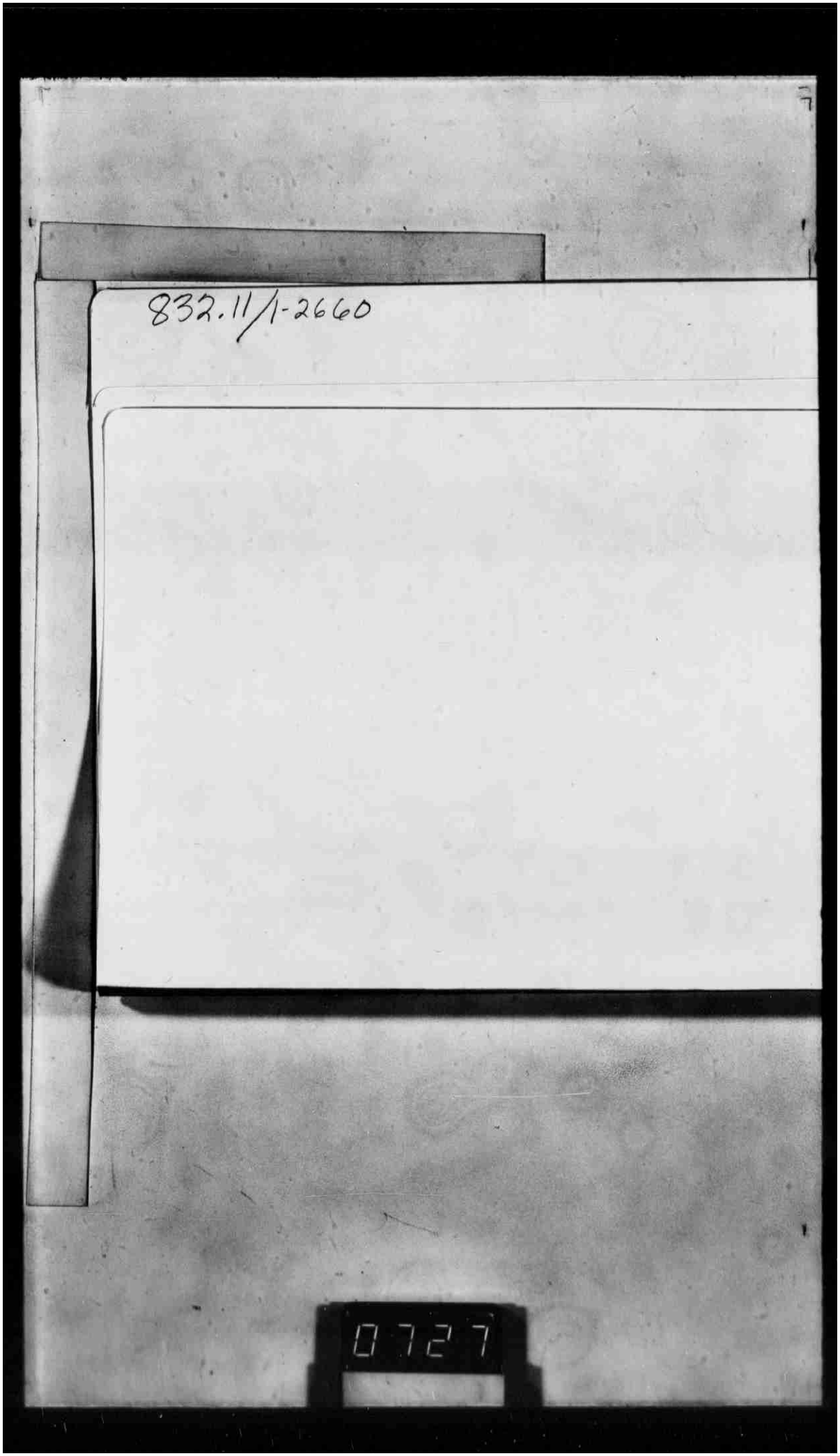
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8/15/86 Rmc	Rebecca Stallard	Vol 3 Coms 1968 - 1969

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832.11/1-2660
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AIR POUCH
PRIORITY

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(Security Classification)

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832.11/1-2660
A-432.002
January 26, 1960
JAN 27 1960 832.13

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 759 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Embassy Despatch 659, December 28, 1959

Enclosure SCS-1

This Document must be Returned to the RMR Control Room

For Dept. Use Only	ACTION	DEPT.
	ARH-3	
	REC'D 1/31	INFO OTHER RM/R-2 REP-1 ~~ARA~~ IRC-D ICA-11 E-1 CIA-11 XMB-4 FRB-3 TR-3 CUM-D

SUBJECT: Internal Revenue Circular 6 - Conversion Rates for Consumption Tax on Imports without Exchange Cover.

AG-T

Enclosed is a translation of Circular 6 of the Director of Internal Revenue establishing new conversion rates to be used in calculating the consumption tax due on imports without exchange cover.

For the Ambassador:

R. G. Walker
Finance Officer

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Translation of Internal Revenue Circular no. 6

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
FEB 2 1960
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832.11/1-2660 EMW FILED
FEB 8 - 1960

RGWalker/mwc
REPORTER

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0728

TRANSLATION
Source: Diario Oficial, January 25, 1960

Department of Internal Revenue
Circular No. 6 of January 21, 1959

The Director of Internal Revenue of the National Treasury, exercising the powers vested upon him, declares to Customs Inspectors and Chiefs of other Customs Departments, as well as Consumption Tax Supervising agents that in accordance with data secured and supplied by the Superintendency of Money and Credit, there shall be in effect for purposes of calculating the consumption tax on imports independent of exchange cover, the rates of exchange and average agios as listed below, such rates to go into force in the Federal District and Sao Paulo three days after the publication of this Circular in the Diario Oficial and the other States and Territories ten days after such publication.

It is further declared that the Customs Department must issue an order repeating the present circular and placing it in their offices for the information of interested parties.

Month of December, 1959 (Cr$ per currency unit)

Currencies	Weighted Averages of Agios (A)		Official Exchange Rate (B)	Total (A + B)	
	Categories: General	Special		Categories: General	Special
Danish Crown	23.1334	49.1298	2.7423	25.8757	51.8716
Swedish Crown	50.2755	66.5000	3.6535	53.9290	70.1535
US$	190.14	402.21	18.92	209.06	421.13
US$ Argentina	159.88	336.00	18.92	178.80	354.92
US$ Chile	159.53	(*)	18.92	178.45	(*)
US$ Spain	159.89	338.55	18.92	178.81	357.47
US$ Finland	159.38	336.00	18.92	178.30	354.92
US$ Hungary	159.26	(*)	18.92	178.18	(*)
US$ Israel	160.32	(*)	18.92	179.24	(*)
US$ Yugoslavia	158.82	(*)	18.92	177.74	(*)
US$ Norway	159.73	336.00	18.92	178.65	354.92
US$ Poland	159.49	(*)	18.92	178.41	(*)
US$ East Germany	159.64	(*)	18.92	178.56	(*)
US$ Roumania	(*)	(*)	18.92	(*)	(*)
US$ Czechoslovakia	159.19	338.05	18.92	178.11	356.97
US$ Turkey	(*)	(*)	18.92	(*)	(*)
US$ Uruguay	158.75	(*)	18.92	177.67	(*)
£ Iceland	449.0125	(*)	52.9708	501.9828	(*)
£ Japan	476.2524	105.3756	52.9708	529.2227	1.158.3455

(*) Not auctioned

0729

AIR POUCH
PRIORITY

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832.11/3-1160
TR 400.327
400.329

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 883 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 11, 1960

REF : CERP, Section D, III, A-3, April 3, 1957
Embassy Despatch 347, September 26, 1957

MAR 14 1960
Enclosure

For Dept. Use Only	ACTION	DEPT.
	DRH 4	INFO Rimpr 2 RCP 1 IRC 8 ICA 11 ET 2-2
	REC'D 3-16	OTHER Clo 10 Com 10 Tan 2 TR-3 FRB

SUBJECT: Consumption Tax Exemption for Exported Merchandise, Circ. 4

Attached is a translation of Circular No. 3, January 20, 1960, of the Ministry of Finance setting out the procedure for obtaining the exemption from consumption tax granted exported merchandise by Article 7, item e of the Consolidated Consumption Tax Laws (Decree 45,422, February 12, 1959).

Circular No. 3 is a reiteration with minor changes of Circular No. 19, reported in Despatch 347. It repeats the requirements applicants (dealers and manufacturers) must observe to qualify for the tax exemption, which covers all types of commodities produced domestically and exported, and sets out the penalties provided in Articles 394 and 395 of Decree 45,422 for infringement of the provisions contained in Circular No. 3.

Circular No. 3 apparently was issued because Decree 45,422, Article 7, specifically calls for instructions by the Minister.

For the Ambassador:

R. G. Walker
Finance Officer

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Translation of Ministry of Finance Circular No. 3.

832.11/3-1160

FILED
MAR 24 1960
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Page 1 of
Encl. No. 1
Desp. No. 883
From AMEMBASSY, RIO

Translation Prepared by American Chamber of Commerce.

Circular No. 3 of the Ministry of Finance

New Instructions Covering Export of Merchandise Free of Consumption Tax

In view of the amendments made to the law covering the consumption tax, set forth in Article 7, section e of the New Regulation, promulgated by Decree 45,422 of 12 February, 1959 and Note 209,174-59, the Minister of Finance has issued the following instructions:

I

Consumption tax will not incide on merchandise produced domestically and exported

a. by the manufacturer, directly; and
b. by wholesale dealers who have acquired such merchandise from manufacturers especially for export.

II

To qualify for the exemption, the manufacturer should issue a tax note (Form 16) in the name of the buyer abroad, giving as indicated below, the Brazilian port of embarkation or the place whence the shipment will leave the country, if by land or air:

"Merchandise free of Consumption tax, to be exported through (name of port of embarkation, city or airport).

Should the merchandise have been sold to wholesale dealer especially for export, the tax note would be issued in the name of the purchaser and carry the following declaration:

"Merchandise sold free of Consumption tax for overseas expert".

the exporter being required to issue a tax note in the name of the buyer abroad, bearing the name of the manufacturer and the number and date of the latter's tax note.

III

The tax note of the manufacturer who has processed or produced the merchandise intended for expert must accompany the goods from the factory where they were processed or produced to the department

UNCLASSIFIED

0731

handling the export procedures, otherwise the goods will be considered as having left the factory illegaly and without payment of tax.

When merchandise has been purchased by a wholesale dealer for export, it must be accompanied by his tax note and the regulation applying to manufacturers complied with.

IV

Once the merchandise has left the country, the exporter should present to the Customs department that dealt with the shipment, one of the non-negotiable copies of the bill of lading. Within a period of five (5) days, Customs will certify on the copy that shipment abroad has been made, noting the name of the manufacturer of the goods, the number and date of the tax note, and, if lacking on the bill of lading, the number and date of the export documents, the name of the ship or other carrier, and the date of export.

In the cases covered by the final part of Item II, such declaration shall be made on two copies of the bill of lading, one going to the manufacturer of the export goods, and the other to the dealer who made the shipment.

V

Manufacturers and dealers qualified under the terms of the existent Consumption Tax Regulation (Decree 45,422 - 1959), exporting domestic merchandise acquired with the purchase tax already paid, may credit the amount of tax paid in the tax register (Form 22) upon purchase or transfer of the goods.

VI

The above-mentioned credit entry can be made only after the goods have left the country and within the terms set forth in Item IV.

VII

Once the non-negotiable copy of the bill of lading mentioned in Item IV is in hand, and Customs has certified that shipment abroad has been made, the exporter may make a credit entry in the proper column of the Form 22 book corresponding to the consumption tax paid when the export goods were bought.

VIII

Where only a part of the merchandise covered by one tax note has been exported, the tax credit shall apply only to the amount

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paid on the goods exported, in corresponding proportion, based on the tax note issued at time of purchase.

IX

The documents substantiating each credit/entry shall be filed by the exporter for presentation to the fiscal authorities, upon demand under penalty of such credits being considered illegal and, as such, punishable as foreseen in the Consumption Tax Regulation.

X

Upon issuing the tax note, the manufacturer must record it in the tax register (Form 20 or similar), entering the amount of same in a column headed "Export Goods Exempt of Consumption Tax", which should be added to the book.

XI

Tax notes issued by manufacturers, covering export goods free of consumption tax, may not be cancelled once the merchandise has left the factory; and violators will be liable for the tax.

XII

The manufacturer is required to declare, within one-hundred-eighty (180) days from the date of issue of the tax note, in the "Observations" column of the register mentioned in Item X, for the entry in reference, the name of the carrier that issued the bill of lading covering the merchandise, with the respective date and number; and to keep the copy of the bill of lading bearing the Customs declaration noted in Item IV in a special file, at the disposal of the fiscal authorities.

Intermediaries involved in the export, as provided for in the last part of Item II, are, in turn, required to file the other copy of the bill of lading, mentioned in the final part of Item IV.

XIII

When, for justified reasons, export within the period of one-hundred-eighty (180) days has been impossible, the manufacturer may obtain a maximum extension of sixty (60) days, which will be granted upon application to the chief of the tax department of the location and the signing of a performance bond in which the manufacturer undertakes to guarantee that the export will be made within the period of the extension, under penalty of paying the tax, as well as any fine foreseen in the case of fiscal action.

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XIV

Only in cases of rosewood oil sales, wholesale dealers are permitted a single transfer to another wholesaler, who must export the merchandise within one-hundred-eighty (180) days of the date of issue of the tax note.

In such cases, the period in which proof-of-export must be given shall be extended to a maximum of three-hundred-sixty (360) days. Transfer or sales referred to in this item shall be made as follows:

a. the wholesaler-seller shall issue a tax note in the name of the buyer or receiver, bearing the following declaration:

"Merchandise free of purchase tax bought from (manufacturer, street address, city) covered by tax note (number) of (date)"

and will advise the manufacturer that he has done so, by letter;

b. the manufacturer must present this letter to the tax bureau in his city and there sign a performance bond undertaking to guarantee that the export will be made within the maximum period of one-hundred-eighty (180) days, under penalty of paying the tax as well as any fine resulting from fiscal action.

c. the manufacturer shall make a signed declaration on the back of the undetachable copy of the tax note, or the file copy, of the transfer or sale and the fact that a bond has been signed.

XV

Infringement of provisions herein shall result in the penalties foreseen in Articles394 and 395 of the existent Purchase Tax Regulation, (Decree 45,422-59).

Circular No. 19 of 5 August 1957 and any other instructions contrary to the present are revoked.

Rio de Janeiro, 20 January 1960

Sebastião Paes de Almeida

0734

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PRIORITY

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832.11/2-2361
FEB 28 1961

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
737
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
February 23, 1961
DATE

REF : CERP, Section D, VII, A-1, April 3, 1957
Embdespatches 904, Feb. 11, 1959 & te8, Dec. 9, 1958

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 1 1961

For Dept. Use Only

ACTION REC'D 3-8

DEPT. INFO OTHER

ACTION: Ara-4
INFO: Rep-1 RMR-2 INR-7 E-7 ICA-11 SCS-1
OTHER: Cia-10 Com-10 Tar-2 TR-3 FRB-3 XMB-4

SUBJECT: Adjustment of Coefficients for the Revaluation of Fixed Assets of Firms and Companies for Tax Purposes. DLF-7 Agr-8

The National Economy Council has approved on December 29, 1960, the new maximum coefficients for the revaluation of fixed assets of firms and companies for tax purposes as provided by Article 57 of Law 3,470 of November 28, 1958 (the Income Tax Law).

Within the terms of Article 57, the National Economy Council will set up every two years coefficients to correct the accounting record of the original value of the fixed assets so as to express the variations in the purchasing power of the national currency on the monetary equivalent of the original value of the property constituting the fixed asset. The new coefficients are as follows:

a) For industrial equipment and all components of fixed assets: 1.28 for the year 1959; 1.56 for the year 1958; and 1.30 for the period 1938 through 1957 for assets already revalued.

b) For real estate, covering the value of lots and improvements, including buildings: 1.21 for the year 1959; 1.49 for the year 1958; and 1.30 for the period 1938 through 1957 for assets already revalued under the previous set of coefficients.

These coefficients should be applied on the liquid assets of firms and companies, that is, on the value of goods revaluated in accordance with the coefficients fixed in January, 1959, deducting the depreciations which have taken place between the date of the last revaluations and the last year of the bienium (1960), observing the stipulation of paragraph 3 of cited Article 57 of Law 3,470.

832.11/2-2361 HBS

For the Ambassador:
John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Treasury Attaché

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 891 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 29, 1961 DATE

REF : A-255, March 9, 1961 Com — w/d 737

APR - 4 1961

SCS-2

55 For Dept. Use Only	ACTION REC'D	DEPT. INFO OTHER
	Com-10	REP-1 EMA-7 ARA-4 E-7 ICA-11 L-2
	4/7	CIA-10 IAA-2 TR-3 FRB-3 XMB-4 DLF-7

SUBJECT: Revaluation of Fixed Assets of Firms and Companies for Tax Purposes. AGR-8

With reference to Commerce request contained in A-255 of March 9, 1961, regarding coefficients for revaluation of assets for income tax purpose, please be informed that the adjusted coefficients as approved by the National Economy Council were submitted with Embassy Despatch 737 of February 23, 1961.

For the Ambassador:

John Krizay
Second Secretary of Embassy

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

832.11/3-2961

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 1114 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — June 9, 1961 DATE

REF : CERP D-V, A1 — File heading: EET/B; Circulation - Inco — Enclosures: JUN 15 1961

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 INR-7 E-7 L-2 ICA-11
	REC'D 6-20-61	INFO OTHER COM-8 TR-3 FRB-3 XMB-4 CIA-10 DLF-7

SUBJECT: New Income Tax Law

There is transmitted herewith as enclosure 1, a translation of Law 3898, sanctioned by the President on May 19, 1961, revising the rate schedule and schedule of deductions for tax on income. Enclosure 2 is a translation of the Internal Revenue Dept. Service Order setting forth implementing regulations and new tax tables both for the complementary tax and the withholding tax.

In brief, the principal effect of the new tax law is to set up a more progressive tax schedule for the complementary tax on income. The new law provides for: a) an increase in the minimum deduction, b) a decrease in tax rates in lower brackets, c) an increase in tax rates for highest brackets beginning in 1962, and d) deductions specifically tied to the minimum wage rate for future years.

It will be recalled from earlier Embassy reports that the Brazilian income tax is divided in two parts: The so-called schedular tax and the complementary tax. The schedular tax separates incomes from various sources into "schedules". Each schedule permits certain deductions and against the net income in each schedule, a flat tax rate is applied. The sum of the "net incomes" from all schedules constitutes the "gross income" against which certain deductions for dependents, contributions to charity, medical expenses, etc. are allowed. The net income thus derived is the base against which the complementary tax is applied. This is a progressive tax and is the feature of the income tax system affected by the new law.

As the various enclosures to this despatch indicate, the basic, minimum deduction to be applied in calculating the complementary tax has been raised from Cr$90,000 per annum to Cr$240,000 per annum for taxes to be collected this year (against income earned in 1960) and to twenty-four (24) times the highest minimum wage prevailing in the country for taxes to be collected in 1962 (against income earned in 1961) and thereafter. Personal deductions also have been altered as follows: deductions for wife are to be one-half (1/2)

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the minimum deduction with deductions for each additional dependent set at 3/4ths the deduction allowed for the wife. Previously Cr$100,000 could be deducted for the wife and Cr$50,000 for each additional dependent. Thus, the deduction for dependents has been increased but proportionally less so than the increase in the basic minimum deduction.

Tax rates, applied to the various brackets have also been altered downwardly in the lower brackets while increasing the maximum tax rate for 1962 from 50% to 60%. The 1962 schedule, also, lowers the tax rate in the lower brackets still further.

Enclosure 3 shows a comparison of tax rates for the various income levels applicable to taxes collectable in the year 1960, 61 and 62. The calculation for 1962 assumes that no increase in the minimum wage will take place during the year 1961. Should there be another increase in the minimum wage, the deductions and all tax brackets would move up accordingly as provided in Article 4, Law 3898. (See Enclosure 1).

A new withholding tax table is also provided, (Encl. 2) increasing the limits on incomes from which taxes are withheld at the source to Cr$40,000 monthly. Those falling within the withholding tax group who have, of course, already paid their taxes on income earned in 1960 may now apply for refunds. The new withholding tax table goes into effect immediately.

Unless the income distribution pattern which now shows the overwhelming majority of incomes falling into the lower brackets changes drastically over the next few years, the new tax law will result in less revenue than would have been collected under the previous system. According to the Income Tax Dept. of the Ministry of Finance, the total "loss" this year will be on the order of Cr$5.5 billions. DASP had estimated revenues from the income tax to amount to Cr$70 billion for this year (See Encl. 2 to Emb. Desp. 588, Jan. 12) which amounts to an increase of some Cr$7.8 billion over actual collections in 1960. This estimate has now been revised downwardly to roughly Cr$64.5 billions, still roughly Cr$2 billion more than collected in 1960.

The estimated revenue for 1962 from the income tax is Cr$90 billion. Since it was already apparent that the new law would be passed when the 1962 estimates were made, no calculation for 1962 was made on the basis of the old tax schedule, and the "loss" due to the new tax schedule is, therefore, not known. According to the Internal Revenue Division of the Ministry of Finance, however, it was calculated that the "loss" which would have occurred this year had the 1962 schedule been made effective in 1961 (as originally proposed in Congress)

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would have amounted to Cr$12 billion. This may indicate the order of magnitude of "loss" for 1962.

It should be mentioned that the new tax bill did not emanate in the Administration but in the Congress. The justification offered by the Congressional Committee presenting the measure was that with the large increases in the minimum wage effected late last year, for the first time, employees in the minimum wage bracket were subject to the income tax. This was considered unjust and a revision of the tax schedule was deemed justified on grounds of equity. The Administration lamented the fact and the President, though sanctioning the law did state his objections to it in his budget message (to be reported on later). At that time he advised the Congress that the Administration would soon propose measures to compensate for the loss of revenue resulting from this tax revision. This he said would include the possibility of an additional tax on excess profits.

Although the Administration was not able to prevent passage of the law and did not see fit to veto it, it did intervene in the legislative process sufficiently to avoid having the same schedule which the new law provides for 1962 applied to 1961. This was, in fact, the rate schedule included in the bill as originally drafted. By bringing about this change, according to the Finance Ministry, the Administration was able to save some Cr$7.5 billion in revenues this year.

Whether the amounts actually collected under the new law are more or less than forecasted, in the final analysis, will depend more on the tax collection process and the diligence with which it is carried out than on the applicable tax rates. It is no secret that tax evasion in Brazil is widespread, particularly as regards the income tax. In fact in the Congressional hearings on the tax bill just passed it was revealed that the amount of income tax evasion was estimated as exceeding Cr$40 billions; i.e. about 2/3 the amount actually collected in 1960. In this regard, the Internal Revenue authorities believe that the new tax law will help them carry out a more rigorous policing of income tax returns. They point out that with the raising of the basic deduction, some 240,000 wage earners are excluded from the tax structure. Since, under the Brazilian tax law, the tax need not be paid with the filing of a declaration, Internal Revenue division was required to audit and send out tax bills to a vast number of people paying small amounts of tax. With this work load substantially reduced, the income tax authorities reason, more time will be left to carefully audit returns in the higher brackets. Tax authorities are enthusiastic about the prospects and it probably is a development of some importance. It is doubtful, however, that more careful audits of tax declarations will yield significant

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results unless the tax frauds revealed by such careful audits are stringently dealt with. The penalties the tax laws provide for now even for fraud can hardly be called severe (300% of tax due) and even these penalties have rarely been fully applied.

For the Charge d'Affaires, a.i.

John Krizay
Second Secretary of Embassy

Coordinated:

Herbert K. May
Treasury Attache

Enclosures: as n.

1. Translation of Law 3898
2. Internal Revenue Service Order, Implementing Law 3898
3. Comparison of Complementary Tax Rates

0740

TRANSLATION OF NEW INCOME TAX LAW Nº 3,898 OF MAY 19, 1961

THE NATIONAL CONGRESS DECREES:

Article 1. There shall be readjusted each and every fiscal year, and in the manner prescribed in this Law, the minimum limit for individual exemptions, deductions for dependents, income-bracket figures for progressive tax rates, and the schedule for withholding tax on wages and salaries; referred to, respectively, in Articles 40 and 101 of Law 3470 of 28 November 1958 and Article 1, Paragraph 3 of Law 3552 of 27 April 1959; regulates by Articles 1, 20 "e" 26, and 98, Section 2; all of Decree 47,373 of 7 December 1959; in accordance with the minimum monthly wage, decreed as required by the provisions of Article 81 of the Consolidated Labor Laws, approved by Decree-Law 3452 of 1 May 1943.

Article 2. The minimum limit for exemption is fixed at an amount equivalent to twenty-four (24) times the value of the highest minimum monthly wage prevailing during the year prior to the year in which the tax shall be due, any fraction of that sum being adjusted to One-Thousand Cruzeiros (Cr$1.000,00).

Article 3. Deductions for dependents shall be fixed at fifty per cent (50%) of the minimum limit for exemption for the other spouse, and seventy-five per cent (75%) of the limit for the other spouse for each dependent.

Article 4. The percentages for the progressive surtax are the following, and shall be collected beginning with the fiscal year 1962:

Up to 24 (twenty-four) times the value of the established monthly minimum salary, covered in Article 2 of this Law-...exempt

Between	24	and	30	times	..... 1%
"	30	"	45	"	..... 3%
"	45	"	60	"	..... 5%
"	60	"	75	"	..... 7%
"	75	"	90	"	..... 9%
"	90	"	120	"	..... 12%
"	120	"	150	"	..... 15%
"	150	"	180	"	..... 18%
"	180	"	220	"	..... 22%
"	220	"	260	"	..... 26%
"	260	"	300	"	..... 30%
"	300	"	350	"	..... 35%
"	350	"	400	"	..... 40%

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Between	400	and 500 times	..... 45%
"	500	" 600 "	..... 50%
"	600	" 800 "	..... 55%
and above	800		..... 60%

Sole Paragraph. The following schedule shall be effective for collection of income tax during the fiscal year 1961:

up to Cr$	240-thousand	.....		Exempt
Between	240-thousand	and Cr$300-thousand	.....	2%
	300 "	350 "	.....	3%
	350 "	400 "	.....	6%
	400 "	450 "	.....	10%
	450 "	500 "	.....	14%
	500 "	600 "	.....	17%
	600 "	700 "	.....	20%
	700 "	800 "	.....	23%
	800	1-million	.....	25%
	1-million	1.2-million	.....	26%
	1.2-million	1.6 "	.....	29%
	1.6 "	2 "	.....	32%
	2 "	2.5 "	.....	35%
	2.5 "	3 "	.....	38%
	3 "	4.5 "	.....	45%
and above	4.5 "		.....	50%

The rule applies to deductions for dependents.

Article 5. The schedule for withholding tax on salaries and wages, deducted at the source, shall be readjusted in accordance with the changes prescribed by Articles 2, 3, 4, and the Sole Paragraph of the last, as well as of the following Sole Paragraph, all herein.

Sole Paragraph. Article 40 and its Section 1 of Law 3470 of 28 November 1958, regulated by Sections 1 and 2 of Article 98 of Decree 47373 of 7 December 1959, shall henceforth read as follows:

"Article 40. Deduction of the tax referred to in Article 9, 11 of the Regulations approved by Decree 40702 of 31 December 1956 shall be made up to an amount equivalent to four (4) times the minimum monthly wage that serves as the basis for calculation of the minimum limit of exemptions.

"Section 1. Twenty per cent (20%) of the minimum monthly wage serving as the basis for calculation of the minimum limit of exemption from the monthly quota is hereby fixed for the sum of the allowances referred to in Article 35 and Sole Paragraph, 36, 64, and 104 of Law 3470 of 28 December 1958; Article 4 of Law 1474, 26 November 1951; Article 20 "c", Decree-Law 5844 of 23 September 1943, regulated by Article 20, a, b, c, d, f, and 1 of Decree 47373 of 7 December 1959; which are conceded ex-

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"ex-officio to all taxpayers for the effects of the provision of Paragraph II referred to in this Article."

Article 6. Income declarations covering the current fiscal year submitted on or before the thirty-first day of May, 1961 shall be exempt from the fine for delay provided for in Article 32 of Law 2354 of 28 November 1954, regulated by Article 144, a of Decree 47373 of 7 December 1959.

Article 7. This Law shall go into effect upon the date of its publication and all provisions to the contrary are hereby revoked.

Source: "Diário Oficial", May 20, 1961.

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INTERNAL REVENUE SERVICE ORDER
(Implementing Law No. 3898 of May 19, 1961)

The Director of the Income Division, in accordance with his powers,

Considering that Law 3898 of May 19, 1961, modifying the Income Tax rate, taking effect on May 20, 1961, reduced the deductions for heads of household relative to the spouse and dependents, as well as reduced the deduction provided for in the withholding tax system with respect to wages referred to in Insert 2 of Article 98 of the Regulations of the Income Law.

Considering that Article 5 of Law 3898, referred to above, provided for a readjustment in the withholding tax table for wages, in conformity with changes set forth in this new law,

RESOLVES:

I - That the withholding tax for wages referred to in Insert 2 of Article 98 of the Regulations in force, will be carried out in accordance with the table, notes and observations annexed to this Service Order beginning May 1961;

II - All instructions and previous Service Orders concerning the withholding and collection of this tax, except those sections which will be changed by this Service Order will be maintained in force.

NOTES:

I - The spouse, children and other dependents in a family group shall be considered as dependents of the head of the family.

II - A woman whose marriage has been annulled, one legally separated from her husband, or one who has been abandoned by her husband and left without means of support, are subject to tax deduction as if they were single or widowed, taking into consideration the number of children or other dependents they support.

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III - The following are considered children or dependents, for tax deduction effects, if they have no personal income:

a. minor or invalid children or those over twenty four (24) years of age still studying at universities, whether legitimate, legitimated recognized natural offspring or adopted;

b. unmarried daughters, widowed or abandoned by their husbands, without means of support;

c. minor or invalid relatives, not supported by their parents;

d. parents, brothers and sisters unable to work;

e. indigent minors up to eighteen years of age, whom taxpayers prove they are raising and educating.

OBSERVATIONS

1. In calculating the tax due in accordance with the attached table, the amount of Cr$2,000.00 monthly (Cr$24,000.00 annually) was granted as the deduction ex-officio to all wage-earners, corresponding to the other deductions provided by law, besides family obligations.

2. The basis for the deduction shall be the total remuneration (salary, wages, drawing account, fees, commission, bonus or any other earnings from work resulting of any employment, position or function classified under schedule "c" of the tax return, each month, less contributions for social security and labor union dues.

3. For the month or months in which the income as calculated in Item 2 range between Cr$22,000.00 and Cr$40,000.00, the deduction shall be effected in accordance with the schedule.

4. For each and every month in which income is in excess of Cr$40,000.00, the tax shall be deducted on the basis of that amount, the taxpayer being obliged to present a declaration of income in the following fiscal year. Such declaration must include all earnings received, including those which served as a basis for the deduction, and from the tax calculated for the declaration will be deducted the tax already collected at the source, in accordance with the Schedule.

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5. For the case of public servants and military personnel, in general, the monthly remuneration shall comprise both salary and benefits, excluding family allowance, travel and expense accounts, and quota shares of fines.

6. Payment shall be made to the collecting offices by the sources during the months following the payment or crediting of income.

7. For the case of branches or agencies, payments shall be made to the local collecting office, respectively.

8. On or before the last business day in April of each year, the employers shall submit information to the regional or sectional tax office or the proper income tax inspection agency regarding the tax withheld or deducted during the preceding year from each employee, as well as information on their respective dependents.

9. Family obligations and dependents shall be declared by employees on the proper forms, as approved by the income tax division, in duplicate, one copy for the employer and the other to be forwarded by the same to the proper tax authority, for purposes of the tax deduction at the source.

10. Income paid in advance shall be considered as for the month it refers to.

11. Taxpayers subject to tax deduction, in accordance with the attached schedule, who are not required to present an income tax return during the following fiscal year, are required to inform by April 30 of each year, earnings paid to third parties during the preceding year, giving the names and addresses of the receivers.

12. The information referred to in the previous item rendered on the appropriate forms, should be delivered to the tax authorities by the employer.

13. Proof of dependents other than spouse and children of the employee (taxpayer) should be presented at the source, which must keep in its possession the respective document together with one copy of the information covering the status of the family, in accordance with Item 9.

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COMPARISON OF COMPLEMENTARY TAX RATES for 1960-61-62

Thousands of Cruzeiro Per Year	1960	1961	1962*
90	-	-	-
90 - 135	3%	-	-
135 - 180	5%	-	-
180 - 225	8%	-	-
225 - 240	11%	-	-
240 - 300	11%	2%	1%
300 - 350	14%	3%	3%
350 - 400	14%	6%	3%
400 - 450	14%	10%	3%
450 - 500	18%	14%	5%
500 - 600	18%	17%	5%
600 - 700	22%	20%	7%
700 - 750	22%	23%	7%
750 - 800	25%	23%	9%
800 - 900	25%	26%	9%
900 - 1000	30%	26%	12%
1000 - 1050	30%	29%	12%
1050 - 1200	35%	29%	12%
1200 - 1500	35%	32%	18%
1500 - 1600	40%	32%	18%
1600 - 1800	40%	35%	18%
1800 - 2000	40%	35%	22%
2000 - 2200	40%	38%	22%
2200 - 2500	40%	38%	26%
2500 - 2600	40%	40%	30%
2600 - 3000	40%	40%	30%
3000 - 3500	45%	45%	35%
3500 - 4000	45%	45%	40%
4000 - 4500	45%	45%	45%
4500 - 5000	50%	50%	45%
5000 - 6000	50%	50%	50%
6000 - 8000	50%	50%	55%
8000 -	50%	50%	60%

*Rate Schedule for repeative income brackets for 1962 shown here based on present minimum wage for comparative purposes. Rates would, of course, change with changes in minimum wage per Article 4, Law 3898. (See Enclosure 1)

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

DESP. NO. 17

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE July 7, 1961

REF : CERP, Section D, VII, A-1, April 3, 1957 (832.11/3-2757)
Embassy Despatch 737, February 23, 1961

Enclosure

For Dept. Use Only	ACTION	DEPT.
	RECD 7/20	RMA-4 RMR-2 INR-7 REP-1 E-7 ICA-4 L-2 CIA-10 COM-10 TM-3 FRB-3 RMBF-1 OLF-7 AGR-10

SUBJECT: Adjustment of Coefficients for the Revaluation of Fixed Assets of Firms and Companies for Tax Purposes.

The National Economic Council has approved new maximum coefficients for the revaluation of fixed assets of firms and companies as provided by Art. 57 of Law 3,470 of November 28, 1958.

Within the terms of Article 57, the National Economic Council will set up every two years coefficients to correct the accounting record of the original value of the fixed assets so as to express the variations in the purchasing power of the national currency on the monetary equivalent of the original value of the property constituting the fixed assets.

It was found necessary to revise the outdated coefficients set for the period 1938 through 1957 and to set the coefficient for 1960.

The regulatory provisions as set forth by the Income Tax Division for the implementation of the Council's decision are transmitted as enclosure 1.

For the Ambassador:

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

John Krizay
Second Secretary of Embassy

Enclosure:
Translation of Income Tax Division Service Order no. 10.

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832.11/7-761 CS

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TRANSLATION
Source: American Chamber of Commerce for Brazil.

INCOME TAX DIVISION
Service Order 10 of 13 March 1961

Regulates monetary adjustment of fixed assets of legal entities (Article 101 of the Income Tax Regulations) for the period 1961-1962, inclusive

The Director of the Income Tax Division, using the powers conferred upon him and

considering that the National Economic Council established new coefficients for the monetary adjustment of the value of fixed assets of companies and corporations; acting in accordance with the powers granted it by Article 57 of Law 3,470 of 28 November 1958, in the terms of Resolution 2, dated 13 December 1960;

considering that the coefficients 1.30 for real estate and 1.39 for industrial equipment and all other components of capital assets were established for the period 1938-1957 and revaluated in accordance with Resolution 1 of 29 January 1959 of that same Council;

considering the advisability of revising these outdated coefficients so as to standardize monetary adjustment of capital goods, including, as well, those cases in which no revaluation was made during the two-year period 1959-1960; and

considering the necessity of orienting not only those agencies assessing and supervising collection of taxes in this connection, but the taxpayer as well, as resolved in Case 40384-61 (SC);

ORDERS Regional and Sectional Bureau Chiefs and inspectors of the Income Tax Service to observe and comply with the following instructions:

I - Companies and corporations may correct the cash equivalent of the original value of the capital goods constituting their fixed assets to the limit of the products resulting from the application of multiplier coefficients established by the National Economic Council, in order to obligatorially increase their capital.

II - The original value of capital goods constituting fixed assets is understood to be the amount, in Brazilian currency, appearing in the books as that for which such assets were acquired by the company or corporation or incorporated into the same. In the case of expenditures of values expressed in foreign currency, the conversion to cruzeiros shall be made at the rate current at the time of purchase or, should that be unknown, the average rate for that year shall be adopted.

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III - During the two-year period 1961-1962, the following multiplier coefficients shall prevail, in accordance with National Economic Council Resolutions 1 and 2 of 29 January 1959 and 13 December 1960, respectively:

a - for all capital goods comprising fixed assets, exclusive of real estate property:

up to and including	
1938	18.07
1939	17.65
1940	16.63
1941	14.32
1942	12.09
1943	10.15
1944	9.03
1945	7.78
1946	6.81
1947	6.39
1948	5.84
1949	5.28
1950	4.73
1951	3.89
1952	3.47
1953	3.06
1954	2.36
1955	2.08
1956	1.81
1957	1.53
1958	1.56
1959	1.28
1960	1.00

b - for real estate property, which includes the value of the lot and improvements, including buildings:

up to and including	
1938	12.87
1939	12.48
1940	12.09
1941	10.66
1942	8.06
1943	7.54
1944	7.15
1945	6.50
1946	5.46
1947	4.68
1948	4.55

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1949	4.29
1950	4.03
1951	3.64
1952	3.38
1953	2.99
1954	2.47
1955	2.08
1956	1.82
1957	1.56
1958	1.49
1959	1.21
1960	1.00

IV - The multiplier coefficients referred to in the foregoing item shall be in force up to and including 31 December 1962.

V - The adjustment may be made at any time, and the new values of fixed assets shall prevail until subsequent correction by the company or corporation. Should the adjusted figure be less than the maximum limit permitted, the company or corporation may make a further adjustment at any time, in accordance with the limits in effect at that date.

ADJUSTMENT OF FIXED ASSETS

VI - During the period in which the coefficients referred to in Item II of this Service Order are in effect, adjustments shall be based on the capital goods comprising fixed assets indicated in the annual report or balance-sheet drawn for 31 December 1960.

VII - Before making the adjustment, the following shall be deducted each year from the purchase price or incorporation value of capital goods comprising fixed assets:

a - the portion corresponding to aid, subsidy, or other public funds that are not receivables, obtained by the company or corporation for the specific purpose of constituting its capital assets;

b - the portion corresponding to the debit balance of any loan from the National Bank for Economic Development, except if the company or corporation has agreed that the Bank make a simultaneous correction of the balance payable on the loan, using the same coefficients as employed in adjusting the fixed assets; and

c - the portion corresponding to capital goods disposed of and written-off to the date of the adjustment.

VIII - After calculating the net fixed assets each year that may be adjusted, that value shall be multiplied by the proper coefficient and the product is the new cash equivalent. The variation in value for capital goods in fixed assets shall be the difference between the net and its new cash equivalent.

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ADJUSTMENT OF SINKING AND DEPRECIATION FUNDS

IX - Before making the adjustment, the following shall be deducted each year from the value of sinking and depreciation funds or direct amortization or depreciation:

a - the portion corresponding to amortization or depreciation of capital assets acquired with aid, subsidy, or other public funds that are not receivables, obtained by the company or corporation for the specific purpose of constituting its capital assets;

b - the portion corresponding to amortization or depreciation of capital assets acquired through a loan made by the National Bank for Economic Development, in proportion to the debit balance as of 31 December 1960, except if the company or corporation has agreed that the Bank make a simultaneous correction of the balance payable on the loan, using the same coefficients as employed in adjusting the fixed assets; and

c - the portion corresponding to amortization or depreciation each year of capital goods disposed of or written-off.

X - After calculating the net value of sinking and depreciation funds for each year that may be corrected, the adjustment shall be made by using, for each year, the corresponding multiplier coefficients. The variation shall be the difference existing between the value of sinking and depreciation funds and the new cash equivalent.

NET INCREASE OF ASSETS AND COMPENSATION OF LIABILITIES

XI - To obtain the net increase in assets, the following shall be deducted from the difference between the variations dealt with in Items VIII and X:

a - prior monetary corrections or revaluations; and

b - losses shown in the books to the annual balance for 1960 inclusive, as the company or corporation may decide, should there be no reserve funds nor undistributed profits in accordance with Article 43, Section 3 of the Regulations approved with Decree 47,373 of 7 December 1959.

XII - The following must be deducted from the difference mentioned in Item XI so that the increase in the value of fixed assets be wholly or partially compensated by the increase in the amount of liabilities resulting from correction of the balance of debits assumed for conversion to fixed assets:

a - exchange variations in the debit balance of loans in foreign currency;

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b - variations arising out of the operations referred to in Article 16 of Law 2,973 of 26 November 1956; and

c - corrections in the debit balance of loans from the National Bank for Economic Development, in the instances cited in the final part of Paragraph b of Item VII.

INCREASES IN CAPITAL AND ADJUSTMENT OF LIABILITIES

XIII - The difference between the variations referred to in Items XI and XII constitutes the net value appropriate to an increase in the company or corporations capital.

XIV - For adjustment of the debit balance of the loans referred to in Item XII applied to the acquisition of capital assets, there shall be registered the differences, in cruzeiros, reckoned as of 31 December 1960 between:

a - the exchange variation in the debit balance of loans in foreign currency converted at the exchange rate applicable for liquidation of the loan on that date;

b - the variation in the debit balance resulting from application of the indices provided in the moving scale in the contract, on that same date, in instances of the operations referred to in Article 16 of Law 2,973 of 26 November 1956; and

c - the new sum of the debit balance, on that same date, owing to the National Bank for Economic Development, should the taxpayer have agreed with the Bank to adjustment of the value of the balance payable using the same coefficients employed in the correction of the assets acquired through the loan.

MISCELLANEOUS PROVISIONS

XV - At no time whatsoever shall the sum of the adjustments be reckoned for the effect of depreciation or amortization as provided in income tax legislation; and the legal entity shall be obliged to maintain separately in its books and accounts the original value of assets and the total adjustment.

XVI - The taxpayer is permitted to correct valuations on the books to the limit of the net increase in assets referred to in Item XI.

XVII - The increase in the capital of the company or corporation must be in the same amount of the net value referred to in Item XII. The amount corresponding to a fraction of the par value of shares may be maintained in a special account under non-payable liabilities until a subsequent adjustment.

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XVIII - The net increase in fixed assets referred to in Item XI shall be permanently entered under the heading "Monetary Corrections", or one similar as a special account under assets, which, like other accounts corresponding to adjustments or revaluations made in conformity with prior legislation, can be altered only:

a - in the event of new adjustments; or

b - to register the disposal or permutation of capital goods that have been subject to correction.

XIX - In the instances provided for in Paragraph b of the foregoing item, disposal or permutation shall be entered in the register of the original value of the capital goods and in the adjustment account, observing the year in which the property was purchased or incorporated into the company or corporation and the corrections or revaluations made to the date of disposal or reduction in value of the capital goods.

XX - The benefits provided for in this Service Order are available only to those legal entities that have no debt owing on income tax due on the date of the General Meeting that approves an increase in capital, in the case of corporations; or on the date of alteration of the corporate agreement, in the case of all other companies; or on the date upon which the increase in capital is entered on the books, if dealing with a solely-owned firm.

XXI - Should the total capital of the company or corporation not have been paid-in, this would not obviate the adjustments provided for in the foregoing items, however, the net increase in fixed assets resulting therefrom could not be applied to paying-up stock or shares of the former capital.

THE TAX AND ITS PAYMENT

XXII - The increases in capital made in accordance with this Service Order are subject solely to income tax deducted at the source, at the rate of ten percent (10%), as a levy on the legal entity.

XXIII - The tax referred to in the foregoing Item is not deductible in reckoning taxable income of companies and corporations.

XXIV - The tax referred to in Item XXII shall be paid over to the proper authority accompanied by the appropriate tax return, the first of which should carry a copy of the calculations and bookkeeping entries made and a copy of the Minutes of the General Meeting or the document altering the Corporate Agreement, as the case may be.

XXV - The company or corporation, within thirty (30) days from making the entries on the books, shall submit to the proper Income Tax Bureau

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a copy of the calculations and bookkeeping entries made, should the adjustment fail to result in an increase of capital.

XXVI - Payment of the tax referred to in Item XXII may be made in twelve (12) equal, successive, monthly installments, the first to be paid within thirty (30) days from the date of:

a - the General Meeting of Stockholders that approved the increase in capital, in the case of stock corporations, independent of the date of filing the Minutes of that Meeting;

b - the amendment of the Corporate Agreement, in the case of all other companies, independent of the date of registering same; and

c - the entry of the increase in capital on the books, in the case of sole ownerships.

XXVII - Succeeding installments may be up to four (4) months in arrears, if the regulation fine is paid; however, longer delay shall result in a loss of benefits save in cases of absolute inability to pay, at the criterion of the Minister of Finance, who may authorize a reduction in the correction and readjustment of the capital in proportion to the tax already paid.

XXVIII - Failure to pay the first installment within the stipulated period or to observe the other prescriptions of the items above shall result in the collection of the tax due under the normal rates by the legal entities, persons, or at the source.

XXIX - There shall be no new proportional surtax or deduction at the source on capital increases of legal entities devolving from an increase in the value of fixed assets arising out of increases in capital effected in accordance with the foregoing items for corporations who are stock or shareholders of the same, nor on new stocks or shares distributed by virtue of such increases in capital.

XXX - Payment of the tax by the legal entity in accordance with the Items above obviates the payment of any other tax whatsoever on the same earnings by stockholders, partners, or proprietors of firms making such distribution.

XXXI - The provision of the foregoing Item is also applicable to stockholders, partners, or proprietors of firms exempt from income tax once the payment of the tax referred to in Item XXII has been made.

FINAL PROVISIONS

XXXII - The documents referred to in Item XXIV must be presented to the proper income tax authority together with worksheets prepared in

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accordance with the models annexed (Forms 1 and 2 and Additional Forms 3, 4, and 5) and certified copies of the entries in the Day Book, with indication of the date and page of that book, referring to adjustment of fixed assets, increase in capital, and adjustment of liabilities mentioned in Item XIV, a, b, and c of this Service Order.

s/ Jorge Padilha Velloso
Director

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HANDLING INDICATOR

FOREIGN SERVICE DESPATCH

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832.11/8-2561
XR 832.3932

FROM : Amembassy MANAGUA

NO. 68

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE AUG 27 1961
August 25, 1961

REF : CERP D-10, 12, 15 and 16

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 1 1961

19 For Dept. Use Only	ACTION	ARA-3	INFO	DEP	RM/R 2	REP 1	AF	ARA	EUR	FE	NEA	CU	2	2 CED		1961
				OTHER	AGR	COM 8	FRB 3	INT 7	LAB	TAR 2	TR 3	XMB 4	DLF 2			
	REC'D 9-31				AIR 6	ARMY 4	CIA 10	NAVY 4	OSD 5	OCB	USIA	INSA 2				

SUBJECT: Proposed Gasoline Tax Causes Public Furor

File
No action necessary
DAP/N
9-6-61

The government's proposal to raise the tax on gasoline by 50 centavos thereby upping the price from C$3.02 to C$3.52 per gallon in order to pay for increased salaries for teachers has provoked an almost unanimous public reaction of disapproval.

There has been no increase in the gasoline tax or price for some years and oil company representatives say that the current Nicaraguan price is the lowest in Central America. President Somoza, however, in his August 15 press conference did not mention these factors in defending the new tax and gave ammunition to his critics by saying that the tax would not adversely affect the domestic economy or raise the cost of living. Public opposition to the tax was led by the taxi drivers' union, and both La Prensa and La Noticia expressed editorial opposition and carried reports of widespread public reaction against the tax. In the last few days the President proposed a compromise whereby taxis and other commercial vehicles would receive rebates of the full amount of the tax increase. This was not accepted by the drivers and on August 24 taxi and bus drivers demonstrated against the tax in the square opposite the National Palace and effectively tied up all traffic in downtown Managua by blocking street intersections with vehicles.

832.11/8-2561

FILE

On August 25th the GON announced that the gasoline tax would not be imposed and that other taxes would be imposed to obtain the revenue necessary to pay the teachers' salary increase. Taxes on cement, alcohol and sugar have been proposed with the stipulation that the price to the consumer remain the same.

Comment: Although the taxi drivers were most vociferous and their demonstration was quite effective it is believed that the opposition expressed by almost all sectors of the economy was decisive in forcing the President to withdraw the gasoline tax proposal.

For the Ambassador:

Anthony C. Albrecht
Second Secretary of Embassy

ACAlbrecht:jmb
REPORTER

LWS

FORM 6-61 FS-439 GPO 912596

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0757

AIR POUCH — CONFIDENTIAL
(HANDLING INDICATOR)

FOREIGN SERVICE DESPATCH

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832.11/11-2161
XR 832.10
XR 732.13

FROM : AMEMBASSY, RIO DE JANEIRO — 417 (NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — November 21, 1961 (DATE)

REF :

NOV 23 1961

20 For Dept. Use Only	ACTION	ARA-4	INFO	DEP	RM/R 2	REP 1	AF	ARA	EUR	FE	NEA	CU	INR 7	E 7	P	IO	aid 18
	REC'D 11-25-61			OTHER	AGR	COM 8	FRB 2	INT	LAB	TAR	TR 3	XMB 4					
					AIR	ARMY	CIA 11	NAVY	OSD	OCB	USIA						

SUBJECT: Prime Minister's Speech on Financial Situation and Tax Reform

In a major speech to the Congress on November 14, Prime Minister Tancredo Neves outlined the nation's economic ills as he sees them, made several significant policy pronouncements in this regard and offered some suggested remedies including major tax reform legislation. The tax reform measure, which the government estimates would increase revenues in 1962 by 60 billion (over 15 percent), constitutes the first positive legislative proposal by the government in the battle against inflation. The details of the tax proposal will be reported on separately. The speech itself, which in addition to its significant policy pronouncements contains numerous useful statistics, is being translated and will also be submitted separately.

Aside from the presentation of a tax reform bill, perhaps the most significant aspect of the speech was the Prime Minister's strong defense of SUMOC Instruction 204 and his unqualified promise never to return to the old multiple exchange rate system. Without Instruction 204, he said, new credits and debt stretch-out arrangements (which, according to Neves, have put Brazil's future foreign exchange commitments within its capabilities) would not have been possible. He termed Instruction 219 a "retreat" from 204 in an emergency effort to stem the speculative tide which had recently caused a steady depreciation of the cruzeiro in the free market.

Though describing in great detail the nature of the May, 1961 credit arrangements and pointing out that drawings on the European credits were tied to drawings on the IMF standby he did not mention that the IMF had long since suspended drawings. Instead, he spoke of these credits as if they were steadily

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NAME OF OFFICER & OFFICE SYMBOL: EST/B Jwul	DATE OF ACTION: 5-24-62
	DIRECTIONS TO RM/R: file

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available and discussed their role in balancing Brazil's payments in intricate detail.

Other significant pronouncements by Prime Minister Neves were:

1. Recognition of inflation as the nation's number one problem and his statement that his cabinet would stake its existence on the steps it would propose to bring inflation under control.

2. That the Government deficit, which he cited as the principal source of inflation, could not be reduced significantly by cutting expenditures, most of which were rigid (such as personnel) or essential to the nation's development. The tax reform measure, designed to encourage savings and productive investment as well as increase revenues, was therefore presented as the key element in a comprehensive attack on inflation which also would include credit policy, wage policy and anti-trust legislation.

3. That the "cash deficit" this year would be Cr$125 billion. However, SUMOC sources have stated that the Prime Minister has confused the cash deficit with the financial deficit. The cash deficit, these sources claim, might not exceed half that amount, depending largely on the cost of bringing employees of Social Security Institutes under Civil Service as recently decreed. To keep down the cash deficit this year, Ministries have been ordered to make only "unavoidable" purchases in December (usually the month of heaviest expenditures).

4. That global controls on credit were already in effect "pursuant to recent SUMOC instructions" (alluding, no doubt, to the recent SUMOC recommendation that the various departments of the Bank of Brazil operate within global limits approved by the SUMOC Council. Significantly, however, he mentioned neither the specific document nor the Bank of Brazil by name, presumably in deference to the Bank's sensitivity concerning its independence).

5. That a banking reform measure was in the process of being drafted and would be submitted soon.

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(Ernane Galvêas, Special Assistant to the Finance Minister told the reporting officer that the banking reform bill would include authority to raise compulsory commercial bank reserve requirements to twice the present ceiling of 14 and 7 percent for demand and terms desposits respectively).

6. A request that Congress approve Brazil's joining the IDA.

7. That the Economic Planning Commission "on whose work, Brazil's participation in Alliance for Progress funds depends in large measure", will be reestablished.

8. A statement urging prompt passage of the pending anti-trust bill as a further means of curbing inflation. (The anti-trust bill gives the government broad price control authority and is considered successor legislation to COFAP which is due to go out of existence December 31 (See Embassy Despatch No. 4, July 31, 1961).

9. A promise that legislation providing for agrarian reform, improvements in the educational systems, the construction of popular housing and the development of water and sewer systems would be submitted in the near future.

Summary

The submission of the tax reform bill which includes reasonable controls over profit remittances, strong support of Instruction 204 and rejection of multiple exchange rates as a matter of policy and the statement, backed by figures, showing that Brazil's foreign exchange position was not out of control should serve to restore at least a degree of confidence in the business community which had come to fear that the government was incapacable of putting forth any coherent policy.

Beyond the tax reform bill and the promise of a bank reform bill to strengthen credit controls it is already trying to impose, there is little in the speech to indicate that this government will come to grips with some of the most important sources of what Neves himself describes as Brazil's number one problem -- inflation. The deficits in the federal railroad and Merchant Marine systems and in the autarquias in general are taken as given. Rising costs and fixed rates are lamented but no mention is made of plans to raise rates.

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Coffee policy is not mentioned at all. Personnel costs are listed as "rigid"; costs that cannot be reduced. Cutting government investments provided for in the budget, it is said, would entail serious legal problems since many government receipts are by law tied to certain expenditures. There is, however, no hint that these laws should be changed even though recognized as undesirable. Perhaps correction of these obvious faults is more than one should expect from a make-shift government, operating in a new and unfamiliar framework with an election year coming up.

A tax reform which would increase government revenues by Cr$60 billion is, of course, a step in the right direction. If this bill is passed and if this government is successful in imposing credit controls on the banking system including the Bank of Brazil, it will have gone further than the previous administration. An increase in revenues of Cr$60 billion, however, still would leave a Treasury cash deficit of Cr$100 billion in 1962, using Neves' own figures.1/ This much, the Prime Minister suggests, could be financed from "non-inflationary sources". While these "non-inflationary sources" are not defined, it appears that he is referring primarily to proceeds of sale of foreign exchange derived from external aid. If this is the case, the Prime Minister appears to be counting on foreign assistance, of the order of $300 million, the cruzeiro counterpart being used for expenditures already included in the budget.

For the Ambassador:

John Krizay
Second Secretary of Embassy

Approved:

Robert Eakens
Counselor of Embassy
for Economic Affairs

1/ If Neves' figures are not exaggerated, the deficit could be much more than that since by his own admission they do not include the effects of a new constitutional amendment giving the Municipalities a greater share of Federal Revenues (at a cost of Cr$20 billion to the Federal Government), nor does it appear, has been included a federal pay raise which seems inevitable.

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 667 (NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 20, 1962 (DATE)

REF : AIDTO Circular L-6, January 31, 1962

FEB 24 1962

	ACTION	INFO	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	
20 For Dept. Use Only	ARA-4			2	1							5	3			11
			OTHER	AGR	COM	FRB	INT	LAB	TAR	TR	XMB					
					8	3				2	2					
REC'D 2-28-62				AIR	ARMY	CIA	NAVY	OSD	OCB	USIA	NSA					
						10					3					

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS

MAR 2 1962

SUBJECT: BRAZILIAN TAX-CUSTOMS ADMINISTRATION

file ARA/EST/B JWW 3/5/62

1. Summary of the Tax System

The Brazilian federal tax administration falls under the jurisdiction of the Ministry of Finance. The chief tax official within the Ministry of Finance is the Director General (Diretor Geral da Fazenda Nacional) under whom there are three separate tax divisions: 1) the income tax division; 2) the customs tax division; 3) the Internal Revenue Department. The latter is responsible for the collection of all federal taxes except income and customs taxes. Regional offices which supervise local collection offices fall under the three divisions listed above and are responsible for the actual collection of taxes. There are also tax courts and the Finance Minister is the official who has the responsibility for making final decisions on appeals from the tax courts. The Director of the Treasury has the final decision on administrative appeals concerning claims for refunds.

Tax officials may enter business premises during business hours in the search for tax fraud evidence but may only enter residences with court warrant. Property suspected of providing evidence of tax violation may be seized. In addition, federal tax inspectors have access to all business records and accounting books.

2. Principal Weaknesses:

Probably the principal weakness of the system is lack of effective penalty for tax fraud or tax evasion. For the most part tax penalties consist of fines, often in the form of increases in the tax rate. Confiscation as a penalty is prohibited by the constitution. The tax payer may be charged with a

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MAR 5 - 1962

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0762

criminal offense punishable by imprisonment in some cases related to the payment of taxes, e.g. wilfully entering false statements into accounting books but there is no jail penalty for tax evasion itself. With the high rate of inflation which has prevailed in Brazil for a number of years, plus the fact that tax payers can, by various means, postpone the final decision in tax cases for a number of years, the fines, in real terms, are not heavy.

Penalties for falling into arrears in tax payments are also inadequate, in most cases limited to a fine of 10% of taxes due. Again, because of the high rate of inflation, this is actually not a sufficient incentive for tax payers to pay their arrears promptly. It should be mentioned, however, that the law does permit the government to refuse delinquent tax payers the right to move merchandise through customs, perform transactions with government departments, obtain exit visas or buy tax stamps, etc. Tax payers, however, have often found ways around these restrictions by various means.

A second weakness of the tax administration concerns the collection of income taxes from incomes on bearer shares. Income from bearer shares may be collected simply by presentation of a coupon with no identification of the holder required. A flat rate of 28% in taxes on such incomes is withheld at the source. However, any additional income tax from such income which should be paid on the basis of the progressive income tax rate covering total income is rarely paid since this income is not traceable to the receiver. It is believed that there is a fairly widespread practice among firm directors to take a large part of their earnings in bearer shares thus limiting the tax payments on additional income to 28%.

Finally, generally poor tax administration should be mentioned as a major weakness in the system. The system is such that bribery of auditors, inspectors and collectors is relatively difficult to prevent. (For efforts at correction of this problem, see (3) below). Processing of information is slow for a variety of reasons including the fact that the reports required of auditors and inspectors are lengthy and complicated. In addition, the lack of a central repository of tax information makes it possible for tax payers receiving incomes in various areas of the country to file separate returns in each area thereby paying taxes at lower rates than would be assessed on their total income if a single return were filed.

3. Corrective Measures Recently Taken or Contemplated

Within the past year, a substantial effort has been made to improve and tighten up the tax collection system through the adaptation of more effective administrative methods and changes in the tax personnel. In addition, a general tax reform was proposed in November 1961 which included jail penalty provisions for tax fraud as well as a proposal which would effectively plug up the bearer share loophole referred to above.

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One of the principal administrative measures taken to improve collection of customs revenue was the creation of a service known as the "Federal Service for the prevention and Repression of Infraction Against the National Treasury" established by former president Janio Quadros and which has been succeeded by the Committee to Repress Contraband under the Finance Minister. This committee has been continued by the present government. The original organization which reported directly to the President, consisted of a small staff of 15 individuals which moved around the country checking on illegal imports and customs tax evasions. The successor organization mentioned above falls under the Ministry of Finance and is headed by Army Colonel Iracilio Pessoa. This organization is now being strengthened and local subsections are being established. Some, in fact, have already been established and are functioning.

In 1961, customs revenues collected were approximately double the amount which had been forecasted for the year. Admittedly, a large part of this increase is attributable to the exchange reform which resulted in a depreciation of the cruzeiro and the consequent increase in customs tax which is assessed on an ad valorem basis. It is unlikely that all of this increase could be attributed to exchange depreciation and it is believed that some part of it came about as a result of changes in customs tax administration described above.

Some effort has also been made to improve the collection of other taxes, particularly income taxes. This effort has consisted mainly of a tighter and more flexible administration, e.g., under the present arrangement tax auditors are rotated frequently and without notice to diminish the possibility of tax payers bribing or otherwise influencing the review of tax returns. In addition, tax auditors are now assigned in teams of two also with a view toward making bribing of the auditor more awkward and difficult. Likewise, officials of the collection agencies are rotated periodically to avoid their becoming too well acquainted with tax payers in the district which they are servicing. Finally, an effort is being made to create a different outlook on the part of the tax payer and to this end tax collectors are being assigned to give briefings in factories and trade associations to explain relationship between tax payers and tax collectors.

A few weeks ago the director of the Treasury held a conference of all tax collectors of all parts of the country in Rio de Janeiro to exchange views and draw up a uniform working plan for revenue collections. The conference also considered means of improving inspection methods and a general reform of the income tax division of the Ministry of Treasury with a view toward simplifying its operating methods. The Embassy has been promised a summary of these recommendations which will be forwarded to the Department when received with appropriate analysis.

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Like the case of customs tax collections, income tax collections in 1961 as well as consumption and stamp tax collections increased substantially over the forecasted amounts. So far as the latter two taxes are concerned, a higher rate of inflation than that on which the forecasts were based explains a large part of the increase. This is true to a much lesser extent, however, in the case of income taxes which were collected on the basis of previous year income, except for withholding taxes. Though final figures were not yet available it appears that income taxes collected in 1961 may have reached Cr$100 billion as opposed to the forecasted amount of Cr$65 billion.

The proposed tax reform would provide that dividends on bearer shares could be paid only to owners of the shares of their brokers with detailed requirements as to identity. In addition, the payee would be required to report the payment to the Income Tax Division. The same tax bill tightens up penalty provisions in general and provides for jail sentences from one month to two years for tax fraud. It is hoped that this tax bill will be acted upon by the Congress during the present session.

4. AID Technical Assistance

Up to the present time, there has been only very limited technical assistance to one of the three tax divisions: the Internal Revenue Department. This assistance consists of a technician assigned to the Internal Revenue Department on part time basis under project no. 512-Q-72-BA. This technician was assigned this task June 1961 and has been assisting the Brazilian tax officials on an "as needed" basis with a project for the mechanization of data processing. He has prepared two reports, one in September, the other in November, outlining his recommendations to the Internal Revenue Department. In these reports, the technician outlined a complete plan of operations for mechanization of the Department of Internal Revenue, at the same time recommending that mechanization not be undertaken until a properly trained staff had been developed.

Prior to this project, the same technician had worked with Brazilian tax officials on a study of the feasibility of delegating tax collecting responsibility to banks. The project was dropped partly because it was believed that the banks did not have sufficient technical know-how to carry out this responsibility, and partly because a delegation of authority of this nature was considered undesirable.

The cost of the project currently underway probably amounts to 50% of the technicians' salary which is $12,450 per annum.

5. General Evaluation and Suggestions for Additional Assistance

There is obviously room for improvement in the administration of tax collection in Brazil. It has been estimated that 40% of all

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income taxes are not collected. There have been no estimates of the rate of tax evasion for other taxes but these are also undoubtedly high. The steps already under way will probably reduce the level of tax evasion to some degree. Without some strengthening of the penalty provision, however, it is unlikely that tax evasion can be reduced to a rate considered acceptable by advanced countries.

This is not to say, however, that without a more stringent penalty law, additional technical assistance would not contribute toward improvement of tax collections. For example, if the auditing and processing procedure could be speeded up, application of the penalties presently provided for would be much more effective. Brazilian tax officials have also expressed an interest in assistance in tax collection methods and inspection. A program for the training of tax inspectors in the U. S. has been suggested and would likely yield significant results. Lack of trained, efficient personnel is undoubtedly an important factor contributing to the high rate of evasion now prevalent in Brazil.

For the Ambassador

John Kriley
Second Secretary of Embassy

Cleared: Ralph V. Korp
Financial Attache

Approved: Robert Eakens
Counselor for Economic Affairs

0766

FORM DS-10
4-1-55

DEPARTMENT OF STATE
REFERENCE SLIP

DATE 12/5/60

TO: (NAME OR TITLE)	ORGAN. SYMBOL	ROOM NO.	BLDG.	INITIALS	DATE
1. ~~Mr. H.C. Spruks~~	U/PR	1236	NS/E		
2. Mr. Mitchell					
3.					
4.					
5.					

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no action
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DEPARTMENT OF STATE

	APPROVAL		RETURN
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	COMMENT		PER CONVERSATION
	FOR YOUR INFORMATION		PREPARE REPLY
	INITIAL FOR CLEARANCE		SEE ME
	NECESSARY ACTION		SIGNATURE

REMARKS OR ADDITIONAL ROUTING

If I'm incorrect in my assumption that the attached should come to U/PR, will you let me know?

FROM (NAME AND ORGANIZATION)	ROOM NO. AND BLDG.
Greig Henderson ARA/EX	4915 NS/E
SIGNATURE	PHONE NO. 5787

0767

ORIGIN/ACTION
AID-20

RM/R	REP 1	AF
ARA 3/	EUR	FE
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DOM - 1
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DEPARTMENT OF STATE

AIRGRAM

(Departmental and Foreign Service)

732.13/3-2462
832.11

A 410
NO.

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TO : Secstate

FROM : Amembassy RIO DE JANEIRO

DATE: March 24, 1962

SUBJECT : INTERNAL REVENUE SERVICE TRAINING FOR MINISTRY OF FINANCE OFFICIALS

REF : AIDTO A-487

With further reference to AIDTO A-487, the Finance Ministry has now presented us with a brief informal memorandum spelling out in somewhat more specific terms the changes they would wish to make in the proposed training program. The text of this memorandum appears at the end of this message.

It will be noted that the Finance Ministry has proposed that certain specific subjects be dropped from the curriculum insofar as the Brazilian participants are concerned. All of these subjects are scheduled in the course:"Enforcement Law and Criminal Investigation Course." As the Finance Ministry states in its memorandum, it would like to arrange, in lieu of the courses dropped and, perhaps, in addition to other planned courses, detailed discussions with various U.S. tax officials as well as visits and inspections of U.S. facilities. Finance Ministry officials said they would expect such visits and inspections to be more than "mere formalities" and would hope that their officials could spend sufficient time with U.S. tax officials to "learn something about the U.S. system and methods." It was emphasized by the Finance Ministry that the personnel they plan to send would be of high level and,therefore, require something more than the proposed course which is basically designed for new agents.

If the courses cannot be modified as proposed, it is doubtful if anyone will be sent for the "Enforcement Law

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FORM DS-323 11-61

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Drafted by: Krizay:jw
Contents and Classification Approved by:
Clearances: REakens
LJSaccio

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Classification

and Criminal Investigation Course" but would send three officials for the remainder of the program (i.e. beginning June 11). In this connection, it would be appreciated if more detail regarding courses numbered (4) and (5) in AIDTO A-487 could be provided. As the situation now stands, the Finance Ministry will not provide us with names of participants for about another week by which time they would hope to receive answers to the questions raised in this message.

In discussing the matter with Finance Ministry officials, the reporting officer suggested that whether or not the course could be modified, the Ministry considers sending at least one official anyway, if for no other reason, to evaluate the course and explore on the spot what changes could or should be made for future training programs. Ministry officials said they would consider this suggestion.

The text of the Finance Ministry memorandum is as follows:

"The Ministry has expressed its interest in a program for higher level civil servants who have wide administrative experience throughout Brazil, including in directing and managing positions.

These civil servants carry out orientation, supervision and direction functions.

Consequently, it is suggested that there be eliminated from the program all topics related more directly to personal execution of police duties such as: "automobile safety, safety program, use of small arms, fingerprints, photography, handling prisoners, raids, recognising and handling insane persons, arresting of fugitives, use of vehicles in criminal investigation, the fortified room and self defense."

On the other hand, the program should include, aside from the theoretical part of the course itself, a practical part, consisting of visits, inspections and even several periods of training of Brazilian employees in tax administration and American tax inspection offices (including Secret Service), in order to have the opportunity to watch closely the functioning of the American Treasury Service, gathering information regarding working norms and methods, estimating its income, making comparisons between the

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OUTGOING CABLEGRAM RM/R Department of State 02087

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SENT TO — RIO DE JANEIRO AIDTO 520

732.13
832.11

DO NOT TYPE IN THIS SPACE
PAGE 1 OF PAGES 2

SUBJECT — Finance Ministry Officers Training: Internal Revenue

REFERENCE — (a) AMEMB 2299; (b) AIDTO 497; (c) AMEMB Disp. A-410; (d) AIDTO A-487

3-24-62

JOINT STATE DEPT.--AID MESSAGE

Reference (b) sent prior receipt reference (c). Reference (c) now changes objectives. Original program based law enforcement aspects, now apparently expanded include tax administration, tax inspection, tax/smuggling, law enforcement, tax records. Delay in providing AID/W full scope, names hampered program arrangements. View high level participants 6 weeks Enforcement Law/Criminal Investigation Course not repeat not practical. AID/W/Treasury can modify program but difficult now view reference (c). Would increase costs $10,000 additional for tax consultant services, even if no interpreter required view English requirements and makeshift discussions high officials. Strongly recommend: (1) Send three Junior Tax Enforcement Officers straight law enforcement course reference (d) in lieu Senior Officials. (2) Defer Senior Officials reference (a) for immediate review entire Ministry request with Pub.Admin/Pub.Safety USAID/Rio de Janeiro toward

Out - AIDTO 520

732.13/42862

XR 832.11

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
Daniel Van Buskirk	RDThurston/ST/ITD LMShea/PAB/ITD:mdc 4/1/62	ST/ITD	3036	4/1/62

AID AND OTHER CLEARANCES
JGStockard, PAB/ITD
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ORIGINATION: ARA-4

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OSD 12	USIA	NSA 3
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DEPARTMENT OF STATE

AIRGRAM

832.25/8-2162
XR-832.11
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A-219 NO. | UNCLASSIFIED | AIR POUCH HANDLING INDICATOR

TO : DEPARTMENT OF STATE

AUG 27 AM 8 06

ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: August 21, 1962

SUBJECT : Evaluation of Mineral Products and Taxes for 1962 -INR INT

REF : Emb. Desps. nos. 992, May 5 & 70, July 27, 1961

FOR U.S. BUREAU OF MINES

There is given below a translation of Circular No. 53 of June 29, 1962 which was published in the "Diário Oficial" of July 10, 1962, and issued by the Director of Internal Revenue, regarding the assessment of the 8% tax prescribed by the Mining Code on all Brazilian mineral commodities.

"DIRECTORATE OF INTERNAL REVENUE
Circular No. 53 of June 29,1962

The Director of Internal Revenue of the National Treasury, using the powers conferred upon him by paragraph 3 of Article 68 of Decree-law No. 1.985 of January 29, 1940 (Mining Code), altered by Decree-law No. 5.247 of February 12, 1943, and in view of the opinion given by the National Department of Mineral Production of the Ministry of Mines and Energy on document entered in this Ministry under No. 6.837-62,

Resolves to adopt for the year 1962, the 1961 mineral schedule which will become effective as of July 1st, the corresponding values to be increased by 10%.

Augusto Lins e Silva Filho
Director"

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FORM DS-323 4-62

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Drafted by: ECON:ALRansome:dh

Contents and Classification Approved by: Robert Eskens

Clearances:

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A copy of the Portuguese text of Circular No. 53 is attached.

It will be noted that the same schedule issued for the year 1961 and forwarded to the Department as enclosures to Despatches Nos. 992 of May 5, 1961 and 70 of July 27, 1961, continues in effect for 1962, with a 10% increase on all unit values.

For the Ambassador:

Alfred L. Ransome

Alfred L. Ransome
Minerals Attaché

Enclosure:
Copy of Portuguese text
of Circular No. 53 of
June 29, 1962.

0772

ORIGINATING OFFICE: ARA-4

DEPARTMENT OF STATE

AIRGRAM

832.10/9-1462
XR 832.11
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A-327 — OFFICIAL USE ONLY — HANDLING INDICATOR

TO : DEPARTMENT OF STATE

FROM : AmEmbassy RIO DE JANEIRO DATE: September 14, 1962

SUBJECT: REQUEST FOR DELEGATION OF POWERS IN THE FISCAL FIELD.

REF :

There is transmitted herewith a free translation of draft Legislative Decree Law No. 152 covering the subject of public finance, for which a delegation of powers was requested by Prime Minister Brochado da Rocha, on August 11.

While this subject has been scheduled for consideration during the Chamber's current "concentrated effort" session (September 10-15), the Chamber is unlikely to do so in view of the prevailing political crisis, including the resignation of Brochado da Rocha's Cabinet. It has in any case been apparent that the Chamber was neither politically nor juridically prepared to grant that part of the draft decree referring to changes in taxation. (See Embassy's A-271 of September 4, 1962).

For the Ambassador,
Ralph V. Korp
Financial Attaché

Encl: As stated.
(Unclassified)

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FORM DS-323 4-62

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Drafted by: RVKorp/WBlomeyer:anc

Clearances: Robert Eakens

Contents and Classification Approved by:

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Rio de Janeiro
A-327
Encl. 1

UNCLASSIFIED

INFORMAL TRANSLATION
SOURCE:- Diário Oficial, August 11, 1962.

DRAFT OF LEGISLATIVE DECREE LAW No.152,
OF 1962

(from the President of the Council of Ministers)

Delegates the Executive With the Necessary Powers to Establish Norms for Budgetary and Tax Policies, by Revising and Making Innovations in the Current Legislation, Setting the Limits and Conditions of the Delegation.

The National Congress decrees:-

Article 1. Powers are hereby delegated to the Executive Power on the basis of the sole paragraph of Article 22 of the Additional Act and as set forth in the sole paragraph of Article 10 and in Articles 30 and 31 of the Complementary Law to this same Act, dated July 17, 1962, to legislate on:-

I - Instruments of budgetary policy, within the following limits and conditions:-

1. The establishment of general regulations for budget and public accounting, as outlined by the substitute bill submitted in 1956 to Senate Bill No. 38 of 1952;

2. The revision of Federal laws setting forth the budgetary and accounting procedures, in order to adjust them to the preceding item;

3. The creation of special regulations for the organization and execution of the Federal budget, so as to assure the efficient use of resources.

II - Special funds, within the following limits and conditions:-

1. To increase the consumption tax share earmarked to the Federal Electrification Fund, with the medianization of the tax collection procedure;-

2) to alter the term of duration of the income surtax destined for the Fund of Economic Reequipment; the basis for calculating it (the surtax) being readjusted;

3) to create a National Mining Fund, intended for the financing of mineral resources exploitation and research programs to

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INCOMING TELEGRAM *Department of State*

ACTION COPY
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Action
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Control: 13091
Rec'd: October 17, 1962
10:31 a.m.

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FROM: Rio de Janeiro

ACTION: CSTB
INFO:
RM/R FILES

TO: Secretary of State

NO: 857, October 16, 9 p.m.

ACTION DEPARTMENT 857, INFORMATION MEXICO CITY 21

MEXICO CITY FOR HERBERT MAY

EMBTEL 831

I saw Calmon October 15, accompanied by Draper, Costanzo and Korp. Main items:

1. Calmon not going to Mexico City due physicians objection attitude. Said not clear who will replace. Mentioned Cleso Furtado as possibility.

2. Finance Minister indicated description stabilization program as published (reference telegram) accurate reflection targets he felt realizable without foreign aid. External assistance could obviously help accelerate reducing inflation but not included program because, (a) could not count on such aid, and (b) did not wish suggest to public efforts foreseen in program might not be necessary if aid obtained. Said targets with aid component would be different but indicated on such presentation yet prepared.

3. Believes foreign exchange position just about manageable until end year. Deficit about $80 million (apparently excluding any net repayment arrears) could be covered mainly by shipment $70 million free gold for pledging against new bank plans. Said had told Goulart could not see how operate beyond end November. Reported attitude New York banks unfavorable renew present credit lines $27.5 million which repayable deceiter).

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

GPO 930 900

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Shields 12/17

Mr. Bastian Get ours ongoing on this & see what can

If we have not yet received, should we ask Embassy what we can expect?

The check with Hurd I prefer wait modest period if appropriate RB

Inco Str Reading HRW

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr Cable DATE: 12-1-17

FROM : Tax reform bill.

SUBJECT: Is there a concise statement what approved bill provided in 1) new taxes 2) unapproved tax administration?

We have not received analysis from Embassy as yet. R.C.

Word analysis subsequently received and sent Mr. Wolfman RB

FW 832.111-2762

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(Drafting Office and Officer)

DEPARTMENT OF STATE

Memorandum of Conversation

~~RS~~
~~RC~~
~~RB~~

(55)

DATE: 11/27/62

SUBJECT: Pending Brazilian legislation on profits remittances and taxes; IT&T case.

PARTICIPANTS: ARA - Mr. Martin
Roberto de Oliveira Campos, Brazilian Ambassador to U.S.
RPA - Mr. Allen
EST/B - Mr. Shields

COPIES TO: ARA - Mr. May
REA - Mr. Turnage
U/IB - Mr. Robbins
L - Mr. Chayes
AA/LA - Mr. Rogers
EST/B - (2)
Amembassy, Rio de Janeiro

Mr. Martin stated that he wanted to take advantage of Ambassador Campos' presence to raise a separate matter. According to information just received from Ambassador Gordon, Dantas is now pessimistic as to the passage of the Krieger bill (which would revise some of the provisions of the Remittance of Profits Law,) and is apparently thinking of falling back on another course of action which he thinks would be just as good. This, Mr. Martin stated, could be a very serious matter. Ambassador Campos stated he had sent Dantas a list of a number of steps which should be taken to eliminate friction and that among these steps was passage of the Krieger bill. Mr. Martin remarked that President Goulart had indicated that he was strongly in favor of the Kreiger bill and would support it vigorously. We did not know actually to what extent the President had supported and fought for it, but Ambassador Gordon planned to see the President again this week, before his return.

The subject of the pending tax bill came up, and Ambassador Campos noted that some opposition (but he thought not serious) to this bill had developed in some quarters on the ground that it promoted "statism".

(2) There followed some discussion on the matter of payment for expropriated properties of the IT&T. Ambassador Campos pointed out that American and Foreign Power, which has much larger investments than IT&T, had accepted the idea of a down payment, plus other payments in installments. If now IT&T will not accept that, this would complicate the matter. The Ambassador suggested that it might be possible to sell the idea of separating the two sets of properties in Parana and Rio Grande do Sul and treat them separately.

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FORM DS-1254
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INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

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Action

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Rec'd: NOVEMBER 29, 1962
11:39 AM

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FROM: RIO DE JANEIRO

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TO: Secretary of State

NO: 1050, NOVEMBER 29

SENATE YESTERDAY PASSED CHAMBER VERSION TAX BILL INCREASING INCOME AND CONSUMPTION TAXES, AS WELL AS MODIFYING FEDERAL ELECTRIFICATION FUND AND AUTHORIZING SPECIAL CREDIT FINANCE GETULIO VARGAS FOUNDATION STUDY TAX COLLECTION SYSTEM, AND COMPLETE REVISION TAX CODE.

IN SPITE NUMEROUS CHAMBER AMENDMENTS, BILL AS PASSED APPEARS TO BE ALONG LINE CALMON PROPOSALS IN ALL ESSENTIAL ASPECTS. THESE AMENDMENTS NOW UNDER STUDY AND EMBASSY WILL SEND ANALYZIS AND TRANSLATION TEXT SOONEST.

GORDON

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ORIGIN/ACTION

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DEPARTMENT OF STATE

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832.11/12-1162
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A-678 NO. | OFFICIAL USE ONLY | XR-832.11/2 HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1962 DEC 15 AM 9 04

INTER-AMERICAN AFFAIRS
DEC 17 1962
RECORDS ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy, RIO DE JANEIRO DATE: December 11, 1962

SUBJECT : CONGRESS APPROVES TAX INCREASE AND ALTERS ELECTRIFICATION FUND.

REF : CERP D-12; Embdes-1114, June 9, 1961.

Gibb no action
AGR/FSN/RB
RJ Baxter
1/4/63

Enclosure withdrawn per AGR/FSN 1/4/63

am 832.4

On November 28, one day before passage of the budget law, Congress completed action on a four-part tax increase and sent the bill to the President who has vetoed certain points, the important ones being discussed in this airgram.

The Congress will have a chance to act on these vetoes before the bill becomes final. The following report is a summary of the highlights of the measure as it stands now pending any possible further congressional action on the vetoes. A translation of the official text plus whatever additional comments are necessary will be transmitted at a later date. Six (6) copies of the bill, in Portuguese, as published in the Diário Official, are transmitted herewith.

In summary, the new tax law as passed by the Congress raises the tax rates applicable to the complementary progressive tax on income, broadens the use of the withholding tax, institutes a tighter collection procedure on bearer share income, raises certain consumption tax rates, provides for an eventual re-organization of the entire tax system and substantially raises the single tax on electric power consumption, at the same time paving the way for a considerable expansion of the powers of Eletrobras. Details are as follows:

As the enclosed table (Encl.1) comparing present and new rates indicates, tax rates to be applied under the progressive

Encls.: As stated.

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FORM DS-323 4-62

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Drafted by: JKrizay:anc | Contents and Classification Approved by: Robert Eakens

Clearances: RVKorp RVP

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tax schedule have been upped substantially in the lower and middle income tax brackets. Thus, in the lowest bracket - taxable annual income between 24 to 30 times the highest monthly minimum wage - the tax rate was increased from 1% to 3% for an increase of 300%. The tax rate in the middle bracket - 250 to 260 times the highest monthly minimum wage - was increased from 26 to 40% so that taxable income over Cr$ 3,360,000 per annum (about $4,800 at the cambio exchange rate of 700 to 1) will be taxed at 40% upwards. The top bracket- over 800 times the highest minimum monthly wage - was increased from 60 to 65%.

The basic deduction procedure was left the same except that the highest monthly minimum wage to apply under the new law will be that in effect during the income year. Previously the highest minimum wage rate in the payment year applied. This is particularly important for 1963 since the new minimum wage increase will not take effect until January 1963.

The new tax law relatively increases the burden of the lower brackets also in the broader application of the withholding tax. Previously, taxes were withheld only on monthly incomes up to 4 times the highest minimum wage. Now, for incomes of wage earners in excess of that amount, including those of all government employees, tax will be withheld at the rate of 2% of gross income or 5% of net income after schedular deductions, at the option of the wage earner. This means that the wage earning group will be paying ~~it~~ ~~taxak~~ a large percentage of its income taxes in the income year whereas other income earners will continue to pay their taxes in the following year after inflation has further depreciated the currency.

As to the bearer share issue, it will be recalled that under the present law 28% of bearer share income is withheld at the source. With no identification requirements, the recipient of bearer share income whose total taxable income fell into tax brackets higher than 28% found it easy to evade the additional tax. It is believed that many corporation directors, among others, took large parts of their salaries in this form with evasion in mind. To partially plug this gaping loophole, the new law gives the bearer share holder the option of being identified as owner of the bearer share, in which case the withholding rate remains at 28%; or of remaining anonymous in which case the tax withheld is raised to 42%.

One change in the income tax law which may arouse some complaint from foreign investors is the elimination of the exemption of the withholding tax on re-invested income of branches of foreign firms. Under the present tax law, income of branches of foreign firms are subject to a 25% withholding tax except that such income re-invested

0780

in industrial equipment in Brazil is exempt from the tax. This exemption is revoked in the new law and a 15% withholding tax is applied on re-invested earnings. Income not re-invested will continue to be subject to a 25% withholding tax. Foreign subsidiaries are not affected by the change.

A change which may have a restrictive effect on the development of a money market and ~~xxxx~~ which has been publicly criticized by Dr. Bulhões, Director of SUMOC, concerns the application of a flat 15% withholding tax on the discounts of marketed paper. For example, a ~~Cr$ 100,000 six month exchange letter bearing 7%~~ interest which is now marketed at a discount of 15% of face value or 2 1/2% per month will have a 15% withholding tax applied to the Cr$ 15,000 discount. The relative supply-demand elasticity factors involved make it likely that the borrower (seller of the paper) would have to absorb the additional charge thereby, in effect, increasing the amount of interest he would have to pay. In the example cited above, the cost of borrowing would be increased from 18% (15% discount plus 1/2 year's interest) to 20.25%. One argument against the tax is that the discount does not constitute real income but merely covers the anticipated currency depreciation during the period. (In many periods the amount of real yield on such paper has actually been less than the rate of inflation). The SUMOC argument is that the tax will distort interest charges and slow down the development of the money market which it had hoped to foster as a useful tool in the exercise of monetary policy.

As to the consumption tax, the only fundamental changes involved the conversion of a number of flat rate taxes to an *ad valorem* basis particularly with respect to those taxes applied to alcoholic beverages (with the exception of beer). In these cases, however, the *ad valorem* tax rates recommended by the government were reduced with the proviso that they be raised further in 1964. Taxes rates on luxury items in general were raised while those applying to basic necessities were left untouched or, in many cases, untaxed.

The third part of the package, actually the third of 4 separate laws, deals with the procedure for refunding tax payments - speeding up this process- and provides for an eventual reorganization of the entire tax system. To that end, a special credit of Cr$3 billion is provided for, to be spent over a three-year period in carrying out the reorganization and concomitant studies. The study will be carried out by the Getulio Vargas Foundation which hopes to contract for the services of tax experts from various advanced countries.

The bill concerning the reorganization of the tax system passed the Congress with a provision revoking Article 48 of the Accounting

0781

Code under which the Executive, in certain circumstances, may make expenditures beyond amounts appropriated. This provision, however, has been vetoed by the President and it does not appear likely that this expenditure loophole will be plugged up at this time. (♀)

The fourth and last law deals with the Federal Electrification Fund and the single tax on electrical energy consumption. Basically, it provides for a very large increase in the single tax which is now 10 to 20 centavos per kilowatt hour to 10 to 40% of the "tarifa fiscal". (The "tarifa fiscal" is defined as the value of electrical energy consumed in the country in a given month divided by the corresponding number of kilowatt hours consumed during the same month). These funds are to be distributed among federal, state and municipal entities much as under the previous law except that there are certain incentives provided to encourage states to develop electrification plans and apply an equal amount of their own funds. Thus states not having plans, receive their quotas in Eletrobras shares whereas those having plans receive their quotas in money with disbursement to be made according to the states' investment schedule to be worked out in collaboration with Eletrobras.

Aside from the above described provisions, which in themselves amplify the power of Eletrobras, the new law contains some rather disturbing provisions. One of these concerns the expansion of operations of private power concessionaires. Under the provisions of this law, the concessionaire may charge the consumer for any new hook-up of over 90 kw-hr per month, up to 30 times the anticipated monthly bill. The customer, in return, will receive non-voting shares in Eletrobras based on its future increase in social capital. The value of these shares, in turn, will constitute an Eletrobras subscription in future increases in the social capital of the private concessionaire, denominated in nominative voting shares. Thus, in effect, the private consumer will be financing the purchase of the private distributor by Eletrobras.(♀♀)

It was in regard to this provision that the President vetoed an item of substantial significance. The vetoed item, according to all press accounts of the bill as passed by Congress, would have given the consumer in such cases the alternative of taking his deposit in nominative shares in the private firm. Thus, again, the Administration opted in favor of the state-owned enterprise.

To contribute still further to the resources of Eletrobras, there is another provision in the new law which will require all

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(♀) In any case, far more important is Article 46 of the Accounting Code which specifically exempts personnel costs, transportation and communications expenses and earmarked expenditures from appropriation ceilings imposed by the Congress.

(♀♀) Presumably only way private firm can obtain Eletrobras bonds for delivery to consumer is by delivery own bonds to Eletrobras.

0782

electrical energy consumers beginning 1964 and for 5 years thereafter, to purchase Eletrobras bonds in amounts equal to 15% (20% after the first year) of the value of their power bills. The bonds will pay 12% interest and will be redeemable in 10 years. If the present rate of inflation should continue, the bonds would have little value in 10 years and their purchase would really amount to an additional power consumption tax.

Finally, the new law sets up a fund, consisting of 5% of the total Electrification Fund, to be used in achieving the goal of a unified national power rate. Thus, inefficient power producers will be subsidized out of the Fund to bring their rates down to the "tarifa fiscal", a scheme which will lead not only to a distorted use of power output but to an inefficient allocation of other productive factors as well.

SUMMARY

The tax package will bring an additional Cr$ 112 billion including about Cr$ 17 billion in the form of the single tax on electrical energy which under the new law brings with it a corresponding increase in expenditures. The additional revenue applicable to the deficit, therefore, amounts to about Cr$ 95 billions. This calculation, however, is made in terms of current prices and will probably amount to Cr$ 30 or 40 billion more than now estimated. The effects of this tax increase on the budget deficit will be discussed in a separate despatch. Suffice it to say here that it does not appear that it will be decisive.

As to the merits of the new tax provisions, it should be said that there has been a lot of complaint on the part of the business community arguing that private initiative will be stifled because of the clamp-down on bearer shares, the tax on desagios (commercial paper discounts) and increases in consumption taxes. It is doubtful that these arguments have much validity insofar as the income and consumption tax laws are concerned. As pointed out above, the heaviest burden in terms of ability to pay falls on the wage earner and he has not yet voiced any complaints nor have any groups championed his cause.

The increase in the single tax on electrical energy, on the other hand, clearly and directly does affect the private sector and seems to portend the eventual take over of electrical power production and distribution by Eletrobras - this, in spite of the fact that the late Gabriel Passos (former Minister of Mines and Energy) said less than a year ago that Eletrobras was not intended to be a federal power monopoly but only an agency which would inspect and control the electrical energy system (like our FUC).

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The most encouraging feature of the tax bill package is the provision for a complete study and revamping of the tax system and the subsequent choice of the highly respected Getulio Vargas Foundation as the organization to carry out the study. The Foundation can be relied on to do a conscientious job the results of which could provide a rational basis for modernizing both the tax code and the tax administration - both long overdue.

For the Chargé d'Affaires a.i.:

John Krizay
Second Secretary of Embassy

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RiO A-678

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Encl. 1

COMPARISON OF PRESENT AND NEW PROGRESSIVE INCOME TAX RATES

(Thousands of Cruzeiros per year)

Monthly Min.Wage Reference	Tax Bracket at present Min. Wage	Present	1963
up to 24 times	up to 322 per year	exempt	exempt
24 to 30 times	322 to 403	1%	3%
30 to 45 times	403 to 604	3%	5%
45 to 60 times	604 to 806	5%	8%
60 to 75 times	806 to 1,008	7%	12%
75 to 90 times	1,008 to 1,209	9%	16%
90 to 120 times	1,209 to 1,612	12%	20%
120 to 150 times	1,612 to 2,016	15%	25%
150 to 180 times	2,016 to 2,519	18%	30%
180 to 220 times	2,519 to 2,957	22%	35%
220 to 250 times	2,957 to 3,360	26%	35%
250 to 260 times	3,360 to 3,494	26%	40%
260 to 300 times	3,494 to 4,032	30%	40%
300 to 350 times	4,032 to 4,704	35%	40%
350 to 400 times	4,704 to 5,376	40%	45%
400 to 450 times	5,376 to 6,048	45%	45%
450 to 500 times	6,048 to 6,720	45%	51%
500 to 600 times	6,720 to 8,064	50%	51%
600 to 800 times	8,064 to 10,752	55%	57%
over 800	over 10,752	60%	65%

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RM/R

DEPARTMENT OF STATE
DIVISION OF LANGUAGE SERVICES

(TRANSLATION)

LS NO. 5916
T3/R-XV
Portuguese

DC/125/922.8(22)(42)

832.111/9-2260

The Ministry of Foreign Relations presents its compliments to the Embassy of the United States of America and has the honor to acknowledge receipt of its note verbale No. 13 dated the 12th of this month, requesting confirmation of the exemption of the property purchased by the Government of the United States from the real estate and urban property taxes.

2. In reply, the Ministry of Foreign Relations informs the Embassy of the United States of America that, pursuant to the principle of reciprocity, the real property owned by the Government of the United States in Brazil is exempt from the above-mentioned taxes.

Rio de Janeiro, September 22, 1960

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AIR POUCH
PRIORITY

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(Security Classification)

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832.112/1-2160

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 743

TO : THE DEPARTMENT OF STATE, WASHINGTON January 21, 1960

JAN 27 1960

REF : CERP, Section D, V, A-1, April 3, 1957 Enclosures

For Dept. Use Only	ACTION	DEPT. INFO OTHER
REC'D 1/25	ARA	R4/R-2 REP-1, IRS-5 C-7 ICA-1/ LR-1 CUM-6 CIA-10 FRB-3 TR-3 XMB

SUBJECT: Regulations of the Income Tax and the Additional Tax on Company Profits and Amendment of Regulations of the Consumption Tax.

Enclosed are six copies of a supplement of the Diario Oficial containing the regulations of the income tax and one copy each of regulations of the additional tax on company profits and of amendments to the consumption tax regulations. Translations of these regulations will be forwarded when available.

For the Ambassador:

R. G. Walker
Finance Officer

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosures:
1 - 6 copies of supplement of Diario Oficial, Dec. 15, 1959.
2 - Copy of Portuguese text of Decree 47,529 of Dec. 28, 1959.
3 - Copy of Portuguese text of Decree 47,450 of Dec. 18, 1959.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 27 1960

RGWalker/mwc
REPORTER

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ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

This Document must be Returned to the RMR Central Files

832.112/1-2160

EMW

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SOURCE: Diário Oficial - Dezembro 28, 1959.

Decreto Nº 47.529 - De 28 de dezembro de 1959.

Regula a tributação adicional das pessôas jurídicas sôbre os lucros em relação ao capital social e às reservas, de acôrdo com as disposições da Lei nº 2.862, de 4 de setembro de 1956, modificadas pela Lei nº 3.470 de 28 de novembro de 1958.

O Presidente da República, usando atribuição em que lhe confere o art. 87 nº I, da Constituição e tendo em vista as alterações introduzidas pela Lei nº 3.470, de 28 de novembro de 1958, na legislação que regula a tributação adicional das pessôas jurídicas, instituida pela Lei nº 2.862, de 4 de setembro de 1956, decreta:

DOS CONTRIBUINTES

Art. 1º Estarão obrigadas à apresentação da declaração de impôsto adicional de renda, as pessôas jurídicas, definidas como tal pela legislação do impôsto de renda, registradas ou não, e que no ano base tiverem lucro igual ou superior a Cr$ 300.000,000 (trezentos mil cruzeiros).

Art. 2º As pessôas jurídicas que, sujeitas à tributação pelo lucro real, não possuirem escrituração legalisada, incapaz de demonstrar referido lucro, estarão, também, obrigadas à apresentação da declaração de impôsto adicional de renda, se o lucro arbitrado na forma do art. 34, § 4º do Regulamento do Impôsto de Renda, fôr igual ou superior a Cr$ 300.000,00 (trezentos mil cruzeiros).

Art. 3º Quando ocorrer a alteração do exercício social, a pessôa jurídica deverá apresentar declaração de impôsto adicional de renda com base nos lucros verificados no período inferior ou superior a 12 (doze) mêses entre a data do balanço anterior e a do último realizado, desde que êsses lucros sejam iguais ou superiores a Cr$ 300.000,00 (trezentos mil cruzeiros).

DAS ISENÇÕES

Art. 4º Não estão obrigadas à apresentação da declaração de impôsto adicional de renda as pessôas jurídicas que tiverem no ano base lucro inferior a Cr$ 300.000,00 (trezentos mil cruzeiros) e as sociedades civis organizadas exclusivamente para prestação de serviços profissionais de médico, engenheiro, advogado, dentista, veterinário, contador, pintor, escultor, despachante e outros que se lhes possam assemelhar, previstas no art. 44 § 1º b, do Regulamento do Impôsto de Renda.

Art. 5º Ficam mantidos, para efeito do impôsto adicional de renda, as isenções e o regime especial de que tratam os arts. 28, 29 e 35 do Regulamento do Impôsto de Renda.

DAS DECLARAÇÕES

Art. 6º As declarações do impôsto adicional de renda deverão ser apresentadas até/

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até o exercício de 1960, inclusive, em fórmulas próprias, que obedecerão aos modêlos aprovados pela Divisão do Impôsto de Renda, no período de 1º de janeiro a 30 de abril de cada ano.

§1º Ficam, entretanto, obrigadas à apresentação imediata da declaração de impôsto adicional de renda, compreendendo os resultados do período em que exercerem suas atividades, as pessôas jurídicas que iniciarem transações e se extinguirem no mesmo ano, desde que referidos resultados sejam iguais ou superiores a Cr$ 300.000,00 (trezentos mil cruzeiros).

§ 2º As pessôas jurídicas que se extinguirem nos anos de 1959 e 1960, inclusive, deverão apresentar, no exercício em que se verificar a extinção, dentro do prazo de 30 (trinta) dias, contados da data em que se ultimar a liquidação, independentemente da declaração de impôsto adicional de renda do exercício a relativa aos resultados do período imediato, até a data da extinção, desde que os resultados dêsse período sejam iguais ou superiores a Cr$ 300.000,00 (trezentos mil cruzeiros).

§ 3º Quando motivos de fôrça maior, devidamente justificados perante o Chefe da repartição lançadora, impossibilitarem a entrega da declaração de impôsto adicional de renda dentro do prazo estabelecido neste artigo, poderá ser concedida, mediante requerimento, uma só prorrogação até 60 (sessenta) dias.

§ 4º Depois de 30 de abril, a declaração só será recebida se ainda não tiver sido notificado o contribuinte do início do processo de lançamento "ex-ofício".

§ 5º As pessôas jurídicas que, depois de iniciada a ação fiscal, apresentarem declaração ou requererem retificação de suas declarações de impôsto adicional de renda não se eximirão, por isso, das penalidades cabíveis.

Art. 7º As declarações de impôsto adicional de renda serão instruídas com os seguintes documentos, além dos enumerados no artigo 38 e respectivos parágrafos do Regulamento do Impôsto de Renda:

I - No caso de opção pela base do capital efetivamente aplicado, com a demonstração dos elementos que o constituem, compreendendo:

1) - capital realizado;
2) - reservas, exceptuadas as previsões;
3) - lucros não distribuídos;
4) - extratos das contas correntes dos titulares das firmas individuais ou dos sócios solidários;
5) - demonstração dos empréstimos efetuados por acionistas, por sócios quotistas ou comanditários às respectivas emprêsas, bem como por terceiros;
6) - demonstração dos empréstimos nacionais ou estrangeiros aplicados em empreendimentos de especial interêsse para a economia nacional, assim reconhecidos pelo Ministro da Fazenda.

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II - No caso de opção pela base de um triênio, com a cópia do balanço do ativo e passivo e da demonstração da conta de lucros e perdas, encerrados nos anos de 1947, 1948 e 1949, ou demonstração da receita bruta nos mesmos anos.

III - No caso de opção pela base da receita bruta, com a relação das operações de conta própria, segundo os elementos de registro das vendas realizadas durante o ano social ou civil que servir de base de impôsto e cópia dos lançamentos registrados pela firma ou sociedade em sua escrituração no mesmo ano, relativamente às importâncias recebidas como prêço de serviços prestados e às transações alheias ao objeto de negócio.

DO LANÇAMENTO "EX-OFÍCIO"

Art. 8º O lançamento "ex-ofício" terá lugar quando o contribuinte:

a) não apresentar declaração de impôsto adicional de renda;
b) deixar de atender ao pedido de esclarecimentos que lhe fôr dirigido, recusar-se a prestá-los ou não os prestar satisfatòriamente;
c) fizer declaração de impôsto adicional de renda inexata.

Art. 9º O processo de lançamento "ex-ofício" será iniciado por despacho mandando intimar o interessado, para, no praso de 20 (vinte) dias, prestar esclarecimentos, quando necessários, ou para efetuar o recolhimento de impôsto adicional de renda devido, com acréscimo da multa cabível.

§ 1º Quando a falta ou a inexatidão da declaração de impôsto adicional de renda houver sido apurada pelos agentes fiscais de impôsto de renda, em ação fiscal direta no domicílio do contribuinte, o processo será iniciado mediante auto de infração, no qual será feita ao interessado, pessoalmente, a intimação para prestar esclarecimentos.

§ 2º O processo de lançamento "ex-ofício", será apreciado pela autoridade lançadora que, se o julgar improcedente, mandará arquivá-lo; no caso contrário, autorizará o lançamento, mandando cobrar o impôsto adicional de renda com a multa cabível, de acôrdo com o artigo 145 do Regulamento do Impôsto de Renda.

Art. 10º Far-se-á o lançamento "ex-ofício" arbitrando o lucro excedente, mediante os elementos de que se dispuser, nos casos de falta de declaração, de não prestação ou recusa dos esclarecimentos, de esclarecimentos não satisfatórios e de declaração inexata.

Art. 11º Os esclarecimentos prestados só poderão ser impugnados pelos lançadores, com elemento seguro de prova, ou indício veemente de sua falsidade ou inexatidão.

DO LUCRO DO ANO BASE

Art. 12º Lucro do ano base é o lucro tributável pelo impôsto de renda, nos termos da legislação em vigôr.

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§ 1º Nos casos de empreitadas de construção de estradas e semelhantes, os resultados apurados em balanço final relative ao período da construção, na forma do artigo 56 do Regulamento do Impôsto de Renda, serão distribuídos, para os efeitos do impôsto adicional de renda, pelos anos durante os quais se executou a obra, na proporção das importâncias dos gastos correspondentes em cada um dêsses anos.

§ 2º Ocorrendo a hipótese prevista no parágrafo anterior, não prevalecerá a prescrição quinquenal estabelecida na legislação do impôsto de renda em relação aos resultados distribuídos pelos anos anteriores.

§ 3º No caso de opção pela base de capital efetivamente aplicado, o lucro de ano base definido nêste artigo será acrescido das seguintes parcelas:

a) os dividendos, lucros e demais rendimentos, oriundos de recursos investidos em outras firmas ou sociedades, se do capital efetivamente aplicado não forem deduzidos êsses mesmos recursos;
b) os rendimentos de títulos ao portador, se o contribuinte não deduzir do capital efetivamente aplicado o valôr dos respectivos títulos;
c) os juros dos empréstimos que forem computados no montante do capital efetivamente aplicado, na conformidade do disposto nas letras d, e e f do artigo 15 dêste Regulamento.

DO LUCRO BÁSICO

Art. 13º Lucro básico é o resultado da aplicação de uma das formas referidas nos parágrafos dêste artigo e que se designarão pelas três primeiras letras do alfabeto:

§ 1º Na forma "A", o lucro básico será a importância correspondente a 25% (vinte e cinco por cento) do capital efetivamente aplicado na exploração do negócio, durante o ano base.

§ 2º Quando no cálculo do capital efetivamente aplicado não fôr considerado nenhum dos elementos de que tratam as alíneas d, e e f do artigo 15 do presente regulamento, o lucro básico, na forma "A" será a importância correspondente a 30% (trinta por cento) do capital realizado, reservas (excluídas as previstas) e lucros não distribuídos.

§ 3º Na forma "B", o lucro básico será equivalente ao dôbro da média dos lucros da emprêsa tributáveis pelo impôsto de renda nos exercícios financeiros de 1948 a 1950, inclusive (anos de 1947 a 1949).

§ 4º Na forma "C", o lucro básico resultará da soma dos produtos das seguintes percentagens, calculadas sôbre a receita bruta anual definida na legislação do Impôsto de Renda:

a) 6% (seis por cento) sôbre a receita bruta até Cr$ 3.500.000,00 (três milhões e quinhentos mil cruzeiros);

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b) 5% (cinco por cento) sôbre a receita bruta compreendida entre Cr$ 3.500.000,00 (três milhões e quinhentos mil cruzeiros) e Cr$ 5.000.000,00 (cinco milhões de cruzeiros);

c) 4% (quatro por cento) sôbre a receita bruta superior a Cr$ 5.000.000,00 (cinco milhões de cruzeiros).

§ 5º Ao contribuinte caberá optar para fixação do lucro básico, na declaração de cada exercício, por qualquer das formas previstas nos parágrafos anteriores, não sendo permitida, após o lançamento, alterar a forma escolhida na declaração.

§ 6º Se ocorrerem as hipóteses previstas no artigo 2º e no parágrafo 1º do artigo 6º, o lucro básico será apurado, obrigatòriamente, pelas formas "B" ou "C" no primeiro caso e, pelas formas "A" ou "C" no outro.

DO LUCRO EXCEDENTE TRIBUTÁVEL

Art. 14º Lucro excedente tributável é a diferença positiva entre o lucro do ano base definido no art. 12 e o lucro básico apurado por qualquer das formas constantes do art. 13.

DO CAPITAL EFETIVAMENTE APLICADO

Art. 15º O capital efetivamente aplicado na exploração de negócios, compreende:

a) capital realizado;
b) reservas, excluídas as previsões;
c) lucros não distribuidos;
d) as importâncias que os titulares das firmas individuais ou socios solidários tenham mantido em poder das respectivas emprêsas, deduzidos, porém, os juros correspondentes;
e) 70% (setenta por cento) do valôr dos empréstimos efetuados por acionistas, por socios quotistas ou comanditários às respectivas emprêsas, bem como por terceiros, deduzidos, porém, os juros correspondentes;
f) o saldo devedor dos empréstimos nacionais e estrangeiros aplicados em empreendimentos de especial interêsse para a economia nacional, assim reconhecidos pelo Ministro da Fazenda, deduzidos porém, os juros correspondentes.

§ 1º As importâncias de que trata êste artigo serão computadas na razão do tempo em que tiverem permanecido na emprêsa, durante o ano base, apurando-se o saldo médio mensal de acôrdo com a escrituração.

§ 2º Para os efeitos dêste artigo, não consideradas reservas todos os fundos retidos na emprêsa e tributados pelo impôsto de renda; e previsões, os que, embora tendo permanecido em poder da emprêsa, não foram atingidos por aquêle impôsto.

§ 3º Os lucros do ano base poderão ser computados no cálculo do capital efetivamente aplicado, observado o disposto no § 1º, desde que a firma ou

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sociedade mantenha contabilidade de custo e realize balancetes mensais de modo que demonstre a formação dêsses lucros, durante o ano.

§ 4º Os lucros apurados pelas firmas ou sociedades não considerados distribuídos a partir da data do respectivo crédito aos titulares, sócios ou acionistas, ou à matriz no caso de filiais de sociedades estrangeiras.

§ 5º Equiparam-se às importâncias de que trata a letra d, os créditos da Matriz, nas filiais de sociedades estrangeiras, exceptuados os provenientes de fornecimento de mercadorias e matérias primas ou prestação de serviços.

§ 6º Serão considerados igualmente como empréstimos, para os efeitos do disposto na letra e, as importâncias mantidas em poder das respectivas emprêsas pelos diretores, acionistas, sócios quotistas ou comanditários, e empregados, inclusive os rendimentos que lhes tenham sido atribuídos.

§ 7º As parcelas referidas nas letras d e e dêste artigo sòmente serão computadas, em cada uma dessas letras, na parte que não exceder ao limite da soma do capital realizado e reservas.

§ 8º O cômputo da parcela referida na letra f, no capital efetivamente aplicado, dependerá da sua aprovação pelo Ministério da Fazenda, depois de Pleiteada pelo contribuinte em petição regular, instruída com parecer do Banco Nacional de Desenvolvimento Econômico (B.N.D.E.) ou da Superintendência da Moeda e do Crédito (SUMOC), conforme o caso, quanto à natureza do empreendimento em que tenha sido aplicado o empréstimo.

Art. 16º Do capital efetivamente aplicado serão deduzidos os saldos médios mensais, durante o ano base, dos recursos investidos em outras firmas ou sociedades, bem como em títulos ao portador, se os dividendos, lucros e demais rendimentos, oriundos dêsses mesmos recursos, não forem adicionados ao lucro do ano base.

DA TRIBUTAÇÃO

Art. 17º O impôsto adicional de renda referido nêste decreto será cobrado pela forma seguinte:

20% (vinte por cento) sôbre a parte do lucro excedente tributável, definido no art. 14, que não ultrapassar 50% (cinqüenta por cento) do lucro básico apurado por qualquer das formas constantes do art. 13;

30% (trinta por cento) sôbre a parte compreendida entre 50% (cinqüenta por cento) e 100% (cem por cento);

40% (quarenta por cento) sôbre a parte compreendida entre 100% (cem por cento) e 200% (duzentos por cento);

50% (cinqüenta por cento) sôbre o que exceder a 200% (duzentos por cento).

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Art. 18º Na hipótese do impôsto apurado reduzir o lucro do ano base a menos de Cr$ 300.000,00 (trezentos mil cruzeiros), deverá ser cobrado como impôsto adicional de renda apenas a importância que exceder a êsse limite.

Art. 19º Para execução do disposto na Lei nº 2.862, de 4 de setembro de 1956, em relação aos lucros realizados pelos representantes comerciais, sociedades de corretores, comissárias e emprêsas jornalísticas ou que explorem exclusivamente a indústria ou comércio de livros, ou ambos, poderá ser feita distinção entre lucros que resultem normalmente de capital ou de trabalho, sendo permitido aumentar até 40% (quarenta por cento) a percentagem de que trata o § 2º do artigo 13, como ainda, se fôr necessário reduzir até a metade, as taxas do impôsto estabelecido no artigo 17.

Art. 20º As indústrias de fertilizantes, celuloses, álcalis, beneficiamento de minérios, extração de óleo de babaçú e citicica e de cêra de carnaúba, beneficiamento e tecelagem de caroá, agave e fibras nativas, localizadas nas regiões Norte, Nordeste e Leste Setentrional do País ou que venham a ser instaladas nessas mesmas regiões pagarão com redução de 50% (cinqüenta por cento) o impôsto adicional de renda, estabelecido nos artigos 17 e 18.

Parágrafo Único - As novas indústrias, previstas nêste artigo, que se tenham instalado a partir da vigência da Lei nº 2.973, de 26 de novembro de 1956, ou venham ainda, a se instalar, ficarão isentos de impôsto adicional de renda referido nêste decreto, desde que não exista indústria na região, utilizando matéria prima idêntica ou similar e fabricando o mesmo produto em volume superior a 30% (trinta por cento) do consumo aparente regional, ou as existentes já se beneficiem do favor estabelecido nêste parágrafo.

DO PAGAMENTO DO IMPÔSTO

Art. 21º O impôsto adicional de renda devido pelas pessôas jurídicas poderá ser pago em 4 (quatro) quotas iguais, quando superior a Cr$ 5.000,00 (cinco mil cruzeiros), nas épocas e prazos fixados para cobrança do impôsto de renda.

§ 1º O pagamento do impôsto adicional de renda no ato da entrega da declaração, bem como nos casos de lançamento "ex-ofício", será efetuado na sua totalidade.

§ 2º Quando houver suplemento do impôsto adicional de renda, proceder-se-á à cobrança do débito de uma só vez.

§ 3º Nos casos de extinção da pessôa jurídica, o pagamento do impôsto adicional de renda deverá ser efetuado também na sua totalidade e no ato da entrega da declaração.

DOS DEPÓSITOS PARA INVESTIMENTOS

Art. 22º As pessôas jurídicas sujeitas ao pagamento do impôsto adicional de renda poderão optar na sua declaração de lucros pela constituição de "Depósitos para Investimentos" em importância igual ao impôsto devido, acrescida de 50% (cinqüenta por cento)

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(cinccenta por cento).

§ 1º Os "Depósitos para Investimentos" previstos nêste artigo serão feitos em conta especial em Banco de que a União seja proprietária ou a maior acionista, à ordem da "Comissão de Investimentos", criada pela Lei nº 3.470 de 28 de novembro de 1958, e o respectivo recibo será anexado à declaração de lucros em que fôr declarada a opção.

§ 2º A pessôa jurídica que não anexar o recibo de "Depósitos para Investimentos" no ato da entrega da declaração de lucros, não poderá exercer o direito de opção de que trata êste artigo, ficando sujeita ao pagamento de impôsto adicional de renda devido.

§ 3º A opção prevista nêste artigo não será aplicada às diferenças de impôsto adicional de renda que forem apuradas na revisão das declarações de lucros ou em virtude de ação fiscal, as quais serão cobradas por meio de lançamento, abstendo-se do impôsto total o valôr inicialmente calculado como impôsto devido.

DISPOSIÇÕES GERAIS

Art. 23º As consultas relativas ao impôsto adicional de renda e os casos previstos no artigo 19 dêste decreto serão resolvidos, em primeira instância, pelo Diretor da Divisão de Impôsto de Renda.

Art. 24º As consultas não eximirão os consulentes da apresentação, dentro do prazo regulamentar, da declaração de impôsto adicional de renda a que estiverem obrigados.

Art. 25 A declaração, o lançamento e recolhimento do impôsto adicional de renda obedecerão às disposições legais pertinentes ao impôsto de renda, adotados os modêlos próprios que forem aprovados pelo Diretor do Impôsto de Renda.

Art. 26º O julgamento das reclamações e recursos referentes ao impôsto adicional de renda seguirá o regime estabelecido para o impôsto de renda pelas leis em vigôr.

Art. 27º O Departamento Nacional da Indústria e Comércio e as Juntas Comerciais ou repartições que suas vêzes fizerem, não poderão arquivar distratos ou alterações de contratos de quaisquer sociedades, atas de assembléias gerais de sociedades por ações, nacionais ou estrangeiras, relativas à alteração de estatutos, liquidação ou dissolução, bem como dar baixa da matrícula das firmas individuais, sem prova de quitação do impôsto adicional de renda.

Art. 28º Nenhum pedido de concordata ou de rehabilitação do falido será homologado, sem a prova de quitação do impôsto adicional de renda.

Art. 29º Os leiloeiros não poderão vender, mesmo em hasta pública, estabelecimentos comerciais ou industriais, sem a prova de estar o vendedor quite com o impôsto adicional de renda.

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Art. 30º É obrigatória a prova de quitação de impôsto adicional de renda em todos os contratos com a Administração Pública Federal, Estadual ou Municipal.

Art. 31º A prova de quitação de impôsto adicional de renda será feita com certidão da repartição competente, documento êsse que só produzirá efeito no ano em que tiver sido passado.

Art. 32º A execução dos serviços relativos ao impôsto adicional de renda continua a cargo do Serviço de Lucros Extraordinários (S.L.E.), da Divisão de Impôsto de Renda, das Secções de Lucros Extraordinários (S.L.) das Delegacias Regionais do Distrito Federal e do Estado de São Paulo e das Turmas de Lucros Extraordinários (T.L.E.) das Delegacias Regionais dos demais Estados.

Parágrafo Único - Nas Delegacias Seccionais do Impôsto de Renda tais serviços competem às Turmas incumbidas dos trabalhos de impôsto de renda.

Art. 33º São extensivas ao impôsto adicional de renda de que trata êste decreto, as disposições da legislação de impôsto de renda que lhe forem aplicáveis, inclusive as que se relacionem com o capítulo das penalidades.

Art. 34º Êste decreto entrará em vigôr na data de sua publicação, revogadas as disposições em contrário.

Rio de Janeiro, em 28 de dezembro de 1959; 138º da Independência e 71º da República.

(Ass.) Juscelino Kubitschek

S. Paes de Almeida

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(Classification)

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Encl. No. 3
Desp. No. 743
From AMEMBASSY, RIO

C O P Y

Source: Diario Oficial, December 23, 1959

DECRETO No. 47,450 - de 18 de dezembro de 1959

Altera o Regulamento do Imposto de Consumo aprovado pelo Decreto no. 45,422 de 12 de fevereiro de 1959.

O Presidente da Republica, usando da atribuição que lhe confere o artigo 87, no. I, da Constituiçao e nos termos do art. 4 da Lei no. 3,520 de 30 de dezembro de 1958, e tendo em vista que o Congresso Nacional manteve os dispositivos constantes das Alteraçoes 2a, item 29, 15a., art. 1 e inciso 6 da alinea IX da Tabela "A" da citada lei, decreta:

Art. 1 - O art. 6 do Decreto no. 45,422 de 12 de fevereiro de 1959, passa a vigorar com a seguinte redaçao:

"Art. 6 - São isentos do imposto de consumo, nos termos do artigo 15, Para 1, da Constituição, os seguintes produtos considerados como o mínimo indispensavel a habitaçao, vestuaria, alimentaçao e tratamento medico das pessoas de restrita capacidade economica:

a) Quanto á habitação:

I - Telhas e tijolos de barro bruto, apenas umedecido e amassado, cozidos, não prensados;

II - Aparelhos indispensaveis á instalação sanitária em suas habitaçoes, até o preço maximo de Cr$400.00 por unidade;

III - Cal, virgem ou não, areia e barro;

IV - Fossas asseticas ou liquefatoras;

V - Fechaduras, dobradiças, ferrolhos e torneiras, até Cr$60.00 por unidade;

VI - Copos para agua até Cr$12.00 por unidade e a louça ordinaria de pó de pedra, granito ou semelhante, não decorada, assim como pratos, açucareiros, canecos de ferro esmaltado ou aluminio;

VII - Peças de talheres com cabos de ferro, madeira ou outra materia, até o preço de Cr$20.00 por unidade;

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VIII - Panelas de barro e artefatos rusticos de uso domestico fabricados de barro bruto, apenas umedecido e amassado, com ou sem vidramento de sal;

IX - Panelas de qualquer tipo, chaleiras e bules de ferro esmaltado ou aluminio, ate Cr$80.00 por unidade;

X - Cadeiras, bancos e cavaletes de preço maximo de venda no varejo, marcado pelo fabricante até Cr$240.00 por unidade;

XI - Berços para crianças, camas, mesas e sapateiras de preço maximo de venda no varejo, marcado pelo fabricante até Cr$400.00 por unidade;

XII - Carrinhos-berços, armarios, guarda-roupas, guarda-louças guarda-comidas, comodas e sofas de preço maximo de venda no varejo, marcado pelo fabricante, até Cr$1,000.00 por unidade;

b) Quanto ao vestuario:

I - Tecidos (excetuados os de lã), crus ou tintos, de uma só cor e tonalidade, lisos, sem listra, desenho ou qualquer outra fantasia, com a largura maxima de 60 cms., de preço maximo de Cr$30.00 por metro;

II - Tecidos de lã, de uma só cor e tonalidade, lisos, sem listra, desenho ou qualquer outra fantasia, de largura maxima de 80 cms. e de preço maximo de Cr$240.00 por metro;

III - Chapeus de palha ou fibra, de produção nacional, sem carneira, ferro ou guarnição;

IV - Chapeus, roupas e proteção de couro, proprios para trabalhadores;

V - Chapeus para homem, de preço maximo de venda no varejo marcado pelo fabricante, até Cr$240.00 por unidade;

VI - Calçados populares, como tal definidos no artigo 10 e de preço maximo de venda no varejo, marcado pelo fabricante não excedente a:

	Cr$
1 - Quanto aos tamancos e chinelos	80.00
2 - quanto aos sapatos e botinas para homem	400.00
3 - quanto aos sapatos para senhoras	320.00
4 - quanto aos sapatos e botinas para crianças	200.00

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VII - Camisas e outras roupas interiores para homem ou mulher, de preço maximo de venda no varejo, marcado pelo fabricante, ate Cr$240.00 por unidade;

VIII - Cuecas, de preço maximo de venda no varejo, marcado pelo fabricante, ate Cr$80.00 por unidade;

IX - Roupas (calças e paletó ou saia e casaco) prontas, de preço maximo de venda no varejo, marcado pelo fabricante:

	Cr$
1 - de algodão até	1,400.00
2 - de la, ate	2,800.00

X - Meias, de preço maximo de venda no varejo, marcado pelo fabricante, por par:

	Cr$
1 - de algodão, até	40.00
2 - de la, ate	80.00

c) Quanto á alimentação:

I - Carne verde ou fresca de qualquer animal, assim vendida ao consumidor;

II - carnes, visceras e miudos salgados, secos, salgados-secos, defumados ou cozidos - a granel, ou em caixas, caixotes, barricas, sacos e recipientes semelhantes, de capacidade superior a 15 quilos;

III - Peixes, crustaceos e moluscos, congelados, resfriados, salgados, secos, salgados-secos, defumados ou cozidos - a granel, ou em caixas, caixotes, barricas, sacos e recipientes semelhantes, para comercio por grosso;

IV - Frutas e hortaliças frescas, e leite fresco beneficiado, modificado ou nao; e leite condensado ou concentrado, em emulsao, em po ou em qualquer outro estado; e queijo e e requeijao;

V - Cereais em grão ou moidos, farinhas e semelinas; cereais em floces, escamas ou laminas, nao acondicionados em latas ou potes para venda a varejo;

VI - Linguiças, toucinho, chouriço, mercela, linguas secas ou defumadas, quando a granel;

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VII - Açucar de qualquer qualidade, exceto o refinado e o em tabletes, a glicose, maltose, lactose e outros açucares, mesmo em xarope, tributados pela Alinea I, inciso 4, da Lei no. 3,520 de 30 de dezembro de 1958 (Alinea I, inciso 6, deste Regulamento;

VIII - Chá e mate não acondicionados em latas, caixas, saquinhos ou outra embalagem, propria para venda a varejo e chocolate em pó;

IX - Doces chamados de confeitaria e os que não forem acondicionados em recipientes de metal, madeira, papelão ou qualquer outra materia;

d) Quanto ao tratamento médico:

I - Oleo de ricino em geral, agua inglesa, agua oxigenada injeçoes antiofidicas;

II - Medicamentos destinados ao combate ás verminoses, malaria, chistosomose, paralisia infantil e outras endemias de maior gravidade no pais, inclusive inseticidas e germicidas necessarios á respectiva profilaxia, segundo lista que for organizada pela Diretoria das Rendas Internas, ouvido, para esse fim o Ministerio da Saude;

III - Os aparelhos ortopedicos de qualquer materia ou tipo, importados ou produzidos no pais, destinados a reparaçae de parte de corpo humano e adquiridos pelo interessado, para seu uso, ou per entidades assistenciais devidamente registradas no Conselho Nacional de Serviço Social do Ministerio da Saude.

Art. 2 - É acrescentado ao item XI, ne. 27, de art. 8:

"as maquinas de costura, de use domestico";

Art. 3 - O inciso 1 da alinea X da Tabela "A" passa a vigorar com a seguinte redaçae:

"1 - Tubos e respectivas conexões, bem como chapas lisas ou enduladas e seus pertences, de cimento simples ou misto."

Art. 4 - Revogam-se as disposições em contrário.

Rio de Janeiro, em 18 de dezembro de 1959
138 da Independencia e 71 da Republica

Jusceline Kubitschek S. Paes de Almeida

Encl. 1 to Rio de Janeiro 743

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ESTADOS UNIDOS DO BRASIL

DIÁRIO OFICIAL

SEÇÃO I — PARTE I

DECRETO N.º 46.237 — DE 18 DE JUNHO DE 1959

SUPLEMENTO AO N.º 285 CAPITAL FEDERAL TERÇA-FEIRA, 15 DE DEZEMBRO DE 1959

DECRETO Nº 47.373 — DE 7 DE DEZEMBRO DE 1959

Aprova o Regulamento para a cobrança e fiscalização do impôsto de renda.

O Presidente da República, usando da atribuição que lhe confere o art. 87, nº I, da Constituição, e nos têrmos do art. 88, da Lei nº 3.470, de 28 de novembro de 1958, decreta:

Artigo único. Fica aprovado o Regulamento que com êste baixa, assinado pelo Ministro de Estado dos Negócios da Fazenda, para a cobrança e fiscalização do impôsto de renda.

Rio de Janeiro, em 7 de dezembro de 1959; 138º da Independência e 71º da República.

JUSCELINO KUBITSCHEK.

S. Paes de Almeida.

Regulamento a que se refere o Decreto n. 47.373, de 7 de dezembro de 1959.

TITULO I

Da arrecadação por lançamento

PARTE PRIMEIRA

TRIBUTAÇÃO DAS PESSOAS FISICAS

CAPITULO I

Dos contribuintes

Art. 1º. As pessoas físicas domiciliadas ou residentes no Brasil, que tiverem renda líquida anual superior a Cr$ 90.000,00 (noventa mil cruzeiros), apurada de acôrdo com êste regulamento, são contribuintes do impôsto de renda, sem distinção de nacionalidade, sexo, idade, estado ou profissão. (Lei nº 3.470, art. 101).

Parágrafo único. São também contribuintes as que perceberem rendimentos de bens de que tenham a posse, como se lhes pertencessem, de acôrdo com a legislação em vigor. (Decreto-lei nº 5.844, art 1º, parágrafo único)

CAPITULO II

Da classificação dos rendimentos

Art. 2º Para os fins dos impôsto, os rendimentos serão classificados em oito cédulas, que se coordenam e denominam pelas primeiras letras do alfabeto. (Lei nº 154, art. 1º)

Art. 3º. Na cédula A serão classificados os rendimentos do capital aplicado em títulos nominativos de dívidas públicas federais, estaduais ou municipais, qualquer que seja a data da emissão, salvo os que gozarem de imunidade fiscal, expressa em lei federal. (Decreto-lei nº 5.844, art. 3º).

Art. 4º Na cédula B serão classificados os seguintes rendimentos de capitais e valores mobiliários, exceto os de dívidas públicas: (Decreto-lei nº 5.844, art. 4º)

a) juros de cauções em dinheiro, para garantia de execução de contratos;

b) juros de fianças, em dinheiro, relativas ao exercício de cargos profissionais e funções públicas;

c) juros de depósitos em dinheiro, a prazo e à vista para qualquer fim, seja qual fôr o depositário;

d) juros de dívidas ou empréstimos pecuniários, sejam quais forem as formas contratuais, as garantias da operação e a natureza do título ou contrato, sem distinção quanto ao caráter civil ou comercial da convenção, inclusive os que resultarem de créditos decorrentes de sentenças judiciais;

e) juros de créditos comerciais, quando tiverem o caráter jurídico de empréstimo;

f) juros resultantes da venda de imóveis, quando o comprador ficar a dever uma parte ou a totalidade do preço;

g) saldo credor do balanço de juros em conta corrente.

§ 1º. Os juros de que trata a letra *d*, quando dissimulados no contrato, serão fixados pela autoridade lançadora, observadas a taxa usual e a natureza do título ou contrato. (Decreto-lei nº 5.844, art. 4º, § 1º)

§ 2º. O disposto no parágrafo anterior será aplicado sempre que, intimado a informar os juros de dívidas ou empréstimos, o credor deixar de fazê-lo ou declarar juros menores do que os percebidos. (Decreto-lei nº 5.844, art. 4º, § 2º)

§ 3º. Os juros de quaisquer outros créditos, inclusive os de transações a prazo, civis ou comerciais, mesmo havendo sub-rogação, e os de dívidas resultantes da prestação de serviços, serão classificados nas cédulas em que couberem. (Decreto-lei número 5.844, art. 4º, § 3º)

§ 4º. Os juros de que trata o § 3º, no caso de novação que converta o crédito ou dívida inicial em empréstimo serão classificados na cédula B. (Decreto-lei nº 5.844, art. 4º, § 4º)

§ 5º. Serão também classificados na cédula B: (Decreto-lei nº 5.844, art. 4º, § 5º)

a) as dotações, doações, anuidades e quaisquer outros lucros que ultrapassarem a importância da apólice de seguro;

b) a diferença a maior entre os valores da emissão ou negociação e os de reembôlso ou resgate das ações;

c) os lucros nas operações de desconto;

d) os lucros nas operações de "report".

§ 6º. Os rendimentos dos títulos adquiridos entre duas épocas de vencimento de juros, com a condição de o comprador pagar ao vendedor os juros respectivos até a data da venda, serão computados proporcionalmente no rendimento bruto de ambos. (Decreto-lei nº 5.844, art. 4º, § 6º)

Art. 5º Ressalvado o disposto no § 1º, *b*, do art. 63, serão classificados na cédula C os rendimentos do trabalho provenientes do exercício de empregos, cargos e funções, tais como vencimentos, soldos, ajudas, ordenados, salários, percentagens, comissões, gratificações, diárias, ajudas de custo, representações e quaisquer proventos ou vantagens pagos, sob qualquer título e forma contratual, pelos cofres públicos federais, estaduais ou municipais pelas entidades autárquicas, paraestatais e de economia mista, pelas firmas e sociedades ou por particulares. (Lei nº 2.354, art. 10)

§ 1º. Serão também classificados na cédula C:

I — as remunerações relativas à prestação de serviços pessoais: (Decreto-lei nº 5.844, art. 5º, § 1º, I)

a) caixeiros-viajantes;

b) conselheiros fiscais e de administração;

c) diretores de sociedades anônimas, civis ou de qualquer espécie;

d) negociantes em firma individual ou sócios de sociedades comerciais e industriais, quando tais remunerações forem representadas por importância mensal fixa e levadas a despesas gerais ou contas subsidiárias, na contabilidade da firma ou sociedade;

II — as importâncias recebidas a título de meio-sôldo, pensão militar ou de qualquer outra natureza; (Decreto-lei nº 5.844, art 5º, § 1º, II, e Lei nº 3.470, art. 88).

III — as importâncias brutas recebidas a título de quotas-partes de multas; (Lei nº 2.354, arts. 10 e 41, 3, § 1º)

§ 2º. No caso da alínea *b* do inciso I do parágrafo anterior, serão computadas como lucro as quantias excedentes a 20% (vinte por cento) do capital social realizado ou a ..... Cr$ 60 000,00 (sessenta mil cruzeiros) anuais para cada um dos conselheiros fiscais e de administração de sociedades anônimas, civis ou de qualquer espécie. (Lei nº 154, art. 1º)

§ 3º. O valor da remuneração de que tratam as alíneas *c* e *d* do inciso I do § 1º não poderá ultrapassar a quatro (4) vêzes o salário mínimo mensal de maior valor no país, até o número de três (3) beneficiários e, para os demais, a três (3) vêzes esse salário. (Lei nº 3.470, art. 42)

§ 4º. A remuneração mensal da totalidade dos diretores e dos sócios das pessoas jurídicas não poderá ultrapassar a vinte e oito (28) vêzes o referido salário mínimo mensal (Lei nº 3.470, art. 42, § 2º)

§ 5º. As importâncias recebidas pelos empregados a título de gratificação, seja qual fôr a designação que tiverem, não poderão exceder o equivalente a três (3) vêzes o valor do maior salário mínimo anual vigente no país para cada um dos beneficiários. (Lei nº 3.470, art. 43)

§ 6º. Os limites máximos de remuneração mensal de que tratam os §§ 3º e 4º dêste artigo, serão reajustados, segundo o capital realizado da firma ou sociedade, para: (Lei nº 3.470, art. 42, § 3º)

I — 50% (cinqüenta por cento), quando o capital realizado não exceder a Cr$ 2.000.000,00 (dois milhões de cruzeiros);

II — 60% (sessenta por cento), quando o capital realizado fôr superior a Cr$ 2.000.000,00 (dois milhões de cruzeiros) e não ultrapassar de Cr$ 3.000.000,00 (três milhões de cruzeiros);

III — 80% (oitenta por cento), quando o capital realizado fôr superior a Cr$ 3.000.000,00 (três milhões de cruzeiros) e não ultrapassar de Cr$ 5 000 000,00 (cinco milhões de cruzeiros);

§ 7º. A restrição de que trata o § 6º dêste artigo não se aplica às firmas ou sociedades cuja receita bruta seja constituída, em mais de 80% (oitenta por cento), de rendimentos oriundos de serviços profissionais ou de assistência técnica administrativa. (Lei nº 3.470, art. 42, § 4º)

§ 8º. As quantias excedentes aos limites fixados nos §§ 2º, 3º, 4º 5º e 6º dêste artigo serão tributadas como lucro, em poder das firmas ou sociedades. (Decreto-lei nº 5.844, art. 5º, § 5º, Lei nº 154, art. 1º, e Lei nº 3.470, arts. 42 e 43).

§ 9º. Para os fins previstos nos §§ 3º, 4º e 5º dêste artigo, será considerado o salário mínimo vigorante no ano correspondente à base do impôsto.

§ 10. Nos casos em que o contribuinte perceber rendimentos em importâncias variáveis, além de remuneração fixa, prevalecerá o sistema de arrecadação na fonte quanto à totalidade dêsses proventos, observado o limite máximo de Cr$ 15.000,00 (quinze mil cruzeiros) mensais, estabelecido para efeito do desconto (Lei nº 2.582, art. 30, §§ 3º e 4º, e Lei nº 3.470, art. 40)

§ 11. Para os efeitos do disposto nos §§ 3º e 4º dêste artigo, equipara-se a diretor de sociedade anônima o representante no Brasil de firmas ou sociedades estrangeiras autorizadas a funcionar no território nacional. (Lei nº 3.470, art. 45).

Art. 6º. Na cédula D serão classificados os rendimentos do trabalho não compreendidos na cédula anterior, tais como:

a) honorários do livre exercício das profissões de médico, engenheiro, advogado, dentista, veterinário, contador e de outras que se lhes possam assemelhar; (Lei nº 154, art. 1º)

b) proventos de profissões, ocupações e prestação de serviços não comerciais; (Decreto-lei nº 5.844, art. 6º, b)

c) remunerações dos agentes, representantes e outras pessoas que, tomando parte em atos de comércio, não os pratiquem, todavia, por conta própria; (Decreto-lei nº 3 244, artigo 8º, c)

d) emolumentos e custas dos serventuários de justiça, como tabeliães, notários, oficiais públicos e outros, quando não forem remunerados exclusivamente pelos cofres públicos; (Decreto-lei nº 5.844, art. 6º, d)

e) corretagens e comissões dos corretores, leiloeiros e despachantes seus prepostos e adjuntos; (Decreto-lei nº 5.844, art. 6º, e)

f) lucros da exploração individual de contratos de empreitada unicamente de lavor, qualquer que seja a natureza, quer se trate de trabalhos arquitetônicos, topográficos, terraplenagem, construções de alvenaria e outras congêneres, quer de serviços de utilidade pública, tanto de estudos como de construções; (Decreto-lei nº 5.844, art. 6º, f)

g) ganhos da exploração de patentes de invenção, processos ou fórmulas de fabricação, quando o possuidor auferir lucros sem as explorar diretamente. (Lei nº 154, art. 1º)

Parágrafo único. Será também classificado na cédula D o produto da alienação, a qualquer título, de patentes de invenção, processos ou fórmulas de fabricação. (Lei nº 3.470, art. 75)

Art. 7º. Na cédula E serão classificados os rendimentos de capitais imobiliários, tais como aluguel, aforamento e arrendamento de propriedades imóveis, inclusive pastos naturais ou artificiais e campos de invernada, ressalvado o disposto no § 1º do artigo 10. (Decreto-lei nº 5.844, art. 7º, e Lei nº 154, art. 12, § 1º)

Parágrafo único. Serão também classificados na cédula E: (Decreto-lei nº 5 844, art. 7º, parágrafo único)

a) os juros resultantes da demora no pagamento de aluguéis, aforamento e arrendamento;

b) o valor locativo do prédio urbano construído, quando cedido seu uso gratuitamente.

Art. 8º. Na cédula F serão classificados os rendimentos sujeitos à tributação como lucros das pessoas jurídicas, a saber:

a) os lucros, computando-se o lucro presumido ou arbitrado, quando não fôr apurado o real; (Lei nº 154, art. 1º)

b) as retiradas não escrituradas em despesas gerais ou contas subsidiárias e as que, mesmo escrituradas nessas contas, não corresponderem à remuneração de serviços prestados às firmas ou sociedades e, ainda, as quantias excedentes aos limites fixados nos §§ 2º, 3º, 4º, 5º e 6º do artigo 5º, (Decreto-lei nº 5.844, art. 8º, b, e Lei nº 154, art. 1º, e Lei n 3.470, arts. 42 e 43)

c) os dividendos de ações nominativas e quaisquer bonificações a elas atribuídas; (Decreto-lei nº 5.844, artigo 8º, c)

d) o valor das ações novas distribuídas aos titulares de ações nominativas ao os interêsses superiores aos lucros e dividendos, nos casos:

I — de utilização de quaisquer fundos, inclusive os de amortização, de depreciação e de reavaliação do ativo; (Lei nº 154, art. 1º)

II — de aumento de capital, com recursos tirados de quaisquer fundos; (Decreto-lei nº 5 844, art. 8º, d, II)

III — de valorização do ativo ou de venda de parte dêste, sem redução do capital; (Lei nº 154, art. 1º)

e) o valor do resgate de partes beneficiárias ou de fundador e de outros títulos semelhantes, bem como os interêsses e quaisquer outros rendimentos dêsses títulos, quando nominativos; (Decreto-lei nº 5.844, artigo 8º, e)

f) as vantagens auferidas pelos titulares e sócios de firmas ou sociedades, com a valorização do ativo destas, no caso de incorporação ou organização de nova sociedade.

§ 1º Serão também classificados na cédula F os rendimentos produzidos no estrangeiro, qualquer que seja a sua natureza. (Decreto-lei nº 5.844, art. 7º parágrafo único, e Lei nº 154, art. 1º)

§ 2º A utilização de fundos ou lucros, a título de amortização de ações nominativas, sem redução do capital, nos têrmos do art. 18 do Decreto-lei nº 2.627, de 26 de setembro de 1940, importa na distribuição de rendimentos tributáveis de acôrdo com o item I da letra d dêste artigo. (Lei número 2.862, art. 26)

§ 3º Consideram-se como lucros pagos ou creditados aos titulares ou sócios de firmas ou sociedades para os efeitos do disposto neste artigo, as importâncias declaradas como pagas ou creditadas nas condições previstas no § 4º do art. 27 dêste regulamento. (Lei nº 3.470, art. 27, § 2º)

§ 4º O disposto na alínea d, II e III, dêste artigo, não terá aplicação nos casos previstos nos arts. 100 e 101 do presente regulamento. (Lei nº 3.470, arts. 87 e 88)

Art. 9º Na cédula G serão classificados os seguintes rendimentos:

a) da exploração das indústrias extrativas vegetal e animal; (Decreto-lei nº 5.844, art. 9º, a)

b) da cultura do solo, seja qual fôr a natureza do produto; (Decreto-lei nº 5.844, art. 9º, b)

c) da criação, recriação e engorda de animais de qualquer espécie; (Lei nº 154, art. 1º)

d) da transformação dos produtos vegetais e pecuários, quando feita pelo próprio agricultor ou criador, com matéria-prima da propriedade agrícola ou pastoril explorada; (Decreto-lei nº 5.844, art. 9º, d)

e) da exploração da apicultura, sericicultura e piscicultura. (Decreto-lei nº 5.844, art. 9º, e)

Parágrafo único. O rendimento líquido desta cédula será determinado de conformidade com o disposto no Capítulo V da Parte Terceira dêste Título. (Decreto-lei nº 5.844, art. 9º, parágrafo único)

Art. 10. Na cédula H serão classificados os rendimentos de tôdas as ocupações lucrativas não incluídas nas cédulas anteriores inclusive:

a) os percebidos de sociedade em conta de participação; (Lei nº 154, art. 12)

b) os de locação e da sublocação de imóveis; (Lei nº 154, art. 12)

c) os da sublocação de imóveis; (Lei nº 154, art. 12)

d) os da exploração de marcas de indústria e de comércio, quando o possuidor auferir lucros sem as explorar diretamente; (Lei nº 154, artigo 12)

e) os lucros de comércio e de indústria, auferidos por todo aquêle que não exercer, habitualmente, a profissão de comerciante ou industrial; (Lei nº 154, art. 12, § 2º)

f) as quantias correspondentes aos lucros líquidos que decorrerem da cessão de direitos quaisquer, excetuados os lucros sujeitos ao impôsto previsto no art. 92; (Lei nº 154, artigo 12, § 2º; Lei nº 3.470, art. 4º, § 3º)

§ 1º Quando o imóvel fôr alugado com móveis, o rendimento do imóvel será também classificado na cédula H, juntamente com o dos móveis. (Lei nº 154, art. 12, § 1º)

§ 2º Será também classificado na cédula H o produto da alienação, a qualquer título, de marcas de indústria e de comércio. (Lei nº 3.470, artigo 75)

CAPÍTULO III

Do rendimento bruto

Art. 11. Constituem rendimento bruto, em cada cédula, os ganhos derivados do capital, do trabalho ou da combinação de ambos, e demais proventos previstos neste regulamento. (Lei nº 154, art. 12, § 1º)

§ 1º Entrarão no cômputo do rendimento bruto, nas cédulas em que couberem: (Decreto-lei nº 5.844, artigo 10, § 1º)

a) a importância com que fôr beneficiado o devedor, nos casos de perdão ou cancelamento de dívida, em troca de serviços prestados. (Decreto-lei nº 5.844, art. 10, § 1º, a)

b) as importâncias originadas dos títulos que locarem ao meeiro, herdeiro ou legatário, ainda que correspondam a período anterior à data da partilha ou adjudicação dos bens, excluída a parte já tributada em poder do espólio; (Decreto-lei nº 5.844, artigo 10, § 1º, c)

c) as importâncias recebidas para custeio de viagem e estada, e as de contribuições para a constituição de fundos de beneficência; (Decreto-lei nº 5.844, art. 10, § 1º, d)

d) os rendimentos correspondentes aos fundos constituídos em condomínio, nas condições previstas no § 3º do art. 27 dêste regulamento. (Lei nº 3.470, art. 82, parágrafo único)

§ 2º Não entrarão no cômputo do rendimento bruto:

a) o capital das apólices de seguro ou pecúlio pago por morte do segurado; (Decreto-lei nº 5.844, art. 10, § 2º, a)

b) o valor dos bens adquiridos por doação ou herança; (Decreto-lei número 5.844, art. 10, § 2º, b)

c) os prêmios de seguro restituídos em qualquer caso, inclusive no de rescisão do contrato; (Decreto-lei número 5.844, art. 10, § 2º, c)

d) o valor locativo do prédio construído, quando ocupado pelo seu proprietário; (Decreto-lei nº 5.844, artigo 10, § 2º, d)

e) as importâncias recebidas pelos assalariados, a título de indenização, nos casos de rescisão de contrato de trabalho; (Lei nº 154, art. 1º)

f) as importâncias relativas aos proventos de aposentadoria ou reforma, quando motivada pelas moléstias enumeradas no item III, do art. 178, da Lei nº 1.711, de 28 de outubro de 1952; (Lei nº 3.470, art. 15)

g) os direitos de autor, a remuneração de professôres e de jornalistas, inclusive os proventos dos professôres e dos jornalistas aposentados, entendendo-se como direitos de autor os rendimentos que auferirem de obras literárias, científicas, artísticas ou didáticas. (Lei nº 3.470, art. 15)

§ 3º Nos casos das alíneas a, b, c, f e g do § 2º dêste artigo os lucros ou quaisquer outros interêsses dêsses capitais serão incluídos na declaração de rendimentos (Decreto-lei número 5.844, art. 10, § 3º, e Lei nº 154, arts. 1º e 13)

§ 4º Os professôres que, por motivo de promoção, venham a ocupar funções inerentes ao magistério, não perdem as vantagens previstas na alínea g do § 2º dêste artigo. (Lei nº 3.470, art. 99)

CAPÍTULO IV

Das deduções cedulares

Art. 12. Poderão ser deduzidas, em cada cédula, as despesas referidas neste capítulo, necessárias à percepção dos rendimentos, inclusive os impostos específicos relativos ao exercício da profissão. (Decreto-lei número 5.844, art. 11 e Lei nº 154, artigo 22)

§ 1º As deduções permitidas serão as que corresponderem a despesas efetivamente pagas. (Decreto-lei número 5.844, art. 11, § 1º)

§ 2º As despesas deduzidas numa cédula não o serão noutras. (Decreto-lei nº 5.844, art. 11, § 2º)

§ 3º Tôdas as deduções estarão sujeitas à comprovação ou justificação a juízo da autoridade lançadora. (Decreto-lei nº 5.844, art. 11, § 3º)

§ 4º Se fôrem pedidas deduções exageradas em relação ao rendimento bruto declarado, ou se tais deduções não forem cabíveis, de acôrdo com o disposto neste capítulo, poderão ser glosadas sem audiência do contribuinte. (Decreto-lei número 5.844, art. 11, § 4º)

§ 5 As deduções glosadas por falta de comprovação ou justificação, exigidas na forma dêste regulamento, não poderão ser restabelecidas depois que o ato se tornar irrecorrível na órbita administrativa. (Decreto-lei nº 5.844, art. 11, § 5º)

§ 6º As deduções de aluguel, comissões, corretagens, salários, ordenados e gratificações, referidas neste capítulo, só serão admitidas quando fôrem indicados os nomes e residências das pessoas que os receberem, bem como as importâncias pagas. (Decreto-lei nº 5.844, art. 17)

§ 7º Além das informações a que se refere o § 6º, os contribuintes deverão indicar os números e as datas das guias de recolhimento, a repartição arrecadadora e o valor correspondente ao impôsto total descontado sôbre as remunerações por serviços prestados, tais como comissões, bonificações, gratificações, corretagens, honorários, participações ou semelhantes, superiores a ..... Cr$ 20.000,00 (vinte mil cruzeiros) em cada mês, quando incluídas entre as deduções de que trata êste artigo.

Art. 13. Nas cédulas A e B será permitida a dedução das despesas de comissões e corretagens. (Decreto-lei nº 5.844, artz. 12 e 13)

Art. 14. Na cédula C só serão permitidas as seguintes deduções: (Lei nº 3.470, art. 11)

a) de gastos pessoais de passagem, alimentação e alojamento, bem como o de transportes de volumes e o aluguel de locais destinados a mostruários, necessários ao exercício do emprêgo, cargo ou função do contribuinte, nos casos de viagem e estada fora do local de residência;

b) de contribuições às associações científicas, aquisição e assinatura de jornais, revistas e livros técnicos e compra ou aluguel de materiais, instrumentos e utensílios, indispensáveis ao desempenho de funções técnicas;

c) de contribuições para a constituição de fundos de beneficência e mútuo amparo;

d) de representação paga pelos cofres públicos para o exercício de funções transitórias no exterior, até seis meses consecutivos;

e) as despesas necessárias de locomoção, dos empregados e dos servidores

públicos, em geral, que exerçam permanentemente funções externas de vendedor, propagandista, cobrador, fiscal, inspetor ou semelhantes, até o limite de 5% (cinco por cento) da remuneração anual de cada beneficiado e desde que não indenizadas pelo empregador.

§ 1º A dedução das despesas de viagem e estada, a que se refere a alínea a, será admitida sòmente até o limite das importâncias recebidas para o custeio dêsses gastos, salvo se correrem por conta do contribuinte, caso em que poderão ser deduzidas as despesas comprovadas, ou até 30% (trinta por cento) do rendimento bruto declarado, independentemente de comprovação, quando se tratar de caixeiro-viajante. (Lei nº 3.470, art. 11, § 1º)

§ 2º Serão também deduzidas, como despesas de viagem a estada, as diárias e ajudas de custo pagas pelos cofres públicos, e as que forem pagas por entidades privadas, quando destinadas à indenização de gastos de viagem e de instalação do contribuinte e da sua família em localidade diferente daquela em que residia. (Lei nº 3.470, art. 11, § 2º)

§ 3º Nos casos de exercício de funções no exterior por prazo maior de 6 (seis) meses, consecutivos, a dedução de representação será admitida até o limite estabelecido de acôrdo com o critério aprovado pelo Ministro da Fazenda para a conversão do valor recebido em moeda estrangeira. (Lei nº 3.470, art. 11, d).

Art. 15. Na cédula D será permitida a dedução das despesas relacionadas com a atividade profissional, realizadas no decurso do ano de base e necessárias à percepção do rendimento e à manutenção da fonte produtora. (Lei nº 3.470, artigo 12)

§ 1º As deduções de que trata êste artigo não poderão exceder, no conjunto, a 40% (quarenta por cento) do rendimento bruto declarado na cédula, salvo se o contribuinte demonstrar, de acôrdo com as disposições dos §§ 2º e 3º do art. 22, a exatidão dos rendimentos e das despesas. (Lei nº 3.470, art. 12, § 1º)

§ 2º A dedução de quotas-partes de lucros, assim como de comissões, corretagens e honorários ou semelhantes, declarados como pagos a terceiros a título de participação, será permitida sòmente quando indicada a operação que deu origem ao pagamento e individualizado o beneficiário da distribuição. (Lei nº 3.470, art. 12, § 2º)

§ 3º Quando o contribuinte auferir rendimentos da prestação de serviços de transporte de carga ou de passageiros, em veículo de sua propriedade, será permitido deduzir, independentemente de comprovação, como despesas necessárias ao exercício da atividade profissional, 60% (sessenta por cento) ou 40% (quarenta por cento), respectivamente, sôbre os rendimentos brutos declarados. (Lei nº 3.470, art. 12)

§ 4º Poderão ser também deduzidas, de acôrdo com o disposto neste artigo, as quotas razoáveis de depreciação de capital do primeiro estabelecimento, fixadas em relação ao valor de aquisição das instalações e à sua duração. (Decreto-lei nº 5.844, art. 15, § 1º, a)

§ 5º Quando fôr utilizada, para o exercício da atividade, a casa alugada de moradia particular, será permitido deduzir a quinta parte do aluguel, desde que não tenha sido concedida a dedução de aluguel de imóvel pelo exercício da profissão em outro local. (Decreto-lei nº 5.844, art. 15, § 2º)

Art. 16. Na cédula E poderão ser deduzidas, quando correrem por conta do proprietário, as seguintes despesas: (Decreto-lei nº 5.844, art. 16)

a) de impostos, taxas e emolumentos federais, estaduais ou municipais que gravem o imóvel ou o seu uso, exceto multas e adicionais pagos por excesso de prazos legalmente estabelecidos;

b) de conservação, quando se tratar de prédios construídos;

c) de comissões para arrecadar os rendimentos;

d) de prêmios de seguro contra fogo;

e) de fôro, nos casos de enfiteuse.

§ 1º Além das deduções referidas neste artigo, serão permitidas ainda:

a) aos proprietários de apartamentos — as quotas-partes das despesas comuns de consumo de luz e fôrça elétrica e de pagamento dos ordenados de zelador e ascensorista; (Decreto-lei nº 5.844, art. 16, § 1º, a)

b) aos proprietários de edifícios de apartamentos — as despesas de ar condicionado, de aquecimento e refrigeração de água, de consumo de luz e fôrça elétrica e de pagamento dos ordenados de zelador e ascensorista; (Decreto-lei nº 5.844, artigo 16, § 1º, b)

c) aos proprietários de prédios construídos em vilas ou ruas particulares — as deduções constantes das alíneas a e b, que couberem.

§ 2º As deduções constantes das letras b e c dêste artigo não poderão exceder, respectivamente, a 10% (dez por cento) e 5% (cinco por cento) do rendimento declarado. (Decreto-lei nº 5.844, art. 16, § 2º)

Art. 17. Na cédula H será permitida a dedução das seguintes despesas: (Lei nº 3.470, art. 14)

a) de impostos, taxas e emolumentos federais, estaduais e municipais que gravem o imóvel sublocado ou o seu uso, exceto multas e adicionais pagos por excesso de prazos legalmente estabelecidos e, bem assim, as de conservação, quando êsses encargos correrem por conta do sublocador;

b) as despesas relacionadas com a atividade profissional, realizadas no decurso do ano de base e necessárias à percepção do rendimento e à manutenção da fonte produtora.

Parágrafo único. As despesas a que se refere a alínea b só serão admitidas mediante comprovação, observado, ainda, o disposto no § 2º do artigo 15 dêste regulamento. (Lei nº 3.470, art. 14, parágrafo único).

CAPÍTULO V

Do rendimento líquido

Art. 18. Constitui rendimento líquido, em cada cédula, a diferença entre o rendimento bruto e as deduções cedulares. (Decreto-lei nº 5.844, art. 18)

Parágrafo único. Quando não fôr solicitada dedução ou quando esta não tiver cabimento, tomar-se-á como líquido o rendimento bruto declarado. (Decreto-lei nº 5.844, art. 18, parágrafo único)

CAPÍTULO VI

Da renda bruta

Art. 19. Considera-se renda bruta a soma dos rendimentos líquidos das cédulas. (Decreto-lei nº 5.625, art. 19)

Parágrafo único. Havendo rendimento apenas de uma cédula, considerar-se-á a importância líquida correspondente como renda bruta. (Decreto-lei nº 5.844, art. 19, parágrafo único)

CAPÍTULO VII

Das abatimentos da renda bruta

Art. 20. Da renda bruta, observadas as disposições dos §§ 1º, 2º e 5º do art. 12, será permitido abater:

a) os juros de dívidas pessoais, excetuados os decorrentes de empréstimos contraídos para a manutenção ou desenvolvimento de propriedades agrícolas, no caso do art. 57, desde que sejam indicados o nome e a residência do credor, o título da dívida e a importância paga, observado, ainda, o disposto no § 1º dêste artigo; (Decreto-lei nº 5.844, art. 20, a e § 3º e Lei nº 3.470, art. 35 e parágrafo único).

b) os prêmios de seguros de vida pagos a companhias nacionais ou às autorizadas a funcionar no país, até o limite máximo de Cr$ 150.000,00 (cento e cinqüenta mil cruzeiros) quando forem indicados o nome da seguradora e o número da apólice, não podendo ultrapassar, em cada caso, a 1/6 (um sexto) da renda bruta declarada, nem ser incluído o prêmio de seguro dotal a prêmio único; (Lei nº 3.470, art. 36)

c) as perdas extraordinárias, quando decorrerem exclusivamente de casos fortuitos ou de fôrça maior, como incêndio, tempestade, naufrágio ou acidentes da mesma ordem, desde que não compensadas por seguros ou indenizações; (Decreto-lei nº 5.844, artigo 20, c)

d) as contribuições e doações feitas às instituições filantrópicas e de pesquisas científicas, quando a instituição beneficiada preencher, pelo menos, os seguintes requisitos: (Lei nº 3.470, art. 104)

1º) estar legalmente constituída no Brasil e funcionando em fôrma regular, com a exata observância dos estatutos aprovados;

2º) haver sido reconhecida de utilidade pública por ato formal de fôrça competente da União, dos Estados, do Distrito Federal ou dos Municípios;

3º) publicar, semestralmente, a demonstração da receita obtida e da despesa realizada no período anterior;

4º) não distribuir lucros, bonificações ou vantagens a dirigentes, mantenedores ou associados, sob nenhuma fôrma ou pretexto;

e) os encargos de família, à razão de Cr$ 60.000,00 (sessenta mil cruzeiros) anuais pelo outro cônjuge, e de Cr$ 30.000,00 (trinta mil cruzeiros) para cada filho menor ou inválido; filha solteira, viúva sem arrimo ou abandonada sem recursos pelo marido; descendente menor ou inválido, sem arrimo de seus pais; obedecidas as seguintes ressalvas: (Lei nº 3.470, art. 36)

I — Na constância da sociedade conjugal, qualquer que seja o regime de bens, sòmente ao cabeça do casal cabe a isenção de Cr$ 90.000,00 (noventa mil cruzeiros) do art. 26 e os abatimentos relativos ao outro cônjuge e aos filhos, sendo que, se forem apresentadas declarações de rendimentos em separado, de acôrdo com o facultativo nos §§ 1º e 2º do art. 67, calcular-se-á o impôsto complementar, quanto ao outro cônjuge, cobrando-se da porção de renda até Cr$ 90.000,00 (noventa mil cruzeiros) o impôsto de Cr$ 30,00 (trinta cruzeiros) por ... Cr$ 1.000,00 (mil cruzeiros), desprezadas as frações de rendimentos inferiores a esta importância. (Lei nº 154, artigos 1º, 20, e, I e § 5º; Lei nº 2.862, art. 19, § 2º; Lei nº 3.470, art. 101)

II — No caso de dissolução da sociedade conjugal em virtude de desquite ou anulação de casamento, a cada cônjuge cabe a isenção de ... Cr$ 90.000,00 (noventa mil cruzeiros) do art. 26 e o abatimento relativo aos filhos que sustentar, atendido, também, o disposto no parágrafo único do art. 327 do Código Civil; (Decreto-lei nº 5.844, art. 20, e, II, Lei nº 2.862, art. 19, § 2º, e Lei nº 3.470, art. 101)

f) os pagamentos feitos a médicos e dentistas pelo contribuinte ou pessoas compreendidas como encargos de família ou dependentes, desde que tais pagamentos sejam especificados e comprovados, a juízo da autoridade lançadora, com indicação do nome e endereço de quem os recebeu, podendo, na falta de documentação, ser feita a indicação do cheque pelo qual foi efetuado o pagamento; (Lei nº 154, art. 1º, e Lei nº 1.474, art. 4º)

g) os alimentos prestados em virtude de sentença judicial, ou admitidos em face da lei civil, desde que comprovadamente prestados a ascendentes e a irmão ou irmã, por incapacitados de trabalho, a prudente critério da autoridade lançadora; (Lei nº 154, artigo 1º, 2a, § 1º)

h) a importância equivalente ao abatimento relativo a filho, para cada menor de 18 anos, pobre, que o contribuinte crie e eduque; (Lei nº 3.470, art. 84).

i) as despesas de hospitalização do contribuinte ou das pessoas compreendidas como encargos de família ou dependentes, nos têrmos das letras g e h; (Lei nº 3.470, art. 84)

j) as despesas com prospecção de jazidas minerais, desde que estejam estas autorizadas por decreto federal, sob a orientação direta de engenheiro de minas ou geólogo habilitado, e calculadas a um plano de pesquisa, com respectivo orçamento, aprovados pelo Departamento Nacional da Produção Mineral, quando sejam certificadas por êsse Departamento as despesas efetuadas; (Lei nº 3.470, art. 110)

k) as despesas com a instrução de menores, filhos ou dependentes do contribuinte, quando a renda bruta seja até Cr$ 300.000,00 (trezentos mil cruzeiros), desde que os comprovantes sejam apensados à declaração de rendimentos. (Lei nº 3.470, art. 35)

§ 1º O abatimento de juros de que trata a letra a dêste artigo, quando exceder a Cr$ 500.000,00 (quinhentos mil cruzeiros), será admitido sòmente até o limite de 50% (cinqüenta por cento) da renda bruta declarada, salvo no caso de juros decorrentes de empréstimos tomados para aplicação na produção de rendimentos tributáveis na declaração de pessoa física do contribuinte, hipótese em que não haverá limitação. (Lei nº 3.470, artigo 35, parágrafo único)

§ 2º Para efeito da letra e dêste artigo, só se computarão os filhos legítimos, legitimados, naturais reconhecidos e adotivos, que não tiverem rendimentos próprios, ou, se os tiverem, desde que tais rendimentos estejam incluídos na declaração do contribuinte. (Decreto-lei nº 5.844, artigo 20, § 4º)

§ 3º Aos filhos menores a que se refere a letra e dêste artigo, só se computarão os filhos legítimos, legitimados, naturais reconhecidos e adotivos, que não tiverem rendimentos próprios, ou, se os tiverem, desde que tais rendimentos estejam incluídos na declaração do contribuinte. (Decreto-lei nº 5.844, artigo 20, § 4º)

§ 4º Aos filhos menores a que se refere a letra e dêste artigo, só se equiparam os maiores, até 24 anos de idade, que ainda estejam cursando estabelecimento de ensino superior, salvo quando possuam rendimentos próprios. (Lei n.º 1.474, art. 1º, c)

§ 4º Na hipótese da letra g dêste artigo, abater-se-á a importância respectiva no caso de o juiz a ter fixado, ou importância equivalente ao abatimento de filho. (Lei nº 3.470, artigo 84)

§ 5º O abatimento das contribuições e doações previstas na letra d dêste artigo será admitido mediante especificações do respectivo pagamento nas relações de rendimentos pagos que acompanham a declaração de rendimentos do contribuinte. (Lei número 3.470, art. 106)

§ 6º A comprovação do efetivo pagamento das contribuições ou doações, referidas no § 5º, será feita com o recibo ou declaração da instituição beneficiada, isento do impôsto de sêlo, com firma reconhecida, sem prejuízo das investigações que a autoridade incumbida da cobrança e fiscalização do impôsto de renda determinar para a verificação do fiel cumprimento da lei, inclusive junto às instituições beneficiadas. (Lei nº 3.470, art. 106, parágrafo único)

§ 7º Excluídos os abatimentos relativos a encargos de família, alimentos prestados em virtude de decisão judicial ou admitidos em face da lei civil, criação e educação de menor de 18 anos, pobre, que o contribuinte crie e eduque, médico, dentistas, hospitalização, e quando houver, cumulativamente, abatimentos das letras a, b, c e d, o total não po-

terá exceder a 40% (quarenta por cento) da renda bruta declarada, ressalvado o disposto no § 1º dêste artigo. (Lei nº 3.470, art. 38)

§ 8º Os juros em conta corrente, debitados pelas pessoas jurídicas, serão considerados como efetivamente pagos:

a) na data do débito dos juros e pelo valor que o saldo comportar, no caso de ser êsse o saldo da conta;

b) na data do crédito da importância que fôr depositada ou entregue, após o lançamento dos juros, e pelo valor que êsse crédito comportar, caso seja devedor o saldo da conta.

CAPÍTULO VIII

Da renda líquida

Art. 21. Considera-se renda líquida a diferença entre a renda bruta e os abatimentos de que trata o capítulo anterior. (Decreto-lei nº 5.844, artigo 21)

CAPÍTULO IX

Da base do impôsto

Art. 22. A base do impôsto será dada pelos rendimentos brutos, deduções cedulares e abatimentos correspondentes ao ano civil imediatamente anterior ao exercício financeiro em que o impôsto fôr devido. (Decreto-lei nº 5.844, art. 22)

§ 1º Na determinação da base serão computados todos os rendimentos que, no ano considerado, estiverem juridicamente à disposição do beneficiado, inclusive os originados em época anterior, ressalvado o disposto no artigo 23. (Decreto-lei nº 5.844, art. 22, parágrafo único, e Lei nº 154, art. 14)

§ 2º Para demonstração da veracidade dos rendimentos declarados, bem como das deduções cedulares e abatimentos solicitados, a autoridade lançadora poderá admitir os assentamentos do contribuinte, quando feitos com regularidade e corroborados com documentos comprobatórios. (Decreto-lei nº 5.844, art. 23)

§ 3º Os livros destinados aos assentamentos não poderão conter emendas, corrôres ou rasuras, e deverão ser registrados e autenticados pelas repartições do Impôsto de Renda ou, na falta destas, pela estação local arrecadadora do tributo. (Decreto-lei número 5.844, art. 23, parágrafo único)

Art. 23. Mediante comprovação prévia, poderão ser distribuídos em partes iguais por tantos exercícios financeiros quantos forem os anos a que corresponderem: (Lei nº 154, artigos 7º e 16).

a) os honorários ou salários profissionais como os dos advogados, médicos, engenheiros ou arquitetos, relativos a prestação de serviços que tenham durado mais de um ano; (Lei nº 154, art. 16)

b) os prêmios ou vitalícias do testamenteiro nos inventários que não se encerrem dentro de um ano; (Lei número 154, artigo 16).

c) as pensões, referentes a mais de um ano, recebidas após habilitação demorada; (Lei nº 154, art. 16)

d) os rendimentos do trabalho recebidos acumuladamente, em virtude de sentenças judiciais ou administrativas. (Lei nº 154, art. 7º)

§ 1º Os rendimentos de que trata êste artigo, correspondentes a período superior a um qüinqüênio serão distribuídos pelos últimos cinco anos, inclusive o do seu recebimento. (Lei nº 3.470, art. 39, § 1º)

§ 2º Quando o rendimento se referir a período anterior aos últimos cinco anos, contados da data do seu recebimento, será igualmente computado para fins de tributação, dentro do mesmo qüinqüênio. (Lei nº 3.470, art. 39, § 2º)

§ 3º No caso dos rendimentos a que aludem as letras c e d, a distribuição será feita na forma da sentença, pelos exercícios financeiros a que correspon derem, ressalvado o disposto nos §§ 1º e 2º dêste artigo.

§ 4º O direito à distribuição de rendimentos por exercícios, a que se refere êste artigo, só será reconhecido aos que a requererem até 30 de abril do ano seguinte ao do recebimento. (Lei nº 3.470, art. 39)

§ 5º Para aplicação do disposto neste artigo não prevalece a prescrição qüinqüenal prevista no Capítulo VIII do Título III. (Lei nº 154, artigos 7º e 14, parágrafo único)

CAPÍTULO X

Da incidência do impôsto

Art. 24. O impôsto a que estão sujeitas as pessoas físicas divide-se em cedular e complementar. (Decreto-lei nº 5.844, art. 24)

§ 1º O impôsto cedular incidirá sôbre os rendimentos classificados nas cédulas A, B, C, D, E e H; e o complementar, sôbre a renda constituída pela soma dêsses rendimentos e dos classificados nas cédulas F e G. (Decreto-lei nº 5.844, art. 24, § 1º e Lei nº 154, art. 1º)

§ 2º Calcular-se-á o impôsto cedular por meio de taxas proporcionais sôbre o rendimento líquido definido no art. 18; e o complementar pela aplicação de alíquotas progressivas em relação à renda líquida de que trata o art. 21. (Lei nº 154, artigo 1º, 2º, § 3º)

§ 3º) No cálculo do impôsto devido, será abatida, do total apurado, a importância que houver sido descontada nas fontes, correspondente aos impostos retidos na conformidade dos artigos 98 e 99, sôbre os seguintes rendimentos, incluídos na declaração:

a) o produto bruto das quotas-partes de multas, recebidas por funcionários em virtude de leis fiscais, a que se refere o art. 5º, § 1º, III; (Lei nº 2.354, art. 41)

b) os rendimentos do trabalho provenientes do exercício de empregos, cargos e funções, especificados no artigo 5º e § 1º, I; (Lei nº 2.354, artigo 12 e Lei nº 3.470, artigos 40 e 191)

c) a remuneração por serviços prestados, nos casos de que trata o art. 96, inciso 1º, II; (Lei nº 3.470, art. 62)

d) os rendimentos resultantes da distribuição ou utilização de reservas sujeitas ao impôsto nos têrmos do art. 99. (Lei nº 1.474, art. 2º § 3º)

CAPÍTULO XI

Do impôsto cedular

Art. 25. As taxas proporcionais do impôsto cedular são as seguintes: (Lei nº 154, art. 1º)

Cédula A — 3% (três por cento)
Cédula F — 10% (dez por cento)
Cédula G — 1% (um por cento)
Cédula D — 2% (dois por cento)
Cédula E — 3% (três por cento)
Cédula H — 5% (cinco por cento)

CAPÍTULO XII

Do impôsto complementar

Art. 26. As alíquotas progressivas do impôsto complementar são as seguintes: (Lei nº 3.553, art. 1º, § 3º)

Até		90.000,00	Isento
De	91.000,00 a	135.000,00	30,00 por 1.000,00
De	136.000,00 a	180.000,00	50,00 por 1.000,00
De	181.000,00 a	225.000,00	80,00 por 1.000,00
De	226.000,00 a	300.000,00	110,00 por 1.000,00
De	301.000,00 a	450.000,00	140,00 por 1.000,00
De	451.000,00 a	600.000,00	180,00 por 1.000,00
De	601.000,00 a	750.000,00	220,00 por 1.000,00
De	751.000,00 a	900.000,00	260,00 por 1.000,00
De	901.000,00 a	1.050.000,00	300,00 por 1.000,00
De	1.051.000,00 a	1.500.000,00	350,00 por 1.000,00
De	1.501.000,00 a	3.000.000,00	400,00 por 1.000,00
De	3.001.000,00 a	4.500.000,00	450,00 por 1.000,00
Acima de		4.501.000,00	500,00 por 1.000,00

§ 1º O impôsto é calculado em cada classe sôbre a porção de renda compreendida nos respectivos limites, desprezada a fração de renda inferior a Cr$ 1.000,00 (mil cruzeiros). (Lei nº 3.553, art. 1º, § 1º)

§ 2º O impôsto complementar é a soma das parcelas correspondentes a cada classe. (Lei nº 3.553, art. 1º, § 2º)

§ 3º A tabela de que trata êste artigo vigorará a partir do exercício financeiro de 1960, devendo ser calculado o impôsto complementar no exercício financeiro de 1959, de acôrdo com a tabela prevista no artigo 213 do presente regulamento. (Lei nº 3.553, art. 1º, § 3º)

SEGUNDA PARTE

Tributação das Pessoas Jurídicas

CAPÍTULO I

Dos contribuintes

Art. 27. As pessoas jurídicas de direito privado domiciliadas no Brasil, que tiverem lucros apurados de acôrdo com êste regulamento, são contribuintes do impôsto de renda, sejam quais forem os seus fins e nacionalidade. (Decreto-lei nº 5.844, art. 27)

§ 1º Ficam equiparadas às pessoas jurídicas, para os efeitos dêste regulamento, as firmas individuais e os que praticarem habitual e profissionalmente, em seu próprio nome, operações de natureza civil ou comercial, com o fim especulativo de lucro. (Decreto-lei nº 5.844, art. 27, § 1º)

§ 2º As disposições dêste artigo aplicam-se a tôdas as firmas e sociedades, registradas ou não, às filiais, sucursais, agências ou representações, no país, das pessoas jurídicas com sede no estrangeiro e, igualmente, aos comitentes, domiciliados no exterior, quando aos resultados das operações realizadas por seus mandatários ou comissários no Brasil. (Decreto-lei nº 5.844, art. 27, § 2º e Lei número 3.470, art. 76)

§ 3º Para os efeitos de tributação não são considerados pessoas jurídicas os fundos constituídos em condomínio e administrados por sociedades de investimentos fiscalizadas pela Superintendência da Moeda e do Crédito, desde que não seja aplicada em uma só emprêsa importância superior a 10% (dez por cento) do valor do fundo e haja distribuição anual, pelos condôminos, de todos os resultados auferidos. (Lei nº 3.470, art. 82)

§ 4º O disposto nos §§ 1º e 2º dêste artigo não compreende os casos previstos no § 2º do art. 82. (Lei número 3.470, art. 81)

CAPÍTULO II

Das isenções

Art. 28. Estão isentas do impôsto de renda: (Decreto-lei nº 5.844, artigo 30)

a) as sociedades e fundações de caráter beneficente, filantrópico, caritativo, religioso, cultural, instrutivo, científico, artístico, literário, recreativo e esportivo:

b) as associações e sindicatos que tenham por objeto cuidar dos interêsses de seus associados;

c) as sociedades cooperativas de caráter mercantil, bem como as de natureza civil abaixo enumeradas.

I — de produção ou trabalho agrícola;

II — de beneficiamento e venda, em comum, de produtos agrícolas ou de origem animal, não transformados industrialmente;

III — de compra, em comum, sem intuito de revenda, de animais, plantas vivas, mudas, sementes, adubos, inseticidas, máquinas, instrumentos, matérias-primas, e produtos manufaturados úteis à lavoura ou à pecuária, para o abastecimento de sítios ou fazendas;

IV — de seguros mútuos, contra a geada, mortandade de gado e outros flagelos;

V — de crédito agrícola;

VI — de consumo, quando não tenham estabelecimento aberto ao público e vendam exclusivamente aos associados;

VII — de construção de habitações populares, para venda ùnicamente aos associados;

VIII — editôras e de cultura intelectual, embora mantenham oficinas próprias de compor, imprimir, gravar, brochar e encadernar livros, opúsculos, revistas e periódicos, desde que tais edições e trabalhos gráficos sejam de exclusivo proveito dos associados ou se destinem ùnicamente a propaganda da sociedade ou da instituição cooperativista, sem estabelecimento aberto ao público;

IX — escolares;

X — de seguros contra acidentes do trabalho;

d) as firmas ou sociedades de qualquer espécie que não tenham receita bruta superior a Cr$ 180.000,00 (cento e oitenta mil cruzeiros) anuais, não dependendo esta isenção das formalidades do § 2º dêste artigo. (Lei nº 2.354, art. 14 e Lei número 3.470, art. 44)

§ 1º Cessará a isenção: (Decreto-lei nº 5.844, art. 28, parágrafo único)

a) quando as fundações, sociedades e associações referidas nas letras a e b dêste artigo remunerarem suas diretorias ou distribuirem lucros sob qualquer forma;

b) quando as sociedades cooperativas distribuirem dividendos aos seus associados, não se considerando dividendo o juro fixo até 12% (doze por cento) ao ano, atribuído ao capital social realizado de acôrdo com a legislação cooperativista vigente.

§ 2.º As isenções de que tratam as letras a, b e c dêste artigo serão reconhecidas mediante requerimento das interessadas provando: (Decreto-lei nº 5.844, art. 29)

a) personalidade jurídica;

b) finalidade;

c) natureza das atividades;

d) caráter dos recursos e condições em que são obtidos;

e) aplicação integral dos lucros na manutenção e desenvolvimento dos objetivos sociais.

Art. 29. Estarão também isentas do impôsto de renda:

a) as companhias estrangeiras de navegação marítima e aérea, as, no país de sua nacionalidade, as companhias brasileiras de igual objetivo gozarem da mesma prerrogativa; (Decreto-lei nº 5.844, art. 30)

b) as instituições de educação cujas rendas forem aplicadas integralmente no país, para fins educacionais, observadas as disposições dêste regulamento quanto às remunerações relativas a prestação de serviços, a que se referem o art. 5º e parágrafos respectivos. (Lei nº 3.470, art. 113)

Parágrafo único. As instituições de que trata a alínea b dêste artigo deverão fazer prova das condições estabelecidas, perante a competente repartição lançadora do impôsto de renda.

Art. 30. As indústrias de fertilizantes, celulose, álcalis, beneficiamento de minérios, extração de óleo de babaçu e oiticica e de cêra de carnaúba, beneficiamento e tecelagem de caroá, agave e fibras nativas, localizadas nas regiões Norte e Nordeste e Leste Setentrional do país, ou que venham a ser instaladas nessas mesmas regiões, pagarão com redução de 50% (cinqüenta por cento) o impôsto de renda até o exercício financeiro de 1968, inclusive. (Lei nº 3.470, art. 72)

Parágrafo único. As novas indústrias, previstas neste artigo, que tenham se instalado a partir da vigência da Lei nº 2.973, de 26 de novembro de 1956, ou venham a se instalar até 31 de dezembro de 1963, ficarão isentas do impôsto de renda até 31 de dezembro de 1968, desde que não exista indústria na região, utilizando matéria-prima idêntica ou similar e fabricando o mesmo produto em volume superior a 30% do consumo aparente regional ou as existentes já se beneficiem dos favores do presente parágrafo. (Lei nº 3.470, artigo 72)

Art. 31. A isenção concedida às pessoas jurídicas não aproveita aos que delas percebam rendimentos sob qualquer título e forma. (Decreto-lei nº 5.844, art. 31)

CAPÍTULO III

Da tributação

Art. 32. As pessoas jurídicas serão tributadas de acôrdo com os lucros reais verificados, anualmente segundo o balanço e a demonstração da conta de lucros e perdas. (Decreto-lei nº 5.844, art. 32)

Parágrafo único. Quando ocorrer a alteração do exercício social, a tributação será feita com base nos lucros reais verificados no período inferior ou superior a doze meses entre a data do balanço que instruiu a declaração anterior e a do último balanço realizado. (Lei nº 2.354, artigo 15)

Art. 33. As pessoas jurídicas cujo capital não fôr superior a ..... Cr$ 100.000,00 (cem mil cruzeiros) e cuja receita bruta anual não exceder a Cr$ 500.000,00 (quinhentos mil cruzeiros) poderão optar pela tributação baseada no lucro presumido de que trata êste artigo. (Lei nº 2.354, artigo 15)

Art. 34. As pessoas jurídicas sujeitas à tributação com base no lucro real devem comprová-lo por meio de escrituração em idioma e moeda nacionais e pela forma estabelecida nas leis comerciais e fiscais. (Lei número 2.354, art. 2.º)

§ 1.º A escrituração deverá abranger tôdas as operações do contribuinte bem como os resultados apurados anualmente nas suas atividades no território nacional. (Lei n.º 2.354, artigo 2.º)

§ 2.º É facultado às pessoas jurídicas que possuirem filiais, sucursais ou agências manter contabilidade não centralizada, devendo incorporar, na escrituração da matriz, os resultados de cada uma delas. (Lei n.º 2.354, artigo 2.º)

§ 3.º As disposições dêste artigo aplicam-se também às filiais, sucursais, agências ou representações no Brasil, das pessoas jurídicas com sede no estrangeiro, devendo o agente ou representante no comércio com domicílio fora do país escriturar os seus livros comerciais de modo que demonstre, além dos próprios rendimentos, os lucros reais apurados nas operações de conta alheia, em cada ano. (Lei n.º 2.354, art. 2.º e Lei n.º 3.470, art. 76, parágrafo 1.º)

§ 4.º A falta de escrituração de acordo com as disposições das leis comerciais e fiscais dará ao fisco a faculdade de arbitrar o lucro à razão de 30% (trinta por cento) sôbre a soma dos valores do ativo imobilizado, disponível e realizável a curto e a longo prazo, ou de 15% (quinze por cento) a 50% (cinqüenta por cento) do capital ou da receita bruta definida nos §§ 1.º e 2.º do art. 40, a juízo da autoridade lançadora, observada a natureza do negócio. (Lei n.º 2.354, art. 2º e Lei nº 3.470, art. 29)

§ 5.º Nos casos em que ficar provado, de maneira inequívoca, haver a pessoa jurídica obtido rendimento superior a 90% (cinqüenta por cento) do capital ou da receita bruta, os coeficientes de arbitramento estabelecidos no § 4.º poderão ser aumentados até 75% (setenta e cinco por cento). (Lei nº 3.470, art. 29, § 1º)

§ 6.º Para os efeitos do arbitramento do lucro, quando forem conhecidos os resultados das transações alheias ao objeto do negócio, serão excluídas da receita bruta as quantias relativas a essas transações e adicionados aquêles resultados ao rendimento calculado na conformidade do § 4º dêste artigo. (Lei nº 3.470, artigo 29, § 2.º)

§ 7.º As disposições dos §§ 4.º 5.º e 6.º dêste artigo se aplicam igualmente aos casos de recusa de apresentação de livros aos agentes do fisco, sem prejuízo da imposição da multa de lançamento "ex officio" cabível. (Lei nº 3.470, art. 29, § 3.º)

§ 8.º Quando não forem regularmente apurados os resultados das operações de conta alheia, a que se refere a parte final do § 4º, será arbitrado o lucro, observado o disposto nos §§ 4.º, 5.º e 6.º. (Lei nº 3.470, artigo 76, § 2.º)

§ 9.º No caso de serem efetuadas vendas, no país, por intermédio de agentes ou representantes de pessoas estabelecidas no exterior, quando faturadas diretamente ao comprador, o rendimento tributável será arbitrado à razão de 20% (vinte por cento) do preço total da venda. (Lei n.º 3.470, art. 76, § 3.º)

§ 10. Considera-se efetuada a venda no país, para os efeitos previstos no § 9.º, quando seja concluída na conformidade das disposições da legislação comercial, entre o comprador e o agente ou representante, no Brasil, do vendedor.

Art. 35. As pessoas jurídicas, cujos resultados provenham de atividades exercidas parcialmente fora e dentro do país, ficam sujeitas ao disposto na Parte Segunda do Título I, tributando-se, apenas, os resultados derivados de fontes nacionais. (Decreto-lei nº 5.844, art. 35)

§ 1.º Consideram-se resultados derivados de atividades exercidas parcialmente fora e dentro do país os que provierem: (Lei nº 2.354, art. 4º)

a) das operações de comércio e outras atividades lucrativas iniciadas no Brasil e ultimadas no exterior, e vice-versa;

b) da exploração da matéria bruta no território nacional, embora beneficiada, vendida ou utilizada no estrangeiro, e vice-versa;

c) dos transportes e outros meios de comunicação com os países estrangeiros.

§ 2.º Quando as pessoas jurídicas de que trata êste artigo estiverem impossibilitadas de demonstrar os resultados derivados de fontes nacionais, arbitrar-se-á o lucro à razão de 20% (vinte por cento) da receita bruta definida nos §§ 1.º e 2.º do artigo 40, obtida no país. (Lei n.º 2.354, artigo 4.º)

Art. 36. As pessoas jurídicas que explorarem a venda de propriedades imobiliárias a prestações ou a construção de imóveis para venda a prestações, deverão destacar na sua escrituração o reembôlso do capital, o lucro e os juros em cada prestação recebida, para a apuração do resultado anual das operações. (Lei n.º 2.354, art. 5.º)

Parágrafo único. No caso de imóveis loteados, admitir-se-á para a apuração do custo dos lotes vendidos as correspondentes despesas com as obras e melhoramentos a que se obrigam os vendedores, orçadas de conformidade com o plano de loteamento e a planta do imóvel registrados na fórma do art. 1.º do Decreto-lei n.º 58, de 10 de dezembro de 1937, regulamentado pelo Decreto n.º 3.079 de 15 de setembro de 1938. (Lei número 2.354, art. 5.º)

CAPÍTULO IV

Dos lucros

Seção I

Do lucro real

Art. 37. Constitui lucro real a diferença entre o lucro bruto e as seguintes deduções: (Decreto-lei número 5.844, art. 37)

a) as despesas relacionadas com a atividade explorada realizadas no decurso do ano social e necessárias à percepção do lucro bruto e à manutenção da fonte produtora; (Decreto-lei nº 5.844, art. 37, a)

b) os juros de dívidas contraídas para o desenvolvimento das firmas ou sociedades: (Decreto-lei nº 5.844, artigo 37, b)

c) as quotas razoáveis destinadas à formação de provisão para atender a perdas na liquidação de dívidas ativas, tendo-se em vista sua natureza e volume, bem como o gênero de negócio; (Decreto-lei nº 5.844, art. 37, c).

d) as quotas para constituição de fundos de depreciação, devido ao desgaste dos materiais, calculadas em relação ao custo das propriedades móveis e à duração das mesmas; (Decreto-lei nº 5.844, art. 37, d)

e) o valor das máquinas e instalações que caírem em desuso ou se tornarem obsoletas, diminuído das quotas que, nos anos anteriores, tenham sido deduzidas para atender a sua depreciação e das relativas aos fundos de substituição constituídos até 1946, devendo ser incluída, na receita, qualquer importância porventura obtida na venda do mesmo material; (Lei nº 2.354, art. 17)

f) as quotas para constituição de fundos de exaustão ou esgotamento de capitais invertidos na exploração de minas, jazidas e florestas, desde que sejam razoáveis e não ultrapassem as comumente aceitas em tais casos; (Decreto-lei nº 5.844, art. 37, f)

g) as contribuições e doações feitas às instituições filantrópicas e de pesquisas científicas, observadas as mesmas condições estabelecidas na alínea d do art. 20 e nos §§ 5º e 6º do mesmo artigo. (Lei nº 3.470, arts. 103 e 104)

h) as quantias destinadas à constituição de fundo de reserva para indenizações previstas na legislação do trabalho, desde que aplicadas em títulos da dívida pública de emissão especial, cujo resgate imediato fique assegurado para o pagamento efetivo das indenizações; (Lei nº 3.470, artigo 46)

i) as quotas para constituição de fundos de depreciação ou amortização do valor das patentes de invenção, considerada a vida útil remanescente da patente e observados os coeficientes percentuais admitidos para a dedução das despesas de "royalties", de que trata o § 5º dêste artigo. (Lei nº 3.470, arts. 68, parágrafo único, e 74, § 2º)

§ 1º Além dessas deduções serão permitidas as seguintes:

a) quanto às sociedades de capitalização e as de seguro de qualquer natureza, as reservas técnicas constituídas obrigatória e especialmente para garantia de suas operações, na fórma da legislação em vigor; (Decreto-lei nº 5.844, art. 37, § 1º, a)

b) quanto aos concessionários de serviço de utilidade pública, as quotas destinadas à amortização de capitais invertidos em bens reversíveis; (Decreto-lei nº 5.844, art. 37, § 1º, b)

c) quanto às sociedades de mineração, as despesas com prospecção de jazidas minerais, desde que estejam estas autorizadas por decreto federal, sob a orientação direta de engenheiro de minas ou geólogo habilitado, e vinculadas a um plano de pesquisa, com respectivo orçamento, aprovado pelo Departamento Nacional da Produção Mineral, quando sejam certificadas por êsse Departamento as despesas efetuadas. (Lei nº 3.470, art. 11)

§ 2º As filiais, sucursais ou agências no Brasil, das firmas ou sociedades com sede no estrangeiro, só poderão deduzir as despesas realizadas no território nacional e as quotas de amortização e depreciação das propriedades móveis existentes no país. (Decreto-lei nº 1.346, art. 37, § 2º)

§ 3º Não são dedutíveis os custos adicionais ou quaisquer reajustamentos de custos, após o faturamento primitivo das mercadorias recebidas de sua matriz, peças filiais, sucursais ou agências, no Brasil, das firmas ou sociedades com sede no estrangeiro. (Lei nº 154, art. 16)

§ 4º Não são dedutíveis as importâncias que forem declaradas como pagas ou creditadas a título de comissões, bonificações, gratificações ou semelhantes, quando não fôr indicada a operação ou a causa que deu origem ao rendimento e quando o comprovante do pagamento não individualizar o beneficiário do rendimento. (Lei nº 3.470, art. 2º)

§ 5º A soma das quantias devidas a título de "royalties" pela exploração de marcas de indústria e de comércio e patentes de invenção, por assistência técnica, científica, administrativa ou semelhantes poderá ser deduzida somente até o limite máximo de 5% (cinco por cento) da receita bruta do produto fabricado ou vendido. (Lei nº 3.470, art. 74)

§ 6º Serão estabelecidos e revistos periòdicamente, mediante ato do Ministro da Fazenda, os coeficientes percentuais admitidos para as deduções a que se refere o § 5º, considerados os tipos de produção ou atividades, reunidos em grupos, segundo o grau de essencialidade. (Lei número 3 470, art. 74, § 1º)

§ 7º As deduções a que se refere o § 5º serão admitidas quando comprovadas as despesas mediante contrato de cessão ou licença de uso da marca ou invento privilegiado, regularmente registrado no país, de acôrdo com as prescrições do Código da Propriedade Industrial (Decreto-lei n 7.903, de 27 de agôsto de 1945), ou de assistência técnica, científica, administrativa ou semelhantes, desde que efetivamente prestados tais serviços. (Lei nº 3.470, art. 74, § 2º)

§ 8º A dedução das quantias pagas ou creditadas a título de participação dos produtores, distribuidores ou intermediários, no exterior, de películas cinematográficas, não poderá ultrapassar 70% (setenta por cento) da receita produzida pelas fitas comuns e 80% (oitenta por cento) do correspondente das super-produções, limitadas estas a 12 (doze) em cada ano (Lei nº 3.470, art. 18)

§ 9º Considera-se receita produzida pelas películas cinematográficas, para os fins previstos no parágrafo anterior, a obtida na atividade de distribuição no território brasileiro, excluída, quando fôr o caso, a parcela do lucro correspondente ao setor de exibição (Lei nº 3.470, art. 18, § 2º)

§ 10. Nos casos de que trata o § 8º, tôdas as despesas com as películas cinematográficas, tais como fretes, direitos aduaneiros, taxas de censura e fiscalização, copiagem e material de propaganda, correrão por conta da participação dos produtores, distribuidores ou intermediários no exterior. (Lei nº 3.470, art. 18, § 1º)

§ 11. Para efeito do disposto na letra d dêste artigo, considerar-se-ão os seguintes coeficientes de declaração de depreciação: (Lei nº 3.470, art. 69).

Um turno de oito horas	1,0
Dois turnos de oito horas ..	1,5
Três turnos de oito horas ..	2,0

§ 12. O Instituto Nacional de Tecnologia fixará os critérios para determinação da vida útil das máquinas e equipamentos, para cada tipo de indústria, substituindo os critérios atuais até que sejam fixados os atos competentes do referido Instituto. (Lei nº 3.470, art. 69)

§ 13. O Poder Executivo poderá fixar coeficiente de aceleração das depreciações, independentemente do desgaste físico dos bens, para estimular a renovação e modernização das indústrias em funcionamento no território nacional. (Lei n 3.470, artigo 69)

§ 14. Os coeficientes a que se refere o parágrafo anterior serão fixados em caráter geral, por setor de atividade ou tipo de indústrias, para vigorar durante predeterminado prazo. (Lei nº 3.470, art. 69)

§ 15. As importâncias mencionadas na alínea *h* dêste artigo não poderão exceder, em cada exercício social, ao limite de 7% (sete por cento) da remuneração paga aos empregados durante o ano, correndo obrigatòriamente por conta dêsse fundo os dispêndios realizados no decurso de cada exercício, a título de indenização. (Lei nº 3.470, art. 46).

§ 16 As quantias correspondentes ao fundo de reserva de que trata a letra *h* dêste artigo sòmente poderão ser utilizadas em sua finalidade específica. (Lei nº 3.470, art. 46)

§ 17 O saldo da reserva prevista na alínea *h* dêste artigo não poderá ultrapassar o total das fôlhas de pagamento do último ano. (Lei nº 3.470, art. 46)

§ 18 Não são dedutíveis os prejuízos havidos em virtude de alienação de ações, títulos ou quotas de capital, com deságio superior a 10% (dez por cento) dos seus respectivos valores de aquisição, salvo se a venda obedecer às seguintes condições: (Lei nº 3.470, art. 84)

a) houver sido realizada em Bôlsa de Valores ou, onde esta não existir, tenha sido efetuada através de leilão público, com divulgação do respectivo edital, na forma da lei, durante três dias no período de um mês;

b) houver comunicação, por escrito, à competente repartição do Impôsto de Renda, dentro de 30 (trinta) dias da venda, com demonstração de que há correspondência entre o preço de venda e o valor das ações, títulos ou quotas de capital no mercado ou com base no acervo líquido da emprêsa a que se referem.

§ 19 As disposições do parágrafo anterior não se aplicam às sociedades de investimentos fiscalizadas pela Superintendência da Moeda e do Crédito. (Lei nº 3.470, art. 84, parágrafo único)

§ 20. Para a apuração do deságio referido no § 18 dêste artigo só será admitido valor de aquisição das ações, títulos ou quotas de capital, superior ao do mercado ou do acervo líquido além de 10% (dez por cento), quando a pessoa jurídica adquirente comunicar a transação à competente repartição do Impôsto de Renda, com demonstração idêntica à prevista na alínea *b* do mesmo parágrafo, dentro de 30 (trinta) dias contados a partir da data da aquisição. (Le. nº 3.470, artigo 85)

§ 21 Para efeito da apuração de deságio a que se refere o § 20 nos casos de aquisição anterior à vigência da Lei nº 3.470, de 28 de novembro de 1958, será admitido o ágio superior a 10% (dez por cento) do valor nominal dos títulos, ações ou quotas de capital sòmente quando provada a correspondência entre o valor de aquisição e o valor real do acervo líquido da emprêsa, na data da aquisição. (Lei nº 3.470, art. 85, parágrafo único)

§ 22 O montante dos aumentos de valor do ativo decorrentes de nova avaliação dos bens não será computado, em tempo algum, para os efeitos das depreciações ou amortizações previstas neste artigo, ficando a pessoa jurídica obrigada a destacar na sua contabilidade, permanentemente, o registro do valor original dos bens e as variações resultantes das correções ou reavaliações respectivas. (Lei número 2.862, art. 5º, *e* e Lei nº 3.470, artigo 57, § 14)

§ 23 Não será admitido como dedução, para os efeitos dêste artigo, o impôsto pago pela pessoa jurídica nos casos de aumento de capital de que tratam os artigos 100 e 101 dêste regulamento. (Lei nº 3.470, art. 57, § 15 e art. 89, § 3º)

Art. 38. As pessoas jurídicas instruirão suas declarações com os seguintes documentos relativos a um período de doze meses consecutivos de operações, encerrado em qualquer data do ano civil que anteceder imediatamente ao exercício financeiro em que o impôsto fôr devido, ressalvado o disposto no § 2º dêste artigo: (Decreto-lei nº 5.844, art. 38 e Lei número 2.354, art. 18)

a) cópia do balanço de ativo e passivo no início e no encerramento do exercício;

b) cópia da demonstração da conta de lucros e perdas;

c) desdobramento, por natureza de gastos, da conta de despesas gerais;

d) demonstração da conta de mercadorias, fabricação ou produção;

e) relação discriminativa dos créditos considerados incobráveis e deduzidos a conta de provisão ou de lucros e perdas, com indicação do nome e endereço do devedor, do valor e da data do vencimento da dívida e da causa que impossibilitou a cobrança.

§ 1º As sociedades que operam em seguros, além dos documentos enumerados nas letras *a*, *b* e *c*, apresentarão os seguintes: (Decreto-lei nº 5.844, art. 38, parágrafo único)

a) mapa estatístico das operações de cada semestre;

b) relação discriminativa dos prêmios recebidos com indicação das importâncias globais e dos períodos correspondentes;

c) relação discriminativa das reclamações ajustadas em seus valores reais, com indicação de terem sido ajustadas em Juízo ou fora dêle, bem como das por ajustar, baseadas na estimativa feita pela sociedade.

§ 2º Nos casos de mudança de data de encerramento dos balanços e alteração do período do exercício social, as pessoas jurídicas instruirão suas declarações com os documentos enumerados neste artigo e referentes aos balanços encerrados nos dois últimos exercícios sociais. (Lei nº 2.354, artigo 18)

§ 3º As pessoas jurídicas ficam obrigadas a indicar, nos documentos que instruirem as suas declarações de rendimentos, o número e a data do registro do livro "Diário" no Registro de Comércio competente, assim como o número da página do mesmo livro onde se acharem transcritos o balanço e a demonstração da conta de lucros e perdas. (Lei nº 3.470, art. 71)

§ 4º O número e a data do registro do livro "Diário" serão fornecidos às sociedades civis pelo Cartório de Registro competente. (Lei nº 3.470, artigo 71)

§ 5º As pessoas jurídicas que optarem pela tributação com base no lucro presumido deverão instruir a declaração de rendimentos com uma discriminação da receita mensal e um demonstrativo com as importâncias das principais despesas, tais como aluguéis, retiradas "pro-labore", salários de empregados, telefones, luz, fôrça e compras de mercadorias ou matéria prima. (Lei nº 3.470, artigo 28)

§ 6º No caso a que se refere a parte final do § 3º do art. 34, a declaração apresentada pelo agente ou representante, em nome do comitente, na conformidade do disposto no art. 63 e no § 1º do art. 195, do presente regulamento, será instruída com demonstrações das contas em que tenham sido registradas as respectivas operações, efetuadas no país, durante o ano de base. (Lei nº 3.470, art. 76, § 1º)

Art. 39. Os balanços, demonstrações da conta de lucros e perdas, extratos, discriminações de contas ou lançamentos e quaisquer outros documentos de contabilidade, deverão ser assinados por atuários, peritos contadores, contadores ou guarda-livros legalmente registrados, com indicação de número dos respectivos registros. (Decreto-lei nº 5.844, art. 39)

§ 1º Essas profissionais, dentro do âmbito de sua atuação e no que se referir à parte técnica, serão responsabilizados, juntamente com os contribuintes, por qualquer falsidade dos documentos que assinarem e pelas irregularidades de escrituração praticadas no sentido de fraudar o impôsto de renda. (Decreto-lei nº 5.844, art. 39, § 1º)

§ 2º) Verificada a falsidade do balanço ou de qualquer outro documento de contabilidade, assim como da escrita dos contribuintes, o profissional que houver assinado tais documentos será, pelo diretor do Impôsto de Renda ou pelos delegados regionais, independentemente da ação criminal que no caso couber, declarado sem idoneidade para assinar quaisquer peças ou documentos contábeis sujeitos à apreciação das repartições do Impôsto de Renda. (Decreto-lei nº 5.844, art. 39, § 2º)

§ 3º) Do ato do diretor do Impôsto de Renda ou dos delegados regionais declarando a falta de idoneidade referida no parágrafo anterior, caberá recurso, dentro do prazo de 20 (vinte) dias, para o diretor-geral da Fazenda Nacional e para o diretor do Impôsto de Renda, respectivamente. (Decreto-lei nº 5.844, art. 39, § 3º)

§ 4º) Passada em julgado, na esfera administrativa, a decisão proferida em processo de que conste fraude ou falsidade, aos profissionais considerados não idôneos, será aplicada a multa prevista na letra *c* do art. 143. (Decreto-lei nº 5.844, art. 39, § 4º)

§ 5º Para efeito dêste artigo os atuários, peritoscontadores, contadores e guarda-livros são obrigados a comunicar às repartições do Impôsto de Renda os nomes e domicílios das pessoas jurídicas de cuja escrita estejam encarregados. (Decreto-lei número 5.844, art. 39, § 5º)

§ 6º Ficam dispensadas da exigência de que trata êste artigo as pessoas jurídicas domiciliadas em localidades onde não houver profissionais devidamente habilitados para o exercício da profissão de atuário, peritocontador, contador ou guarda-livros. (Decreto-lei nº 9.530, art. 1º)

Seção II

Do lucro presumido

Art. 40. O lucro presumido será determinado pela aplicação do coeficiente de 8% (oito por cento) sôbre a receita bruta definida no § 1.º dêste artigo, quando esta não exceder a Cr$ .. 120.000,00 (cento e oitenta mil cruzeiros) anuais. (Lei n.º 3.470, art. 44)

§ 1º. Considera-se receita bruta o total das operações realizadas por conta própria e das importâncias recebidas como preço de serviços prestados. (Lei n.º 2.354, art. 19)

§ 2º. Serão incluídas na receita bruta, para os efeitos da aplicação

do coeficiente de 8% (oito por cento), as receitas totais das transações alheias ao objeto do negócio, quando não forem apurados os respectivos resultados. (Lei n.º 2.354, art. 19)

§ 3.º Os resultados das transações de que trata o parágrafo anterior, quando forem conhecidos, serão adicionados ao rendimento calculado na forma dêste artigo, para os efeitos da determinação do lucro presumido. (Lei nº 2.354, art. 19)

Art. 41. A comprovação da receita bruta das operações de conta própria será feita segundo os elementos relativos ao registro das vendas realizadas durante o ano civil imediatamente anterior ao exercício em que o impôsto fôr devido e com os lançamentos registrados pela firma ou sociedade em sua escrituração no mesmo ano. (Lei nº 2.354, art. 20)

Parágrafo único. Nos casos em que as operações realizadas não sejam, obrigatòriamente, lançadas nos livros de registro de vendas, as quantias recebidas deverão ser registradas em livro "Caixa", para os fins previstos neste artigo. (Lei nº 3.470, art. 27)

Art. 42. Do lucro presumido não será permitida dedução de qualquer espécie. (Decreto-lei n.º 5.844, art. 42)

CAPÍTULO V

Da base do impôsto

Art. 43. A base do impôsto será fixada pelo lucro real ou presumido correspondente ao ano social ou civil anterior ao exercício financeiro em que o impôsto fôr devido, ressalvado o disposto no parágrafo único do art. 32. (Decreto-lei n.º 5.844, art. 43, e Lei nº 2.354, art. 15)

1.º Serão adicionadas ao lucro real, para tributação em cada exercício financeiro:

a) as quantias aplicadas na aquisição de bens de qualquer natureza, quando levadas a lucros e perdas; (Decreto-lei n.º 5.844, art. 43, § 1.º, *a*)

b) as retiradas não debitadas em despesas gerais ou contas subsidiárias e as que, mesmo escrituradas nessas contas, não correspondam à remuneração mensal fixa por prestação de serviços; (Decreto-lei n.º 5.844, art. 43, § 1º, *b*)

c) as quantias excedentes aos limites fixados nos §§ 2.º 3.º 4.º, 5.º e 6.º do art. 5.º; (Decreto-lei n.º 5.844, art. 43, § 1.º, *c*; Lei n.º 154, art. 1.º, 5.º, § 6.º e Lei n. 3.470, arts. 42 43 e 45)

d) as percentagens e ordenados pagos a membros das diretorias das sociedades por ações, que não residam no país; (Decreto-lei n.º 5.844, art. 43, § 1º, *d*)

e) os juros sôbre o capital ou parte social, atribuídos ao titular e sócios das firmas e sociedades; (Decreto-lei nº 5.844, art. 43, § 1º, *e*)

f) as cotas destinadas a fundos de reservas, quaisquer que sejam as designações que tiverem, inclusive lucros suspensos, ressalvado o disposto na alínea *a* do § 1.º, do art. 37; (Decreto-lei nº 5.844, art. 43, § 1º, *f*)

g) as quantias tiradas de quaisquer fundos ainda não tributados, para aumento do capital social; (Decreto-lei nº 5.844, art. 43, § 1º, *g*)

h) as quantias correspondentes ao aumento do valor do ativo em virtude de novas avaliações ou à venda de parte do mesmo, desde que não representem restituições de capital, exceituadas: (Lei nº 154, art. 1º)

I — as importâncias oriundas de reavaliação do ativo, que permanecerem compensadas por um fundo no passivo, pelo período máximo de quatro anos, findo o qual serão tributadas; (Lei nº 154, arts. 1º, 43, § 2º, *c*)

II — quanto às sociedades mútuas de seguros, a valorização do ativo autorizada pelo Decreto-lei n.º 7.377, de 13 de março de 1945, e devidamente inscrita nos seus balanços como reservas técnicas; (Decreto-lei n.º 9.781)

i) as quantias relativas às ações novas e interêsses distribuídos com recursos tirados de quaisquer fundos ainda não tributados; (Decreto-lei n.º 5.844, art. 43, § 1º, *i*)

j) as quantias correspondentes ao aumento das reservas livres mediante a conversão de fundos não tributáveis nos têrmos dêste regulamento;

k) as quantias levadas à conta de reservas ou provisões, constituídas para fazer face à desvalorização de estoques de matérias-primas, produtos acabados ou mercadorias em geral; (Lei nº 154, art. 2º, § 5º)

l) as cotas para constituição de fundos destinados a substituir instalações que possam cair em desuso ou que se tornem obsoletas; (Lei n.º 154, art. 1.º, 37, *c*);

m) as cotas que tenham sido deduzidas do lucro bruto com inobservância das disposições do art. 37 e respectivos parágrafos dêste regulamento.

§ 2.º. Serão excluídos do lucro real, para os efeitos da tributação: (Lei n.º 2.354, art. 6.º)

a) as percentagens dos empregados nos lucros das emprêsas; (Lei n.º 2.354, art. 6.º, I)

b) as participações, a qualquer título, dos governos da União, dos Estados e dos Municípios, nos lucros de quaisquer emprêsas; (Lei n.º 2.354, art. 6.º I);

c) os lucros e dividendos, sujeitos à taxação em poder das firmas ou sociedades que os distribuíram, observado o disposto no § 6.º dêste artigo; (Decreto-lei n.º 5.844, art. 43, § 2.º, *c* e Lei nº 3.470, art. 70)

d) os rendimentos de títulos ao portador; (Decreto-lei n.º 5.844, art. 43, § 2.º, d);

e) o capital das apólices de seguro ou pecúlio em favor da pessoa jurídica, pago por morte do sócio segurado. (Lei nº 154, art. 1º)

§ 3.º. O prejuízo verificado num exercício poderá ser deduzido, para compensação total ou parcial, no caso da inexistência de fundos de reserva ou lucros suspensos, dos lucros *mais* apurados dentro dos três exercícios subseqüentes. (Lei n.º 154, artigo 10).

§ 4.º Decorridos êsses três exercícios não será permitida a dedução, nos seguintes, do prejuízo porventura não compensado. (Lei n.º 154, art. 10).

§ 5.º. O disposto na alínea *h* do § 1.º dêste artigo não se aplica aos aumentos do valor do ativo, em virtude de novas avaliações, realizados na vigência do Decreto-lei n.º 9.407, de 27 de julho de 1946. (Lei n.º 154, art. 17).

§ 6.º Para os efeitos previstos na letra *c* do § 2º dêste artigo, quando as pessoas jurídicas distribuírem rendimentos já tributados como lucros de outras pessoas jurídicas, deverão fazê-lo separadamente dos que apurar nas suas próprias atividades, ficando aquêles rendimentos, nesse caso, imunes à incidência de nove impôsto, em poder de outras pessoas jurídicas que os receberem em virtude de novas distribuições. (Lei nº 2.470, art. 70)

§ 7.º. Não sofrerão nova tributação as quantias relativas aos aumentos de capital das pessoas jurídicas mediante utilização de acréscimos de valor do ativo decorrentes de aumentos de capital, realizados nos têrmos dos arts. 100 e 101 dêste regulamento, por sociedades das quais aquelas sejam acionistas ou sócias. (Lei n.º 3.470, art. 57 § 16 e art. 83 § 3º)

CAPÍTULO VI

Das taxas do impôsto

Art. 44. As pessoas jurídicas, seja comercial ou civil o seu objeto, pagarão o impôsto, sôbre os lucros apurados de conformidade com êste regulamento, à razão de: (Lei n.º 2.862, artigo 23)

a) 15% (quinze por cento), até Cr$ 500.000,00 (quinhentos mil cruzeiros);

b) 20% (vinte por cento), sôbre a parte que exceder de Cr$ 500.000,00 (quinhentos mil cruzeiros).

§ 1.º. Não se compreendem nas disposições dêste artigo: (Lei n.º 2.862, art. 23, parágrafo único)

a) as emprêsas concessionárias de serviços públicos, cujos lucros não excederem a 12% (doze por cento) do capital, as quais pagarão o impôsto proporcional de 10% (dez por cento);

b) as pessoas jurídicas civis, organizadas exclusivamente para a prestação de serviços profissionais de médico, engenheiro, advogado, dentista, veterinário, contador, pintor, escultor, despachante e de outros que se lhes possam assemelhar, com capital até Cr$ 100.000,00 (cem mil cruzeiros), as quais pagarão o impôsto proporcional de 5% (cinco por cento).

§ 2º Para os efeitos do disposto na alínea *a* do § 1.º dêste artigo, será determinada a percentagem do lucro em relação ao capital a remunerar, reconhecido pela autoridade competente e considerado no cálculo das tarifas dos respectivos serviços.

§ 3º Será cobrado um adicional de 3% (três por cento), sôbre os lucros das pessoas jurídicas sujeitas ao impôsto de que tratam êste artigo e seus parágrafos, nos exercícios financeiros de 1959 e 1960. (Lei nº 3.470. artigo 98)

PARTE TERCEIRA

Casos Especiais de Tributação

CAPÍTULO I

Do espólio

Art. 45. No caso de falecimento do contribuinte, a declaração será apresentada, em nome do espólio, com base nos rendimentos auferidos no ano anterior, inclusive no exercício em que fôr homologada a partilha ou feita a adjudicação dos bens. (Lei nº 154, art. 1º)

§ 1º Homologada a partilha ou feita a adjudicação dos bens, deverá ser apresentada pelo inventariante, dentro de 10 (dez) dias, declaração dos rendimentos auferidos entre 1º de janeiro e a data da homologação ou adjudicação. (Lei nº 154, art. 1º)

§ 2º O lançamento do impôsto será feito, até a partilha ou adjudicação dos bens, em nome do espólio. (Lei nº 154, art. 1º)

§ 3º Aplicam-se ao espólio as normas a que estão sujeitas as pessoas físicas, observado o disposto neste capítulo. (Decreto-lei nº 5.844, artigo 45, parágrafo único)

Art. 46. A partir da abertura da sucessão e enquanto não fôr comunicada a homologação da partilha ou a adjudicação dos bens, as obrigações estabelecidas neste regulamento ficam a cargo do inventariante. (Decreto-lei n.º 5.844, art. 46)

Parágrafo único. A comunicação de que trata êste artigo será feita à repartição lançadora do local do último domicílio do *de cujus* pelo inventariante ou qualquer herdeiro, juntando-se os documentos comprobatórios. (Decreto-lei nº 5.844, art. 46, parágrafo único)

Art. 47. Na falta de pagamento pelo inventariante, o cônjuge meeiro e os herdeiros e legatários responderão solidàriamente pela totalidade do débito dentro das fôrças da meação, herança ou legado. (Decreto-lei número 5.844, art. 50)

Art. 48. A isenção de Cr$ 90.000,00 (noventa mil cruzeiros), do art. 26, será considerada até o exercício financeiro seguinte ao ano em que ocorrer o falecimento do contribuinte. (Lei nº 2.354, art. 22, Lei nº 2.862, art. 19, § 2º e Lei nº 3.353, art. 1º)

Parágrafo único. Nos exercícios subseqüentes, se a renda líquida fôr superior a Cr$ 90.000,00 (noventa mil cruzeiros), calcular-se-á o impôsto complementar aplicando à porção de renda até Cr$ 90.000,00 (noventa mil cruzeiros) o impôsto de Cr$ 30,00 (trinta cruzeiros) por Cr$ 1.000,00 (mil cruzeiros), desprezadas as frações de rendimentos inferiores a esta quantia, sem se atender ao limite de isenção, observando-se daí em diante a progressão constante do art. 26. (Lei nº 2.354, art. 22, Lei nº 2.862, art. 19, § 2º e Lei nº 3.553, art. 1º)

Art. 49. Quando se apurar, pela abertura da sucessão, que o *de cujus* não apresentou declaração para os exercícios anteriores, ou o fêz com omissão de rendimentos, cobrar-se-á do espólio o impôsto respectivo, acrescido da multa de mora prevista na letra d do art. 144. (Decreto-lei número 5.844, art. 49)

Parágrafo único. Se as faltas forem cometidas pelo inventariante, serão punidas com as multas cabíveis de acôrdo com o Capítulo III do Título III. (Decreto-lei nº 5.844, artigo 49, parágrafo único)

CAPÍTULO II

Da contribuição do Banco do Brasil S. A. e outros estabelecimento bancários

Art. 50. O Banco do Brasil S. A., o Banco do Nordeste do Brasil S. A. e o Banco de Crédito da Amazônia S. A recolherão, em cada exercício financeiro, o impôsto de renda numa cota fixa igual ao dividendo que houverem distribuído no ano social ou civil imediatamente anterior. (Decreto-lei nº 6.971, art. 2º, e Lei nº 3.470, art. 97)

CAPÍTULO III

Da liquidação, extinção e sucessão das pessoas jurídicas

Art. 51. As firmas e sociedades em liquidação serão tributadas, até findar-se esta, de acôrdo com as normas estabelecidas na Parte Segunda do Título I. (Decreto-lei nº 5.844, art. 51)

Parágrafo único. Ultimada a liquidação, proceder-se-á de conformidade com o disposto no artigo seguinte. (Decreto-lei n.º 5.844, art. 51, parágrafo único)

Art. 52. No exercício em que se verificar a extinção, a firma ou sociedade, além da declaração correspondente aos resultados do ano-base, deverá apresentar a relativa aos resultados do período imediato até a data da extinção. (Lei nº 154, artigo 1º)

Parágrafo único. A declaração de que trata a parte final dêste artigo será apresentada dentro do 30 (trin-

ta) dias, contados da data em que se ultime a liquidação.

Art. 53. A extinção de uma firma ou sociedade de pessoas não exime o titular ou os sócios da responsabilidade solidária do débito fiscal. (Decreto-lei nº 5.844, art. 53).

Art. 54. Ressalvado o disposto no § 1º do art. 33, o impôsto continuará a ser pago como se não houvesse alteração nas firmas ou sociedades nos casos de: (Decreto-lei nº 5.844, art. 54)

a) sucessão na forma da legislação em vigor;

b) transformação de uma firma ou sociedade em outra de qualquer espécie;

c) continuação da atividade explorada pela sociedade ou firma extinta, por qualquer sócio remanescente ou pelo espólio, sob a mesma ou nova razão social, ou firma individual.

Art. 55. Os continuadores e sucessores respondem pelo pagamento do débito fiscal da firma ou sociedade anterior. (Decreto-lei nº 5.844, artigo 55)

CAPÍTULO IV

Das empreitadas de construção de estradas e semelhantes

Art. 56. Em casos como os de empreitadas de construção de estradas e semelhantes, a tributação abrangerá a totalidade dos resultados apurados em balanço final, relativo ao período da construção. (Decreto-lei nº 5.844, art. 56)

Parágrafo único. Os empreiteiros de construção de estradas e semelhantes, que apurarem lucro em balanço anual, poderão, também, pagar o impôsto, em cada exercício financeiro, com base nesse lucro. (Lei nº 2.862, art. 24)

CAPÍTULO V

Da exploração agrícola e pastoril e das indústrias extrativas vegetal e animal

Art. 57. Para determinar o rendimento líquido da exploração agrícola ou pastoril e das indústrias extrativas vegetal e animal, de que trata o parágrafo único do art. 9º, aplicar-se-á o coeficiente de 5% (cinco por cento) sôbre o valor da propriedade. (Decreto-lei nº 5.844, artigo 57)

§ 1º Considera-se valor da propriedade o representado pelas terras exploradas, pastagens, construções, benfeitorias, maquinismos, máquinas agrícolas, culturas permanentes, gado de trabalho e de renda. (Decreto-lei nº 5.844, art. 57, § 1º)

§ 2º Na hipótese de não ser possível conhecer com exatidão o valor das construções, benfeitorias, maquinismos e máquinas agrícolas, será arbitrado em 10% (dez por cento) do valor venal das terras, registrado nas repartições estaduais para efeito da cobrança do impôsto territorial. (Decreto-lei nº 5.844, artigo 57, § 2º)

§ 3º No caso de arrendamento, o rendimento líquido será apurado de acôrdo com os elementos de que disponer a repartição, excluído o valor dos bens arrendados. (Decreto-lei nº 5.844, art. 57, § 3º)

§ 4º Do rendimento líquido, determinado na forma dêste artigo, não será permitida dedução de qualquer espécie. (Decreto-lei nº 5.844, artigo 57, § 4º).

§ 5º Nos casos de exploração de propriedade arrendada de terceiros, desde que feita individualmente, o rendimento também será calculado de acôrdo com êste artigo, quando o contribuinte não declarar o lucro real.

Art. 58. E' facultado ao contribuinte que perceber rendimentos da exploração agrícola ou pastoril e das indústrias extrativas vegetal e animal optar pela tributação baseada no resultado real, desde que o possa comprovar por meio de escrituração feita de forma a merecer fé. (Decreto-lei nº 5.844, art. 58)

Parágrafo único. No caso dêste artigo, não são dedutíveis as quantias aplicadas na aquisição de bens de qualquer natureza, nem as despesas pessoais do contribuinte, salvo as de alimentação com recursos da propriedade agrícola. (Decreto-lei nº 5.844, art. 58, parágrafo único)

Art. 59. Os parceiros na exploração agrícola ou pastoril e na das indústrias extrativas vegetal e animal serão tributados separadamente, na proporção do que a cada um couber dos rendimentos. (Decreto-lei número 5.844, art. 59)

CAPÍTULO VI

Dos que transferirem residência para o exterior

Art. 60. Os residentes ou domiciliados ao Brasil que se retirarem em caráter definitivo do território nacional no correr de um exercício financeiro, além da declaração correspondente aos rendimentos do ano civil imediatamente anterior, ficam sujeitos à apresentação imediata da declaração dos rendimentos do período de 1º de janeiro até a data em que fôr requerida às repartições do Impôsto de Renda a certidão para os fins previstos no art. 134. (Lei nº 3.470, art. 17)

Parágrafo único. A declaração de rendimentos de que trata êste artigo deverá ser apresentada juntamente com o requerimento da certidão negativa de débito.

CAPÍTULO VII

Da transferência de residência para o Brasil

Art. 61. As pessoas que, no correr de um exercício financeiro, transferirem residência para o território nacional e, nesse mesmo exercício, iniciarem a percepção de rendimentos tributáveis de acôrdo com êste regulamento, estarão sujeitas ao impôsto no exercício seguinte, como residentes ou domiciliados no país. (Decreto-lei nº 5.844, art. 61)

§ 1º No caso dêste artigo, serão declarados os rendimentos percebidos entre a data da chegada e o último dia do ano civil. (Decreto-lei nº 5.844, art. 61, parágrafo único)

§ 2º Quando o residente no estrangeiro estiver submetido ao regime de tributação na fonte previsto no artigo 97 e transferir residência para o Brasil, ficará sujeito ao impôsto como residente ou domiciliado no país, no ano que se seguir ao da mudança. (Decreto-lei n.º 5.844, artigo 60) .

§ 3º No caso a que se refere o parágrafo anterior, a declaração abrangerá a totalidade dos rendimentos e deduções relativos ao ano da mudança, na forma do disposto no art. 22. (Decreto-lei nº 5.844, art. 60, parágrafo único)

§ 4º As pessoas que, no correr de um exercício financeiro, transferirem residência para o Brasil e, nesse mesmo exercício financeiro, se retirarem do território nacional, em caráter definitivo, serão tributadas na conformidade do disposto no art. 60.

CAPÍTULO VIII

Do início de negócio

Art. 62. Para as pessoas jurídicas que iniciarem tranações em um ano, a base do impôsto, para o exercício seguinte, será dada pelos lucros apurados de acôrdo com êste regulamento e que corresponderem ao período entre o início do negócio e o dia 31 de dezembro. (Decreto-lei nº 5.844, art. 62)

§ 1º. As pessoas jurídicas, que iniciarem transações e se extinguirem no mesmo ano, ficam obrigadas à apresentação imediata da declaração, compreendendo os resultados do período em que exercerem suas atividades. (Lei nº 154, art 1º)

§ 2º. Quando a firma ou sociedade não houver realizado balanço até 31 de dezembro, por não estar obrigada a fazê-lo, em virtude de disposição contratual ou estatutaria, poderá se eximir da obrigação de presentar declaração de rendimentos no exercício financeiro seguinte ao início das suas operações, desde que requeira à autoridade fiscal competente, até 30 de abril, a dispensa dêsse ônus. (Lei nº 3.470, art. 25)

§ 3º. A falta de escrituração regular desde o início das operações ou o não encerramento do balanço até 31 de dezembro, quando existente a obrigação contratual ou estatutária de fazê-lo, determinará o arbitramento do lucro em conformidade com o § 4º do art. 34, se a pessoa jurídica não puder optar pela tributação baseada no lucro presumido. (Lei nº 3.470, art. 26)

§ 4º. No caso de que trata o § 2º, ficará a pessoa jurídica obrigada a declarar, no exercício subseqüente, o lucro real correspondente ao período entre o início do negócio e a data do encerramento do primeiro balanço que estiver obrigada a realizar. (Lei nº 3.470, art. 26)

PARTE QUARTA

Disposições aplicáveis ao Regime de Arrecadação por Lançamento

CAPÍTULO I

Da declaração de rendimentos

Art. 63. Até 30 de abril de cada ano, as pessoas físicas e jurídicas, por si ou por intermédio de representantes habilitados são obrigadas a apresentar declaração de seus rendimentos, acompanhada da respectiva ficha estatística. (Decreto-lei número 5.844, art. 63)

§ 1º. Não haverá essa obrigação para as pessoas físicas, salvo exigência de autoridade fiscal:

a) quando a soma dos rendimentos brutos não exceder a Cr$ .... 90.000,00 (noventa mil cruzeiros) anuais; (Lei nº 2.354, artigo 23 e Lei nº 3.470, arts. 59 e 101)

b) quando tiverem percebido exclusivamente rendimentos de trabalho sujeitos ao desconto do impôsto na fonte, em importância não excedente a Cr$ 15.000,00 (quinze mil cruzeiros) em qualquer mês e de uma só fonte pagadora. (Lei nº 3.470, art. 60)

§ 2º Quando motivos de fôrça maior, devidamente justificados perante o chefe da repartição lançadora, impossibilitarem a entrega da declaração dentro do prazo acima estabelecido, poderá ser concedida, mediante requerimento, uma só prorrogação até 60 (sessenta) dias. (Decreto-lei nº 3.844, art. 63, § 2º)

§ 3º Depois de 30 de abril, a declaração só será recebida se ainda não tiver sido notificado o contribuinte do início do processo de lançamento "ex-officio", de que trata a letra a do art. 77. (Decreto-lei número 5.844, art. 63, § 3º)

§ 4º E' vedado ao contribuinte, depois de notificado do lançamento do impôsto ou do início do processo de lançamento "ex-officio", requerer a retificação de sua declaração, para o fim de incluir ou majorar deduções e abatimentos que, anteriormente àqueles atos, não pleiteara. (Decreto-lei nº 5.844, art. 63, parágrafo 4º)

§ 5º. A firma ou sociedade que, depois de iniciada a ação fiscal por meio de exame de escrita, apresentar declaração ou requerer a retificação de rendimentos de sua declaração, não se eximirá, por isso, das penalidades previsias neste regulamento, aplicando-se o mesmo procedimento a tôdas as pessoas físicas ou jurídicas quanto aos rendimentos oriundos da firma ou sociedade a que se referir aquêle exame. (Decreto-lei nº 5.844, art. 63, § 5º)

§ 6º Ao contribuinte será prestada assistência técnica, na repartição lançadora, sob a forma de esclarecimentos a orientação para a feitura da sua declaração de rendimentos. (Lei nº 154, art. 26)

§ 7º Quando essa assistência fôr solicitada, antes de qualquer notificação de procedimento fiscal, para efeito de retificação de declaração de rendimentos já apresentada, a totalidade ou diferença de impôsto que resultar do cômputo dos elementos oferecidos pelo contribuinte será isenta, apenas, com a multa de mora, prevista na letra a do art. 144. (Lei nº 154, art. 26, parágrafo único)

§ 8º O disposto no parágrafo anterior não eximirá o contribuinte das penalidades previstas neste regulamento quanto à diferença de impôsto que resulter de ação fiscal posterior baseada em elementos outros colhidos pela repartição lançadora.

§ 9º As pessoas físicas que no ano de base tiverem rendimento superior a Cr$ 15.000,00 (quinze mil cruzeiros) em um ou mais meses, ou que perceberem rendimentos de mais de uma fonte pagadora ou de outra natureza que não os do trabalho e sujeitos ao impôsto na fonte, ficam obrigadas a apresentar a declaração no exercício seguinte, quando não ocorrer a hipótese prevista na alínea a do § 1º dêste artigo. (Lei número 2.862, art. 21, parágrafo único; Lei n.º 3.470, arts. 40 e 60)

§ 10. Se a fonte não descontar o impôsto de que trata o art. 96, início 2º, dêste regulamento, poderá o fisco exigir, diretamente dos beneficiados, através de declaração de rendimentos, o pagamento do tributo devido, na hipótese prevista no § 1º, b, dêste artigo. (Lei nº 3.470, art. 61)

§ 11. No caso do parágrafo anterior, será concedido o prazo de 20 (vinte) dias para que o beneficiado apresente a declaração de rendimentos, livre de multa de mora, findo o qual será iniciado o processo de lançamento "ex-officio". (Lei número 3.470, art. 61, § 1º)

Art. 64. As fórmulas de declaração, bem como a ficha estatística, obedecerão aos modelos aprovados pelo Diretor do Impôsto de Renda e serão assinadas pelos contribuintes ou seus representantes, esclarecendo êstes que o fazem em nome daqueles. (Decreto-lei nº 5.844, art. 64)

Art. 65. As pessoas físicas que perceberem rendimentos de várias fon-

tes, na mesma ou em diferentes localidades, farão uma só declaração. (Decreto-lei nº 5.844, art. 65)

Parágrafo único. Serão discriminados, na declaração, os rendimentos relativos ao ano-base, por fontes pagadoras e localidades de que provenham, e, em cada cédula, as deduções solicitadas. (Decreto-lei número 5.844, art. 65, parágrafo único)

Art. 66. Aquêles que declararem rendimentos de bens em condomínio deverão indicar essa circunstância. (Decreto-lei nº 5.844, art. 66)

Parágrafo único. Os rendimentos dos fundos em condomínio, de que trata o § 3º do art. 27, serão indicados pelos condôminos, segundo a sua natureza e na proporção das respectivas cotas, de acôrdo com o disposto na alínea d do § 1.º do art. 11. (Lei n.º 3.470, art. 82, parágrafo único)

Art. 67. Na constância da sociedade conjugal, os cônjuges deverão fazer declaração conjunta de seus rendimentos, inclusive dos pensões de que tiverem o gôzo privativo. (Decreto-lei nº 5.844, art. 67, e Lei número 154, art. 1º, 67, § 2º)

§ 1º. Se o regime fôr o da separação de bens, é facultado a qualquer dos cônjuges apresentar declaração em separado relativamente aos rendimentos próprios. (Lei nº 154, art. 1º)

§ 2º. No regime da comunhão de bens, quando cada cônjuge auferir mais de Cr$ 90.000,00 (noventa mil cruzeiros) anuais, além da declaração de rendimentos do cabeça do casal, poderá ser apresentada declaração de rendimentos do outro cônjuge, relativa aos proventos do trabalho, e de bens gravados com cláusulas de incomunicabilidade e inalienabilidade. (Lei nº 3.470, art. 33)

Art. 68. No caso de dissolução da sociedade conjugal, por morte de um dos cônjuges, o sobrevivente apresentará declaração de rendimentos relativa às importâncias que perceber do seu trabalho próprio, das pensões de que tiver gôzo privativo ou de quaisquer bens que não se incluam no monte a partilhar. (Decreto-lei nº 5.844, art. 68)

Art. 69. As pessoas jurídicas com sede no país e as filiais, sucursais ou agências das pessoas jurídicas com sede no estrangeiro, que centralizarem a contabilidade das subordinadas ou congêneres ou que incorporarem aos seus os resultados daquelas, deverão apresentar uma só declaração na repartição do local onde estiver o estabelecimento centralizador ou principal, devendo as subordinadas ou congêneres fazer a necessária comunicação à repartição das respectivas circunscrições fiscais. (Decreto-lei número 5.844, art. 69)

Parágrafo único. As firmas ou sociedades coligadas, bem como as controladoras e controladas, deverão apresentar declaração em separado, quanto ao resultado da sua atividade. (Decreto-lei nº 5.844, art. 69, parágrafo único)

Art. 70. As declarações deverão ser apresentadas à repartição competente, situada no lugar do domicílio fiscal dos contribuintes. (Decreto-lei nº 5.844, art. 70)

Art. 71. As declarações, acompanhadas ou não de cheques, poderão ser entregues pessoalmente ou remetidas, em carta registrada, pelo correio. (Decreto-lei nº 5.844, art. 71)

Parágrafo único. A repartição dará o recibo da declaração no ato da entrega, quando feita pessoalmente, e encaminhá-lo-á ao domicílio fiscal do contribuinte, no caso de remessa de declaração pelo correio. (Decreto-lei nº 5.844, art. 71, parágrafo único)

Art. 72. São competentes para receber as declarações de rendimentos: (Decreto-lei nº 5.844, art. 72)

a) as Delegacias Regionais e Seccionais e as Inspetorias do Impôsto de Renda;

b) as Alfândegas, Mesas de Rendas, Coletorias Federais e Postos e Registros Fiscais.

Art. 73. Os domiciliados no país, ausentes no estrangeiro, a serviço da Nação ou por motivo de estudos, que receberem rendimentos pela Delegacia do Tesouro Brasileiro no exterior, deverão apresentar suas declarações de rendimentos naquela repartição. (Decreto-lei nº 5.844, art. 73)

CAPÍTULO II

Da revisão das declarações

Art. 74. As declarações de rendimentos estarão sujeitas à revisão das repartições lançadoras, que exigirão os comprovantes necessários. (Decreto-lei nº 5.844, art. 74)

§ 1º. A revisão será feita com elementos de que dispuser a repartição, esclarecimentos verbais ou escritos solicitados aos contribuintes, ou por outros meios facultados neste regulamento. (Decreto-lei nº 5.844, art. 74, § 1.º)

§ 2º. Os pedidos de esclarecimentos deverão ser respondidos, dentro do prazo de 20 (vinte) dias, contados da data em que tiverem sido recebidos. (Decreto-lei nº 5.844, art. 74, § 2º)

§ 3º. O contribuinte que deixar de atender ao pedido de esclarecimento, ficará sujeito ao lançamento "ex officio" de que trata a letra b do art. 77. (Decreto-lei nº 5.844, art. 74 § 3º)

Art. 75. Os funcionários do Impôsto de Renda destacados em serviços de inspeção no interior dos Estados poderão, quando devidamente autorizados, proceder à revisão das declarações. (Decreto-lei nº 5.844, art. 75)

CAPÍTULO III

Do lançamento do impôsto

Seção I

Do lançamento com base na declaração

Art. 76. Feita a revisão da declaração de rendimentos, proceder-se-á ao lançamento de impôsto, notificando-se o contribuinte do débito apurado. (Decreto-lei nº 5.844, art. 76)

Seção II

Do lançamento "ex officio"

Subseção I

Dos casos de lançamento "ex officio"

Art. 77. O lançamento "ex officio" terá lugar quando o contribuinte: (Decreto-lei nº 5.844, art. 77)

a) não apresentar declaração de rendimentos;

b) deixar de atender ao pedido de esclarecimentos que lhe fôr dirigido, recusar-se a prestá-los ou não os prestar satisfatòriamente;

c) fizer declaração inexata, considerando-se como tal não só a que omitir rendimentos, como também a que contiver dedução de despesa não efetuadas ou abatimentos indevidos.

Subseção II

Do processo

Art. 78. O processo de lançamento "ex-officio" será iniciado por despacho mandando intimar o interessado para, no prazo de 20 (vinte) dias, prestar esclarecimentos, quando necessários, ou para efetuar o recolhimento do impôsto devido com o acréscimo da multa cabível. (Lei nº 3.470, art. 19)

§ 1º Quando a falta ou a inexatidão da declaração houver sido apurada pelos agentes fiscais do impôsto de renda, em ação fiscal direta no domicílio do contribuinte, o processo será iniciado mediante auto de infração, no qual será feita ao interessado, pessoalmente, a intimação para prestar esclarecimentos. (Lei nº 3.470, artigo 19, parágrafo único)

§ 2º As intimações a que se refere êste artigo serão feitas por meio de registrado postal, com direito a recibo de volta (A.R.), ou pessoalmente, mediante declaração de ciente no processo, ou, ainda, por edital publicado uma vez na imprensa ou afixado na repartição, quando impraticáveis os dois primeiros meios. (Decreto-lei nº 5.844, art. 78, § 1º)

§ 3º Se os esclarecimentos não forem apresentados para sua juntada ao processo, certificar-se-á dêle essa circunstância; quando feita a intimação mediante registrado postal, juntar-se-á o recibo de volta (A.R.); quando por edital, mencionar-se-á o nome do jornal em que foi publicado ou o lugar em que estêve afixado. (Decreto-lei nº 5.844, art. 78, § 2º)

§ 4º A autoridade lançadora apreciará o processo. Se o julgar improcedente, mandará arquivá-lo; no caso contrário, autorizará o lançamento, mandando cobrar o impôsto com a multa cabível de acôrdo com o artigo 145. (Decreto-lei nº 5.844, art. 78, § 3º).

Subseção III

Da base

Art. 79. Far-se-á o lançamento ex officio: (Decreto-lei nº 5.844, art. 79)

a) arbitrando os rendimentos mediante os elementos de que se dispuser, nos casos de falta de declaração;

b) abandonando as parcelas que não tiverem sido esclarecidas e fixando os rendimentos tributáveis de acôrdo com as informações de que se dispuser, quando os esclarecimentos deixarem de ser prestados, forem recusados ou não forem satisfatórios;

c) computando as importâncias não declaradas, ou arbitrando o rendimento tributável de acôrdo com os elementos de que se dispuser, nos casos de declaração inexata.

§ 1º Os esclarecimentos prestados só poderão ser impugnados pelos lançadores, com elemento seguro, de prova ou indício vesmente de sua falsidade ou inexatidão. (Decreto-lei nº 5.844, art. 79, § 1º)

§ 2.º Na hipótese do lançamento, ex officio por falta de declaração de rendimentos, a não apresentação dos esclarecimentos dentro do prazo de que trata o art. 78 acarretará, para as pessoas jurídicas, a perda do direito de opção referido no art. 33. (Lei nº 2.354, art. 26)

Seção III

Disposições relativas ao lançamento do impôsto

Art. 80. As pessoas físicas serão lançadas individualmente pelos rendimentos que perceberem do seu capital, do seu trabalho próprio ou das pensões de que tiverem gôzo privativo, ressalvada a hipótese da parte final do § 2º do art. 29. (Decreto-lei nº 5.844, art. 80)

Parágrafo único. Na constância da sociedade conjugal, salvo nos casos dos parágrafos 1º e 2º do art. 67, far-se-á o lançamento em nome do marido, abrangendo os rendimentos do casal. (Decreto-lei nº 5.844, artigo 80, parágrafo único)

Art. 81. As pessoas jurídicas serão lançadas em nome da matriz, tanto por seu movimento próprio como pelo de suas filiais, sucursais, agências ou representações. (Decreto-lei nº 5.844, art. 81)

§ 1º Se a matriz funcionar no estrangeiro, o lançamento será feito em nome de cada uma das filiais, sucursais, agências ou representações no país ou no da que centralizar a escrituração de tôdas. (Decreto-lei número 5.844, art. 81, § 1º)

§ 2º No caso das coligadas, controladoras ou controladas, o lançamento será feito em nome de cada uma delas. (Decreto-lei nº 5.844, artigo 81, § 2º)

§ 3º O disposto no § 1º alcança igualmente os mandatários ou comissários, no Brasil, das firmas e sociedades domiciliadas no exterior. (Lei nº 3.470, art. 76)

Art. 82. O contribuinte será notificado do lançamento no distrito onde estiver o seu domicílio fiscal. (Decreto-lei nº 5.844, art. 82)

Art. 83. A notificação do lançamento far-se-á por registrado postal, com direito a recibo de volta (A.R.), por serviço de entrega da repartição, ou por edital. (Decreto-lei nº 5.844, art. 83 e art. 200, a)

§ 1º Far-se-á a notificação por edital quando fôr desconhecido ou incerto o endereço do contribuinte, ou quando êste se encontrar ausente no estrangeiro, ou, ainda, se fôr impraticável a notificação pelos outros meios legais. (Decreto-lei nº 5.844, art. 83, § 1º)

§ 2º O edital não mencionará a importância do impôsto e será publicado uma vez na imprensa ou, na falta desta, afixado na repartição. (Decreto-lei nº 5.844, art. 83, § 2º)

Art. 84. O lançamento do impôsto cabe às Delegacias Regionais e Seccionais e às Inspetorias do Impôsto de Renda. (Decreto-lei nº 5.844, artigo 84 e Lei nº 154, art. 21)

Parágrafo único. Quando especialmente autorizados, também farão lançamentos os funcionários incumbidos da fiscalização do impôsto do interior dos Estados. (Decreto-lei número 5.844, art. 84, parágrafo único)

CAPÍTULO IV

Do pagamento do impôsto

Seção I

Disposições gerais

Art. 85. O impôsto devido pelas pessoas físicas e jurídicas deverá ser pago de uma só vez, quando inferior a Cr$ 500,00 (quinhentos cruzeiros) e Cr$ 5.000,00 (cinco mil cruzeiros), respectivamente. (Lei nº 154, art. 1º)

§ 1º Tratando-se de impôsto superior a essas quantias, é permitido o pagamento em quatro quotas iguais, quer se trate de pessoas físicas, quer de jurídicas. (Lei nº 154, art. 1.º)

§ 2º Ao contribuinte que apresentar sua declaração de rendimentos e efetuar, no ato, o pagamento integral do impôsto nela calculado, será concedido o desconto de: (Lei nº 154, art. 1º)

a) 5% (cinco por cento) se o pagamento fôr efetuado no mês de janeiro;

b) 3% (três por cento) se o pagamento fôr efetuado no mês de fevereiro;

c) 1% (um por cento) se o pagamento fôr efetuado no mês de março.

§ 3.º A concessão dos descontos de que trata o parágrafo 2.º não se estenderá ao pagamento de qualquer diferença de impôsto cobrada posteriormente. (Lei nº 154, art. 1º)

§ 4.º O pagamento do impôsto no ato da entrega da declaração de rendimentos, bem como nos casos de lançamento "ex-officio", ressalvado o disposto no art. 87 dêste regulamento, será efetuado na sua totalidade. (Lei nº 2.354, art. 2º)

§ 5.º O pagamento do impôsto deverá ser efetuado também na sua totalidade e no ato da entrega da declaração de rendimentos:

a) nos casos de extinção da pessoa jurídica; (Lei nº 2.354, art. 2º)

b) nos casos de transferência de residência para o exterior, de que trata o art. 80 dêste regulamento. (Lei número 3.470, art. 17)

§ 6.º. Quando houver suplemento de impôsto, proceder-se-á à cobrança do débito de uma só vez. (Lei n.º 154, art. 1º, 93, § 2º).

Art. 86. Em circunstâncias especiais, os delegados regionais e seccionais do Impôsto de Renda poderão autorizar o pagamento parcelado dos débitos vencidos dêsse tributo, acrescidos da multa de mora cabível. (Lei n.º 2.354, art. 2º).

Parágrafo único. Concedido êsse parcelamento a falta de pagamento de qualquer das prestações no prazo marcado acarretará o vencimento das demais e a imediata inscrição da dívida para cobrança judicial. (Lei n.º 2.354, art. 2º)

Art. 87. Os débitos resultantes de processos instaurados por infração dêste regulamento, quando superiores a Cr$ 100.000,00 (cem mil cruzeiros), poderão ser pagos em parcelas mensais, iguais e sucessivas, até o máximo de seis, desde que os interessados o requeiram à repartição arrecadadora local, dentro do prazo previsto para o cumprimento da decisão de primeira instância. (Lei n.º 2.519, art. 9º)

Parágrafo único. Desatendido o pagamento de duas prestações sucessivas, vencer-se-ão automàticamente as demais, devendo a repartição providenciar a cobrança executiva do restante do débito, na forma da legislação em vigor. (Lei nº 2.519, art. 9º)

Seção II

Dos meios e do lugar de pagamento

Art. 88. O pagamento do impôsto, em dinheiro ou por cheque, será feito às Recebedorias Federais, Alfândegas, Mesas de Rendas e Coletorias Federais. (Decreto-lei n.º 5.844, arts. 87 e 90 e Lei n.º 154, artigo 1.º, 89, parágrafo único)

§ 1.º Os cheques, que poderão cobrir o débito de um ou mais contribuintes, serão emitidos ou endossados em favor das repartições arrecadadoras ou à sua ordem. (Lei n.º 154, art. 1º, 89, parágrafo único)

§ 2.º Os cheques serão cruzados e pagáveis ao Banco do Brasil S.A., sendo que, quando não estiverem cruzados, será feito imediatamente o cruzamento e a indicação "Banco do Brasil S.A.". (Decreto-lei n.º 5.844, art. 88 e parágrafo único)

§ 3.º Os cheques destinados ao pagamento do impôsto de renda poderão ser emitidos pelo contribuinte ou por outra qualquer pessoa física ou jurídica. (Lei nº 154, art. 1º, 89)

§ 4.º Os cheques poderão ser remetidos pelo correio, desde que acompanhados das respectivas notificações e em carta registrada.

Seção III

Da época e do prazo para pagamento

Art. 89. A arrecadação do impôsto em cada exercício financeiro começará a 1.º de junho, para as declarações de rendimentos entregues dentro do prazo. (Lei nº 154, art. 1º, 92)

Art. 90. Paga a primeira quota do impôsto, no prazo de 30 (vinte) dias, marcado na notificação de lançamento, as restantes serão recolhidas com intervalo de 30 (trinta) dias, a contar do vencimento da primeira. (Decreto-lei nº 5.844, art. 93)

Parágrafo único. É facultado ao contribuinte, depois de lançado, pagar antecipadamente uma ou mais quotas, ou a totalidade do impôsto. (Decreto-lei nº 5.844, art. 93, § 1º)

Art. 91. No caso de falência, considerar-se-ão vencidos todos os prazos, providenciando-se imediatamente a cobrança judicial da dívida. (Decreto-lei nº 5.844, art. 94)

Parágrafo único. São também considerados vencidos todos os prazos para pagamento, nos casos de transferência de residência para o exterior, de que trata o art. 80. (Lei n.º 3.470, art. 17, § 2º)

Título II

Da arrecadação nas fontes.

PARTE PRIMEIRA

Tributação dos lucros apurados pelas pessoas físicas na venda de propriedades imobiliárias

CAPITULO I

Da incidência do impôsto

Art. 92. O lucro apurado pelas pessoas físicas na venda de propriedades imobiliárias está sujeito ao pagamento do impôsto à razão de 15% (quinze por cento). (Lei nº 3.470, art. 79)

§ 1.º Para os efeitos dêste artigo, equiparam-se à venda a promessa de compra e venda e a cessão de direitos de promessa de compra e venda, ou atos equivalentes, sôbre propriedades imobiliárias. (Lei n.º 3.470, art. 4º)

§ 2.º Tratando-se de pessoas físicas que exploram, habitual e profissionalmente, a incorporação ou a construção de prédios para venda, a venda de lotes de terrenos de sua propriedade ou dos quais tenham opção ou promessa de compra e venda, o impôsto será cobrado à razão de 25% (vinte e cinco por cento). (Lei n.º 3.470, art. 81)

§ 3.º O disposto no parágrafo anterior não será aplicado em relação aos imóveis da zona rural ou que tenham destinação rural e ao loteamento na zona urbana, feito pelo proprietário que anteriormente não tenha exercido profissionalmente essa atividade. (Lei n.º 3.470, art. 81, §§ 1º e 2º)

§ 4.º Estão isentos do impôsto de que trata êste artigo os lucros apurados pelas pessoas físicas:

a) nas vendas de imóveis rurais, de valor até Cr$ 100.000,0. (cem mil cruzeiros); (Lei n.º 154, art. 24, parágrafo único)

b) na transmissão da propriedade, decorrente de desapropriação amigável ou judicial. (Lei nº 2.786, artigo 4º).

Art. 93. O impôsto de que trata o artigo 92 sòmente se aplica às vendas de bens imóveis corpóreos (artigo 43 do Código Civil) e incide sôbre a diferença entre o valor da venda e o do custo do imóvel para o vendedor, permitidas as seguintes deduções: (Decreto-lei nº 9.330, artigo 2º, e Lei nº 154, art. 24)

a) impôsto de transmissão pago pelo vendedor, quando da aquisição do imóvel;

b) benfeitorias e juros dos empréstimos contraídos para a sua realização;

c) comissões pagas para a realização da venda.

§ 1º Além das deduções previstas neste artigo, poderá o vendedor abater as seguintes percentagens, calculadas sôbre a diferença entre o valor da venda e o do custo, do imóvel e das benfeitorias, quando houver: (Lei nº 154, art. 25)

10% (dez por cento), quando o imóvel tiver sido adquirido dentro do prazo de dois anos anteriores à realização da venda;

15% (quinze por cento), quando êsse prazo fôr superior a dois anos, não excedendo, porém, a cinco anos;

20% (vinte e cinco por cento), quando êsse prazo fôr superior a cinco anos, não excedendo, porém, a dez anos;

30% (trinta por cento), quando êsse prazo fôr superior a dez anos;

§ 2º Não são compulsáveis como parcelas integrantes do custo do imóvel e das respectivas benfeitorias os juros abatidos nas declarações de rendimentos de pessoa física do vendedor. (Lei nº 3.470, art. 9º)

§ 3º É facultado ao fisco arbitrar o valor de venda do imóvel, para os efeitos do disposto neste artigo, quando o preço constante do instrumento da respectiva operação fôr notòriamente inferior ao real, observadas as seguintes regras: (Lei número 3.470, art. 6º e §§ 1º e 2º)

I — O preço de venda declarado será considerado notòriamente inferior ao real sempre que o valor definitivo de incidência do impôsto de transmissão exceder àquele preço, acrescido do preço da cessão, se houver;

II — Nos casos a que se refere o item I, a autoridade fiscal competente do impôsto de renda arbitrará o valor de venda do imóvel, até o limite de 80% (oitenta por cento) do valor que tenha servido de base para a cobrança do impôsto de transmissão, salvo quando, comprovadamente, seja apurado o valor real, em importância superior ao preço declarado na guia;

III — Não será feito o arbitramento de que trata o item II, na época da escritura definitiva de compra e venda, quando tenha sido pago o impôsto de renda em virtude de quitação do preço estabelecido em promessa de venda, na conformidade do disposto no § 1º do art. 92;

IV — Nos casos de pagamento do impôsto de transmissão para efeito da escritura definitiva de compra e venda, quando tenha havido promessa de venda anterior, ressalvada a hipótese do item III, será arbitrado o valor de venda correspondente à época em que o compromisso foi estabelecido;

V — Nos casos previstos no item IV, ou quando não houver incidência do impôsto de transmissão, para os efeitos do arbitramento do valor de venda do imóvel, será considerada quantia equivalente a que serviria de base para a cobrança daquele impôsto à época da transação, segundo os critérios previstos na legislação respectiva, dos Estados, do Distrito Federal ou dos Territórios;

VI — Tratando-se de simples contrato de cessão, no arbitramento do respectivo valor será considerada a base de incidência do impôsto que fôr cobrado sôbre a transação, abatendo-se o custo para o cedente, quando o valor que servir de base para a cobrança dêsse impôsto corresponder ao valor do imóvel;

VII — Nos casos em que houver compra e venda e cessão, simultâneas, o preço da cessão será abatido do valor do imóvel, arbitrado na conformidade dos itens anteriores, para os efeitos da revisão do valor da venda declarado na guia referente ao vendedor;

VIII — Nas operações de compra e venda definitiva quando tenha havido cessão anterior, a parcela correspondente ao preço da cessão não deverá ser computada no valor da venda, arbitrado para os fins da tributação;

IX — O arbitramento do valor de venda do imóvel não poderá exceder a 80% (oitenta por cento) do valor básico de incidência dos impostos a que se referem os itens I, V e VI, excetuados os casos a que se refere a parte final do item II;

X — Na falta de elementos para determinar o valor básico de incidência do impôsto de transmissão, o valor de venda ou da cessão será arbitrado com base no que tenha sido estabelecido para os fins de incidência do impôsto predial ou territorial, pela repartição fiscal competente.

§ 4º Estão sujeitos à comprovação o valor de custo do imóvel e as deduções de que tratam êste artigo e o § 1.º. (Decreto-lei n.º 9.330, art. 2.º)

§ 5º Ressalvados os casos de comprovação, mediante a apresentação de documentos do respectivo pagamento, é facultado às autoridades do impôsto de renda arbitrar o custo das benfeitorias, até o limite de 10 (dez) vêzes o correspondente valor locativo anual à época da realização dessas benfeitorias. (Lei nº 3.470, art. 8º)

§ 6º Para os efeitos do arbitramento de que trata o § 5º:

a) no caso de imóvel situado em zona urbana, será considerado o valor locativo anual do imóvel, após concluídas as benfeitorias, constante do recibo de pagamento do impôsto predial ou do impôsto territorial, ou, se êsse valor não constar expressamente do respectivo recibo, o que fôr certificado pela autoridade municipal competente;

b) tratando-se de propriedade situada em zona rural ou que tenha destinação rural, o valor locativo anual das benfeitorias, à época da sua realização, será:

I — o constante de contratos de arrendamento, se a propriedade houver sido arrendada a êsse tempo;

II — o que tenha sido considerado na cobrança do impôsto territorial, ou arbitrado por autoridade pública estadual ou municipal competente, para efeitos fiscais.

§ 7º Quando o custo das benfeitorias avaliado pela autoridade fiscal não atingir a 10 (dez) vêzes o valor locativo, é facultado ao contribuinte promover à respectiva avaliação judicial, sem efeito suspensivo da cobrança, respeitado êsse mesmo limite fixado no § 5º. (Lei nº 3.470, art. 8º, parágrafo único)

§ 8º A avaliação judicial, nos casos previstos no § 7º, será feita sempre por avaliação judicial, sendo que, onde houver avaliadores privativos das Varas da Fazenda Públicas, a êstes caberá fazer a avaliação. (Lei nº 3.470, art. 9º)

§ 8º Sòmente onde não houver avaliador judicial, poderá o Juiz designar perito estranho ao quadro da Justiça para, em cada caso, proceder à avaliação. (Lei nº 3.470, art. 96, parágrafo único)

§ 10. O custo do imóvel, para o vendedor, quando adquirido por doação, herança ou legado, é o valor constante do respectivo instrumento de transferência da propriedade, transcrito no registro próprio. (Lei nº 3.470, art. 7º)

§ 11. Nos casos a que se refere o parágrafo anterior, quando o valor de aquisição da propriedade constante do respectivo instrumento fôr inferior ao que tenha servido de base para o pagamento do impôsto de transmissão, observar-se-á o disposto no § 2º. (Lei nº 3.470, art. 7º, parágrafo único)

§ 12. O valor de venda arbitrado na conformidade do disposto no § 3º será aceito como custo do imóvel, para os fins previstos neste artigo, quando ocorrer a sua revenda.

§ 13. Na impossibilidade de ser feita, no ato do recolhimento do impôsto, a comprovação dos valores a que se refere o § 4º dêste artigo, ficará o vendedor obrigado a comprová-los dentro do prazo de 60 (sessenta) dias, contados da data daquele recolhimento.

§ 14. Quando houver a quitação do preço antes de concluídas as benfeitorias, será admitida a dedução do respectivo custo estimado pelo vendedor, sujeito à comprovação dentro do prazo de 60 (sessenta) dias, contados da data do "habite-se", ficando o contribuinte obrigado ao pagamento da diferença de impôsto que vier a ser apurada, com o acréscimo da multa que fôr cabível.

§ 15. Findo o prazo marcado para a comprovação, na conformidade dos §§ 13 e 14, o qual poderá ser prorrogado, mediante requerimento, a juízo exclusivo dos chefes das repartições lançadoras do impôsto de renda, serão glosadas as deduções e percentagens não comprovadas.

§ 16. As deduções e percentagens glosadas, de acôrdo com o disposto no § 15, não poderão ser restabelecidas depois que o ato se tornar irrecorrível na órbita administrativa.

§ 17. O valor da venda e o da cessão também deverão ser comprovados, mediante documento que indique o valor definitivo de base para incidência do impôsto de transmissão ou, quando não houver incidência dêsse impôsto, o que servir de base para a cobrança do impôsto predial, territorial ou sôbre a cessão, expedido pela repartição fiscal competente.

CAPÍTULO II

Da escritura de compra e venda

Art. 94. Os tabeliães de notas e serventuários que exercerçam função de notário público ou de oficial de registro, federais ou estaduais, não poderão lavrar ou registrar escritura de compra e venda de propriedades imobiliárias ou escritura de promessa de compra e venda ou de cessão de direito de promessa de compra e venda sôbre propriedades imobiliárias, ou atos equivalentes, com cláusula de quitação de preço, sem que seja feita, pelo vendedor ou cedente, prova de recolhimento do impôsto de que trata o artigo 92, mediante exibição da guia própria, com o respectivo recibo, cujo número, data, preço de venda ou cessão e valor arbitrado deverão ser indicados na mesma escritura. (Lei nº 3.470, art. 59)

§ 1º Quando a transação não proporcionar lucro tributável, será admitida, em substituição à prova exigida neste artigo, a guia negativa, que será visada pelas repartições lançadoras do impôsto de renda ou pelos exatores federais nas localidades onde não houver repartição lançadora dêsse impôsto.

§ 2º Na hipótese a que se refere o § 1º, deverão constar da escritura o número e a data da guia negativa e a repartição em que foi visada, bem como a declaração de que o vendedor se compromete a, no prazo de 10 (dez) dias, contado da ciência do débito fiscal, recolher o impôsto que as repartições do impôsto de renda venham a apurar na revisão da mesma guia.

§ 3º Os tabeliães e serventuários referidos neste artigo não poderão lavrar a escritura por valor superior ao constante da guia.

§ 4º Nos casos de inobservância do disposto neste artigo será aplicada a multa prevista na alínea "c" do artigo 147 do presente regulamento. (Lei nº 3.470, art. 59)

CAPÍTULO III

Do recolhimento do impôsto

Art. 95. O recolhimento do impôsto de que trata o art. 92 compete ao vendedor do imóvel e será feito por meio de guia própria, fornecida pela repartição. (Decreto-lei nº 9.330, artigo 3º)

§ 1º O impôsto a que se refere êste artigo deverá ser recolhido até a data da escritura, quando houver quitação do preço, e dentro de 30 (trinta) dias, contados do pagamento da última prestação, nos demais casos. (Lei nº 3.470, art. 4º, § 1º)

§ 2º São competentes para receber o impôsto, em dinheiro ou por cheque, as Recebedorias Federais, Alfândegas, Mesas de Rendas e Coletorias Federais. (Decreto-lei nº 9.330, artigo 4º, e Lei nº 154, art. 1º, 89, parágrafo único)

§ 3º O recolhimento do impôsto deverá ser feito à repartição do local do domicílio fiscal do vendedor, ressalvado o cumprimento das obrigações fiscais por procurador, no local da situação do imóvel.

§ 4º O disposto neste artigo e no parágrafo anterior aplica-se igualmente ao cedente, nos casos de cessão a que se refere o § 1º do art. 92.

PARTE SEGUNDA

Tributação dos rendimentos de títulos ao portador, de residentes ou domiciliados no estrangeiros e casos especiais de arrecadação nas fontes

CAPÍTULO I

Dos rendimentos de títulos ao portador

Art. 96. Estão sujeitos ao desconto do impôsto na fonte:

1º) à razão de 6% (seis por cento), os juros de títulos ao portador de dívidas públicas federais, estaduais ou municipais, salvo os que gozarem de imunidade fiscal expressa em lei federal; (Lei nº 1.474, art. 1º H)

2º) à razão de 15% (quinze por cento): (Lei nº 1.474, art. 1º, H)

a) os benefícios líquidos superiores a Cr$ 1.000,00 (mil cruzeiros) resultantes da amortização antecipada, mediante sorteio, dos títulos de economia denominados "capitalização";

b) os benefícios atribuídos aos portadores de títulos de capitalização nos lucros da emprêsa emitente;

3º) à razão de 30% (vinte e oito por cento): (Lei nº 1.474, art. 1º, H, e Lei nº 2.862, art. 25)

a) os dividendos de ações ao portador e quaisquer bonificações a elas atribuídas;

b) os interêsses e quaisquer outros rendimentos de títulos ao portador denominados "partes beneficiárias" ou "partes de fundador";

c) o valor das ações novas e os interêsses além dos dividendos atribuídos aos titulares de ações ao pôrtador, nos casos:

I — de utilização de quaisquer fundos, inclusive os de amortização, de depreciação e de reavaliação de ativo;

II — de valorização do ativo ou de venda de parte dêste, sem redução do capital;

4º) à razão de 25% (vinte e cinco por cento), os lucros superiores a .. Cr$ 1.000,00 (mil cruzeiros), decorrentes de prêmios em dinheiro obtidos em loterias de finalidade exclusivamente assistencial, inclusive as exploradas diretamente pelo Estado; (Lei nº 1.474, art. 1º, H)

5º) à razão de 30% (trinta por cento), os lucros superiores a Cr$ .. 1.000,00 (mil cruzeiros), decorrentes de prêmios em dinheiro obtidos em loterias concursos desportivos, inclusive de turfe, compreendidos os "bettings", e sorteios de qualquer espécie, exclusive os de antecipação nos títulos de capitalização e os de amortização e resgate, das ações das sociedades anônimas; (Lei nº 1.474, artigo 1º, H)

6º) à razão de 21% (vinte e um por cento), os juros de debêntures ou outras obrigações ao portador, provenientes de empréstimos contraídos dentro ou fora do país, por sociedades nacionais ou estrangeiras que operem no território nacional. (Lei nº 1.474, art. 1º, H, e Lei nº 2.862, art. 25)

§ 1º A utilização de fundos ou lucros, a título de amortização de ações ao portador, sem redução do capital, nos têrmos do art. 18 do Decreto-lei nº 2.627, de 26 de setembro de 1940, importa na distribuição de rendimentos, sujeitos ao desconto do impôsto na fonte, de acôrdo com o item I da letra *c* dêste artigo. (Lei nº 2.862, artigo 26)

§ 2º As percentagens a que se refere êste artigo incidirão sôbre os rendimentos brutos. (Lei nº 2.354, art. 24)

§ 3º Os rendimentos de títulos ao portador estão sujeitos ao impôsto de que trata êste artigo, sejam quais forem os seus possuidores. (Lei número 3.470, art. 107)

§ 4º Excetuam-se das disposições da alínea *c* do inciso 3º dêste artigo os casos previstos nos arts. 100 e 101 do presente regulamento. (Lei número 3.470, arts. 57 e 58)

CAPÍTULO II

Dos rendimentos de residentes ou domiciliados no estrangeiro

Art. 97. Estão sujeitos ao desconto do impôsto à razão de 25% (vinte e cinco por cento):

I — os rendimentos percebidos pelas pessoas físicas ou jurídicas, residentes ou domiciliadas no estrangeiro, inclusive aquêles oriundos da exploração de películas cinematográficas; (Lei nº 3.470, art. 77)

II — os rendimentos percebidos pelos residentes no país, que estiverem ausentes no exterior por mais de doze meses; (Lei nº 3.470, art. 77)

III — os rendimentos percebidos pelas pessoas de que tratam as alíneas anteriores, a título de "royalties", tais como os decorrentes da exploração de marcas de indústria e de comércio, de patentes de invenção e de processos ou fórmulas de fabricação, ou o produto da alienação, a qualquer título, dessas propriedades quando percebido por pessoas físicas ou jurídicas nas condições referidas naqueles dispositivos. (Lei nº 2.354, artigo 30, e Lei nº 3.470, art. 75)

§ 1º As disposições dêste artigo aplicam-se também:

a) aos residentes no estrangeiro que permanecerem no território nacional por menos de 12 (doze) meses; (Lei nº 2.354, art. 30)

b) aos contribuintes que continuarem a perceber rendimentos produzidos no país, a partir da data em que fôr requerida a certidão, nos casos previstos no art. 60 dêste regulamento; (Lei nº 3.470, art. 17, § 3º)

§ 2º Excetuam-se das disposições dêste artigo:

a) as comissões pagas pelos exportadores de quaisquer produtos nacionais aos seus agentes no exterior; (Decreto-lei nº 7.865, art. 1º)

b) as comissões pagas pelas emprêsas de navegação nacionais aos seus agentes no exterior, em razão dos serviços que êstes lhes prestarem naquela qualidade; (Decreto-lei número 7.895, art. 1º)

c) os lucros apurados pelas filiais de sociedades domiciliadas no estrangeiro, que forem empregados no Brasil, na ampliação de seu parque industrial; (Lei nº 154, art. 9º)

d) os rendimentos percebidos pelas pessoas de que trata o art. 73; (Lei nº 2.354, art. 30)

e) os rendimentos percebidos pelas pessoas de que tratam êste artigo e o parágrafo anterior, nos casos previstos nos arts. 100 e 101 do presente regulamento. (Lei nº 3.470, arts. 57 e 58)

§ 3º Considera-se rendimento tributável da exploração de películas cinematográficas estrangeiras, no país, a percentagem de 30% (trinta por cento) sôbre as importâncias pagas, creditadas, empregadas, remetidas ou entregues aos produtores, distribuidores ou intermediários no exterior, observado o disposto no § 1º do art. 37. (Lei nº 3.470, art. 18, §§ 1º e 2º, e art. 78)

§ 4º Os rendimentos já tributados na fonte sofrerão o desconto da diferença de impôsto até perfazer 25% (vinte e cinco por cento). (Lei nº 3.470, art. 78)

§ 5º As percentagens de que trata êste artigo incidirão sôbre os rendimentos brutos, salvo se provierem de capitais imobiliários, hipótese em que será permitido deduzir, mediante comprovação, as despesas previstas no art. 16. (Decreto-lei nº 5.844, artigo 97, § 3º)

CAPÍTULO III

Dos casos especiais de arrecadação nas fontes

Art. 98. Estão sujeitos ao desconto do impôsto na fonte:

1º) à razão de 10% (dez por cento):

I — as quotas-partes de multas, recebidas por funcionários em virtude de leis fiscais, excetuado o disposto na alínea "a" do § 3º do art. 24; (Lei nº 2.354, art. 41)

II — as importâncias pagas ou creditadas a pessoas físicas, a título de remuneração por serviços prestados, tais como comissões, corretagens, gratificações, participações ou honorários, superiores a Cr$ 20.000,00 (vinte mil cruzeiros), em cada mês,

quando o beneficiário não seja empregado da fonte pagadora do rendimento, observado o disposto na alínea "c" do § 3.º do art. 24; (Lei n.º 3.470, art. 62)

IX — as importâncias relativas a multas ou vantagens recebidas pelas pessoas físicas, nos casos de rescisão de contratos, excetuadas as importâncias que forem recebidas pelos assalariados a título de indenização, nos casos de rescisão de contrato de trabalho; (Lei nº 3.470, art. 10)

2º) de acôrdo com a tabela nº I anexa a êste regulamento, os rendimentos do trabalho provenientes do exercício de empregos, cargos ou funções, indicados no art. 5º e seu § 1º, I, quando superiores a Cr$ 7.500,00 (sete mil e quinhentos cruzeiros), em cada mês, admitida a dedução da contribuição de previdência social do empregado e a do impôsto sindical e considerados, ainda, todos os abatimentos previstos no art. 20; (Lei nº 2.354, art. 24, Lei nº 2.862, artigo 20, e Lei nº 3.470, art. 40)

3º) à razão de 28% (vinte e oito por cento), os rendimentos declarados como pagos ou creditados por sociedades anônimas, quando não atendidas as condições referidas no § 4º do art. 37. (Lei nº 3.470, artigo 2º, § 1º)

§ 1º É fixada em Cr$ 1.000,00 (mil cruzeiros) a quota mensal para a soma dos abatimentos de que tratam as letras a, b e) d, e i do art. 20, dêste regulamento, que serão concedidos "ex-officio" a todos os contribuintes para os efeitos do disposto no inciso 2º dêste artigo. (Lei nº 3.470, art. 40, § 1º).

§ 2º O desconto do impôsto de que trata o inciso 2º será efetuado com base no limite máximo de ..... Cr$ 15.000,00 (quinze mil cruzeiros) quando o rendimento em qualquer mês exceder a essa importância (Lei nº 2.862, art. 20, § 3º, e Lei nº 3.470, art. 40)

§ 3º Não caberá ao empregador responsabilidade alguma sôbre as informações prestadas pelos empregados para efeito do desconto do impôsto de que trata o inciso 2º dêste artigo. (Lei nº 2.354, art. 12)

Art. 99. O aumento dos fundos de reserva das sociedades anônimas com o aproveitamento de lucros apurados, quando êsses fundos já tenham atingido o valor do capital social realizado, ficará sujeito ao impôsto na fonte, à razão de 30-A (trinta por cento), independentemente do impôsto devido pela pessoa jurídica na forma do art. 44. (Lei nº 1.474, artigo 2º, § 1º)

Parágrafo único. O recolhimento do impôsto a que se refere êste artigo eximirá os titulares de ações ao portador do pagamento de novo impôsto por ocasião da distribuição dos mencionados acréscimos de reservas. (Lei nº 1.474, art. 2º, § 2º)

Art. 100. Os aumentos de capital das sociedades em geral, com recursos provenientes de reservas ou lucros em suspenso, ficarão sujeitos ao impôsto de renda na fonte, à razão de 15% (quinze por cento), como ônus da pessoa jurídica. (Lei nº 3.470, artigo 83)

§ 1º Para os efeitos dêste artigo, sòmente se computarão as provisões, fundos ou reservas tributados em poder da pessoa jurídica. (Lei número 3.470, art. 83, § 1.º)

§ 2º O impôsto a que se refere êste artigo será recolhido à repartição competente, por meio de guias, instruídas com a cópia da ata da assembléia geral, no caso das sociedades anônimas, ou do instrumento de alteração do contrato, no caso das demais sociedades, devendo ser efetuado o recolhimento em duas prestações iguais, mensais e sucessivas, a primeira prestação dentro do mês seguinte àquele em que se realizar o aumento do capital. (Lei nº 3.470, art. 83, § 2º)

§ 3º A falta de pagamento da primeira prestação dentro do prazo fixado no § 2º, a extinção da sociedade ou a diminuição do capital, antes de 5 (cinco) anos, contados da data em que tenha sido realizado o aumento de capital pela forma prevista neste artigo, importará na cobrança do impôsto, devido nas declarações ou na fonte, segundo as taxas normais, na forma da legislação em vigor. (Lei nº 3.470, art. 83, § 3º)

§ 4º As disposições dêste artigo não serão aplicadas: (Lei nº 3.470, artigo 83, § 5º)

a) às pessoas jurídicas que tiverem débito apurado de impôsto de renda, adicional de renda e multas, vencido na data de pagamento da primeira prestação;

b) às sociedades de qualquer natureza que tenham diminuído o seu capital depois de 1º de janeiro de 1956, salvo se prejuízos, não recebimento de débitos ou desvalorização, supervenientes, o justificarem. (Lei nº 3.470, art. 83, § 5.º letra b)

§ 5º Ressalvado o disposto nos §§ 3º e 4º, o recolhimento do impôsto, pela pessoa jurídica, na conformidade dêste artigo, exime do pagamento de qualquer outro impôsto, sôbre os mesmos rendimentos, os acionistas ou sócios das sociedades que os tenham distribuído. (Lei nº 3.470, art. 83, parágrafo 6º) .

§ 6º Aplicar-se-á também o disposto no parágrafo anterior aos acionistas e sócios das pessoas jurídicas isentas do impôsto de renda, desde que seja efetuado o recolhimento do impôsto de que trata êste artigo. (Lei nº 3.470, art. 83, § 7.º)

§ 7º Não sofrerão nova tributação proporcional e complementar, ou na fonte, os aumentos de capital das pessoas jurídicas mediante a utilização do aumento do valor do ativo decorrente dos aumentos de capital realizados nos têrmos dêste artigo, por sociedades das quais sejam elas acionistas ou sócias bem como as ações novas ou quotas distribuídas em virtude daquelas aumentos de capital. (Lei n.º 3.470, art. 83, § 8.º)

§ 8º Nos casos de incorporação de reservas das emprêsas de seguro, de capitalização, bancos e outras, cujos aumentos de capital dependam de aprovação governamental, e recolhimento do impôsto, na conformidade do § 2.º, poderá ser efetuado como depósito, em dinheiro, o qual será convertido em renda sòmente após aquela aprovação. (Lei n.º 1.772, art. 1.º)

§ 9º O disposto no § 3º não compreende os casos de extinção da sociedade ou de diminuição do capital decorrente de falência ou da morte de qualquer sócio.

Art. 101. Os aumentos de capital correspondentes ao aumento líquido do ativo, realizados na conformidade do disposto nos parágrafos dêste artigo, ficarão sujeitos, sòmente, ao impôsto de renda na fonte, à razão de 10% (dez por cento), como ônus da pessoa jurídica. (Lei nº 3.470, artigo 37, § 7º)

§ 1º As firmas ou sociedades poderão corrigir o registro contábil do valor original dos bens do seu ativo imobilizado até o limite das variações resultantes da aplicação de coeficientes de correção determinados pelo Conselho Nacional de Economia, cada dois anos. (Lei nº 3.470, art. 57)

§ 2º A correção a que se refere o parágrafo anterior poderá ser efetuada a qualquer tempo, até o limite dos coeficientes vigentes à época, e a nova tradução monetária do valor original do ativo imobilizado vigorará para todos os efeitos legais até nova correção pela firma ou sociedade. (Lei número 3.470, art. 57)

§ 3º Em cada biênio será fixado o coeficiente para cada um dos anos dos biênios anteriores, calculado de modo a exprimir a influência, no período decorrido entre o ano da aquisição do bem até 31 de dezembro do segundo ano de cada biênio, das variações do poder aquisitivo da moeda nacional na tradução monetária do valor original dos bens que constituem o ativo imobilizado. (Lei nº 3.470, artigo 57, § 1º)

§ 4º A alteração da tradução monetária do ativo imobilizado terá por limite a diferença entre: a variação resultante da aplicação, ao registro contábil do valor original de cada bem, do coeficiente fixado para o ano de sua aquisição, pela firma ou sociedade; e as amortizações contabilizadas, desde a aquisição, corrigidas aos mesmos coeficientes, de acôrdo com o ano de sua contabilização. (Lei nº 3.470, art. 57, § 2º)

§ 5º Entende-se por valor original do bem a importância em moeda nacional pela qual tenha sido adquirido pela firma ou sociedade, ou a importância em moeda nacional pela qual tenha sido o bem incorporado à sociedade, nos casos de despesas ou valor de incorporação expresso em moeda estrangeira. (Lei nº 3.470, art. 57, § 3.º)

§ 6º A conversão do valor em moeda estrangeira para moeda nacional será feita à taxa vigorante na época da aquisição. Se a taxa vigorante na data da aquisição ou incorporação não fôr conhecida, será adotada a taxa média do ano. (Lei nº 3.470, art. 57, § 3.º)

§ 7º Não serão corrigidas: (Lei número 3.470, art. 57 § 4.º)

a) a parcela do ativo correspondente a auxílios, subvenções ou outros recursos públicos não exigíveis, recebidos pela firma ou sociedade para auxílio na realização do ativo;

b) a parcela do ativo imobilizado correspondente ao saldo devedor de empréstimo tomado no Banco Nacional do Desenvolvimento Econômico, salvo se a firma ou sociedade acordar com êsse Banco a correção simultânea do saldo devedor do empréstimo, aos mesmos coeficientes aplicados na correção do ativo.

§ 8º Simultâneamente à correção do ativo prevista nos parágrafos anteriores, serão registradas as diferenças do passivo resultantes de variações cambiais no saldo devedor de empréstimos em moeda estrangeira ou das operações a que se refere o art. 16 da Lei nº 2.973, de 26 de novembro de 1956. (Lei n.º 3.470, art. 57, § 5.º)

§ 9º A variação no ativo poderá ser compensada por prejuízos. (Lei número 3.470, art. 57, § 5º).

§ 10. Ao aumento líquido do montante do ativo resultante das correções e compensações referidas nos parágrafos anteriores corresponderá obrigatòriamente, aumento, em igual importância, do capital da pessoa jurídica. A fração do valor nominal de ações poderá ser mantida em conta especial do passivo não exigível até a correção seguinte. (Lei nº 3.470, artigo 57, § 6.º)

§ 11. A falta de integralização do capital não impede a correção prevista neste artigo, mas o aumento líquido do ativo e do capital que dela resultar não poderá ser aplicado na integralização das ações ou quotas anteriores. (Lei n.º 3.470, art. 57, parágrafo 12)

§ 12. Se da correção não resultar aumento líquido do ativo, a firma ou sociedade submeterá à competente repartição do impôsto de renda, dentro de 30 (trinta) dias dos registros contábeis, um demonstrativo dos cálculos e registros efetuados. (Lei n.º 3.470, art. 57, § 9.º)

§ 13. O impôsto de que trata êste artigo será recolhido à repartição competente, por meio de guias, instruídas com um demonstrativo dos cálculos e lançamentos efetuados e cópia da ata da assembléia geral ou do instrumento de alteração do contrato social, conforme o caso. (Lei nº 3.470, art. 57, § 8º)

§ 14. O recolhimento do impôsto a que se refere o § 13 poderá ser feito em 12 (doze) prestações iguais, mensais e sucessivas, devendo a primeira prestação ser recolhida dentro de 30 (trinta) dias, contados da data da realização do aumento do capital. (Lei n.º 3.470, art. 57, § 10)

§ 15. A falta do pagamento da primeira prestação, dentro do prazo fixado no § 14, ou a mobilização dos demais dispositivos dêste artigo, importará na cobrança do impôsto devido pela pessoa jurídica e pelas pessoas físicas ou na fonte, segundo as taxas normais. (Lei nº 3.470, art. 57, § 11)

§ 16. Admitir-se-á o atraso das prestações restantes, até 4 (quatro) meses, mediante o pagamento da multa de mora regulamentar; atraso maior importará na perda dos benefícios dêste artigo, salvo nos casos de absoluta impossibilidade de pagamento, a juízo exclusivo do Ministro da Fazenda, que poderá autorizar a redução da correção e do reajustamento do capital na proporção do impôsto que já houver sido pago. (Lei número 3.470, art. 57, § 12)

§ 17. Os benefícios dêste artigo só atingem as pessoas jurídicas que não estiverem em débito com o impôsto de renda na data da assembléia geral que aprovar o aumento do capital, no caso das sociedades por ações; na data da alteração do contrato, das demais sociedades; na data da contabilização do aumento de capital, se se tratar de firma individual. (Lei número 3.470, art. 57, § 17)

§ 18. O recolhimento do impôsto pela pessoa jurídica, na conformidade dos parágrafos dêste artigo, exime do pagamento de qualquer outro impôsto, sôbre os mesmos rendimentos, os acionistas ou sócios das sociedades e os titulares das firmas que os tenham distribuído. (Lei n.º 3.470, art. 57, § 18)

§ 19. Aplicar-se-á também o disposto no parágrafo anterior aos acionistas ou sócios de sociedades e aos titulares de firmas isentas do impôsto de renda desde que seja efetuado o recolhimento do impôsto de acôrdo com as disposições dêste artigo e respectivos parágrafos. (Lei nº 3.470, artigo 57, § 19)

§ 20. Não sofrerão nova tributação proporcional e complementar, ou na fonte, os aumentos de capital das pessoas jurídicas mediante a utilização do aumento do valor do ativo decorrente dos aumentos de capital realizados, nos têrmos dêste artigo, por sociedades das quais sejam elas acionistas ou sócias, bem como as ações novas ou quotas distribuídas em virtude daqueles aumentos de capital. (Lei n.º 3.470, art. 57, § 16)

§ 21. Quando se tratar de emprêsas de seguro, de capitalização, bancos e outras cujos aumentos de capital dependam de aprovação governamental, o recolhimento do impôsto, na conformidade do § 2.º, poderá ser efetuado como depósito, em dinheiro, o qual será convertido em renda sòmente após aquela aprovação. (Lei n.º 1.772, de 1953)

CAPÍTULO IV

Da retenção do impôsto

Art. 102. Compete à fonte reter o impôsto de que tratam os arts. 96, 97 e 98, quando pagar, creditar, empregar, remeter ou entregar o rendimento. (Decreto-lei n.º 5.844, arts. 99 e 100)

Parágrafo único. Excetuam-se os seguintes casos, em que competirá ao procurador a retenção: (Decreto-lei n.º 5.844, art. 100, parágrafo único)

a) quando se tratar de aluguéis de imóveis;

b) quando o procurador não der conhecimento à fonte de que o proprietário do rendimento reside ou é domiciliado no estrangeiro.

CAPÍTULO V

Do recolhimento do impôsto

Art. 103. O recolhimento do impôsto será efetuado pela fonte ou pelo procurador do residente ou domiciliado no estrangeiro, dentro do prazo de 30 (trinta) dias, contado da data em que se tornou obrigatória a retenção ressalvado o disposto nos parágrafos seguintes. (Decreto-lei número 5.844, arts. 101 e 102)

§ 1.º Tratando-se de aluguéis de imoveis, o recolhimento do impôsto será efetuado semestralmente, no decurso dos meses de janeiro e julho de cada ano, e compreenderá a soma das importâncias retidas no semestre imediatamente anterior. (Lei n.º 154, artigos 1.º, 102, parágrafo único)

§ 2.º No caso de rendimentos de ações ao portador, o impôsto devera ser recolhido dentro de 60 (sessenta) dias, contados da data da realização da assembléia geral que autorizar a distribuição dêsses rendimentos. (Lei n.º 3.470, art 20)

§ 3.º Se houver pagamento antecipado de rendimentos originados de ações ao portador, o impôsto deverá ser recolhido dentro de 60 (sessenta) dias, contados da data do ato que autorizar a distribuição dêsses rendimentos. (Lei n.º 3.470, art. 20, § 2.º)

§ 4.º O disposto nos §§ 2.º e 3.º aplica-se também aos rendimentos de ações nominativas de residentes no estrangeiro. (Lei n.º 3.470, art. 20, § 1.º)

§ 5.º. O impôsto devido na fonte sôbre os lucros das filiais, sucursais, agências ou representações das pessoas jurídicas domiciliadas no estrangeiro deverá ser recolhido dentro do prazo de 120 (cento e vinte) dias, contados da data de encerramento do balanço. (Lei n.º 3.470, art. 21)

§ 6.º Nos casos de que tratam o inciso 1.º, II e o inciso 2.º do art. 98, o impôsto deverá ser recolhido pela fonte pagadora dos rendimentos, global e mensalmente, dentro do mês seguinte àquele em que houver sido efetuado o crédito ou o pagamento ao respectivo beneficiário. (Lei número 2.354, art. 25)

§ 7.º Se a fonte ou o procurador não houver efetuado a retenção do impôsto, responderá pelo recolhimento dêste, como se o houvesse retido. (Decreto-lei n.º 5.844, art. 103)

§ 8.º O disposto neste artigo e nos parágrafos anteriores não será aplicado nos casos de que tratam os artigos 100 e 101. (Lei n.º 3.470, art. 37 §§ 1.º e 10, e art. 83, § 2.º)

Art. 104. Para os efeitos do disposto no art. 103, considera-se obrigatória a retenção do impôsto na data da assembléia geral que tenha aprovado o aumento das reservas, nos casos de que trata o art. 99. (Lei n.º 1.474 art. 2.º § 1.º)

Art. 105. O recolhimento do impôsto pela fonte ou pelo procurador será feito à repartição do local do domicílio fiscal do responsável, por meio de guia própria. (Decreto-lei n.º 5.844, art. 104)

§ 1.º No caso de filiais, sucursais ou agências, o recolhimento do impôsto a que se refere o § 5.º do artigo 103 será feito à repartição do local onde se encontrar o estabelecimento de cada uma delas.

§ 2.º Quando houver falta ou inexatidão na guia de que trata êste artigo, será iniciada a ação fiscal, para exigência do recolhimento do impôsto, pela repartição competente, que intimará a fonte ou o procurador a efetuar o imediato recolhimento do impôsto devido, com o acréscimo da multa cabível, ou a prestar, no prazo de 20 (vinte) dias, os esclarecimentos que forem necessários. (Lei n.º 2.862, art. 23, e Lei n.º 3.470, art. 19)

Art. 106. As guias obedecerão ao modêlo aprovado pelo diretor do Impôsto de Renda e serão fornecidas pela repartição. (Decreto-lei número 5.844, art. 106)

§ 1.º Deverão ser mencionadas na guia a natureza dos rendimentos e as importâncias respectivas. (Decreto-lei n.º 5.844, art. 105)

§ 2.º No caso de pessoa física ou jurídica residente ou domiciliada no estrangeiro, deverão ser mencionados, ainda, o nome do beneficiário dos rendimentos e o respectivo endereço. (Decreto-lei n.º 5.844, art. 105, parágrafo único)

§ 3.º Nos casos previstos no artigo 98, 1.º, II, deverão ser mencionados o nome por inteiro e o endereço completo do beneficiário, a natureza dos serviços prestados e a operação ou causa que tenha dado origem ao rendimento.

Art. 107. São competentes para receber o impôsto, em dinheiro ou por cheque, as Recebedorias Federais, Alfândegas, Mesas de Rendas e Coletorias Federais. (Decreto-lei número 5.844, art. 107, e Lei n.º 154, art. 1.º, 69, parágrafo único).

TÍTULO III

Disposições Gerais

CAPÍTULO I

Das informações nas fontes

Art. 108. Até 30 de abril de cada ano, as pessoas físicas e jurídicas são obrigadas a enviar às repartições do Impôsto de Renda informações sôbre os rendimentos que pagaram ou creditaram no ano anterior, por si ou como representantes de terceiros, com indicação da natureza das respectivas importâncias e dos nomes e endereços das pessoas que os receberam. (Decreto-lei n.º 5.844, art. 108).

§ 1º Deverão ser informados, de acôrdo com êste artigo, os ordenados, gratificações, bonificações, interêsses, comissões, honorários, percentagens, juros, dividendos, lucros, aluguéis e quaisquer outros rendimentos. (Decreto-lei nº 5.844, art. 108, § 1º)

§ 2º A informação deverá abranger as importâncias em dinheiro pagas para custeio de viagem e estada, no exercício da profissão, bem como as quotas para constituição de fundos de beneficência. (Decreto-lei nº 5.844 art. 108, § 2º).

§ 3º Salvo quanto a juros, dividendos, lucros e aluguéis, não serão prestadas informações sôbre rendimentos pagos, quando as respectivas importâncias não excederem a Cr$ 90.000,00 (noventa mil cruzeiros) anuais, desde que as pessoas que os tiverem recebido não percebam rendimentos de outras fontes. (Lei nº 2.354, art. 31, e Lei n.º 3.470, artigo 39).

§ 4º Ignorando o informante se houve pagamento por outras fontes, deve prestar informações dos rendimentos que pagou. (Decreto-lei nº 5.844, art. 108, § 4º).

§ 5º Quando os rendimentos se referirem a residentes ou domiciliados no estrangeiro, o informante mencionará essa circunstância, indicando o nome e endereço do procurador a quem foram pagos. (Decreto-lei nº 5.844, art. 108, § 5º).

§ 6º Havendo dúvida sôbre quaisquer informações prestadas ou quando estas forem incompletas, a repartição poderá mandar verificar a sua veracidade na escrita dos informantes ou exigir os esclarecimentos necessários. (Decreto-lei nº 5.844, art. 108, § 6º).

§ 7º Os contribuintes sujeitos ao regime de desconto do impôsto na fonte, de que trata o art. 98, inciso 2º, serão obrigados a informar, até 30 de abril de cada ano, os rendimentos pagos a terceiros, no ano anterior, indicando nomes e endereços das pessoas que os receberam. (Lei nº 3.470, art. 22).

§ 8º As informações de que trata o § 7º, prestadas em fórmula própria, deverão ser entregues às repartições, por intermédio dos empregadores, quando o empregado não estiver obrigado a apresentar declaração. (Lei nº 3.470, art. 22, parágrafo único).

§ 9º Todos os contribuintes, pessoas físicas e jurídicas, deverão apresentar, anualmente, com sua declaração de rendimentos, uma relação dos impostos recolhidos de acôrdo com o art. 98, 1º, II. (Lei nº 3.470, art. 63).

Art. 109. São também obrigadas a prestar informações, nos têrmos do art. 108: (Decreto-lei n. 5.844, artigo 111)

a) tôdas as pessoas que, habitualmente, se encarregarem de receber juros, exceto de dívidas públicas, de comprar e vender cambiais e títulos da Bôlsa, por conta de outros — quanto às operações efetuadas em nome de seus clientes;

b) as companhias de seguros, qualquer que seja a fórma de constituição — sôbre o pagamento de pensões aos seus contribuintes;

c) as emprêsas de administração predial — sôbre os aluguéis recebidos por conta de seus clientes, com indicação de nome e endereço dos mesmos e das importâncias discriminadas por prédio;

d) as emprêsas, sociedades ou associações — sôbre os rendimentos que pagarem provenientes de direitos autorais, com indicação das importâncias e dos nomes e endereços das pessoas que os receberam;

e) as Câmaras Sindicais de Corretores — sôbre as comissões percebidas pelos corretores.

Parágrafo único. As autoridades superiores do Exército, da Marinha, da Aeronáutica e das Polícias, assim como os diretores ou chefes de repartições federais, estaduais e municipais e de departamentos ou entidades autárquicas, paraestatais ou outros órgãos a êstes assemelhados por ato do Govêrno, deverão prestar informações sôbre os rendimentos pagos a seus subordinados e a terceiros. (Decreto-lei nº 5.844, art. 109).

Art. 110. O Banco do Brasil S.A. e demais estabelecimentos bancários, inclusive as Caixas Econômicas, deverão prestar informações de todos os juros superiores a Cr$ 2.000,00 (dois mil cruzeiros), pagos ou creditados a particulares, com indicação dos nomes e endereços das pessoas a que pertencerem. (Lei nº 3.470, art. 25).

Parágrafo único. As informações de juros inferiores a esse quantia, bem como as das contas correntes relativas ao comércio, serão prestadas quando exigidas pela autoridade lançadora. (Decreto-lei n. 5.844, artigo 110, parágrafo único).

Art. 111. As Câmaras Sindicais de Corretores publicarão, mensalmente, a lista dos títulos que hajam sido objeto de transações realizadas na Bôlsa e cuja cotação, a juízo da Câmara Sindical, represente o preço real do mercado. (Lei nº 3.470, art. 86).

Parágrafo único. Serão excluídos da lista os títulos cuja cotação, por falta de mercado permanente, resulte de prévio entendimento entre comprador e vendedor. (Lei n. 3.470, artigo 86, parágrafo único)

Art. 112. O Departamento Nacional da Indústria e Comércio no Distrito Federal e as Juntas Comerciais nos Estados ou as repartições e autoridades que as substituirem deverão enviar, no prazo de 30 (trinta) dias, contado da data do registro, cópia dos documentos registrados, referentes aos contratos, alterações e distratos. (Decreto-lei nº 5.844, art. 112).

Art. 113. O Departamento Nacional de Propriedade Industrial deverá fornecer informações sôbre os registros de patentes de invenção e de marcas de indústria ou de comércio. (Decreto-lei nº 5.844, art. 113).

Art. 114. As repartições federais, estaduais e municipais que pagarem juros de títulos nominativos da dívida pública deverão comunicar, até 30 de abril, as transferências de títulos ocorridos no ano anterior. (Decreto-lei nº 5.844, art. 114).

Art. 115. As exatorias federais e estaduais são obrigadas a enviar, até 30 de abril, relação das firmas e sociedades que adquiriram selos de vendas e consignações durante o ano anterior, indicando os respectivos endereços e as importâncias dos selos adquiridos. (Decreto-lei nº 5.844, artigo 115)

Parágrafo único. Essas repartições deverão fornecer, também, no prazo de 30 (trinta) dias, informações das alterações ocorridas quanto aos contribuintes do impôsto de indústrias e profissões. (Decreto-lei nº 5.844, art. 115, parágrafo único).

Art. 116. As Recebedorias, Mesas de Rendas e Coletorias Estaduais e as Prefeituras do Distrito Federal e dos Municípios são obrigadas a comunicar, no prazo de 30 (trinta) dias, qualquer alteração feita no seu cadastro de propriedades rurais, urbanas e de licenças. (Decreto-lei nº 5.844, art. 116).

Art. 117. Os cartórios dos cartórios da Justiça do Distrito Federal, dos Estados e dos Territórios são obrigados a informar, no prazo de 30 (trinta) dias contado da data da homologação da sentença, as importâncias correspondentes aos honorários, vintenas ou comissões pagas aos advogados, médicos, testamenteiros, síndicos, liquidatários e avaliadores. (Decreto-lei nº 5.844, art. 117).

Art. 118. Os oficiais de registro de imóveis e de hipoteca marítima são obrigados a remeter, dentro de 30 (trinta) dias, contados da data do registro averbação ou transcrição do título, as informações relativas à transmissão de imóveis e aos contratos que indiquem despesa ou receita em dinheiro, passagem de capital de um patrimônio a outro, ou, sinda, que mencionem uma capitalização de juros. (Decreto-lei nº 5 844, art. 118).

Art. 119. Os oficiais de registro de títulos e documentos são obrigados a remeter, dentro de 30 (trinta) dias, contados da data do registro, as informações relativas aos contratos de arrendamento locação, sublocação, carta de fiança locação ou quitação de serviços, abertura de crédito em conta corrente, penhor avêrbo ou mercantil cessão, contratos de parceria e estatutos das sociedades civis. (Decreto-lei nº 5.844, art. 119).

Art. 120. Os tabeliães de notas e os serventuários que exercerem funções de notários públicos são obrigados a remeter, dentro de 30 (trinta) dias, contados da data da escritura, as informações relativas às escrituras de arrendamento locação e sublocação de imóveis e locação de serviços. (Decreto-lei nº 5.844, art. 120).

Art. 121. Na forma preceituada nos artigos 118, 119 e 120, serão também enviadas comunicações sôbre aumento de dívida ou aluguel, cessão ou transferência, quitação total ou amortização de dívidas, rescisão e prorrogação de prazos, de todos os empréstimos ou contratos. (Decreto-lei nº 5.844, art. 121).

Art. 122. As informações de que trata êste capítulo serão enviadas às respectivas Delegacias Regionais e Seccionais e Inspetorias do Impôsto de Renda ou exatorias federais, em fichas próprias por elas fornecidas, acompanhadas de relação em duas vias, uma das quais será devolvida ao informante com o competente recibo. (Decreto-lei n.º 5.844, art. 122).

Parágrafo único. As fichas e relações de que trata êste artigo, as quais deverão ser assinadas pelos informantes, obedecerão aos modelos aprovados pelo Diretor do Impôsto de Renda (Decreto-lei nº 5.844, art. 123, parágrafo único).

Art. 123. Nenhuma pessoa física ou jurídica, contribuinte ou não, poderá eximir-se de fornecer, nos prazos marcados, as informações ou esclarecimentos solicitados pelas repartições do Impôsto de Renda. (Decreto-lei nº 5.844, art. 123).

§ 1º Se a informação não fôr prestada, a autoridade fiscal competente cientificará desde logo o infrator da multa que lhe foi imposta, fixando novo prazo para o cumprimento da exigência. (Decreto-lei nº 5.844, artigo 123, § 1º).

§ 2º Se a exigência fôr novamente desatendida, o infrator ficará sujeito à penalidade máxima, além de outras medidas legais. (Decreto-lei nº 5.844, art. 123, § 2º).

§ 3º Na hipótese prevista no parágrafo anterior, a autoridade fiscal competente designará funcionários para colhêr a informação de que carecer. (Decreto-lei nº 5.844, artigo 123, § 3º).

CAPÍTULO II

Da fiscalização e dos livros fiscais

SEÇÃO I

Da fiscalização

Art. 124. A fiscalização do impôsto de renda compete às repartições encarregadas do lançamento dêsse tributo e, especialmente, aos agentes fiscais do impôsto de renda, mediante ação fiscal direta, no domicílio dos contribuintes. (Lei nº 2.354, artigo 7º, 1º)

§ 1.º A ação fiscal direta, externa e permanente, realizar-se-á pelo comparecimento do agente fiscal do impôsto de renda ao domicílio do contribuinte, para orientá-lo ao esclarecê-lo no cumprimento dos seus deveres fiscais bem como para verificar a exatidão dos rendimentos sujeitos à incidência do impôsto, lavrando, quando fôr o caso, o competente têrmo (Lei nº 2.354, art. 7º, 2º)

§ 2º Tôdas as pessoas físicas ou jurídicas, contribuintes ou não, são obrigadas a prestar as informações e os esclarecimentos exigidos pelos agentes fiscais do impôsto de renda no exercício das suas funções, sendo tais declarações tomadas por têrmo e assinadas pelo declarante. (Lei nº 2.354, art. 7º, 3º)

§ 3º Os que desacatarem, por qualquer maneira, os agentes fiscais do impôsto de renda no exercício de suas funções, e os que por qualquer meio impedirem a fiscalização, serão punidos na forma do Código Penal, lavrando o funcionário ofendido a competente auto que, acompanhado do rol das testemunhas, será remetido ao procurador da República pela repartição competente. (Lei nº 2.354, art. 7º, 3º)

§ 4º No caso de desacato o funcionário poderá solicitar o auxílio das autoridades policiais para as providências legais. (Lei n.º 2.354, artigo 7º, 5º, parágrafo único)

Art. 125. São obrigados a auxiliar a fiscalização prestando informações e esclarecimentos que lhes forem solicitados, cumprindo ou fazendo cumprir as disposições dêste regulamento e permitindo aos agentes fiscais do impôsto de renda colhêr quaisquer elementos necessários à repartição, todos os órgãos da administração pública federal, estadual e municipal, bem como as entidades autárquicas, paraestatais e de economia mista. (Decreto-lei nº 5.844, art. 125 e Lei nº 2.354, art. 7º).

Parágrafo único. Auxiliarão, ainda, a fiscalização:

a) o Departamento Nacional de Indústria e Comércio e as Juntas Comerciais ou repartições que suas vêzes fizerem, os quais não poderão arquivar distratos ou alterações de contratos de quaisquer sociedades, atas de assembléias gerais de sociedades por ações, nacionais ou estrangeiras, relativas a alteração de estatutos, liquidação ou dissolução, bem como dar baixa da matrícula das firmas individuais, sem a prova de quitação do impôsto de renda; (Decreto-lei nº 9.407, art. 1º).

b) a Fiscalização Bancária, que não autorizará qualquer remessa de rendimento para fora do país, sem a prova de pagamento do impôsto de renda; (Decreto-lei nº 5.844, art. 125, parágrafo único, "c")

c) os leiloeiros, que não poderão vender, mesmo em hasta pública, estabelecimentos comerciais ou industriais, sem a prova de estar o vendedor quite com o impôsto de renda; (Decreto-lei nº 5.844, art. 130).

d) os tabeliães, escrivães, distribuidores, oficiais de registro de imóveis, títulos e documentos, contadores e partidores, que facilitarão aos agentes fiscais do impôsto de renda o exame e verificação das escrituras, autos e livros de registros em cartório, quer antes, quer depois da partilha e de seu julgamento ou homologação; (Decreto-lei nº 5.844, art. 128)

e) as emprêsas que explorarem serviços de iluminação, as quais ficam obrigadas a prestar as informações que lhes forem solicitadas, quanto ao período de fornecimento de luz e ao nome e endereço dos consumidores. (Decreto-lei n.º 5.844, art. 129)

Art. 126. Nenhum pedido de concordata ou de reabilitação do falido será homologado, sem a prova de quitação do impôsto de renda. (Decreto-lei nº 5.844, art. 126)

Art. 127. Nenhum espólio ou formal de partilha, arrolamento ou judicial, ou cálculo de adjudicação, poderá ser convencionado, aprovado ou julgado, sem a prova de quitação do impôsto de renda relativamente ao espólio e ao *de cujus*. (Decreto-lei nº 5.844, art. 127)

§ 1º Julgado o cálculo para pagamento do impôsto de transmissão no inventário, o juiz solicitará informação sôbre a existência de débito do impôsto de renda em nome de *de cujus* ou do espólio, remetendo uma relação discriminativa dos bens constitutivos do monte. (Decreto-lei número 5.844, art. 127, § 1.º)

§ 2º Qualquer outra inclusão de bens no monte deverá ser comunicada à repartição fiscal competente, na forma preceituada neste artigo. (Decreto-lei nº 5.844, art. 127, § 2º)

§ 3º Essas providências são extensivas aos processos de sobrepartilha, extinção de qualquer cláusulas testamentárias e sub-rogação, quanto aos bens declarados ou sôbre os quais versar o feito. (Decreto-lei n 5.844, artigo 127, § 3.º)

§ 4º A informação de que trata o § 1º dêste artigo será prestada dentro de 30 (trinta) dias, incorrendo em falta disciplinar, punível com a multa prevista na letra e do art. 140, imposta pelo Diretor Geral da Fazenda Nacional, o chefe da repartição que, sem razão justificada, prestar a informação depois dêsse prazo. (Decreto-lei n.º 5.844, art. 127, § 4.º)

Art. 128. Aquêles que pagarem rendimentos a residentes ou domiciliados no estrangeiro deverão prestar às repartições ou aos agentes fiscais do impôsto de renda todos os esclarecimentos que lhes forem exigidos. (Decreto-lei nº 5.844, art. 127 e Lei número 2.354, art. 7.º)

Parágrafo único. Os procuradores de residentes ou domiciliados no estrangeiro, além da obrigação de que trata êste artigo, terão a de registrar nas repartições do Impôsto de Renda as respectivas procurações, apresentando relação discriminada dos bens confiados à sua administração. (Decreto-lei n.º 5.844, art. 138)

Art. 129. As repartições ou os agentes fiscais do impôsto de renda procederão às diligências necessárias à apuração de vacância de casas ou apartamentos, bem como dos respectivos preços de locação, podendo exigir, quer do locador, quer do locatário, a exibição dos contratos e recibos. (Decreto-lei nº 5.844, art. 139 e Lei n.º 2.354, art. 7.º)

Art. 130. Para contrôle da legitimidade das deduções e abatimentos de juros pagos ou debitados, é assegurado às autoridades do impôsto de renda investigar a natureza dos respectivos empréstimos, inclusive a capacidade econômica e financeira do prestamista. (Lei nº 3.470, art. 41)

Art. 131. E' obrigatória a prova de quitação do impôsto de renda em todos os contratos com a administração pública federal, estadual ou municipal. (Decreto-lei nº 5.844, art. 131)

Art. 132. No caso de renovação das licenças e dos registros destinados à aquisição de sêlos de consumo, bem como de vendas e consignações, ficam as firmas e sociedades obrigadas, até 30 (trinta) de abril, a exibir o recibo de entrega da declaração de rendimentos do exercício anterior e, nos meses subseqüentes, o recibo da declaração do exercício em curso. (Decreto-lei n.º 5.844 art. 132)

Art. 133. As repartições federais, estaduais e municipais, as entidades autárquicas, paraestatais e de economia mista não pagarão vencimentos, depois de trinta de abril, aos funcionários e militares ativos e inativos, que recebam quantia superior a .... Cr$ 15.000,00 (quinze mil cruzeiros) mensais, sem que êstes exibam o recibo de entrega da declaração de rendimentos. (Lei nº 1.474, art. 1º, 7 e Lei nº 3.470, art. 40)

Art. 134. Nenhum passaporte será concedido ou visado, sem que o interessado prove estar quite com o impôsto de renda ou ter efetuado o depósito da importância em litígio, na repartição arrecadadora competente ou, ainda, oferecido bens à penhora na esfera judiciária. (Decreto-lei número 5.844, art. 134)

§ 1º Ressalvados os casos previstos nos §§ 2º e 3º, dêste artigo, havendo débito apurado, se não estiverem vencidos os prazos de pagamento, poderá ser fornecida prova de quitação, quando prestada fiança.

§ 2º No caso de servidores públicos federais, estaduais e municipais, de militares em geral e de funcionários das entidades autárquicas, paraestatais e de economia mista, que estejam em débito, as repartições do impôsto de renda farão a devida comunicação à repartição pagadora competente, para a averbação em fôlha de pagamento e desconto na forma do disposto no § 1º do art. 85, desde que o contribuinte devedor solicite essa providência. (Decreto-lei nº 5.844, art. 134, parágrafo único, e Lei nº 3.470, artigo 67).

§ 3º Nos casos de que trata o art. 60, será permitido o depósito em dinheiro, relativamente à parte do débito que fôr objeto de reclamação, para os fins previstos neste artigo. (Lei nº 3.470, art. 17, § 2º)

Art. 135. A prova de quitação do impôsto de renda será feita com certidão da repartição competente. (Decreto-lei nº 5.844, art. 135)

§ 1º Nos atos em que é exigida apresentação de certidão, é obrigatória a averbação do número e da data em que foi passada e da repartição que a forneceu. (Decreto-lei nº 5.844, artigo 135, § 1.º)

§ 2º Para efeito dêste artigo, as certidões serão numeradas seguidamente, em cada ano, recebendo, após o número, a indicação do ano em que forem passadas. (Decreto-lei número 5.844, art. 135, § 2.º)

§ 3º A certidão de que trata êste artigo só produzirá efeito no ano em que tiver sido passada, salvo quando se tratar de contribuintes que se retiram em caráter definitivo do território nacional, casos em que êsse documento sòmente terá validade até 60 (sessenta) dias da data da sua emissão. (Decreto-lei nº 5.844, art. 135, e Lei n.º 3.470, art. 17, § 1.º)

Art. 136. Os agentes fiscais do impôsto de renda procederão ao exame dos livros e documentos de contabilidade dos contribuintes e realizarão as diligências e investigações necessárias para apurar a exatidão das declarações, balanços e documentos apresentados, e das informações prestadas, e verificar o cumprimento das obrigações fiscais. (Lei n.º 2.354, arts. 7.º, 4)

§ 1º Iniciada a perícia contábil, nos têrmos dêste artigo, os agentes fiscais do impôsto de renda ficam obrigados a fazer, dentro do prazo de 10 (dez) dias, a necessária comunicação à repartição a que estiverem jurisdicionados. (Lei n.º 2.354, art. 7.º, 4, § 1.º)

§ 2º Em relação ao mesmo exercício, só é possível um segundo exame da escrita mediante ordem escrita do Diretor, do Delegado Regional ou Seccional, ou, ainda, do Chefe de Inspetoria do Impôsto de Renda. (Lei número 2.354, arts. 7.º, 4 § 2.º; Lei número 3.470, art. 34)

Art. 137. Sempre que apurarem infração das disposições dêste regulamento, os agentes fiscais do impôsto de renda lavrarão um auto, o qual, escrito com clareza, sem entrelinhas, rasuras ou emendas, indicará a falta cometida e a norma violada. (Lei número 2.354, art. 7.º, 6)

§ 1º O autuado será convidado a assinar o auto, mas a sua assinatura não significará concordância, nem a falta da assinatura invalidará o auto. (Lei n.º 2.354, art. 7.º, 6, § 1.º)

§ 2º As incorreções ou omissões do auto de infração não darão motivo a nulidade do processo de lançamento "ex-officio" ou outro qualquer, quando dêle constarem elementos suficientes para determinar com segurança a infração e a infrator. (Lei n 2.354, artigo 7.º, 6, § 2º)

§ 2º. Se, de exames posteriores à lavratura do auto, ou por qualquer diligência no curso da ação fiscal, se verificar outra falta além da inicial, lavrar-se-á têrmo que a consigne no processo. (Lei n.º 2.354, art. 7.º, 6, § 2º)

§ 4º. Os autos poderão ser inteira ou parcialmente datilografados, ou ainda impressos em relação às palavras invariáveis, devendo ser, neste caso, os claros preenchidos a mão ou a máquina e as linhas em branco inutilizadas por quem os lavrar. (Lei nº 2.354, art. 7.º, 6, § 4.º)

§ 5º. O auto, de infração decorrente de exame de escrita nos casos de inexatidão de declaração será lavrado sòmente depois de concluído o respectivo laudo, sendo do mesmo auto fornecida cópia ao contribuinte autuado e dêle devendo constar as faltas apuradas e a indicação das disposições legais ou regulamentares infringidas, facultando-se, ao interessado, visto do processo na repartição. (Lei nº 2.354, art. 7º, 6, § 6º)

Art. 138. Compete privativamente aos agentes fiscais do impôsto de renda:

a) exigir, em ação fiscal direta, prova de entrega da declaração de rendimentos e do pagamento do impôsto pelos contribuintes, assim como do recolhimento do impôsto retido pelas fontes; (Lei nº 2.354, art. 7º, 4)

b) realizar o contrôle direto do impôsto sujeito à retenção nas fontes; (Lei nº 2.354, art. 7º, 4)

c) coletar, sem prejuízo do disposto no Capítulo I do Título III dêste regulamento, informações nos cartórios de tabeliães, escrivães, distribuidores, oficiais de registro de imóveis, títulos e documentos e nos órgãos federais, municipais, estaduais e paraestatais, para o contrôle das declarações das pessoas físicas e jurídicas; (Lei nº 2.354, artigo 7º, 4)

d) realizar as diligências necessárias para apuração da procedência das deduções e abatimentos feitos nas declarações das pessoas físicas, especialmente os relativos a encargos de família, juros de dívidas pessoais e pagamentos a médicos e dentistas; (Lei número 2.354, art. 7º, 4)

e) efetuar as perícias de contabilidade e demais diligências necessárias à fiscalização do impôsto de renda; (Lei nº 2.354, art. 7º, 4)

f) lavrar autos de infração às disposições dêste regulamento; (Lei número 2.354, art. 7º, 6)

g) representar sôbre irregularidades apuradas na fiscalização externa, em virtude da aplicação dêste regulamento, quando não possam ser objeto de auto de infração;

h) conceder, no decurso de diligências, prazos até 20 (vinte) dias para os contribuintes prestarem esclarecimentos que lhes forem solicitados;

i) manifestar-se sôbre as alegações dos autuados apresentadas às autoridades julgadoras em primeira instância, nos autos que houver lavrado, bem como sôbre as representações de que trata a letra g dêste artigo.

§ 1º. Os agentes fiscais do impôsto de renda farão a revisão das declarações de rendimentos dos contribuintes e das guias de recolhimento apresentadas pelas fontes, informarão os processos que lhes forem distribuídos.

§ 2º. É vedado ao agente fiscal do impôsto de renda instaurar processo contra contribuinte em ação fiscal diferente daquela em que servir, salvo determinação de autoridade competente.

§ 3º. Quando forem apreendidos livros ou documentos, o agente fiscal do impôsto de renda deverá lavrar o competente têrmo de apreensão, do qual será entregue uma via ao contribuinte.

§ 4º. Os agentes fiscais do impôsto de renda deverão fazer plantão nas repartições em que estiverem lotados, para executar os serviços internos que lhes forem atribuídos e na conformidade do § 3º do art. 7º da Lei número 1.711, de 28 de outubro de 1952.

§ 5º. A designação dos agentes fiscais do impôsto de renda para os trabalhos referidos no parágrafo anterior obedecerá ao sistema de rodízio, atendido o interêsse da Administração.

§ 6º. Aos inspetores fiscais, designados pelo diretor da Divisão do Impôsto de Renda, dentre os agentes fiscais do impôsto de renda, incumbe orientar e controlar os trabalhos de fiscalização externa do tributo na respectiva circunscrição fiscal.

§ 7º. O Ministro da Fazenda baixará, em dezembro de cada ano, a tabela de revisão da percentagem dos Agentes Fiscais o Impôsto de Renda, de modo a fazer, a seu critério, a redução das percentagens em função do aumento da arrecadação.

Art. 139. O disposto nos arts. 17 e 18 do Código Comercial não terá aplicação para os efeitos de exame de livros e documentos, necessário à apuração da veracidade das declarações, balanços e documentos apresentados e das informações prestadas às repartições do Impôsto de Renda. (Decreto-lei nº 5.844, art. 140, § 1º e Lei número 2.354, art. 7º, 4)

§ 1º. Os laudos de exame de escrita serão revistos pelas Delegacias do Impôsto de Renda, que, para êsse fim, instituirão serviços especializados e adotarão, em consequência, providências aconselhadoras do interêsse da Fazenda Nacional e do direito dos contribuintes. Lei nº 2.354, art. 7º)

§ 2º. A cópia dos laudos a que se refere o § 1º será encaminhada à Divisão do Impôsto de Renda, pelos órgãos subordinados, para estudos de sua competência. (Lei nº 3.470, art. 55)

Art. 140. O disposto nos arts. 136 e 138 não exclui a competência do diretor, dos delegados e chefes de Inspetorias do Impôsto de Renda para determinarem, em cada caso, a realização de exames de livros e documentos de contabilidade ou outras diligências, pelos agentes fiscais do impôsto de renda. (Decreto-lei nº 5.844, art. 140 e Lei nº 3.470, art. 34)

Parágrafo único. Os agentes fiscais do impôsto de renda, designados pelo diretor ou pelos chefes das repartições lançadoras dêsse impôsto, realizarão as investigações necessárias para apurar as condições de venda dos títulos, inclusive, junto aos corretores, através das suas notas e livros. (Lei nº 3.470, art. 87)

Secção II

Dos livros fiscais

Art. 141. As pessoas jurídicas, além dos livros de contabilidade previstos em leis e regulamentos, deverão possuir ainda: (Lei nº 154, art. 2º)

a) um livro para registro de inventário das matérias primas, das mercadorias ou produtos manufaturados existentes na época do balanço;

b) um livro para registro das compras.

§ 1º As pessoas jurídicas poderão criar modelos próprios que satisfaçam às necessidades do seu negócio, ou utilizar os livros exigidos por outras leis fiscais, para os fins indicados neste artigo. (Lei nº 154, art. 2º.)

§ 2º No livro de inventário deverão ser arrolados, pelos seus valores e com especificações que facilitem sua identificação, as mercadorias e os produtos manufaturados existentes nas datas dos balanços. (Lei nº 154, art. 2º.)

§ 3º No caso das indústrias, os produtos em fabricação deverão constar do livro de inventário pelo seu preço de custo, figurando, também, em separado e pelo seu preço de custo, as matérias primas existentes sem qualquer beneficiamento. (Lei nº 154, artigo 2º.)

§ 4º O valor das mercadorias ou produtos deverá figurar no livro de inventário pelo custo da aquisição ou de fabricação ou pelo preço corrente no mercado ou Bôlsa, prevalecendo o critério da estimação pelo preço corrente quando êste fôr inferior ao preço de custo. (Lei nº 154, art. 2º)

§ 5º Não serão permitidas reduções globais dos valores inventariados nem formação de reservas ou provisões para fazer face à sua desvalorização. Permite-se, entretanto, a formação dêsses fundos, desde que não sejam deduzidos do lucro real para efeito de pagamento de impostos. (Lei nº 154, art. 2º)

§ 6º Os livros de inventário e de compras poderão ser substituídos por séries de fichas, numeradas, desde que autenticadas pelas repartições indicadas no parágrafo seguinte. (Lei nº 154, art. 2º)

§ 7º Os livros serão registrados e autenticados, no Distrito Federal, pelo Departamento Nacional de Indústria e Comércio e, nos Estados, pelas Juntas Comerciais ou repartições encarregadas de Registro do Comércio, com isenção de sêlo e quaisquer emolumentos, e pelas repartições do Impôsto de Renda, quando se tratar de livros das sociedades civis ou das pessoas a que se refere a parte final do § 1º do art. 27. (Lei nº 154, art. 3º)

§ 8º A autenticação de novo livro será feita mediante a exibição do livro ou registro anterior a ser encerrado. (Lei nº 154, art. 3º, parágrafo único)

§ 9º As disposições dêste artigo se aplicam, igualmente, às filiais, sucursais, agências ou representações, no Brasil, das pessoas jurídicas com sede no estrangeiro.

§ 10. As pessoas jurídicas que não tiverem escrituração deverão possuir, também, um livro "Caixa", para o registro das suas operações, quando gozarem do direito de optar pela tributação com base no lucro presumido e as operações realizadas não estiverem, no todo ou em parte, sujeitas ao impôsto de vendas e consignações. (Lei nº 3.470, art. 27)

§ 11. O livro a que se refere o § 10 deverá ser autenticado pelas repartições do Impôsto de renda ou, excepcionalmente, pelas exatorias federais, no caso das pessoas jurídicas domiciliadas em localidades fora da sede daquelas repartições. (Lei nº 3.470, art. 27, § 1º)

§ 12. Os livros de que tratam as alíneas *a* e *b* dêste artigo não são obrigatórios para as pessoas jurídicas com capital até Cr$ 50.000,00 (cinqüenta mil cruzeiros). (Lei nº 154, art. 2º).

§ 13. Nos casos em que as operações efetuadas sejam obrigatòriamente registradas em livros instituídos por leis fiscais, embora isentas do impôsto de vendas e consignações, a pessoa jurídica não ficará sujeita ao disposto no § 10.

Capítulo VII

Das penalidades

Art. 142. Em todos os casos de pagamento ou recolhimento de débito fora dos prazos, será cobrada a multa de 10 % (dez por cento). (Lei nº 2.862, art. 27)

Art. 143. Por infração das disposições da Parte Segunda do Título I, serão aplicadas as multas:

a) de Cr$ 1.000,00 (mil cruzeiros) a Cr$ 10 000,00 (dez mil cruzeiros), às pessoas jurídicas que não puderem optar pela tributação do lucro presumido e não cumprirem as obrigações relativas à escrituração pela forma estabelecida nas leis comerciais e fiscais; (Lei nº 3.470, artigo 30)

b) de Cr$ 500,00 (quinhentos cruzeiros) às firmas e sociedades que não instruírem as declarações de rendimentos na conformidade das disposições legais; (Lei nº 3.470, artigo 30);

c) de Cr$ 500,00 (quinhentos cruzeiros) aos profissionais a que se refere o § 4º do art. 39; (Lei número 3.470, art. 30);

d) de Cr$ 500,00 (quinhentos cruzeiros) aos atuários, peritos contadores, contadores e guarda-livros que não tiverem a comunicação de que trata o § 5º do art. 39. (Lei nº 3.470, art. 30)

e) de Cr$ 2.000,00 (dois mil cruzeiros) quando fôr apurada a inexatidão das indicações feitas de acôrdo com os parágrafos 3º e 4º do art. 38 ou a falta de transcrição do balanço geral e da demonstração na conta de lucros e perdas, no "Diário", sem prejuízo de outras sanções legais que couberem. (Lei número 3.470, art. 71)

Parágrafo único. A multa prevista na letra "a" será aplicada até o dôbro do máximo, quando fôr provado que a pessoa jurídica teve rendimento superior a 50 % (cinquenta por cento) da receita bruta. (Lei nº 3.470, art. 30)

Art. 144. Por infração das disposições do Capítulo I, da Parte Quarta do Título I, serão aplicadas as multas: (Lei nº 2.354, art. 32)

a) de mora de 1 % (um por cento) ao mês, sôbre o impôsto devido, no caso de apresentação espontânea, mas fora de prazo da declaração de rendimentos; (Lei nº 2.354, artigo 32)

b) de mora de 1 % (um por cento) ao mês, sôbre a totalidade ou diferença do impôsto devido, se o contribuinte, espontâneamente, indicar rendimentos que omitira em sua declaração, depois de encerrado o prazo de entrega; (Lei nº 2.354, artigo 32)

c) de 100 % (cem por cento) sôbre a totalidade ou diferença do impôsto devido resultante da reunião de duas ou mais declarações, quando o contribuinte não observar o disposto nos artigos 65, 67 e 69; (Lei nº 2.354, art. 32)

d) de mora de 10 % (dez por cento) ao espólio, nos casos do art. 49. (Decreto-lei nº 5.844, artigo 46)

Parágrafo único. As multas previstas neste artigo serão cobradas, com o impôsto. (Decreto-lei número 5.844, art. 144, parágrafo único)

Art. 145. Nos casos de lançamento *ex officio* serão aplicadas as seguintes multas:

a) de Cr$ 200,00 (duzentos cruzeiros) se o contribuinte, pessoa física ou jurídica, obrigado a declaração, demonstrar, em resposta à intimação de que trata o art. 78, não haver auferido rendimentos tributáveis de acôrdo com as disposições legais; (Lei nº 3.470, art. 31)

b) de 10 % (dez por cento), sôbre a totalidade ou diferença do impôsto devido, nos casos de inexatidão da declaração de pessoa física, por deduções ou abatimentos indevidos ou não comprovados, quando tenha havido boa fé do contribuinte; (Lei nº 3.470, art. 31)

c) de 50% (cinqüenta por cento) sôbre a totalidade ou diferença de

impôsto devido, nos casos de falta de declaração, e nos de declaração inexata, excetuadas as hipóteses das alíneas *b* e *d* dêste artigo; (Lei número 3.470, art. 31)

d) de 300 % (trezentos por cento), sôbre a totalidade ou diferença do impôsto devido, em qualquer caso de evidente intuito de fraude. (Lei nº 3.470, art. 31)

§ 1º Ressalvado o disposto na alínea *d*, será cobrada em dôbro a multa indicada na alínea *c*, nos casos de falta de declaração ou nos de inexatidão da declaração por omissão de rendimentos, se o contribuinte não atender no prazo da lei à intimação prevista no art. 78 ou deixar de acusar, na sua resposta, todos os seus rendimentos. (Lei número 3.470, art. 31)

§ 2º Será concedida a redução da quinta parte da multa cobrada, ao contribuinte notificado do lançamento ex-ofício e que efetuar o pagamento do débito, no prazo marcado, sem apresentar reclamação ou recurso. (Lei nº 3.470, art. 31)

§ 3º As multas estabelecidas neste artigo, excetuada a da alínea *a*, serão cobradas com o impôsto. (Lei nº 3.470, art. 31)

Art. 146. Em todos os casos de pagamento de débito fora dos prazos fixados, será cobrada a mora de 1% (um por cento) ao mês, a partir do segundo mês de atraso. (Lei nº 2.862, art. 27)

Parágrafo único. A soma da multa de que trata êste artigo com a de 10 % (dez por cento) referida no artigo 142 não poderá ultrapassar de 50% (cinqüenta por cento) do débito. (Lei nº 2.862, art. 27)

Art. 147. A inobservância do preceituado no Título II será punida:

a) com a multa de Cr$ 500,00 (quinhentos cruzeiros) a Cr$ 5.000,00 (cinco mil cruzeiros), quando o contribuinte não apresentar nos prazos fixados em intimação, ou na guia, a comprovação de que trata o art. 93. (Lei nº 3.470, art. 80)

b) com multa igual à devida nos casos de pagamento de impôsto fora dos prazos fixados em lei, quando, na revisão da guia de recolhimento, fôr apurado impôsto, ou diferença a cobrar. (Lei nº 3.470, art. 80);

c) com a multa de Cr$ 5.000,00 (cinco mil cruzeiros), nos casos de inobservância do disposto no art. 94. (Lei nº 3.470, art. 5º)

d) com a multa de 50 % (cinqüenta por cento), sôbre a totalidade ou diferença do impôsto devido, nos casos de ação fiscal para exigência do recolhimento do impôsto, em virtude da falta ou da inexatidão da respectiva guia, excetuada a hipótese prevista na letra *e* dêste artigo. (Lei nº 2.862, art. 28 e Lei nº 3.470, art. 31)

e) com a multa de 300 % (trezentos por cento), sôbre a totalidade ou a diferença do impôsto devido, quando houver evidente intuito de fraude. (Lei nº 2.862, art. 28 e Lei nº 3.470, art. 31)

f) a multa de Cr$ 500,00 (quinhentos cruzeiros) a Cr$ 5.000,00 (cinco mil cruzeiros), em relação a cada grupo de cinco beneficiados, quando a fonte deixar de descontar o impôsto de que trata o inciso 2º do art. 98, na hipótese prevista no § 10 do art. 63. (Lei nº 3.470, art. 61, § 2º)

§ 1º Ressalvado o disposto na alínea *e*, será cobrada em dôbro a multa indicada na alínea *d*, nos casos de falta ou inexatidão da guia, por omissão de rendimentos, se o responsável pelo recolhimento não atender, no prazo fixado, à intimação que lhe fôr feita para prestar esclarecimentos, ou deixar de acusar, na sua resposta, todos os rendimentos pagos ou creditados. (Lei 2.862, art. 28, e Lei nº 3.470, art. 31)

§ 2º Se a falta fôr imputável a funcionário federal, estadual ou municipal, será levado o fato ao conhecimento do respectivo Govêrno, para efeito da sanção disciplinar. (Lei nº 2.354, art. 33)

§ 3º Se as fontes ou os procuradores dos contribuintes domiciliados no estrangeiro efetuarem espontâneamente o recolhimento do impôsto, fora dos prazos marcados, será cobrada a multa cabível nos têrmos dos artigos 142 e 146. (Lei nº 2.862, art. 27)

§ 4º Nos casos de ação fiscal para exigência de recolhimento de impôsto devido nas fontes, em virtude de falta ou inexatidão das respectivas guias, será concedida a redução da quinta parte da multa aplicada na conformidade do disposto nas letras *d* e *e* no § 1º dêste artigo, se o responsável efetuar o recolhimento do débito sem apresentar reclamação ou recurso. (Lei n.º 3.470, art. 31, § 4º)

§ 5º O disposto nas letras *d* e *e* no § 1º dêste artigo se aplica igualmente aos casos de falta ou inexatidão das guias de recolhimento do impôsto de que trata o art. 92 e respectivos parágrafos. (Lei nº 3.470, art. 4, § 2º)

Art. 148. Por contravenção dos dispositivos do Capítulo I do Título III, serão impostas as multas: (Decreto-lei nº 5.844, art. 148)

a) de Cr$ 500,00 (quinhentos cruzeiros) a Cr$ 5.000,00 (cinco mil cruzeiros) aos contraventores em geral, salvo o caso da letra *b* dêste artigo;

b) de Cr$ 1.000,00 (mil cruzeiros) a Cr$ 10.000,00 (dez mil cruzeiros), nos casos de informação dolosa, devidamente comprovada, quanto ao pagamento ou recebimento de juros, comissões e outros rendimentos, independentemente da sanção prevista na lei penal para o delito de falsidade.

§ 1º A pena pecuniária não exclui a disciplinar no caso de funcionários que deixarem de cumprir o preceituado no art. 128. (Decreto-lei nº 5.844, art. 148, § 1º)

§ 2º A multa prevista na letra *a* dêste artigo será aplicada até o dôbro do máximo se, na forma do disposto no art. 108, § 6º, ficar positivada a inexatidão das informações, e até o triplo do máximo se o rendimento sonegado se referir ao titular da firma ou aos sócios ou diretores da sociedade. (Decreto-lei nº 5.844, art. 148, § 2º)

Art. 149. Por contravenção dos dispositivos do Capítulo II do Título III, serão aplicadas as multas:

a) a de Cr$ 1.000,00 (mil cruzeiros) a Cr$ 10.000,00 (dez mil cruzeiros), aos infratores em geral, ressalvados os casos das letras seguintes. (Lei nº 3.470, art. 32)

b) de Cr$ 10.000,00 (dez mil cruzeiros) a Cr$ 50.000,00 (cinqüenta mil cruzeiros), aos que se recusarem a exibir os livros e documentos de contabilidade para o exame de que tratam os artigos 126 a 140, sem prejuízo das outras sanções legais que couberem. (Lei nº 3.470, art. 32)

c) do triplo do impôsto sonegado, quando, pelo exame a que se referem os artigos 126 e 140, ficar apurada a falsidade do balanço, ou da escrita. (Lei nº 3.470, art. 33)

d) de Cr$ 5.000,00 (cinco mil cruzeiros), às pessoas jurídicas com sede no país e às filiais, sucursais, agências ou representantes das que tiverem sede no estrangeiro, quando não cumprirem o disposto no art. 141; (Lei nº 3.470, art. 32)

e) de Cr$ 500,00 (quinhentos cruzeiros), ao chefe da repartição, nos casos do § 4º do art. 127, (Lei nº 3.470, art. 32)

f) de Cr$ 2.000,00 (dois mil cruzeiros) a Cr$ 5.000,00 (cinco mil cruzeiros), às pessoas jurídicas que optarem pela tributação do lucro presumido, nos casos de inobservância das disposições dos §§ 10 e 11 do art. 141. (Lei nº 3.470, art. 27, § 2º)

Parágrafo único. Aplicar-se-á o disposto no § 1º do art. 148 aos chefes de repartições pagadoras que infringirem o estatuído no art. 132. (Decreto-lei nº 5.844, art. 149, parágrafo único)

Art. 150. Aos contribuintes que não fizerem a comunicação de que trata o art. 126 e seu parágrafo único, será cominada a multa de Cr$ 50,00 (cinqüenta cruzeiros) a Cr$ 2.000,00 (dois mil cruzeiros). (Decreto-lei nº 5.844, art. 150)

Parágrafo único. No caso do artigo 126, a multa será imposta pela autoridade lançadora do local da nova residência ou domicílio. (Decreto-lei nº 5.844, art. 150, parágrafo único)

Art. 151. As multas serão impostas pelo diretor e pelos delegados regionais e seccionais ou chefes das Inspetorias do Impôsto de Renda. (Decreto-lei nº 5.844, art. 151 e Lei nº 3.470, art. 34)

Parágrafo único. Impostas as multas, os infratores terão o prazo de 20 (vinte) dias para defenderem perante a autoridade administrativa de primeira instância. (Lei nº 2.354, art. 34)

Art. 152. Para os efeitos do cômputo mensal das multas de mora previstas nos arts. 144 e 146, será contado como um mês completo qualquer período de tempo inferior a um mês, desde que ultrapasse os prazos marcados nas leis e regulamentos. (Lei nº 2.354, art. 35)

Art. 153. Os servidores lotados e com efetivo exercício na Divisão do Impôsto de Renda e repartições subordinadas terão direito a 30% (cinqüenta por cento) das multas efetivamente arrecadadas, com exceção das de mora, percentagem essa que, escriturada em conta especial, constituirá um fundo a ser distribuído anualmente, em proporção aos respectivos vencimentos ou salários, inclusive gratificação de função. (Lei nº 154, art. 1º)

§ 1º Quando a cobrança das multas resultar de diligência, representação ou denúncia de qualquer origem, devidamente assinada e feita de modo suficientemente claro, a percentagem de que trata êste artigo será distribuída, em cada caso, da seguinte forma: (Lei nº 154, art. 1º, 193, § 2º)

a) 10% (dez por cento) ao autor ou autores da denúncia ou representação;

b) 10% (dez por cento) ao servidor ou servidores que efetuarem a diligência ou apurarem a procedência da denúncia ou representação;

c) 30% (trinta por cento) ou fundo a que alude êste artigo.

§ 2º Se a cobrança das multas resultar de diligência, realizada independentemente de denúncia ou representação ou decorrer de representação ou denúncia que não dê lugar à diligência, os 30% (vinte por cento) provenientes da soma das percentagens de que tratam as alíneas *a* e *b* do parágrafo anterior serão integralmente adjudicados, no primeiro caso, ao autor ou autores da diligência e, no segundo, ao autor ou autores da representação ou denúncia. (Lei nº 154, art. 1º, 193, § 2º)

§ 3º Não poderá participar das percentagens referidas nas alíneas *a* e *b* do § 2º, quem impedir ou confirmar a multa, nem o denunciante que acusar firma de que seja ou tenha sido auxiliar ou preposto, sabendo, neste caso, a totalidade das mesmas percentagens aos servidores que efetuarem a diligência ou apurarem a procedência da denúncia ou representação. (Lei nº 154, art. 1º, 193, § 3º)

§ 4º Quando, em virtude de um segundo exame da escrita ou diligência, em relação ao mesmo exercício, ficar o contribuinte sujeito à multa, nenhuma participação nela terá o funcionário que houver realizado os dois exames ou diligências. (Lei nº 2.354, art. 41, § 4º)

§ 5º O reconhecimento do direito à participação nas multas nos casos dos §§ 1º e 2º dêste artigo compete ao diretor e aos delegados regionais do Impôsto de Renda. (Lei nº 154, art. 1º, 193, 4)

§ 6º Participarão do fundo de que trata êste artigo os chefes de portaria, os contínuos e os serventes com efetivo exercício na Divisão do Impôsto de Renda, suas Delegacias Regionais e Seccionais ou Inspetorias. (Lei nº 154, art. 1º, 193, § 1º)

§ 7º Para os efeitos dêste artigo consideram-se em exercício na Divisão do Impôsto de Renda os servidores nela lotados, ou nas repartições subordinadas, quando designados para funções no 1.º Conselho de Contribuintes, no Gabinete do Ministro da Fazenda e junto à Direção Geral da Fazenda Nacional. (Lei nº 3.470, art. 66)

§ 8.º O disposto nos §§ 1.º e 2.º não se aplica aos casos de multas arrecadadas em virtude de lançamento "ex-ofício" proveniente de denúncia ou representação baseada em elementos cadastrais já conhecidos da repartição, quando a percentagem será integralmente levada ao fundo de que trata êste artigo.

Art. 154. As multas e penas disciplinares de que trata êste Capítulo serão aplicadas aos contraventores das disposições do presente regulamento, sem prejuízo das sanções das leis criminais violadas. (Decreto-lei nº 5.844, art. 142)

CAPÍTULO IV

Das reclamações e recursos

Seção I

Das reclamações

Art. 155. Do lançamento do impôsto ou da exigência de recolhimento pela fonte, cabe reclamação dentro do prazo de 30 (vinte) dias, contado da data do recebimento da notificação. (Decreto-lei nº 5.844, art. 155)

Parágrafo único. As reclamações terão efeito suspensivo da cobrança até serem resolvidas, salvo nos casos de que trata o art. 80. (Decreto-lei nº 5.844, art. 155, parágrafo único, e Lei n.º 3.470, art. 17, § 2.º)

Art. 156. O julgamento das reclamações é da competência exclusiva dos Delegados Regionais e Seccionais do Impôsto de Renda. (Lei nº 2.354, art. 36)

Seção II

Dos recursos

Subseção I

Do recurso voluntário

Art. 157. Das decisões contrárias aos contribuintes ou às fontes, proferidas nas questões originadas de interpretação de lei, de cobrança do impôsto e de infração fiscal, e nas reclamações formuladas nos têrmos do art. 155, cabe recurso voluntário para o Primeiro Conselho de Contribuintes. (Decreto-lei n.º 5.844, art. 157)

Art. 158. Sob pena de perempção, o recurso voluntário será interposto

dentro do prazo de 20 (vinte) dias úteis, contado da data do recebimento da notificação, mediante prévio depósito da quantia exigida, em dinheiro ou em títulos da dívida pública federal, em ações integralizadas e debêntures das sociedades mistas de que participar a União. (Lei n.º 3.515, de 1958, art. 6.º)

§ 1.º Para efeito do disposto neste artigo, o recorrente deverá pagar a parte não litigiosa da quantia exigida, cabendo o depósito ou fiança relativamente à parte objeto de discussão. (Lei n.º 154, art. 6.º)

§ 2.º Se o depósito fôr em títulos da dívida pública federal, serão êles aceitos pelo seu valor nominal; se fôr em títulos ou ações de sociedades de economia mista, serão aceitos pela sua cotação em Bôlsa no dia anterior ao da oferta. (Lei n.º 154, art. 1.º, 138, § 1.º)

§ 3.º Se houver abandono dos títulos e o produto da venda não fôr suficiente para liquidação do débito, deverá o recorrente pagar a diferença no prazo de 10 (dez) dias, contado do recebimento da notificação que, para êsse fim, lhe fôr expedida. (Lei nº 154, art. 1º, 158, § 2º)

§ 4.º O recurso, mesmo perempto, será encaminhado ao Primeiro Conselho de Contribuintes, a quem cabe julgar da perempção, exceto quando se verificar falta do depósito ou da prestação de fiança, nos casos em que couber. (Decreto-lei n.º 5.844, artigo 159, § 4.º)

Art. 159. Quando a importância total em litígio exceder a Cr$ 10.000,00 (dez mil cruzeiros) permitir-se-á a fiança idônea, cabendo exclusivamente ao chefe da repartição recorrida julgar da idoneidade do fiador oferecido. No despacho que autorizar a lavratura do têrmo deverá ser marcado o prazo de 5 (cinco) à 10 (dez) dias para a sua assinatura. (Lei n.º 3.519, de 1958, art. 6.º; Decreto-lei nº 607, de 1938, art. 12)

§ 1.º Não se aceitará a indicação de fiador, para a interposição de recurso, sem a sua expressa aquiescência. (Decreto-lei n.º 5.844, art. 159, § 1.º)

§ 2.º Serão recusados como fiadores os que não estiverem quites com a Fazenda Nacional. (Decreto-lei nº 5.844, art. 159, § 3º)

§ 3º Se o fiador oferecido fôr recusado, será o recorrente intimado à indicar mais um segundo e um terceiro fiadores, sucessivamente, dentro do prazo igual ao que restava na data em que foi protocolada a respectiva petição anterior, não se admitindo, depois dessas, nova indicação. (Lei nº 3.470, art. 51 e Lei nº 3.520, artigo 11)

§ 4.º Da decisão que recusar o último fiador caberá um único recurso à autoridade administrativa imediatamente superior, que decidirá definitivamente sôbre as impugnações dos fiadores apresentados. (Lei nº 3.470, art. 51, § 1.º)

§ 5º No caso de indeferimento do recurso, marcar-se-á o prazo improrrogável de 10 (dez) dias, contado da ciência da decisão, para depósito da quantia em litígio. (Lei n.º 3.470, artigo 51, § 2.º)

§ 6.º Será admitido, também, recurso da decisão que recusar o primeiro ou o segundo fiador oferecido, quando o recorrente renunciar expressamente ao direito de fazer nova indicação de fiador.

§ 7.º Recusado qualquer fiador, o recorrente poderá efetuar o depósito da quantia em litígio, no prazo improrrogável de 10 (dez) dias, ou apresentar o recurso na contencidade do disposto nos §§ 4º e 6º, dentro do mesmo prazo.

Subseção II

Do recurso "ex officio"

Art. 160. Das decisões favoráveis aos contribuintes ou às fontes, ainda quando houver desclassificação da infração capitulada no processo, haverá recurso "exofficio": (Lei n.º 2.354, art. 37 e Lei n.º 3.520, art. 12)

a) quando o ato fôr do Diretor da Divisão do Impôsto de Renda, para o Primeiro Conselho de Contribuintes;

b) quando o ato fôr dos Delegados Regionais e Seccionais do Impôsto de Renda, para o Diretor da Divisão do Impôsto de Renda.

§ 1.º O recurso "exofficio" será interposto no ato de ser proferida a decisão. (Decreto-lei n.º 5.844, artigo 160, § 1.º)

§ 2.º Sempre que, por qualquer motivo, deixar de ser observado o disposto no parágrafo anterior, cumpre ao funcionário que iniciar o processo, ou ao seu substituto no serviço, propor a interposição do recurso. (Decreto-lei n.º 5.844, art. 160, § 2.º)

§ 3.º Não haverá recurso "exofficio" quando a importância em litígio fôr inferior a Cr$ 10.000,00 (dez mil cruzeiros). (Lei n.º 3.520, art. 12)

§ 4.º Das decisões contrárias aos contribuintes ou às fontes nos casos de provimento do recurso "exofficio" de que trata a alínea b dêste artigo, caberá o recurso voluntário previsto no art. 157. (Lei n.º 2.354, art. 37)

Subseção III

Do pedido de reconsideração

Art. 161. Das decisões do 1.º Conselho de Contribuintes, cabe pedido de reconsideração, dentro de 20 (vinte) dias contados da data da notificação do acórdão, feita aos interessados na forma do disposto no art. 167. (Decreto-lei n.º 5.844, art. 161)

Parágrafo único. É obrigado o prévio depósito ou fiança idônea, conforme o valor da importância em litígio, quando o pedido de reconsideração ao Conselho versar sôbre cobrança de impôsto ou qualquer contribuição fiscal exigida no julgamento do recurso "exofficio", devendo o processo ser encaminhado, para tal fim, à repartição de primeira instância. (Decreto-lei n.º 5.844, art. 161, parágrafo único)

Art. 162. Resolvido o pedido de reconsideração, a questão estará finda, salvo recurso do representante da Fazenda, interposto para o Ministro na forma legal. (Decreto-lei nº 5.844, art. 162)

Art. 163. A decisão ministerial, no caso do artigo antecedente, será definitiva e irrevogável. (Decreto-lei número 5.844, art. 163)

Seção III

Disposições comuns a reclamações e recursos

Art. 164. As reclamações contra lançamento ou exigência de recolhimento pela fonte e os recursos deverão ser formulados por escrito, e dêles constarão os fatos que os motivarem e as provas que forem oferecidas. (Decreto-lei n.º 5.844, art. 164)

Art. 165. É vedado reunir, em um só requerimento, reclamações ou recursos referentes a mais de um lançamento ou decisão, ainda que versando sôbre o mesmo assunto e abrangendo o mesmo contribuinte. (Decreto-lei n.º 5.844 art. 165)

Art. 166. As reclamações e os recursos estão isentos de sêlo e do pagamento de taxas, a qualquer título. (Decreto-lei n.º 5.844 art. 197 e Lei n.º 3.519, art. 1.º, alt. 58a)

Art. 167. As decisões proferidas nas reclamações e nos recursos serão comunicadas aos contribuintes, pessoalmente, ou por meio de registrado postal, com direito a recibo de volta (A.R.), ou, ainda, pela imprensa. (Decreto-lei n.º 5.844, art. 167)

Parágrafo único. Se a notificação fôr feita pessoalmente, os prazos para reclamação e recurso correrão da data da ciência no processo; se fôr feita por meio de registrado postal, da data do recibo de volta (A.R.); finalmente, se fôr publicada, depois de 30 (trinta) dias contados da data da publicação oficial. (Decreto-lei nº 5.844, art. 167, parágrafo único)

Art. 168. As Delegacias e Inspetorias do Impôsto de Renda providenciarão para que os contribuintes tenham conhecimento, por intermédio das exatorias a que estão jurisdicionados, das decisões que lhes disserem respeito. (Decreto-lei n.º 5.844, art. 168)

Parágrafo único. Aos autuantes será dada ciência no processo, qualquer que seja a decisão, logo que êste esteja findo administrativamente.

Art. 169. Os prazos para reclamação e interposição de recurso são improrrogáveis. (Decreto-lei n.º 5.844, art. 169)

CAPÍTULO V

Da restituição

Art. 170. Os contribuintes que pagarem impôsto maior que o devido terão o direito de requerer a restituição do excesso pago. (Lei nº 154, artigo 1º).

§ 1.º O direito de pedir restituição de impôsto pago independentemente de lançamento, ou arrecadado na fonte, perime no prazo de um ano, contado da data do pagamento. (Lei nº 154, art. 1º).

§ 2º. Perempto o direito de reclamar contra o lançamento ou exigência de recolhimento pela fonte, considerar-se-á extinto o de haver restituição de impôsto. (Lei nº 154, artigo 1º).

§ 3º Não prevalecerão os prazos fixados nos parágrafos anteriores, quando se tratar de pagamento decorrente de êrro de fato, caso em que o direito previsto neste artigo prescreverá no prazo de cinco anos, contado da expiração do exercício financeiro a que corresponder o impôsto. (Lei nº 154, artigo 1º).

§ 4º O pedido de restituição, dirigido à autoridade competente, suspende o prazo de prescrição até ser proferida decisão final na órbita administrativa. (Lei nº 154, art. 1º).

§ 5º A compensação do impôsto previsto no § 3º do art. 24 não importará, em nenhuma hipótese, em restituição. (Lei nº 2.354, art. 41, 3, 4 2º).

CAPÍTULO VI

Do domicílio fiscal e da competência das autoridades

Art. 171. O domicílio fiscal da pessoa física é o lugar em que ela tiver uma habitação em condições que permitam presumir a intenção de a manter. (Decreto-lei nº 5.844 artigo 171)

§ 1º No caso de exercício de profissão ou função particular ou pública, o domicílio fiscal é o lugar onde a profissão ou função estiver sendo desempenhada. (Decreto-lei nº 5.844, art. 171, § 1º).

§ 2º Quando se verificar pluralidade de residência no país, o domicílio fiscal será eleito perante a autoridade competente, considerando-se feita a eleição no caso da apresentação continuada das declarações de rendimentos num mesmo lugar. (Decreto-lei nº 5.844, art. 171, § 2º).

§ 3º A inobservância do disposto no parágrafo anterior motivará a fixação, "exofficio", do domicílio fiscal, no lugar de qualquer das residências. (Decreto-lei nº 5.844, artigo 171, § 3º).

Art. 172. O domicílio fiscal das firmas ou sociedades com sede no país, e das filiais, sucursais, agências ou representações das que tiverem sede no estrangeiro, é o lugar onde se achar o estabelecimento de cada uma delas. (Decreto-lei nº 5.844 art. 172 e Lei nº 3.470 art. 76).

Parágrafo único. No caso do artigo 69, o domicílio fiscal é o lugar onde se achar o estabelecimento centralizador ou principal. (Decreto-lei nº 5.844, art. 172, parágrafo único).

Art. 173. O domicílio fiscal de entidade com sede no país, controladora, administradora ou dirigente do patrimônio, ou da exploração de outras, é o lugar onde se achar o seu escritório de contrôle, administração ou direção. (Decreto-lei nº 5.844, art. 173)

Parágrafo único. No caso de entidades coligadas ou controladas de que trata o parágrafo único do art. 69, o domicílio fiscal é o lugar onde se achar o estabelecimento de cada uma delas. (Decreto-lei nº 5.844, art. 173, parágrafo único)

Art. 174. O domicílio fiscal do procurador ou representante de residentes ou domiciliados no estrangeiro é o lugar onde se achar a sua residência habitual ou a sede da representação no país. (Decreto-lei nº 5.844, art. 174)

Parágrafo único. Se o residente no estrangeiro permanecer no território nacional por menos de doze meses e não tiver procurador, representante ou empresário no país, o domicílio fiscal é o lugar onde estiver exercendo sua atividade. (Decreto-lei nº 5.844, art. 174, parágrafo único)

Art. 175. A autoridade fiscal competente para aplicar êste regulamento é a do domicílio fiscal do contribuinte, ou de seu procurador ou representante. (Decreto-lei nº 5.844, artigo 175)

Art. 176. Qualquer autoridade fiscal competente pode solicitar de outra as investigações necessárias ao lançamento do impôsto. (Decreto-lei nº 5.844, art. 176)

Parágrafo único. Quando a solicitação não fôr atendida, será o fato comunicado ao diretor do Impôsto de Renda. (Decreto-lei nº 5.844, artigo 176, parágrafo único)

Art. 177. Antes de feita a arrecadação do impôsto, terminado ou não o processo de lançamento ou cobrança, quando circunstâncias novas mudarem a competência da autoridade, a que iniciou o processo enviará os documentos à nova autoridade competente, para o lançamento e cobrança devidos. (Decreto-lei nº 5.844, artigo 177)

Art. 178. As divergências ou dúvidas sôbre a competência das autoridades serão decididas pelo diretor do Impôsto de Renda. (Decreto-lei nº 5.844, art. 178)

Art. 179. As consultas e os pedidos de isenção relativos ao impôsto de renda serão solucionados pelo diretor, sendo facultado, na forma do artigo 157, o recurso voluntário para a instância superior dentro do prazo de 20 (vinte) dias úteis, contado da data do recebimento da comunicação. (Lei nº 3.319, de 1958, art. 6º)

§ 1º As consultas e os pedidos de isenção serão dirigidos às Delegacias Regionais e Seccionais do Impôsto de Renda e por estas encaminhadas à Divisão depois de convenientemente informados. (Decreto-lei nº 5.844, art. 179, § 1º)

§ 2º Quando a solução fôr no sentido de desobrigar o contribuinte de exigências legais, ou fôr pela isenção ou não incidência de tributo, haverá recurso "exofficio" para o Primeiro Conselho de Contribuintes. (Decreto-lei nº 5.844, art. 179, § 2º)

CAPÍTULO VII

Do crédito fiscal

Seção I

Medidas para a defesa do crédito fiscal

Art. 180. Findos os prazos para pagamento, reclamação ou recurso, os contribuintes que não tiverem solvido seus débitos fiscais ou usados daqueles meios de defesa, não poderão despachar nas Alfândegas ou Mesas de Rendas, adquirir estampilhas do impôsto de consumo, de vendas e consignações, nem transacionar, por qualquer forma com as repartições públicas federais. (Lei nº 154, artigo 1º)

§ 1º Para efeito do disposto neste artigo, as Delegacias Regionais e Seccionais do Impôsto de Renda farão as necessárias comunicações às repartições competentes. (Decreto-lei nº 5.844, art. 180, § 1º)

§ 2º Idênticas medidas serão aplicadas aos fiadores que não satisfizerem, quando intimados, os débitos a que estiverem obrigados (Decreto-lei nº 5.844, art. 180, § 2º)

§ 3º A sanção prevista neste artigo, quanto à aquisição de estampilhas do impôsto de vendas e consignações, só será aplicada pelas repartições federais nos Territórios. (Lei nº 154, art. 1º)

Art. 181. Não serão incluídos nas sanções do artigo anterior os que provarem, no prazo de 120 (cento e vinte) dias, contado da data em que o ato se tornou irrecorrível na órbita administrativa, ter iniciado ação judicial contra a Fazenda Nacional para anulação ou reforma da cobrança fiscal, com o depósito da importância em litígio, em dinheiro ou em títulos da dívida pública federal, na repartição arrecadadora competente. (Lei nº 154, art. 1º)

§ 1º No caso de já ter havido depósito para efeito de recurso na esfera administrativa, êsse depósito valerá para o fim da ação judicial, mas será convertido em renda, se no prazo de que trata êste artigo não fôr feita a prova do início da referida ação. (Lei nº 2.354, art. 8º)

§ 2º Tratando-se de depósito em títulos, observa-se-á o disposto nos §§ 2º e 3º do art. 158. (Lei nº 154, art. 1º)

§ 3º Feita a prova do início da ação judicial intentada contra a Fazenda Nacional para anulação ou reforma do lançamento, na forma dêste artigo, ficam suspensos os demais procedimentos fiscais, com base no mesmo lançamento, inclusive a cobrança judicial. (Lei nº 2.354, art. 8º)

Art. 182. As firmas ou sociedades nacionais e as filiais, sucursais ou agências no País, de firmas ou sociedade, com sede no estrangeiro são responsáveis pelos débitos de impôsto de renda, correspondentes aos rendimentos que houverem pago aos seus diretores, gerentes e empregados e de que não tenham dado informação à repartição, quando êstes se ausentarem do País sem os terem solvido. (Decreto-lei nº 5.844, art. 182)

Art. 183. No caso de não serem satisfeitos nos prazos legais os débitos dos servidores públicos federais, estaduais e municipais, dos militares em geral e dos funcionários das entidades autárquicas, paraestatais e de economia mista, as Delegacias Regionais e Seccionais do Impôsto de Renda farão as devidas comunicações às repartições pagadoras competentes para a averbação em fôlha de pagamento e desconto na forma do disposto no § 1º do art. 85, desde que o contribuinte devedor solicite essa providência até trinta (30) dias após o vencimento do prazo de cobrança amigável. (Lei nº 3.470, art. 67)

§ 1º Os débitos arrecadados na forma dêste artigo serão recolhidos às estações arrecadadoras da União mediante guia em três vias, visadas pelas Delegacias Regionais ou Seccionais do Impôsto de Renda no prazo de 30 (trinta) dias, contado da data em que forem descontados. (Decreto-lei nº 5.844, art. 183, § 1º)

§ 2º Quando os débitos forem arrecadados pelas repartições pagadoras federais, as importâncias correspondentes serão escrituradas como movimento de fundos com as respectivas Delegacias Regionais, as quais deverão ser cientificadas do recolhimento. (Decreto-lei n.º 5.844, art. 183, § 2.º)

Seção II

Da cobrança amigável

Art. 184. A cobrança amigável será feita após a que foi realizada à bôca do cofre e antes da remessa da relação dos devedores à Procuradoria da Fazenda Nacional para a cobrança judicial. (Lei nº 2.354, art. 38)

§ 1º Essa cobrança será feita mediante notificação, com o prazo de 20 (vinte) dias, por carta registrada com aviso de recepção (A. R.) e, quando impossível ou improficuo êsse meio, por edital mencionando apenas os nomes dos interessados e os números das notificações dos lançamentos respectivos. (Lei nº 2.354, art. 38)

§ 2º A cobrança amigável poderá ser feita também na própria notificação do lançamento, com a indicação do último prazo que antecederá a remessa da dívida para a cobrança executiva. (Lei nº 2.354, art. 38)

§ 3º Remetida a relação das dívidas para cobrança judicial os devedores só poderão efetuar os pagamentos mediante guia da Procuradoria, e uma vez iniciada a execução, mediante guia do Juízo, respondendo o funcionário que der causa a transgressão desta disposição pelas custas e mais despesas já realizadas. (Decreto-lei nº 5.844, art. 184, § 3º)

§ 4º Quando ainda não houver sido remetida a relação das dívidas para cobrança judicial, os delegados regionais e seccionais do impôsto de renda poderão autorizar o seu recebimento. (Decreto-lei nº 5.844, art. 182)

Seção III

Da cobrança judicial

Art. 185. Dentro em quinze dias da data em que se tornarem findos os processos administrativos, pelo transcurso do prazo regulamentar para recolhimento amigável da dívida apurada, as repartições do impôsto de renda encaminharão as dívidas para a cobrança judicial. (Decreto-lei nº 5.844, art. 187, Lei nº 2.642, de 1955, art. 7º)

Parágrafo único. Em casos especiais e por determinação expressa do Diretor do Impôsto de Renda, quando o interêsse da Fazenda Pública assim o exigir, poderá ser providenciada imediatamente a cobrança judicial das dívidas sem a formalidade de cobrança amigável. (Decreto-lei nº 5.844, art. 185)

Art. 186. No caso de cobrança executiva da dívida fiscal, se procedente a ação, correm por conta do executado tôdas as despesas da execução. (Lei nº 3.519, art. 10 e Lei nº 3.520, art. 1.º, alteração 8ª, II)

Art. 187. Não será levada à cobrança judicial dívida ativa da União até Cr$ 200,00 (duzentos cruzeiros), cessando o andamento das respectivas ações. (Lei nº 3.519, art. 10 e Lei n.º 3 290, art. 1.º, alteração 13.ª, VII)

CAPÍTULO VIII

Da prescrição

Art. 188. O direito de proceder ao lançamento do impôsto de renda decai no prazo de cinco anos contados da expiração do ano financeiro a que corresponder o impôsto. (Lei nº 2.862, art. 29)

Parágrafo único. A faculdade de proceder a novo lançamento ou a lançamento suplementar, à revisão do lançamento e ao exame nos livros e documentos de contabilidade dos contribuintes, para os fins dêste artigo, decai no prazo de 5 (cinco) anos, contados da notificação do lançamento primitivo. (Lei nº 2.862, art. 29)

Art. 189. O direito de cobrar as dívidas de impôsto de renda prescreve em cinco anos contados da expiração do prazo em que se tornou exigível o pagamento pela notificação do lançamento do impôsto. (Decreto-lei nº 5.844, art. 189)

§ 1º Interrompe-se o curso da prescrição por qualquer intimação feita pela repartição fiscal ao contribuinte, para pagar a dívida; pela concessão de prazos especiais para êsse fim; pela citação pessoal do responsável, feita judicialmente para se haver o pagamento; ou pela apresentação, em Juízo de inventário ou em concurso de credores, do documento comprobatório da dívida. (Decreto-lei n.º 5.844, art. 189, § 1º)

§ 2º Não corre o prazo de cinco anos enquanto o processo de cobrança estiver pendente de decisão. (Decreto-lei nº 5.844, art. 189, § 2º)

§ 3º Nos casos de cobrança judicial da dívida ativa, a publicação do despacho do juiz da execução, determinando a citação do réu, suspende o curso da prescrição. (Lei n.º 3.470, art. 24)

Art. 190. Cessa igualmente em cinco anos o poder de aplicar e o de cobrar as multas cominadas neste regulamento, ressalvada a interrupção da prescrição nos têrmos do artigo anterior. (Decreto-lei nº 5.844, artigo 190)

Art. 191. Não corre a prescrição quinquenal nos casos de arrecadação do impôsto na fonte e nos de que tratam o art. 32 e seus parágrafos (Decreto-lei nº 5.844, art. 191 e Lei nº 154, art. 7º, parágrafo único e artigo 1º)

Art. 192. Não correrão os prazos estabelecidos em lei para o lançamento ou a cobrança do impôsto de renda, a revisão da declaração e o exame da escrituração do contribuinte ou da fonte pagadora do rendimento, até decisão final na esfera judiciária, nos casos em que a ação das repartições do impôsto de renda fôr suspensa por medida judicial contra a Fazenda Nacional. (Lei nº 3.470, artigo 23)

CAPÍTULO IX

Disposições diversas

Art. 193. As disposições dêste regulamento são aplicáveis a todo aquêle que responder solidariamente com o contribuinte ou pessoalmente em seu lugar. (Decreto-lei nº 5.844, art. 192)

§ 1º. Os cônjuges, procuradores bastantes, tutores, curadores, diretores, gerentes, síndicos, liquidatários e demais representantes de pessoas físicas e jurídicas cumprirão as obrigações que incumbirem aos representados. (Decreto-lei nº 5.844, art. 192, parágrafo único)

§ 2º. A capacidade do contribuinte, a representação e a procuração serão reguladas segundo as prescrições legais. (Decreto-lei nº 5.844, art. 193)

Art. 194. O contribuinte, ausente do seu domicílio fiscal durante o prazo de entrega da declaração de rendimentos ou de interposição de reclamação ou recurso, cumprirá as disposições dêste regulamento perante a autoridade do distrito em que estiver, dando-lhe conhecimento do domicílio de que se encontra ausente. (Decreto-lei nº 5.844, art. 194)

Parágrafo único. Essa autoridade transmitirá os documentos que receber à repartição competente. (Decreto-lei nº 5.844, art. 194, parágrafo único)

Art. 195. Quando o contribuinte transferir de um município para outro ou de um para outro ponto do mesmo município a sua residência ou a sede do seu estabelecimento, fica obrigado a comunicar essa mudança às repartições competentes, dentro do prazo de 30 (trinta) dias. (Decreto-lei nº 5.844, art. 195)

Parágrafo único. Idêntica comunicação deverá fazer o contribuinte que se retirar temporàriamente do território nacional, declarando, ainda, qual a pessoa habilitada no país a cumprir, em seu nome, as disposições dêste regulamento. (Decreto-lei nº 5.844, art. 195, parágrafo único)

Art. 196. As participações de transferência de domicílio, as informações e as comunicações referidas neste regulamento poderão ser entregues em mão ou remetidas em carta registrada pelo correio. (Decreto-lei nº 5.844, art. 196)

§ 1º. A repartição é obrigada a dar recibo de entrega dêsses documentos, o qual exonera o contribuinte de penalidade. (Decreto-lei nº 5.844, art. 196, § 1º)

§ 2º. As repartições fiscais transmitirão umas às outras as comunicações que lhes interessarem. (Decreto-lei nº 5.844, art. 196, § 2º)

Art. 197. Para os fins do impôsto, os rendimentos em espécie serão avaliados em dinheiro, pelo valor que tiverem na data da percepção. (Decreto-lei nº 5.844, art 196)

Art. 198 Para os fins dêste regulamento, os rendimentos em moeda estrangeira, pagos, creditados, remetidos ou recebidos ou empregados, deverão ser convertidos em moeda nacional à taxa de câmbio vigorante na data do seu pagamento, crédito

remessa, recebimento ou emprêgo ou à taxa do câmbio em que forem efetivamente realizadas as operações. (Decreto-lei nº 5.844, art. 199)

Parágrafo único. Nos casos de transferências financeiras excluídas do mercado de câmbio de taxa livre, as operações são consideradas efetivamente realizadas à taxa de câmbio concedida, na conformidade do disposto no art. 52 da Lei nº 3.244, de 14 de agôsto de 1957)

Art. 199. As intimações ou notificações de que trata este regulamento serão para todos os efeitos legais consideradas feitas: (Decreto-lei nº 5.844, art. 200)

a) na data do seu recebimento, no domicílio fiscal do contribuinte quando por registrado postal, com direito a recibo de volta (A.R.), ou por serviço de entrega próprio da repartição;

b) 30 (trinta) dias depois da sua publicação na imprensa ou afixação na repartição, quando por edital.

Parágrafo único Os prazos, a que se refere êste regulamento, serão contados a partir do dia seguinte ao da intimação ou notificação e, quando o último dia recair em domingo, feriado ou ponto facultativo, terminarão no primeiro dia útil subseqüente.

Art. 200. Tôdas as pessoas que tomarem parte nos serviços do Imposto de Renda são obrigadas a guardar rigoroso sigilo sôbre a situação de riqueza dos contribuintes. (Decreto-lei nº 5.844, art. 201)

§ 1º. A corrigação de guardar reserva sôbre a situação de riqueza dos contribuintes se estende a todos os funcionários do Ministério da Fazenda e demais servidores públicos, que por dever de ofício, vierem a ter conhecimento dessa situação. (Decreto-lei nº 5.844, art. 201, § 1º)

§ 2º. É expressamente proibido revelar ou utilizar, para qualquer fim, o conhecimento que os servidores adquirirem quanto aos segredos dos negócios ou da profissão dos contribuintes. (Decreto-lei nº 5.844, art. 201, § 2º)

§ 3º. Nenhuma informação poderá ser dada sôbre a situação fiscal e financeira dos contribuintes, sem que fique registrado, em processo regular, que se trata de requisição feita por magistrado, no interêsse da Justiça, ou por chefes de repartições federais, diretores da Prefeitura do Distrito Federal e Secretários da Fazenda nos Estados, no interêsse da administração pública. (Lei nº 3.470 art. 54)

§ 4º As informações requisitadas pelos diretores da Prefeitura do Distrito Federal e Secretários da Fazenda Estadual sòmente poderão versar sôbre a receita e despesa das firmas e sociedades, bem como a respeito de propriedades imobiliárias (Lei nº 3.470, art. 54, parágrafo único)

§ 5º. O diretor do Impôsto de Renda expedirá as instruções necessárias para o cumprimento do disposto nos §§ 3.º e 4.º dêste artigo, pelas delegacias regionais e sucursais e inspetorias do Impôsto de Renda.

Art. 201. Aquêle, que, em serviço do Impôsto de Renda, revelar informações que tiver obtido no cumprimento do dever profissional, ou no exercício do ofício ou emprêgo, será responsabilizado como violador de segrêdo, de acôrdo com a lei penal. (Decreto-lei nº 5.844, art. 202)

Art. 202. Os processos e as declarações de rendimentos não poderão sair das repartições do Impôsto de Renda, salvo quando se tratar de recurso e restituições, ou cobrança da dívida ativa, casos em que ficará cópia autenticada dos documentos essenciais. (Decreto-lei nº 5.844, art. 203)

§ 1º. A Divisão do Impôsto de Renda poderá adotar o processo de microfilmagem, para reprodução de declarações de rendimentos, fichas de informações e de documentos e livros de escrituração dos contribuintes.

§ 2º. As cópias assim obtidas, depois de autenticadas, produzirão os mesmos efeitos dos originais.

Art. 203. Serão punidos, com as penas previstas no Estatuto dos Funcionários Públicos Civis da União, os funcionários do Impôsto de Renda que, por ineficiência, negligência, omissão ou dolo, no exercício de suas funções, deixarem de apurar devidamente as taxas ou fraudes cometidas pelos contribuintes em prejuízo da Fazenda Nacional. (Lei nº 2.354, art. 7º, 8)

Parágrafo único. A aplicação das penas de que trata êste artigo terá lugar, também, quando o auto ou laudo de exame fôr julgado improcedente, em virtude de proposital abuso de autoridade ou evidente êrro grosseiro, praticado pelo agente fiscal do impôsto de renda. (Lei nº 2.354, art. 7.º, 8, parágrafo único)

Art. 204. Estão isentos do impôsto de renda os rendimentos auferidos por governos estrangeiros, desde que haja reciprocidade de tratamento em relação aos rendimentos auferidos em seus países pelo Govêrno brasileiro. (Lei nº 154, art. 5º)

Art. 205. Na extinção das sociedades que houverem realizado a amortização de suas ações, nenhum impôsto será devido pelo acionista, na sua declaração ou na fonte, sôbre as quantias atribuídas às ações amortizadas, até a importância do respectivo valor nominal. (Lei n.º 2.862 art. 26, parágrafo único)

CAPÍTULO X

Disposições transitórias e finais

Art. 206. Ficam excluídos das disposições do § 1º do art. 92 ou presente regulamento os rendimentos decorrentes dos contratos de promessa de compra e venda e das cessões de direitos de promessa de compra e venda de propriedades imobiliárias, constantes de escrituras públicas lavradas até 12 de janeiro de 1959, inclusive, os quais são tributáveis na conformidade da legislação anterior: (Lei nº 3.470, art. 4º, § 4º)

a) nos casos de promessa de compra e venda, a exigência do recolhimento do impôsto só será feita na escritura definitiva, mesmo quando tenha sido lavrada escritura de promessa irrevogável, irretratável e com quitação de preço, no referido prazo;

b) os rendimentos das cessões de direitos são tributáveis na cédula H das declarações das pessoas físicas, quando domiciliadas no Brasil, ou na fonte, se o contribuinte fôr domiciliado ou residente no exterior.

Art. 207. Até o exercício financeiro de 1966, inclusive, o adicional de que trata o artigo 3º da Lei nº 1.474, de 26 de novembro de 1951, modificado pela Lei nº 2.973, de 26 de novembro de 1956, será cobrado de acôrdo com as disposições dêste artigo: (Lei nº 2.973, art. 1º)

1º) No caso das pessoas físicas, o adicional será calculado sôbre a totalidade do impôsto de renda devido quando superior a Cr$ 20 000,00 (vinte mil cruzeiros), em cada exercício, na seguinte base: (Lei nº 2.973 art. 1º)

a) até Cr$ 250.000,00 (duzentos e cinqüenta mil cruzeiros), 15% (quinze por cento) de adicional;

b) acima de Cr$ 250.000,00 (duzentos e cinqüenta mil cruzeiros) até Cr$ 1.000.000,00 (hum milhão de cruzeiros), 20% (vinte por cento) de adicional;

c) acima de Cr$ 1.000.000,00 (hum milhão de cruzeiros), 25% (vinte e cinco por cento) de adicional.

2º) Será cobrado o adicional à razão da taxa de 15% (quinze por cento), sôbre: (Lei nº 2.973, art. 1º)

a) o impôsto de renda devido pelas pessoas jurídicas, previsto no art. 44 e parágrafos respectivos;

b) o impôsto arrecadado na fonte nos casos previstos nos arts. 92, incisos 3º a 5º do artigo 96 e art. 97 e respectivos parágrafos.

3º. Será cobrado o adicional à razão da taxa de 4% (quatro por cento) sôbre a importância das reservas e lucros suspensos ou não distribuídos, formados pelas pessoas jurídicas em cada ano, excetuados o fundo de reserva legal das sociedades anônimas e as reservas técnicas das companhias de seguro e de capitalização (Lei nº 2.973, art. 1º)

§ 1º. O adicional referido nos incisos 1º e 2º dêste artigo não alcançará o impôsto de renda devido na fonte ou em poder das pessoas físicas pela posterior distribuição das reservas e lucros em suspenso ou não distribuídos, sôbre os quais haja incidido o adicional de 4% (quatro por cento) referido no inciso 3º. (Lei nº 1.628 art. 24 e Lei nº 2.973, art. 1º, § 3º)

§ 2º. Para efeito de cobrança do adicional dêste artigo serão abandonadas as frações inferiores a .....

Cr$		Cr$	Cr$		Cr$
Até		90.000,00	Isento		
De 91.000,00	a	120.000,00	30,00	por	1.000,00
De 121.000,00	a	150.000,00	50,00	por	1.000,00
De 151.000,00	a	190.000,00	80,00	por	1.000,00
De 191.000,00	a	240.000,00	110,00	por	1.000,00
De 241.000,00	a	300.000,00	140,00	por	1.000,00
De 301.000,00	a	400.000,00	180,00	por	1.000,00
De 401.000,00	a	500.000,00	220,00	por	1.000,00
De 501.000,00	a	600.000,00	260,00	por	1.000,00
De 601.000,00	a	700.000,00	300,00	por	1.000,00
De 701.000,00	a	1.000.000,00	350,00	por	1.000,00
De 1.001.000,00	a	2.000.000,00	400,00	por	1.000,00
De 2.001.000,00	a	3.000.000,00	450,00	por	1.000,00
Acima de		3.000.000,00	500,00	por	1.000,00

Art. 212. Ressalvado o disposto no art. 211, as novas taxas do impôsto de renda, bem como o adicional de que trata o § 3º do art. 44, do presente regulamento, serão aplicados aos rendimentos tributáveis a partir de 1º de janeiro de 1959, ainda que anteriormente produzidos. (Lei nº 3.470, art. 102)

§ 1º. Nos casos de recolhimento do impôsto sujeito a retenção na fonte, deverá ser aplicada a taxa vigente à data em que o impôsto se tornou exigível, pelo pagamento ou crédito, emprêgo, remessa ou entrega do rendimento.

§ 2º. O impôsto de que trata o inciso 2º do art. 92 será cobrado sôbre os rendimentos pagos ou creditados até 31 de dezembro de 1959, na conformidade da tabela II, anexa ao presente regulamento. (Lei nº 3.470, artigo 40, e Lei nº 3.553, art. 1º)

§ 3º. A partir de 1º de janeiro de 1960, o desconto do impôsto a que se refere o § 2º será efetuado de acôrdo com a tabela I, anexa (Lei nº 3.470, art. 40, e Lei nº 3.553, artigo 1º, § 3º)

Art. 213. Os processos instaurados por infrações das disposições da legislação do impôsto de renda, existentes em 30 de dezembro de 1958, em qualquer fase administrativa ou judiciária e cujo valor no litígio não seja superior a Cr$ 1.000,00 (hum mil cruzeiros) não terão prosseguimento e serão arquivados. (Lei nº 3.520, artigo 14)

Parágrafo único. Considera-se valor em litígio, para os efeitos dêste artigo, a importância do impôsto reclamado, acrescida de quota aplicada, nos processos julgados, ou acrescida da multa mínima cabível nos processos em fase de julgamento.

Art. 214. O presente regulamento entrará em vigor na data de sua publicação, revogadas as disposições em contrário.

Rio de Janeiro, 7 de dezembro de 1959. — *S. Paes de Almeida.*

Cr$ 100,00 (cem cruzeiros). (Lei nº 2.973, art. 1º)

Art. 208. O disposto no art. 50 dêste regulamento aplica-se igualmente aos impostos nos exercícios anteriores e ainda não pagos pelo Banco de Crédito da Amazônia S/A., mesmo àqueles que se encontrem ajuizados, para efeito de cobrança. (Lei nº 3.470, art. 112)

Parágrafo único. A liquidação dos débitos de que trata este artigo deverá ser feita em 24 (vinte e quatro) parcelas mensais, sendo a primeira vencida em 30 de dezembro de 1958, livres de quaisquer penalidades. (Lei nº 3.470, art. 112)

Art. 209. Para os efeitos da correção dos valores do ativo imobilizado, pelas pessoas jurídicas, na conformidade do disposto no art. 101 do presente regulamento, vigorando os coeficientes multiplicatórios estabelecidos pelo Conselho Nacional de Economia, que para êsse fim serão transcritos em ato da Divisão do Impôsto de Renda. (Lei nº 3.470, art. 57, § 21)

Art. 210. O prazo previsto no artigo 63 dêste regulamento quanto às declarações de pessoas físicas, fica prorrogado, no exercício financeiro de 1959 até o dia 15 de maio. (Lei nº 3.553, art. 2º)

Art. 211. No exercício financeiro de 1959, o impôsto complementar, calculado sôbre a renda líquida das pessoas físicas, será cobrado de acôrdo com a seguinte tabela: (Lei nº 3.553, art. 1º)

TABELA I (ART. 98, INCISO 2º)

Impôsto a que estão sujeitos os rendimentos do trabalho indicados no art. 3º e seu § 1º, I. — Valor mensal do desconto do impôsto, na fonte, em cruzeiros.

(A vigorar a partir de 1º de janeiro de 1960)

Número	Rendimentos mensais sujeitos ao desconto			Solteiro, viúvo ou desquitado, sem dependentes	Solteiro, viúvo ou desquitado, com um dependente	Solteiro, viúvo ou desquitado, com dois dependentes; casado, sem dependentes além do outro cônjuge	Número
	De Cr$		Cr$	Cr$	Cr$	Cr$	
1	8.501,00	até	8.600,00	85,00	—	—	1
2	8.601,00	"	8.700,00	89,00	—	—	2
3	8.701,00	"	8.800,00	95,00	—	—	3
4	8.801,00	"	8.900,00	98,00	—	—	4
5	8.901,00	"	9.000,00	102,00	—	—	5
6	9.001,00	"	9.100,00	103,00	—	—	6
7	9.101,00	"	9.200,00	109,00	—	—	7
8	9.201,00	"	9.300,00	113,00	—	—	8
9	9.301,00	"	9.400,00	118,00	—	—	9
10	9.401,00	"	9.500,00	122,00	—	—	10
11	9.501,00	"	9.600,00	125,00	—	—	11
12	9.601,00	"	9.700,00	129,00	—	—	12
13	9.701,00	"	9.800,00	133,00	—	—	13
14	9.801,00	"	9.900,00	138,00	—	—	14
15	9.901,00	"	10.000,00	143,00	—	—	15
16	10.001,00	"	10.100,00	149,00	—	—	16
17	10.101,00	"	10.200,00	149,00	—	—	17
18	10.201,00	"	10.300,00	153,00	—	—	18
19	10.301,00	"	10.400,00	155,00	—	—	19
20	10.401,00	"	10.500,00	162,00	—	—	20
21	10.501,00	"	10.600,00	165,00	—	—	21
22	10.601,00	"	10.700,00	169,00	—	—	22
23	10.701,00	"	10.800,00	175,00	—	—	23
24	10.801,00	"	10.900,00	178,00	—	—	24
25	10.901,00	"	11.000,00	183,00	—	—	25
26	11.001,00	"	11.100,00	185,00	110,00	—	26
27	11.101,00	"	11.200,00	189,00	114,00	—	27
28	11.201,00	"	11.300,00	195,00	120,00	—	28
29	11.301,00	"	11.400,00	198,00	123,00	—	29
30	11.401,00	"	11.500,00	202,00	127,00	—	30
31	11.501,00	"	11.600,00	205,00	130,00	—	31
32	11.601,00	"	11.700,00	209,00	134,00	—	32
33	11.701,00	"	11.800,00	215,00	140,00	—	33
34	11.801,00	"	11.900,00	218,00	143,00	—	34
35	11.901,00	"	12.000,00	222,00	147,00	—	35
36	12.001,00	"	12.100,00	226,00	150,00	—	36
37	12.101,00	"	12.200,00	229,00	154,00	—	37
38	12.201,00	"	12.300,00	235,00	160,00	—	38
39	12.301,00	"	12.400,00	240,00	163,00	—	39
40	12.401,00	"	12.500,00	245,00	167,00	—	40
41	12.501,00	"	12.600,00	250,00	170,00	—	41
42	12.601,00	"	12.700,00	255,00	174,00	—	42
43	12.701,00	"	12.800,00	265,00	180,00	—	43
44	12.801,00	"	12.900,00	270,00	183,00	—	44
45	12.901,00	"	13.000,00	275,00	187,00	—	45
46	13.001,00	"	13.100,00	280,00	190,00	—	46
47	13.101,00	"	13.200,00	285,00	194,00	—	47
48	13.201,00	"	13.300,00	295,00	200,00	—	48
49	13.301,00	"	13.400,00	300,00	203,00	—	49
50	13.401,00	"	13.500,00	305,00	207,00	—	50
51	13.501,00	"	13.600,00	310,00	210,00	135,00	51
52	13.601,00	"	13.700,00	315,00	214,00	139,00	52
53	13.701,00	"	13.800,00	325,00	220,00	145,00	53
54	13.801,00	"	13.900,00	330,00	223,00	148,00	54
55	13.901,00	"	14.000,00	335,00	227,00	152,00	55
56	14.001,00	"	14.100,00	340,00	230,00	155,00	56
57	14.101,00	"	14.200,00	345,00	234,00	159,00	57
58	14.201,00	"	14.300,00	355,00	240,00	165,00	58
59	14.301,00	"	14.400,00	360,00	243,00	168,00	59
60	14.401,00	"	14.500,00	365,00	247,00	172,00	60
61	14.501,00	"	14.600,00	370,00	250,00	175,00	61
62	14.601,00	"	14.700,00	375,00	254,00	178,00	62
63	14.701,00	"	14.800,00	385,00	260,00	185,00	63
64	14.801,00	"	14.900,00	390,00	265,00	188,00	64
65	14.901,00	"	15.000,00	395,00	270,00	192,00	65

NOTAS

I — Não estão sujeitos ao desconto do impôsto na fonte os rendimentos inferiores, em cada mês, a ..... Cr$ 8.301,00; nem os percebidos pelos solteiros, viúvos ou desquitados, com mais de dois dependentes, ou pelos casados, com um ou mais dependentes, além do outro cônjuge.

II — O cônjuge, os filhos e outros dependentes, na constância da sociedade conjugal, serão considerados encargos do cabeça do casal.

III — A mulher casada e equiparada à solteira ou a viúva, sem dependentes; será considerada cabeça de casal — além dos casos previstos na lei civil — quando o marido estiver sob sua dependência econômica, não recebendo dêle provenros de valor anual superior a Cr$ 90 000,00.

IV — A mulher cujo casamento houver sido anulado, a desquitada e a que houver sido assandonada, sem recursos, pelo marido, ficam sujeitas ao desconto do impôsto como solteiras ou viúvas, considerado o número de filhos e outros dependentes que sustentarem.

V — Consideram-se filhos ou dependentes, para os efeitos do desconto do impôsto, desde que não possuam rendimentos próprios:

a) os filhos menores ou invalidos e os maiores até 24 anos de idade, que ainda estejam cursando estabelecimento de ensino superior, sejam legítimos, legitimados, naturais reconhecidos e adotivos;

b) as filhas solteiras, viúvas sem arrimo ou abandonadas, sem recursos, pelo marido;

c) os descendentes menores ou inválidos sem arrimo dos pais;

d) os ascendentes, irmãos e irmãs inespacitados para o trabalho;

e) os menores de 18 anos, pobres que os contribuintes comprovadamente criem e eduquem.

OBSERVAÇÕES

1 — No cálculo do impôsto de acôrdo com a tabela anexa, foi considerada a quota de Cr$ 1.000,00 mensais Cr$ 12.000,00 anuais relativa ao abatimento concedido "ex officio" a todos os assalariados, correspondente aos demais abatimentos previstos em lei, além dos encargos de família.

2 — A base para o desconto será a remuneração total (salário vencimento, retirada, ordenado, comissão honorários, gratificação ou outro qualquer rendimento do trabalho proveniente do exercício de emprêgo, cargo ou função, classificável na cédula "C" da declaração), em cada mês, deduzidos a contribuição de previdência social do empregado e o impôsto sindical.

3 — No mês ou nos meses em que o rendimento apurado de acôrdo com o item 2 seja entre Cr$ 8 564,60 e .. Cr$ 15.000,00, haverá o desconto, conforme a tabela.

4 — No mês ou nos meses em que o rendimento fôr superior a ..... Cr$ 15.000,00, haverá o desconto com base nessa importância, ficando o contribuinte obrigado a apresentar a declaração de rendimentos, no exercício seguinte. A declaração referida incluirá todos os rendimentos percebidos, inclusive os que serviram de base ao desconto, e do impôsto calculado nessa declaração abater-se-á o que houver sido descontado na fonte, de acôrdo com a tabela.

5 — No caso de servidores públicos civis e militares, em geral, na remuneração de cada mês serão considerados os vencimentos e vantagens, salvo salário-família, ajudas de custo para viagens, diárias como indenizações de despesas e quotas partes de multas.

6 — O recolhimento será feito às repartições arrecadadoras, pelas fontes, durante o mês seguinte ao pagamento ou crédito do rendimento.

7 — No caso de filias ou agências, os recolhimentos serão efetuados às repartições do local de cada uma delas.

8 — Até o último dia útil do mês de abril de cada ano, serão prestadas, por intermédio do empregador, à Delegacia Regional ou Sectional, ou à Inspetoria do Impôsto de Renda da jurisdição, informações sôbre o impôsto descontado de cada empregado, durante o ano anterior, assim como sôbre os respectivos encargos de família.

9 — Os encargos de família e outros dependentes, para os efeitos do desconto do impôsto, nas fontes, serão declarados pelos empregados, em modêlos próprios, aprovados pela Divisão do Impôsto de Renda, em duas vias, uma das quais ficará em poder do empregador e a outra será encaminhada, pelo mesmo empregador, à repartição da sua jurisdição.

10 — Os rendimentos pagos antecipadamente serão considerados nos meses a que se referirem.

11 — Os contribuintes sujeitos ao desconto do impôsto, sairarme à tabela anexa, desde que não estejam obrigados a apresentar declaração de rendimentos no exercício seguinte, são obrigados a informar, até 30 de abril de cada ano, os rendimentos pagos a terceiros, no ano anterior, indicando nome e endereço das pessoas que os receberam.

12 — As informações referidas no item anterior, prestadas em fórmulas próprias, deverão ser entregues às repartições, por intermédio dos empregadores.

13 — A prova de outros dependentes, além do cônjuge e dos filhos do empregado (contribuinte) será feita junto à fonte pagadora, a qual deverá conservar o documento respectivo com uma via da informação sôbre a situação de família, que ficará em seu poder, na conformidade do item 9.

TABELA II (*)

Impôsto a que estão sujeitos os rendimentos do trabalho indicados no art. 1º e seu § 1º, nº I. — Valor mensal do desconto do impôsto, na fonte em cruzeiros.

(A vigorar até 31 de dezembro de 1959)

Número	Rendimentos mensais sujeitos ao desconto			Solteiro, viúvo ou desquitado, sem dependentes	Solteiro, viúvo ou desquitado, com um dependente	Solteiro, viúvo ou desquitado, casado, sem dependentes além do outro cônjuge	Número
	De Cr$		Cr$	Cr$	Cr$	Cr$	
1	8.301,00	até	8.600,00	85,00	—	—	1
2	8.601,00	"	8.700,00	89,00	—	—	2
3	8.701,00	"	8.800,00	96,00	—	—	3
4	8.801,00	"	8.900,00	98,00	—	—	4
5	8.901,00	"	9.000,00	102,00	—	—	5
6	9.001,00	"	9.100,00	105,00	—	—	6
7	9.101,00	"	9.200,00	109,00	—	—	7
8	9.201,00	"	9.300,00	115,00	—	—	8
9	9.301,00	"	9.400,00	118,00	—	—	9
10	9.401,00	"	9.500,00	122,00	—	—	10
11	9.501,00	"	9.600,00	125,00	—	—	11
12	9.601,00	"	9.700,00	129,00	—	—	12
13	9.701,00	"	9.800,00	135,00	—	—	13
14	9.801,00	"	9.900,00	138,00	—	—	14
15	9.901,00	"	10.000,00	143,00	—	—	15
16	10.001,00	"	10.100,00	145,00	—	—	16
17	10.101,00	"	10.200,00	149,00	—	—	17
18	10.201,00	"	10.300,00	155,00	—	—	18
19	10.301,00	"	10.400,00	158,00	—	—	19
20	10.401,00	"	10.500,00	162,00	—	—	20
21	10.501,00	"	10.600,00	165,00	—	—	21
22	10.601,00	"	10.700,00	169,00	—	—	22
23	10.701,00	"	10.800,00	175,00	—	—	23
24	10.801,00	"	10.900,00	178,00	—	—	24
25	10.901,00	"	11.000,00	182,00	—	—	25
26	11.001,00	"	11.100,00	185,00	110,00	—	26
27	11.101,00	"	11.200,00	190,00	114,00	—	27
28	11.201,00	"	11.300,00	200,00	120,00	—	28
29	11.301,00	"	11.400,00	205,00	123,00	—	29
30	11.401,00	"	11.500,00	210,00	127,00	—	30
31	11.501,00	"	11.600,00	215,00	130,00	—	31
32	11.601,00	"	11.700,00	220,00	134,00	—	32
33	11.701,00	"	11.800,00	230,00	140,00	—	33
34	11.801,00	"	11.900,00	235,00	143,00	—	34

Número	Rendimentos mensais sujeitos ao desconto			Solteiro, viúvo ou desquitado, sem dependentes	Solteiro, viúvo ou desquitado, com um dependente	Solteiro, viúvo ou desquitado, com dois dependentes; casado, sem dependentes além do outro cônjuge	Número
	De Cr$		Cr$	Cr$	Cr$	Cr$	
35	11.901,00	a	12.000,00	240,00	167,00		35
36	12.001,00	»	12.100,00	245,00	159,00		36
37	12.101,00	»	12.200,00	250,00	154,00		37
38	12.201,00	»	12.300,00	256,00	160,00		38
39	12.301,00	»	12.400,00	265,00	163,00		39
40	12.401,00	»	12.500,00	270,00	167,00		40
41	12.501,00	»	12.600,00	275,00	170,00		41
42	12.601,00	»	12.700,00	280,00	174,00		42
43	12.701,00	»	12.800,00	290,00	180,00		43
44	12.801,00	»	12.900,00	295,00	183,00		44
45	12.901,00	»	13.000,00	300,00	187,00		45
46	13.001,00	»	13.100,00	305,00	190,00		46
47	13.101,00	»	13.200,00	310,00	194,00		47
48	13.201,00	»	13.300,00	320,00	200,00		48
49	13.301,00	»	13.400,00	325,00	203,00		49
50	13.401,00	»	13.500,00	330,00	207,00		50
51	13.501,00	»	13.600,00	335,00	210,00	135,00	51
52	13.601,00	»	13.700,00	343,00	215,00	139,00	52
53	13.701,00	»	13.800,00	357,80	225,00	143,00	53
54	13.801,00	»	13.900,00	365,00	230,00	148,00	54
55	13.901,00	»	14.000,00	372,00	235,00	152,00	55
56	14.001,00	»	14.100,00	380,00	240,00	155,00	56
57	14.101,00	»	14.200,00	388,00	245,00	159,00	57
58	14.201,00	»	14.300,00	402,00	255,00	165,00	58
59	14.301,00	»	14.400,00	410,00	259,00	168,00	59
60	14.401,00	»	14.500,00	417,00	265,00	172,00	60
61	14.501,00	»	14.600,00	425,00	270,00	175,00	61
62	14.601,00	»	14.700,00	433,00	275,00	179,00	62
63	14.701,00	»	14.800,00	447,00	285,00	185,00	63
64	14.801,00	»	14.900,00	455,00	290,00	188,00	64
65	14.901,00	»	15.000,00	462,00	295,00	192,00	65

NOTAS E OBSERVAÇÕES
Idênticas às da Tabela I.
(*) — Tabela a que se referem o § 2º do art. 214 e o inciso 2º do art. 98.

PREÇO DESTE SUPLEMENTO: CR$ 2,00

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FOREIGN SERVICE DESPATCH

FEB 15 1960

FROM : AMEMBASSY, RIO DE JANEIRO DESP. NO. 785

TO : THE DEPARTMENT OF STATE, WASHINGTON. DATE February 6, 1960

FEB 16 1960

REF : CERP, Section D, III, A-2 and D, V, A-1, April 3, 1957
Embassespatches 648, Dec. 9, 1958; 743, Jan. 21, 1960

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ACTION DEPT.
REC'D INFO OTHER

SUBJECT: Expected Basis for Implementation of Article 76 of Income Tax Law 3,470 on Sales of Foreign Products by Representatives in Brazil.

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Law 3,470 of December, 1958, (text forwarded with Despatch 648), contained an Art. 76 which on its face appeared to tax the profits on all sales to Brazil by organizations which have anyone who could be called a local representative. Collection would be made from the representative who would pay not only the tax on his commission, if any, but also on the profit made by his principal which would be arbitrarily calculated at 20% of the total sale price. As clarified, it now appears that this tax will be collected only when sales are considered to be made in Brazil in accordance with commercial law. The courts may, of course, interpret this concept broadly in favor of the tax authorities.

After passage of the new income tax law, Art. 76 was the subject of considerable discussion by the American Chambers of Commerce in Rio and Sao Paulo which eventually led to conversations by Chamber representatives with Sr. Noe Winkler, Chief of the Income Tax division. In July, 1959, Sr. Winkler addressed a meeting of the Federation of Foreign Chambers of Commerce in which he stated that the regulations to be issued would cover the principal suggestions made by the American Chambers and would provide the following:

1. The tax will apply to sales entered into in Brazil between a buyer here and a seller abroad when conducted through an agent with full authority to bind his principal provided that the agent has exercised his authority and provided further that the agent is regularly engaged in business or resides in Brazil.

2. Under the conditions described above, the tax applies even though the buyer is billed directly by a seller abroad.

3. If an agent merely acts as an intermediary without power to conclude the sale or if a representative comes to Brazil for a particular transaction (and does not do this so often that he is considered to be doing business in

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0824

Brazil), that sale is not within Art. 76.

4. Although the tax laws say nothing on this point, the Income Tax Division believes that under judicial decisions a company with a branch in Brazil cannot enter into a sale with the Brazilian buyer without the branch being responsible for the transaction. This does not apply in the case of a subsidiary.

According to a conversation with a member of the Legal Committee of the American Chamber in Rio, the first three points described above were considered reasonable by most attorneys and it was believed that foreign companies could adapt their procedures to avoid the tax in most cases which traditionally have not been considered sales in Brazil. This lawyer, however, believed the decisions did not support the position taken in item 4 above except in cases where the sale was made clearly within the territory of the branch. In other words, he did not think the courts would support a tax on a sale made directly from a company abroad to a purchaser in Amazonas when that company had a branch which did not operate further north than Sao Paulo - but he admitted this would probably have to be litigated.

On December 7, 1959, income tax regulations were issued embodying the changes made by Law 3,470 (texts sent with Despatch 743). The sections applicable to Art. 76 particularly Regulation Article 34, Para. 10, appear to carry out the interpretation given in the first three points of Sr. Winkler's statement. Translations of these sections as well as of Art. 76 are attached.

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Apparently, however, the regulations were a surprise to some foreign firms. In the last two weeks the Embassy has received calls from the Swedish and Belgian Embassies reporting complaints by their commercial groups and asking what the U.S. planned to do. The Belgian representative indicated that they and the French had asked for instructions and implied that he thought a protest should be made. In these conversations the Embassy noted that the regulations did not appear to be discriminatory, that no complaints had been received here and that the Embassy merely planned to report the interpretation given Art. 76.

It is appreciated that as passed by Congress Art. 76 seems to go beyond the traditional exercise of taxing power. However, the regulations along with Sr. Winkler's interpretation place the determination of taxability under Art. 76 on the issue of where the sales contract is concluded. This appears to be principally an

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issue of fact. The Embassy will appreciate any advice or information supporting or contradicting this view.

For the Ambassador:

R. G. Walker

R. G. Walker
Finance Officer

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosures:
1 - Excerpts from Income Tax Regulations issued under Decree 47,373, December 7, 1959.
2 - Copy of Article 76 of Income Tax Law 3,470.

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TRANSLATION

Excerpts from Income Tax Regulations
Issued under Decree 47,373, December 7, 1959

Art. 34 - Juridical persons subject to tax on the basis of actual profit must prove their profits by account books in the national language and money and in the form provided in commercial and fiscal law.

Para. 1 - ...

Para. 2 - ...

Para. 3 - The provisions of this Article also apply to subsidiaries, branches, agencies or representatives (filiais, sucursais, agencias ou representantes) in Brazil of juridical persons with headquarters abroad, the agent or representative of the principal abroad being obliged to keep his commercial books in a manner that will show, in addition to his own income, the actual profit gained on transactions for others (de conta alheia) in each year. (Law 2,354, Art. 2 and Law 3,470, Art. 76, Para. 1).

Para. 2 - The failure to keep accounts in accordance with the provisions of commercial and fiscal laws will give the tax authorities the choice of setting the profit at 30% of the total value of available fixed assets of long and short-term or at from 15 to 50% of the capital or gross receipts as defined in Paragraphs 1 and 2 of Art. 40, at the discretion of the enforcing authority in accordance with the nature of the business (Law 2,354, Art. 2, and Law 3,470, Art. 29).

Para. 5 - In the cases in which it is clearly shown that a juridical person has received an income higher than 50% of capital or gross receipts the coefficients established in Para. 4 may be increased up to 75%. (Law 3,470, Art. 29, Para. 1).

Para. 6 - For the purposes of fixing profit when the results of transactions for others are known, the amounts related to these transactions will be excluded from the gross receipts and added to the income calculated in accordance with Para. 4 of this Article. (Law 3,470, Art. 29, Para. 2).

Para. 7 - ...

Para. 8 - When they are not regularly entered the results of transactions in foreign account which is referred to in the last part of Para. 3, the profit will arbitrated in accordance with the provisions in Paragraphs 4, 5, and 6. (Law 3,470, Art. 76, Para. 2).

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Para. 9 - In case there are sales made in the country through agents or representatives of persons abroad when invoiced directly to the purchaser the tax on income will be fixed at 20% of the total sale price. (Law 3,470, Art. 76, Para. 3).

Para. 10 - A sale is considered made in the country for the purposes of Para. 9 when it is concluded in accordance with the provisions of the commercial legislation between the purchaser and an agent or representative of the seller in Brazil.

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Page 1 of
Encl. No. 2
Desp. No. 785
From AMEMBASSY, RIO

Article 76 of Law 3,470 of November 28, 1958

Art. 76 - The legal provisions regulating the taxation of profits earned in the national territory by subsidiaries, branches agencies or representatives of foreign companies authorized to operate in the country apply equally to the income received by principals (comitentes) domiciled abroad in operations carried out by representatives and agents in Brazil.

Para. 1 - For the purpose of this Article the agent or representative of a principal domiciled abroad must so maintain his commercial books as to show in addition to his own income the real profits earned in operations for others (de conta alheia) in each year;

Para. 2 - When the results of the transactions treated in this Article are not regularly calculated the profits, for the purposes of taxation, will be arbitrated in conformity with the legislation in force;

Para. 3 - In case there are carried out in the country sales by agents or representatives of persons established abroad the taxable income will be arbitrated at 20% of the total sale price invoiced directly to the purchaser.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 864 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 8, 1960

REF : CERP, Section D, III; A-2 & V, A-1, April 3, 1957
Embassy Despatch 785, February 5, 1960 — Enclosure

	ACTION	DEPT.
20 For Dept. Use Only	ARA-3	RM/R-2. REPI IRC-8 E-7 ICA-11 L-2 EUR-3
	REC'D 3-12-60	INFO OTHER Com-8 TR-3 FRB-2 AMB-4 CIA-10 NSA-8

SUBJECT: Proposed Action by European Countries to Clarify Article 76 of Law 3,470 Amending the Income Tax Law.

(2)

Attached is a copy of a memorandum of conversation with Pierre Collin, Rio representative of the Continental Grain Company and member of a Committee of the International Chamber of Commerce appointed to review the situation with respect to Article 76 of Law 3,470. His visit to the Embassy seemed to have been made with the purpose of enlisting U.S. support in a move by France and Belgium and possibly others to obtain clarification of this Article and its regulations.1/ The reporting officer saw a draft of the questionnaire which Mr. Collin said would be submitted and is of the opinion that the regulations already provide reasonably clear answers so that it is possible that the questions are intended to lay the ground work for a later complaint against the basic purpose of Article 76.

The reporting officer has also mentioned the subject to members of the American Chamber of Commerce. Those contacted did not show great concern and the Executive Vice-President of the Chamber stated that members of the Chamber's Legal Committee believed that the regulations were as good as could be expected. In the absence of indications that the American business community considers this unfair, the Embassy sees no basis for supporting the Europeans move and has made no move that might imply such support.

It should be noted, however, that Article 76 may cause difficulties in such situations as those of the Continental Grain Company where contracts must be signed in Brazil and where the tax authorities might come to view the sending of officers from outside the country as a mere screen to cover effective activities by an agent.

For the Ambassador:
R. G. Walker
Finance Officer

Approved:
William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 16 1960

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1/ Background information on the regulations and previous expressions of concern by European Missions were reported in Despatch 785.

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Page 1 of
Encl. No. 1
Desp. No. 864
From AMEMBASSY, RIO

MEMORANDUM OF CONVERSATION

March 3, 1960

Participants: Pierre Collin, Managing Director, Cia. Continental de Cereais "Contibrasil", and R. G. Walker.

Subject: Complaints against Article 76 of the 1958 Income Tax Law.

Mr. Collin who is the Rio representative of the Continental Grain Company, came to see me after talking with Mr. Milam about the problems presented by Article 76 of the 1958 Income Tax Law. This is the article which on its face seems to tax foreign sellers on sales to Brazil, which caused great excitement in the American Chamber a year ago and which currently has various European countries worried.

Mr. Collin seemed to come in two capacities. As the Continental Grain Co. representative he wished to describe the method they now pursue in PL 480 wheat sales. The form of contract insisted upon by the Bank of Brazil indicates Rio as the place of signature and I gather the Bank will not permit the actual papers to be sent out of the country. Before Article 76 was adopted "Contibrasil" signed as an authorized agent but this they now believe will expose them to the income tax levied on Continental Grain Company. Accordingly, Continental Grain has for the last year been sending a representative to Rio, some times from New York and some times from Buenos Aires, just to sign a contract. Mr. Collin seemed pretty certain that this would work. This view was based partly on legal advice and even more on his belief that the Bank of Brazil would not want to offend American wheat sellers. I noted that if the same officer signs for Continental Grain many times their device might be disregarded by the tax authorities without consulting with the Bank of Brazil but Collin appeared to think this unlikely. 1/

Collin's second and more important role was as the member of a committee of the International Chamber appointed to draw up questions to be submitted to the Income Tax Division by a group of

---

1/ Collin is right to the extent that sending a representative to Brazil from time to time is a method which Noe Winkler, Director of the Internal Revenue Department informed the International Chamber would be acceptable. This does not, however, explicitly appear in the regulations, which refer this issue to general commercial law.

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European countries which currently includes France, Holland and Belgium and may be increased by Germany and Italy. It appeared likely that he had been also assigned the task of obtaining U.S. adherence to this group. At any rate, he spoke at great length on the injustice of the law, the indefiniteness of the statute and regulations and the difficulties this created for sellers to Brazil. I told him that as interpreted in the regulations the legal question now seems to turn on whether a person is doing business in Brazil, that I could not define all the possibilities but that in general it seemed likely that the companies could adjust themselves to this situation, although I noted that wheat sellers might be an exception. Collin did not argue the question but said he thought the law would be more or less a dead letter for a period and then later suddenly enforced on some innocent victim. He also said that he did not believe the law was intended to tax normal importers but rather those firms which have maintained a current account for a foreign principal as a device for both buying and selling within Brazil.

I also told Mr. Collin that after considerable excitement a year ago the American Chambers in Rio and São Paulo and American businessmen generally had not been complaining to the Embassy so that I assumed they thought they could live with the law. Collin did not argue this either and noted that the American Chambers had not participated in the recent moves by the International Chamber.

I then enquired what was to be the basis of the proposed complaint. Collin said that one company had directed questions to the Internal Revenue Department and had received very vague replies. It was now planned to submit additional questions and to request on the diplomatic level that clear replies be given. He added that the principal organizer seems to be Patternote de la Vaille of the Belgian Embassy and urged that I discuss the matter with him. I said that I doubted that we would take action in the absence of complaints but would appreciate knowing when those countries plan to move and might call Patternote to find out.1/

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RGWalker/mwc

1/ I don't think I should call Patternote unless we are at least considering asking the Department for instructions. This does not seem justified by the present attitude of the American community but I will check this with the Chamber legal committee.

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO

376
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 14, 1960
DATE

REF : CERP Section B, III; and Embassy Rio despatch 864, March 8, 1960

APR 19 1960

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	ARA-3	AMB-2 REP 1 EAC & E-7 ICA-A 4-
	REC'D 4/22	INFO OTHER CEA-10 COM-8 TA-3 FNB-2 XMB-4

SUBJECT: Concern Over Implications of Article 76 of Law 3470 Amending the Income Tax Law

AG-8

At the meeting of the Economic Committee of the American Chamber of Commerce in São Paulo the question of Article 76 of the Brazilian income tax legislation was again brought up. This is the article which on its face seems to tax foreign sellers on sales to Brazil. The members of the Committee felt that the way Article 76 is worded it could cause American business interests hardships and inconvenience. While the former head of the Federal Income Tax Department in Rio de Janeiro, Mr. Noé Winkler, had given assurances that no income tax would be collected on sales from abroad if there was no one in Brazil with authority to intervene in the transaction, the business community again became concerned over the implications of Article 76 since Mr. Winkler resigned as head of the Income Tax Department.

It was brought out at the meeting that not infrequently some sort of statement is required by the exchange control authorities to substantiate the need for exchange bought at public auction by Brazilian importers. This information obviously could be obtained by cable from the exporter in the United States. Not only could this be expensive where considerable detail is involved, but the exchange authorities are not always willing to accept a cable as evidence. If the local subsidiary or agent gives the importer a document that would indicate the importer is interested in a specific transaction with the firm abroad, this might be interpreted by the Brazilian income tax authorities as constituting direct intervention in the sale and cause them to attempt to collect income tax on the transaction. It was felt, therefore, that some action should be taken to avoid such situations from developing.

At first the Committee thought that steps should be taken to have a law introduced into the Brazilian Congress that would alter the wording of Article 76. Objection was raised to that procedure on the ground that if an attempt were made to alter Article 76 by a new law, the alteration would only go into effect after the new law is passed and would not be retroactive to cover transactions before that date. Furthermore the simple fact that a bill of that nature was pending in Congress would call the attention of income tax inspectors to the possibility that they were overlooking prospective fines on transactions under Article 76 on which income taxes had not been paid. This in turn would cause them to look more closely for possible infractions in order to obtain a percentage of the fine for themselves, and cause no end of inconvenience to the importing trade.

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In view of the above it was considered more desirable to obtain an official interpretation of Article 76 by the Minister of Finance in the form of an executive order. Of course the interpretation that would be sought would be one that would eliminate the features objected to. An executive order has the one inconvenience that there is no assurance that it would not be changed by another executive order at some time in the future. It does, however, eliminate the possibility of any fine being collected against importers if their transactions fall within the interpretation given by that executive order. This alone would discourage income tax inspectors from looking for possible infractions of Article 76, because they could not under any circumstances impose fines and obtain a percentage of the fines for themselves.

The Chamber of Commerce in São Paulo will decide at the next Board meeting exactly what action it will take. The present intent is to bring the matter up at the next meeting of the International Chambers of Commerce in São Paulo, which will take place on April 27, and propose joint action through the Commercial Association of São Paulo along the lines indicated.

William P. Cochran, Jr.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO

412
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 12, 1960
DATE

REF : CERP Section D, III; Embassy Rio despatch 864, March 8, 1960; and Congen despatch 376, April 14, 1960.

MAY 13 1960

L-2

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ACTION: ARA-4 | INFO: TRM-2 REP-1 INC-6 E-7 ICA-11 EUR-5 COM-6 CIA-10 TR-3 XMB-4 AG-8 | DEC'D 5/16 | OTHER

SUBJECT: Concern Over Implications of Article 76 of Law 3470 Amending the Income Tax Law

At the meeting of the Foreign Chambers of Commerce in São Paulo on May 11 the question of Article 76 of the Brazilian income tax legislation was brought up. The chairman of the meeting said that several of the Foreign Chambers of Commerce had again expressed concern over the implications of that article of the income tax law. A technician of the Commercial Association of São Paulo then reported upon an administrative interpretation of that article by the former head of the Income Tax Service. This interpretation was reported to the Department by Embassy Rio despatch No. 785 of February 5, 1960 and therefore is not repeated here. After a minor discussion the chairman of the meeting said that further studies would be made by the Commercial Association of São Paulo with a view to suggesting to the government legislation that would eliminate the undesirable features of Article 76. The results of these studies are to be made known at the next meeting of the Foreign Chambers of Commerce.

As of incidental interest it is mentioned that a representative from the São Paulo Federation of Commercial Associations said that the law could be circumvented by the local branch of a foreign company buying from an exporter abroad instead of from its head office or by the headquarters of a local branch selling to an importer in Brazil, who in turn would resell the goods to the local branch. He added, however, that this would not solve the problem because no one wants to circumvent legislation and it would be much more desirable if the law were changed so that everyone could operate above board.

832.112/5-1260

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 18 1960
BRANCH
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William P. Cochran

William P. Cochran, Jr.
Consul General

CAA FILED
MAY 20 1960

Source: Attended Meetings

RBCahn/dd

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER	DATE OF ACTION	DIRECTIONS TO RM/R
OFFICE SYMBOL		

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XR 832.051

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
DESP. No. 1111

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DATE May 13, 1960
MAY 17 1960

REF : CERP, Section D, V, A-1 & 4, April 3, 1957
Enclosure

For Dept. Use Only	ACTION	DEPT.
	ARA-4	RMR-2 REP-1 IRC-8 E-7 ICA-11
	REC'D 5-19	INFO OTHER CIA-10 COM-10 TR-3 IRS-2 XMB-4

SUBJECT: Regulation of the Investment Commission Established in Articles 91, 92 and 93 of Law 3,470 of November 28, 1958, Revising the Income Tax.

Attached is a translation of Decree 48,130 of April 20, 1960, approving regulations for the execution of the provisions of Articles 91, 92 and 93 of Law 3,470 of November 28, 1958; and assigning the administration of the Investment Commission to the National Bank for Economic Development.

The text of Law 3,470 of November 28, 1958 was forwarded with Embassy Despatch 648 of December 9, 1958.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Translation of Decree 48,130 of April 20, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 24 1960
5-26-60

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TRANSLATION

Source: Diario Oficial, April 26, 1960 (Translation made by American Chamber of Commerce).

Decree no. 48,130 of April 20, 1960

Approving the Regulation for the Execution of the Provisions of Articles 91, 92 and 93 of Law 3,470 of November 23, 1958; and Assigning the Administration of the Investments Commission to the National Bank for Economic Development.

The President of the Republic, exercising the powers vested in him by the Constitution in Article 87, I, hereby decrees:

Art. 1 - The Regulation handed down with the present Decree for the execution of Articles 91, 92 and 93 of Law 3,470 of November 23, 1958 is hereby approved.

Art. 2 - The services performed by the Administration of the Commission are assigned to the National Bank for Economic Development, which must appoint among its personnel those who will staff that secretariat.

Art. 3 - The present Decree becomes effective on the date of its publication and all provisions to the contrary are hereby revoked.

Rio de Janeiro, April 20, 1960
139th of Independence and 72nd
of the Republic

Juscelino Kubitschek Sebastião Paes de Almeida

REGULATION
Covered by Decree no. 48,130 of April 20, 1960

Art. 1 - Legal entities subject to payment of the surtax dealt with in Article 8 of Law no. 2,862 of September 4, 1956 may, in the profit declaration, opt for the establishment of Investment Deposits, in an amount equal to the tax owed plus fifty percent (50%).

Art. 2 - The Investment Deposits provided for in the preceding Article shall be paid in to a special account in any bank owned by the Federal Government or in which it is the major stockholder, to the order of the Investment Commission, and the receipt therefore annexed to the profit declaration in which the option was taken.



Art. 3 - The Investments Commission, established by Law no. 3,470 of November 28, 1958 is entrusted and empowered to pronounce upon, authorize, and supervise the application of Investment Deposits as well as hear cases arising out of prior legislation relative to Equipment Certificates and Guarantee Deposits, and should promulgate the rules and regulations controlling its activities.

Art. 4 - Taxpayers who have opted for the establishment of Investment Deposits and made the payment referred to in Article 2 of the present Regulation may solicit the Investments Commission for the return of such funds for application in fixed installations and equipment in:

a. their own businesses, if such are not considered to be contrary to the interests of economic development; and

b. other undertakings given priority for the development of the national economy.

Art. 5 - The request should be made in an application directed to the Investments Commission in which the taxpayer should solicit release of the funds, indicating the investment or investments to be made, and annexing proof of payment.

Para 1 - In this application, the taxpayer must set forth, clearly and precisely, what investment is to be made and, should it be in his own business, describe the project in accordance with the general terms approved by the Commission, furnishing details and necessary technical data; or, should the investment be in other undertakings, he must mention the name or names of the enterprises to which funds will be applied, indicating the company's objective, which must have been rated of prime importance to the development of the national economy by act of the Commission.

Para 2 - In the Federal District, applications must be filed with the Ministry of Finance, which will direct them immediately to the Investment Commission.

Para 3 - In the case of taxpayers domiciled outside the Federal District, the applications shall be submitted to Tax Bureaus, Federal Collectors Offices, or any other local Finance office, all of which must immediately dispatch the applications to the Investments Commission.

Para 4 - Upon receipt of the taxpayer's application, it shall be examined by the Commission, which shall solicit any explanation required and, fully informed, approve or reject the application, issuing an order to release the deposit, should the application be granted. Final decisions shall be published in the official gazette.



Para 5 - When further information is required of the taxpayer, should the documentation presented be incomplete, the periods referred to in this Article shall be suspended until the date upon which the explanations are received, and the balance of the term counted from that day.

Para 6 - Once the application has been granted and a release order issued by the Commission, the bank in which the funds are being held must return same, against the release order, to the depositor.

Para 7 - The taxpayer must present evidence to the Commission that the investment has been made within six (6) months of the issuing of the order to release the deposit.

Para 8 - If, at any time, proof is shown that the funds were diverted from the investment stipulated or that the taxpayer furnished erroneous information, the Commission may demand collection of the surtax on income owed, as well as impose the appropriate administrative and legal sanctions.

Para 9 - Within fifteen (15) days after so soliciting the Commission, the taxpayer is entitled to the return of that part of his deposit representing the fifty percent of the tax owed in the following instances:

a. if, within four (4) months after submitting his project for the applications set forth in Article 4, b, the Commission has not passed on his request or has declined it;

b. if, within two (2) months after making his request in a project approved by the Commission, in the terms of Article 5, the Commission does not grant same; or

c. if the Commission does not approve reapplication of funds in the depositor's own business.

Para 10 - If the Commission does not pass on an application to invest in the depositor's own business within two (2) months after it has been submitted, the request shall be understood to be approved. The period shall be counted from the date on which the application was filed with the Administrative office of the Commission, and that secretariat is required to maintain such records of receipt and furnish attestations of the same when required. Presentation of such a douument to the bank holding the funds on deposit obliges the bank to release the deposit within fifteen (15) days, which fact the Bank must communicate immediately to the Commission.

Para 11 - Release of the fifty-percent surcharge on the tax at any time is permitted to offset losses suffered by the depositor, where such losses are deamed by the Commission to threaten seriously the state of his business. If the surcharge is released, the balance of the deposit, corresponding to the tax shall be paid over to the Treasury as Federal Income.

Para 12 - In cases of refund, as set forth in sections 9 and 11, three percent (3%) interest per annum shall be paid on the fifty percent surcharge on the tax due.

Art. 6 - Immediately upon formation, the Investments Commission shall issue a dispatch indicating those sectors of the economy in which it will permit application of deposits as set forth in Article 4, a and b, and it may indicate actual projects for such investments. In delineating these sectors and in evaluating application for investment in the taxpayer's own business, the Commission shall take into account regional conditions, availability of the means of production in the locality, and the need to accelerate the development of less-advanced areas of the country.

Sole Para - The Commission shall re-evaluate the relative priority of sectors of the developing national economy whenever necessary. Such revision, however, shall not affect investments already made, no applications for the same already presented to the Commission.

Art. 7 - Assets and rights in which funds from Investment Deposits have been applied shall be inalienable and unmortgageable for a period of five (5) years from the date on which the investment was made and transferrable only:

a. in cases of liquidation of the legal entity, upon authorization of the Commission and without prejudice to inalienability, within the term fixed by this Article; and

b. in exceptional cases fixed by the Commission, and with its prior approval.

Art. 8 - The Investments Commission shall promulgate an internal Regulation for the control of its operations and clerical services.

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AIR POUCH
PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 1131 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. May 17, 1960

REF : CERP, Section D, V, A-1, April 3, 1957 Enclosure

MAY 20 1960

26 For Dept. Use Only	ACTION REC'D 5-23-60	INFO DEPT. RM/R-2 REP-1 IRC-8 E-7 IOA-11 L-2 OTHER COM-8 TR-3 FRB-3 XMB-4 CIA-10

SUBJECT: Regulation of the Income Tax Division Setting Limits to Remuneration for the Purpose of Taxation of Profits of Corporations.

The Income Tax Division, through Service Order No. 2 of February 10, 1960, has regulated the calculation of the limits of remuneration paid to employees for purposes of taxation of the profits of corporations.

A translation of the Service Order made by the American Chamber of Commerce is enclosed.

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

832.112/5-1760

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 25 1960

Enclosure: as stated.
Translation of Income Tax Division Service Order No. 2.

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TRANSLATION (prepared by American Chamber of Commerce)

INCOME TAX DIVISION SERVICE ORDER
No. 2, of February 10, 1960

Regulates the calculation on the limits of remuneration for purposes of taxation of the profits of corporations based on the year 1959

The Director of the Income Tax Division,

- Bearing in mind the provisions contained in Art. 43 and its respective paragraphs, and in Arts. 43 and 45 of Law 3,470 of November 28, 1958 consolidated in paragraphs 3 to 9, and 11 of the Income Tax Regulation in force, such as approved by Decree 47,373 of December 7, 1959;

- Considering that the taxation in each fiscal period normally is based on the earnings of the previous year and also that the highest minimum salary effective in the country during 1959 was Cr$6,000.00 (six thousand cruzeiros) monthly, in the Federal District;

- Hereby determines to all Income Tax Regional or Sectional deputies and inspectors that, in calculation of the remuneration surplus referred to in the regulation provisions indicated above, based on the earnings of the year 1959, for taxation purposes in the current fiscal period, the following instructions should be carried out:

I - The amounts corresponding to remuneration for services rendered by directors of companies of any type, or, on equal footing, legal representatives of foreign enterprises authorized to function in the country, "pro-labore" withdrawals by businessmen in individual firms, or partners of commercial or industrial companies, when this remuneration is represented by a fixed monthly amount and recorded in an expense account of the company's accounting department; may be deducted from the taxable profits in corporation returns for 1960 (1959 base year) up to the limits foreseen in schedules I and II attached;

II - The following will be subject to assessment as taxable profits in possession of corporations:

a) the portions exceeding the amounts calculated as limits for the deductions, in accordance with the attached schedule I, when the individual remuneration is higher than those amounts;

b) the portion in excess of the amount calculated as the limit for the deduction in accordance with the attached schedule II, according to the paid-up capital of the company or corporation, in those cases where the overall

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remuneration of the directors and partners of the companies or corporations exceed this limit;

III - With regard to each individual of the beneficiaries referred to in Item I, in their respective declarations the amounts received as remuneration in the past year, should be taxed as profits (schedule "B") and not as earnings derived from work (schedule "C"), in that part that exceeds the following individual limits:

1) When the firm or corporation paid-up capital does not exceed Cr$2,000,000.00 (two million cruzeiros).

   a) Cr$12,000.00 (twelve thousand cruzeiros) monthly for each one of the three largest beneficiaries indicated by the legal entity;

   b) Cr$9,000.00 (nine thousand cruzeiros) monthly for each one of the remaining beneficiaries.

2) When the firm or corporation paid-up capital is above Cr$2,000,000.00 (two million cruzeiros) but not exceeding Cr$3,000,000.00 (three million):

   a) Cr$14,400.00 (fourteen thousand four hundred cruzeiros) monthly for each one of the three largest beneficiaries indicated by the legal entity;

   b) Cr$10,800.00 (ten thousand eight hundred cruzeiros) monthly for each one of the remaining beneficiaries.

3) When the firm or corporation paid-up capital is above Cr$3,000,000.00 (three million cruzeiros) but not exceeding Cr$5,000,000.00)(five million cruzeiros):

   a) Cr$19,200.00 (nineteen thousand two hundred cruzeiros) for each one of the three largest beneficiaries indicated by the legal entity;

   b) Cr$14,400.00 (fourteen thousand four hundred cruzeiros) for each one of the remaining beneficiaries.

4) When the firm or corporation paid-up capital is above Cr$5,000,000.00 (five million cruzeiros):

   a) Cr$24,000.00 (twenty four thousand cruzeiros) monthly for each one of the three largest beneficiaries indicated by the legal entity;

   b) Cr$18,000.00 (eighteen thousand cruzeiros) monthly for each one of the remaining beneficiaries.

IV - In the cases of firms or corporations, if over 80% of this

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gross income is derived from professional services or technical administrative assistance rendered, the limits of remuneration will be those specified in Item "A" of Schedule 1 and Item "A" of Schedule 2, hereunder, whatever the firm or corporation capital may be.

V - In order to determine the averages of the individual remuneration, the legal entity shall indicate in its income declaration, the amounts corresponding to the foreseen limits, as regards each one of the beneficiaries.

VI - The amounts credited or paid to employees in the previous year, as bonus or gratuities, are deductable from the profits of legal entities, up to the limit of Cr$216,000.00 (two hundred and sixteen thousand cruzeiros) for each beneficiary.

VII - In those cases in which the value of the credit or bonus payment is above the amount calculated as limit for the deduction in accordance with the previous item, the excess portion being subject to tax as profits of the legal entity.

VIII - In the individual declaration of beneficiaries that part exceeding the limits referred to in Item VI, of amounts received as bonuses or gratuities, shall be taxed as profits (Schedule F) and not as income from labor (Schedule C).

IX - The limits established in law for the deductions referring to payment for services rendered by fiscal and company administration counsellors, civilian or otherwise, remain without alteration, the amounts exceeding by 20% (twenty percent) the corporation's paid-up capital or still Cr$60,000.00 (sixty thousand cruzeiros) annually for each one of the beneficiaries, to be computed as profit -

Noé Winkler - Director

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SCHEDULE 1

Maximum limits, common to individuals and corporations, for deduction of remuneration derived from the rendering of services by directors of corporations, civilians or otherwise, legal representatives (including directors) of foreign companies authorized to operate in Brazil, partners of commercial or industrial enterprises, and businessmen in individual firms:

A - Corporations with paid-up capital above Cr$5,000,000.00 (100% of the minimum salary)

	Monthly Limit Cr$	Annual Limit Cr$
Each beneficiary up to a maximum of 3:	24,000.00	288,000.00
Each beneficiary besides the 3 first:	18,000.00	216,000.00

B - Corporations with paid-up capital above Cr$3,000,000.00 and not exceeding Cr$5,000,000.00 (80% of the minimum salary)

	Monthly Limit Cr$	Annual Limit Cr$
Each beneficiary up to a maximum of 3:	19,200.00	230,400.00
Each beneficiary besides the 3 first:	14,400.00	172,800.00

C - Corporations with paid-up capital above Cr$2,000,000.00 and not exceeding Cr$3,000,000.00 (60% of minimum salary)

	Monthly Limit Cr$	Annual Limit Cr$
Each beneficiary up to a maximum of 3:	14,400.00	172,800,00
Each beneficiary besides the first 3:	10,800.00	129,600.00

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D - Corporations with paid-up capital not exceeding Cr$2,000,000.00 (50% of the maximum salary)

	Monthly Limit Cr$	Annual Limit Cr$
Each beneficiary up to a maximum of 3:	14,400.00	144,000.00
Each beneficiary besides the 3 first:	9,000.00	108,000.00

SCHEDULE 2

Maximum limits for deductions from remuneration superposed on the limits of Schedule 1, applicable to all firms or corporations, civil or commercial. (28 times the minimum salary)

A - Legal entities with paid-up capital above Cr$5,000,000.00 (100%):

	Monthly Limit Cr$	Annual Limit Cr$
Overall remuneration (all beneficiaries)	168,000.00	2,016,000.00

B - Legal entities with paid-up capital above Cr$2,000,000.00 and not exceeding Cr$5,000,000.00 (80%)

	Monthly Limit Cr$	Annual Limit Cr$
Overall remuneration (all beneficiaries)	134,400.00	1,612,000.00

C - Legal entities with paid-up capital above Cr$2,000,000.00 but not exceeding Cr$3,000,000.00 (60%)

	Monthly Limit Cr$	Annual Limit Cr$
Overall remuneration (all beneficiaries)	100,800.00	1,209,600.00

D - Legal entities with paid-up capital not in excess of Cr$2 million (50%)

	Monthly Limit Cr$	Annual Limit Cr$
Overall remuneration (all beneficiaries)	84,000.00	1,008,000.00

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, Rio de Janeiro — 180 DESP. NO. — SEP 1 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON. — August 31, 1960 DATE

REF : Department's A-67, August 22, 1960 (From Commerce)

	ACTION	DEPT.
55 For Dept. Use Only	COM-10	REP 1 EMA-7 ARA-4 E-2 ECA 11
	REC'D 9/5	OTHER CIA-10 TR-3 FRD-3 XMB-4

SUBJECT: Translation of Brazilian Income Tax Regulations

The translation of the Brazilian Income Tax Regulations (Decree No. 47,373 of December 7, 1959) issued by the American Chamber of Commerce for Brazil is now available. The cost of this publication is Cr$300.00 (about US$1.62) per copy.

Approved:

Edward J. Bash
Commercial Attaché

For the Ambassador:

Gerald S. Pierce
Third Secretary of Embassy

832.112/8-3160

FILED
SEP 23 1960

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 647 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — January 27, 1961 DATE

REF : Embassy Despatch 648, December 9, 1958
CERP, Section D, V, A-1, April 3, 1957

Enclosure JAN 31 1961

20 For Dept. Use Only	ACTION	DEPT.
	REC'D 2-7-61	INFO: RM/R-2 REP-1 INR-7 E-7 ICA-11 L-2 OTHER: Com-8 TR-3 FRB-3 XMB-4 CIA-10 JAF-7

SUBJECT: Law 3,830 of November 25, 1960 providing for deductions from the gross income of physical or juridical persons for income tax collection purposes.

Attached is a translation of Law 3,830 of November 25, 1960 amending the criteria for certain income tax deductions provided for in Item "b" of Article 11 of Law 3,470 of December 9, 1958.

Contributions to scientific associations, the purchase of and subscriptions to newspapers, magazines and technical books and the purchase or rental of materials, instruments and utensils indispensable to the fulfilling of technical matters, were the deductions permissible from Schedule C of the income tax return under Law 3,470.

Law 3,830 did not reduce the range of deductions previously allowed. In fact, it augmented the number of items by adding prizes and scholarships as items eligible for deduction.

On the other hand, however, the new Law sets very rigid and definite prerequisites for obtaining the legal deductions, giving the impression that the Law was created to eliminate abusive practices.

The financial effect in terms of revenue is believed to be negligible.

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

Enclosure:
Translation of Law 3,830 of November 25, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
FEB 10 1961

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TRANSLATION

Source: Diario Oficial, November 28, 1960

Law 3,830 of November 25, 1960

Providing for deductions from the gross income of physical or juridical persons for income tax collection purposes.

The President of the Republic,

I make known that the National Congress decrees and I sanction the following Law:

Art. 1 - For the purpose of the collection of income tax, contributions and donations to philanthropic institutions, educational, scientific research or cultural, including artistic institutions, may be deducted from the gross income of physical or juridical persons.

Art. 2 - To obtain approval of the deductions made to philanthropic, educational, scientific research or cultural institutions, including artistic ones, the institution to which the donation is made must fulfill at least the following requisites:

1) to be legally established and operating on a regular basis, with strict observance of the approved bylaws.

2) to be considered as a public utility by formal action of the competent agency of the Union and of the States, including the Federal District.

3) must publish a semi-annual statement of the revenue collected and the expenditure incurred during the preceding period.

4) to distribute no profits, bonuses or advantages to the managers, supporters or associates, under any manner or pretext.

Art. 3 - There can also be deducted from the gross income, in accordance with the law, prizes won by writers, and scholarships or specialized training, either in the country or abroad.

Para 1 - The prizes and scholarships will be deductable only when granted through:

a) an academy of letters;

b) science or cultural institutions, including artistic ones;

c) universities, colleges or institutes for college, vocational or high school level education;

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d) press agencies with a large volume of circulation or radio broadcasting enterprises, including television.

Para 2 - The prerequisites to be fulfilled by the candidates freely registered, for the granting of prizes and scholarships provided in this article, must be published in advance.

Para 3 - The registered candidates must be assured the guaranty of sound judgment.

Art. 4 - Contributions and donations provided in letter "d" of Art. 20 of Decree 36,773 of January 13, 1955, may be deducted although without proof, provided the taxpayer specifies his chosen institutions and those institutions forward to the competent authority, either by mail or registered, an official record, showing the name of the donor, the type of donation and the amount donated in the base-year.

Sole paragraph - Records relating to donations of more than Cr$20,000.00 must be registered at the agencies of a Public Ministry.

Art. 5 - This Law will become effective ninety days after its publication under which period its regulation must be published.

Art. 6 - Provisions to the contrary are revoked.

Brasilia, November 25, 1960; 139th of Independence
and 72nd of the Republic

Juscelino Kubitschek — Armando Ribeiro Falcão
Antonio Carlos Barcellos — Ernani do Amaral Peixoto
Clovis Salgado

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

668
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON

February 1, 1961
DATE

REF : Embdespatches 743, Jan. 21, 1960 & 648, Dec. 9, 1958

Enclosure 1

For Dept. Use Only

ACTION
ARA-4
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INFO
DEPT.
RMR-2 ENR-7 REP-1 E-7 ICA-11
OTHER
CIA-10 COM-8 TR-3 FRB-3 XMB-4 OLC-01

SUBJECT: Extension of the additional tax on company profits in relation to capital and reserves for five years.

Law 3,850 of December 18, 1960 the main purpose of which was to provide for indemnity of losses arising from the bursting of Orós dam, also provided in its Article 8 for an extension of five years, starting January 1, 1961, Law 2,862 of September 4, 1956 which establishes a tax on additional income and profits. Law 2,862 was modified by Law 3,470 (see Embassy Despatch 648 of December 9, 1958).

The additional tax of 3% provided for in Article 98 of Law 3,470 (Embassy Despatch 648 referred to in the preceding paragraph) was also extended for five years by a rider (Article 15) to the law establishing military-civil wage parity.

Neither Law 3,826 or 3,850 introduced modifications in the procedures as set forth by Decree 47,529 of December 28, 1959 (see Embassy Despatch 743 of January 21, 1960) for the assessment of the additional income tax of companies. The additional tax on company profits in relation to their capital and reserves will thus continue to be calculated as heretofore, i.e., as provided by Law 2,862 of September 4, 1956, modified by Law 3,470 of November 28, 1958.

For the Ambassador:

Coordinated:
Herbert K. May
Treasury Attaché

John Krizay
Second Secretary of Embassy

Enclosure:
Translation of appropriate paragraphs from laws extending the additional tax on company profits in relation to capital and reserves for five years.

832.112/2-161

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Enclosure to
Despatch 668
Rio de Janeiro

Appropriate paragraphs from laws extending the additional tax on company profits in relation to capital and reserves for five years

Law 3,826 of November 23, 1960

.....

Art. 15 - The additional tax provided in Art. 98 of Law 3,470 of November 28, 1958 is hereby extended for five years, from 1961 to 1965 inclusive.

Law 3,850 of December 18, 1960

.....

Art. 7 - The expenses incurred (in connection) with this Law will be paid from the additional assessment on juridical persons collected from profits relating to the social capital and reserves in the manner described in Law 2,862 of September 4, 1956.

Art. 8 - Beginning January 1, 1961, Law 2,862 of September 4, 1956 is extended for five years.

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DEPARTMENT OF STATE INSTRUCTION

783

UNCLASSIFIED
(Security Classification)

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FOR RM/R USE ONLY

NO.: A-255, March 9, 1961,

SUBJECT: Coefficients for Revaluation of Assets for Income Tax Purposes

TO: The American Embassy, RIO DE JANEIRO

3248

FROM COMMERCE

We have noted a statement in an unofficial report that new coefficients for the revaluation of assets for income tax purposes have been issued by the National Economic Council. The income tax regulations issued under Decree No. 47,373, December 7, 1959, provide (Article 101, Paragraph 1) that the revaluation of assets for tax purposes in accordance with Law No. 3,470, November 28, 1958, Article 57, will be in accordance with a schedule of coefficients issued by the Economic Council every two years. The schedule previously in effect was reported by Embassy Rio in Despatch No. 904, February 11, 1959, "Coefficients for Revaluation of Assets under New Income Tax Law."

If a new schedule of coefficients has been issued by the Economic Council, the Embassy's cooperation in sending a copy of the text will be appreciated.

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(Security Classification)

DRAFTED BY: AJBoirier, Deputy Director
American Republics Div., OEA, BFC

APPROVED BY: E:REP:MEMitchell:bk 3/9/61

CHearn/ebb, 3/7/61

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LWS

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AIR POUCH
PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

960
DESP. NO.

MAY 2 1961
April 27, 1961
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, Section D, V, A-1 & 4, April 3, 1957
Embassy Despatch 648, December 9, 1958

Enclosure 1-2

For Dept. Use Only	ACTION	DEPT.
55	ARA 4	RM/R-2 INR-7 REP-1 E-7 ICA-11
REC'D 5/6	INFO OTHER	CIA-10 Com-8 TR-3 FRB-3 XMB-4

SUBJECT: New Limits for Income Tax Deduction based on Recent Minimum Wage Readjustment.

~~TREASURY~~ 4AB-6 DLF-7

There is transmitted herewith a translation of Income Tax Service Order nº 1 of 5 April 1961 setting forth a new basis for calculating income tax deductions under Article 42 of Law 3,470 of November 28, 1958 (see Embassy Despatch 648 of December 9, 1958). The modifications were made in order to allow for the November 1960 increase in the minimum wage on which deductions under Article 42 (taxable profits) for the services of firm directors are based.

For the Ambassador:

John Krizay
Second Secretary of Embassy

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Translation of Income Tax Service Order no. 1

FILED
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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 9 1961

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TRANSLATION^
Source: American Chamber of Commerce for Brazil

INCOME TAX DIVISION
Service Order 1

Determining the limit of deductions relative to remuneration of directors, partners, and those doing business as sole owners, for the effects of assessing profits of legal entities, with the year 1960 in question

The Director of the Income Tax Division, in the exercise of his powers, and

In view of the provisions made in Article 42 and its Sections and in Articles 43 and 45 of Law 3,470 of November 28, 1958, summarized in Sections 3, 9, and 11 of Article 5, and Article 43, 1, c of the Income Tax Regulation now in force, approved by Decree 43,373 of December 7, 1959; and

Considering that assessment in each fiscal year is, as a rule, based upon incomes for the preceding year and that the limits on remunerations are based upon the monthly minimum wage for the year in question, in order to estimate taxable income of legal entities; and

Considering that the highest salary in the country for the year 1960 was Six-thousand Cruzeiros (Cr$6,000.00) up to and including the month of September when it was raised, asof October first, to Nine-thousand-six-hundred cruzeiros (Cr$9,600.00) in the State of Guanabara (Decree 49,119-A of 15 October 1960;

DETERMINES that Chiefs, both Regional and Sectional, and Inspectors of Income Tax shall observe the following instructions in calculating salary excess dealt with the regulamentary provisions cited above, using 1960 income as a basis for tax purposes for the current year.

I - Amounts corresponding to remuneration of services rendered by directors of corporations, whether civil or not, including the legal representative of a foreign corporation authorized to operate in this country; as well as pro-labore advances made by sole owners or partners in commercial or industrial companies, when such compensation be represented by a fixed monthly sum and entered for account of expenditure in the books of the firm or company, may be deducted from taxable profits declared by legal entities during the year 1961 covering 1960 within the limits provided for in Tables I and II hereto.



II - Subject to tax as assessable profit held by legal entities are:

a - portions in excess of the amounts calculated as the limit of deductions, in accordance with Table I hereto, should individual remuneration be higher than these amounts; and

b - portions in excess of the amounts calculated as the limit of deductions, in accordance with Table II hereto, in cases in which total remuneration of directors and partners of corporations and companies is higher than that limit.

III - As concerns each of the physical entities as the beneficiaries referred to in Paragraph I, amounts received as remuneration during the past year for as much as they exceed the following individual limits should be taxed as profits (Form F), and not as earned salary (Form C):

1 - when paid-in capital of a firm or company does not exceed Two-million cruzeiros (Cr$2,000,000.00):

a - for each of three major beneficiaries that the legal entity may indicate: Twelve-thousand cruzeiros (Cr$12,000.00) per month up to and including the month of September, and Nineteen thousand two hundred cruzeiros (Cr$19,200.00) monthly for October, November and December;

b - for each of the remaining beneficiaries: Nine thousand cruzeiros (Cr$9,000.00) per month up to and including the month of September, and Fourteen thousand cruzeiros (Cr$14,000.00) monthly for October, November and December;

2 - when paid-in capital of a firm or company is in excess of two million cruzeiros (Cr$2,000,000.00) but less than three million cruzeiros (Cr$3,000,000.00):

a - for each of three major beneficiaries that the legal entity may indicate: Fourteen thousand four hundred cruzeiros (Cr$14,400.00) per month up to and including the month of September, and Twenty three thousand forty cruzeiros (Cr$23,040.00) monthly for October, November and December;

b - for each of the remaining beneficiaries: Ten thousand eight hundred cruzeiros (Cr$10,800.00) per month up to and including the month of September, and Seventeen thousand two hundred-eighty cruzeiros (Cr$17,280.00) monthly for October, November and December;

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3 - when paid-in capital of a firm or company is in excess of three million cruzeiros (Cr$3,000,000.00) but less than five million cruzeiros (Cr$5,000,000.00):

a - for each of three major beneficiaries that the legal entity may indicate: nineteen thousand two hundred cruzeiros (Cr$19,200.00) per month up to and including the month of September, and Thirty thousand seven hundred twenty cruzeiros (Cr$30,720.00) monthly for October, November and December;

b - for each of the remaining beneficiaries: Fourteen thousand four hundred cruzeiros (Cr$14,400.00) per month up to and including the month of September, and Twenty-three thousand forty cruzeiros (Cr$23,040.00) for October, November and December;

4 - when paid-in capital of a firm or company is in excess of five million cruzeiros (Cr$5,000,000.00):

a - for each of three major beneficiaries that the legal entity may indicate: Twenty-four thousand cruzeiros (Cr$24,000.00) per month up to and including the month of September, and Thirty-eight thousand four hundred cruzeiros (Cr$38,400.00) monthly for October, November and December; and

b - for each of the remaining beneficiaries: Eighteen thousand cruzeiros (Cr$18,000.00) per month up to and including the month of September, and Twenty-eight thousand eight hundred cruzeiros (Cr$28,800.00) monthly for October, November and December.

In the case of

IV - Firms or companies earning more than eighty percent (80%) of their gross receipts from professional services or administrative technical assistance, limits of remuneration shall be those set forth in Line a of Table I and Line a of Table II hereto, no matter what amount of the firm or company's capital.

V - In order to determine excess of individual remuneration, the legal entity must indicate the amounts corresponding to the stipulated limits for each beneficiary in its income declaration.

VI - Amounts credited or paid employees during the past year as bonuses, to a limit of Three hundred forty-five thousand six hundred cruzeiros (Cr$345,600) per beneficiary, are deductible from profits of legal entities.

VII - In cases in which the amount of the credit of payment of bonuses is higher than the amount calculated as the limit for deduction, in accordance with the foregoing paragraph, the excess shall be subject to tax as profit of the legal entity.

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VIII - Amounts received as bonuses shall be assessed as profits (Form F) and not as salary (Form C) for the portion in excess of the limit referred to in Paragraph VI in the individual declarations of beneficiaries.

IX - Limits established in law for deductions relative to services rendered by tax counselors and administrators of corporations, whether civil or of any other type, continue in effect without change, and amounts in excess of twenty percent (20%) of the paid-in capital of the company of Sixty thousand cruzeiros (Cr$60,000.00) per annum for each beneficiary, should be calculated as profits.

s/ Jorge Padilha Velloso
Director

TABLE I - attached to Service Order 1-61 - Maximum limits, common to physical and legal entities, for deductions from remuneration relative to services rendered by directors of corporations, whether civil or any other type, legal representatives (including directors) of foreign companies authorized to operate in Brazil, partners in commercial and industrial companies, and those doing business as sole owners. - Line a - Legal Entities with Paid-in Capital in Excess of Cr$5 million (100% of Minimum wage) - Individual Remuneration - Monthly Limit - Annual Limit - Each Beneficiary to a Minimum (NB: CHECK THIS; SHOULD REALLY READ "MAXIMUM") of 3 - Jan-Sept - Oct-Dec - Each Beneficiary other than First 3 - Jan-Sept - Oct-Dec - Line b - Legal Entities with Paid-in Capital in Excess of Cr$3 million but Less than Cr$5 million (80% of Minimum wage) - Individual Remuneration - Monthly Limit - Annual Limit - Each Beneficiary to a Maximum of 3 - Jan-Sept - Oct-Dec - Each Beneficiary other than First 3 - Jan-Sept - Oct-Dec - Line c - Legal Entities with Paid-in Capital in Excess of Cr$2 million but less than Cr$3 million.

TABLE II - attached to Service Order 1-61 - Maximum limits, applicable to all firms and companies, civil or commercial, for deductions from remuneration over and above the limits given in Table I - Line a - Legal Entities with Paid-in Capital in Excess of Cr$5 million (100%) - Total Remuneration - Monthly Limit - Annual Limit - All beneficiaries - Jan-Sept - Oct-Dec, etc, etc.



AIR POUCH
PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
974
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
May 3, 1961

REF : CA-8981, April 19, 1961
Embassy Despatch 648, December 9, 1958
DATE MAY 3 1961
Enclosures 4-7

For Dept. Use Only	ACTION	DEPT.
	TR-3	AFP-1 ENR-7 AMA-4 E-7 ICA-11
	REC'D 5/6	INFO OTHER CIA-10 COM-8 FAB-3 XMB-4 OLF-7

SUBJECT: Depreciation Practices in Certain Foreign Countries - Tax Rate Structure on Business Income.

The Brazilian Income Tax Regulations (Art. 37 of Decree 40,702 of December 31, 1956) and Law 3,470 of November 28, 1958, revising the Income Tax in its Articles 68 and 69 (see Embassy Despatch 648, December 9, 1958) allow a deduction from gross profits for physical depreciation of movable property employed in the business. The full text of cited Articles is attached as enclosure 1.

The depreciation deduction is strictly limited to movable property. There is no deduction for depreciation of buildings.

In determining the proper amount of depreciation, the actual historical cost of the asset and its useful life is taken into account. Increases in book value on account of revaluation are not considered.

The Brazilian Income Tax Regulations do not specify rates of depreciation for different types of assets. The rates applied have been created entirely through long administrative practice. The following rates are generally allowed, applying the straightline method of depreciation:

1.	Office furniture and machines	10%
2.	Industrial and agricultural machines	10%
3.	Automobiles and other vehicles	20%
4.	Electrical installations	20%
5.	Ships	5%

Depreciation rates in excess of the standard rates have occasionally been accepted by the income tax authorities where special circumstances have prevailed such as necessity for operating equipment under unusual strain, or in several shifts (see Art. 69 of Law 3,470 of enclosure 1).

With regard to obsolescense, the taxpayer is allowed to deduct from gross income the cost of machinery and equipment which has fallen into disuse or become obsolete (see Item "e" of Art. 37 of Decree

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40,702 of enclosure 1). The deduction is reduced by the amount of accumulated depreciation on the old machinery or equipment, and by the obsolescense reserve established prior to 1946. Amounts received upon the sale of the obsolete or discarded assets do not reduce the deduction but must be included in gross income.

With respect to corporate income tax rates and excess profit tax, the attached table submitted as enclosure 2 summarizes the tax rates applicable on business income in Brazil.

For the Ambassador:

John Krizay
Second Secretary of Embassy

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosures:
1 - Article 37, Items d and e of Decree 40,702, and Articles 68 and 69 of Law 3,470
2 - Summary of Tax Rates on Business Income in Brazil.

0860

Pertinent Legislation Concerning the Depreciation or Capital Cost Allowance Provisions of the Brazilian Income Tax Law

1. Decree 40,702 of December 31, 1956, approving the Income Tax Regulations.

Art. 37 - For the determination of real profits, the following deductions from gross profits shall be allowed.

.....

e) the cost of machinery and equipment which has fallen in disuse or become obsolete, less the allowances deducted in previous years for their depreciation and the obsolescense reserve accumulated thereon until 1946. Amounts received upon the sale of said machinery and equipment must be included in gross income (Law 2,354, Article 17)

d) quotas establishing depreciation funds on the physical wearing out of movable assets, considering their original cost and useful life.

2. Law 3,470 of November 28, 1958, revising the Income Tax.

Art. 68 of Law 3,470, November 28, 1958 allows the deduction of quotas from gross profits for the establishment of depreciation funds on the value of industrial patents and their duration and sets that the remaining useful life of the patent shall be considered for the purpose of calculating the quotas.

Art. 69 of Law 3,470 as above, adds several paragraphs to Article 37 of Decree 40,702 of December 31, 1956, as follows:

Para ... - For the purpose of letter "d" of this Article (Article 37 of Decree 40,702) the following coefficients for accelerating depreciation

1 shift of 8 hours	1.0
2 shifts of 8 hours	1.5
3 shifts of 8 hours	2.0

Para ... - The National Institute of Technology will establish criteria for determining the useful life of machinery and equipment for each type of industry, the existing criteria to continue until the proper steps are taken by the Institute;

0861

Para ... - The Executive may establish coefficients for acceleration of depreciation independent of the physical wearing out of the goods in order to stimulate the renovation and modernization of industries operating in the national territory.

Para ... - The coefficients referred to in the previous paragraph will be established in general terms by sectors of activity or type of industry to be effective during an established period.

0862

Enclosure 2
Despatch 974,
Rio de Janeiro

Source: Brazil, Factors Affecting Foreign Investment, Stanford Research Institute

Summary of Tax Rates on Business Income in Brazil (Percent)

Resident Business Enterprises and Foreign Branches

Federal Business Income Tax on all net taxable income, including capital gains, royalties, etc.

Exempt if gross income is Cr$150,000 or less;
otherwise 18% on all of first Cr$500,000;
23% on all remaining taxable income

Compulsory refundable loan (to government)

15% of income tax as calculated above

Taxes on reserves

30% (one time only) on each additional accumulation of surplus and reserves of Brazilian corporations after surplus and reserves equal or exceed paid-in capital stock (foreign branches excluded)

4% compulsory refundable loan charged on all surplus and reserves of all business entities except sole proprietorships

Excess profits tax

Progressive rate of 20-50% on various amounts of profits defined as excess

Nonresident Business Enterprises and Individuals (Rates applied to gross income and withheld at source)

General Rate

20% on all income transferred abroad other than those noted below, including branch profits (payable immediately) and subsidiary profits (payable when transferred)

Special Rates

25% on royalty transfers;
28% on dividends from bearer shares.

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INCOMING TELEGRAM *Department of State*

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FROM: RIO DE JANEIRO

TO: Secretary of State

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NO: 1961, JUNE 26, 7 PM

RMR

ON MAY 31 PRESIDENT QUADROS APPOINTED COMMISSION, HEADED BY COLONEL HELENO SOARES CASTELLAR, INVESTIGATE ALLEGED CORRUPTION IN CONNECTION IMPORTATION EQUIPMENT FROM US EQUIPMENT ORDERED BY NOVACAP FROM INTERNATIONAL GENERAL ELECTRIC, IN VALUE $2,662,551.40 FOR HOSPITAL DISTRITAL DE BRASILIA DURING PERIOD DECEMBER, 1960-FEBRUARY 1961. COLONEL CASTELLAR AND TWO OTHER MEMBERS HIS COMMISSION ASKED EMBASSY TODAY ASCERTAIN WHETHER USG COULD ASSIST ITS INVESTIGATIONS. IN PRACTICULAR THEY WISH KNOW WHETHER ANY OF FOLLOWING BRAZILIANS RECEIVED COMMISSION OR OTHER COMPENSATION FROM INTERNATIONAL GENERAL ELECTRIC IN CONNECTION FOREGOING PURCHASE: ERNESTO SILVA, AMADOR CORREA CAMPOS, JOSE SANSEVERINO.

COLONEL CASTELLAR EXPRESSED UNDERSTANDING THAT IF COMMISSION OR OTHER COMPENSATION PAID TO ABOVE BRAZILIANS, INCOME TAXES MIGHT HAVE BEEN PAID BY THEM TO USG. HE ACCORDINGLY ASKED WHETHER TREASURY COULD PROVIDE INFORMATION CONCERNING SUCH INCOME TAX PAYMENTS. EMBASSY OFFICER EXPRESSED OPINION TREASURY WOULD BE UNABLE DIVULGE SUCH INFORMATION IN VIEW CONFIDENTIAL NATURE INCOME TAX RETURNS, BUT AGREED PASS REQUEST TO TREASURY FOR DEFINITIVE DECISION. CASTELLAR ASKED ALSO WHETHER USG COULD INQUIRE OF INTERNATIONAL GENERAL ELECTRIC WHETHER SUCH PAYMENTS MADE AND EMBASSY OFFICER AGAIN EXPRESSED DOUBTS THOUGH AGREED PASS REQUEST TO WASHINGTON. EMBASSY UNDERSTANDS INTERNATIONAL GENERAL ELECTRIC OFFICIAL WHO HANDLED TRANSACTION IS NAMED FRANK PATTON.

CASTELLAR STATES ANXIOUS SUBMIT REPORT TO PRESIDENT QUADROS NEXT WEEK.

BOND

MLJ

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FROM: Amembassy RIO DE JANEIRO — NO. 98

TO: THE DEPARTMENT OF STATE, WASHINGTON — DATE: August 9, 1961

REF: CERP Section D-II, A-2 and V-A-1, April 3, 1957; Embdes 801, March 14, 1961 and 4, July 3, 1961

Enclosures: 4

ACTION For Dept. Use Only	ARA-4	INFO	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	S/S	IO	ICA
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	REC'D 8/18			AIR	ARMY	CIA	NAVY	OSD	OCB	USIA						
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						10										

SUBJECT: PROPOSED LEGISLATION REGARDING PROFIT REMITTANCES AND REINVESTMENTS

On August 3, President Quadros submitted to Congress long promised legislation concerning remittances of profits abroad (See Embdes 801, March 14, 1961). The bill is interesting in that it refers to profits and reinvestments thereof of both domestic and foreign companies and that it does not prescribe specific limitations on profit remittances as many had expected. Instead, the proposal would attempt, through the mechanism of income tax rates, to encourage reinvestment of profits and to channel those reinvestments into areas considered important to the national development. A translation of the proposed bill is attached as enclosure 1. The President's message transmitting the bill to the Congress and outlining its purposes is transmitted as Enclosure 2.

The principle features of the bill are:

1 - Elimination of the present system of Federal Business Income Tax rates, consisting of flat rates of 15 or 20% on the level of gross income and the institution of a rate system discriminating against distributed profits whether remitted abroad or not. (30% on distributed profits; 10% on reinvested profits or profits invested in certain kinds of securities or in new companies of the northeast having SUDENE's approval).

2 - For the purposes of calculating the complementary income tax, an additional deduction of 30% is allowed for underwriting of new shares of public

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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 24 1961

FORM 6-61 FS-439 GPO 912596

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ACTION ASSIGNED TO:	ACTION TAKEN
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION
	DIRECTIONS

0869

utility companies, mixed economies or new companies in the Northeast.

3 - A 15% deduction is allowed on taxes on income from bearer shares or dividends or profits of persons domiciled abroad, when at least 1/3 of the capital is subscribed to by residents of Brazil. (This provision is designed to encourage foreign corporations whose shares had previously been closed to local investors, to permit residents of Brazil to participate in their ownership).

In addition to the above provisions designed to encourage reinvestment of profits, the proposal, in Article 5, attempts to plug up a well-known channel for tax evasion, namely through the ownership of bearer shares. This article would permit the withholding of taxes on income from such shares at the source.

Mention should also be made of Article 9 which would authorize the government "to enter into agreements for the reduction of income taxes on dividends" paid to persons resident abroad or in the country. According to the Finance Ministry (Income Tax Division), the purpose of this article is simply to provide authority to conclude agreements with other governments providing for reciprocal treatment of taxes on this type of income.

The bill seems mild enough at least compared to what many people expected. It is, at least, not blatantly discriminatory against the foreign investor in the sense of the Magalhães bill, for example, which places a flat limitation on the remittances of profits abroad. (10% and 8% of registered capital depending on whether an investment is considered of "undoubted interest to the national economy").

There has, as yet, been little reaction to the proposal from either the business community or the Congress. The press has, so far, confined its coverage to straight reporting. With reactions thus far manifested being so scanty, it is difficult to judge what chances the bill will have of eventual passage. Probably the moderate elements will be relieved and will support it. More nationalistic elements of the Sergio Magalhães type, however, may not be placated. Very likely, this measure will suffer, to some extent, the same fate as the anti-trust bill: i.e. too many variations, none of them with sufficient support. (See Embdes 4, July 3, 1961). The Magalhães bill is already on the docket and a few days before the President's proposal still another proposal was presented by Deputy Milton Reis

0866

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Page 3 of
Encl. No.
Desp. No. 98
From Rio de Janeiro

(PTB of Minas Gerais) which would freeze profit remittances for two years. Still other measures are likely to be introduced.

For the Ambassador

John Krizay,
Second Secretary of Embassy

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TRANSLATION

Source: Tribuna da Imprensa, August 4, 1961

Draft Bill

Regulations for the Application of Capital by Means of the Income Tax

Art. 1 - This law shall regulate the application of national and foreign capital, the reinvestment of profits earned locally, the remittance of profits abroad and provides incentives for the domestic investment of capital of enterprises constituted of foreign capital.

Art. 2 - Article 23 of Law 2,862 of September 4, 1956 shall be changed to read as follows:

"Article 23 - Juridical persons having either commercial or civil purpose shall pay income tax on profits verified in accordance with the law, at the rate of (a) 30% on distributed profits, (b) 10% on profits reinvested or invested in Federal public debt securities, new shares of public utilities, mixed economy companies or companies organized in the Northeast with SUDENE's approval.

Sole Paragraph - The company selling securities of any type acquired under (b) before the period of five years shall be liable to the immediate remittance of the income differemtial provided in this article.

Art. 3 - The company with a profit level falling within the excess profit legislation shall be subject to the decision of the Investments Committee established by Law 3,470 of November 5, 1958, for the purposes of letter (b) of the preceding article in which investments are concerned.

Art. 4 - By representation to the Ministry of Industry and Commerce and a hearing before the National Economic Council, companies whose expansion clearly take on a monopolistic character may be exposed, the Finance Minister in these cases being authorized to withdraw the fiscal advantage established in letter (b) of article 2 in which reinvestments are concerned.

Art. 5 - The income tax due on the following incomes are subject to withholding at the source:

A) Dividends on bearer shares and any bonus attributed to them;

B) Interest and any income on bearer shares denominated "partes beneficiarias" or "partes de fundador".

C) Dividends and profits of physical or juridical persons resident or domiciled abroad.

Art. 6 - The tax on the incomes referred to in the preceding article shall be calculated on the basis of the percentage distribution of profits, which shall be understood to be the ratio of total income distributed to the total taxable profit earned in the fiscal year or years to which the distributed incomes refer. The taxes to be paid are shown in the following table:

Percentages:
a) -distribution of profits
b) -average rate of tax to be withheld at the source.

a	b	a	b	a	b
15%	17%	44%	27%	73%	37%
16%	17%	45%	27%	74%	37%
17%	17%	46%	28%	75%	38%
18%	18%	47%	28%	76%	38%
19%	18%	48%	28%	77%	39%
20%	18%	49%	28%	78%	39%
21%	19%	50%	29%	79%	40%
22%	19%	51%	29%	80%	40%
23%	19%	52%	30%	81%	41%
24%	20%	53%	30%	82%	41%
25%	20%	54%	30%	83%	42%
26%	20%	55%	31%	84%	42%
27%	21%	56%	31%	85%	43%
28%	21%	57%	31%	86%	43%
29%	21%	58%	32%	87%	44%
30%	22%	59%	32%	88%	44%
31%	21%	60%	32%	89%	45%
32%	22%	61%	33%	90%	45%
33%	23%	62%	33%	91%	46%
34%	23%	63%	33%	92%	46%
35%	23%	64%	34%	93%	47%
36%	24%	65%	34%	94%	47%
37%	24%	66%	34%	95%	48%
38%	24%	67%	35%	96%	48%
39%	25%	68%	35%	97%	49%
40%	25%	69%	35%	98%	49%
41%	25%	70%	36%	99%	50%
42%	26%	71%	36%	100%	50%
43%	26%	72%	36%		

0869

Art. 7 - For the purpose of calculating the complementary income tax a deduction up to 30% of the gross income is allowable for underwriting of new shares as referred in article 2 of this law.

Art. 8 - The tax referred to in article 5 of this law is subject to a 15% deduction when, at least one third of the capital is subscribed to or acquired in nominal shares by physical persons domiciled in the national territory and if the number of underwriters or purchasers is not less than 100 (one hundred).

Art. 9 - The Government is authorized to enter into agreements for the reduction of income taxes on dividends paid to physical persons resident abroad and shareholders of companies domiciled in the national territory.

0870

. The Message conveying the draft bill to Congress has the following text:

To the Members of the National Congress:

The bill which is submitted to the deputies and the senators of the Republic has the aim of encouraging the reinvestment of profits of domestic and foreign companies providing they contribute to the development of the country and that of discouraging an excessive distribution within the national territory or their remittance abroad.

The reinvestment of profits which is favored by this bill does not apply automatically to companies making excessive profits. In this instance, a more detailed examination is required to judge the convenience of the expansion, this examination being in charge of the Investment Committee created by Law 3,470 of November 1958.

A similar source of restrictions is foreseen for those companies which, because of their monopolistic natures, may prejudice competitive production.

At the same time, as an incentive to desirable investments and to discourage undesirable reinvestments, an opportunity is offered to channel profits for infrastructural undertakings, for the underwriting of Federal public debt securities and for undertakings in the Northeast.

The bill also induces foreign companies which remain closed to domestic capital to a change in policy and provides for a widespread distribution of capital among a larger number of shareholders. The bill, in addition, seeks to encourage to direct underwriting by physical persons of shares issued by new companies. This action, if it is well carried out, will help to reduce the magnitude of monopolies both in the capital exporting countries and the capital receiving countries.

Finally, it is stressed that the government instead of chosing a technique of direct intervention, favored the indirect or the fiscal course.

Income tax is the most adequate tool the government can use to regulate the use of profits both domestic and foreign in favor of the economic development of the country. In addition to favoring investments and to discouraging the consumption of luxuries or excessive remittances abroad, income tax may orient profits and income in general toward undertakings of an infrastructural nature or to others of equal essentiality.

Therefore, by increasing or by reducing the imposition of the income tax it is possible to carry out a basic reform of the profit

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remittance system, to create incentives for reinvestment generating wealth and to force capital openings in closed companies without infringing upon the guiding principles of the financial policy of this government which has distinguished itself especially by proclaiming the truth in every one of its services.

The Government is thus convinces that if Your Excellencies come to approve this draft bill the crucial pattern of foreign remittances as well as that of advantageous reinvestment in this country will be solved and an outstanding service will be rendered to the public welfare.

I seize this opportunity to present you, members of the National Congress, my highest respect.

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832.112/8-1061
XR 832.172

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 104 (NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — August 10, 1961 (DATE)

REF :

Enclosure

For Dept. Use Only	ACTION / INFO	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P		ICA
55	ARA-4		2	1							7	7		4	11
		OTHER	AGR	COM	FRB	INT	LAB	TAR	TR	XMB	041			2	
	REC'D 9/18		AIR	ARMY 10	CIA	NAVY	OSD	OCB	USIA 3	4	7				

SUBJECT: INCOME TAX BUREAU SPECIAL ORDER REGULATING DEDUCTION OF AMOUNTS OWED AS ROYALTIES

There is transmitted herewith a translation of Income Tax Bureau Service Order 12 of May 16, 1961, providing for the deduction of amounts owed as royalties, as set forth in paragraphs 5-7 of article 37 of the Income Tax Regulations.

Under article 374 of Law 3,470, the deduction from gross profits permissible for royalties owed is limited to 5% of the gross receipts of the product made or sold.

Service Order 12 did not reduce that limit, but set rigid and definite prerequisites for obtaining the legal deduction, indicating that the Service Order was issued to eliminate abusive practices.

For the Ambassador

John Krizay
Second Secretary of Embassy.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 2 4 1961

832.112/8-1061

LWS

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FORM 6-61 FS-439 GPO 912596

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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SERVICE ORDER Nº 12 of MAY 16, 1961

Regulates Deduction of Amounts Owed as Royalties, as Provided for in Paragraphs 5-7 of Article 37 of the Income Tax Regulations

Considering that it is necessary to regulate the deduction of royalties on income tax declarations of legal entities in order to determine real profit;

Considering that illegality in this deduction constitutes a tax evasion that may redound to the detriment of the national economy;

Considering that, in the Income Tax Regulations, stipulations concerning royalty deductions must be interpreted in the light of the regulations set down in the Industrial Property Code (Decree 7903 of August 28, 1945);

Considering that the term "patent" used in the Income Tax Regulations includes not only the right to the invention as provided in the protective statutes of the Law Industrial Property, but also working models, industrial drawings and models, and new and variant plans;

Considering that contracts permitting exploitation of such property, which are, by nature, temporary and revocable, are subject to extinction or lapse and pass into the public domain as a result of the expiry of the periods and conditions provided for in the Industrial Property Code;

Considering that contracts providing for the use of industrial and commercial trade marks also lapse as a consequence of failure to renew their respective terms or through cancellation;

Considering that deductions for royalties are legitimate only when the validity and effectiveness of the respective contracts for using the patents or industrial or commercial trade marks have been proven;

Considering that it is necessary to establish regular supervision to control the expiry, cancellation, and effective utilization of the privileges mentioned in foregoing items;

Considering that it is necessary to ascertain whether or not "know-how" is or not linked to the license for exploiting the patent; and

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Considering, finally, the provisions made by Article 74 of Law 3470 of November 28, 1958; BE IT RESOLVED:

Article 1. Expenses listed as royalties for permission to exploit privileged inventions must be substantiated before the inspectors of the Income Tax Service by presentation of the patent and respective contract, both certified as required by the Industrial Property Code.

Article 2. Expenses listed as royalties for permission to use industrial and commercial trade marks must be substantiated before the inspectors of the Income Tax Service through presentation of the certificate of registration issued in accordance with the Law in force and also of the respective authorization, legally certified.

Article 3. Substantiation of expenses listed as royalties paid for licenses of "know-how" must be made before the inspectors of the Income Tax Service through presentation of the respective contract, which must be separate from the patent and drawn in accordance with the Law.

Article 4. In all cases, the stipulations of the Revenue Stamp Law must be observed, and for documents coming from abroad, the respective translation and proof of transcription into Registry of Titles and Documents, in accordance with Article 136, Item 6 of Decree 4837 of November 9, 1939, must be provided.

Article 5. Declarations for the years 1957 and (?) 1961 shall be checked by the Income Tax Inspector within a period of one-hundred-eighty (180) days from July 1, 1961, in order to verify the following for each year:

a. name of the owner of the patent or industrial or commercial trade mark;

b. domicile of the above-mentioned owner;

c. number and date of issue of patent or trade mark registration;

d. name of the company in Brazil utilizing the above-mentioned patent or trade mark;

e. total royalties credited to the owner of the patent or trade mark in each fiscal year from 1956 to 1960;

f. gross receipts for the product sold or manufactured;

g. total royalties noted, not only through failure to

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observe the limits fixed in Ministerial Instruction 436, above-cited, but also for failure to comply with the stipulations of this Service Order.

Article 6. In no case whatsoever shall there be any failure to apply these regulations because of doubt, any such questions being immediately put to the Income Tax Division for its determination.

s/ JOSE BITTENCOURT ANJO COUTINHO
Director

(Published in Diario Oficial of June 28, 1961)

0876

(6)

OUTGOING AIRGRAM

81

Origin COM-9

Info RMR-7
OPR/L-1
E-11
ARA-10
INR-10
CIA-15
TR-5

Department of State

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Classification

NO. A-42,

Aug 17 12 22 PM '61

SENT TO: Amembassy, RIO DE JANEIRO

Page 1 of 1 Pages

FROM COMMERCE

U.S. press reports President Quadros August 5 sent Congress bill increase income taxes on dividends distributed or remitted abroad and reduce taxes on reinvested earnings. If text of bill not already transmitted by despatch, please send copy soonest for American Republics Division, Commerce.

Rusk
(MLSTM)

[redacted]

Rio Branch Office Copy

REP

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UNCLASSIFIED
Classification

Drafted by: C.Gourand, Dir.,Amer.Reps.Div. | Airgram transmission ~~SECRET~~ approved by: E:REPsMRMitchell:bk 8/17/61

Clearances: OHearnsdps 8/16/61

EST - Mr. Grane in substance

REP

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Rio de Janeiro A-42 832.112/8-1761

XR 832.00/8-1761

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — NO. 135

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE: August 21, 1961

AUG 23 1961

REF :

File location
EST/B: RH Crane: lwe
9-18-61

Enclosure

20 For Dept. Use Only	ACTION	ARA-4	INFO	Dept	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	IO	ICA
					2	1							7	7	2	11
				OTHER	AGR	COM	FRB	INT	LAB	TAR	TR	XMB	3HF			
						8	3				3	4	7			
	REC'D 8-24-61				AIR	ARMY	CIA	NAVY	OSD	OCB	USIA					
							10									

SUBJECT: INCOME TAX BUREAU SPECIAL ORDER REGULATING DEDUCTIONS FROM GROSS INCOME OF PHYSICAL PERSONS

There is transmitted herewith a translation of Income Tax Bureau Service Order 17 of June 20 setting forth instructions for the inclusion of deductions from gross income in the returns of individuals which, with certain specified exceptions, cannot amount to more than 40 percent of the declared income.

Service Order 17 along with other Service Orders issued previously (see Embdes 647, January 27, and 104, August 10, 1961) is designed to close loop-holes in the Income Tax Law and to eliminate abusive practices.

Enclosure as stated.

For the Chargé d'Affaires, a.i.

John Krizay
Second Secretary of Embassy

832.112/8-2161

FILED
25 11 40 AM '61
LWS

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 5 1961

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REPORTER

FORM 6-61 FS-439 GPO 912596

For Department Use Only - To be Filled In on Yellow Only

ACTION ASSIGNED TO: NAME OF OFFICER & OFFICE SYMBOL	ACTION TAKEN: DATE OF ACTION	DIRECTIONS TO RM/R

0878

UNCLASSIFIED
(Classification)

Page 1 of
Encl. No. 1
Desp. No. 135
From Rio de Janeiro

SERVICE ORDER 17

The Director of the Income Tax Division, using the powers conferred upon him; and

Considering the advisability of regulating the application of standards establishing the limits for deductions from gross income, in the terms of Article 35,36, and 38 of Law 3470 of November 28, 1958 and Article 20, a and b and Paragraphs 1 and 7 of the Regulations approved by Decree 47373 of December 7, 1959 and Paragraphs 1 and 3 of Law 3830 of November 25, 1960; and

Considering that the limit of forty per cent (40%) on gross income for deductions in general does not prevail in connection with deductions for interest and insurance in cases in which such deductions are permitted by special provisions;

DETERMINES that Regional and Sectional Bureau Chiefs and Chief inspectors of the Income Tax Service observe and insure compliance with the following instructions in reviewing income tax declarations made by physical entities, in respect to the limits provided for deductions from gross income;

I. The deduction for interest on personal debt shall be permitted in its entirety when such interest arises from loans used in the production of taxable income declared by the taxpayer as a physical entity, or when not in excess of five hundred thousand cruzeiros (Cr$500,000.00).

II. Where such interest does not arise from loans used in the production of taxable income declared by the taxpayer as a physical entity, deduction of the same may, should they exceed five hundred thousand cruzeiros (Cr$500,000.00), reach the limit of fifty percent (50%) of the gross income declared. Should the value of the interest exceed five hundred thousand cruzeiros (Cr$500,000.00) and fifty percent (50%) of the gross income declared be a sum less than that of the interest, the deduction shall be adjusted to five hundred thousand cruzeiros (Cr$5oo,000.00).

III. In the deduction for life insurance premiums, the readjustment applicable in accordance with the standards prescribed in effective legislation must be made, to a limit of one hundred fifty thousand cruzeiros (Cr$150,000.00), and cannot exceed, in any declaration, more than one-sixth (1/6) of the gross income declared.

IV. Preference shall be given when making calculations to interest and life insurance premiums, as set forth in Article 35 and 36 of Law 3470 of November 28, 1958, where these and other deductions exist, with the exception of deductions relative to

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family obligations, furnishing of sustenance in accordance with an administrative or judicial decision or as admitted by Civil Law, raising and schooling of a destitute minor, and medical, dental, and hospital expenses.

V. In the cases stipulated in the foregoing Item, other deductions shall be disregarded when interest and life insurance premiums are as much as or in excess of forty per cent (40%) of the declared gross income; or they will be permitted to the limit of the amount lacking to constitute the percentage, as established in Article 38 of the Law cited above.

VI. Save for what is established in the foregoing items, the amount of the deductions not included in the exceptions referred to in Item IV, whether isolated or as a group, must not exceed forty per cent (40%) of the gross income declared.

s/ José Bittencourt Anjo Coutinho
Director

July 28, 1961

AIR POUCH
HANDLING INDICATOR

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832.112/3-3062

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

772
NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 30, 1962
DATE

REF : CERP D-V, A1

MAR 31 1962

ENCLOSURES

			DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	AID
22 For Dept. Use Only	ACTION	ARA-4	INFO	AGR	COM	FRB	INT	LAB	TAR	TR	XMB	5	3			11
	REC'D 4/3		OTHER	AIR	ARMY	CIA	NAVY	OSD	OCB	USIA	NSA					
					8	3				2	2					
						7					3					

SUBJECT: REVISED DEDUCTIONS FOR TAX ON INCOME

file no action
#35/8 ww 4-12-62

There is transmitted herewith as enclosure No. 1, a revised tax table for the collection of the progressive income tax in fiscal year 1962.

It will be recalled that the new income tax set forth by Law 3898 (see Emdes 1114, June 9, 1962) provided, among other things, that the minimum limit for exemptions against annual earnings should be fixed at an amount equivalent to 24 (twenty four) times the value of the highest monthly minimum wage (9) prevailing during the year prior to the year in which the tax falls due. It also provided that deductions for dependents should be fixed at fifty (50%) percent of the minimum limit for wife and seventy five (75%) percent of the deduction permitted for the wife for each additional dependent. Previously, Cr$100,000 could be deducted for the wife plus Cr$50,000 for each additional dependent.

As a consequence of the increase in the minimum wage granted last October a new schedule of deductions has been issued. According to the new schedule the basic minimum deduction to be applied in fiscal year 1962 in calculating the progressive surtax was raised from Cr$240,000 per annum to Cr$336,000, and personal deductions were raised from Cr$100,000 to Cr$168,000 for the wife and from Cr$50,000 to Cr$126,000 for each additional dependent.

It will be noted that the top tax rate provided for in the schedule transmitted as enclosure 1, is 60% which is applied

(9) Cr$13,440, decreed in October 1961, with the fraction of that sum adjusted to the next highest one thousand cruzeiros for tax purposes.

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FORM 6-61 FS-439

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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

U.S. GOVERNMENT PRINTING OFFICE: 1961 O - 612219 (17)

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to all taxable income (i.e. income after schedular taxes and deductions) over Cr$11,200,000.

The revised rate schedule for withholding tax on salaries and wages is transmitted as enclosure 2.

For the Chargé d'Affaires, a.i.

John Krizay
Second Secretary of Embassy

Enc: As Stated

Approved: Robert Eakens
Robert Eakens
Counselor for Economic Affairs

The percentages for the progressive surtax are the following and shall be collected beginning with fiscal year 1962:

	Cr$ Brackets			Percentage	Cr$ Deduction
Up to			336,000.00	exempt	-
From	336,000.00	to	420,000.00	1%	3,360.00
	420,000.00		630,000.00	3%	11,760.00
	630,000.00		840,000.00	5%	24,360.00
	840,000.00		1,050,000.00	7%	41,160.00
	1,050,000.00		1,260,000.00	9%	62,160.00
	1,260,000.00		1,680,000.00	12%	99,960.00
	1,680,000.00		2,100,000.00	15%	150,360.00
	2,100,000.00		2,520,000.00	18%	213,360.00
	2,520,000.00		3,080,000.00	22%	314,160.00
	3,080,000.00		3,640,000.00	26%	437,360.00
	3,640,000.00		4,200,000.00	30%	582,960.00
	4,200,000.00		4,900,000.00	35%	792,960.00
	4,900,000.00		5,600,000.00	40%	1,037,960.00
	5,600,000.00		7,000,000.00	45%	1,317,960.00
	7,000,000.00		8,400,000.00	50%	1,667,960.00
	8,400,000.00		11,200,000.00	55%	2,037,960.00
Above			11,200,000.00	60%	2,647,960.00

Note:
The deductions for wife and each additional dependent are respectively Cr$168,000 and Cr$126,000

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NOTES:

I - Monthly earnings of less than Cr$30,801.00 and the earnings of unmarried, widowed or separated persons with more than two dependents, or married persons with more than one dependent besides the other spouse, are not subject to deduction of the tax at the source.

II - For the duration of the marriage partnership, the spouse, the children and other dependents shall be considered the responsibility of the breadwinner.

III- A married woman is equivalent to an unmarried woman or a widow, without dependents; she is to be considered the breadwinner - apart from the cases envisaged in civil law - when her husband is economically dependent on her and doesnnot receive an annual income in excess of Cr$336,000.00.

IV - Women whose marriages have been annulled, women separated from or abandoned without resources by their husbands, are subject to deduction of the tax as unmarried women or widows, the number of children and other dependents they support to be taken into account.

V - The following are considered children or dependents for the purposes of tax deduction, provided they have no income of their own:

a) minor or invalid sons and daughters and adults up to 24 years of age who are still attending an establishment for higher education, be they legitimate, legitimized, recognized natural or adopted;

b) unmarried daughters, widowed daughters without means or abandoned without resources by the husband;

c) minor or invalid descendents without support of the parents;

d) ascendents, brothers or sisters, incapacitated for work;

e) poor children under 18 years of age which the taxpayer proves he brings up and educates.

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From Cr$	To Cr$	Unmarried, widowed or separated without dependents	Unmarried widowed or separated with one dependent	Unmarried, widowed or separated with two dependents	Married, without dependents other than the spouse	Married with one dependent other than the spouse
30,801.00	31,800.00	308.00	-	-	-	-
31,801.00	32,800.00	328.00	-	-	-	-
32,801.00	33,800.00	348.00	-	-	-	-
33,801.00	34,800.00	368.00	-	-	-	-
34,801.00	35,800.00	388.00	-	-	-	-
35,801.00	36,800.00	408.00	-	-	-	-
36,801.00	37,800.00	428.00	-	-	-	-
37,801.00	38,800.00	448.00	-	-	-	-
38,801.00	39,800.00	488.00	-	-	-	-
39,801.00	40,800.00	528.00	-	-	-	-
40,801.00	41,800.00	568.00	-	-	-	-
41,801.00	42,800.00	608.00	483.00	-	-	-
42,801.00	43,800.00	648.00	443.00	-	-	-
43,801.00	44,800.00	688.00	463.00	-	-	-
44,801.00	45,800.00	728.00	483.00	-	448.00	-
45,801.00	46,800.00	768.00	503.00	-	468.00	-
46,801.00	47,800.00	808.00	523.00	-	488.00	-
47,801.00	48,800.00	848.00	543.00	-	508.00	-
48,801.00	49,800.00	888.00	573.00	-	528.00	-
49,801.00	50,800.00	928.00	613.00	-	548.00	-
50,801.00	51,800.00	968.00	653.00	-	568.00	-
51,801.00	52,800.00	1008.00	693.00	518.00	588.00	-
52,801.00	53,800.00	1048.00	733.00	538.00	628.00	-
53,801.00	54,800.00	1088.00	773.00	518.00	668.00	-
54,801.00	55,800.00	1128.00	813.00	578.00	708.00	-
55,801.00	56,000.00	1178.00	853.00	598.00	748.00	563.00

0885

ORIGIN/ACTION

RM/R	REP	AP
1	1	
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
	FBO	AID 12
AGR	COM 10	FRB 3
INT 7	LAB	TAR
TR 2	XMB 4	AIR
ARMY	CIA 8	NAVY
OSD	USIA	NSA 3

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DEPARTMENT OF STATE

AIRGRAM

832-11/12-1162
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A-678
NO.

OFFICIAL USE ONLY

XR-832-117
HANDLING INDICATOR

TO : DEPARTMENT OF STATE

FROM : AmEmbassy, RIO DE JANEIRO DATE: December 11, 1962

SUBJECT : CONGRESS APPROVES TAX INCREASE AND ALTERS ELECTRIFICATION FUND.

REF : CERP D-12; Embdes 1114, June 9, 1961.
lava 832-11

On November 28, one day before passage of the budget law, Congress completed action on a four-part tax increase and sent the bill to the President who has vetoed certain points, the important ones being discussed in this airgram.

The Congress will have a chance to act on these vetoes before the bill becomes final. The following report is a summary of the highlights of the measure as it stands now pending any possible further congressional action on the vetoes. A translation of the official text plus whatever additional comments are necessary will be transmitted at a later date. Six (6) copies of the bill, in Portuguese, as published in the Diário Official, are transmitted herewith.

In summary, the new tax law as passed by the Congress raises the tax rates applicable to the complementary progressive tax on income, broadens the use of the withholding tax, institutes a tighter collection procedure on bearer share income, raises certain consumption tax rates, provides for an eventual re-organization of the entire tax system and substantially raises the single tax on electric power consumption, at the same time paving the way for a considerable expansion of the powers of Eletrobras. Details are as follows:

As the enclosed table (Encl.1) comparing present and new rates indicates, tax rates to be applied under the progressive

Encls.: As stated.

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FORM DS-323 4-62

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☑ In ☐ Out

Drafted by: JKrizay:anc
Contents and Classification Approved by: Robert E[illegible]ens
Clearances: RVKorp RVK

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tax schedule have been upped substantially in the lower and middle income tax brackets. Thus, in the lowest bracket - taxable annual income between 24 to 30 times the highest monthly minimum wage - the tax rate was increased from 1% to 3% for an increase of 300%. The tax rate in the middle bracket - 250 to 260 times the nighest monthly minimum wage - was increased from 26 to 40% so that taxable income over Cr$ 3,360,000 per annum (about $4,800 at the cambio exchange rate of 700 to 1) will be taxed at 40% upwards. The top bracket- over 800 times the nighest minimum monthly wage - was increased from 60 to 65%.

The basic deduction procedure was left the same except that the highest monthly minimum wage to apply under the new law will be that in effect during the income year. Previously the highest minimum wage rate in the payment year applied. This is particularly important for 1963 since the new minimum wage increase will not take effect until January 1963.

The new tax law relatively increases the burden of the lower brackets also in the broader application of the withholding tax. Previously, taxes were withheld only on monthly incomes up to 4 times the highest minimum wage. Now, for incomes of wage earners in excess of that amount, including those of all government employees, tax will be withheld at the rate of 2% of gross income or 5% of net income after schedular deductions, at the option of the wage earner. This means that the wage earning group will be paying ~~xx~~ a large percentage of its income taxes in the income year whereas other income earners will continue to pay their taxes in the following year after inflation has further depreciated the currency.

As to the bearer share issue, it will be recalled that under the present law 28% of bearer share income is withheld at the source. With no identification requirements, the recipient of bearer share income whose total taxable income fell into tax brackets higher than 28% found it easy to evade the additional tax. It is believed that many corporation directors, among others, took large parts of their salaries in this form with evasion in mind. To partially plug this gaping loophole, the new law gives the bearer share holder the option of being identified as owner of the bearer share, in which case the withholding rate remains at 28%; or of remaining anonymous in which case the tax withheld is raised to 45%.

One change in the income tax law which may arouse some complaint from foreign investors is the elimination of the exemption of the withholding tax on re-invested income of branches of foreign firms. Under the present tax law, income of branches of foreign firms are subject to a 25% withholding tax except that such income re-invested

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AIR POUCH
PRIORITY

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(Security Classification)

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832.13/1-1860

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 731
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 18, 1960

REF : CERP, Section B, III, D-1, April 3, 1957
Embassy Despatch 617, December 16, 1959

JAN 19 1960
Enclosure

For Dept. Use Only	ACTION REC'D	DEPT. INFO OTHER
	1/21	ARA-3 RM/R-2 REP-1 IRC-8 E-7 ICA-11 COM-8 C/A-10 FRB-3 TR-3 XMB-4

SUBJECT: Paper Money in Circulation, December 31, 1959.

Enclosed is a copy of the statement of the Caixa de Amortização for December 31, 1959. As of that date, the total amount of paper money in circulation amounted to Cr$154,621 million, a net increase for the month of Cr$11,787 million as compared to an increase of Cr$4,194 million in December, 1958.

For the Ambassador:

R. G. Walker
Finance Officer

Coordinated:
William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 25 1960
file D.E.

Enclosure:
Table on paper money in circulation on December 31, 1959.

832.13/1-1860 EMW

FILED
JAN 23 1960

RGWalker/mwc
REPORTER

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ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

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(Classification)

Page 1 of
Encl. No. 1
Desp. No. 731
From AMEMBASSY, RIO

CAIXA DE AMORTIZAÇÃO

Quadro demonstrativo do papel-moeda em circulação em 31 de dezembro de 1959

Valores		Quantidade	Importancia
Cr$	1.00	302,652,769	302,652,769.00
	2.00	148,984,040	297,968,080.00
	5.00	159,540,202	797,701,010.00
	10.00	136,036,073 1/2	1,360,360,735.00
	20.00	101,090,504	2,021,810,080.00
	50.00	61,629,059 1/2	3,081,452,975.00
	100.00	47,180,922	4,718,092,200.00
	200.00	35,203,520 1/2	7,040,704,100.00
	500.00	78,506,408	39,253,204,000.00
	1,000.00	95,746,897	95,746,897,000.00
		1,166,570,395 1/2	154,620,842,949.00

Circulação em 30-11-59 ..... 142,833,978,649.00
Circulaçao em 31-12-59 ..... 154,620,842,949.00

Maior circulação em 31-12-59 ..... 11,786,864,300.00

DEMONSTRAÇÃO DA DIFERENÇA ACIMA APONTADA

Emissões:
Carteira de Red. 14,000,000,000.00
Resgates
Carteira de Red. 2,200,000,000.00
Moeda Divisionária 13,135,700.00 2,213,135,700.00

Diferença para mais 11,786,864,300.00

***

UNCLASSIFIED

AIR POUCH — PRIORITY

UNCLASSIFIED — (Security Classification)

DO NOT TYPE IN THIS SPACE

832.13/1-2760

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 761 DESP. NO. — January 27, 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, Section B, III, E-1, April 3, 1957 — JAN 29 1960
Embdespatches 639, Dec. 21, 1959 and 757, Jan. 26, 1960

Enclosure

This Document must be returned to the RMR Central Files

For Dept. Use Only	ACTION	DEPT.
30	ARA-3	RM/R 2 REA1 IRC 8 E-7 IIA-11
	REC'D 2-2-60	INFO OTHER COM-8 TR-3 FRB-3 XMB-4 CIA 10

SUBJECT: Operations of the Carteira de Redescontos, December 1959.

832.13/1-2760

CAA

The outstanding balance of total rediscounts by the Carteira de Redescontos on December 31, 1959 (see enclosure), amounted to Cr$47,790 million. This reflected an increase of Cr$11,676 million during the month. Since outstanding rediscounts by the Bank of Brazil at the Carteira de Redescontos increased during December 1959, by Cr$11,638 million, rediscounts for commercial banks must have increased by Cr$38 million. For commercial banks during 1959 rediscounts have declined by Cr$3,812 million as compared to an increase of Cr$5,646 million during the year 1958.

The liability account, Tesouro Nacional, increased by Cr$11,800 million during December indicating an issue of paper currency in that amount on behalf of the Carteira de Redescontos.

For the Ambassador:

R. G. Walker
Finance Officer

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
FEB 5 1960

Enclosure:
Balance sheet of the Rediscount Bureau, December 1959.

FILED
FEB 10 1960

RGWalker/mwc
REPORTER

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ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

BANCO DO BRASIL, S. A.
Carteira de Redescontos

Balancete em 31 de dezembro de 1959

A t i v o	Cr$
Titulos redescontados	44,740,042,111.90
Titulos redescontados - Lei 3.253	16,323,754.30
Titulos redescontados - Decreto 29.536	3,033,976,513.50
Creditos a receber	36,566,647.60
Bens patrimoniais	10,223,572.40
Banco do Brasil S.A. - C/corrente	2,506,375.70
Banco do Brasil S.A. - C/cobrança	21,805,728.40
Valores em garantia	3,055,782,994.00
	50,917,227,697.80

P a s s i v o	
Tesouro Nacional	45,300,840,000.00
Superintendencia da Moeda e do Credito	37,080,711.00
Fundo de reserva	1,485,643,477.70
Provisão para despesas de notas	320,911,745.20
Redescontos do semestre futuro	693,417,308.10
Juros do semestre futuro	1,625,733.40
Percentagens a distribuir	120,000.00
Titulos em cobrança	21,805,728.40
Depositantes de valores em garantia	3,055,782,994.00
	50,917,227,697.80

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AIR POUCH — PRIORITY — UNCLASSIFIED (Security Classification)

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832.13/2-1760

DEPT STATE

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — DESP. NO. 808

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 17, 1960

REF : CERP, Section B, III, E-1, April 3, 1957; Embassy Despatch 761, January 27, 1960 — FEB 19 1960 — Enclosure

For Dept. Use Only	ACTION	DEAC
	RECD 2/23	INFO OTHER

ARA-3 RNR-2 REP-1 IRC-5 E-7 ICA-11 Rm 1 R
CUM-5 FRB-3 CIA-10 TR-3 XMB-1

SUBJECT: Operations of the Carteira de Redescontos, January 1960

DEPARTMENT OF STATE
RECEIVED
INTER - AMERICAN AFFAIRS
FEB 2 1960

The outstanding balance of total rediscounts by the Carteira de Redescontos on January 31, 1960 (see enclosure), amounted to Cr$48,020 million. This reflected an increase of Cr$230 million during the month.

The liability account, Tesouro Nacional, remained unchanged indicating that no paper currency was issued on behalf of the Carteira de Redescontos during the period.

For the Ambassador:

R. G. Walker
Finance Officer

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Balance sheet of the Rediscount Bureau, January 1960.

FILED
MAR 3 - 1960

CAA

832.13/2-1760

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ACTION COPY — DEPARTMENT OF STATE

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This Document must be Returned to the RM/R Central Files

0892

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Page 1 of
Encl. No. 1
Desp. No. 808
From AMEMBASSY, RIO

BANCO DO BRASIL S. A.
Carteira de Redescontos

Balancete em 31 de janeiro de 1960

Cr$

Ativo

Titulos Redescontados	44,416,605,647.80
Titulos Redescontados - Lei no. 3,253	21,033,051.30
Titulos Redescontados - Decreto 29,536	3,582,195,918.80
Creditos a Receber	36,043,999.40
Bens Patrimoniais	10,223,572.40
Banco do Brasil S.A. - C/Corrente	7,327,905.20
Despesas Gerais	1,576,966.50
Banco do Brasil S.A. - C/Cobrança	21,625,780.90
Valores em Garantia	3,603,952,399.30
	51,700,585,241.60

Passivo

Tesouro Nacional	45,300,840,000.00
Superintendencia da Moeda e do Credito	36,417,897.50
Fundo de Reserva	1,485,643,477.70
Provisão para Despesas de Notas	320,667,998.00
Redescontos	929,191,276.10
Juros	2,246,412.10
Titulos em Cobrança	21,625,780.90
Depositantes de Valores em Garantia	3,603,952,399.30
	51,700,585,241.60

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UNCLASSIFIED

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AIR POUCH
PRIORITY

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832.13/2-1760

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 811 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 17, 1960

REF : CERP, Section B, III, D-1, April 3, 1957
Embassy Despatch 731, January 18, 1960

FEB 18 1960

Enclosure

For Dept. Use Only — ACTION DEPT. INFO OTHER

AIR-3 RM/R-2 REF-1 IRC-3 E 7 ICA-P/M
CUM-5 CIA-(1) FRB-3 TR-3 XMB

SUBJECT: Paper Money in Circulation, January 31, 1960

DEPARTMENT OF STATE
BUREAU OF
INTER - AMERICAN AFFAIRS
FEB 22 1960

Enclosed is a copy of the statement of the Caixa de Amortizacao for January 31, 1960. As of that date, the total amount of paper money in circulation amounted to Cr$154,616 million, a net decrease for the month of Cr$5 million as compared to a decrease of Cr$3,004 million in January, 1959.

For the Ambassador:

R. G. Walker
Finance Officer

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Table on paper money in circulation on January 31, 1960.

832.13/2-1760

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ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

FILED
MAR 3 - 1960

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CAIXA DE AMORTIZAÇÃO

Quadro demonstrativo do papel-moeda em circulação em 31 de janeiro de 1960

Valores		Quantidade	Importancia
Cr$	1.00	303,284,168	303,284,168.00
	2.00	149,503,513	299,007,026.00
	5.00	161,120,574	805,602,870.00
	10.00	137,538,600	1,375,386,000.00
	20.00	102,478,445 1/2	2,049,568,910.00
	50.00	62,421,048 1/2	3,121,052,425.00
	100.00	47,853,364	4,785,336,400.00
	200.00	35,843,346 1/2	7,168,669,300.00
	500.00	78,276,137 1/2	39,138,068,750.00
	1,000.00	95,569,571	95,569,571,000.00
		1,173,808,768	154,615,546,849.00

Circulação em 31-12-59	154,620,842,949.00
Idem em 31-1-60	154,615,546,849.00
Menor circulação em 31-1-60	5,296,100.00

DEMONSTRAÇÃO DA DIFERENÇA ACIMA APONTADA

Resgates:	
Por moeda divisionária	5,296,100.00

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AIR POUCH
PRIORITY

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(Security Classification)

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832.13/3-1460

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
888
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 14, 1960

REF : CERP, Section B, III, D-1, April 3, 1957
Embassy Despatch 811, February 17, 1960

MAR 15 1960

Enclosure

For Dept. Use Only	ACTION	DEPT.
	ARA-3	INFO RM/R-2 REF.1 INC 8 E-7 ICA-11
	REC'D 3-19-60	OTHER Com-8 TR-2 FRB-3 IMF-4 CIA-10

SUBJECT: Paper Money in Circulation, February 29, 1960

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 21 1960

Enclosed is a copy of the statement of the Caixa de Amortização for February 29, 1960. As of that date, the total amount of paper money in circulation amounted to Cr$154,615 million. There was a decrease of Cr$47 thousand during the month as compared to a decrease of Cr$6 million in February, 1959.

For the Ambassador:

R. G. Walker
Finance Officer

Approved:
Howard R. Cottam
Minister for
Economic Affairs

Enclosure:
Table on paper money in circulation on February 29, 1960

832.13/3-1460

FILED
MAR 24 1960
CAA

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REPORTER

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Page 1 of
Encl. No. 1
Desp. No. 888
From AMEMBASSY, RIO

CAIXA DE AMORTIZAÇÃO

Quadro demonstrativo do papel-moeda em circulação em 29 de fevereiro de 1960

Valores		Quantidade	Importancia
Cr$	1.00	306,365,360	306,365,360.00
	2.00	152,036,989 1/2	304,073,979.00
	5.00	162,045,189	810,225,945.00
	10.00	138,010,486 1/2	1,380,104,865.00
	20.00	103,004,720	2,060,094,400.00
	50.00	62,981,008	3,149,050,400.00
	100.00	48,396,489	4,839,648,900.00
	200.00	36,417,462 1/2	7,283,492,500.00
	500.00	78,085,893	39,042,946,500.00
	1,000.00	95,439,497	95,439,497,000.00
		1,182,783,094 1/2	154,615,499,849.00

Circulação em 31-1-60	154,615,546,849.00
Idem em 29-2-60	154,615,499,849.00
Menor circulação em 29-2-60	47,000.00

DEMONSTRAÇÃO DA DIFERENÇA ACIMA APONTADA

Resgate:

Por moeda divisionária 47,000.00

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AIR POUCH — PRIORITY

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832.13/3-2160

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 915 DESP. NO. — March 21, 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, Section B, III, E-1, April 3, 1957
Embassy Despatch 808, February 17, 1960

MAR 23 1960

Enclosure

For Dept. Use Only — ACTION: ARA 3 — REC'D 3/26 — INFO: DEBT RPM/A 2 REP-1 IRC F E 7 ICA-1/R CCM-5 CIA-11 TA 3 FRB 3 X

SUBJECT: Operations of the Carteira de Redescontos, February 1960.

The outstanding balance of total rediscounts by the Carteira de Redescontos on February 27 (see enclosure), amounted to Cr$48,215 million. This reflected an increase of Cr$185 million during the month.

The liability account, Tesouro Nacional, remained unchanged indicating that no paper currency was issued on behalf of the Carteira de Redescontos during the period.

For the Ambassador:

R. G. Walker
Finance Officer

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 30 1960

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Balance sheet of the Rediscount Bureau, February 1960.

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CONSENT RECORDS
MAIL

1960 MAR 30 AM 8 28

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832.13/3-2160 HBS

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APR 1 - 1960

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(Classification)

Page 1 of
Encl. No. 1
Desp. No. 915
From AMEMBASSY, RIO

BANCO DO BRASIL, S. A.
Carteira de Redescontos

Balancete em 27 de fevereiro de 1960

	Cr$
Ativo	
Titulos redescontados	44,400,898,899.40
Titulos redescontados - Lei no. 3,253	27,020,551.30
Titulos redescontados - Decreto no. 29,536	3,786,933,267.10
Creditos a receber	35,105,151.90
Bens patrimoniais	10,223,572.40
Banco do Brasil S.A. - C/corrente	5,411,890.10
Despesas gerais	11,594,218.50
Banco do Brasil S.A. - C/cobrança	21,451,933.40
Valores em garantia	3,808,689,747.60
	52,107,329,231.70
Passivo	
Tesouro Nacional	45,300,840,000.00
Superintendencia da Moeda e do Credito	35,544,160.20
Fundo de reserva	1,485,643,477.70
Provisao para despesas de notas	320,513,846.80
Redescontos	1,131,761,332.20
Juros	2,844,733.80
Titulos em cobrança	21,451,933.40
Depositantes de valores em garantia	3,808,689,747.60
	52,107,329,231.70

Rio de Janeiro, 27 de fevereiro de 1960

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PRIORITY

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(Security Classification)

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82213/3-2260

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
DESP. NO. 918

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DATE March 22, 1960

REF : CERP D V,A 2

20 For Dept. Use Only	ACTION	DEPT.
	ARA-3	RM/R-2 REP-1 IRC-8 E-7 L-2 SY-2 EUR-3
	REC'D 3-29-60	INFO OTHER CIA-10 TR-3 FRB-2 FBI-1 COM-8

SUBJECT: Delays and Problems in Issuing Contracts for Printing of Currency

(2)

There is attached a copy of a memorandum of conversation with Mr. Murray M. Wise, Vice-President of the American Bank Note Co. in which he describes the competition between his company and other firms, principally Thomas de La Rue & Co., of London, for a new order of cruzeiro notes and the difficulties of the Brazilian Government in reaching a decision on how to handle the matter.

In summary, the Minister of Finance revoked a decision of the Junta of the Casa da Moeda to divide a new currency order equally between five bidders and having received separately a very low offer from Thomas de La Rue, issued a new call for bids. The new bids were presented on March 3. Mr. Wise later informed the Embassy that he understands the low bidder was another British firm (not Thomas de La Rue), but that the problem is still not resolved because the bid did not include a delivery date, a critical issue because currency supplies reportedly will be very low by June.

For the Ambassador:

R. G. Walker
Finance Officer

Approved:

William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure: As stated

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 31 1960

APR 8 - 1960

RGWalker|dh
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832.13/3-2260 HBS

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CONFIDENTIAL

MEMORANDUM OF CONVERSATION

Participants: Mr. Murray M. Wise, Vice-President, American Bank Note Company; William Fowler, Economic Counselor and R. G. Walker.

Subject: Intrigue in the Casa da Moeda

Mr. Wise said that he wished to inform the Embassy of the background of the current excitement over Brazil's currency purchases, aspects of which have been the subject of a series of editorials by Carlos Lacerda in Tribuna da Imprensa. 1/

Mr. Wise said that for over 90 years the American Bank Note Company has been supplying Brazil's currency requirements. Until shortly after World War II it was the sole supplier. Since then orders have been equally divided between it and Thomas de La Rue & Co., London each quoting the same price, which, according to Wise, gave De La Rue a much higher margin because of lower costs in the U.K. In recent years there have been increasing pressures from other competitors and from the desire of the Director of the Casa da Moeda, Filinto Epitácio Maia, to institute national production of currency. As a result, in mid 1959 the Directors of the Casa da Moeda decided to submit the next issue to bids and, having received the bids, decided to divide the sale equally among the five bidders.

After this decision was taken Mr. Wise came to Brazil to try to dissuade the Casa da Moeda from this on the ground that the inevitable differences between the five products would afford a great opportunity for counterfeiters. According to him the members of the controlling junta privately agreed with him but considered themselves unable to reverse their public decision. At the same time, however, they asked Wise if his company could lower its price. He said he could not but Thomas de La Rue submitted a new and much lower price conditioned on obtaining the whole order.

1/ Lacerda's articles cover a wide range of alleged sins by the government ranging from failure to guard sufficiently against counterfeiting to failing to differentiate clearly the different denominations. They criticize Thomas de La Rue & Co. strongly and American Bank Note less so. They also cite a variety of incidents in other countries which Mr. Wise said are not true and probably were supplied by an Italian firm.

CONFIDENTIAL

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The new La Rue offer caused tremendous confusion principally because La Rue, at least according to rumors, made every effort to see that news of its bid was spread around. Mr. Wise said he has heard that they even went so far as to bribe the Finance Minister's mistress (if he has one) to help persuade him to overrule the previous acceptance of bids. In any event, the Minister did intervene, cancelled the existing arrangements and called for new bids on a low-bid-take-all basis. This caused all the members of the junta to resign but the Minister has stood firm. New bids are to be presented on March 3. ?

Wise said that the American Bank Note had considered putting in a lower price even though they would lose money but has decided against it on the ground that it would compromise their reputation. He said, however, that they would probably make two additional offers, either to supply printed sheets which the Casa da Moeda would then have signed, numbered and cut or to have the bills produced in their London factory at a lower price. Selling printed sheets would of course permit Brazil to take an important step toward producing its own currency 1/ and this might be a real attraction. Mr. Wise said he felt the trend toward national production was strong anyway and asked our views. We agreed that this was generally true and probably apply particularly in the case of currency. Wise noted, however, that even with technical advice from his company Casa da Moeda would have trouble handling the currency.

Wise said that the other three bidders are extremely angry at the rejection of their previous bids and are considering legal and other action that would cause a real scandal. He noted that this could delay matters, which would be quite serious. Reportedly Brazil has only enough currency to meet her normal requirements through June. In this general area he mentioned that no more 1 and 2 cruzeiro notes are being printed but the Casa da Moeda's machine for coining pieces of these denominations has broken down. He understood it will take four months to repair this machine so shortage of small change is likely. It was his understanding that a Cr$5,000 note had been approved but this denomination is not included in the present order and he could not say when they would be printed, if at all.

§§§

RGW

1/ Brazil now uses an Italian machine for printing Cr$5 notes.

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832.13/4-1160

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

987
DESPATCH NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 11, 1960
DATE

REF : Embassy Despatch 918, March 22, 1960
CERP DVA2

APR 11 1960

For Dept. Use Only

ACTION: ARA-3
RECD 4/19

INFO: RM/R-2 REP-1 IRC-8 E-7 L-2 EUR-5
CIA-10 TR-3 ENB-3 FBI-1 COM-1

DEPT. OTHER

SUBJECT: Additional Information on Brazilian Procurement of Paper Currency

Enclosed is a memorandum of conversation with Mr. Murray Wise of American Bank Note Co. providing supplementary information to that given in Despatch 918. In summary, Mr. Wise stated that the order for new currency is to be given to a British firm, Waterlow, as the lowest bidder, even though the Junta managing the Casa da Moeda has every reason to doubt that the contract can be satisfactorily carried out. According to Wise, failure of performance by Waterlow may cause the supply of new Brazilian currency to be exhausted in three or four months.

For the Ambassador:

Robert G. Walker
Finance Officer

Coordinated:

Herbert K. May
Treasury Attaché

William A. Fowler

Enclosure: As stated

CC: AMEMBASSY LONDON

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
APR 22 1960

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REPORTER

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MAY 4 - 1960

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CONFIDENTIAL

MEMORANDUM OF CONVERSATION

March 30, 1960

PARTICIPANTS: Mr. Murray Wise, American Bank Note Co.
Mr. Robert G. Walker, Finance Officer

SUBJECT: Purchase of Currency by the Casa da Moeda

As he had previously promised, Mr. Wise stopped in to advise the Embassy on developments since our last conversation with respect to the purchase of new currency.

Mr. Wise stated that the British Company, Waterlow, had presented the lowest bid in the competition concluded two weeks ago. They were slightly under Thomas de La Rue. American Bank Note gave the highest bid for finished currency but also made a separate offer of currency in sheets to be completed by the Casa da Moeda. According to Wise, technicalities related to bidding procedures and the scope of the Junta's authority were invoked to avoid consideration of American Bank Note's second offer.

Wise stated that the Junta had obtained information that Waterlow is in financial difficulties and has been for some time, so that it might have to sell out or contract with others to perform. Furthermore, they are certain that Waterlow cannot deliver within the eight months required for the order (240 million pieces in eight denominations). The Junta is supposed to consider all the qualifications of each bidder but in this case will award the whole contract to Waterlow on the basis of price alone. According to Wise, all the members of the Junta admit that performance is doubtful and that further publicity and scandal are inevitable. They believe, however, that they cannot protect themselves in any other way and hope to throw most of the blame on the Minister of Finance.

Wise was not sure that the contract would be approved by the Minister of Finance or the Tribunal de Contas but if it is, he predicted serious difficulties. He reiterated his earlier statement that Brazil's currency supplies will last only another three or four months. He said that American Bank Note and possibly de La Rue could make the entire new order in eight months and that if an

0904

order were split between the two they could probably start delivery in three months. He also mentioned that the Junta has authority to order an additional 200 million pieces which may provide a basis for resolving the problem if the predicted difficulties materialize.

Mr. Wise expected the Junta to announce its decision April 1. He did not plan to wait for this official statement and was scheduled to leave Rio on March 31.

Robert G. Walker
Finance Officer

0905

AIR POUCH
PRIORITY

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(Security Classification)

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832.13/4-1860

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 1012 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 18, 1960 DATE

REF : CERP, Section B, III, D-1, April 3, 1957
Embassy Despatch 888, March 14, 1960

APR 20 1960

Enclosure

For Dept. Use Only	ACTION	DEPT.
55	ARA 3	
	REC'D 4/23	INFO OTHER: RMA 2 REP-1 IAC-2 IE-7 ECA-11 CIA 10 COM-5 TA-3 FRB-3 XMB 4

SUBJECT: Paper Money in Circulation, March 31, 1960.

Enclosed is a copy of the statement of the Caixa de Amortizacao for March 31, 1960. As of that date, total amount of paper in circulation amounted to Cr$154,612 million. There was a decrease of Cr$4 million during the month as compared to an increase of Cr$4,189 million in March, 1959.

For the Ambassador:

R. G. Walker
Finance Officer

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attache

William K. Fowler

Enclosure:
Table on paper money in circulation on March 31, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
APR 27 1960

832.13/4-1860

CAA FILED APR 29 1960

BRANCH CONSENT RECORDS

RGWalker/mwc
REPORTER

UNCLASSIFIED

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

0906

CAIXA DE AMORTIZAÇÃO

Quadro demonstrativo do papel-moeda em circulação em 31 de março de 1960

Valores	Quantidade	Importancia
Cr$ 1.00	307,974,567	307,974,567.00
2.00	153,866,986	307,733,972.00
5.00	162,042,530	810,212,650.00
10.00	137,839,063 1/2	1,378,390,635.00
20.00	102,655,150	2,053,103,000.00
50.00	63,311,171 1/2	3,165,558,575.00
100.00	48,699,432	4,869,943,200.00
200.00	36,187,629	7,237,525,800.00
500.00	77,666,100 1/2	38,833,050,250.00
1,000.00	95,648,141	95,648,141,000.00
	1,185,890,770 1/2	154,611,633,649.00

Circulação em 29-2-60 ..... 154,615,499,849.00
Idem em 31-3-60 ..... 154,611,633,649.00

Menor circulação em 31-3-60 ..... 3,866,200.00

DEMONSTRAÇÃO DA DIFERENÇA ACIMA APONTADA

Resgate:
Por moeda divisionária 3,866,200.00

0907

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.13/5-1060

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 1092
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. May 10, 1960

REF : CERP, Section B, III, E-1, April 3, 1957 MAY 11 1960
Embdespatches 915, Mar. 21 & 1052, Apr. 29, 1960 Enclosure

For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP1 IRC-8 E-7 ICA-11
	REC'D 5-1460	INFO OTHER Com-8 TR-3 FRB-3 XMB-4 CIA-10

Document must be Returned to the BNR Central Files

SUBJECT: Operations of the Carteira de Redescontos, March 1960.

832.13/5-1060

The outstanding balance of total rediscounts by the Carteira de Redescontos on March 21 (see enclosure), amounted to Cr$48,427 million. This reflected an increase of Cr$212 million during the month. Since outstanding rediscounts by the Bank of Brazil at the Carteira de Redescontos increased during March by Cr$57 million, rediscounts for commercial banks must have increased by Cr$155 million.

The liability account, Tesouro Nacional, remained unchanged indicating that no paper currency was issued on behalf of the Carteira de Redescontos during the period.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

BRANCH
CENTRAL RECORDS

Enclosure:
Balance sheet of the Rediscount Bureau, March, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 18 1960
5-19-60

CAA

FILED
MAY 24 1960

DEPARTMENT OF STATE
RECEIVED

MWCoyle/mwc
REPORTER

UNCLASSIFIED

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

0908

BANCO DO BRASIL, S. A.

Carteira de Redescontos

Balancete em 31 de março de 1960

Cr$

A t i v o

Titulos redescontados	44,800,944,296.00
Titulos redescontados - Lei no. 3,253	31,726,485.00
Titulos redescontados - Decreto 29,536	3,594,677,662.50
Creditos a receber	34,166,304.40
Bens patrimoniais	10,223,572.40
Banco do Brasil S.A. - C/corrente	8,204,377.20
Despesas gerais	17,096,518.30
Banco do Brasil S.A. - C/cobrança	21,249,585.90
Valores em garantia	3,616,384,143.00
	52,134,672,944.70

P a s s i v o

Tesouro Nacional	45,300,840,000.00
Superintendencia da Moeda e do Credito	35,080,427.80
Fundo de reserva	1,485,643,477.70
Provisão para despesas de notas	320,490,196.10
Redescontos	1,351,658,015.50
Juros	3,327,098.70
Titulos em cobrança	21,249,585.90
Depositantes de valores em garantia	3,616,384,143.00
	52,134,672,944.70

***

0909

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.13/5-1360

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
1112
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
May 13, 1960
MAY 16 1960

REF : -.-

For Dept. Use Only	ACTION	DEPT.
	COM-10	REP-1 ARA-4 IRC-8
	REC'D 5/19	INFO OTHER CIA-10 TR-3

SUBJECT: Thomas de La Rue Co. Awarded Contract to Provide Brazil with 240 Million Pieces of Paper Currency.

On May 10, as a result of a second bidding, Thomas de La Rua Co. Ltd. was awarded a contract to provide 240 million pieces of paper currency at a cost of $2,023,259.50.

According to newspaper accounts, the first bidding was won by Waterlow Sons, the other competitors being American Bank Note Company, British American Bank Note and Thomas de La Rue. However, Waterlow Sons was reportedly unable to meet certain contractual requirements and was accordingly eliminated. A second bid was then made and Thomas de La Rue won it with a bid equal to that earlier made by Waterlow Sons.

For the Ambassador:
Herbert K. May
Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

832.13/5-1360

FILED
JUN -7 1960

WBlomeyer/mwc
REPORTER

UNCLASSIFIED

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

0910

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.13/6-2460

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 1246
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 24, 1960
DATE

REF : CERP, Section B, III, E-1, April 3, 1957
Embassy Despatch 1168, May 31, 1960

JUN 27 1960
DATE
Enclosure

This Document must be Returned to the RM/R Central Files

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 IRC-7 E-7 ICA-11
	REC'D 6-29-60	INFO OTHER Com-8 TR-3 FRB-3 XMB-4 CIA-10 NSA-2

SUBJECT: Operations of the Carteira de Redescontos, May, 1960.

The outstanding balance of total rediscounts by the Carteira de Redescontos on May 31 (see enclosure), amounted to Cr$55,128 million. This reflected an increase of Cr$3,224 million during the month.

The liability account, Tesouro Nacional, increased by Cr$2,800 million during May indicating an issue of paper currency in that amount on behalf of the Carteira de Redescontos.

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Balance sheet of the Rediscount Bureau, May, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUL 7 1960

832.13/6-2460

CAA

FILED
JULY 1960

MWCoyle/mwc
REPORTER

UNCLASSIFIED

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

BANCO DO BRASIL, S. A.
Carteira de Redescontos

Balancete em 31 de maio de 1960

A t i v o	Cr$
Titulos Redescontados	51,883,251,962.10
Titulos Redescontados - Lei 3,253	32,771,513.00
Titulos Redescontados - Dec. 29,536	3,211,904,136.00
Créditos a Receber	31,439,409.80
Bens Patrimoniais	10,223,572.40
Banco do Brasil S.A. - C/Corrente	9,805,314.40
Despesas Gerais	30,649,018.10
Banco do Brasil S.A. - C/Cobrança	20,627,190.90
Valores em Garantia	3,233,610,616.50
	58,464,282,733.20

P a s s i v o	
Tesouro Nacional	51,400,840,000.00
Superintendência da Moeda e do Crédito	34,206,706.50
Fundo de Reserva	1,485,643,477.70
Provisão para Despesas de Notas	320,346,596.10
Redescontos	1,964,870,612.40
Juros	4,137,533.10
Titulos em Cobrança	20,627,190.90
Depositantes de Valores em Garantia	3,233,610,616.50
	58,464,282,733.20

.-.-.-.-.-.

0912

AIR POUCH — PRIORITY

UNCLASSIFIED — (Security Classification)

DO NOT TYPE IN THIS SPACE

832.13/8-260

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

89 — DESP. NO.

AUG 4 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 2, 1960 — DATE

REF : CERP, Section B, III, D-1, April 3, 1957
Embassy Despatch 1012, April 18, 1960

Enclosure

This Document must be returned to the RM/R Central Files

20 For Dept. Use Only	ACTION	DEPT.
	REC'D	INFO OTHER
	ARA-4	RM/R-2 REP-1 IRC-7 E-7 ICA-11
	8-9-60	COM-8 TR-3 FRB-3 XMB-4 CIA-10

SUBJECT: Paper Money in Circulation, June 30, 1960.

Enclosed is a copy of the statement of the Caixa de Amortizaçăo for June 30, 1960. As of that date, the total amount of paper in circulation amounted to Cr$163,296 million. There was an increase of Cr$2,592 million during the month as compared to a decrease of Cr$8 million in June, 1959.

The Embassy has failed to submit the tables on money in circulation for the months of April and May as they were never published in the Diario Oficial, presumably because of some problems deriving from transfer of the Federal District to Brasilia.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

832.13/8-260

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure: all in m

Table on paper money in circulation on June 30, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 1960

FILED
SEP 12 1960
CAA

MWCoyle/mwc
REPORTER

UNCLASSIFIED

ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

0913

CAIXA DE AMORTIZAÇÃO

Quadro demonstrativo do papel-moeda em circulação em 30 de junho de 1960

Valores		Quantidade	Importancia
Cr$	1.00	309,084,624 1/2	309,084,624.50
	2.00	154,246,513 1/2	308,493,027.00
	5.00	163,672,394 1/2	818,361,972.50
	10.00	137,159,670	1,371,596,780.00
	20.00	101,695,333 1/2	2,033,906,670.00
	50.00	64,886,921 1/2	3,244,346,075.00
	100.00	50,127,110	5,012,711,000.00
	200.00	36,779,295 1/2	7,355,859,100.00
	500.00	79,916,342	39,958,171,000.00
	1,000.00	102,883,459 1/2	102,883,459,500.00
		1,200,451,672 1/2	163,295,989,749.00

Circulação em 31-5-60 ..... 160,703,042,849.00
Idem em 30-6-60 ..... 163,295,989,749.00

Maior circulação em 30-6-60 ..... 2,592,946,900.00

DEMONSTRAÇÃO DA DIFERENÇA ACIMA APONTADA

Emissões:

Carteira de Redescontos

Resgates:

Moeda Divisionária 7,053,100.00

Diferença para mais 2,592,946,900.00

Serviço do meio circulante, em 1 de julho de 1960.

0914

AIR POUCH — UNCLASSIFIED (Security Classification)

DO NOT TYPE IN THIS SPACE
832.13/8-2960

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 162 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — August 29, 1960 (DATE)

REF : CERP, Section B, III, D-1, April 3, 1957
Embassy Despatch 89, August 2, 1960

Enclosure

55 For Dept. Use Only	ACTION	DEPT.
	REC'D 9/5	INFO: RM/R-2 REP-1 INR-7 E-7 ICA-4
		OTHER: CIA-10 COM-8 TR-3 FRB-3 XMG-4

SUBJECT: Paper Money in Circulation, July 31, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 13 1960

Enclosed is a copy of the statement of the Caixa de Amortizaçäo for July 31, 1960. As of that date, the total amount of paper in circulation amounted to Cr$165,390 million. There was an increase of Cr$2,094 million during the month as compared to an increase of Cr$2,594 million in July, 1959.

For the Ambassador:
Herbert K. May
Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Table on paper money in circulation on July 31, 1960.

832.13/8-2960

CAA

RM/R files 9/15/60
REA

1960 SEP 2 AM 8 22

MWCoyle/mwc (REPORTER) — UNCLASSIFIED

ACTION ASSIGNED TO: NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R
ACTION TAKEN		

SEP 22 1960 FILED

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

0915

CAIXA DE AMORTIZAÇÃO

Quadro demonstrativo do papel-moeda em circulação em 31 de julho de 1960

Valores		Quantidade	Importancia
Cr$	1.00	308,961,655	308,961,655.00
	2.00	154,251,444 1/2	308,502,889.00
	5.00	164,046,238	820,231,190.00
	10.00	136,737,781 1/2	1,367,377,815.00
	20.00	101,429,125	2,028,582,500.00
	50.00	65,475,558	3,273,777,900.00
	100.00	51,036,259 1/2	5,103,625,950.00
	200.00	37,312,597 1/2	7,462,519,500.00
	500.00	80,439,973 1/2	40,219,986,750.00
	1,000.00	104,496,306 1/2	104,496,306,500.00
		1,204,186,939	165,389,872,649.00

Circulação em 30-6-60 ..... 163,295,989,749.00
Circulação em 31-7-60 ..... 165,389,872,649.00

Maior circulação em 31-7-60 ..... 2,093,882,900.00

DEMONSTRAÇÃO DA DIFERENÇA ACIMA APONTADA

Emissões:

Carteira de Redescontos 2,100,000,000.00

Resgates:

Por moeda divisionária 6,117,100.00

Diferença para mais 2,093,882,900.00

0916

AIR POUCH

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.13/8-2960

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 162 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — August 29, 1960 (DATE)

REF : CERP, Section B, III, D-1, April 3, 1957
Embassy Despatch 89, August 2, 1960

Enclosure

55 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RMA-2 REP-1 INR-7 E-7 ICA-4
	REC'D 9/5	INFO OTHER CIA-10 COM-8 TR-3 FRB-3 XMB-4

SUBJECT: Paper Money in Circulation, July 31, 1960.

Enclosed is a copy of the statement of the Caixa de Amortizaçẽo for July 31, 1960. As of that date, the total amount of paper in circulation amounted to Cr$165,390 million. There was an increase of Cr$2,094 million during the month as compared to an increase of Cr$2,594 million in July, 1959.

For the Ambassador:
Herbert K. May
Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Table on paper money in circulation on July 31, 1960.

MWCoyle/mwc
REPORTER

UNCLASSIFIED

ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0917

UNCLASSIFIED

Enclosure 1
Despatch 162
Rio de Janeiro

CAIXA DE AMORTIZAÇÃO

Quadro demonstrativo do papel-moeda em circulação em 31 de julho de 1960

Valores		Quantidade	Importancia
Cr$	1.00	308,961,655	308,961,655.00
	2.00	154,251,444 1/2	308,502,889.00
	5.00	164,046,238	820,231,190.00
	10.00	136,737,781 1/2	1,367,377,815.00
	20.00	101,429,125	2,028,582,500.00
	50.00	65,475,558	3,273,777,900.00
	100.00	51,036,259 1/2	5,103,625,950.00
	200.00	37,312,597 1/2	7,462,519,500.00
	500.00	80,439,973 1/2	40,219,986,750.00
	1,000.00	104,496,306 1/2	104,496,306,500.00
		1,204,186,939	165,589,872,649.00

Circulação em 30-6-60	163,295,989,749.00
Circulação em 31-7-60	165,389,872,649.00
Maior circulação em 31-7-60	2,093,882,900.00

DEMONSTRAÇÃO DA DIFERENÇA ACIMA APONTADA

Emissões:	
Carteira de Redescontos	2,100,000,000.00
Resgates:	
Por moeda divisionária	6,117,100.00
Diferença para mais	2,093,882,900.00

UNCLASSIFIED

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.13/9-660

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
197
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
SEP 8 1960
September 6, 1960
DATE

REF : CERP, Section B, III, E-1, April 3, 1957
Embassy Despatch 75, July 29, 1960

Enclosure

For Dept. Use Only	ACTION	DEPT.
20	ARA-4	RM/R-2 REP-1 INR-7 E-7 ICA-11
	REC'D	OTHER
	9-12-60	Com-8 TR-3 FRB-3 XMB-4 CIA-10

INFO

SUBJECT: Operations of the Carteira de Redescontos, July, 1960.

The outstanding balance of total rediscounts by the Carteira de Redescontos on July 31 (see enclosure), amounted to Cr$59,203 million. This reflected an increase of Cr$2,368 million during the month.

The liability account, Tesouro Nacional, increased by Cr$2,100 million during July indicating an issue of paper currency in that amount on behalf of the Carteira de Redescontos.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Enclosure:
Balance sheet of the Rediscount Bureau, July, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 16 1960

MWCoyle/mwc
REPORTER

UNCLASSIFIED

ACTION ASSIGNED TO: NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	ACTION TAKEN DIRECTIONS TO RM/R

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

This Document must be Returned to the RM/R Files

832.13/9-660 HBS

0919

BANCO DO BRASIL, S. A.

Carteira de Redescontos

Balancete em 31 de julho de 1960

	Cr$
Ativo	
Titulos Redescontados	56,617,776,987.30
Titulos Redescontados - Lei 3,253	41,309,176.00
Titulos Redescontados - Decreto 29,536	2,543,495,926.90
Creditos a Receber	42,993,953.60
Bens Patrimoniais	19,336,132.40
Banco do Brasil S.A. - c/corrente	6,755,663.60
Devedores e Credores Diversos	3,000.00
Despesas Gerais	10,190,974.30
Banco do Brasil S.A. - C/Cobrança	20,119,545.90
Valores em Garantia	2,561,967,866.50
Depositários de Valores Diversos	9,112,560.00
	61,873,061,786.50
Passivo	
Tesouro Nacional	56,100,840,000.00
Superintendencia da Moeda e do Crédito	33,077,034.20
Fundo de Reserva	1,702,470,960.10
Provisão para Despesas de Notas	403,974,293.10
Redescontos	1,036,312,498.10
Juros	5,187,028.60
Titulos em Cobrança	20,119,545.90
Depositantes de Valores em Garantia	2,561,967,866.50
Bens Patrimoniais sob Responsabilidade de Terceiros	9,112,560.00
	61,873,061,786.50

0920

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.13/10-460

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
290
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
October 4, 1960
DATE

REF : CERP, Section B, III, D-1, April 3, 1957
Embassy Despatch 162, August 29, 1960

Enclosure

For Dept. Use Only	ACTION	DEPT.
	ara-4	Ref-1 Rmk-2 INR-7 E-7 ICA-11
	REC'D 10-10	INFO OTHER Cia-10 Com-8 TR-3 FRB-3 XMB-4

SUBJECT: Paper Money in Circulation, August 31, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
OCT 15 1960

Enclosed is a copy of the statement of the Caixa de Amortizaçäo for August 31, 1960. As of that date, the total amount of paper in circulation amounted to Cr$167,484 million. There was an increase of Cr$2,094 million during the month as compared to an increase of Cr$4,193 million in August, 1959.

For the Ambassador:

John Krizay
Financial Affairs Officer

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

OCT 31 11 4/60
REA/ISA
FILED
PM '60

Enclosure:
Table on paper money in circulation on August 31, 1960

1960 OCT 10 AM 10 52

MWCoyle/mwc
REPORTER

UNCLASSIFIED

ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

Document must be Returned to RM/R Central Files

832.13/10-460 HBS

0921

CAIXA DE AMORTIZAÇÃO

Quadro demonstrativo do papel-moeda em circulação em 31 de agosto de 1960

Valores	Quantidade	Importancia
Cr$ 1.00	309,669,645	309,669,645.00
2.00	155,419,064 1/2	310,838,129.00
5.00	164,978,213	824,891,065.00
10.00	136,473,357	1,364,733,570.00
20.00	101,184,177	2,023,683,540.00
50.00	65,405,275	3,270,263,750.00
100.00	51,292,485	5,129,248,500.00
200.00	37,271,042 1/2	7,454,208,500.00
500.00	81,741,032 1/2	40,870,516,250.00
1,000.00	105,925,755 1/2	105,925,755,500.00
	1,209,360,047	167,483,808,449.00

Circulação, em 31-7-60	165,389,872,649.00
Idem em 31-8-60	167,483,808,449.00
Maior circulação em 31-8-60	2,093,935,800.00

DEMONSTRAÇÃO DA DIFERENÇA ACIMA APONTADA

Emissões:	
Carteira de Redescontos	2,100,000,000.00
Resgates:	
Por moeda divisionária	6,064,200.00
Diferença para mais	2,093,935,800.00

0922

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.13/10-460

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

291
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 4, 1960
DATE

REF : CERP, Section B, III, E-1, April 3, 1957
Embassy Despatch 197, September 6, 1960

Enclosure

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 INR-7 E-7 ICA-11
	REC'D 10-10-60	INFO OTHER Com-8 IR-3 FRB-3 XMB-4 CIA-10

SUBJECT: Operations of the Carteira de Redescontos, August, 1960.

The outstanding balance of total rediscounts by the Carteira de Redescontos on August 31 (see enclosure), amounted to Cr$61,614 million. This reflected an increase of Cr$2,411 million during the month.

The liability account, Tesouro Nacional, increased by Cr$2,100 million during August indicating an issue of paper currency in that amount on behalf of the Carteira de Redescontos.

For the Ambassador:

John Krizay
Financial Affairs Officer

Coordinated:
Herbert K. May
Treasury Attaché

Enclosure:
Balance sheet of the Rediscount Bureau, August, 1960.

832.13/10-460 HBS

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NOV 7 - 1960

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
OCT 17 1960

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0923

BANCO DO BRASIL, S. A.

Carteira de Redescontos

Balancete em 31 de agosto de 1960

A t i v o	Cr$
Titulos Redescontados	59,271,584,654.80
Titulos Redescontados- Lei 3,253	44,404,848.00
Titulos Redescontados- Dec. 29,536	2,297,877,328.10
Créditos a Receber	42,135,106.10
Bens Patrimoniais	19,336,132.40
Banco do Brasil S.A. - C/Corrente	9,755,852.60
Devedores e Credores Diversos	2,135.00
Despesas Gerais	14,647,284.20
Banco do Brasil S.A. - C/Cobrança	19,969,298.40
Valores em Garantia	2,316,349,267.70
Depositários de Valores Diversos	9,112,560.00
	64,045,174,467.30

P a s s i v o	
Tesouro Nacional	58,200,840,000.00
Superintendencia da Moeda e do Crédito	31,327,553.20
Fundo de Reserva	1,702,470,960.10
Provisão para Despesas de Notas	403,974,293.10
Redescontos	1,306,374,689.80
Juros	54,755,845.00
Titulos em Cobrança	19,969,298.40
Depositantes de Valores em Garantia	2,316,349,267.70
Bens Patrimoniais sob Responsabilidade de Terceiros	9,112,560.00
	64,045,174,467.30

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AIR POUCH
PRIORITY

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(Security Classification)

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

348
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 26, 1960
DATE

REF : CERP, Section B, III, E-1, April 3, 1957
Embassy Despatch 291, October 4, 1960

Enclosure

For Dept. Use Only	ACTION	INFO DEPT.
REC'D 11/9	ARA-4	RM/A-2 REP-1 INR-7 E-7 ICA-11
		OTHER CIA-10 COM-8 TR-3 FRB-3 XMA-4 DLF-1

SUBJECT: Operations of the Carteira de Redescontos, September, 1960

The outstanding balance of total rediscounts by the Carteira de Redescontos on September 30 (see enclosure), amounted to Cr$71,593 million. This reflected an increase of Cr$9,979 million during the month. Rediscounts by the Bank of Brazil increased by Cr$9,915 million indicating that rediscounts for commercial banks increased by Cr$64 million.

The liability account, Tesouro Nacional, increased by Cr$9,500 million during September indicating an issue of paper currency in that amount on behalf of the Carteira de Redescontos.

For the Ambassador:

Coordinated:
Herbert K. May
Treasury Attaché

John Krizay
Second Secretary of Embassy

Enclosure:
Balance sheet of the Rediscount Bureau, September, 1960

832.13/10-2660

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BUREAU OF
INTER-AMERICAN AFFAIRS
NOV 16 1960

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0925

BANCO DO BRASIL, S.A.

Carteira de Redescontos

Balancete em 30 de setembro de 1960

A t i v o	Cr$
Titulos Redescontados	68,942,714,109.20
Titulos Redescontados - Lei 3,253	49,794,848.00
Titulos Redescontados - Dec.29,536	2,600,358,534.00
Créditos a Receber	41,186,258.60
Bens Patrimoniais	19,336,132.40
Banco do Brasil S.A. - C/Corrente	1,720,318.80
Despesas Gerais	19,651,534.30
Banco do Brasil S.A. - C/Cobrança	19,805,450.90
Valores em Garantia	2,618,830,473.60
Depositário de Valores Diversos	9,112,560.00
	74,322,510,219.80

P a s s i v o	
Tesouro Nacional	67,700,840,000.00
Superintendencia da Moeda e do Crédito	31,021,963.30
Fundo de Reserva	1,702,470,960.10
Provisão para Despesas de Notas	403,832,293.10
Redescontos	1,770,201,323.30
Devedores e Credores Diversos	7,000.00
Juros	66,388,195.50
Titulos em Cobrança	19,805,450.90
Depositantes de Valores em Garantia	2,618,830,473.60
Bens Patrimoniais sob Responsabilidade de Terceiros	9,112,560.00
	74,322,510,219.80

0926

AIR POUCH — PRIORITY

UNCLASSIFIED — (Security Classification)

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832.13/12-960

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

478 — DESP. NO.

DEC 13 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 9, 1960 — DATE

REF : CERP, Section B, III, E-1, April 3, 1957
Embdespatches 348, Oct. 26 & 462, Dec. 5, 1960 Enclosure

For Dept. Use Only	ACTION	DEPT.
	AMA-14	RM/R-2 REP-1 INR-7 E-7 ICA-11
	REC'D 12/19	INFO OTHER CIA-10 COM-8 TR-3 FRB-3 XMB-4 OLE-7

SUBJECT: Operations of the Carteira de Redescontos, October, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
DEC 30 1960
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The outstanding balance of total rediscounts by the Carteira de Redescontos on October 31 (see enclosure), amounted to Cr$76,414 million. This reflected an increase of Cr$4,881 million during the month. Rediscounts by the Bank of Brazil increased by Cr$3,143 million indicating that rediscounts for commercial banks increased by Cr$1,738 million.

The liability account, Tesouro Nacional, increased by Cr$4,400 million during October indicating an issue of paper currency in that amount on behalf of the Carteira de Redescontos.

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:

Herbert K. May
Treasury Attaché

Enclosure:
Balance sheet of the Rediscount Bureau, October, 1960

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ACTION ASSIGNED TO-	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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832.13/12-960

CAA

0927

BANCO DO BRASIL, S.A.

Carteira de Redescontos

Balancete em 31 de outubro de 1960

A t i v o	Cr$
Títulos Redescontados	68,765,549,640.30
Títulos Redescontados - Lei 3,253	49,394,848.00
Títulos Redescontados - Dec. 29,536	7,659,197,503.60
Créditos a Receber	39,656,410.80
Bens Patrimoniais	19,336,132.40
Banco do Brasil S.A. - C/Corrente	5,441,590.80
Despesas Gerais	25,844,072.60
Banco do Brasil S.A. - C/Cobrança	19,641,603.40
Valores em Garantia	7,677,669,443.20
Depositários de Valores Diversos	9,112,560.00
	84,270,843,805.10

P a s s i v o	
Tesouro Nacional	72,100,840,000.00
Superintendência da Moeda e do Crédito	30,655,265.00
Fundo de Reserva	1,702,470,960.10
Provisão para Despesas de Notas	403,755,693.10
Redescontos	2,259,841,200.30
Devedores e Credores Diversos	7,000.00
Juros	66,850,080.00
Títulos em Cobrança	19,641,603.40
Depositantes de Valores em Garantia	7,677,669,443.20
Bens Patrimoniais sob Responsabilidade de Terceiros	9,112,560.00
	84,270,843,805.10

0928

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(Security Classification)

FOREIGN SERVICE DESPATCH

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This Document (Must be returned to the RM/R Central Files)

FROM : Amcongen, São Paulo

253
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 3, 1961
DATE

REF : CERP Section D Item IV-A-4

JAN 6 1961

For Dept. Use Only	ACTION	DEPT.
	REC'D 1/11	INFO RM/R 2 INR 7 E 7 ICA 11 RSR 1 OTHER CIA 10 Com 8 TR 3 FRB 3 RMB 4

SUBJECT: Devaluation of Currency in São Paulo During the Past Ten Years.

There is enclosed a table, prepared by the Division of Statistics and Social Documentation of the Secretariat of Education and Culture of the Municipality of São Paulo, which shows the devaluation of the Brazilian currency in São Paulo during the past ten years.

This table shows that the intrinsic value of Cr$ 100,000 dropped since the year 1951 to Cr$ 15,528 on June 30, 1960. This same Cr$ 100,000 with interest compounded at 12 percent a year would have produced Cr$ 262,828 by the end of June 1960, but the intrinsic value of that sum at the end of June 1960 was only Cr$ 40,817.

For the Minister Consul General:

Rudolf E. Cahn
American Consul

Enclosure:
Table.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 17 1961

DEPARTMENT OF STATE
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INTER-AMERICAN AFFAIRS
JAN 17 1961

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JAN 30 8 32 AM '61

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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Page 1 of 1
Encl. No. 253
Desp. No.
From Amconsul São Paulo

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(Classification)

Weighted Index of Cost of Living, Purchasing Power of the Currency in São Paulo, and Currency Circulation in Brazil During the Years 1951 to 1959 (December of each year) and during the first half of 1960.

Years	Weighted Index of Cost of Living *	Purchasing Power of Currency	Money in Circulation Cr$1,000 *	Percentage Increase in Money in Circulation Over 1951	Cr$ 100,000 with Compound Interest at 12% a Year	Base Year 1951 = 100 Purchasing Power of Cr$100,000 in Face of Currency Devaluation	Purchasing Power of Cr$100,000** in Face of Currency Devaluation
1951	100	100.00	35,319,454	0.00	100,000.00	100,000.00	100,000.00
1952	130	76.92	39,282,241	11.22	112,000.00	76,920.00	86,150.40
1953	155	64.51	47,004,352	33.09	125,440.00	64,510.00	80,921.30
1954	190	52.63	59,041,145	67.17	140,492.80	52,630.00	74,179.00
1955	225	44.44	69,339,910	96.34	157,351.90	44,440.00	69,927.20
1956	284	35.21	80,819,139	128.84	176,234.20	35,210.00	62,052.10
1957	323	30.97	96,575.095	173.43	197,382.30	30,970.00	60,026.90
1958	396	25.25	119,813,625	239.23	221,068.10	25,250.00	55,819.70
1959	565	17.70	154,620,842	337.78	247,596.30	17,699.00	43,824.50
1960							
Jan.	589	16.98	154,615,546	337.76	250,072.26	16,978.00	42,462.27
Feb.	602	16.61	154,615,499	337.76	252,572.98	16,611.00	41,952.37
March	615	16.26	154,611,633	337.75	255,098.71	16,260.00	41,479.05
April	629	16.05	157,907,974	347.08	257,649.70	16,051.00	41,352.78
May	630	15.87	160,703,042	355.00	260,226.20	15,873.00	41,297.90
June	644	15.53	163,503,042	362.93	262,828.46	15,528.00	40,817.26

* December.
** With compound interest.

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PRIORITY — (Security Classification)

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 556 (DESP. NO.) — JAN 4 1961 — January 3, 1961 (DATE)

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, Section B, III, E-1, April 3, 1957
Embdespatches 478, Dec. 9 & 531, Dec. 28, 1960 Enclosure

For Dept. Use Only	ACTION	DEPT.
5-5	ARA-4	INFO: ARA-2 INR-7 REP-1 E-7 ICA-11
	REC'D 1/9	OTHER: CIA-10 COM-8 IR-3 FRB-3 XMB-4 OLE-7

SUBJECT: Operations of the Carteira de Redescontos, November, 1960.

The outstanding balance of total rediscounts by the Carteira de Redescontos on November 30 (see enclosure), amounted to Cr$84,983 million. This reflected an increase of Cr$8,509 million during the month. Rediscounts by the Bank of Brazil increased by Cr$5,556 million indicating that rediscounts for commercial banks increased by Cr$2,953 million.

The liability account, Tesouro Nacional, increased by Cr$8,100 million during November indicating an issue of paper currency in that amount on behalf of the Carteira de Redescontos.

For the Chargé d'Affaires, a.i.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 16 1961

John Krizay
Second Secretary of Embassy

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Coordinated:
Herbert K. May
Treasury Attaché

Enclosure:
Balance sheet of the Rediscount Bureau, November, 1960

832.13/1-361

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0931

Enclosure 1
Despatch 556
Rio de Janeiro

BANCO DO BRASIL; S.A.

Carteira de Redescontos

Balancete em 30 de Novembro de 1960

A t i v o	Cr$
Titulos Redescontados	73,397,332,214.80
Titulos Redescontados - Lei 3,253	48,291,648.00
Titulos Redescontados - Dec. 29,536	11,537,134,221.00
Créditos a Receber	113,586,359.30
Bens Patrimoniais	19,336,132.40
Banco do Brasil S.A. - C/Corrente	7,223,754.20
Despesas Gerais	30,315,415.40
Banco do Brasil S.A. - C/Cobrança	19,457,755.90
Valores em Garantia	11,555,606,160.60
Depositários de Valores Diversos	9,112,560.00
	96,737,396,221.60

P a s s i v o	
Tesouro Nacional	80,200,840,000.00
Superintendencia da Moeda e do Crédito	30,565,555.80
Fundo de Reserva	1,702,470,960.10
Provisão para Despesas de Notas	376,910,799.20
Redescontos	2,752,565,803.60
Devedores e Credores Diversos	7,000.00
Juros	89,859,626.40
Titulos em Cobrança	19,457,755.90
Depositantes de Valores em Garantia	11,555,606,160.60
Bens Patrimoniais sob Responsabilidade de Terceiros	9,112,560.00
	96,737,396,221.60

0932

INCOMING AIRGRAM Department of State

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PAGE 1 OF 4 PAGES

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FROM: RIO DE JANEIRO

Date Sent: January 24, 1961
Rec'd:

TO: Secretary of State

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NO: G-278

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832.13/1-2461 HBS

A representative of the American Bank Note Company, New York, informs that his firm has been successful in receiving a contract for supply of 290 million Brazilian currency notes to be supplied at the rate of 30 million notes monthly beginning immediately. His firm's bid was reduced to the fullest extent possible in order to recapture the market held for many years but lost recently to Thomas de La Rue and Company, Limited, London. The American quotation was $6.65 per thousand as compared with the de La Rue bid of $7.07. Quantities by denomination have not been decided upon, but it is indicated that about 90 million may be in 1000 cruzeiro notes with the balance divided more or less equally in orders for notes of 10, 20, 50, 100, 200 and 500 cruzeiros. No one or two cruzeiro paper notes are being made, and the five cruzeiro note is being produced by the Casa da Moeda (of the Bank of Brazil).

The American Bank Note representative estimated that his firm might lose up to $500,000 in fulfilling the contract. He explained, however, that his firm decided that this loss was being justified as a means of recapturing the market and especially in anticipation of future orders from the new administration.

During negotiations for the previous contract issued in 1960, the American Bank Note bid was $8.50 per thousand. Simultaneously, the firm offered to provide sets of notes for finishing in Brazil at $5.90 per thousand. They considered that Brazil might have interest in effecting the savings by providing for cutting and other finishing work which the firm estimated could be done in Brazil at a cost of one to two dollars per thousand. The firm indicated that it would be willing to provide technical assistance and possibly equipment, but found that the Brazilian authorities were uninterested in the possibilities.

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DEPARTMENT OF STATE

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ECON:RJBash:nbg
January 19, 1961

ECON-W. A. Fowler

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

655
DESP. NO.

January 31, 1961
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, Section B, III, E-1, April 3, 1957
Embassy Despatch 566, January 3, 1961

Enclosure

For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 INR-7 AEP-1 E-7 ICA-11
	REC'D 2/10	INFO OTHER CIA-10 COM-8 TR-3 FRB-3 XMB-4 DLF-9

SUBJECT: Operations of the Rediscount Bureau, December, 1960.

The outstanding balance of total rediscounts by the Rediscount Bureau on December 31 (see enclosure), amounted to Cr$100,659 million. This reflected an increase of Cr$15,676 million during the month.

This includes an amount of Cr$410 million in rediscounts of commercial paper for banks in liquidation or bankruptcy, an entry which has not appeared before. Presumably this involves good paper which was rediscounted for banks in good standing which, for some reason, later failed (as opposed to questionable paper which is usually rediscounted by the Caixa de Mobilização Bancária for banks in difficulty). The economic impact, however, is the same since the currency has already been issued and is in circulation.

The liability account, National Treasury, increased by Cr$16,700 million during December indicating an issue of paper currency in that amount on behalf of the Rediscount Bureau.

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:

Herbert K. May
Treasury Attaché

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
FEB 14 1961

Enclosure:
Balance Sheet of the Rediscount Bureau, December, 1960.

832.13/1-3161

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0934

BANK OF BRAZIL, S.A.

Rediscount Bureau

Balance Sheet on December 31, 1960

A s s e t s	Cr$
Rediscounts of Commercial Paper	81,671,705,452.70
Rediscounts of Agricultural Paper - Law 3,253	48,291,648.00
Rediscounts of Export Paper - Decree 29,536	18,528,622,771.50
Rediscounts of commercial paper of banks in liquidation or bankruptcy	409,538,393.50
Accounts Receivable	167,501,388.60
Capital Holdings	19,336,132.40
Deposit Account with Bank of Brazil	764,131.20
Sundry Debtors and Creditors	2,383,330.30
Collection Account with Bank of Brazil	19,302,917.40
Securities in Guaranty	18,547,094,711.10
Depositors of miscellaneous securities	9,112,560.00
	119,423,653,436.70

L i a b i l i t y	
National Treasury	96,900,840,000.00
Superintendency of Money and Credit	30,436,281.30
Reserves	1,997,188,558.40
Expenses in issuing paper currency	631,789,697.50
Rediscounts due in the coming half year	1,248,216,604.50
Interest due in the coming half year	39,552,106.50
Undistributed dividends	120,000.00
Bills under Collection	19,302,917.40
Depositors of securities in guaranty	18,547,094,711.10
Capital holdings for account of third parties	9,112,560.00
	119,423,653,436.70

NOTE: Explanations of the various entries are attached for future reference.

0935

Interpretation of the headings appearing as Assets and Liabilities of the Rediscount Bureau Balance Sheet.

On the Assets side:

Rediscounts of Commercial Paper - self-explanatory.

Agricultural Paper - Rediscount operations guaranteed by financing contracts made by farmers with banks and by promissory notes. These transactions are recorded separately because they are outside the rediscount limit set for the bank presenting the papers (Law 3,253, August 27, 1957).

Export Paper - Rediscount operations guaranteed by warrants or certificates of mercantile collateral. These transactions are also recorded separately because the rate applicable to them is 1/2% lower than the one charged for the rediscount of commercial paper. The list of the products enjoying this favorable rate is reexamined from time to time by the Finance Minister (Decree 29,536).

Rediscounts of Commercial Paper of Banks in Liquidation or Bankruptcy - Self-explanatory.

Accounts Receivable - Self-explanatory.

Capital Holdings - Real estate and buildings received in settlement of rediscount transactions not paid when due.

Deposit Account with the Bank of Brazil - Operating account for purposes other than those of rediscount and loan transactions

Sundry Debtors and Creditors - A residual account for miscellaneous operations.

Collection Account - Bank of Brazil - Bills rediscounted that have fallen due and were entrusted to the Bank of Brazil for collection.

Securities in Guaranty - Collateral in Treasury Letters for loans made to banks for a term not exceeding 180 days.

Depositors of Miscellaneous Securities - Miscellaneous securities received as subsidiary collateral.

0936

On the Liability Side:

National Treasury - The Rediscount Bureau requests the funds for the rediscount operations from the National Treasury. The necessary currency is issued under the responsibility of the National Treasury.

Superintendency of Money and Credit - A residual balance arising from interest credited to the Rediscount Bureau by force of the Law which instituted the Certificate of Equipment.

Reserves - According to the law, the reserve fund will be made up by 25% of the profits verified every half year.

Expenses in issuing paper currency - According to the law creating the Rediscount Bureau, all expenditures incurred with the issue of paper money shall be borne by that Department.

Rediscounts due in the coming half year - Self-explanatory.

Interest due in the next half year - Self-explanatory.

Undistributed Dividends - Self-explanatory.

Bills under Collection - Counter-account corresponding to Collection Account - Bank of Brazil on the assets side.

Depositors of Securities in Guaranty - Counter-account corresponding to Securities in Guaranty on the assets side.

Capital holdings for account of third parties - Counter-account corresponding to Depositors of Miscellaneous Securities on the assets side.

0937

PRIORITY

CONFIDENTIAL
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, Rio de Janeiro

766
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 3, 1961
DATE

REF :

For Dept. Use Only	ACTION	DEPT.
	ARA-4	INFO RM/R-2 REP-1 INR-7 E-7 IOA-11 B/FRC-3
	REC'D 3-10-61	OTHER Cm-8 TR-3 FRB-2 XMB-4 CIA-10 DLE-7

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
MAR 15 1961

SUBJECT: Brazilian Preparedness for Technical Discussions in Washington on Financial Matters

The reporting officer has learned that while Finance Minister Mariani and Dr. Octavio Bulhões are undoubtedly determined to institute an effective monetary stabilization program, they have to date concentrated only on two aspects of that program: the need to reduce the potential budgetary deficit and the need to revise the foreign exchange system. They have given no serious thought to the need for the establishment of quantitative credit ceilings at the Bank of Brazil or the need to curtail expenditures for the stock-piling of coffee. Knowing that the staff of the IMF will undoubtedly wish to discuss the latter subjects during the impending financial discussions in Washington, the reporting officer has urged Dr. Bulhões to concentrate on those subjects and prepare the necessary documentation pertaining to them as quickly as possible. These and other matters are discussed in the enclosed memoranda summarizing conversations with Sr. Casimiro Ribeiro (Enclosure 1) and Dr. Octavio Bulhões (Enclosure 2).

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor of Embassy
for Economic Affairs

Enclosures: As stated

832.13/3-361 HBS

CLASSIFIED FILE

HKMay|dh
REPORTER

CONFIDENTIAL

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The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

0938

CONFIDENTIAL

Memorandum of Conversation with
Sr. Casimiro Ribeiro, March 2, 1961

1. During the course of our conversation (summarized below) various gaps in the memorandum, "Foreign Financial Assistance", presented by the Brazilian Government to Ambassador Berle, Casimiro Ribeiro revealed that the Brazilian Government has not prepared, and is not at present intending to prepare, any additional documentation for submission either to the International Monetary Fund or to the U. S. Government. Ribeiro conceded the inadequacies of the aforementioned memorandum, but stated that he has been unable to persuade Dr. Bulhões of the need for more comprehensive documentation. He stated that Dr. Bulhões believes that the record of the Brazilian Government in fulfilling promises is so poor that the presentation of any new promises would probably have a negative effect in the IMF and among the Washington agencies. Ribeiro stated that Bulhões is taking the position that instead of making promises, the Brazilian Government should first "act" and then go to Washington showing that it has in fact done what is necessary for stabilization.

I pointed out that it is very difficult to conceive of any "action" within the next few days which could serve as proof that the necessary stabilization measures (budgetary, credit control, coffee purchases, etc.) would be taken during the rest of the year or thereafter. I stated that, as Ribeiro knows very well, the International Monetary Fund always and necessarily prepares analyses of the efforts being made and being programmed by any country seeking drawings, particularly on the second and third credit tranches. I emphasized that it would be a great pity if Minister Mariani's discussions in Washington were greatly delayed because of the fact that the Brazilian Government had not come prepared with a clear statement of its intentions, together with careful economic analyses. I expressed the fear that in the absence of such preparation, and if extended delays were thereby to occur, undesirable speculation would probably be provoked in Brazil concerning the receptivity in Washington to the Minister's proposals. I stated that I obviously could not speak for the U.S. Government on this matter, since the ultimate decisions must be made in Washington, but that the U.S. Government response to the Brazilian Government request for assistance would certainly be made more difficult (whatever the ultimate decision) if Brazil had not been able to reach an agreement with the IMF.

Ribeiro stated that he completely concurred with my point of view and was very anxious that I repeat it to Bulhões (whom I have been trying, without success, to see for the past two days). He said that he has the impression that neither Bulhões nor Mariani appreciates the kinds of technical discussions which

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must inevitably be held with the IMF whenever any efforts are made to obtain credits from that institution.

2. We discussed a number of questions which had occurred to me concerning the brazilian memorandum, "Foreign Financial Assistance". My comments and the responses made to those comments are summarized below:

a) I stated that any request for balance of payments assistance must obviously be based on a balance of payments analysis, and not simply upon a statement of indebtedness. Obviously, I said, it would be reasonable for anyone to ask why Brazil could not meet its obligated debt payments out of its own foreign exchange earnings or by a reduction of its imports. Ribeiro agreed that the memorandum was certainly defective in not having provided an overall analysis of this subject, however summary. He agreed that it would have been desirable, among other things, to state the intentions of the Brazilian Government with respect to capturing export proceeds (a large percentage of which are not now being captured by the Bank of Brazil). He agreed also that there should have been a statement of Brazil's intentions with respect to SUMOC Instruction 193.

b) I pointed out that the summary of Brazil's financial commitments during 1961 and 1962 apparently refers to Brazil's commitments in all currencies. I asked whether, if so, the Brazilian Government is expecting loans from the Export-Import Bank for the purpose of enabling Brazil to meet its balance of payments deficits, including its debt payments, with third countries. He stated that he did not know what Minister Mariani's intentions were in this regard, and agreed that there should at least have been some explanation on this point.

c) I stated that the prospects for the success of any stabilization effort closely depend upon a synchronized approach to credit controls and coffee, as well as budgetary and foreign exchange practices; yet, the memorandum did not even refer to credit controls and to the Government's prospective program for purchasing coffee. Ribeiro agreed as to the importance of those

0940

subjects but went on to say that Minister Mariani has not yet faced up to the need for making any decisions concerning them. He said that he was "certain" that Minister Mariani will take such steps as may prove to be necessary in those areas, but has simply not had the time to think about them yet.

I stated that while I did not wish to appear to be urging any particular type of policy, nevertheless it seems very clear to me that Minister Mariani should at least be prepared to furnish the Fund a careful description of his thoughts on these subjects, inasmuch as the Fund will certainly ask. Ribeiro stated that, as for Bulhões, the latter has so far been reluctant to agree to specific credit ceilings at the Bank of Brazil. He said that Bulhões is fully aware of the importance of maintaining very strict quantitative credit controls at the Bank, but that Bulhões is thinking of "day-to-day" controls, rather than planning credit ceilings. Ribeiro stated that he is trying to persuade Bulhões of the need of planned and reasonably firm credit ceilings and believes that he is making some headway. He went on to say that the domestic monetary impact of the contemplated exchange control measures will soon become evident, inasmuch as those measures will be taken within the next few days. He stated, in that connection, that when Ambassador Moreira Salles was asked to go to Washington a few days prior to the departure of Minister Mariani for Washington, Moreira Salles stated that he would do so, but only if the necessary foreign exchange measures had first been taken.

d) I asked about the statement in the memorandum that Brazil wishes to buy 1.5 million tons of wheat from the United States under PL 480. I expressed my surprise at that particular figure, inasmuch as I had understood that the Brazilian Government would want an agreement covering 1 million tons for the rest of 1961 and something in the range of 1.5 million tons annually for two or three years thereafter. Ribeiro stated that Minister Mariani wants a PL 480 Agreement, but only for one year. He said

0941

he did not know why Minister Mariani was opposed to a longer-period agreement.

e) I pointed to the fact that some of the data incorporated in the memorandum were a bit different from data which the Embassy had obtained elsewhere. I referred, for example, to the estimate in the memorandum of a prospective budgetary deficit of Cr$240 billion. Ribeiro stated that he also does not know the origin of that estimate and believes that it was first contrived as a means of serving the political objective of obtaining support within Brazil for a severe "economy plan". He agreed that the use of an exaggerated figure of that kind in discussions with the International Monetary Fund would be counter-productive and agreed that a more careful estimate should have been prepared for inclusion in the memorandum. As for the foreign exchange data in the memorandum I stated that I had been very much impressed that morning with Sr. Werther de Azevedo, the new Director of the Exchange Department of the Bank of Brazil, with whom I had discussed those data. I had told Werther, in that connection, that I would ask Ribeiro to try to reconcile the data in the memorandum with those held in the Exchange Department, and Werther had expressed a desire to work with Ribeiro on that subject. Ribeiro stated that he was very pleased at my initiative, since he had been reluctant to approach Werther directly on this matter, especially in light of the fact that Ribeiro had received no instructions from Bulhões or Mariani to do so.

Herbert K. May
Treasury Attaché

HKMay|dh
March 3, 1961

0942

CONFIDENTIAL

Memorandum of Conversation with
Dr. Octavio Bulhões (and, later, Casimiro Ribeiro)
March 3, 1961.

1. I repeated to Dr. Bulhões the substance of the comments which I had made to Casimiro Ribeiro on March 2 (see Encl. 1). After some discussion, he agreed that it was important to prepare full documentation of Brazil's stabilization plans for use in discussions with the IMF and with U. S. Government offficials in Washington. In reply to my question, he stated that he had never seen any studies on this general topic prepared by the staff of the IMF for use by the Board of the IMF when examining requests for drawings on the second or third credit tranches. Dr. Bulhões instructed Casimiro Ribeiro, who had joined us late during our discussion, to make a careful examination of previous IMF documents so as to ascertain all of the questions which are likely to be raised by the Fund's staff. He asked that I work with Ribeiro to make sure that all of the documentation prepared by the Brazilian Government is as complete as possible. He said that Ambassador Moreira Salles will probably be leaving for Washington on or about March 10 and that he (Bulhões) and Ribeiro will try to complete as much of the documentation by that time as possible, with the intention of completing all other necessary documentation prior to the departure of Minister Mariani "perhaps a week later". I expressed my willingness to work with Ribeiro on a purely technical basis, beginning whenever he desires. Bulhões, after some thought, said that he would like to begin that work on Monday, March 6.

2. After Ribeiro and I had left Bulhões' office, Ribeiro told me that the reason for the delay until March 6 is that he (Ribeiro) will be very busy until then preparing charts and graphs for use by President Jânio Quadros on television, probably the night of March 6. He said that a SUMOC instruction will probably be released tonight or tomorrow, announcing revision of the foreign exchange system, and that President Quadros' television address will be designed to explain the need for that revision and to demonstrate that the impact on the cost of living of doubling the cost of exchange rate will not be as great as some people have been fearing. 1/ Ribeiro stated that President Quadros' speech has already been written by Ambassador Roberto Campos, with a few amendments by Ribeiro.

Herbert K. May
Treasury Attaché

1/ I later learned that release of the SUMOC instruction was postponed until March 8, with a corresponding postponement of the President's speech.

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INCOMING AIRGRAM **Department of State**

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47 Action

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Classification

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PAGE ___ OF ___ PAGES

E Info
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Date Sent: March 6, 1961
Rec'd:

FROM: Amembassy RIO DE JANEIRO

TO: Secretary of State

NO: G-323

1961 MAR 9 AM 10 09 MESSAGE CENTER

MAR 9 28 PM '61 DEPARTMENT OF STATE

Ref: G-278 January 24, 1961

On February 17, 1961 the Brazilian government signed a contract with the American Bank Note Company for the printing of 290,000 bank notes in the following denominations:

30	million	notes of Cr$	10.00
50	"	"	20.00
50	"	"	50.00
40	"	"	100.00
40	"	"	200.00
40	"	"	500.00
40	"	"	1,000.00

Total value of notes to be issued Cr$ 75.6 billions.

The total cost of the notes CIF Rio de Janeiro is US$1,928,500.

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MAR 9 1961 IN ___ OUT ___

JUN 19

FILED
5 00 PM '61

832.13/3-661 HBS

ECON:DDHamermann:EJRash:nbg Clearance: JKrizay ECON - W. A. Fowler
March 3, 1961

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AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.13/3-961
ESMB

FOREIGN SERVICE DESPATCH

FROM : Amconsul São Paulo — 329 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 9, 1961 DATE

REF : CERP Section D Item V-B-3 — AMERICAN CONSULATE GENERAL

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	
	REC'D 3-14-61	INFO OTHER RM/R-2 REP-1 INR-7 E-7 ICA-11 TRS-2 NAVY-4 Com-8 TR-3 FRB-3 XMB WHA-10 STATE-7 NSA-4 ARMY-4

MAR 10
SAO PAULO, BRAZIL
DEPARTMENT OF STATE
INTER-AMERICAN AFFAIRS

SUBJECT: Lecture on Inflation by Dacio de Moraes, President of the Bank of the State of São Paulo AGR 8

Mr. Dacio Aguiar de Moraes, Jr., president of the Bank of the State of São Paulo, gave a lecture on inflation at the Brazilian Institute of Philosophy. He started his talk by saying the word "disinflation," coined by Janio Quadros, expresses the modern method of combatting inflation, without the drastic measures implied by deflation. Further on he said:

> "It is no longer admissible for a conscious government to undertake deflation, because of the terrible and useless sacrifice of the people, who would never spontaneously accept it. Furthermore, the social consequences are so uncertain, that it would be difficult to control protests or even outright rebellion."

Mr. Dacio Moraes went into a detailed and historical discussion of the causes and bad effects of inflation. He concluded by suggesting the following disinflation measures:

1. An educational campaign to make the people aware of the perils of inflation. This Mr. Moraes feels is essential because even disinflation, no matter how carefully carried out, calls for some sacrifices.

2. Reduce or eliminate government deficits, principally by compressing expenditures, especially those not directly and immediately contributing to the development of the country and that do not serve to increase production capacity.

3. Take stock of the exchange situation and future commitments, so as to propose to Brazil's creditors a revision in payments and simultaneously obtain new public and private investments from abroad.

4. Stimulate exports and particularly that of coffee, maintaining the international agreements so long as possible.

5. Determine the quantity, classification and quality of coffee stocks held in Brazil.

832.13/3-961 HBS

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REPORTER

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0945

6. Channel credit to the production of essential consumer goods, so as to combat the constantly rising cost of living. Do not facilitate credit for the production of durable goods, and restrict or even prohibit it for superfluous or luxury goods.

7. Coordinate fiscal and other legal measures with that credit policy, including measures to curtail exaggerated installment sales.

8. Discourage new investments based upon local credit, but permit and even encourage reinvestment of profits, duly verified, in the same enterprise.

9. Increase the production capacity of the country and the supply of goods and services by rationalizing production; better utilization of production factors, including that of labor through social legislation more adequate to economic development; by eliminating bottlenecks; and by strategic investments such as in transportation, storage of agricultural products, electric power, and in basic industries.

For the Minister Consul General:

Scott C. Lyon

Scott C. Lyon
American Consul

Source: Folha de São Paulo, March 9, 1961.

0946

(32)

FN/GOLDSTEIN

INCOMING TELEGRAM *Department of State* ACTION COPY

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38

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Action E

Info L ARA ICA P USIA INR GR COM INT TRSY RMR DT

Control: 1307
Rec'd: July 3, 1961
8:29 p.m.

RM/R Rio de Janeiro 10

FROM: Rio de Janeiro

TO: Secretary of State

NO: 10, July 3

7/5/61

Finance Minister Mariani announced July 1 issuance SUMOC instruction 208, major provision of which is that all imports, including petroleum wheat and newsprint, will hereafter be made through free exchange market. Text instruction 208 being transmitted by EMBDES 3.

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1961 JUL 5 AM 8 00
DEPARTMENT OF STATE

FILED
JAN - 5 1967

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832.13/12-2961
XR 832.10

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 539 NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — December 29, 1961 DATE

REF :

JAN - 1 1962

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20 For Dept. Use Only	ACTION	ARA-4	INFO	DEPT	RM/R 2	REP 1	AF	ARA	EUR	FE	NEA	CU	INR 5	E 3	P	IO	AID 7
				OTHER	AGR	COM 10	FRB 2	INT	LAB	TAR	TR 2	XMB 1					
		REC'D 1/9/62			AIR	ARMY	CIA 11	NAVY	OSD	OCB	USIA						

SUBJECT: FINANCE MINISTER REVEALS ISSUANCE OF 112 BILLION CRUZEIROS IN 1961

DEPARTMENT OF STATE
INTER-AMERICAN AFFAIRS

JAN 11 1962

In his only press conference since becoming Finance Minister, Walter Moreira Salles revealed that during the year 1961, Cr$112 billion in new currency had been issued, thereby increasing the outstanding volume of currency in circulation by approximately 50% over the level of December 1960. The Finance Minister also stated that of these Cr$112 billion released during the entire year, Cr$30 billion was issued in December presumably to finance Government operations. The total amount of currency now in circulation is Cr$318.9 billion as opposed to Cr$206.1 at the end of 1960.

It will be recalled that some Cr$52 billion were issued during and after the August/September political crisis to assist commercial banks in meeting public demands for liquidity. At the time these issuances were made there was little concern about the effects on real money supply since these new issuances were either matched by draw-downs in demand deposits on the part of the public or were used to increase cash holdings of commercial banks and the Bank of Brazil in anticipation of further liquidity demands. It will also be recalled that Instruction 214 of SUMOC (see Emdes A-276, October 4, 1961) established a mechanism providing for return of these funds to the monetary authorities and it was anticipated that the major part of this large issuance would either be withdrawn from circulation or sterilized. As it turned out, however, only Cr$15 billion of the total amount issued was sterilized in a special SUMOC account and this only for a short time. The balance was used by the Bank of Brazil to expand its loan operations (See Emdes 483 and 436, dated December 15 and November 28, respectively).

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REPORTER

FORM 6-61 FS-439 GPO 912596

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0948

Of the Cr$15 billion which had been placed in the sterilized SUMOC account, Cr$5 billion was drawn down in October and the balance was drawn down in December. The effective increase in currency in circulation in December, therefore, amounts to Cr$40 billion rather than Cr$30 billion as the Finance Minister had indicated. Based on past experience, increases in currency issuances show up in increased demand deposits with a lag of 60 to 90 days. The inflationary effects of this substantial increase in outstanding currency in December will, therefore, be felt in the period January through March as these amounts are reflected in increased demand deposits and total money supply.

For the Ambassador,

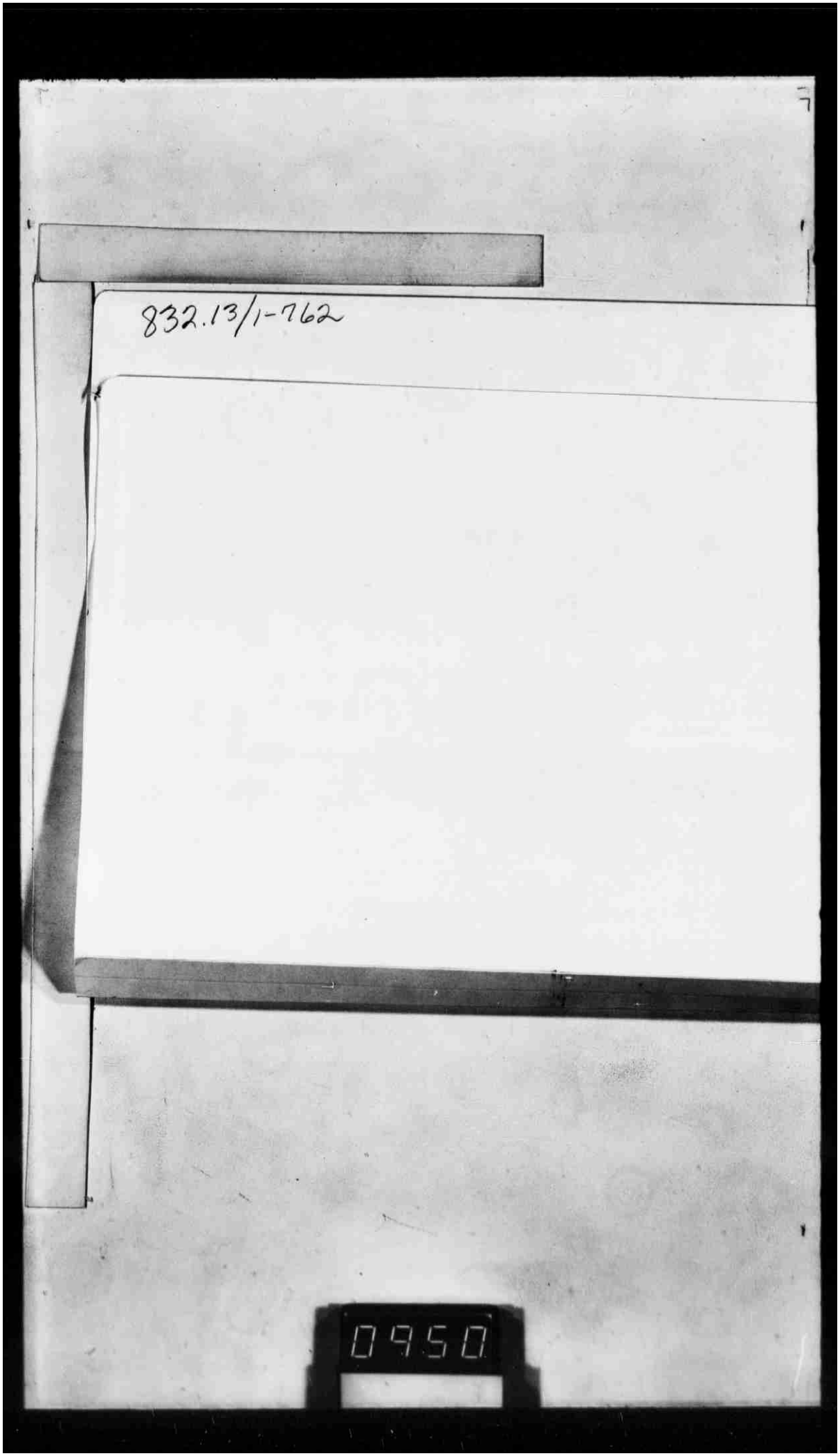
John Krizay
Second Secretary of Embassy

Cleared: Ralph V. Korp
Financial Attaché

APPROVED:

Robert Eakens,
Counselor for Economic Affairs.

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DEPARTMENT OF STATE

AIRGRAM

832.13/1-762

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1963 JAN 11 AM 9 44

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 14 1963

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

TO : DEPARTMENT OF STATE

FROM : AmEmbassy, RIO DE JANEIRO DATE: January 7, 1962

SUBJECT : 65% INCREASE IN CURRENCY IN CIRCULATION IN 1962.

REF : CERP D-12; A-651, of December 4, 1962.

Additions to currency in circulation in December amounted to roughly Cr$ 85 billions, bringing the year's increase to approximately Cr$ 200 billions or 65% over the level in effective circulation December 31, 1961.

The unprecedented increase in December resulted from heavy year end budget expenditures, usual increases in cash position of the public to facilitate Christmas buying, and the relatively easy financing offered by the Bank of Brazil to cover 13th month salary expenses.

According to some press reports, currency issuances during the month actually exceeded Cr$ 100 billions but part of this amount which resulted from demands for greater liquidity to cover Christmas buying, apparently has already flowed back to the monetary authorities and was withdrawn from circulation. The Finance Ministry continues to forecast that "the great part" of net December emissions will be returned to the banking system but beyond that resulting from normal increases in transactions balances of firms, it is doubtful that there will be any further substantial return flow. Ahh to the extent there is, it is likely to be promptly loaned out again this month to meet renewed credit pressures resulting from the minimum wage hike which went into effect this week.

For the Ambassador,

John Krizay
Second Secretary of Embassy

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FORM DS-323
4-62

Drafted by: ECON/JKrizay:anc

Contents and Classification Approved by: Edward J. Bash

Clearances: Ralph V. Korp

ACTION
ARA-4

RM/R	REP	AF
1	1	
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
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ARMY	CIA 10	NAVY
OSD	USIA	NSA 3

File
No action
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11/14/63
RJ Burton

JAN 15 1963

0951

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58

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Control: 18169
Rec'd: Jan. 30, 1962 10:15 p.m.

Action: E
Info: SS L ARA EUR IGA AID P USIA INR CIA NSA COM FRB TRSY RMR

FROM: Zurich

TO: Secretary of State

NO: 110, January 30, 4 p.m.

ACTION DEPARTMENT 110, INFORMATION BERN 20.

Foreign Exchange Manager largest Swiss commercial bank states very large purchases United States paper currency currently by Brazilian sources through Swiss Banks. Volume not known but European supplies insufficient and Swiss Banks buying United States currency New York to meet demand.

HOLT

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E MESSAGE CENTER CONTROL FEB 1 1962
JAN 31 1962 IN ... OUT

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OUTGOING TELEGRAM Department of State

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JAN 31 6 48 PM '62

Origin

Info:

ACTION: Amembassy RIO DE JANEIRO 2094

~~854.14/1-3062~~

CODE ROOM: Please repeat Amconsul ZURICH telegram No. 110 dated January 30, 1962, control No. 18169 to Department.

XR 811.13
832.13

RE: Banking

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Microfilmed by RMD7

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Drafted by: DKP
OFD:FN:DKPalmer:meh 1/31/62

Telegraphic transmission and classification approved by: DKP
OFD:FN - Donald K. Palmer

Clearances:

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FORM S-61 DS-322

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Rio de Janeiro 2094 854.14/1-3062

XR 811.13
XR 832.13

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Control: 5960
Rec'd: February 9 1962
10:26 pm

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1818, February 9, 2 p.m.

ACTION DEPARTMENT 1818, INFORMATION GENEVA 12, BERN 2, BUENOS AIRES 121, ZURICH 1.

GENEVA FOR FIELDS

DEPTEL 2094, DEPTEL 2145 repeated Buenos Aires 1406 and Zurich telegram 110 to Department.

Embassy has no knowledge Brazilian purchasers US currency. Director Exchange Department Bank of Brazil indicates his bank not responsible and disclaims any knowledge such movement. Several sources confirm considerable transfer Brazilian assets in US into Swiss numbered accounts, in view declaration provisions profit remittance bill. While this could be reason movement currency from US to Switzerland, on Brazilian account, would not explain re-export currency from Switzerland. Use Brazil "free market" possible, but not proven.

Embassy will continue alert this matter. Will appreciate any information from addressees that could help identify Brazilian purchasers.

BOND

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INCOMING TELEGRAM *Department of State*

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Control: 7256
Rec'd: FEB. 13, 1962
3:30 a.m.

Buenos Aires 1372 Reply-Jan - 3/1/62 - 032/33 - DTD

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FROM: Buenos Aires

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TO: Secretary of State

NO: 1372, February 12, 2 p.m.

ACTION DEPARTMENT 1372; INFORMATION RIO DE JANEIRO 129, GENEVA 4, ZURICH 1

Reference: Department telegram 1406 repeated Rio de Janeiro 2145, Geneva 1102, Zurich 157.

Banking circles contacted here disclaim knowledge unusual note shipments. They admit possible association with Brazilian situation but point out sales US currency generally higher in Argentina during summer travelling season and suggest this seasonal tendency reinforced by current uncertainty over peso. In early January exchange houses hard pressed to meet currency demand. Spread between cash and check rates reached two pesos January 4 and declined thereafter, but still fluctuating at higher than normal levels.

Central Bank has little information on exchange transactions in currency. It will advise Embassy if its records or other sources suggest explanation.

MCCLINTOCK

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E MESSAGE CENTER CONTROL
FEB 13 1962 CUT
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XR 832.13
XR 835.13

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INCOMING TELEGRAM

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Control: 9419
Rec'd: February 15, 1962
4:25 pm

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FROM: ZURICH

TO: Secretary of State

NO: 119, FEBRUARY 15, 6 PM

ACTION DEPARTMENT 119, INFORMATION BERN 21, GENEVA 2, RIO DE JANEIRO 2, BUENOS AIRES 1

GENEVA FOR FIELDS

RE DEPTEL 157, RIO TEL 1, BUENOS AIRES TEL 1

LARGEST SWISS COMMERCIAL BANK CONFIRMS LARGE SALES TO SEVERAL BANKS IN ARGENTINA. NEITHER ULTIMATE PURCHASERS NOR MOTIVES BEHIND PURCHASES KNOWN HERE. HOWEVER, SALES SUBSTANTIALLY LARGER THAN SEASONAL AND MAY REFLECT: (1) FEARS OF DEVALUATION ARGENTINE PESO, CURRENTLY SWAPPED AT RATE ABOUT 17 PERCENT (2) PURCHASES BY BRAZILIAN SOURCES FRIGHTENED BY PROPOSED LEGISLATION AND INFLATIONARY TRENDS BRAZIL. ONE SWISS BANKER HAS RECENT ALARMING REPORT PRICES IN BRAZIL EXPECTED RISE 50-60 PERCENT ANNUALLY.

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CORRECTION ISSUED 2/19/62 12:15 AM
Control: 10044
Rec'd: FEBRUARY 16, 1962 3:44 PM

FROM: GENEVA - CORRECTED PAGE 1

TO: Secretary of State

NO: 816, FEBRUARY 16, 1 PM

ACTION DEPARTMENT 816; INFORMATION RIO DE JANEIRO 13, BUENOS AIRES 7, ZURICH 6

PASS TREASURY

FROM FIELDS

REFERENCE: DEPARTMENT TELEGRAM 2145.

MOST LIKELY INFORMATION SOURCE HERE DISCLAIMS KNOWLEDGE REASON FOR AND MOVEMENT OF US CURRENCY INTO SWISS NUMBERED ACCOUNTS FOR CREDIT BRAZILIANS. HOWEVER, JUDGES SUCH TRANSFER NOT IMPROBABLE AND BELIEVES REASON IS FEAR OF DISCLOSURE BY OUR PENDING LEGISLATION. STATES RECENT BRAZILIAN LAW REQUIRING DOLLAR EXCHANGE TRANSACTIONS WITHIN SPECIFIED BUYING AND SELLING LIMITS EFFECTIVELY DAMPENED SPECULATIVE FLUCTUATIONS CRUZEIRO, BUT AGREES FREE MARKET VARIATIONS ARE GREATER. POINTS OUT ARGENTINE INTERESTS ACTIVE IN BRAZILIAN MARKET IN PAST AND GUESSES MAY STILL BE SO.

FRANC RATE FOR DOLLARS AVAILABLE PUBLIC HERE IMPROVED SIGNIFICANTLY LAST TWO WEEKS AFTER REMAINING FAIRLY STEADY SEVERAL MONTHS. MAY INDICATE TRANSFER OF BRAZILIAN ASSETS GOING INTO NUMBERED DOLLAR ACCOUNTS SIMPLY IN ORDER AVOID DISCLOSURE RATHER THAN INTO SWISS FRANC ACCOUNTS FOR LACK CONFIDENCE IN DOLLAR. IF LATTER, VOLUME APPARENTLY NOT SUFFICIENT OVERCOME OTHER FORCES RECENTLY PROVIDING STABILITY AND FIRMNESS. ABOVE SOURCE BELIEVES CONVERSION INTO FRANC ACCOUNTS UNLIKELY

(1)

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Action TRSY

Control: 11814
Rec'd: February 19, 1962
9:28pm

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FROM: Buenos Aires

TO: Secretary of State

NO: 1421, February 19, 5 p.m.

ACTION DEPARTMENT 1421; INFORMATION RIO DE JANEIRO 130, GENEVA 6, ZURICH 2.

Reference: DEPTEL 1406, repeated Rio 2145, Geneva 1102, Zurich 157.

In further response query on note shipments, Deputy head Central Bank Exchange Department estimated that approximately 3 million in notes were shipped to Buenos Aires in December and 4 million in January. He was unwilling disclose basis this estimate or reveal Bank's figures on volume exchange trading here. In his opinion all notes absorbed in Buenos Aires by speculators and those fearing devaluation although he admitted Bank would not know if notes sent on to Brazil.

MCCLINTOCK

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Buenos Aires 1421

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Control: 13705
Rec'd: Feb. 22, 1962
9:11am

FROM: Geneva

TO: Secretary of State

NO: 836, February 21, 7 p.m.

ACTION DEPARTMENT 836, INFORMATION DIO DE JANEIRO 14, BUENOS AIRES 8, ZURICH 7

TREASURY FROM FIELDS

Reference: Department telegram 2145

Following receipt Zurich communications, saw local branch manager largest Swiss bank and E. G. De Biedma, Argentine head of Banque Sudatlantique in Geneva.

Former had explanation for currency movement which failed to check out and spoke guardedly on transfer Brazilian assets in US into Swiss numbered accounts. My judgement following may be concluded from his statement (1) transfer taking place, (2) main reason probably fear of disclosure by our pending legislation, (3) some these assets actually being transferred in form dollar notes, (4) bulk such resulting numbered accounts are dollar accounts.

De Biedma disclaimed knowledge Brazilian assets transfer into Swiss numbered accounts but not surprised.

(H) Stated categorically that Swiss banks are buying and forwarding dollar currency for Argentine account. Dollar notes bought at better rate than dollar checks for example are shipped Buenos Aires where notes command premium over other transfers (83.70 pesos versus 82.90). Profit not sole motive. Demand for dollar currency also as hedge against depreciation peso and due rumor "IMF standby arrangement likely to be /terminated

Geneva - 836
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x/c 8/1.13 x/c 835.13
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Control: 14939
Rec'd: February 24, 1962
5:45 a.m.

FROM: Buenos Aires

TO: Secretary of State

NO: 1465, February 23, 6 p.m.

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Reference: Paz telegram sent Department 778, repeated Buenos Aires 22.

Believe Department best position reply to points raised first paragraph reference telegram. With respect second paragraph, wish comment that if the Argentines are, as Ambassador Stephansky suspects, trying put responsibility on US for Argentina break with Cuba, this would be consistent past tactics Frondizi administration. Latter has on many occasions "privately" told persons, in Argentina or outside, that certain actions unpopular in the quarters involved had been taken at the behest of the US. Frondizi has also now scrupled to set abroad report that there was a prior agreement between US and GOA as to line each would take separately at Punta del Este. Eventually, however, these birds of fancy will come home to roost.

(3)

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Buenos Aires 1465

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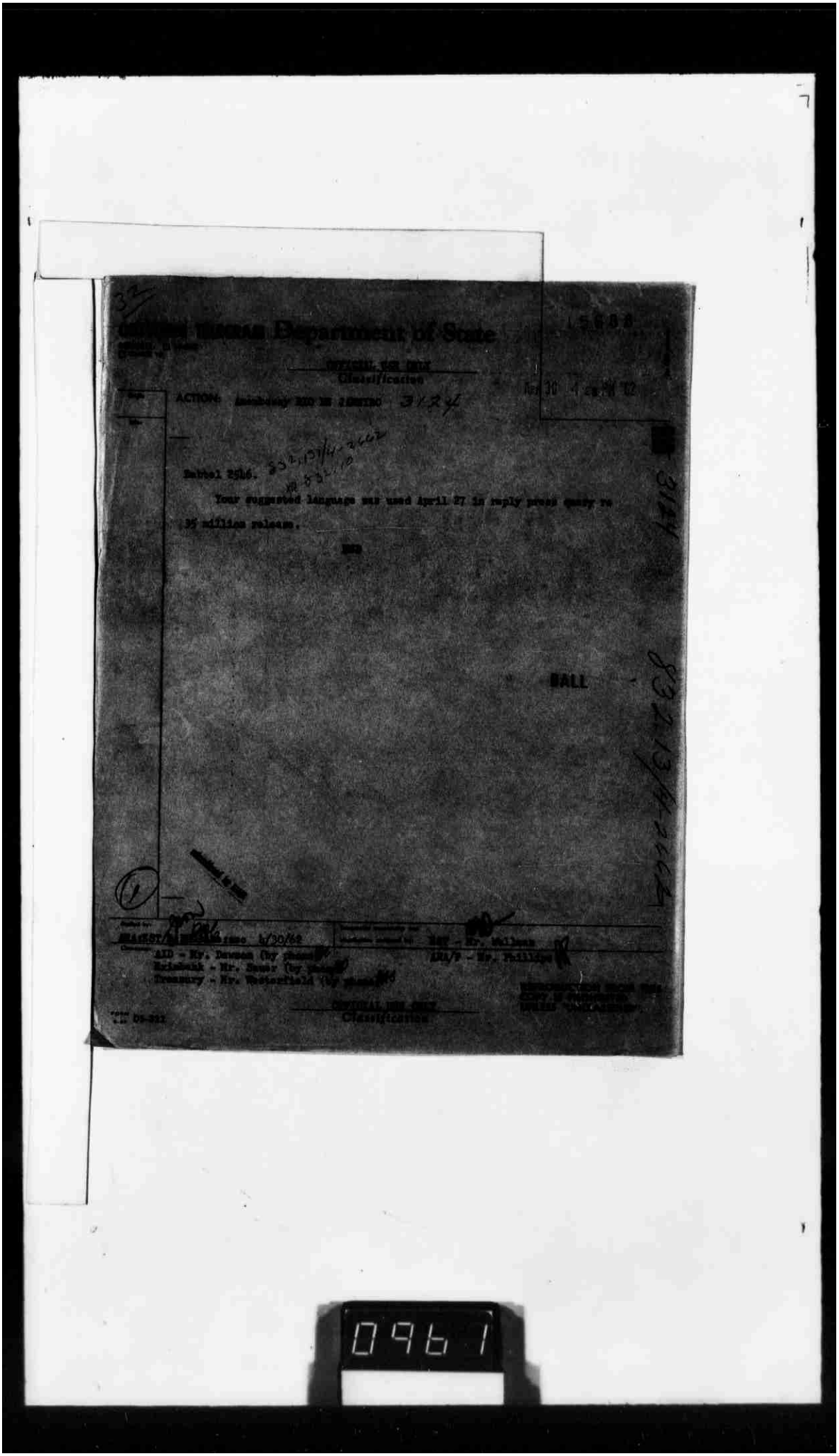
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ESIA - RJ Rogers	No action - See Paz 429 to La Paz	3/1/62	file

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Department of State

Classification

ACTION:

Embtel 2516.

Your suggested language was used April 27 in reply press query re $5 million release.

BALL

AID - Mr. Dawson (by phone)
Rothschild - Mr. Sauer (by phone)
Treasury - Mr. Westerfield (by phone)

Classification

0961

OUTGOING TELEGRAM Department of State

INDICATE ☐ COLLECT
☒ CHARGE TO Eximbank

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ACTION: Amembassy RIO de JANEIRO

3200

RIO 3200

TOAID 300.

EXIM attitude re Volta Redonda project encompassed in position stated during recent financial negotiations connection with release of funds under $338 million quote Aid Package unquote. Bank agreed to make available for specific projects as mutually agreed such portion of remaining balance of $168 million (now $43 million) as would not be needed for support of the stabilization program.

EXIM not prepared to consider increasing commitments for projects in Brazil at this time apart from transfer of funds implicit in above agreement. END

BALL

Unclassified by EXIM

Drafted by: Eximbank:FSConger
AA/DFPS:TKShields:cd 5/7/62

Telegraphic transmission and classification approved by: Thomas K. Shields

Clearances:
Eximbank - Mr. Sauer
ARA - Mr. [redacted] R. Crane
AA/LA - Mr. Parle

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FORM DS-322

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INCOMING TELEGRAM **Department of State**

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Control: 12998
Rec'd: May 17, 1962
6:36 p.m.

CORRECTION ISSUED: 5/18/1962, 7 p.m. MGG

RIO 2722

FROM: Rio de Janeiro - CORRECTED COPY

TO: Secretary of State

NO: 2722, May 17, 4 p.m. (SECTION I OF II)

Reference: Department telegram 3200.

AID Export-Import Bank Financing of the Volta Redonda Project.

1. Export-Import Bank refusal consider financing Volta Redonda expansion, except in substitution for part of balance of payments support package negotiated last May, raises critical issues of policy on future Alliance for Progress in Brazil, which I believe should be reviewed on highest level.

2. Assuming project itself meets standards of economic soundness, contributions to Brazilian development, and use funds for importing US manufactured equipment, this decision implies that Export-Import Bank has closed door's on Brazilian capital projects unless they are substituted for last May's commitments. Since the Export-Import Bank portion of that commitment was earmarked for liquidation of US commercial arrears, however, such substitution would deviate from original commitment. In recent Washington discussions, Linder did indicate idea substitution capital projects for any part of commitment "not needed for balance of payments purposes". But I thought that he agreed this was not really a realistic notion, since prospects on current balance of payments, plus large volume unliquidated swaps makes clear that Brazil can easily use full remaining amount for balance of payments support.

3. Operational result this position, therefore, is that Export-Import Bank is out of development financing business in Brazil at least for the time being. Reason for this position, as I

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RIO 2764

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Control: 17216
Rec'd: May 23, 1962
6:37 p.m.

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FROM: Rio de Janeiro

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TO: Secretary of State

INFO:
RM/R FILES file

NO: 2764, May 23, 3 p.m. (SECTION ONE OF TWO)

PASS SOUTHARD

Following main points conversation with Moreira Salles May 22, in addition item reported EMBTEL 2761;

1. Finance Minister said basic economic situation good (production, employment) and he encouraged by financial actions taken over weekend. (EMBTELS 2739, 2743 and 2755). However, he admitted concern about recent political developments, particularly deterioration governmental authority in face eligibility problem and widely expected reorganization of Cabinet by July 7 at latest, and quite likely sooner. Said would urge President Cabinet reorganization should take place immediately and not await constitutional date.

2. Finance Minister explained his view new exchange policy as giving complete freedom to exchange market, with exception such temporary arrangements as may be made in attempt limit pressures on market from financial remittance arrears accumulated past few months. Bank of Brazil will be very flexible in adjusting its rates to market. On coffee policy, confirmed reports IBC dissatisfied with government policy for coffee financing as expressed SUMOC 227 (EMBTEL 2755). However, SUMOC 227 to be in effect until final agreement reached with IBC, and possibly thereafter. Finance Minister said main problem was purchase price for Parana coffee. Any case contribution quota would be kept at level (from $21 to $23 per bag) which would not anti-inflationary accumulation

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NUMBERED
Control: 11211
Rec'd: July 16, 1962
5:20 p.m.

RIO 141

FROM: Rio de Janeiro

TO: Secretary of State

NO: 141, July 16, 2:00 p.m.

INFO: ESTH

RMR/FILES: Nicely drafted

ARA/EST Peterson
EIFN GKFitz
7/18/62

PRIORITY

ACTION DEPARTMENT 141 INFORMATION BUENOS AIRES 3

In any new demarche for US and/or IMF balance of payments assistance, GOB may wish make use argument Argentina recently received IMF and US financial "package", despite high degree of non-performance on stabilization, turbulent political and economic situation and uncertain prospects.

Would appreciate early information on circumstances financial assistance to Argentina and comments on how differs from Brazil's case.

GORDON

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Action ARA

Control: 9025
Rec'd: AUGUST 12, 1962
3:48 PM

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FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 365, AUGUST 11

FOLLOWING FROM BRASILIA

PRIME MINISTER YESTERDAY DELIVERED TO PRESIDENT CHAMBER OF DEPUTIES CABINET'S MUCH-HERALDED MESSAGES REQUESTING DELEGATED POWERS. ONE MESSAGE CONTAINS 20 "POINTS" OTHER MESSAGE IS DRAFT BILL DIRECTING SUPREME ELECTORAL TRIBUNAL SET PLEBISCITE DATE PRIOR DECEMBER 21, CONSTRUING "NINE MONTH" PROVISION OF ARTICLE 25 ATO ADICIONAL TO MEAN "NOT LATER THAN 9 MONTHS".

PROJECTS GROUPED UNDER 8 SECTIONS AS FOLLOWS: (1) AUTHORITY TO LEGISLATE ON FOOD SUPPLY AND AGRICULTURAL EXPANSION (B) CREATION FEDERAL FARMING FUND. (2) MEASURES FOR "AGRARIA RECISION" (A) RURAL LABOR LAW (B) REGULATION RURAL RENTS (C) EXPROPRIATION, IN SOCIAL INTEREST, INCLUDING LANDS UTILIZED "IN RATIONAL AND ECONOMIC MANNER" (D) CREATION OF AGENCY CARRY OUT AGRARIAN REFORM UNIFYING ALL EXISTING AGENCIES. (3) REPRESSION OF ABUSE ECONOMIC POWER. (4) (A) AUTHORIZATION FOR DISCIPLINE OF APPLICATION OF FOREIGN CAPITAL, REGULATION OF PROFIT REMITTANCES AND FORCING (BRAZILIAN) INDIVIDUALS AND CORPORATIONS TO DECLARE THEIR ASSETS ABROAD (B) GOVERNMENT MONOPOLY OF OIL IMPORTS AND EXPORTS OF "ATOMIC MINERALS". (C) INTERVENTION IN MINING AND HYDRO-ELECTRIC INDUSTRIES (D) EXERCISE OF MONOPOLY, WHEN NECESSARY, IN SEMI AND PRECIOUS STONE INDUSTRY, STIMULATION OF GOVERNMENT AIDED MINING COOPERATIVES (E) PROMULGATION OF TELECOMMUNICATIONS REGULATIONS (5) ADMINISTRATIVE MEASURES CONCERNING COURT INJUNCTIONS, REORGANIZATION OF FEDERAL DEPARTMENT OF PUBLIC SECURITY INTO NATIONAL POLICE FORCE, CREATION OF TWO MINISTRIES WITHOUT PORTFOLIO, (6) FISCAL MEASURES (A) AUTHORITY FOR TAX REFORM (B) REFORM OF LAW REGULATING PUBLIC DEBT (7) MONETARY AND EXCHANGE

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Control: 14096
Rec'd: September 18, 1962
7:12 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 649, September 18

New currency issues during recent crisis brought total this year to CR$105 billion (including CR$5 billion released from SUMOC vaults) as of September 14. Of this, CR$40 billion issued thus far in September. Accordance previous experience part of recent issue will probably reflow temporarily to monetary authorities.

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Rec'd: October 12, 1962
7:32 p.m.

ACTION: ES+/B
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RIO 831

FROM: Rio de Janeiro

TO: Secretary of State

NO: 831, October 12, 7 p.m.

ACTION DEPARTMENT 831; INFORMATION MEXICO CITY 18 RM/R-Yuri 10/19-Jane

MEXICO FOR HERBERT MAY

Finance Minister presented outline new anti-inflationary program to Cabinet October 11. Press today carries description program as officially released and reports Cabinet will meet again October 17 to pass on program.

Summary published program will be sent airgram. General objectives for 1962 reduce potential increase money supply during year from 53.8 percent to 40 percent, mainly through reduction budget deficit by CR $50 billion from potential deficit. Latter would be accomplished increase public service rates, decrease subsidies, further postponements expenditures, flotation bonds, et cetera. For 1963 foresee potential deficit CR $944 billion, to be reduced to CR $607 billion by cuts and postponements and further to CR $300 billion if additional economies made and tax revision yielding CR $200 billion new revenue approved. Proposal is obtain tax revision from Congress still this year.

Published program along general lines indicated privately by Calmon. However, manner public release prior definitive Cabinet decision (allowing criticism to mount, particularly against tax measures) and 1963 budget of CR $300 billion cash deficit, even after assuming tax reform, are disappointing. There are presumably other elements of program and perhaps targets not released to public. Plan see Calmon Monday and hope clarify situation.

GORDON

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INCOMING TELEGRAM *Department of State*

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Control: 13091
Rec'd: October 17, 1962
10:31 a.m.

ACTION:
INFO:
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FROM: Rio de Janeiro

TO: Secretary of State

NO: 857, October 16, 9 p.m.

ACTION DEPARTMENT 857, INFORMATION MEXICO CITY 21

MEXICO CITY FOR HERBERT MAY

EMBTEL 831

I saw Calmon October 15, accompanied by Draper, Costanzo and Korp. Main items:

1. Calmon not going to Mexico City due physicians objection attitude. Said not clear who will replace. Mentioned Celso Furtado as possibility.

2. Finance Minister indicated description stabilization program as published (reference telegram) accurate reflection targets he felt realizable without foreign aid. External assistance could obviously help accelerate reducing inflation but not included program because, (a) could not count on such aid, and (b) did not wish suggest to public efforts foreseen in program might not be necessary if aid obtained. Said targets with aid component would be different but indicated on such presentation yet prepared.

3. Believes foreign exchange position just about manageable until end year. Deficit about $80 million (apparently excluding any net repayment arrears) could be covered mainly by shipment $70 million free gold for pledging against new bank plans. Said had told Goulart could not see how operate beyond end November. Reported attitude New York banks unfavorable renew present credit lines $27.5 million which repayable decelter).

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4. Calmon indicated he counting considerable on Kennedy visit as opportunity raise problems balance payments for 1963. Appeared be thinking mainly rescheduling medium and long-term debt (payments $320 million due next year). I stated I felt Presidential visit inappropriate occasion discussion detailed financial matters and suggested better time would be visit by Calmon to Washington as previously planned. Calmon indicated he still thinking in terms visit second half November.

5. Latest GOB thinking appears be postpone minimum wage issue as well as raising public service rates and elimination subsidies until January when could be instituted simultaneously in period seasonally lower monetary pressures. Target new tax revenue reduced from original cruzeiro $250 billion to cruzeiro $200 billion basis judgment political feasiblity. Breakdown roughly cruzeiro $100 billion consumption, cruzeiro $75 billion income and cruzeiro $25 billion stamp taxes. Calmon said latter two presented few political problems; would minimize problem consumption taxes by establishing categories such that less essential goods more highly taxed. Taxes on mass consumption items would be unchanged.

6. 1963 target reduction budget deficit to cruzeiro $300 billion implies keeping issue new currency to roughly half this amount (difference made up through monetary measures, e.g., increase coffee account), consistent roughly 30 percent increase cost living next year.

7. Calmon had just received delegation Paulista industrialists seeking commitment bank of Brazil rediscounts to finance 13-month salaries in December. They would need 30 to 40 billion cruzeiros, on basis implying perhaps double this amount for entire nation. Calmon considers this additional inflatonary pressure horrifying, intends to refuse, and is contemplating law amendment or interpretation permitting spread 13 month over several months beginning January.

Comment:

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-3- 857, October 16, 9 p.m., from Rio de Janeiro

Comment:

Calmon's program right direction but as yet difficult perceive how it alone could be basis fruitful discussions with external capital sources. Presumably program will be reviewed and undergo changes before US and others approached. Calmon gives evidence underestimating both internal means available reduce rate inflation and contribution foreign assistance could make thereto. We indicated on face appeared somewhat difficult approach negotiation if target figure reduction inflation 30 percent next year. Suggested would be helpful have more details program, some indication what role foreign assistance could play in improving targets and indication 1964 program goals. Administrative framework still far from clear, although Calmon stated personal belief present cabinet, with perhaps Balbino assuming prime ministership and Hermes Lima staying at Itamaraty, was likely continue until January plebiscite.

GORDON

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DEPARTMENT OF STATE

AIRGRAM

832.13/11-962

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A-535 (NO.) OFFICIAL USE ONLY XR-832.10 (HANDLING INDICATOR)

TO : DEPARTMENT OF STATE 1962 NOV 17 PM 3 21 832.131

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
NOV 19 1962
RM/AN
ANALYSIS & DISTRIBUTION BRANCH

FROM : AmEmbassy RIO DE JANEIRO DATE: November 9, 1962

SUBJECT : CURRENCY IN CIRCULATION AS OF OCTOBER 31, 1962.

REF :

RM/R-Lee 11/20-KB

After the issuance of Cr$ 40 billion in new currency in circulation during the September political crisis, there were no further net additions to outstanding currency in circulation up until the end of October. The level of currency outstanding as of that date remained at Cr$ 413.8 billions, an increase of Cr$ 105 billions or approximately 34% over the December 31, 1961 level. (Cr$ 100 billions in new issuances plus Cr$ 5 billions drawn down from SUMOC sterilized account).

The September currency issuances, having been made largely to meet runs on commercial banks during the political crisis, gradually flowed back to the Bank of Brazil following the return of normal conditions. This increase in Bank of Brazil cash holdings facilitated to some extent, financing Treasury borrowings in October without resort to new currency issuances. In addition, also contributing to the fact that no currency was issued in October was a relatively large increase in outstanding Treasury letters, which, in the first two weeks of the month amounted to over Cr$ 5 billions. These Treasury letters probably consisted mainly of "Títulos de Recuperação", which were being issued in early October to contractors in payment of obligations incurred in previous years. It has been reported that Finance Minister Calmon had suspended

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FORM 4-62 DS-323

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Drafted by: JKrizay:anc

Contents and Classification Approved by: Robert Baldens

Clearances: RVKorp

0972

the issuance of these letters for use in payment of contractors after only a small portion of the total authorization had been issued. (See Embassy Bi-Weekly Economic Report A-465 of October 25, 1962 , Item 5).

For the Ambassador,

John Krizay
Second Secretary of Embassy

(NOTE: Unless the Department perceives objections, the Embassy will, hereafter, report monthly changes in currency in circulation instead of the analysis of the Rediscount Department balance sheet. This was, in any event, the main purpose of the Rediscount Department balance sheet analysis. The currency in circulation figure can be obtained 4 or 5 days after the end of the month, about 10 days earlier than the publication of the balance sheet. Embassy will continue to analyse the balance sheet, however, reporting any other factors of financial significance which the level of outstanding currency in circulation alone may not reveal.)

0973

INCOMING TELEGRAM

Department of State

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Action
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Control: 1132
Rec'd: December 3, 1962
11:33 p.m.

Info
ARA
E
AID
INR
CIA
NSA
FRB
TRSY
RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1073, December 3, 10 p.m.

FOR COMMERCE

Department may wish communicate with American Bank Note Company and other potential suppliers currency to assure they informed British competitor Thomas de la Rue and Company has representatives now in Brazil. Reported actively seeking contracts supply currency, especially including 5,000 and 10,000 cruzeiro notes should Brazilian Congress authorize larger denominations by passing pending legislation.

BOND

CT

RIO 1073

832.13/12-362

(1)

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0974

ORIGIN/ACTION

ARA-4

RM/R	REP	AF
1	1	
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
	FBO	AID 12
AGR	COM 10	FRB 3
INT	LAB	TAR
TR 2	XMB 4	AIR
ARMY	CIA 8	NAVY
OSD	USIA	NSA 3

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DEPARTMENT OF STATE

AIRGRAM

832.13/12-462
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A-651 NO. — OFFICIAL USE ONLY — XR 832.10 HANDLING INDICATOR

832.131

TO : DEPARTMENT OF STATE

1962 DEC 10 AM 8 30

RIGAN ANALYSIS & DISTRIBUTION BRANCH

DEPARTMENT OF STATE BUREAU OF INTELLIGENCE DEC 11 1962

FROM : AmEmbassy, RIO DE JANEIRO DATE: December 4, 1962

SUBJECT : CR$ 10 BILLION INCREASE IN MONEY IN CIRCULATION IN NOVEMBER, 1962

REF : CERP D-12, A-535, November 9, 1962.

Files
NO Action
ARA/OT 12-10
12-11-62
R Bauta

According to the Caixa de Amortização outstanding currency in circulation increased to Cr$ 423.7 billion in November, for an increase of Cr$ 10 billion during the month. Thus far in 1962, the level of currency effectively in circulation has increased by Cr$ 115 billion, or 37%.(*) The increase for the first eleven months of 1961 was 40%.

One factor which tended to keep the rate of increase of new currency issues down has been the greater use of Treasury bills in financing the deficit over the past three months. Since the end of September, Treasury bills outstanding have increased by approximately Cr$ 20 billion (as of November 10), consisting of some "Títulos De Recuperação" which were used to a small extent at the beginning of October to pay outstanding bills to government contractors, but mainly of letters issued against payments under the compulsory loan legislation passed by the Congress in June (See Embassy's Despatch No. 796, of April 9, 1962). Treasury letters issued, at the option of the importer, pursuant to SUMOC Instruction 233, in lieu of deposit at the Bank of Brazil against foreign exchange purchases may also account for some of this increase. All in all, 20% of the federal deficit through November 10 was financed by Treasury bills as opposed to less than 10% for the same period last year.

(*) Consists of Cr$ 110 billion in new issuances plus Cr$ 5 billion drawn down from sterilized SUMOC account.

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Drafted by: JKrizay:anc

Contents and Classification Approved by: RR Robert Eakens

Clearances: RVKorp RVK

0975

Rio A-651

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2.

The outlook for December is for a very large increase in currency issuances to cover the usual sizeable December government expenditures, as well as to supply banks with cash needed to accommodate credit demand expected to arise out of the law requiring payment of the 13th-month salary (see Embdes 849, April 27, 1962).

For the Ambassador,

John Krizay
Second Secretary of Embassy

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PRIORITY

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(Security Classification)

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832.131/1-460

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

678
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 4, 1960
DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 565, December 2, 1959

DATE JAN - 4 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D	INFO
		OTHER

SUBJECT: Free Market Rates, December, 1959.

The table below summarizes the free market rates during the month of December, 1959.

		Buying		Selling	
		Check	Cash	Check	Cash
Cambios	High	208.00	208.00	212.00	212.00
	Low	194.00	194.00	196.00	196.00
	Average	199.54	199.54	202.02	202.02
National City Bank	High	205.00	205.00	211.00	211.00
	Low	191.50	191.50	196.50	196.50
	Average	197.45	197.45	202.52	202.52

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 8 1960
DIES

For the Ambassador:

R. G. Walker
Finance Officer

Coordinated:

Herbert K. May
Treasury Attaché

William A. Fowler

RGWalker/mwc
REPORTER

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO

687
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 6, 1960

REF CERP, Section B, III, B-3
Embassy Despatch 587, December 9, 1959.

JAN - 8 1960

Enclosures.

For Dept. Use Only	ACTION	DEPT.
	REC'D 1/11	INFO ARA-3 RPM/R-2 REP-1 IRC-5 E-7 ICA-11 SCS-1 OTHER COM-5 C/A-10 TR-3 FRB-3 XMB-4

SUBJECT: Foreign Exchange Auctions During Week Ending December 5, 1959. AG-5

In the Rio auction, the agio on dollars sold for general imports increased from Cr$ 185.21 to Cr$ 186.50, an increase of Cr$ 1.29. For special imports the corresponding figures were Cr$ 396.31 and Cr$ 398.00, and the increase Cr$ 1.69. For fertilizers the increase was Cr$ 0.15 and for insecticides there was no change.

In the São Paulo auction the dollar sold for general imports increased from Cr$ 186.46 to Cr$ 187.26, an increase of Cr$ 0.80. For special imports the corresponding figures were Cr$ 403.00 and Cr$ 392.00 and the decrease Cr$ 11.00. For fertilizers there was an increase of Cr$ 0.15 and for insecticides there was no change in relation to previous week's figures.

The Swedish Kronor sold for general imports increased from Cr$ 51.66 (week ending November 28) to Cr$ 54.22 in the Rio auction. In the São Paulo auction the agio went up from Cr$ 48.39 to Cr$ 52.07. Sales of currencies for bilateral accounts denominated in dollars were sold at the uniform rate of Cr$ 158.00.

The available data on foreign exchange auctions in Rio and São Paulo during the week ending December 5, 1959 are summarized in the enclosed tables.

For the Ambassador:
Herbert K. May
Herbert K. May,
Treasury Attaché

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 13 1960

Coordinated:

William A. Fowler,
Counselor for Economic Affairs

1960 JAN 11 AM 5 25

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AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING DECEMBER 5, 1959

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio Offers (000)	Rio Sales (000)	Rio Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio	All Brazil Offers (000)
U. S. Dollars							
General	1,592	1,292	186.90	1,592	1,592	187.26	5,385
Special	28	22	398.00	28	28	392.00	95
Fertilizers	90	90	84.52	90	90	85.25	300
Insecticides	90	90	81.06	90	90	81.06	300
Total	1,800	1,800	-	1,800	1,800	-	6,000
Argentina - $							
General	223	1	158.00	223	56	158.00	
Special	11	-	-	11	-	-	
Fertilizers	3	-	-	3	-	-	
Insecticides	3	-	-	3	-	-	
Chile - $							
Fertilizers	60	3	81.06	60	48	81.06	
East Germany - $							
General	59	13	158.00	59	27	158.00	
Special	1	-	-	1	-	-	
Fertilizers	30	-	-	30	-	-	
Insecticides	6	-	-	6	-	-	
Japan - Sterling							
General	30	30	466.50	30	30	475.96	
Special	0.8	0.8	1041.00	0.8	0.8	1,882.00	
Fertilizers	0.4	0.4	227.024	0.4	0.4	227.024	
Insecticides	0.4	-	-	0.4	-	-	
Rumania - $							
General	88	-	-	88	-	-	
Special	2	-	-	2	-	-	
Swedish Kroner							
General	290	290	54.22	290	290	52.07	
Special	10	-	-	10	-	-	
Insecticides	5	-	-	5	5	15.68	
Turkey - $							
General	87	-	-	87	-	-	
Special	3	-	-	3	-	-	
Uruguay - $							
General	111	50	158.00	111	-	-	
Special	3	-	-	3	-	-	
Insecticides	7	-	-	7	-	-	
Fruits	200	-	-	200	-	-	

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0979

A. Auctions of Currencies in Limited Amounts (Continued)

Auctions & Currency Unit of Auction	Rice Offers (000)	Rice Sales (000)	Rice Aver. Agio	Silo Pinto Offers (000)	Silo Pinto Sales (000)	Silo Pinto Aver. Agio
Yugoslavia - $						
General	147	-	-	147	40	158.00
Special	3	-	-	3	-	-

B. Auctions of Currencies Without Maximum Units

Auction (x) & Currency Unit of Auction	Sales (000)	Aver. Agio	Sales (000)	Aver. Agio
Chile - $	-	-	55.46	158.00
Czechoslovakia - $				
General	37.822	158.00	80.43	158.00
Denmark - Kroner Gen.	237.041	22.88	772.25	22,88
Special	-	-	32.3	49.23
Finland - $	21.189	158.00	132.89	158.00
Hungary - $	36.980	158.00	8.23	158.00
Norway - $				
General	36.553	158.00	95.92	158.00
Special	1	344.00	-	-
Poland - $	19.150	158.00	29.34	158.00
Spain - $				
General	0.150	158.00	113.14	158.00
Special	-	-	2.80	340.00

(x) - For general imports unless otherwise specified.

0980

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 688
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 7, 1960
DATE

REF : CERP, Section D, II, A-7, April 3, 1957

JAN 7 1960
Enclosure

For Dept. Use Only	ACTION	DEPT. INFO OTHER
55	AAA-3	ARA-2 AEP-1 IAC-8 E-7 ICA-4
REC'D 1/8		CIA-10 COM-8 IA-3 FAB-3 IAR-2

SUBJECT: SUMOC Instruction 190 - Partial Prepayment of Import Freight Charges.

XMB-4 AG-8

Enclosed is a translation of SUMOC Instruction 190 which requires that importers arranging for the payment of freight in foreign currency, as permitted by Instruction 181, must pay 80% of the cruzeiro cost at the time the exchange sale is arranged. These cruzeiros are to be deposited in the Bank of Brazil by the exchange dealer and will be released when the foreign exchange payment is to be made.

Apparently the sole purpose of this Instruction was to help the Bank of Brazil meet its current heavy requirements for cruzeiros.

For the Ambassador:

R. G. Walker
Finance Officer

Coordinated:
Herbert K. May
Treasury Attache

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 12 1960

Enclosure:
Translation of SUMOC Instruction 190.

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Page 1 of
Encl. No. 1
Desp. No. 688
From AMEMBASSY, RIO

TRANSLATION

Source: Diario Oficial, December 21, 1959

SUPERINTENDENCY OF MONEY AND CREDIT

Instruction no. 190

The Superintendency of Money and Credit in view of the decision of the Council at today's meeting, and in accordance with the provisions of Art. 3, line "h" and Art. 6 of Decree-Law 7,293 of February 2, 1945, resolves:

When banks authorized to deal in the free exchange market contract for sales of exchange for future delivery covering freight charges on imports, as permitted by Item VII of Instruction 181, April 22, 1959, they must require the prior deposit of 80% of the value of such exchange sales, depositing these cruzeiros daily in the Bank of Brazil in a special account to the order of this Superintendency for release when the contracts are liquidated.

Rio de Janeiro, December 21, 1959

Superintendency of Money and Credit

Marcos de Souza Dantas, Executive Director

***

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FOREIGN SERVICE DESPATCH

FROM : AMBASSY, RIO
691
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
January 8, 1960
DATE

REF : CERP, Section B, III, B-3
Embassy Despatch 687, January 6, 1960
Enclosures.

20 For Dept. Use Only	ACTION	DEPT.
	AMM-3	RM/R 2 REP 1 IRC 8 E-7 ICA-M
	REC'D 1-13-60	INFO OTHER Com-8 TR 3 FRB 3 XMB-4 CIA

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS

SUBJECT: Foreign Exchange Auctions During Week Ending December 12, 1959

There was an increase in the average figures for dollars sold for general imports and special imports in the official Exchange Auctions in Rio and São Paulo during the week ending December 12, in comparison with previous week's figures. Minor changes were registered for fertilizers and insecticides. In Rio, the average agio for general and special imports increased by Cr$ 2.13 to Cr$ 188.63 and by Cr$ 5.60 to Cr$ 403.60, respectively. Fertilizers fell Cr$ 0.49 and there was no change for insecticides.

In São Paulo, the average agio paid for general imports increased from Cr$ 187.26 to Cr$ 190.44 or Cr$ 3.18, and for special imports there was an increase of Cr$ 8.10. Fertilizers went down from Cr$ 85.25 to Cr$ 84.30 or Cr$ 0.95 and for insecticides there was a rise of Cr$ 1.17, from Cr$ 81.08 to Cr$ 82.25.

The Swedish Kroner sold for general imports decreased from Cr$ 54.22 to Cr$ 49.63 in Rio and increased from Cr$ 52.07 to Cr$ 53.19 in the São Paulo auction. Agios for other bilateral accounts denominated in dollars sold at the uniform rate of Cr$ 159.00, showed an increase of Cr$ 1.00 in relation to the previous week's figures. The agio on the Danish Kroner sold for general imports increased from Cr$ 22.88 to Cr$ 23.03.

The available data on foreign exchange auctions in Rio and São Paulo during the week ending December 12, 1959 are summarized in the enclosed tables.

For the Ambassador
Herbert K. May
Herbert K. May,
Treasury Attaché

Enclosures:

Coordinated:
William A. Fowler
William A. Fowler,
Counselor for Economic Affairs

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JAN 28 1960

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AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING DECEMBER 12, 1959

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio de Janeiro Offers (000)	Rio de Janeiro Sales (000)	Rio de Janeiro Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio	All Brazil Offers (000)
U. S. Dollars							
General	1,592	1,592	188.63	1,592	1,592	190.44	5,305
Special	28	28	403.60	28	28	400.10	95
Fertilizers	90	90	84.03	105	105	84.30	300
Insecticides	90	90	81.08	75	75	82.25	300
Total	1,800	1,800		1,800	1,800	-	6,000
Argentina - $							
General	223	53	159.00	223	30	159.00	
Special	11	-	-	11	-1	336.00	
Fertilizers	3	-	-	3	-	-	
Insecticides	3	-	-	3	-	-	
Chile - $							
Fertilizers	40	9	81.08	60	13	81.08	
East Germany - $							
General	99	2	159.00	99	17	159.00	
Special	1	-	-	1	-	-	
Fertilizers	30	-	-	30	-	-	
Insecticides	6	-	-	6	-	-	
Japan - Sterling							
General	39	39	452.40	39	39	480.26	
Special	0.8	0.8	1,110	0.8	0.8	1,067.00	
Fertilizers	0.4	0.4	227.024	0.4	0.4	227.024	
Insecticides	0.4	-	-	0.4	-	-	
Rumania - $							
General	88	-	-	88	-	-	
Special	2	-	-	2	-	-	
Swedish Kroner							
General	290	290	49.63	290	290	53.19	
Special	10	-	-	10	-	-	
Insecticides	5	-	-	5	5	15.68	
Turkey - $							
General	87	-	-	87	-	-	
Special	3	-	-	3	-	-	
Uruguay - $							
General	111	-	-	111	-	-	
Special	3	-	-	3	-	-	
Insecticides	7	-	-	7	-	-	
Fruits	200	-	-	200	-	-	

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A. Auctions of Currencies in Limited Amounts (Continued)

Auctions & Currency Unit of Auction	Rio Offers (000)	Rio Sales (000)	Rio Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio
Yugoslavia - $						
General	147	12	159.00	147	3	159.00
Special	3	-	-	3	-	-

B. Auctions of Currencies Without Maximum Units

Auction (x) & Currency Unit of Auction		Sales (000)	Aver. Agio	Sales (000)	Aver. Agio
Chile - $		-	-	44.97	159.00
Czechoslovakia - $	Gen.	86.788	159.00	20.19	159.00
Special		3.000	336.00	2.85	336.00
Denmark - Kroner	Gen.	768.44	23.03	851.78	23.03
Special		24	48.65	-	-
Finland - $					
General		46.666	159.00	178.75	159.00
Special		1.000	336.00	-	-
Hungary - $		10	159.00	41.42	159.00
Iceland - Sterling		4.583	445.20	-	-
Norway - $					
General		124.850	159.00	145.85	159.00
Special		2	336.00	-	-
Poland - $		9.855	159.00	22.67	159.00
Spain - $					
General		59.465	159.00	135.84	159.00
Special		0.174	336.00	-	-

(x) - For general imports unless otherwise specified.

0985

OUTGOING AIRGRAM

Department of State

B 0 0 0 9

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Classification

NO. A-53

SENT TO: Amembassy RIO DE JANEIRO

Page 1 of 1 Page

MILAM FROM AGR.

Emtel 965.

Statement that export rate of CR $100 per dollar applicable to castor beans is not in accord with information contained in Agr. 36, Sao Paulo, dated Dec. 15. In view fact that Bank of Brazil has ceased granting export licenses on castor beans it appears logical the exchange rate for castor oil would be higher than rate for castor beans, as reported Sao Paulo Agr. report. Accordingly wire to reach Washington if possible by Tuesday, Jan. 12 confirmation or correction. If correct does castor oil fall in category of commodities whose foreign exchange proceeds may be sold on free exchange market?

Dillon
Acting

DILLON

PSC

4a
DG/L

UNCLASSIFIED
Classification

Drafted by: AGR:FAS:CFAnderson:1/6/60:lf
Approved: AGR:FAS:FMOlleary

Airgram transmission and classification approved by: [redacted] 1/8/60

DEPARTMENT OF STATE
JAN 8 1960
ASSISTANT CHIEF FOR LIAISON

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832.131/1-860

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO — 701 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Embassy Despatch 691, January 8, 1960

January 11, 1960

JAN DATE 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D 1-13-60	INFO RM/R-2 REP.1 IRC 8 E-7 ICA-11
		OTHER Com-8 TR 2 FRB 3 XMB

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 14 1960

SUBJECT: Foreign Exchange Auctions During Week Ending December 19, 1959.

In the Rio auction, the average agio paid on dollars sold for general imports in the official exchange auctions in Rio de Janeiro remained practically unchanged (less Cr$ 0.01) in relation to previous week's figure. For special imports there was a drop of Cr$ 2.10, the corresponding figures being Cr$ 403.60 (week ending December 12) and Cr$ 401.50 (week ending December 19).

For fertilizers there was a drop of Cr$ 2.95 as against a rise of Cr$ 4.07 recorded for insecticides.

In the São Paulo auction the dollar sold for general imports dropped from Cr$ 190.44 to Cr$ 188.77, a decrease of Cr$ 1.67. For special imports, there was an increase of Cr$ 8.90, the corresponding figures being Cr$ 409.10 (week ending December 12). For fertilizers there was an increase of Cr$ 0.20 and insecticides went up from Cr$ 82.25 to Cr$ 84.39, an increase of Cr$ 2.14.

The Swedish Kroner sold for general imports dropped from Cr$ 54.22 in the week ending December 5, 1959 to Cr$ 49.63, in the Rio auction. In the São Paulo auction the agio went up from Cr$ 52.07 to Cr$ 53.19. Sales of currencies for bilateral accounts denominated in dollars were rather active and were made at the uniform rate of Cr$ 2.00 over previous week's figure. The agio on the Danish Kroner sold for general imports increased from Cr$ 23.03 to Cr$ 23.31 both in Rio and São Paulo.

The available data on foreign exchange auctions in Rio and São Paulo during the week ending December 19, 1959, are summarized in the enclosed tables.

For the Ambassador:
Herbert K. May
Herbert K. May,
Treasury Attache

Enclosures:
Coordinated:
William A. Fowler
William A. Fowler,
Counselor for Economic Affairs

WRlemeyer/dp
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832.131/1-1160 EMW

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AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING DECEMBER 19, 1959

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio Offers (000)	Rio Sales (000)	Rio Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio	All Brazil Offers (000)
U.S. Dollars -							
General	1,592	1,592	188.62	1,592	1,592	188.77	5,385
Special	28	28	401.38	28	28	389.00	95
Fertilizers	105	105	81.00	105	105	84.38	300
Insecticides	75	75	85.15	75	75	84.39	300
Total	1,800	1,800	-	1,800	1,800	-	6,080
Argentina - $							
General	223	3	172.00	223	2	172.00	
Special	11	-	-	11	-	-	
Fertilizers	3	-	-	3	-	-	
Insecticides	3	-	-	3	-	-	
Chile - $							
Fertilizers	60	21	81.00	60	30	81.00	
East Germany - $							
General	99	-	-	99	-	-	
Special	1	-	-	1	-	-	
Fertilizers	30	-	-	30	-	-	
Insecticides	6	-	-	6	-	-	
Japan - Sterling							
General	30	30	491.23	30	30	488.00	
Special	0.8	0.8	1,114.00	0.8	0.8	1,120.00	
Fertilizers	0.4	0.4	227.024	0.4	-	-	
Insecticides	0.4	-	-	0.4	0.4	227.024	
Rumania - $							
General	82	-	-	-	-	-	
Special	2	-	-	2	-	-	
Sweden - Kroner							
General	290	290	51.37	290	290	50.00	
Special	18	-	-	-	-	-	
Insecticides	5	-	-	5	5	15.68	
Turkey - $							
General	87	-	-	87	-	-	
Special	3	-	-	3	-	-	
Uruguay - $							
General	111	-	-	111	-	-	
Special	3	-	-	3	-	-	
Insecticides	7	-	-	7	-	-	
Fruit	200	-	-	200	-	-	

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A. Auctions of Currencies in Limited Amounts (Continued)

Auctions & Currency Unit of Auction	Rio Offers (000)	Rio Sales (000)	Rio Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio
Yugoslavia - $						
General	147	-	-	147	-	-
Special	3	-	-	3	-	-

B. Auctions of Currencies Without Maximum Units

Auction (x) & Currency Unit of Auction	Sales (000)	Aver. Agio	Sales (000)	Aver. Agio
Argentina - $				
General	14.16	161.00	45.92	161.00
Chile - $ - General	47.82	161.00	15.00	161.00
Czechoslovakia - $ - Gen.	19.12	161.00	4.32	161.00
Denmark - Kroner - Gen.	1,141.67	23.31	424.89	23.31
East Germany - $ - Gen.	44.83	161.00	1.47	161.00
Finland - $ - Gen.	10.00	161.00	76.12	161.00
Hungary - $ - Gen.	1.00	161.00	-	-
Iceland - Sterling				
General	28,464.5	450.00	-	-
Israel - $				
General	0.56	161.00	1.00	161.00
Norway - $				
General	67.52	161.00	45.90	161.00
Spain - $				
General	116.41	161.00	183.49	161.00
Poland - $				
General	-	-	33.52	161.00

(x) - For general imports unless otherwise specified.

0989

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Control: 5547
Rec'd: January 11, 1960
5:32 p.m.

FROM: Rio de Janeiro
TO: Secretary of State
NO: 1014, January 11

AGRICULTURE FROM MIAM

Reference; Your G-53, January 8

EMBTEL 965 correct. Castor beans cruzeiros 100 per dollar. Castor oil free market exchange.

CABOT

MB/11

DEPARTMENT OF STATE
DIVISION OF COMMUNICATIONS SERVICES
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JAN 11 1960
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO

705
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 12, 1960
DATE

REF : GERP, Section B, III, B-3
Embassy Despatch 701, January 11, 1960.

Enclosure.

For Dept. Use Only	ACTION REC'D	DEPT.	FSO	OTHER
	1/15	ARA		RCM/R 2 REP 1 IRC-EC 7 ICA 11 SSS COM-EC/A-10 FRB 3 TR 3

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS

SUBJECT: Foreign Exchange Auctions During Week Ending December 31, 1959.

In the Rio auction, the agio paid for dollars sold for general imports increased from Cr$ 188.62 to Cr$ 198.98, a rise of Cr$ 10.36, in comparison with previous week's figures. For special imports the corresponding figures were Cr$ 401.50 to Cr$ 426.46 and the increase Cr$ 24.96. For fertilizers and insecticides the increase in comparison with previous week's figures were Cr$ 2.13 and Cr$ 2.18, respectively.

In the São Paulo auction, the agio paid for dollars for general imports increased from Cr$ 188.77 to Cr$ 200.36, an increase of Cr$ 11.59. For special imports the corresponding figures were Cr$ 409.00 and Cr$ 421.00 and the rise Cr$ 12.00. For fertilizers there was a drop of Cr$ 0.90 and for insecticides the decrease was Cr$ 0.69. The figures were Cr$ 84.50 and Cr$ 83.60 for fertilizers and Cr$ 84.39 and Cr$ 83.70 for insecticides.

The Swedish Kroner sold for general imports dropped from Cr$ 51.57 to Cr$ 47.31 in the Rio auction. In the São Paulo auction the agio went up from Cr$ 50.00 for the week ending December 19 to Cr$ 51.04. Sales of currencies for bilateral accounts denominated in dollars were carried out in substantial amounts at the uniform rate of Cr$ 160.00, which compares with Cr$ 161.00, in the preceding week.

The agio on the Danish Kroner sold for general imports went down from Cr$23.31 in the week ending December 19, to Cr$ 23.17.

The regular monthly auction of foreign exchange for delivery in three years to finance automobile imports was held in Rio on December 30, 1959. One hundred thousand dollars were sold at the average agio of Cr$ 337.07 per dollar, compared with Cr$ 330.48 realized at the auction in São Paulo in November last. There were takers for four thousand "dollars" on Czechoslovakia at the average agio of Cr$ 251.50 and no takers for the dollars of funds for automobile imports from Spain and Poland.

The available data on foreign exchange auctions in Rio and São Paulo during the week ending December 31, 1959 are summarized in the enclosed tables.

Coordinated:
William A. Fowler,
Counselor for Economic Affairs

For the Ambassador:
Herbert K. May,
Treasury Attache

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AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING
DECEMBER 31, 1959

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio Offers (000)	Rio Sales (000)	Rio Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio	All Brazil Offers (000)
U.S. Dollars							
General	1,592	1,592	198.98	1,592	1,592	200.36	5,385
Special	28	28	426.44	28	28	421.00	95
Fertilizers	185	185	83.21	185	185	83.60	380
Insecticides	75	75	87.33	75	75	83.70	300
Total	1,800	1,800	-	1,800	1,800	-	6,000
Chile - $							
Fertilizers	60	13	81.08	60	40	81.00	
Japan - Sterling							
General	30	30	490.14	30	30	498.20	
Special	0.8	0.81	156.00	0.8	0.8	1,153.00	
Fertilizers	0.4	0.4	227.82	0.4	0.4	227.824	
Insecticides	0.4	-	-	0.4	-	-	
Sweden - Kroner							
General	290	290	47.31	290	290	51.84	
Special	10	-	-	10	1	44.80	
Insecticides	5	-	-	5	5	15.44	

B. Auctions of Currencies Without Maximum Units

Auction (x) & Currency Unit of Auction	Rio Sales (000)	Rio Aver. Agio	São Paulo Sales (000)	São Paulo Aver. Agio
Argentina - $	284.60	160.00	678.02	160.00
Chile - $	21.90	160.00	346.30	160.00
Czechoslovakia - $	11.87	160.00	117.21	160.00
Denmark - Kroner	1,725.84	23.17	3,533.34	23.17
East Germany - $	4.50	160.00	58.47	160.00
Finland - $	27.10	160.00	214.91	160.00
Hungary - $	99.00	160.00	5.30	160.00
Iceland - Sterling	13,387	448.00	-	-
Israel - $	1.09	160.00	2.50	160.00
Norway - $	540.29	160.00	580.42	160.00
Spain - $	422.54	160.00	709.88	160.00
Poland - $	44.92	160.00	24.48	160.00
Yugoslavia - $	19.99	160.00	15.00	160.00
Uruguay - $	-	-	10.00	160.00

(x) - For general imports unless otherwise specified.

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FOREIGN SERVICE DESPATCH

FROM: AMEMBASSY, RIO DE JANEIRO — 776 DESP. NO.

TO: THE DEPARTMENT OF STATE, WASHINGTON. — February 3, 1960 DATE

REF: CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 678, January 4, 1960

For Dept. Use Only — ACTION: ARA 3 — REC'D: 2/5 — INFO DEPT: RCM/R 2 REP-1 IRS-8 E-7 ICA-11 SCS-1 — INFO OTHER: COM-8 CIA-10 FRB-3 TR-3 XMB-4

SUBJECT: Free Market Rates, January, 1960.

DEPARTMENT OF STATE
BUREAU OF C-R
INTER-AMERICAN AFFAIRS
FEB - 9 1960

The table below summarizes the free market rates during the month of January, 1960:

		Buying		Selling	
		Check	Cash	Check	Cash
Cambios	High	194.00	194.00	198.00	198.00
	Low	185.50	185.50	187.00	187.00
	Average	187.34	187.34	189.68	189.68
National City Bank	High	191.00	191.00	197.00	197.00
	Low	182.00	182.00	187.50	187.50
	Average	184.47	184.47	189.02	189.02

For the Ambassador:

R. G. Walker
Finance Officer

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

RGWalker/mwc
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FOREIGN SERVICE DESPATCH

790 — DESP. NO.

FROM : AMEMBASSY, RIO DE JANEIRO

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 10, 1960 — DATE

REF : CERP, Section B, III, B-3, April 3, 1957; Embassy Despatch 705, January 12, 1960

FEB 11 1960

Enclosure

For Dept. Use Only	ACTION	INFO	DEPT.
55	AMA-3		AMA-2 DEP-1 IAC-1 E-7 ICA-11 SCS-1
	REC'D 2/5	O	OTHER CIA-10 COM-1 TR-3 FRB-3 XMB-4 AG-1

SUBJECT: Foreign Exchange Auctions during week ending January 9, 1960.

In the Rio auction, the agio paid for dollars sold for general imports dropped from Cr$198.98 to Cr$190.25, a decrease of Cr$8.73, in comparison with previous week's figures. For special imports the corresponding figures were Cr$426.46 and Cr$410.15 and the decrease Cr$16.31. For fertilizers and insecticides the decrease in comparison with previous week's figures were Cr$2.00 and Cr$3.96 respectively.

In the São Paulo auction, the agio paid for dollars sold for general imports dropped from Cr$200.36 to Cr$194.21, a decrease of Cr$6.15. For special imports the corresponding figures were Cr$421.00 and Cr$417.00 and the decrease Cr$4.00. For fertilizers there was a drop of Cr$ 2.52 and for insecticides the decrease was Cr$2.09. The figures were Cr$83.60 and Cr$81.08 for fertilizers and Cr$83.70 and Cr$81.61 for insecticides.

The Swedish Kroner sold for general imports increased from Cr$47.31 to Cr$47.60 in the Rio auction. In the Sao Paulo auction the agio dropped from Cr$51.04 to Cr$48.90, a decrease of Cr$2.14 in comparison with the previous week's figures.

The agio on the Danish Kroner sold for general imports went up from Cr$23.17 in the week ending December 31, 1959 to Cr$24.62. Sales of currencies for bilateral accounts denominated in dollars were carried out in small amounts at the uniform rate of Cr$170.00, which compares with Cr$160.00 in the preceding week.

The available data on foreign exchange auctions in Rio and São Paulo during the week ending January 9, 1960, are summarized in the enclosed table.

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS FEB 18 1960

For the Ambassador:

Approved:
William A. Fowler
William A. Fowler
Counselor for Economic Affairs

R. C. Walker
Finance Officer

Enclosure: Auctions during week ending January 6, 1960.

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AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING January 6, 1960

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio Offers (000)	Rio Sales (000)	Rio Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio	All Brasil Offers (000)
U.S. Dollars							
General	1,592	1,592	190.25	1,592	1,592	192.41	5,385
Special	28	28	410.15	28	28	417.00	95
Fertilizers	105	105	81.21	105	105	81.88	300
Insecticides	75	75	83.37	75	75	81.61	300
Total	1,800	1,800	-.-	1,800	1,800	-.-	6,080
Chile - $							
Fertilizers	60	10	81.88	60	47	81.88	
Japan - Sterling							
General	30	30	476.33	30	30	479.10	
Special	0.8	0.8	1,285.00	0.8	0.8	1,340.00	
Fertilizers	0.4	-.-	-.-	0.4	-.-	-.-	
Insecticides	0.4	-.-	-.-	0.4	-.-	-.-	
Sweden - Kroner							
General	290	290	47.60	290	290	48.90	
Special	10	-.-	-.-	10	-.-	-.-	
Insecticides	5	-.-	-.-	5	-.-	-.-	

B. Auctions of Currencies Without Maximum Units

Auction (x) & Currency Unit of Auction	Sales (000)	Aver. Agio	Sales (000)	Aver. Agio
Argentina - $	3	170.00	50	170.00
Denmark - Kroner	898.5	24.62	846.67	24.62
Israel - $	-.-	-.-	7.00	170.00
Norway - $	0.09	170.00	11.821	170.00
Spain - $	-.-	-.-	1.00	170.00
Poland - $	0.025	170.00	-.-	-.-

x/ - For general imports unless otherwise specified.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 791 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 10, 1960 DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 790, February 10, 1960 — Enclosure

FEB 11 1960

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For Dept. Use Only	ACTION	INFO DEPT.
55	ARA-3	RMA-2 AEP-1 IAC-5 E-7 ICA-11 SCS-1
REC'D 2/15		OTHER CIA-10 COM-8 TA-3 FRB-3 XMB-4 AG-8

SUBJECT: Foreign Exchange Auctions During Week Ending January 16, 1960

In the Rio auction, the agio paid for dollars sold for general imports decreased from Cr$190.25 to Cr$188.58, a drop of Cr$1.67, in comparison with previous week's figures. For special imports the corresponding figures were Cr$410.15 and Cr$429.95 and the increase Cr$19.80. For fertilizers and insecticides the decrease in comparison with previous week's figures were Cr$0.13 and Cr$2.21 respectively.

In the São Paulo auction, the agio paid for dollars for general imports decreased from Cr$192.42 to Cr$188.75, a decrease of Cr$3.67. For special imports the corresponding figures were Cr$417.00 and Cr$420.00 and the rise Cr$3.00. For fertilizers there was a rise of Cr$0.93 and for insecticides the increase was Cr$0.40. The figures were Cr$81.08 and Cr$82.01 for fertilizers and Cr$81.61 and Cr$83.01 for insecticides.

The Swedish Kroner sold for general imports increased from Cr$47.60 to Cr$48.53 in the Rio auction. In the Sao Paulo auction the agio went down from Cr$48.90 for the week ending January 9 to Cr$46.40. Sales of currencies for bilateral accounts denominated in dollars were carried out in substantial amounts at the uniform rate of Cr$163.00, which compares with Cr$170.00, in the preceding week.

The Agio on the Danish Kroner sold for general imports went down from Cr$24.62 in the week ending January 9, to Cr$23.60.

The available data on foreign exchange auctions in Rio and São Paulo during the week ending January 16, 1960, are summarized in the enclosed table.

832.131/2-1060 HBS

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
FEB 18 1960

For the Ambassador:

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

R. G. Walker
Finance Officer

Enclosure: Auctions during week ending January 16, 1960.

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AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING
January 16, 1960

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio Offers (000)	Rio Sales (000)	Rio Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio	All Brazil Offers (000)
U.S. Dollars							
General	1,592	1,592	188.58	1,592	1,592	188.75	5,385
Special	28	28	429.95	28	28	420.00	95
Fertilizers	105	105	81.08	105	105	82.01	300
Insecticides	75	75	81.16	75	75	82.01	300
Total	1,800	1,800	-.-	1,800	1,800	-.-	6,080
Chile - $							
Fertilizers	60	29	81.08	60	60	81.08	
Japan - Sterling							
General	30	30	550.83	30	30	571.47	
Special	0.8	0.8	1,352.00	0.8	0.8	1,356.00	
Fertilizers	0.4	-.-	-.-	0.4	-.-	-.-	
Insecticides	0.4	-.-	-.-	0.4	-.-	-.-	
Sweden - Kroner							
General	290	290	48.53	290	290	46.48	
Special	-.-	-.-	-.-	10	5	48.85	
Insecticides	5	-.-	-.-	5	-.-	-.-	
Uruguay - $	200	-.-	-.-	200	-.-	-.-	

B. Auctions of Currencies Without Maximum Units

Auction (X) & Currency Unit of Auction	Rio Sales (000)	Rio Aver. Agio	São Paulo Sales (000)	São Paulo Aver. Agio
Argentina - $	12.09	163.00	44.51	163.00
Chile - $	12.24	163.00	1.12	163.00
Czechoslovakia - $				
General	14.97	163.00	44.37	163.00
Special	3.00	352.00	-.-	-.-
Denmark - Kroner	116.57	23.60	972.63	23.60
East Germany - $	18.00	163.00	2.00	163.00
Finland - $	11.76	163.00	84.94	163.00
Hungary - $	31.18	163.00	5.30	160.00
Norway - $	-.-	-.-	39.16	163.00
Spain - $	-.-	-.-	16.34	163.00
Poland - $	10.00	163.00	-.-	-.-

x/ - For general imports unless otherwise specified.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 792 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 10, 1960

REF : GERP, Section B, III, B-3, April 3, 1957; Embassy Despatch 791, February 10, 1960 — DATE RECD FEB 11 1960 — Enclosure

55 For Dept. Use Only	ACTION	DEPT.
	REC'D ARA-3 2/15	INFO RAM/A-2 REP/1 IRC-8 E-7 ICA-11 SCS-1 CIA-10 COM-8 TA-3 FRB-3 XMO-4 AG-1

SUBJECT: Foreign Exchange Auctions During Week Ending January 23, 1960.

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In the Rio auction, the agio paid for dollars sold for general imports increased from Cr$188.58 to Cr$192.64, a rise of Cr$4.06, in comparison with previous week's figures. For special imports the corresponding figures were Cr$429.95 and Cr$446.00 and the increase Cr$16.05. For fertilizers and insecticides the increases in comparison with previous week's figures were Cr$2.42 and Cr$0.23 respectively.

In the São Paulo auction, the agio paid for dollars for general imports increased from Cr$188.75 to Cr$191.11, an increase of Cr$2.36. For special imports the corresponding figures were Cr$420.00 and Cr$445.20 and the rise Cr$25.20. For fertilizers there was an increase of Cr$2.20 and for insecticides the decrease was Cr$0.93. The figures were Cr$82.01 and Cr$84.21 for fertilizers and Cr$82.01 and Cr$81.08 for insecticides.

The Swedish Kroner sold for general imports went up from Cr$48.53 to Cr$57.21 in the Rio auction. In the Sao Paulo auction the agio went up from Cr$46.40 for the week ending January 16 to Cr$55.50. Sales of currencies for bilateral accounts denominated in dollars were carried out in substantial amounts at the uniform rate of Cr$160.00, which compares with Cr$163.00 in the preceding week.

The agio on the Danish Kroner sold for general imports went down from Cr$23.60 in the week ending January 16 to Cr$23.17.

The available data on foreign exchange auctions in Rio and São Paulo during the week ending January 23, 1960 are summarized in the enclosed table.

For the Ambassador:

R. G. Walker
Finance Officer

Approved:
William A. Fowler
Counselor for
Economic Affairs

Enclosure: Auctions during week ending January 23, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
FEB 18 1960

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AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING
January 23, 1960

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio Offers (000)	Rio Sales (000)	Rio Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio	All Brazil Offers (000)
U.S. Dollars							
General	1,592	1,592	192.64	1,992	1,992	191.11 v	5,385
Special	28	28	446.00	28	28	445.28	95
Fertilizers	185	185	83.50	185	185	84.21	300
Insecticides	75	75	81.39	75	75	81.08	300
Total	1,800	1,800	-.-	1,800	1,800	-.-	6,000
Chile - $							
Fertilizers	60	13	81.08	60	13	81.08	
Japan - Sterling							
General	30	30	490.14	30	30	498.28	
Special	0.8	0.8	1,156.00	0.8	0.8	1,153.00	
Fertilizers	0.4	0.4	227.82	0.4	0.4	227.024	
Insecticides	0.4	-.-	-.-	0.4	-.-	-.-	
Sweden - Kroner							
General	290	290	57.21	290	290	55.58	
Special	10	-.-	-.-	10	-.-	h.-	
Uruguay - $	200	-.-	-.-	200	-.-	-.-	

B. Auctions of Currencies Without Maximum Units

Auctions (x) & Currency Unit of Auction	Sales (000)	Aver. Agio	Sales (000)	Aver. Agio
Argentina - $	152.80	160.00	329.08	160.00
Chile - $	51.63	160.00	81.38	160.00
Czechoslovakia - $				
General	22.2	160.00	56.15	160.00
Special	1.00	361.00	5.50	361.00
Denmark - Kroner	777.01	23.17	1,891.31	23.17
East Germany - $	21.19	160.00	33.43	160.00
Finland - $	81.15	160.00	242.67	160.00
Hungary - $	3.45	160.00	59.65	160.00
Iceland - Sterling	-.-	-.-	12.57	448.00
Israel - $	-.-	-.-	2.50	160.00
Norway - $	239.18	160.00	329.00	160.00
Spain - $	207.56	160.00	418.03	160.00
Poland - $	33.36	160.00	43.03	160.00
Yugoslavia - $	8.00	160.00	4.28	160.00
Uruguay - $	-.-	-.-	4.28	160.00

x/ - For general imports unless otherwise specified.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 809
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. February 17, 1960
DATE

REF : CERP, Section B, III, B-3, April 3, 1957 FEB 18 1960
Embassy Despatch 792, February 10, 1960 Enclosure

20 For Dept. Use Only	ACTION	DEPT.
	ARA-3	RM/R-2 REP-1 IRC-8 E-7 ICAA SCS-1
	REC'D 2-22-60	INFO OTHER Com-8 TR-3 FRB-3 XMB-4 CIA-10 AG-8

SUBJECT: Foreign Exchange Auctions during Week ending January 30, 1960.

DEPARTMENT OF STATE
BUREAU OF
AMERICAN AFFAIRS
INTERDEPARTMENTAL

In the Rio auction, the agio paid for dollars for general imports decreased from Cr$192.64 to Cr$187.01, a drop of Cr$5.63, in comparison with previous week's figures. For special imports the corresponding figures were Cr$446.00 and Cr$450.60 and the decrease Cr$4.60. For fertilizers the increase was Cr$1.50 and the corresponding figures Cr$83.50 and Cr$85.00. Insecticides went down from Cr$81.39 to Cr$81.08, a decrease of Cr$0.31.

In the São Paulo auction, the agio paid for dollars for general imports decreased from Cr$191.11 to Cr$185.66, a decrease of Cr$5.45. For special imports the corresponding figures were Cr$445.20 and Cr$450.20 and the rise Cr$5.00. For fertilizers there was a drop of Cr$3.12 and for insecticides there was no change. The figures were Cr$84.21 and Cr$81.09 for fertilizers and Cr$81.08 for insecticides.

The Swedish Kroner sold for general imports went down from Cr$57.21 to Cr$55.70 in the Rio auction. In the Sao Paulo auction the agio fell from Cr$55.50 for the week ending January 23 to Cr$55.20. Sales of currencies for bilateral accounts denominated in dollars were carried out in substantial amounts at the uniform rate of Cr$163.00 which compares with Cr$160.00 in the preceding week.

The agio on the Danish Kroner sold for general imports went up from Cr$23.17 in the week ending January 23 to Cr$23.60.

The regular monthly auction of foreign exchange for delivery in three years to finance automobile imports was held in Sao Paulo on January 28, 1960. One hundred thousand dollars were sold at an average agio of Cr$361.50 per dollar, compared with Cr$330.48 realized at the auction of previous month. Nineteen thousand "dollars" on Czechoslovakia were sold at the average agio per "dollar" of Cr$260.50. There were no takers for the offers of funds for automobile imports from Spain and Poland.

832.131/2-1760 HBS

APR 4 - 1960

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The available data on foreign exchange auctions in Rio and São Paulo during the week ending January 30, 1960 are summarized in the enclosed table.

For the Ambassador:

R. G. Walker
Finance Officer

Approved:

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Table on auctions during week ending January 30, 1960.

1001

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Page 1 of
Encl. No. 1
Desp. No. 809
From AMEMBASSY, RIO

AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING
January 30, 1960

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	R i o			S ã o P a u l o			All Brazil
	Offers (000)	Sales (000)	Aver. Agio	Offers (000)	Sales (000)	Aver. Agio	Offers (000)
U.S. Dollars							
General	1,592	1,592	187.01	1,592	1,592	185.66	5,385
Special	28	28	450.60	28	28	450.20	95
Fertilizers	185	185	85.00	185	185	81.09	300
Insecticides	75	75	81.08	75	75	81.08	300
Total	1,800	1,800	-.-	1,800	1,800	-.-	6,000
Chile - $							
Fertilizers	60	8	81.08	60	-.-	-.-	
Sweden - Kroner							
General	140	140	55.70	140	140	55.20	
Special	5	-.-	-.-	5	-.-	-.-	
Insecticides	5	-.-	-.-	5	-.- 5	15.68	
Uruguay - $	200	-.-	-.-	200	-.-	-.-	

B. Auctions of Currencies Without Maximum Units

Auctions (x) & Currency Unit of Auction	Sales (000)	Aver. Agio	Sales (000)	Aver. Agio
Argentina - $	123.0	163.00	2.0	163.00
Chile - $	53.8	163.00	-.-	-.-
Czechoslovakia - $				
General	10.5	163.00	-.-	-.-
Special	0.5	379.00	-.-	-.-
Denmark - Kroner				
General	506.6	23.60	867.7	23.60
Special	-.-	-.-	32.3	54.88
East Germany - $	21.2	163.00	-.-	-.-
Finland - $	81.7	163.00	18.3	163.00
Hungary - $	3.4	163.00	-.-	-.-
Norway - $	289.5	163.00	13.2	163.00
Spain - $	4.0	163.00	1.0	163.00
Poland - $	42.3	163.00	-.-	-.-
Yugoslavia - $	8.0	163.00	-.-	-.-

x/ - For general imports unless otherwise specified.

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Rec'd: February 27, 1960
5:08 p.m.

FEB 29 AM 9

ACTION: ISHB

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1309, February 26, 5 p.m.

Reference: EMBTEL 1265

As of February 19 dollar balances Bank of Brazil totalled $30.5 million and unutilized credit lines United States commercial banks totalled $15.8 million. Total dollar availabilities accordingly were $46.3 million, representing $1.9 million decrease since February 15.

During first 18 days February bank purchased official market dollar contracts totalling $35.5 million and closed dollar sales contracts totalling $28.6 million. During same period bank purchased other official market convertible currency contracts equivalent to $8.9 million and closed exchange sales contracts those currencies equivalent $11.2 million.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 847 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 2, 1960

REF : Embassy Despatch 759, January 26, 1960 — Enclosure

MAR - 3 1960

55 For Dept. Use Only	ACTION	DEPT.
	AAH-3	
	REC'D 3/7	INFO OTHER
		OMH-2 REP-1 ERC-4 E-7 ICH-11 SCS-1
		OIA-11 COM-5 TR-3 FRB-3 XMB-4 AG-4

SUBJECT: Internal Revenue Circular 21 - Conversion Rates for Consumption Tax on Imports without Exchange Cover.

Enclosed is a translation of Circular 21 of the Director of Internal Revenue establishing new conversion rates to be used in calculating the consumption tax due on imports without exchange cover.

For the Ambassador:

R. G. Walker
Finance Officer

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Translation of Internal Revenue Circular no. 21.

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BUREAU OF
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TRANSLATION
Source: Diario Oficial, February 22, 1960

Department of Internal Revenue
Circular no. 21 of February 19, 1960

The Director of Internal Revenue of the National Treasury, exercising the powers vested upon him, declares to Customs Inspectors and Chiefs of other Customs Departments, as well as Consumption Tax supervising agents that in accordance with data secured and supplied by the Superintendency of Money and Credit, there shall be in effect for purposes of calculating the consumption tax on imports independent of exchange cover, the rates of exchange and average agios as listed below, such rates to go into force in the Federal District and Sao Paulo three days after the publication of this Circular in the Diario Oficial and the other States and Territories ten days after such publication.

It is further declared that the Customs Department must issue an order repeating the present circular and placing it in their offices for the information of interested parties.

Month of January, 1960 (Cr$ per currency unit)

Currencies	Weighted Averages of Agios (A)		Official Exchange Rate (B)	Total (A + B)	
	Categories: General	Special		Categories: General	Special
Danish crown	23.6173	54.0083	2.7411	26.9584	56.7494
Swedish crown	48.8608	68.0500	3.6535	52.5143	71.7035
US$	188.76	429.78	18.92	207.68	448.70
US$ Argentina	161.11	379.00	18.92	180.03	397.92
US$ Chile	160.99	(x)	18.92	179.91	(x)
US$ Spain	160.20	361.00	18.92	179.12	379.92
US$ Finland	160.69	(x)	18.92	179.61	(x)
US$ Hungary	160.52	(x)	18.92	179.44	(x)
US$ Israel	170.00	(x)	18.92	188.92	(x)
US$ Yugoslavia	160.00	(x)	18.92	178.92	(x)
US$ Norway	160.46	361.00	18.92	179.38	379.92
US$ East Germany	160.53	(x)	18.92	179.45	(x)
US$ Poland	160.24	(x)	18.92	179.16	(x)
US$ Czechoslovakia	160.96	359.19	18.92	179.88	378.11
US$ Uruguay	161.50	(x)	18.92	180.42	(x)
£ Iceland	448.00	(x)	53.0233	501.0233	(x)
£ Japan	516.0360	1,313.250	53.0233	569.0593	1,366,2733

(x) not auctioned.

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Control: 2568
Rcvd: March 3, 1960
5:38 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1328, March 3 4 p.m.

Reference: EMBTEL 1309

As of February 29 dollar balances Bank of Brazil totalled $27.0 million and unutilized credit lines US commercial banks totalled $15.8 million. Total dollar availabilities accordingly were $42.8 million, represent $3.5 million decrease since February 19.

During first 23 days February bank purchased official market dollar contracts totalling $44.5 million and closed dollar sales contracts totalling $37.3 million. During same period bank purchased other official market convertible currency contracts equivalent to $10.8 million and closed exchange sales contracts those currencies equivalent $14.8 million.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 849
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. March 3, 1960

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 776, February 3, 1960

MAR - 3 1960

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ACTION: ARA 3
INFO: DEPT. RM/R-2 REP-1 IRC-1 E-7 ICA-11 SE
OTHER CIM-F CIA-11 FRB 3 TR-3 XMB
AC-5

SUBJECT: Free Market Rates, February, 1960.

The table below summarizes the free market rates during the month of February, 1960:

		Buying		Selling	
		Check	Cash	Check	Cash
Cambios	High	186.50	186.50	187.50	187.50
	Low	181.50	181.50	183.00	183.00
	Average	184.51	184.51	185.81	185.81
National City Bank	High	184.50	184.50	187.50	187.50
	Low	181.00	181.00	185.50	185.50
	Average	181.89	181.89	186.46	186.46

For the Ambassador:

R. G. Walker
Finance Officer

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 9 1960
DEP

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, Rio de Janeiro — 858 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — 4 March, 1960 DATE

REF : CERP

MAR - 8 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D	INFO OTHER

SUBJECT: Transmittal of FIBAN Notice Nº71, January 16, 1960, on Exchange Quotas for the Import of Printing Machinery.

There is enclosed an English translation of Notice Nº71 of the Bank Inspection Department (FIBAN) of the Bank of Brazil, January 16, 1960, published in the Diario Oficial of January 19, 1960.

The enclosed notice requires each publishing company which submitted an application during October, 1959, for exchange quotas to be used for the purchase of printing machinery to furnish certain documents which will serve to prove to the Bank of Brazil that the firm is entitled to receive the exchange authorization requested.

All documents must be submitted to FIBAN by April 30 in order for the firm's application to receive consideration.

For the Ambassador:

Gerald S. Pierce
Commercial Officer

Approved:

Douglas S. Egan
Commercial Attaché

Enclo: Transmittal of FIBAN Nº71 (translation)

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
MAR 14 1960

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Page 1 of
Encl. No. 1
Desp. No. 858
From Rio de Janeiro

BANK OF BRAZIL

Bank Inspection Department

Notice N°71

The Bank of Brazil, Bank Inspection Department (FIBAN), considering Laws N°1,386 of June 18, 1951 and 3,244 of August 14, 1957, makes it known to publishing companies which submitted requests for exchange quotas during the period of October 1 through October 10, 1959 for the importation of printing machinery for press use and which have fulfilled all requirements established by the general criteria adopted by the Superintendency of Currency and Credit as published in the Diario Oficial of December 1, 1959, Supplement to Issue N°274, Page 2, what they must file their requests declarations (exchange quotas) not later than April 30, 1960 and must submit the following documents:

a) - Proof of registration with the National Department of Industry and Commerce, or with commercial boards.

b) - Certification issued by the Notary of Registration of Titles and Documents (Cartorio de Registro de Titulos e Documentos) attesting to the ownership of the publications which are published.

c) - Proof of ownership of machinery used for the printing of newspapers or magazines of their own property attaching, for this purpose, a certified photostatic copy of the license authorizing the operation of the printing plant or, in case the publisher does not have his own plant, proof to the effect that the machinery which he intends to purchase fulfills all conditions required for the printing of his publication.

d) - One copy of each publication and a statement concerning circulation and time of issue.

e) - Detailed information about the use of the machinery which is to be imported and declaration as to whether it is to be used in the printing of newspapers, magazines, books or other

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f) - Submission of catalogues and pro-forma invoices issued by the manufacturers or exporters; the invoices shall be certified to by the Chamber of Commerce in the supplier's country vouching for the trueness of the prices and the origin of the merchandise, and shall also be visaed by the Brazilian Consulate.

g) - Translation of the pro-forma invoices, made by a bonded translator, in case such documents are written in foreign language.

h) - Payment schedule for importations valued over US$5,000, or its equivalent taking into account the fact that full payment shall not be made in a period of less than 3 years.

Those firms which fail to comply with the above within the time limit established in this notice, shall be considered as having withdrawn.

The issuance of the "declarations" shall be subject to the examination and approval by the Bank Inspection Department of all documents listed above as well as to the payment of the due sur-tax (agio).

The importations shall be made directly by the favored firms and under no circumstances shall there be allowed any transference of quotas to third parties.

Rio de Janeiro, January 16, 1960

Paulo Poock Gorrea - Director of the Exchange Department

Eurico Fernandes da Motta - Diretor of the Bank Inspection Department

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO

862
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 8, 1960.

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 809, February 17, 1960

MAR - 9 1960

Enclosures.

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20 For Dept. Use Only	ACTION	DEPT.
	ARA-3	RM/R-2 REP I IRC 8 E-7 ICA 11 SCS-1
	REC'D 3-12-60	INFO OTHER COM-8 TR 3 FRB-3 XMB-4 CIA 10 AG-8

SUBJECT: Foreign Exchange Auctions during week ending February 6, 1960.

In the Rio auction, the agio paid for dollars sold for general imports increased from Cr$ 187.01 to Cr$ 188.86, a rise of Cr$ 1.85, in comparison with previous week's figures. For special imports the corresponding figures were Cr$ 450.60 and Cr$ 456.00 and the increase Cr$ 5.40. For fertilizers the decrease was Cr$ 3.34 and the corresponding figures Cr$ 85.00 and Cr$ 81.66. Insecticides went up from Cr$ 81.08 to Cr$ 83.10, an increase of Cr$ 2.02.

In the São Paulo auction, the agio paid for dollars for general imports increased from Cr$ 185.66 to Cr$ 189.87, an increase of Cr$ 4.21. For special imports the corresponding figures were Cr$ 450.20 and Cr$ 462.20 and the rise Cr$ 12.00. For fertilizers there was a rise of Cr$ 0.57 and for insecticides the increase was Cr$ 2.02. The figures were Cr$ 81.09 and Cr$ 81.66 for fertilizers and Cr$ 81.08 and Cr$ 83.10 for insecticides.

The Swedish Kronor sold for general imports went up from Cr$ 55.70 to Cr$ 59.56 in the Rio auction. In the Sao Paulo auction the agio went up from Cr$ 55.20 for the week ending January 30 to Cr$ 60.20. Sales of currencies for bilateral account denominated in dollars were carried out in substantial amounts at the uniform rate of Cr$ 158.00 which compares with Cr$ 163.00 in the preceding week.

The agio on the Danish Kroner sold for general imports went down from Cr$ 23.60 in the week ending January 30 to Cr$ 22.88.

The available data on foreign exchange auctions in Rio and São Paulo during the week ending February 6, 1960 are summarized in the enclosed tables.

832.131/3-860

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For the Ambassador:

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 16 1960
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R. C. Walker,
Finance Officer

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Approved: Encl all rec'm

William A. Fowler

William A. Fowler,
Counselor for Economic Affairs

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Page 1 of
Encl. No. 1
Desp. No. 862
From AMEMBASSY, RIO

AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING
February 6, 1960.

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio			São Paulo			All Brazil
	Offers (000)	Sales (000)	Aver. Agio	Offers (000)	Sales (000)	Aver. Agio	Offers (000)
U. S. Dollars							
General	1,592	1,592	188.86	1,592	1,592	185.66	5,305
Special	28	28	456.00	28	28	450.20	95
Fertilizers	105	105	81.66	105	105	81.66	300
Insecticides	75	75	89.10	75	75	89.10	300
Total	1,800	1,800	-	1,800	1,800	-	6,000
Chile - $							
Fertilizers	60	8	81.66	60	20	81.66	
Sweden - Kroner							
General	140	140	55.70	140	140	60.20	
Special	5	-	-	5	5	74.04	
Insecticides	5	-	-	5	-	14.66	
Uruguay - $	200	-	-	200	-		

B. Auctions of Currencies Without Maximum Units

Auctions (a) & Currency Unit of Auction	Sales (000)	Aver. Agio	Sales (000)	Aver. Agio
Argentina - $	71,078.80	158.00	265,588.85	158.00
Chile - $	38,124.92	158.00	53,901.10	158.00
Czechoslovakia - $				
General	59,063.15	158.00	252,321.83	158.00
Denmark - Kroner				
General	158,323.72	22.88	1,512,647.00	22.88
East Germany - $	15,527.00	158.00	108,150.00	158.00
Finland - $	138,315.75	158.00	171,316.66	158.00
Hungary - $	23,227.00	158.00	12,631.75	158.00
Iceland - $ Sterling	14,832.10	442.40		
Norway - $	223,846.50	158.00	270,266.83	158.00
Spain - $	218,752.41	158.00	441,395.30	158.00
Poland - $	44,200.00	158.00	27,469.00	158.00
Portugal - $				
General	203.000	203.000	203.000	200.25
Special	7.000	401.00	7,000.00	418.00
Yugoslavia - $	1,000.00	158.00	1,300.00	158.00
Uruguay - $			94,250.00	158.00

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — DESP. NO. 867

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE March 9, 1960.

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 862, March 8, 1960.

MAR - 9 1960

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20 For Dept. Use Only	ACTION	DEPT.
	ARA-3	INFO RM/R-2 REP-1 IRC-8 E-7 ICA-11 SCS-1
	REC'D 3-12-60	OTHER Com-8 TR-3 FRB-3 XMB-4 CIA-10 AG-8

SUBJECT: Foreign Exchange Auctions during week ending February 13, 1960.

In the Rio auction, the agio paid for dollars sold for imports in the general category increased from Cr$ 188.86 to Cr$ 199.52, a rise of Cr$ 10.66, in comparison with previous week's figures. For imports in the special category the corresponding figures were Cr$ 456.00 and Cr$ 480.48 and the increase Cr$ 24.48. For fertilizers the increase was Cr$ 1.24 and the corresponding figures were Cr$ 81.66 and Cr$ 82.90. Insecticides went down from Cr$ 83.10 to Cr$ 81.29, a decrease of Cr$ 1.81.

In the São Paulo auction, the agio paid for dollars sold for imports in the general category increased from Cr$ 189.87 to Cr$ 201.39, an increase of Cr$ 11.52. For imports in the special category the corresponding figures were Cr$ 462.20 and Cr$ 479.86 and the rise Cr$ 17.60. For fertilizers there was a rise of Cr$ 1.84 and for insecticides there was a drop of Cr$ 0.79. The figures were Cr$ 81.66 and Cr$ 83.50 for fertilizers and Cr$ 83.10 and Cr$ 82.41 for insecticides.

The Swedish Kronor sold for imports in the general category went down from Cr$ 59.56 to Cr$ 50.89 in the Rio auction. In the São Paulo auction the agio increased from Cr$ 60.20 for the week ending February 6 to Cr$ 65.50. Sales of currencies for bilateral accounts denominated in dollars were carried out in substantial amounts at the uniform rate of Cr$ 161.00 which compares with Cr$ 158.00 in the preceding week.

The agio on the Danish Kronor sold for imports in the general category went up from Cr$ 22.88 in the week ending February 6 to Cr$ 23.31.

The available data on foreign exchange auctions in Rio de Janeiro and São Paulo for the week ending February 13, 1960 are summarized in the enclosed table.

For the Ambassador:
R. B. Walker,
Financial Attaché

Enc: as stated.

Approved:
William A. Fowler
William A. Fowler,
Counselor for
Economic Affairs

Whitemeyer/dp
REPORTER

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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 16 1960

832.131/3-960

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AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING
February 13, 1960

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio			São Paulo			All Brazil
	Offers (000)	Sales (000)	Aver. Agio	Offers (000)	Sales (000)	Aver. Agio	Offers (000)
U.S. Dollars							
General	1,592	1,592	199.52	1,592	1,592	201.39	5,305
Special	28	28	480.48	28	28	479.86	95
Fertilisers	105	105	85.00	105	105	81.09	300
Insecticides	75	75	81.08	75	75	81.08	300
Total	1,800	1,800	-	1,800	1,800	-	6,000
Chile - $							
Fertilisers	60	8	81.08	60	-	-	
Swiss Francs							
General	140	140	55.70	140	140	55.80	
Special	5	-	-	5	-	-	
Insecticides	5	-	-	5	5	15.68	
Uruguay - $	200	-	-	200	-	-	

B. Auctions of Currencies Without Maximum Units

Auctions (x) & Currency Unit of Auction		Sales [illegible]	Aver. Agio	Sales [illegible]	Aver. Agio
Argentina - $		149,998.15	161.00	297,104.87	161.00
Chile - $		38,598.72	161.00	198,212.11	161.00
Czechoslovakia - $		60,627.70	161.00	127,832.12	161.00
Denmark - Kroner	Gen.	573,771.40	23.31	1,691,140.00	23.31
	Spec.	-	-	7,000.00	26.47
East Germany - $		46,536.02	161.00	21,[illegible].00	161.00
Finland - $	Gen.	68,694.80	161.00	177,220.00	161.00
	Spec.	1,000.00	390.00	-	-
Hungary - $		48,783.44	161.00	6,562.84	161.00
Norway - $	Gen.	186,778.70	161.00	194,263.04	161.00
	Spec.	1,000.00	390.00	-	-
Spain - $					
General		290,284.40	161.00	387,199.00	161.00
Special		5,000.00	390.00	6,107.80	390.00
Poland - $		117,673.00	161.00	143,609.00	161.00
Uruguay - $		50.5	161.00	14,000.00	161.00
Israel - $		-	-	3,500.00	161.00

(x) - For special imports unless otherwise specified.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — DESP. NO. 872

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE: March 9, 1960 — MAR 10 1960

REF : CERP, Section D, V, A-7, April 3, 1957

This Document must be Returned to the RM/R Central Files

For Dept. Use Only	ACTION	DEPT.
	ARA 3	INFO RM/A 2 AEP-1 IAG 8 E-7 ICA 11 SCS
	REC'D 3/14	OTHER CIA 10 COM 8 TA 3 FRB 3 XMB 4 AG 8

SUBJECT: Change in Procedure to Require all Payments of Freight on Preferred Imports Carried on Foreign Ships to be Made Through the Bank of Brazil.

There is attached a translation of FIBAN Circular-Letter 335 of January 27, 1960 which provides that all exchange transactions relating to freight payments for preferred imports will be conducted through the Exchange Department of the Bank of Brazil. This Circular revokes Circular-Letter 299 of June 10, 1959 which permitted other banks to handle these exchange payments.

The new regulation does not change the basic principle set out in SUMOC Instruction 181 by which all freight payments are to be made through the free market. It is just a change in procedure reportedly made to simplify the bookkeeping on freight payments for preferred imports by eliminating other banks and thus the graphic accounts provided for in Circular 299 and to avoid the negotiation of contracts for freight exchange at rates exceeding the average rate of the closing day of the contract. Apparently in some cases, since the Bank of Brazil has to bear the difference between the free rate and the subsidized rate, the importers arranged for payments at rates above the going free market rate.

An effect, if not an objective, of the regulation will be the removal of the pressure of freight exchange transactions on rates quoted by other dealers in the free market.

For the Ambassador:

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

R. G. Walker
R. G. Walker
Finance Officer

Enclosure:
Translation of FIBAN Circular-Letter 335

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
MAR 17 1960

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Page 1 of
Encl. No. 1
Desp. No. 872
From AMEMBASSY, RIO

TRANSLATION

Rio de Janeiro, January 27, 1960.

FIBAN CIRCULAR-LETTER No. 335

To Banks and Banking Houses

To the Manager,

FREIGHT ON GOODS IMPORTED WITH AN EXCHANGE SUBSIDY - We hereby bring to your knowledge that exchange operations involving payments abroad to foreign ships for freight on merchandise imported with an exchange subsidy, where it is proved that it cannot be carried by Brazilian vessels, will henceforth be conducted exclusively by the Exchange Department of the Bank of Brazil.

2. Such operations shall be effected directly through the free market, at a rate equivalent to the sum of the official market rate and the surcharge incident on the merchandise imported, thus eliminating the simultaneous operations of purchase and sale in graphic account, referred to in FIBAN Circular-Letter no. 299 of June 10, 1959.

3. For the purpose of authorization of the above-mentioned exchange sales, the following documents must be presented to the Banking Control Authority:

a) legalized commercial invoice;
b) bill of lading;
c) customs despatch note for the merchandise;
d) second copy of the import license or declaration;
e) Exchange Note, on the back of which the FIBAN shall declare that it refers to freight on goods with an exchange subsidy and shall indicate the surcharge incident on the FOB value;
f) letter in duplicate, attaching the above documents signed by the importer.

4. In the case of the opening of CIF or C&F credits, there will be permitted the closing of exchange with the Bank of Brazil for the value of the freight in the free market at the rate referred to above, the importer undertaking, by means of the same Responsibility Bond relating to the FOB value, to prove the correct application of that exchange, in which case the prior presentation of the documents mentioned above will be dispensed with; the value of the insurance premium to be supported by another contract of exchange closed at the normal free market rate, with the Bank of Brazil, at the criterion of the latter, or with any other authorized banking establishment.

5. The present instructions apply exclusively to freights paid abroad to foreign ships, the regulations relating to freights received

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in Brazil, in cruzeiros, by national and foreign companies, continuing therefore without alteration.

6. FIBAN Circular-Letter no. 299 of June 10, 1959, is to be considered revoked.

Bank of Brazil, S. A.
(Fiscalizaçao Bancaria - FIBAN)

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AIR POUCH — PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 873 DESP. NO. — March 10, 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, Section B, III, B-3, April 3, 1957; Embassy Despatch 867, March 9, 1960

MAR 14 1960

Enclosure

20 For Dept. Use Only	ACTION	DEPT.
	ARA-3	RMR-2 REP-1 IRC-8 E-7 ICA-11 SCS-1
	REC'D 3-16-60	INFO OTHER COM-8 TR-3 FRB-3 XMB-4 CTR-68 AID-8

SUBJECT: Foreign Exchange Auctions during week ending February 26, 1960.

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
MAR 21 1960

As has been reported, the weekly offering of U.S. dollars was increased by $300,000 with the auctions of the week covered by this Despatch.

In the Rio auction, the agio paid for dollars sold for imports in the general category dropped from Cr$199.52 to Cr$192.63, a decrease of Cr$6.89, in comparison with previous week's figures. In the special category, the corresponding figures were Cr$480.48 and Cr$495.96 and the increase Cr$15.48. For fertilizers and insecticides the increases in comparison with previous week's figures were Cr$0.14 and Cr$1.26 respectively, the corresponding figures being Cr$82.90 and Cr$83.04 for fertilizers and Cr$81.29 and Cr$82.55 for insecticides.

In the São Paulo auction, the agio paid for dollars in the general category decreased from Cr$201.39 to Cr$193.45, a decrease of Cr$7.94. For the special category the corresponding figures were Cr$479.86 and Cr$490.50 and the rise Cr$10.64. For fertilizers there was a decrease of Cr$0.50 and for insecticides the increase was Cr$0.18. The figures were Cr$83.50 and Cr$83.00 for fertilizers and Cr$82.41 and Cr$82.59 for insecticides.

The Swedish Kroner sold for the general category went down from Cr$50.89 to Cr$48.50 in the Rio auction. In the Sao Paulo auction the agio dropped from Cr$65.60 for the week ending February 13 to Cr$50.26. Sales of currencies for bilateral accounts denominated in dollars were carried out in reduced amounts at the uniform rate of Cr$170.00, which compares with Cr$161.00 in the preceding week.

The agio on the Danish Kroner sold for the general category went up from Cr$23.31 in the week ending February 13 to Cr$24.62.

The available data on foreign exchange auctions in Rio and Sao Paulo during the week ending February 26, 1960 are summarized in the enclosed table.

Approved: William A. Fowler Enclosure w/m.

William A. Fowler
Economic Counselor

For the Ambassador:
R. G. Walker
Finance Officer

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Page 1 of
Encl. No. 1
Desp. No. 873
From AMEMBASSY, RIO

AUCTIONS OF FOREIGN CURRENCIES DURING WEEK
ENDING February 20, 1960

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio			São Paulo			All Brazil
	Offers (000)	Sales (000)	Aver. Agio	Offers (000)	Sales (000)	Aver. Agio	Offers (000)
U.S. Dollars							
General	1,742	1,742	192.63	1,742	1,742	193.45	5,605
Special	28	28	495.96	28	28	490.50	95
Fertilisers	105	105	83.04	105	105	83.00	300
Insecticides	75	75	82.55	75	75	82.59	300
Total	1,950	1,950	-	1,950	1,950	-	6,300
Chile - $							
Fertilisers	60	-	-	60	15	81.08	
Sweden - Kroner							
General	140	140	48.50	140	140	50.26	
Special	5	-	-	5	5	78.88	
Insecticides	5	-	-	5	5	15.68	
Uruguay - $	200	-	-	200	-	-	

B. Auctions of Currencies Without Maximum Units

Auctions (x) & Currency Units of Auction	Sales (000)	Aver. Agio	Sales (000)	Aver. Agio
Argentina - $	43	170.00	-	-
Czechoslovakia - $				
General	52.4	170.00	-	-
Denmark - Kroner	17	24.62	17.8	24.62
East Germany - $	37	170.00	-	-
Norway - $				
General	.02	170.00	4	170.00
Fertilisers	9.1	81.08	-	-
Spain - $	2	170.00	-	-

(x) - For general imports unless otherwise specified.

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FROM: Rio de Janeiro (Via Pouch)

TO: Secretary of State

NO: Unnumbered, March 11

EMBTEL 1328

As of March 7, dollar balances Bank of Brazil totalled $9.0 million and unutilized credit lines U.S. commercial banks totalled $22.8 million. Total dollar availabilities accordingly were $31.8 million, representing $11.0 million decrease since February 29.

During month of February Bank purchased official market dollar contracts totalling $49.2 million and closed dollar sales contracts totalling $65.6 million. During same period Bank purchased other market convertible currency contracts equivalent to $11.7 million and closed exchange sales contracts those currencies equivalent $21.2 million.

During first 7 days March Bank purchased official market dollar contracts totalling $8.2 million and closed dollar sales contracts totalling $10.5 million. During same period Bank purchased other official market convertible currency contracts equivalent to $3.0 million and closed exchange sales contracts those currencies equivalent $3.4 million.

Bank of Brazil also reports transfer $733,000 to IBRD from gold deposited Federal Reserve Bank. Total unpledged gold is now $121.3 million.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 880 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 11, 1960. (DATE) — Enclosures.

REF : CSFP, Section 2, III, B-3, April 3, 1957
Embassy Despatch 873, March 10, 1960.

20 For Dept. Use Only	ACTION	DEPT.
	ARA-3	RM/R2 REF1 IIC8 E-7 IOA-11 SCS-1
	REC'D 3/16-60	INFO OTHER COM-8 TR 3 FRB-3 XMB-4 CIA 10 AG-8

SUBJECT: Foreign Exchange Auctions during week ending February 27, 1960.

There was an increase in the average figures for dollars sold in the general category and special category in the official Exchange Auctions in Rio and Sao Paulo during the week ending February 27, in comparison with previous week's figures. Minor changes were registered for fertilizers and insecticides. In Rio, the average agio for general and special categories increased by Cr$ 7.49 to Cr$ 200.12 and by Cr$ 10.04 to Cr$ 506.00, respectively. Fertilizers fell Cr$ 0.08 and for insecticides there was a rise of Cr$ 0.58.

In the Sao Paulo auction, the average agio paid for the general category increased from Cr$ 193.45 to Cr$ 199.26 or Cr$ 5.81, and for the special category there was an increase of Cr$ 23.60. Fertilizers went up from Cr$ 83.00 to Cr$83.11 or Cr$ 0.11 and for insecticides there was a rise of Cr$ 1.51, from Cr$ 82.59 to Cr$ 84.10.

The Swedish Kronor sold for the general category decreased from Cr$ 48.50 to Cr$ 46.50 in Rio and from Cr$ 50.26 to Cr$ 47.30 in the Sao Paulo auction. Agios for other bilateral accounts denominated in dollars sold at the uniform rate of Cr$ 164.00, showed a decrease of Cr$ 6.00 in relation to the previous week's figures. The agio on the Danish Kroner sold for the general category decreased from Cr$ 24.62 to Cr$ 23.75.

The regularly monthly auction of foreign exchange for delivery in three years to finance automobile imports was held in Rio on February 25. One hundred thousand dollars were sold at the average agio of Cr$ 413.33 per dollar, compared with Cr$ 361.50 realized at the auctions in Sao Paulo in January. There were no takers for the offers of funds for automobile imports from Spain and Poland, and for Czechoslovakia, only 5,000 "dollars" at the average agio of Cr$ 289.00 were sold.

The available data on foreign exchange auctions in Rio and Sao Paulo during the week ending February 27, 1960, are summarized in the enclosed tables.

For the Ambassador:
Roswell G. Walker,
Principal Officer

Enclosure:
As stated.

Approved:
William A. Fowler,
Counselor for Economic Affairs

REPORTER
Wilemeyer/ds

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 18 1960

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AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING February 27, 1960

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio Offers (000)	Rio Sales (000)	Rio Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio	All Brazil Offers (000)
U.S. Dollars							
General	1,742	1,742	200.12	1,742	1,742	199.26	5,605
Special	28	28	506.00	28	28	514.10	95
Fertilizers	90	90	82.96	105	105	83.11	300
Insecticides	90	90	83.13	75	75	84.10	300
Total	1,950	1,950	-	1,950	1,950	-	6,300
Chile - $							
Fertilizers	60	-	-	60	22	81.08	
Norway - $							
General	58	58	175.45	58	58	175.5	
Special	2	-	-	-	-	-	
Uruguay - $							
Fruits	200	-	-	-	-	-	
Yugoslavia - $							
General	147	12	159.00	147	3	159.00	
Special	3	-	-	3	-	-	

B. Auctions of Currencies Without Maximum Units

Auction (x) & Currency Unit of Auction	Rio Sales (000)	Rio Aver. Agio	São Paulo Sales (000)	São Paulo Aver. Agio
Argentina - $	36	164.00	182.0	164.00
Israel - $	16	164.00	84.6	164.00
Chile - $	53	164.00	220.0	164.00
Czechoslovakia - $				
General	109	164.00	149	164.00
Special	-	-	2	419.00

(x) - For general imports unless otherwise specified.

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B. Auctions of Currencies Without Maximum Units (Continued)

Auctions (x) & Currency Unit of Auction	Sales (000)	Aver. Asks	Sales (000)	Aver. Asks
Denmark - Kroner				
General	258	23.75	1,180	23.75
Special	7	60.67	-	-
Finland - $				
General	48	164.00	463	164.00
East Germany - $	2	164.00	14.3	164.00
Hungary - $	0.9	164.00	8	164.00
Iceland - Sterling	-	-	1	459.20
Poland - $	16	164.00	44	164.00
Spain - $				
General	119	164.00	227	164.00
Special	0.4	419.00	-	-
Yugoslavia - $	10.5	164.00	-	-

(x) : For general imports unless otherwise specified.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO — 900 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 16, 1960

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 880, March 11, 1960.

MAR 21 1960

Enclosure.

For Dept. Use Only

ACTION ARA-3 REP 23

INFO DEPT. IRM/R-2 REP-1 IRC-5 E-7 ICA-11 CIA-1 CIA-11 IA-3 FNS-3 X14B-4

SUBJECT: Foreign Exchange Auctions during week ending March 12, 1960.

AE-6

The weekly offering of U.S. dollars country-wide was increased by $ 100,000 with the auctions of the week covered by this Despatch, representing an increase of $ 86,000 for the general category and $ 14,000 for the special category. Apparently the increase was made in order to accommodate the inclusion of exchange for imports from Sweden in the dollar auctions. The offering in Swedish Kroner, now terminated, amounted to Kr 290,000 for imports in the general category and Kr 10,000 for imports in the special category, both in Rio and Sao Paulo until January 23, 1960, a total equivalent to US$ 58,000. Afterwards these amounts were reduced to Kr 140,000 and Kr 5,000 respectively.

Despite the increase in the amount of exchange offered, there was a substantial increase in the average figures for dollars sold in the general and special categories in the official Exchange Auctions in Rio and Sao Paulo during the week ending March 12, 1960, in comparison with the previous week's figures. Minor changes were registered for fertilizers and insecticides.

In Rio, the average agio paid for general and special categories increased by Cr$ 13.75 to Cr$ 213.69 and by Cr$ 28.00 to Cr$ 534,00, respectively. Fertilizers increased Cr$ 0.61 and for insecticides there was a rise of Cr$ 1.52. In the Sao Paulo auction, the average agio paid for the general category increased from Cr$ 199.26 to Cr$ 214.30 or Cr$ 15.04 and for the special category there was an increase of Cr$ 11.06. Fertilizers went up from Cr$ 83.11 to Cr$ 83.70 or Cr$ 0.59 and for insecticides there was a rise of Cr$ 2.11, from Cr$ 84.10 to Cr$ 86.21.

The agio paid on the Danish Kroner for dollars in the general category increased from Cr$ 23.75 to Cr$ 24.62 and the sales of currencies for bilateral accounts denominated in dollars were carried out in reduced amounts at the uniform rate of Cr$ 170,00, which compares with Cr$ 164,00 in the preceding week.

The available data on foreign exchange auctions in Rio and Sao Paulo during the week ending March 12, 1960, are summarized in the enclosed tables.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 25 1960

Approved:
William A. Fowler,
Economic Counselor

For the Ambassador:
R. G. Walker,
Finance Officer

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Page 1 of
Encl. No. 1
Desp. No. 900
From AMEMBASSY, RIO

AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING
March 12, 1960.

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio Offers (000)	Rio Sales (000)	Rio Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio	Brasil Offers (000)
U.S. Dollars							
General	1,785	1,785	213.69	1,785	1,785	214.30	5,691
Special	35	35	534.00	35	35	525.16	109
Fertilisers	105	105	83.57	105	105	83.70	300
Insecticides	75	75	84.65	75	75	86.21	300
Total	2,000	2,000	-	2,000	2,000	-	6,400
Chile - $							
Fertilisers	60	20	81.08	60	24	81.08	
Norway - $							
General	58	58	184.63	58	58	190.43	
Special	2	1	434.00	-	-	-	
Uruguay - $							
Fruits	200	-	-	200	-	-	

B. Auctions of Currencies Without Maximum Units

Auction (x) & Currency Unit of Auction	Rio Sales (000)	Rio Aver. Agio	São Paulo Sales (000)	São Paulo Aver. Agio
Argentina - $	79	170.00	396	170.00
Chile - $	7	170.00	52	170.00
Czechoslovakia - $				
General	34	170.00	311	170.00
Special	0.2	434.00	4	170.00
Denmark - Kroner - General	835	24.62	2,349	24.62
Finland - $ - General	130	170.00	155	170.00
East Germany - $	13	170.00	42	170.00
Hungary - $	48	170.00	20	170.00
Iceland - Sterling	-	-	19	170.00
Israel - $	20	170.00	164	170.00
Poland - $	122	170.00	105	170.00
Spain - $				
General	222	170.00	691	170.00
Special	3	434.00	3	434.00

(x) - For general imports unless otherwise specified.

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FROM: Rio De Janeiro

TO: Secretary of State

NO: 1408, March 17, 4 pm

EMBTEL unnumbered via pouch (March 11, 1960).

As of March 14, dollar balances Bank of Brazil totalled $12.0 million and unutilized credit lines US commercial banks remained $22.8 million. Total dollar availabilities accordingly were $34.8 million, representing $3.0 million increase since March 7.

During first 12 days March bank purchased official market dollar contracts totalling $26.3 million and closed dollar sales contracts totalling $25.6 million. During same period bank purchased other official market convertible currency contracts equivalent to $5.3 million and closed exchange sales contracts those currencies equivalent $10.3 million.

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pab/5

832.131/3-1760

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Info SS L INR E REP UMSC UIGC ICA DCL IRC CIA RMR

Control: 17287
Rec'd: 1960 MAR 25 AM 6 1
MARCH 25, 1960
7:08 PM

ACTION: ROMF 1
INFO: ARA-ALOP
BRAZIL FILES 3-25-60
No action necessary

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1457. MARCH 24. 4 PM

EMBTEL 1408.

AS OF MARCH 21. DOLLAR BALANCES BANK OF BRAZIL TOTALLED $15.5 MILLION AND UNUTILIZED CREDIT LINES UNITED STATES COMMERCIAL BANKS TOTALLED $15.8 MILLION. TOTAL DOLLAR AVAILABILITIES ACCORDINGLY WERE $31.3 MILLION, REPRESENTING $3.5 MILLION DECREASE SINCE MARCH 14.

DURING FIRST 21 DAYS MARCH BANK PURCHASED OFFICIAL MARKET DOLLAR CONTRACTS TOTALLING $41.0 MILLION AND CLOSED DOLLAR SALES CONTRACTS TOTALLING $48.8 MILLION. DURING SAME PERIOD BANK PURCHASED OTHER OFFICIAL MARKET CONVERTIBLE CURRENCY CONTRACTS EQUIVALENT TO $7.5 MILLION AND CLOSED EXCHANGE SALES CONTRACTS THOSE CURRENCIES EQUIVALENT $11.9 MILLION.

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AAL:TR/23

832.131/3-2460 HBS

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YR 432.006

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 941 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. DATE March 25, 1960

REF : CERP, Section D, II, A-2, April 3, 1957 and MAR 29 1960
Embdespatches 69, July 17, 1958 and 872, Feb. 3, 1959.

For Dept. Use Only	ACTION	DEPT.	Enclosures
	ARA-3	RM/R 2 REP 1 IRC 8 E-7 ICA-11	TAR-2
	REC'D 3-31-60	INFO OTHER Com-8 TR 3 FRB-3 IMB-4	

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
APR 4 1960

SUBJECT: 1959 Authorizations for Imports Without Exchange Cover under Decree 42,820 1/

According to figures obtained monthly by the American Chamber of Commerce and from CACEX, total authorizations of licenses for imports without exchange cover during 1959 were approximately $89 million. This compares favorably with previous years even though considerably less than the 1957 totals which contained most of the approvals granted with respect to the automobile manufacturing program. The amounts approved, according to this source since the initiation of the program, were as follows:

	In Dollars
1955	39,489,500
1956	47,788,800
1957	119,230,300
1958	81,791,661
1959	88,916,003

On the basis of this data enclosure 1 summarizes the authorisations by country and by quarter during 1959. Enclosure 2 lists the authorizations during the year for amounts over $1 million. It will be noted that the United States and Germany continued to be the principal sources of investment with Switzerland a poor third and Japan, France and The Netherlands grouped together at over $6 million. The largest individual authorizations were obtained by the Goodyear Co., Ishikawajima of Japan and the Verolme of the Netherlands, the latter two for shipbuilding.

1/ The SUMOC Director with the approval of the SUMOC Council announced on February 25 that the subject matter of SUMOC Instruction 113 of January 17, 1955 is now controlled by Decree 42,820 consolidating all exchange regulations. As noted in Despatch 69, there are some differences in the language of Instruction 113 and the applicable sections of Decree 42,820 (Arts. 76 - 80) but these are not considered to have had a substantive effect to date.

RGWalker/mwc
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Enclosure 3 breaks down the imports without exchange cover during the last five years by areas of investment. The figures for 1955 through 1958 were taken from the Bank of Brazil report for the year 1958; the figures for 1959 were obtained directly from CACEX. In this connection, attention is directed to the fact that the totals for the years 1958 and 1959 do not agree with those received from the Chamber. Some of the difference arises from the rounding of numbers but most of it may probably be accounted for by amendments of authorizations and by the use of figures applying to different stages of the import process. Thus, it is believed that the high figure shown by the Bank for 1958 reflects licenses actually issued whereas all the others refer to the authorization of licenses. These discrepancies point up again the fact that none of these are accurate figures for actual investment.

During 1959 as in all the previous years, the automobile industry received the largest number of authorizations; the shipbuilding industry came second followed by investments for mechanical and electrical purposes. For the five-year period, however, the chemical and pharmaceutical industry and steel and metallurgy respectively were second and third in importance.

For the Ambassador:

R. G. Walker
Finance Officer

Coordinated:

Herbert K. May
Treasury Attaché

William A. Fowler

Enclosures:
1 - 1959 Authorizations for imports without exchange cover
2 - 1959 Authorizations in Amounts over $1 million
3 - Investments by Principal sectors.

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Page 1 of
End. No. 1
Desp. No. 941
From AMEMBASSY, RIO

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1959 Authorizations for Imports without Exchange Cover
(Equivalent in US$)

Country	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total for Year
United States	4,889,444.33	13,538,135.62	3,316,627.89	3,908,431.78	25,652,639.62
Germany	5,486,282.80	4,418,593.30	527,893.40	5,716,885.70	16,148,655.40
United Kingdom	140,154.00	682,923.40	4,328,341.50	377,812.50	5,529,231.40
Canada	1,130,168.80	601,619.00	-.-	55,428.50	1,787,216.30
Switzerland	5,953,275.10	166,300.90	1,098,262.10	1,474,761.90	8,692,600.00
Japan	6,957,910.90	-.-	-.-	-.-	6,957,910.90
Sweden	170,706.10	54,423.79	188,566.40	-.-	413,696.29
Italy	9,600.00	3,568,841.10	-.-	437,445.20	4,015,886.30
France	-.-	6,505,096.70	41,789.50	-.-	6,546,886.20
Holland	30,958.80	418,631.16	5,796,443.10	21,258.70	6,267,290.96
Belgium	161,689.40	-.-	279,280.50	1,731,443.10	2,172,413.00
Denmark	-.-	-.-	43,410.00	235,072.30	278,482.30
Mexico	-.-	69,997.50	-.-	-.-	69,997.50
Panama	-.-	650,349.72	-.-	206,578.70	856,928.42
Venezuela	24,932.00	16,700.00	150,000.00	2,500,500.00	2,692,132.00
Argentina	141,981.60	-.-	9,444.00	-.-	151,425.60
Finland	-.-	683,810.00	-.-	-.-	683,810.00
Total	25,097,183.83	31,374,622.19	15,779,458.59	16,664,818.38	88,916,082.99

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Page 1 of 1
Encl. No. 2
Desp. No. 941
From AMEMBASSY, RIO

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1959 - Authorizations for Imports without Exchange Cover in Amounts Over $1 million

Foreign Investor	Brazilian Investment	Type of Equipment	Country of Origin	Equivalent in US$
The Goodyear Tire & Rubber Co.	Cia. Good-Year do Brasil	Rubber	U.S.A.	9,362,210
Ishikawajima Heavy Industry Co.	Ishikawajima do Brasil-Estaleiro S.A.	Shipbuilding	Japan	6,782,189
Robert Bosch GmbH	Robert Bosch do Brasil S.A.	Automotive	Germany	2,245,398
Aluminum Ltd.	Aluminio Minas Gerais	Aluminum	Canada	4,919,190
Vemag S.A.	Auto Union GmbH	Automotive	Germany	1,000,000
Vemag S.A.	Vemag S.A.	Automotive	Germany	1,000,000
Steel Improvement & Co. -				
American Byako Shoe Co.	Sifco do Brasil S.A.	Automotive	U.S.A.	1,784,000
Thompson Ramo Woodrige Inc.	Thompson - COFAP	Automotive	U.S.A.	1,250,000
Auto Union GmbH	Vemag S.A.	Automotive	Germany	1,000,000
Robert Bosch GmbH	Robert Bosch do Brasil	Automotive	Germany	1,389,320
Alfa Romeo S.Op.A.	Fabrica Nacional de Motores	Automotive	Italy	3,470,000
Dunlop Rubber Co. Ltd.	Dunlop do Brasil S.A.	Tires & tubes	U.K.	1,680,000
F. Perkins Limited	Motores Perkins S.A.	Diesel motor	U.K.	1,516,849
Caterpillar Tractor Co.	Caterpillar Brasil S.A.	Machinery	U.S.A.	1,882,615
Verolme United Shipyards	Verolme Estaleiros Reunides do Brasil	Shipbuilding	Netherl.	5,771,053
Clark Equip. Int'l S.A.	Equip.Clark-Mac SA-S.Paulo	P.-	U.S.A.	2,500,300
ETAGOM-Etablissement pour le Commerce Etranger	Nortamex Importadora e Exportadora Ltda.	Hand tool	Switzerl.	1,182,347
The Timken RollerBearing Co.	Timken do Brasil S.A.	Automotive	U.S.A.	2,826,220
Solvay & Cia.	Petroclor-Ind. Petroquimica	Chemicals	Belgium	1,731,443
Zahnradfabrik Friedrichshafen	ZF Fabrica de Engrenagens SA	Automotive	Germany	1,223,133
Mannesmann AG	Cia. Siderurgica Mannesmann	Steel tubes	Germany	3,142,877
The GoodYear Tire & Rubber Co	Cia. Good-Year do Brasil	Tires & Tubes	U.S.A.	5,627,498

Source: Brazilian Business

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Page 1 of
Encl. No
Desp. No 941
From AMEMBASSY, RIO

INVESTMENTS BY PRINCIPAL SECTORS

(Under SUMOC Instruction 113 and Decree 42,820) 1/

Sectors	1955	1956	1957	1958	1959	Total
Public services	-.-	0.05	0.02	0.2	-.-	0.3
Mining	4.7	5.6	2.9	0.5	0.5	14.2
Steel and Metallurgy	4.5	7.4	9.7	1.1	4.9	27.6
Automobile Industry	17.0	13.8	56.3	76.7	54.4	218.2
Building Materials	1.1	0.6	5.3	1.5	0.2	8.7
Weaving and Textiles	1.3	6.0	9.2	0.7	0.7	17.9
Chemical & Pharmaceutical	2.4	8.1	24.2	4.0	3.6	42.3
Lumber, Rubber, etc.	3.2	2.1	5.9	5.7	-.-	16.9
Paper and Cellulose	0.2	0.8	0.9	8.3	-.-	10.2
Foodstuffs	2.9	0.7	3.5	3.5	0.7	11.3
Mechanical & Electrical	-.-	-.-	-.-	-.-	7.5	7.5
Shipbuilding	-.-	-.-	-.-	-.-	13.0	13.0
Sundry	2.1	2.6	1.32	0.2	2.3	8.5
Total	39.4	47.8	119.2	102.4	87.8	396.6

1/ The figures for 1955 through 1958 were taken from the Bank of Brazil annual report and the figures for 1959 obtained from CACEX. The 1959 data differ from those of the Chamber of Commerce because of rounding and possibly the amendment of authorizations; those for 1958 apparently reflect the use of a different basis, probably licenses issued rather than licenses authorized.

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Action E

Info SS L H INR ARA REP ICA DCL IRC CIA RMR

Control: 18645
Rec'd: MARCH 26, 1960 1:11 PM

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1469, MARCH 26

GOB YESTERDAY REVISED FOREIGN EXCHANGE REGULATIONS AS FOLLOWS:

(1) OFFERING OF CONVERTIBLE CURRENCIES FOR GENERAL CATEGORY OF COMMERCIAL IMPORT AUCTIONS WILL HEREAFTER BE SUPPLEMENTED BY UP TO THREE TIMES PREVIOUSLY-ANNOUNCED AMOUNT WHENEVER EXCHANGE SURCHARGE RATE (AGIO) AT SUCH AUCTIONS AMOUNTS TO CRUZEIROS 225 PER DOLLAR.

(2) MATURITY DATE FOR LIQUIDATION OF CONVERTIBLE CURRENCY PVC'S (PROMISES TO SELL FOREIGN EXCHANGE) SOLD ON ALL COMMERCIAL IMPORT AUCTIONS WILL HEREAFTER BE 150 DAYS INSTEAD OF 120 DAYS.

DESPATCH FOLLOWS.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY RIO DE JANEIRO
951
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
March 29, 1960
DATE

REF : Embassy Telegram 1469, March 26, 1960
Embassy Despatch 950 dated March 29, 1960

APR 1 1960

20 For Dept. Use Only	ACTION	DEPT.
	ARA-3	RM/R-2 REP-1 IRC-8 E-7 ICA-11
	REC'D 4-5-60	INFO OTHER COM-8 TR-3 FRB-2 IMB-4 CIA-10 AG-8

SUBJECT: New Foreign Exchange Regulation

BEGIN UNCLASSIFIED

The morning newspapers of March 26 carried the text of SUMOC Instruction No. 193 pertaining to the operations of the commercial import auctions. Instruction No. 193 (translation enclosed) has the following principal provisions:

1) On any day in which the exchange surcharge (agio) in the general category of the commercial import auctions of convertible currencies reaches Cr$225 per dollar and all of the allocated convertible currencies have been sold, the Bank of Brazil will offer new allocations of convertible currencies at the agio of Cr$225 per dollar in an amount up to triple the amount previously allocated for the auction of that day. The SUMOC communique issued along with Instruction 193 explains that the purpose of this measure is to prevent oscillations in the cost of imports which tend to be reflected in general increases of prices and costs thereby disturbing the operations of the economy as a whole.

2) The period for liquidation of the convertible currency promises to sell foreign exchange (PVC's) is increased to 150 days for PVC's acquired on both the general and the special categories of the auctions. These PVC's have up to now carried maturities of 120 days.

3) The period during which persons or firms acquiring PVC's must pay the pertinent agios is reduced to three business days, as compared with five business days heretofore permitted.

4) All other provisions regulating foreign exchange auctions continue in force, including the provision that no purchaser of PVC's may acquire more than $50,000 during

Routed to Mr Briggs and Mr Bourdon @ OAS

832.131/3-2960 HBS

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APR 6 1960

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the auctions of any given day.

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BEGIN CONFIDENTIAL

Sr. Paulo Poock Correa, Director of the Exchange Department of the Bank of Brazil, told the reporting officer on March 25 that this Instruction was issued at the instigation of Finance Minister Paes de Almeida and that he (Poock Correa) does not favor the new measure insofar as it endangers the already poor foreign exchange position of the Bank of Brazil. He added subsequently that he will watch the commercial import auctions carefully during the next two weeks with the thought that he will endeavor to cancel the dangerous aspects of this Instruction if the drain on the exchange reserves of the Bank of Brazil becomes excessive. He stated, in that connection, that while the Instruction is centered around the agio of Cr$225 per dollar, it is the present intention of Finance Minister Paes de Almeida that this figure will be reduced by one cruzeiro or one-half of one cruzeiro weekly; that intention will be expressed orally to members of the public, but will not be publicized in a written document.

One other important aspect of the Instruction is the fact that it compels foreign suppliers to extend additional credit of 30 days on exports to Brazil, by lengthening the maturity of the PVC's from 120 days to 150 days. Sr. Poock Correa estimates that this will save the Bank of Brazil approximately $25 million this year (roughly four times the "normal" weekly offerings of convertible currencies on the commercial import auctions). The new measure will not apply to the maturity dates for liquidation of PVC's issued with regard to "preferential imports".

Additional comments pertaining to Instruction No. 193 will be found in the reference despatch.

END CONFIDENTIAL

For the Ambassador:
Herbert K. May
Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler
William A. Fowler
Counselor of Embassy
for Economic Affairs

Encl
As Stated

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TRANSLATION

SUMOC INSTRUCTION NO. 193

"The Superintendency of Money and Credit, as a result of a meeting of the Council on March 25, 1960, and in conformity with the provisions in Article 3, Line H, and Article 6 of Decree-Law No. 7293 of Feburary 2, 1945, has resolved to lower the following regulations:

I. Whenever all of the convertible currency offerings in the general category of each auction have been purchased, the Exchange Department of the Bank of Brazil will make new offerings, up to triple the amount previously announced.

II. The additional offerings mentioned in the previous item shall be made at the (price) level of the weighted average of the three most recent auctions in the general category prior to the date of this Instruction (Cr$225.00 per dollar, or the equivalent in other currencies).

III. The level of the additional offerings to which the previous item refers may be reviewed by the Exchange Department subject to approval by the Minister of Finance.

IV. In order that the above measures may best be adjusted to foreign exchange requirements, the period for liquidation of the convertible currency promises to sell foreign exchange (PVC's), acquired on the general and special categories of the auctions, is altered to 150 days.

V. The period to which reference is made in Instruction No. 132 of May 30, 1956, is reduced to three business days.

VI. All other provisions regulating the foreign exchange auctions continue in force."

Rio de Janeiro, March 25, 1960
|s|
Marcos de Souza Dantas
Executive Director

Source: Diario Oficial, March 25, 1960

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INCOMING TELEGRAM *Department of State*

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Action *Classification* Control: 22004

Rec'd: March 31, 1960 12

4:14 p.m.

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FROM: Rio de Janeiro

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ICA
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RMR

TO: Secretary of State

NO: 1487, March 31, 5 p.m.

EMBTEL 1457.

As of March 28 dollar balances Bank of Brazil totalled $21.9 million and unutilized credit lines of commercial banks totalled $11.0 million. Total dollar availabilities accordingly were $32.9 million, representing increased $1.6 million since March 21. During first 28 days March the bank purchased official market dollar contracts totalling $54.5 million and closed dollar sales contracts totalling $67.7 million. During same period bank purchased other official markets convertible currency contracts equivalent to $10.1 million and closed exchange sales contracts those currencies equivalent $23.2 million.

On March 28, uncommitted gold Bank of Brazil totalled $88.8 million, as compared $121.3 million held March 21. Decline represents $32.5 million of gold transferred to IMF that week for purpose meeting requirements of new Brazilian quota in IMF.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 955 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 31, 1960 DATE

REF : Embassy Despatch 847, March 2, 1960 — Enclosure

For Dept. Use Only	ACTION	DEPT.	RCMR 2 NEA 1 IRC-T E 7 ICA-11 SOF MR
	REC'D 4/7	INFO OTHER	CIM-5 CIA 10 FRB 3 TR 3 XMB

SUBJECT: Internal Revenue Circular 36 - Conversion Rates for Consumption Tax on Imports without Exchange Cover.

Enclosed is a translation of Circular 36 of the Director of Internal Revenue establishing new conversion rates to be used in calculating the consumption tax due on imports without exchange cover.

For the Ambassador:

R. G. Walker
Finance Officer

Coordinated:

Herbert K. May
Treasury Attaché

William A. Fowler

Enclosure:
Translation of Internal Revenue Circular No. 36.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
APR 13 1960

832.131/3-3160 HBS

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APR 13 1960

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Page 1 of
Encl. No. 1
Desp. No. 955
From AMEMBASSY, RIO

TRANSLATION
Source: Diario Oficial, Mar. 29, 1960

Department of Internal Revenue
Circular no. 36 of March 25, 1960

The Director of Internal Revenue of the National Treasury, exercising the powers vested upon him, declares to Customs Inspectors and Chiefs of other Customs Departments, as well as Consumption Tax Supervising agents that in accordance with data secured and supplied by the Superintendency of Money and Credit, there shall be in effect for purposes of calculating the consumption tax on imports independent of exchange cover, the rates of exchange and average agios as listed below, such rates to go into force in the Federal District and Sao Paulo three days after the publication of this Circular in the Diario Oficial and the other States and Territories ten days after such publication.

It is further declared that the Customs Department must issue an order repeating the present circular and placing it in their office for the information of interested parties.

Month of February, 1960 (Cr$ per currency unit)

Currencies	Weighted Averages of Agios (A)		Official Exchange Rate (B)	Total (A + B)	
	Categories: General	Special		Categories: General	Special
Danish Crown	23.2761	58.5700	2.7412	26.0173	61.3112
Swedish Crown	51.6865	76.4000	3.6553	55.3418	80.1153
US$	194.08	480.74	18.92	213.00	499.60
US$ Argentina	161.01	(*)	18.92	179.93	(*)
US$ Chile	161.77	(*)	18.92	180.69	(*)
US$ Spain	160.46	390.39	18.92	179.38	409.31
US$ Finland	161.37	390.00	18.92	180.29	408.92
US$ Hungary	160.01	(*)	18.92	178.93	(*)
US$ Israel	163.90	(*)	18.92	182.82	(*)
US$ Yugoslavia	162.15	(*)	18.92	181.07	(*)
US$ Norway	161.18	390.00	18.92	180.10	408.92
US$ East Germany	161.14	408.00	18.92	180.06	426.92
US$ Poland	161.11	(*)	18.92	180.03	(*)
US$ Portugal	195.15	403.28	18.92	214.07	422.20
US$ Czechoslovakia	161.23	415.78	18.92	180.15	434.70
US$ Uruguay	159.38	(*)	18.92	178.30	(*)
£ Iceland	443.6715	(*)	53.0460	496.7173	(*)
£ Japan	(o)	(o)	53.0460	(o)	(o)

(*) Not auctioned
(o) No offers

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 962 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. April 1, 1960 DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 849, March 3, 1960

APR - 4 1960

20 For Dept. Use Only	ACTION	DEPT.	RM/R-2 REP1 IRC 8 E-7 ICA-11 SCS-1
	REC'D 4-7-60	INFO OTHER	COM-8. TR 3. FRB-3 XMB-4 CIA 10 AG-8

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SUBJECT: Free Market Rates, March, 1960.

The table below summarizes the free market rates during the month of March, 1960:

		Buying		Selling	
		Check	Cash	Check	Cash
Cambios	High	191.00	193.00	192.50	192.50
	Low	184.00	184.50	185.00	185.00
	Average	187.80	188.21	188.56	188.56
National City Bank	High	187.00	187.00	192.00	192.00
	Low	181.50	181.50	186.00	186.00
	Average	183.97	183.97	188.78	188.78

832.1 31/4-160 HBS

For the Ambassador:

R. G. Walker
Finance Officer

Coordinated:

Herbert K. May
Treasury Attaché

William K. Fowler

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APR 12 1960

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 966 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 5, 1960

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 900, March 16, 1960

APR - 7 1960

Enclosure

20 For Dept. Use Only	ACTION	DEPT.
	REC'D 4-9-60	INFO OTHER RA/A-2 REA-1 IRC-8 E-9 ICA-11 505-1 RM COM-8 TR-3 FRB-3 XMA-4 CIA-10 AG-8

SUBJECT: Foreign Exchange Auctions during week ending March 19, 1960.

In the week ending March 19, 1960 there was an overall rise in the average agios paid on dollars sold for general imports and special imports in the official exchange auctions in Rio de Janeiro and São Paulo.

In the Rio auction, the agio on dollars for general imports rose from Cr$213.69 to Cr$226.89, an increase of Cr$13.20. In the special category, the corresponding figures were Cr$534.00 and Cr$555.00, and the increase Cr$21.00. For fertilizers there was a drop of Cr$2.42 and for insecticides the rise was Cr$1.97, all in relation to previous week's figures.

In the São Paulo auction the dollar sold for general imports increased from Cr$214.30 to Cr$225.90, a rise of Cr$11.60. In the special category, the corresponding figures were Cr$525.16 and Cr$532.21 and the increase Cr$7.05. For fertilizers there was a drop of Cr$0.11 and for insecticides the decrease was Cr$0.16, all in relation to previous week's figures.

The offering of agreement dollars on Finland and Norway now being auctioned among the currencies offered in limited amounts presumably reflects a position of short supply of the Bank of Brazil, since formerly the offering was not limited.

The agio on the Danish Kroner sold for the general category went up from Cr$24.62 to Cr$26.36 and the sales of currencies for bilateral accounts denominated in dollars were carried out in reduced amounts at the uniform rate of Cr$182.00, which compares with Cr$170.00 in the preceding week.

The available data on [illegible] exchange auctions in Rio and São Paulo during the week ending [illegible] 1960, are summarized in the enclosed tables.

Coordinated:
Herbert K. May
Treasury Attaché
William A. Fowler

For the Ambassador:
R. G. Walker
Finance Officer

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
APR 13 1960

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Page 1 of
Encl. No. 1
Desp. No. 966
From EMBASSY, RIO

AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING March 19, 1960

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio			São Paulo			All Brazil
	Offers (000)	Sales (000)	Aver. Agio	Offers (000)	Sales (000)	Aver. Agio	Offers (000)
U.S. Dollars							
General	1,785	1,785	226.89	1,785	1,785	225.90	5,691
Special	35	35	550.00	35	35	532.21	109
Fertilizers	185	185	81.15	185	185	83.59	388
Insecticides	75	75	86.62	75	75	86.05	388
Total	2,080	2,080	-.-	2,080	2,080	-.-	6,488
Chile - $							
Fertilizers	60	18	81.88	60	25	81.88	
Finland - $							
General	58	58	185.13	58	58	193.18	
Special	2	-.-	-.-	2	-.-	-.-	
Norway - $							
General	58	58	182.00	58	58	182.00	
Uruguay - $							
Fruits	200	-.-	-.-	200	-.-	-.-	

B. Auctions of Currencies without Maximum Units

Auction (x) & Currency Unit of Auction	Sales (000)	Aver. Agio	Sales (000)	Aver. Agio
Argentina - $	39	182.00	197.5	182.00
Chile - $	9	182.00	46.2	182.00
Czechoslovakia - $				
General	122	182.00	197.4	182.00
Denmark - Kroner				
General	452	26.36	905.8	26.36
East Germany - $	89	182.00	81.9	182.00
Hungary - $	-.-	-.-	54.6	182.00
Iceland - Sterling	-.-	-.-	2.1	509.60
Poland - $	23	182.00	41	182.00
Spain - $ - General	145	182.00	64.7	182.00
Yugoslavia - $	7.5	182.00	22.5	182.00

(x) - For general imports unless otherwise specified

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 967 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 5, 1960 DATE

REF : CERP, Section B, III, B-3, April 3, 1957 APR - 7 1960
Embassy Despatch 966, April 5, 1960 Enclosure

20 For Dept. Use Only	ACTION	DEPT.
	ARA-3	RM/R-2 REP-1 IRC-8 E-7 ICA-11 SCS-1
	REC'D	OTHER
	4-9-60	COM-8 TR-3 FRB-3 XMB-4 CIA-10 AG-8

SUBJECT: Foreign Exchange Auctions during week ending March 26, 1960.

The average agio for dollars sold in the general category in the official exchange auction in Rio increased from Cr$226.89 to Cr$233.94, an increase of Cr$7.05. For the special category there was a drop of Cr$4.03, the corresponding figures being Cr$555.00 and Cr$550.97. Minor increases were registered for fertilizers and insecticides. Fertilizers increased Cr$2.39 and for insecticides the rise was Cr$1.35.

In the São Paulo auction, the average agio paid for the general category increased from Cr$225.90 to Cr$238.60, or Cr$12.70, and for the special category there was an increase of Cr$9.81. Fertilizers went up from Cr$83.59 to Cr$85.20 or Cr$1.61 and for insecticides there was a rise of Cr$3.30, from Cr$86.05 to Cr$89.35.

Agios for other bilateral accounts denominated in dollars sold at the uniform rate of Cr$192.00 and showed an increase of Cr$10.00 in relation to the previous week's figures. The agio on the Danish Kroner sold for the general category increased from Cr$26.36 during the week ending March 19 to Cr$27.80.

The available data on foreign exchange auctions in Rio and São Paulo during the week ending March 26, 1960, are summarized in the enclosed tables.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
APR 13 1960

For the Ambassador:

Coordinated:
Herbert K. May
Treasury Attaché

R. G. Walker
Finance Officer

William A. Fowler

Enclosure:
Auctions of foreign currencies during week ending March 26, 1960.

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AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING
March 26, 1960

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	R i o			S ã o P a u l o			All Brazil
	Offers (000)	Sales (000)	Aver. Agio	Offers (000)	Sales (000)	Aver. Agio	Offers (000)
U.S. Dollars							
General	1,785	1,785	233.94	1,785	1,785	238.60	5,691
Special	35	35	550.97	35	35	542.02	109
Fertilizers	185	185	83.54	185	185	85.20	300
Insecticides	75	75	87.97	75	75	89.35	300
Total	2,000	2,000	-.-	2,000	2,000	-.-	6,400
Chile - $							
Fertilizers	40	3	88.00	40	22	81.00	
Finland - $							
General	58	35	192.00	58	58	200.01	
Special	2	-.-	-.-	2	-.-	-.-	
Norway - $							
General	32	28	192.00	32	32	192.00	
Uruguay - $							
Fruits	200	-.-	-.-	200	-.-	-.-	

B. Auctions of Currencies Without Maximum Units

Auction (x) & Currency Unit of Auction	Sales (000)	Aver. Agio	Sales (000)	Aver. Agio
Argentina - $	78.9	192.00	47.2	192.00
Israel - $	-.-	-.-	3.0	192.00
Chile - $	-.-	-.-	27	192.00
Czechoslovakia - $	2.2	192.00	15.4	192.00
Denmark - Kroner	582	27.80	997	27.80
East Germany - $	7.1	192.00	4	192.00
Hungary - $	0.6	192.00	-.-	-.-
Poland - $	-.-	-.-	3	192.00
Spain - $	9.2	192.00	192.2	192.00
Yugoslavia - $	4.0	192.00	-.-	-.-

(x) c.i.f. for general imports unless otherwise specified.

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FROM: Rio de Janeiro

TO: Secretary of State

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UMSC
ICA
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CIA

NO: 1538, April 7, noon

RMR

EMBTEL 1487

As of April 4 dollar balances Bank of Brazil totalled $6.6 million and unutilized credit lines US Commercial Banks totalled $17.0 million. Total dollar availabilities accordingly aggregated $23.6 million representing declined $9.3 million since March 28.

During full month March bank purchased official market and free market dollar contracts totalling $66.0 million and closed dollar sales contracts totalling $83.4 million. During same period bank purchased other official market and free market convertible currency contracts equivalent $12.7 million and closed sales contracts of those currencies equivalent $26.5 million.

CABOT

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — DESP. NO. 975

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE April 7, 1960

REF : CERP Section B, III, B-3, Apr. 3, 1957
Embassy Despatch 1395

APR - 8 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D 4/11	INFO ARA-3 RM/R-2 REP-1 IRC-8 E-7 ICA-11 SCA-4 OTR CIA-10 COM-8 TA-3 FRB-3

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
APR 11 1960

SUBJECT: Sale of Foreign Exchange Against PVCs

There is attached herewith a table, obtained from the Director of the Exchange Department of the Bank of Brazil, showing the breakdown by currencies of the PVCs (promises to sell foreign exchange) sold in Rio de Janeiro and São Paulo during the full year, 1959. It will be noted that during the month of December, persons and firms buying PVCs chose to convert 41.3 percent of those PVCs into exchange contracts for purchases of U. S. dollars to finance imports from the U. S.

As pointed out in the reference despatch, persons and firms purchasing PVCs from January 14, 1959 1/ through April, 1959 had chosen to convert 48.9 percent of such purchases into U.S. dollar exchange contracts. As indicated by Enclosure 1, the percentage of PVCs transferred into U.S. dollar contracts declined sharply toward the end of 1959, such that the average for the full year was 42.9 percent.

For the Ambassador:

Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor of Embassy
for Economic Affairs

Enclosure: As stated

1/ The first auction at which PVCs were sold pursuant to which the buyers could freely select the currency they wish from among a choice of U.S. dollars, Canadian dollars, Swiss francs, or any of the former "area of limited convertibility" currencies took place on January 14, 1959. Until that date, the "area of limited convertibility" currencies were sold in auctions separate from the auctions of U.S. dollars.

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Page 1
Encl 1
Desp 975

PERCENTAGE UTILIZATION, ACCORDING TO COUNTRY OF ORIGIN AND SOURCE, OF PROMISES TO SELL FOREIGN EXCHANGE (PVC's), IN AMERICAN DOLLARS, APPLIED IN CERTIFICATES OF EXCHANGE COVER (CCCs) EMITTED IN RIO DE JANEIRO AND SÃO PAULO FROM JANUARY 14, 1959

Unit: US$1,000)

COUNTRY OF ORIGIN AND SOURCE	JANUARY TO NOVEMBER		DECEMBER		TOTAL	
	Amount	Percent	Amount	Percent	Amount	Percent
U. S. A.	69,643	43.0	7,522	41.3	77,015	42.9
CANADA	4,825	3.0	297	1.6	5,122	2.9
SWITZERLAND	6,285	3.9	630	3.4	6,915	3.9
SUB-TOTAL	80,603	49.9	8.449	46.3	89.052	49.7
Other countries not part of the old "area of limited convertibility" (ACL Area)	2,786	1.7	72	0.3	2,858	1.5
TOTAL	83,389	51.6	8,521	46.6	91,910	51.2
MEMBERS OF THE OLD AREA OF LIMITED CONVERTIBILITY:						
GERMANY	31,163	19.3	3,543	19.6	34,706	19.3
AUSTRIA	1,272	0.8	157	0.8	1,429	0.7
FRANCE	9,861	6.1	891	4.9	10,752	5.9
HOLAND	4,331	2.7	510	2.8	4,841	2.6
ENGLAND AND SPECIFIC TERRITORIES	17,353	10.7	2,640	14.6	19,993	11.5
ITALY	6,843	4.2	694	3.9	7,537	4.1
BELGIUM-LUXEMBOURG UNION	7,377	4.6	1,236	6.8	8,613	4.7
TOTAL	78,200	48.4	9,671	53.4	87,871	48.8
GRAND TOTAL	161,589	100.0	18,192	100.0	179,781	100.0

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 976 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 7, 1960 DATE

REF : CERP, Section B, III, B-3, April 3, 1957 APR 8 1960
Embassy Despatch 967, April 5, 1960 — Enclosure 505-1

For Dept. Use Only	ACTION	DEPT.
	ARA:3	INFO AMB:2 AEP:1 IRC:4 E:7 ICA:11
	REC'D 4/11	OTHER CIA:10 COM:4 TA:3 FAB:3 KMB:4 AG:8

SUBJECT: Foreign Exchange Auctions during Week Ending April 2, 1960.

As reported, SUMOC Instruction 193 of March 25 permitted the sale of three times the weekly offering of U.S. dollars in the general category at each of the auctions held throughout the country whenever the full amount offered in the general category at that auction has been taken up. During the week covered in this Despatch, the first under Instruction 193, $322,000 was sold under this provision in Sao Paulo and $41,000 in Rio. The price fixed for these sales in the Instruction was Cr$225.00 to the US$1.00. This price, which may be adjusted by the Carteira de Cambio, has been reduced by Cr$1.00 for the auctions of the following week and reportedly may be reduced further thereafter.

With respect to the actual auctioning of exchange there was an overall decrease in the average agios for dollars sold in the general category and special category in Rio and Sao Paulo during the week ending April 2, in comparison with previous week's figures. In Rio, the average agio for general and special categories decreased by Cr$9.60 to Cr$224.34 and by Cr$32.13 to Cr$518.84, respectively. Fertilizers increased from Cr$83.54 to Cr$84.60 or Cr$1.06 and for insecticides there was a rise of Cr$4.20.

In the São Paulo auction, the average agio paid for the general category decreased from Cr$238.60 to Cr$225.00, or Cr$13.60, and for the special category there was a decrease of Cr$36.52. Fertilizers went up from Cr$85.20 to Cr$86.70 or Cr$1.50 and for insecticides there was a rise of Cr$0.36.

Other bilateral accounts denominated in dollars were sold in reduced amounts at the uniform rate of Cr$192.00, showing no change in relation to previous week's figures. The agio on the Danish Kroner sold for the general category remained at the previous week figure, namely Cr$27.80.

The regular monthly auction of foreign exchange for delivery in three years to finance automobile imports was held in Sao Paulo. $100,000 were sold at the average agio of Cr$452.[illegible] per dollar, compared with Cr$413.33 realized at the auction in February last in Rio.

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Page 2 of
Encl. No.
Desp. No. 976
From AMEMBASSY, RIO

The available data on foreign exchange auctions in Rio and São Paulo during the week ending April 2, 1960, are summarized in the enclosed tables.

For the Ambassador:

R. G. Walker
Finance Officer

Coordinated:

Herbert K. May
Treasury Attaché

William C. Fowler

Enclosure:
Auctions of Foreign Currencies during week ending April 2, 1960

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Page 1 of
Encl. No. 1
Desp. No. 976
From AMEMBASSY, RIO

AUCTIONS OF FOREIGN CURRENCIES DURING WEEK ENDING
April 2, 1949

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio Offers (000)	Rio Sales (000)	Rio Aver. Agio	São Paulo Offers (000)	São Paulo Sales (000)	São Paulo Aver. Agio	All Brazil Offers (000)
U.S. Dollars							
General	1,785	1,785	224.34	1,785	1,785	225.00	5,691
Special	35	35	518.84	35	35	505.50	189
Fertilizers	185	185	84.60	185	185	86.70	580
Insecticides	75	75	92.17	75	75	89.71	380
Total	2,080	2,080	-.-	2,080	2,080	-.-	6,480
Extra (Instr.193)	5,355	41	225.00	5,355	322	225.00	17,073
Chile - $							
Fertilizers	60	3	81.06	60	35	81.06	
Finland - $							
General	58	17	192.00	58	18	192.00	
Special	2	-.-	-.-				
Norway - $							
General	58	2	192.00	58	37	192.00	
Special	2	-.-	-.-	2	-.-	-.-	
Uruguay - $							
Fruits	200	-.-	-.-	200	-.-	-.-	

B. Auctions of Currencies Without Maximum Units

Auction (x) & Currency Unit of Auction	Sales (000)	Aver. Agio	Sales (000)	Aver. Agio
Argentina - $	-.-	-.-	18.3	192.00
Chile - $	107.6	192.00	29.5	192.00
Czechoslovakia - $	2.2	192.00		
Denmark - Kroner	65.7	27.80	178.0	27.80
Hungary - $	-.-	-.-	35.6	192.00
Iceland - Sterling	-.-	-.-	1	459.20
Poland - $	-.-	-.-	1.9	192.00
Spain - $	13	192.00	4	192.00

(x) - For general imports unless otherwise specified.

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DEPARTMENT OF STATE INSTRUCTION

2339

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FOR RM/R USE ONLY

NO.: A-284, April 26, 1960

SUBJECT: Increased Sales at Foreign Exchange Auctions

REFERENCE: Despatch No. 976, April 7, 1960

TO: The American Embassy, RIO DE JANEIRO

FROM COMMERCE

When additional sales of foreign exchange are made under SUMOC Instruction No. 193, the Embassy is requested to report, in the weekly exchange auction summary, the total amount of such additional sales for all of Brazil.

HENDERSON, ACTING

832.131/4-760

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DRAFTED BY: A. J. Poirier, Deputy Director
American Republics Division/BFC

APPROVED BY: OFA:DO/Ls:RSCooney:sgh DGL 4/26/60

CLEARANCES: Jvon Streibel/ebh, 4/25/60

APR 28 1960

ASSISTANT CHIEF FOR LIAISON

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, Rio de Janeiro — 989 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : -

April 11, 1960
APR 14 1960

For Dept. Use Only	ACTION	DEPT.
	ARA-3	RMA-2 REP-1 IRC-8 E-7 ICA 11 SCS-1
	REC'D 4/18	FOR OTHER CIA 11 COM-8 TR-3 FRB-3 XMA-4 AG-8

SUBJECT: Transmittal of Bank of Brazil Inspection Department Notice No.69

There is enclosed a translation of Bank of Brazil Inspection Department Notice No. 69 dated December 29, 1959, published in the Diario Oficial of December 31, 1959 establishing exchange quotas for the importation of maps, books, newspapers, magazines and similar publications including printed music sheets, during 1960.

For the Ambassador:

Gerald S. Pierce
Commercial Officer

Approved:

Douglas S. Egan
Commercial Attaché

Enclosure: Translation of Bank of Brazil Notice No. 69

cc: Amcongen São Paulo

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Page 1 of
Encl. No. 1
Desp. No.
From Rio de Janeiro

Translation

Diario Oficial, December 31, 1959

BANK OF BRAZIL
Bank Inspection Department
Notice No. 69

The Bank of Brazil S/A - Bank Inspection Department, acting under regulation of Article 84 of Decree No. 42,820 of December 16, 1957, makes it known that the following has been established for the obtention of exchange quotas for dealers and cooperatives for the importation of maps, books, newspapers, magazines and similar publications including printed music sheets, during the year of 1960, and dealt with under Article 7, Item VI of Law No. 2,145 of December 29, 1953 and alterred by Article 56 of Law No. 3244 of August 14, 1957:

a) The dealers and cooperatives which have not received exchange quotas for the year of 1959 may, up to January 19, 1960 submit their declarations of exchange necessities for the year of 1960 exclusively in inconvertible currencies, either through the National Syndicate of Editors of Books and Cultural Publications, the Brazilian Chamber of Books or through other associations to which they are affiliated, in the absence of any of these, directly to the agencies of the Bank of Brazil.

b) Those firms which obtained exchange quotas for the year 1959 shall have their quotas renewed for the year 1960 without the need of a specific request; quota will be limited to the amounts actually used up to December 31, 1959.

For the convenience of the government agencies the quotas shall be awarded for the full year of 1960 but shall be divided into two equal parts so as to comply with the semester-based exchange budget.

Rio de Janeiro, December 29, 1959

Eurico Fernandes da Motta - Manager of the
Bank Inspection Department

Translated by DDHamerman.

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, Rio de Janeiro

990
DESPATCH NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 11, 1960
DATE

APR 14 1960

REF :

NEA

For Dept. Use Only	ACTION	DEPT.	
	ARA	IN	RM/R-2 REP-1 IRC-8 E-7 ICA-11 E-3
	REC'D 4/18	FO	OTHER COM-8 CIA-11 TAR-2 TR-3 INV-7

SUBJECT: Transmittal of Exchange Department of Bank of Brazil Communications Nos. 10 and 11

TAR-2

832.131/4-1160 HBS

Enclosed are translations of Exchange Department of Bank of Brazil Communications Nos. 10 and 11 dated March 14, 1960, published in the Diario Oficial of March 16 and March 19, 1960, respectively.

Communication No. 10 establishes rules for the importation of electrolytic copper from Sweden smelted from copper concentrates originating in Israel.

Communication No. 11 issues similar rules for the importation of zinc and lead smelted in Belgium from ore mined in Greenland.

For the Ambassador:

Gerald S. Pierce
Commercial Officer

Approved:

Douglas S. Egan
Commercial Attaché

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
APR 20 1960
4-21-60
Ready

Enclosures:
Translations of Bank of Brazil
Communications Nos. 10 and 11

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GENERAL RECORDS

cc: Amcongen São Paulo

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Page 1'' of
Encl. No. 2
Desp. No. 990
From ~~Rio de Janeiro~~

Translation

Diario Oficial, March 16, 1960

EXCHANGE DEPARTMENT OF BANK OF BRAZIL
Communication No. 10

The Exchange Department of the Bank of Brazil, makes it known to all interested parties, in addendum to Communication No. 5 of May 29, 1959, that there have been established rules for the importation of electrolytic copper from Swedensmelted from copper concentrates originating in Israel.

1. Transactions are to be covered by PVC's of the Brazil-Israel trade agreement for the FOB value of the product and all other regulations concerning imports in general shall be observed.

2. On the Exchange Cover Certificate (CCC) in addition the declaration of Swedish origin and shipment of the metal, there shall be made the following declaration:

"This certificate shall serve to cover the importation of electrolytic copper shipped from Sweden and smelted from copper ore originating in Israel."

3. The importation shall be made at international copper prices and shall be covered by letter of credit in favor of an Israeli exporter, in dollars (trade agreement dollars), negotiable against the following documents:

a) Shipping documents issued in Sweden, where the merchandise shall be placed on board, which after having been legalized at the Brazilian Consulate shall be forwarded to Tel-Aviv where they shall be visaed by the Israeli Chamber of Commerce;

b) Certificate of origin issued by responsible authorities, visaed by the Israeli Chamber of Commerce and by the Brazilian Consulate in Tel-Aviv.

4. For the establishment of the letters of Credit there shall be submitted to the Bank Inspection Department of the Bank of Brazil documents showing prior approval of the transaction on the part of Israeli authorities, issued by the Bank of Israel and showing the exporter's name, the volume and value of the transaction.

Rio de Janeiro, March 14, 1960.
Paulo Poock Correa - Director
Antonio Gurgel da Costa Nogueira,
Manager.

Translated by DDHamerman.

UNCLASSIFIED

1055

UNCLASSIFIED
(Classification)

Page 1 of
Encl. No. 1
Desp. No. 990
From Rio, Brazil

Translation

Diario Oficial, March 29, 1960

EXCHANGE DEPARTMENT OF BANK OF BRAZIL
Communication No. 11

The Exchange Department of the Bank of Brazil, makes it known to all interested parties, in addendum to Communication No. 4 of January 27, 1959, that there have been established rules for the importation of zinc and lead shipped from Belgium and smelted Danish ore originating from Greenland.

1) Transactions are to be covered by EVC's in Danish Crowns for the FOB value of the product and all other general regulations concerning imports shall be observed.

2) On the Exchange Cover Certificate (CCC), in addition to the declaration of the origin and shipment from Belgium of the metal there shall be made the following declaration:

"This 'certificate' shall serve to cover the importation of metal shipped from Belgium and smelted from Danish ore originating in Greenland."

The ingots shall bear the following wording either in high or low relief, in addition to the name of the smelting company: "Smelted from Greenland ore."

3) The importation shall be made at international prices quoted for the product and shall be covered by letter of credit in Danish Crowns in favour of a Danish exporter, negotiable against the following documents:

a) Shipping Documents issued in Belgium where the merchandise shall be loaded, which, after having legalized by the Brazilian Consulate, shall be forwarded to Copenhagen for visa by the Danish Chamber of Commerce and the Brazilian Consulate;

b) Certificate of origin issued by responsible authorities visaed by the Danish Chamber of Commerce and the Brazilian Consulate in Copenhagen.

4) For the establishment of letters of credit there shall be submitted to the Bank Inspection Department of the Bank of Brazil documents showing prior approval of the transaction on the part of the Danish monetary authorities, issued by the Danish National Bank and showing the exporter's name, the volume and value of the transaction.

Rio de Janeiro, March 14, 1960
Paulo Poock Correa, Director
Antonio G. da Costa Nogueira, Manager

Translated by DDHamerman

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1056

O ESTADO DA BAHIA É O SEGUNDO PRODUTOR DE CACAU DO MUNDO

FORWARDED BY THE AMERICAN EMBA
RIO DE JANEIRO BRAZIL
CERP Reference: No. 26 Section
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DO

INSTITUTO DE CACAU DA BAHIA

ORGÃO OFICIAL DA LAVOURA CACAUEIRA

CAIXA POSTAL, 223 — ENDEREÇO TELEGRAFICO "INSTICACAU" — SALVADOR — BAHIA — BRASIL

BOLETIM INFORMATIVO Nº 54

MÊS DE FEVEREIRO DE 1960

INSTITUTO DE CACAU DA BAHIA

DESCRIÇÃO DO ARMAZÉM-SEDE

CATÁLOGO DO MOSTRUÁRIO NO HALL

BAHIA COCOA INSTITUTE

WAREHOUSE (DESCRIPTION)

CATALOGUE OF THE EXHIBIT IN THE HALL

DEVEMOS PRODUZIR O MELHOR CACAU OBTENDO DE TODOS OS MERCADOS A PREFERENCIA

1050

BOLETIM INFORMATIVO Nº 54 - FEVEREIRO DE 1960

INSTITUTO DE CACAU DA BAHIA (ÓRGÃO OFICIAL DA LAVOURA CACAUEIRA)

DIRETORIA - ANTONIO FERNANDES DA SILVA - PRESIDENTE
ARMANDO GÓES DE ARAÚJO - DIRETOR ADMINISTRATIVO
JOSÉ VIANA DIAS DA SILVA - DIRETOR ASSISTENTE
ANTONIO B. C. DE FREITAS - DIRETOR REGIONAL

O BOLETIM INFORMATIVO DO I.C.B. É LIDO NAS AMÉRICAS (NORTE, CENTRAL E SUL), EUROPA (INGLATERRA, ALEMANHA, FRANÇA, ITÁLIA, POLÔNIA ETC.), ÁSIA (FILIPINAS ETC.), ÁFRICA (GHANA, OCIDENTAL PORTUGUÊSA ETC.), OCEANIA, EM VÁRIOS ESTADOS DO BRASIL E VASTAMENTE DISTRIBUÍDO EM TÔDA A REGIÃO DE CACAU

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AVICULTURA EM FOCO

ESPAÇO NO COMEDOURO

UM FATOR IMPORTANTE NO SUCESSO DE QUALQUER TIPO DE EXPLORAÇÃO AVÍCOLA, FRANGOS OU OVOS, É O USO ADEQUADO DE COMEDOUROS E BEBEDOUROS.

A QUALIDADE E A QUANTIDADE DE BEBEDOUROS E COMEDOUROS DEVEM MERECER TODO O CUIDADO DO AVICULTOR QUE SE INTERESSE EM PRODUÇÃO MAIOR DE SEU PLANTEL.

SEMPRE QUE POSSÍVEL, BEBEDOUROS DE ÁGUA CORRENTE DEVEM SER USADOS, PELAS INÚMERAS VANTAGENS QUE OFERECEM: ÁGUA MAIS LIMPA, MAIS FRESCA, CONDIÇÕES SANITÁRIAS MELHORES, MENOS MÃO DE OBRA E MENOR POSSIBILIDADE DE DISSEMINAÇÃO DAS LEUCOSES.

OS COMEDOUROS AUTOMÁTICOS E OS SUSPENSOS JÊM-SE MOSTRADO MUITO MELHORES QUE OS COMUNS, DE MADEIRA. ALÉM DE DIMINUIR DE MUITO O PROBLEMA DOS RATOS E DA ENORME REDUÇÃO DA MÃO DE OBRA, TAIS COMEDOUROS, QUANDO DEVIDAMENTE REGULADOS, TORNAM O DESPERDÍCIO DA RAÇÃO QUASE NULO OU TOTALMENTE INEXISTENTE.

O ESPAÇO DO COMEDOURO DADO ÀS POEDEIRAS, DE PER SI, PODE AUMENTAR MUITO A PRODUÇÃO MÉDIA DO LOTE. NUMA ANÁLISE FEITA EM 500 GRANJAS AMERICANAS, OS TÉCNICOS VERIFICARAM UM AUMENTO DE 28 OVOS POR AVE, QUANDO O ESPAÇO DE COMEDOURO PASSAVA DE 2,5 PARA 5 CENTÍMETROS POR CABEÇA. VERIFICARAM QUE HAVIA AINDA UM AUMENTO DE 7 OVOS POR AVE, QUANDO ÊSSE ESPAÇO PASSAVA DE 12 PARA 15 CENTÍMETROS POR AVE.

PARA UMA PRODUÇÃO MÁXIMA, QUE DEVE SER O OBJETIVO DE TODOS, SÃO ESSAS AS RECOMENDAÇÕES:

1º MÊS	-	3,5 CMS POR AVE
2º "	-	6 " " "
3º "	-	10 " " "
4º "	-	12 " " "
ADULTAS	-	15 " " "

TOSTA FILHO AGRADECE AOS FUNCIONÁRIOS DO ICB

EM RESPOSTA AO INTEGRAL APÔIO PRESTADO POR OCASIÃO DO ESCÂNDALO DO FEIJÃO PODRE IMPORTADO DOS EE.UU.A, E, QUE INJUSTAMENTE ENVOLVEU O SEU NOME, O DIRETOR DA CACEX ASSIM SE EXPRESSOU NUM CARTÃO DIRIGIDO AOS FUNCIONÁRIOS DO INSTITUTO DE CACAU DA BAHIA, INSTITUIÇÃO DA QUAL FOI ÊLE SEU PRINCIPAL IDEALIZADOR E PRIMEIRO PRESIDENTE: "AOS FUNCIONÁRIOS DO INSTITUTO DE CACAU, IGNÁCIO TOSTA FILHO AGRADECE PENHORADO A MANIFESTAÇÃO DE SOLIDARIEDADE E TUDO QUE ELA REPRESENTA DE CONFÔRTO E ESTÍMULO'.



INSTITUTO DE CACAU DA BAHIA

AGRICULTORES!

VINDO A SALVADOR PROCUREM VISITAR O ARMAZÉM-SEDE E O HALL DE EXPOSIÇÃO DO INSTITUTO DE CACAU. POR SUAS IMPORTANTES CARACTERÍSTICAS É PONTO OBRIGATÓRIO NO ROTEIRO DOS TURISTAS ESTRANGEIROS. APRESENTAREMOS ALGUNS DADOS DA PARTE SOCIAL DO EDIFÍCIO E DO HALL.

O HALL DE EXPOSIÇÃO, OBRA PRIMOROSA DOS SRS. LAUBISCH & HIRTH, QUANTO À DECORAÇÃO E MOBILIÁRIO, OBEDECE AO ESTILO MARAJOARA, PRÓPRIO DOS ÍNDIOS DO ORINOCO, DE CUJO SOLO É ORIGINÁRIO O CACAU. O ESTILO DO HALL É, POIS, DE CARÁTER SIMBÓLICO E O SEU MAGNIFÍCO EFEITO É REALÇADO PELO CACAUEIRO QUE SE LEVANTA NO CENTRO DO AMPLO RECINTO, OFERECENDO UMA SIMILITUDE PERFEITA COM A ÁRVORE NATURAL. A ÁRVORE, BEM COMO OS GRANDES QUADROS E MODELOS RELATIVOS À CULTURA E CARACTERÍSTICAS DO CACAU, CONSTITUEM UMA ESPLÊNDIDA REALIZAÇÃO DOS ARTISTAS RUSSOS VASILIEFF E MAKURIN.

NAS VITRINAS E MESAS DE EXPOSIÇÃO DO HALL, O VISITANTE OBSERVARÁ TODOS OS ASPECTOS E SE INFORMARÁ DE TODOS OS DADOS RELATIVOS À CULTURA E COMÉRCIO DE CACAU.

AO LADO DO HALL ESTÃO A ASSEMBLÉIA E BIBLIOTECA, TENDO COMO MOTIVO CENTRAL DE DECORAÇÃO UM GRANDE MAPA, EM ALTO REVELO, DA BAHIA. A PARTE SOCIAL COMPORTA AINDA OS ESCRITÓRIOS GERAIS, SALAS DAS SECÇÕES TÉCNICAS, DE ESPERA, CONSULTORIA JURÍDICA, GABINETE MÉDICO, ETC.

BAHIA COCOA INSTITUTE

WAREHOUSE
(OFFICE INSTALLATION)

EXHIBITION HALL

(DESCRIPTION)

THUS THE EXHIBITION HALL IS MADE IN THE "MARAJOARA" STYLE ORIGINATED BY THE INDIANS OF THE ORINOCO, WHENCE THE COCOA TREE COMES FROM. THE SYMBOLISM OF THE DECORATION IS HEIGHTENED BY THE ARTIFICIAL COCOA-TREE ERECTED IN THE CENTER OF THE HALL WHERE THE VISITOR WILL BE ABLE TO INFORM HIMSELF OF ALL THE ASPECTS AND STATISTICS OF THE COCOA INDUSTRY. THE DECORATION AND FURNITURE ARE BY MESSRS. LAUBISCH & HIRTH AND THE COCOA TREE AND OTHER MODELS BY THE ARTISTS MESSRS. VASILIEF AND MAKURIN.

THE GENERAL ASSEMBLY ROOM AND LIBRARY IS ANOTHER BEAUTIFUL PIECE INTENDED FOR THE MEETING OF THE ASSOCIATED FARMERS AND OTHER GATHERINGS. ITS FURNITURE WAS ALSO SUPPLIED BY MESSRS. LAUBISCH & HIRTH AND THE LARGE MAP OF BAHIA, WHICH IS THE CENTRAL MOTIVE OF DECORATION, IS THE WORK OF MESSRS. VASILIEFF AND TELLES DE MENEZES.

THERE ARE BESIDES DIRECTORS AND GENERAL OFFICE ROOMS, AND OTHER DEPENDENCIES, THE FIRST INSTALLATION OF THIS KIND IN THE NORTH OF BRAZIL.



CATÁLOGO DO MOSTRUÁRIO NO HALL

VITRINA Nº 1

COLAEIRO - COLA NITIDA A.CHEV. - STERCULIACEAE - PLANTA ESTIMULANTE, ORIGINÁRIA DA ÁFRICA OCIDENTAL, EXIGENTE DE CLIMA SIMULTÂNEAMENTE QUENTE E ÚMIDO E DE SOLOS PROFUNDOS E RICOS DE HUMUS.

A NOZ DE COLA - SEMENTES PREPARADAS - QUE É O PRODUTO DO COLAEIRO, CONTENDO CAFEÍNA, TEOBROMINA E COLATEÍNA, TEM LARGO EMPRÊGO EM MEDICINA E NA CONFECÇÃO DE BEBIDAS REFRIGERANTES.

A BAHIA, QUE É O MAIOR CENTRO DE PRODUÇÃO DO BRASIL, EXPORTA ANUALMENTE CÊRCA DE 20 TONELADAS DE NOZ DE COLA.

NAS 1ª, 2ª E 3ª PRATELEIRAS ESTÃO EXPOSTOS: RAMOS, FÔLHAS, FRUTOS E SEMENTES DE COLAEIRO.

3ª PRATELEIRA - RIZOMA E TUBÉRCULOS DE TARO. - COLOCASIA ANTIQUORUM - PLANTA-RAIZ DE GRANDE VALOR ALIMENTAR.

4ª PRATELEIRA - MEL DE ABELHA, ESPIGAS DE MILHO E TUBÉRCULOS DE AIPIM - PLANTA-RAIZ DE GRANDE VALOR ECONÔMICO.

5ª PRATELEIRA - BANANEIRA - MUSA SPP. - MUSACEAE - FRUTEIRA TROPICAL DE GRANDE VALOR ECONÔMICO. ESTÃO EXPOSTAS FRUTAS DAS VARIEDADES: ANÃ, S. TOMÉ, DA TERRA, MAÇÃ, PRATA, ROXA E GROS MICHEL. A BANANEIRA É TAMBÉM CULTIVADA NA REGIÃO CACAUEIRA DA BAHIA COMO PLANTA DE SOMBREAMENTO PROVISÓRIO DOS CACAUAIS.

CATALOGUE OF THE EXHIBIT IN THE HALL

GLASSCASE Nº 1

KOLA NUT TREE - COLA NITIDA A.CHEV. - STERCULIACEAE - ESTIMULATING PLANT FROM AFRICA, REQUIRING A HOT-WET CLIMATE AND DEEP SOILS RICH IN HUMUS.

THE KOLA-NUT OR KOLA-PROCESSED SEEDS - IS THE PRODUCT FROM KOLA-NUT TREE, CONTAINING CAFFEINE, THEOBROMINE AND KOLATEINE. THEY ARE USED IN MEDICINE AND AS BEVERAGES. THE STATE OF BAHIA, WHICH IS THE BIGGEST PRODUCER OF BRAZIL, EXPORTS 20 TONS YEARLY.

IN THE 1ST., 2ND.,AND 3RD.SHELVES ARE SHOWN: TWIGS, LEAVES,FRUITS AND SEEDS OF THE KOLA NUT TREE.

* * * * * *

3RD.SHELF - RHIZOMES AND TUBERS OF TARO - COLOCASIA ANTIQUORUM AN EDIBLE ROOT-PLANT.

4TH. SHELF - BEE-HONEY, EARS OF CORN, AND TUBERS OF AIPIM - A VERY GOOD EDIBLE ROOT-PLANT.

5TH. SHELF - BANANA TREE - MUSA SPP. - A TROPICAL FRUIT OF A VERY GREAT ECONOMIC VALUE. CAN BE SEEN FRUITS OF THE VARIETIES: ANÃO, S. THOMÉ, DA TERRA, MAÇÃ, PRATA, ROXA AND GROS MICHEL. THE BANANA TREE IS ALSO CULTIVATED IN THE CACAO ZONE OF BAHIA AS TEMPORARY SHADE FOR THE CACAO PLANTATIONS.

VITRINA Nº 2

1ª, 2ª, 3ª E 4ª PRATELEIRAS - PLANTAS CÍTRICAS - CITRUS SPP. - RUTACEAE - POMELOS IMPERIAL E DUNCAN; LARANJAS BAHIA, PÊRA E MALTESA; TANGERINA SATSUMA; LIMÕES PONDEROSA, CHINÊS, LISBOA E EURECA; CIDRA.

AS PLANTAS CÍTRICAS ENCONTRAM NA BAHIA BOAS CONDIÇÕES ECOLÓGICAS PARA UMA EXPLORAÇÃO ECONÔMICA EM LARGA ESCALA COMERCIAL. É UMA LAVOURA A ORGANIZAR, E A PRODUÇÃO, PRESENTEMENTE, ATENDE APENAS ÀS NECESSIDADES DO CONSUMO INTERNO.

NA QUARTA PRATELEIRA ESTÃO EXPOSTAS OUTRAS FRUTAS TROPICAIS: PINHA, ABACAXI E ABIO.

VITRINA Nº 3

1º QUADRO

I - FILOTAXIA DO CACAUEIRO: 1) DO TRONCO, É HELICOIDAL NA FÓRMULA 3/8; 2) DOS RAMOS OU PALMAS, É DÍSTICA OU BILATERAL NA FÓRMULA 1/2.

II - SEGMENTO DO TRONCO, APRESENTANDO RAMOS, FÔLHAS, FLORES E FRUTOS EM DIFERENTES ESTÁGIOS DE DESENVOLVIMENTO.

III - ALMOFADA FLORAL, BOTÕES E FLORES: 1) FLOR; 2) RECEPTÁCULO; 3) ESTRANGULAMENTO NA ARTICULAÇÃO DO RECEPTÁCULO COM O PEDÚNCULO; 4) PEDÚNCULO; 5) BOTÃO FLORAL; 6) ALMOFADA FLORAL.

IV - RECEPTÁCULO E PEDÚNCULO.

V - DIAGRAMA FLORAL: 1) SÉPALA; 2) PÉTALA; 3) ESTAME; 4) ESTAMINOIDE; 5) ESTIGMA; 6) OVÁRIO.

VI - PREFLORAÇÃO: 1) BOTÃO FLORAL; 2) PEDÚNCULO; 3) ESCAMAS; 4)

GLASSCASE Nº 2

1ST., 2ND., 3RD. AND 4TH. SHELVES - CITRUS PLANTS - CITRUS SPP. RUTACEAE - IMPERIAL AND DUNCAN GRAPEFRUITS; BAHIA, PERA AND MALTESA ORANGES; SATSUMA TANGERINE; PONDEROSA, CHINESE, LISBON AND EUREKA LEMONS; CITRON.

THE STATE OF BAHIA HAS GOOD ECOLOGICAL CONDITIONS FOR THE CITRUS CULTIVATION. UNFORTUNATELY, THE CITRUS CULTURE IN THIS STATE SUPPLIES ONLY THE HOME NEEDS AND, THEREFORE, MUST BE ORGANIZED UNDER SOUND AGRICULTURAL BASIS.

ON THE FOURTH SHELF CAN BE SEEN OTHER TROPICAL FRUITS, SUCH AS: SUGARAPPLE, PINEAPPLE AND ABIO.

GLASSCASE Nº 3

1ST. PAINTING:

I - CACAO TREE PHYLLOTAXY: 1) ON MAIN STEMS IT IS SPIRAL IN 3/8 FORMULA; 2) ON BRANCHES OR FANS IT IS DISTIC OR BILATERAL IN 1/2 FORMULA.

II - TRUNK SECTION SHOWING BRANCHES, LEAVES, FLOWERS AND FRUIT IN DIFFERENT CONDITIONS OF DEVELOPMENT.

III - FLOWER "CUSHION", FLOWER BUD AND FLOWERS: 1) FLOWER; 2) RECEPTACLE; 3) CONSTRICTION BETWEEN THE RECEPTACLE AND THE STALK; 5) FLOWER BUD; 6) FLOWER CUSHION.

IV - RECEPTACLE AND STALK

V - FLORAL DIAGRAM; 1) SEPAL; 2) PETAL; 3) STAMEN; 4) STAMINODE; 5) STIGMA; 6) OVARY.

VI - PREFLORATION: 1) FLOWER BUD; 2) STALK; 3) SCALES;



4) ALMOFADA

VII - CORTE LONGITUDINAL DE UM BOTÃO FLORAL: 1) SÉPALA; 2) PÉTALAS; 3) ESTIGMA; 4) ÓVULOS; 5) PLACENTA.

VIII - CORTE LONGITUDINAL DO RECEPTÁCULO E DO PEDÚNCULO, APRESENTANDO O ESTRANGULAMENTO EXISTENTE NO PONTO DE ARTICULAÇÃO DE DUAS PEÇAS.

IX - FLOR: SÉPALA, PÉTALA, ESTAME, ESTAMINOIDE E ESTIGMA.

X - FLOR: 1) PEDÚNCULO E RECEPTÁCULO; 2) SÉPALA; 3) PROLONGAMENTO DA PÉTALA; 4) PARTE DA PÉTALA EM FORMA DE CONCHA, ONDE SE ALOJA A ANTERA; 5) ESTAME; 6) ESTAMINOIDE; 7) CABEÇA DO ESTIGMA.

XI - FLOR: 1) FILÊTE; 2) PARTE DA PÉTALA EM FORMA DE CONCHA, ONDE SE ALOJA A ANTERA; 3) PARTE DA PÉTALA EM FORMA DE FITA; 4) ANTERA.

XII - FLOR (CORTE): 1) RECEPTÁCULO; 2) SÉPALA; 3 E 4) PÉTALA; 5) ESTAME; 6) ESTAMINOIDE; 7) ESTIGMA; 8) OVÁRIO.

XIII - ESTAME: 1, 2 E 3) ANTERA E FILÊTE.

XIV - GRÃO DE PÓLEN

XV - ESTIGMA

XVI - 1, 2 E 3) CABEÇA DO ESTIGMA E ESTILO.

XVII - ORGÃO FEMININO (CORTE LONGITUDINAL): 1, 2, 3, 4 E 5) ESTIGMA, PAREDE EXTERNA DO OVÁRIO, LÓCULO E ÓVULOS.

XVIII - FRUTO NO 1º ESTÁGIO DE DESENVOLVIMENTO: 1) ALMOFADA FLORAL; 2) PEDÚNCULO E RECEPTÁCULO; 3) SÉPALAS; 4) FRUTO.

XIX - FRUTO: 1) ALMOFADA; 2) PEDÚNCULO; 3) RECEPTÁCULO; 4) FRUTO.

XX - FRUTO (CORTE LONGITUDINAL): 1) PEDÚNCULO E RECEPTÁCULO; 2) EPICARPO; 3) MESOCARPO; 4) ENDOCARPO; 5) TECIDO MUCILAGINOSO; 6) SEMENTES.

4) FLOWER CUSHION

VII - LONGITUDINAL SECTION OF A FLOWER BUD: 1) SEPAL; 2) PETALS; 3) STIGMA; 4) OVULES; 5) PLACENTA.

VIII - LONGITUDINAL SECTION OF THE RECEPTACLE AND STALK, SHOWING THE PECULIAR CONSTRICTION IN THE JOINT OF THESE TWO ORGANS.

IX - FLOWER: SEPAL, PETAL, STAMEN, STAMINODE AND STIGMA.

X - FLOWER: 1) STALK AND RECEPTACLE; 2) SEPAL; 3) LENGTHENING OF THE PETAL; 4) THE CUP-SHAPED PART OF THE PETAL WHERE THE ANTHER IS CONCEALED; 5) STAMEN; 6) STAMINODE; 7) STIGMA HEAD.

XI - FLOWER: 1) FILAMENT; 2) THE CUP-SHAPED PART OF THE PETAL WHERE THE ANTHER IS CONCEALED; 3) THE RIBBON-SHAPED PART OF THE PETAL; 4) ANTHER.

XII - FLOWER (IN SECTION): 1) RECEPTACLE; 2) SEPAL; 3 AND 4) PETAL; 5) STAMEN; 6) STAMINODE; 7) STIGMA; 8) OVARY.

XIII - STAMEM: 1, 2 AND 3) ANTHER AND FILAMENT.

XIV - POLLEN GRAIN.

XV - STIGMA.

XVI - 1, 2 AND 3) STIGMA HEAD AND STYLE.

XVII - FEMALE ORGAN (LONGITUDINAL SECTION): 1, 2, 3, 4 AND 5) STIGMA, EXTERNAL WALL OF THE OVARY, LOCULUS AND OVULES.

XVIII - FRUIT IN THE FIRST STEP OF DEVELOPMENT: 1) FLORAL CUSHION; 2) FRUIT-STALK AND RECEPTACLE; 3) SEPALS; 4) FRUIT.

XIX - FRUIT: 1) CUSHION; 2) STALK; 3) RECEPTACLE; 4) FRUIT.

XX - FRUIT (LONGITUDINAL SECTION) 1) STALK AND RECEPTACLE; 2) EPICARP; 3) MESOCARP; ENDOCARP; 5) MUCILAGINOUS TISSUE; 6) SEEDS.



XXI - FRUTO (CORTE TRANSVERSAL): 1) EPICARPO; 2) MESOCARPO; 3) ENDOCARPO; 4) TECIDO MUCILAGINOSO; 5) SEMENTES; 6) PLACENTA.

XXI - FRUIT (CROSS SECTION): 1) EPICARP; 2) MESOCARP; 3) ENDOCARP; 4) MUCILAGINOUS TISSUE; 5) SEEDS; 6) PLACENTA.

2º QUADRO

I - FÔLHA

II - SEGMENTO DA FÔLHA, APRESENTANDO AS ARTICULAÇÕES DO PECÍOLO.

III - SEGMENTO DA FÔLHA DESTACANDO AS NERVURAS.

IV - SEGMENTO DA FÔLHA MOSTRANDO OS ESTOMAS.

V - ESTOMA.

VI - CORTE DE UMA FÔLHA

VII - ESQUEMA APRESENTANDO O MOVIMENTO DAS SEIVAS, FUNÇÃO CLOROFILIANA E RESPIRAÇÃO.

VIII - PREFOLIAÇÃO (RITMO DA TROCA DE FÔLHAS): D) ÚLTIMO LANÇAMENTO; C) PENÚLTIMO; B) SEGMENTO DO ANTEPENÚLTIMO LANÇAMENTO, JÁ SEM FÔLHAS; A) SETOR DO PRIMEIRO LANÇAMENTO DO RAMO APRESENTANDO BOTÕES FLORAIS.

IX - CORTE LONGITUDINAL DA EXTREMIDADE DA RAIZ.

X - SISTEMA RADICULAR DO CACAUEIRO.

XI - TECIDOS DO LENHO DO CACAUEIRO (RAIZ E CAULE).

2ND. PAINTING

I - LEAF

II - PORTION OF THE LEAF SHOWING THE LEAF-STALK ARTICULATIONS.

III - PORTION OF THE LEAF SHOWING THE VEINS.

IV - PORTION OF THE LEAF SHOWING THE STOMAS..

V - STOMA.

VI - CUT SECTION OF A LEAF.

VII - DIAGRAMA SHOWING THE SAPS FLOW, CHLOROPHYLL FUNCTION AND RESPIRATION.

VIII - PREFOLIATION (RHYTHM OF LEAF EXCHANGE): D) LAST FLUSHING; C) PELNUTIMATE; B) BEFORE-PELNUTIMATE FLUSHING, WITHOUT LEAVES; A) PORTION OF THE FIRST FLUSHING BEARING FLOWER BUDS.

IX - LONGITUDINAL SECTION OF THE ROOT TIP.

X - ROST SYSTEM OF THE CACAO TREE.

XI - WOOD TISSUE OF THE CACAO TREE (ROOT AND TRUNK)

NESTA MESMA VITRINA: PRINCIPAIS PRODUTOS DO CACAU:
- MANTEIGA
- MASSA
- TORTA

IN THE SAME GLASSCASE: MAIN CACAO PRODUCTS:
- CACAO BUTTER
- CACAO-PASTE
- CACAO-CAKE

VITRINA Nº 4

SOLOS DA REGIÃO CACAUEIRA DA BAHIA

GLASSCASE Nº 4

CACAO SOILS OF BAHIA

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1º E 5º - TERCIÁRIO (TERRA DE MANDIOCA). OS SOLOS TERCIÁRIOS RARAMENTE SÃO APROVEITADOS EM CACAUICULTURA.

2º E 4º - PRIMÁRIOS OU ARQUEANOS. OS SOLOS PRIMÁRIOS TIPICAMENTE CACAUEIROS SÃO IMATUROS E HOMOCRONOGÊNEOS, ARGILOSOS, ESCUROS, TENAZES, PESADOS, POUCO PROFUNDOS E POUCO PERMEÁVEL, COM AFLORAMENTOS ROCHOSOS FREQUENTES, E, DE UM MODO GERAL, RICOS DE HUMUS E POBRES DE FÓSFORO. CÊRCA DE 80% DOS CACAUAIS BAHIANOS ESTÃO INSTALADOS NOS SOLOS ARQUEANOS.

3º - QUATERNÁRIOS. SÃO ENCONTRADOS NOS VALES DOS GRANDES RIOS DA REGIÃO CACAUEIRA, DESTACANDO-SE PELA GRANDE APTIDÃO PRODUTIVA QUE OSTENTAM. EM SOLOS QUE TAIS TEM-SE OBTIDO RENDIMENTO CULTURAL SUPERIOR A 300 ARRÔBAS (4.500 KS) DE CACAU FERMENTADO E SÊCO POR HECTARE.

1ST. AND 5TH. - TERTIARY (CASSAVA LAND). THE TERTIARY SOILS ARE SELDOM USED TO PLANT CACAO.

2ND. AND 4TH. - PRIMARY OR ARCHEAN. THE PRIMARY SOILS SUITED TO THE CACAO CULTURE ARE IMMATURE AND HOMOCRONOGENOUS, LOAMY, DARK, HARD TO BE TILLED, HEAVY, SHALLOW, WITH VERY LOW POWER OF PERMEABILITY, WITH SUPERFICIAL ROCKS AND, IN GENERAL, RICH IN HUMUS AND POOR IN PHOSPHATES. ABOUT 80% OF THE BAHIA'S CACAO PLANTATIONS ARE LOCATED ON ARCHEAN SOILS.

3RD. - QUATERNARY - ARE FOUND IN THE GREAT RIVER VALLEYS OF THE CACAO REGION AND THEY ARE GOOD SOILS. IN SUCH SOILS THE CACAO YIELDS ABOVE 300 "ARRÔBAS" OR 4.500 KILOGRAMS OF DRY CACAO BEANS PER HECTARE.

VITRINA Nº 5

ROCHAS MATRIZES DOS SOLOS ARQUEANOS TÌPICAMENTE CACAUEIROS: MONZONITOS E DIORITO.

GLASSCASE Nº 5

PRIMITIVE ROCKS OF THE ARCHEAN CACAO SOILS: MONZONITE AND DIORITE.

VITRINA Nº 6

AMOSTRAS DE SOLOS ARQUEANOS E DE ROCHAS MATRIZES EM DIFERENTES ESTÁGIOS DE DECOMPOSIÇÃO.

GLASSCASE Nº 6

SAMPLES OF ARCHEAN SOILS AND PRIMITIVE ROCKS IN DIFFERENT STAGES OF DECOMPOSITION.

VITRINAS Nºs. 7 E 8

PRODUTOS DE CACAU: TABLETES DE CHOCOLATE DE DIVERSAS MARCAS E FORMATOS, CACAU SOLÚVEL, LICOR, BOMBONS.

GLASSCASE Nºs. 7 AND 8

CACAO PRODUCTS: CHOCOLATES, CACAO, LICOR AND CANDIES.

CONTINUA NO PROXIMO BOLETIM: DOENÇAS E PRAGAS, AMOSTRAS DE CACAU DE DIVERSAS PROCEDENCIAS, MINERAIS DO SUL DA BAHIA ETC.

CONTINUED IN THE NEXT BULLETIN: DISEASES AND PESTS; SOUTH OF BAHIA'S MINERAL SAMPLES; CACAO SAMPLES FROM MANY SOURCES AND SO ON.

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O I.C.B. PRESTA INTEGRAL APÔIO A TOSTA FILHO

A LAVOURA CACAUEIRA E CLASSES PRODUTORAS DO ESTADO SOLIDÁRIAS COM O DIRETOR DA CACEX

A INSINUAÇÃO FEITA POR ELEMENTOS DE INTERÊSSES ESCUSOS E POR CERTO, INIMIGOS DA BAHIA, DE QUE O SR. IGNÁCIO TOSTA FILHO SERIA UM DOS IMPLICADOS NO ESCÂNDALO DO FEIJÃO PODRE IMPORTADO DOS ESTADOS UNIDOS, O QUE DEU UM PREJUÍZO DE MILHÕES DE CRUZEIROS À NAÇÃO, MOVIMENTOU TODO O ESTADO DA BAHIA E SEUS LÍDERES NA DEFESA DO DIRETOR DA CACEX.

CÔNSCIA DA COMPROVADA COMPETÊNCIA, AUTORIDADE MORAL E RETIDÃO DE ATITUDES, E, DOS INESTIMÁVEIS SERVIÇOS PRESTADOS PELO ILUSTRE HOMEM PÚBLICO, A LAVOURA CACAUEIRA ENVIOU AO RIO DE JANEIRO UMA COMISSÃO PARA PRESTAR SOLIDARIEDADE AO ECONOMISTA EM APRÊÇO E, MANIFESTAR AO GOVÊRNO FEDERAL A INQUIETAÇÃO QUE REINA NA ZONA CACAUEIRA, DIANTE DA TRAMA URDIDA, AFIM DE AFASTAR DAQUÊLE IMPORTANTE POSTO, O DR. TOSTA FILHO.

A COMISSÃO

A COMISSÃO FOI CONSTITUÍDA PELOS SRS. ANTONIO FERNANDES DA SILVA, PRESIDENTE DO INSTITUTO DE CACAU, ANANIAS DA SILVEIRA DÓREA, PRESIDENTE DA COOPERATIVA CENTRAL DE AGRICULTORES, BENEDITO OLIVEIRA, PRESIDENTE DA ASSOCIAÇÃO RURAL DE ILHÉUS, EDGARD DA MATA PIRES, ADÉLCIO BENÍCIO DOS SANTOS E JOSÉ NUNES DE AQUINO, AOS QUAIS SE JUNTARAM NO RIO, OS SRS. MARCELINO POP, REPRESENTANTE DA FIRMA CORRÊA RIBEIRO, O VICE-GOVERNADOR ORLANDO MOSCOSO E TODOS OS DEPUTADOS DA BANCADA BAHIANA NO CONGRESSO NACIONAL.

NO ENCONTRO COM O DR. TOSTA FILHO, A COMISSÃO OUVIU DÊSTE UMA EXPOSIÇÃO DE SUAS ATIVIDADES E UM RELATO COMPLETO DOS ACONTECIMENTOS.

DEPOIS DISSO, OS REPRESENTANTES DA LAVOURA ESTIVERAM NA CONFEDERAÇÃO RURAL BRASILEIRA, ONDE FORAM RECEBIDOS EM SESSÃO SOLENE, FALANDO NA OPORTUNIDADE OS SRS. ALDROVANDO VASCONCELOS E IRES MEINBERG, PRESIDENTE DA COMISSÃO PERMANENTE DE CACAU E DA CRB, E, EM NOME DA COMISSÃO, O DEPUTADO ALVES DE MACEDO E O SR. ANANIAS DÓREA.

NO CATETE E NO MINISTÉRIO DA JUSTIÇA

NO CATETE, OS LÍDERES DA LAVOURA NÃO ENCONTRANDO O PRESIDENTE DA REPÚBLICA, DEIXARAM POR ESCRITO UMA SAUDAÇÃO E PALAVRAS DE AGRADECIMENTO PELAS PROVIDÊNCIAS ADOTADAS EM NÃO AFASTAR O DIRETOR DA CACEX DO SEU POSTO. O SR. ARMANDO FALCÃO, MINISTRO DA JUSTIÇA, RECEBEU A COMISSÃO E, EM RESPOSTA AOS APELOS FORMULADOS, DISSE QUE TANTO ÊLE, O PRESIDENTE DA NAÇÃO E O ADVOGADO SOBRAL PINTO DERAM APÔIO AO DR. TOSTA PARA SUA DEFESA.

EM DECLARAÇÃO À IMPRENSA DESTA CAPITAL, O SR. ANTONIO FERNANDES DA SILVA, ESCLARECEU QUE SOB

O PONTO DE VISTA MORAL E POLÍTICO, FOI ESSA MANIFESTAÇÃO, O ATO DE MAIOR SIGNIFICAÇÃO TOMADO PELA LAVOURA, SEUS LÍDERES, PELOS MEMBROS DA BANCADA BAHIANA NA CÂMARA E NO SENADO E PELAS CLASSES PRODUTORAS, FICANDO DE SER APRESENTADA UMA MOÇÃO DE APRÊÇO AO SR. TOSTA FILHO, REDIGIDA PELO DEPUTADO JOÃO MENDES, DEVENDO A MESMA CONSTAR DOS AUTOS DO PROCESSO, COMO UMA PROVA DA MAIS IRRESTRITA SOLIDARIEDADE DE TODOS OS BAHIANOS, DE TÔDAS AS CORRENTES POLÍTICAS AO ILUSTRE ECONOMISTA.

LAVOURA FORTALECIDA

POR FIM, DECLAROU O PRESIDENTE DO INSTITUTO DE CACAU, QUE COM O ACONTECIMENTO, A LAVOURA SAIU FORTALECIDA E COM ELA A ECONOMIA CACAUEIRA, ESTANDO ASSEGURADA A PERMANÊNCIA DO DR. TOSTA FILHO, CONTRA O QUAL TRAMARAM PODEROSOS GRUPOS QUE SEMPRE DESEJARAM VÊ-LO FORA DA CACEX.

OPINIÃO DA IMPRENSA DA ZONA CACAUEIRA

OS DIÁRIOS E PERIÓDICOS DA REGIÃO CACAUEIRA ACOMPANHARAM COM INTERÊSSE A MARCHA DOS ACONTECIMENTOS, NOTICIANDO TODAS AS INFORMAÇÕES DA COMISSÃO QUE ESTEVE NO RIO DE JANEIRO, ABRINDO MANCHETES PARA DEFENDER, ESPONTÂNEAMENTE, A HONRABILIDADE DO DIRETOR DA CACEX. O BOLETIM INFORMATIVO TRANSCREVE A SEGUIR UMA NOTA DE UM COMENTARISTA DO "DIÁRIO DE ITABUNA" QUE CORROBORA COM A NOSSA ASSERTÍVA:

A VITORIA DA LAVOURA

"A LAVOURA CACAUEIRA, APOIADA PELO GOVERNADOR E DEPUTADOS, TRAVOU UMA LUTA SÉRIA, NO RIO DE JANEIRO, CONTRA O GRUPO QUE PRETENDEU AFASTAR TOSTA FILHO DA CACEX.

"A LUTA FOI DURA E NÃO ESTÁ SUPERADA, ANTES DA DECISÃO FORMAL DO PRESIDENTE DA REPÚBLICA, NO CASO DO INQUÉRITO DO FEIJÃO PODRE, NA SEMANA PRÓXIMA.

"ENQUANTO DE UM LADO, A PERMANÊNCIA DE TOSTA FILHO SIGNIFICA A TRANQUILIDADE E A SEGURANÇA DA ECONOMIA CACAUEIRA, O AFASTAMENTO DO ILUSTRE HOMEM PÚBLICO ACARRETARÁ CONSEQUÊNCIAS IMPREVISÍVEIS E ATÉ CATASTRÓFICAS.

"SEGUNDO NOTÍCIAS CONHECIDAS NOS MEIOS RELACIONADOS COM A ECONOMIA CACAUEIRA, O SR. TOSTA FILHO TEM ORGANIZADO O PLANO DE COMERCIALIZAÇÃO EM BASES ADMIRÁVEIS E QUE PROPORCIONARÁ PREÇOS COMPENSADORES AOS CACAUICULTORES.

"TODAVIA, SÓ PODERÁ APRESENTÁ-LO DEPOIS DA LIBERAÇÃO DO INQUÉRITO DO FEIJÃO. ASSIM SENDO, AGUARDEMOS O DESENROLAR DOS ACONTECIMENTOS ATÉ OS PRÓXIMOS DIAS. OS LÍDERES DA LAVOURA QUE REGRESSARAM ESTÃO CERTOS DA LIBERAÇÃO DE TOSTA FILHO DO INQUÉRITO POIS SE TRATA DE UMA DECISÃO DO PRÓPRIO CHEFE DA NAÇÃO QUE ASSUMIU A LIDERANÇA NA DEFESA DO DIRETOR DA CACEX. TAMBÉM AFIRMOU QUE A VIAGEM DO GOVERNADOR JURACY MAGALHÃES AO RIO NA PRÓXIMA SEMANA, SE PRENDE AO CASO TOSTA FILHO.

"O GOVERNADOR PRECISA DA SOLUÇÃO DO CASO PARA O ENCAMINHAMENTO DO PROBLEMA DO CACAU."



ABELHAS E POLINIZAÇÃO

Com o corpo coberto de pelos que lhes favorece o trabalho de coleta de pólen, possuindo ainda aparelhagem própria ao seu transporte, por contar, em cada tíbia das patas metatorácicas com pequenas cestas (corbículas), as abelhas, justamente por êstes privilégios, concordam os observadores, são um dos mais importantes agentes vetores de pólen, desempenhando relevante papel na vida das plantas (polinização das suas flores).

Conclui-se, justamente por êsse fato, que produzir mel e cera não é a maior função das abelhas. Desempenham elas, na natureza, outro papel ainda mais importante, que não temos sabido aproveitar em nosso País: a de promover a multiplicação das plantas, garantindo a perpetuação de inúmeras espécies vegetais e assegurando, por êste mesmo trabalho de polinização, safras abundantes de frutos bem conformados.

Nos Estados Unidos, segundo o professor Van Toll, calcula-se que a polinização das flores pelas abelhas aumenta a produção anual das frutas e grãos, em 2.067.833.000 dólares. Conforme os mesmos cálculos, uma colméia que produz anualmente 5 dólares de mel e cera, dá um lucro de cem dólares no aumento da colheita de frutos e sementes. Os pomicultores, naquele país, pagam aos apicultores um aluguel variável de 2 a 5 dólares, anualmente, por colméia, sendo que o mel e a cera são da propriedade do apicultor.

Conhecidos êstes fatos, torna-se indispensável saber também, que uma família de abelhas, uma colméia, conta com mais de 10.000 "campeiras" (operárias especializadas nos trabalhos de coleta de néctar e pólen). Pois bem: cada abelha de uma colméia, diàriamente, na colheita de néctar, com condições atmosféricas favoráveis, realiza 13,5 viagens; 7, se as condições são desfavoráveis.

Na coleta de pólen, em condições atmosféricas favoráveis, o número de viagens ascende a 16; em condições desfavoráveis, êste número de viagem reduz-se a 11, donde concluir-se ser de fato elevadíssimo o número de flores visitadas, em um só dia, pelas "campeiras" de uma colônia.

AGRICULTORES !

A Estação de Experimentação de Uruçuca (Bahia), dispondo de excelentes apiários, está apta a fornecer informações e material para a proliferação da apicultura na zona cacaueira.

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INSTITUTO DE CACAU DA BAHIA

BALANCETE DE ABRIL DE 1959

A T I V O

A - IMOBILIZADO			
BENS IMOVEIS	70.534.489,50		
DEP. TECNICO AGRICOLA	16.023.272,80		
MOVEIS, UTENS.E INSTAL.	6.634.188,80		
VEICULOS	2.669.356,50		95.861.307,60
B - DISPONIVEL			
CAIXA: MATRIZ	31.032,90		
AGENCIAS NO INT.	665.094,70		
DEP. TECN. AGRICOLA	229.472,00	925.599,60	
BANCOS		843.931,90	1.769.531,50
C - REALIZAVEL			
CURTO PRAZO			
ADIANTAMENTOS P/C FUNDO DE BENEFICENCIA	66.497,90		
ALMOXARIFADO	485.468,80		
CACAU A VENDER	168.020,00		
CACAU VENDIDO A LIQUIDAR	1.819.274,60		
COMITENTES	7.979.664,90		
CONTAS CORRENTES	15.822.228,10		
COMPRAS DE CACAU,	2.391.179,20		
DEP. TECNICO AGRICOLA	1.901.160,70		
DEVEDORES C/CACAU	238.357,90		
DEVEDORES DIVERSOS	10.126.764,10		
DIVERSAS CONTAS	17.072,10		
EMPRESTIMOS PIGNORAT.	10.937,30		
ESCRIT. TECNICO DE AGRIC.	741.898,80		
JUROS A RECEBER	52.445,20		
OFICINA GRAFICA	38.622,60		
OBRIGAÇÕES A RECEBER	6.696.178,90		
SACARIA E FIO	660.134,90	49.215.906,00	
LONGO PRAZO			
CONTAS CORRENTES	624.000,00		
EMPRESTIMOS HIPOTEC.	440.964,70		
EMPRESTIMOS HIPOTEC.- EXERCICIO DE 1958	3.326.180,00		
EMPRESTIMOS HIPOTEC.- EXERCICIO DE 1959	9.903.380,00		
INST. DE FOMENTO ECONOMICO DA BAHIA C/CAP.	2.500.000,00		
TITULOS DE N/PROPRIEDADE	3.276.860,00	20.071.384,70	69.287.290,70
D - RESULTADO PENDENTE			
AGENCIAS NO INTERIOR	570.825,50		
CONTAS DUVIDOSAS,	1.631.571,30		
DEP. TECNICO AGRICOLA	691.280,70		
DESPESAS COM CACAU	778.395,10		
VENCIMENTOS DO FUNCION.	4.708.564,90		
OUTRAS CONTAS	4.903.198,10		13.283.935,60
E - CONTAS DE COMPENSAÇÃO			
BENS DE EMPREST.HIPOT.		35.106.700,00	
BENS DE EMPREST.EM CAUÇÃO		33.066.700,00	
BENS DO GOVERNO FEDERAL		777.310,00	
DEPOSITARIOS DE TITULOS		30.000,00	
DEPOSITOS JUDICIAIS		467.511,70	
HIPOTECAS		710.000,00	
PENHORES AGRICOLAS		45.000,00	
RESPONSABILIDADE POR AVAL		1.585.307,50	
TITULOS ENDOSSADOS		51.500,00	71.840.029,20
			Cr$ 252.042.094,60

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P A S S I V O

F - NÃO EXIGÍVEL			
CAPITAL		10.000.000,00	
RESERVAS E FUNDOS ESPECIAIS		53.000.004,10	
AMORTIZAÇÕES DE OPERAÇÃO DE CRÉDITO		34.038.427,00	97.038.431,10
G - EXIGÍVEL			
CURTO PRAZO			
AGÊNCIAS NO INTERIOR	365.919,30		
BANCOS	2.558.564,50		
BANCO DO BRASIL S.A.	13.229.560,00		
CLIENTELA NO EXTERIOR	8.436,40		
COMITENTES	988.960,50		
CONTAS CORRENTES	4.191.134,20		
CREDORES C/CACAU	773.662,90		
CREDORES DIVERSOS	4.849.583,50		
DEP. TECNICO AGRICOLA	33.113,60		
DEPÓSITOS ESPECIAIS	787.784,30		
DIVERSAS CONTAS	349.458,30		
FUNDO DE BENEFICÊNCIA DOS FUNCIONARIOS DO I.C.B.	3.130.572,00		
GRATIFICAÇÕES A PAGAR	417.547,10		
IMPOSTOS E TAXAS	1.008.952,30		
JUNTA EXECUTIVA DE COMBATE AS PRAGAS E DOENÇAS DO CACAU	4.160,00		
JUROS A PAGAR	64.941,30		
LETRAS HIPOTEC. A RESGATAR	19.000,00		
OBRIGAÇÕES A PAGAR	19.571.370,00		
ORDENS A PAGAR	26.196,00		
PRESTAÇÕES DEPOSITADAS	206.325,10		
PROVISÃO PARA COMPRA DE CACAU A ORDEM	1.000.000,00		
PROVISÃO PARA DESPESAS A EFETUAR	80.000,00		
QUOTAS CAPITAL	265.455,50	53.930.696,80	
LONGO PRAZO			
CAIXA ECONÔMICA FEDERAL DO RIO DE JANEIRO C/EMPRESTIMO		19.362.652,00	73.293.348,80
H - RESULTADO PENDENTE			9.870.285,50
I - CONTAS DE COMPENSAÇÃO			
CREDORES POR TÍTULOS ENDOSSADOS		51.500,00	
GARANTIAS DIVERSAS		710.000,00	
GARANTIAS PIGNORATÍCIAS		45.000,00	
GARANTIAS RURAIS	35.056.700,00		
GARANTIAS URBANAS	50.000,00	35.106.700,00	
GOVERNO FEDERAL, C/ESTAÇÃO GERAL DE EXPERIMENTAÇÃO		777.310,00	
HIPOTECAS CAUCIONADAS		33.066.700,00	
LETRAS AVALIZADAS		1.585.307,50	
TITULOS DEPOSITADOS		30.000,00	
VALORES DEPOSITADOS		467.511,70	71.840.029,20
			Cr$ 252.042.094,60

SALVADOR, 15 DE MAIO DE 1959

ANTONIO FERNANDES DA SILVA - PRESIDENTE
ARMANDO GOES DE ARAUJO - DIRETOR ADMINISTRATIVO
JOSÉ VIANA DIAS DA SILVA - DIRETOR ASSISTENTE
JOSE LAVIGNE - CHEFE DA CONTABILIDADE C.R.C.BA.Nº 897

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INSTITUTO DE CACAU DA BAHIA

BALANCETE DE MAIO DE 1959

A T I V O

A - IMOBILIZADO			
BENS IMOVEIS	70.534.489,50		
DEP. TECNICO AGRICOLA	16.028.987,80		
MOVEIS, UTENS.E INSTAL.	6.630.485,80		
VEICULOS	2.669.356,50		95.863.319,60
B - DISPONIVEL			
CAIXA: MATRIZ	139.771,30		
AGENCIAS NO INTERIOR	651.357,70		
DEP. TECN.AGRICOLA	321.066,90	1.112.195,90	
BANCOS		646.161,40	1.758.357,30
C - REALIZAVEL CURTO PRAZO			
ADIANTAMENTOS POR CONTA DO FUNDO DE BENEFICENCIA	66.247,90		
ALMOXARIFADO	486.365,80		
CACAU A VENDER	168.020,00		
CACAU VENDIDO A LIQUIDAR	1.819.274,60		
COMITENTES	7.979.664,90		
CONTAS CORRENTES	16.229.834,20		
COMPRAS DE CACAU,	2.391.179,20		
DEP. TECNICO AGRICOLA	2.128.274,60		
DEVEDORES, C/CACAU	238.357,90		
DEVEDORES DIVERSOS	10.048.633,50		
DIVERSAS CONTAS	17.072,10		
EXPRESTIMOS PIGNORAT.	10.937,30		
ESCRIT. TECN. DE AGRIC.	741.898,80		
JUROS A RECEBER	52.445,20		
OFICINA GRAFICA	40.122,60		
OBRIGAÇOES A RECEBER	6.720.003,50		
SACARIA E FIO	659.984,90	49.798.317,00	
LONGO PRAZO			
CONTAS CORRENTES	624.000,00		
EMPRESTIMOS HIPOTECARIOS	440.964,70		
EMPRESTIMOS HIPOTECARIOS-EXERCICIO DE 1958	3.500.000,00		
EMPRESTIMOS HIPOTECARIOS-EXERCICIO DE 1959	9.903.380,00		
IFEB: C/CAPITAL	2.500.000,00		
TITULOS DE N/PROPRIEDADE	3.276.860,00	20.245.204,70	70.043.521,70
D - RESULTADO PENDENTE			
AGENCIAS NO INTERIOR	649.597,10		
CONTAS DUVIDOSAS,	1.631.671,30		
DEP. TECNICO AGRICOLA	721.822,70		
DESPESAS COM CACAU	779.480,00		
VENCIMENTOS DO FUNCIONAL.	5.695.982,60		
OUTRAS CONTAS	4.584.228,40		14.062.782,10
E - CONTAS DE COMPENSAÇÃO			
BENS DE EMPREST.HIPOTEC.		35.106.700,00	
BENS DE EMPESTIMOS EM CAUÇÃO		33.066.700,00	
BENS DO GOVERNO FEDERAL		777.310,00	
DEPOSITARIOS DE TITULOS		30.000,00	
DEPOSITOS JUDICIAIS		467.511,70	
HIPOTECAS		710.000,00	
PENHORES AGRICOLAS		45.000,00	
RESPONSABILIDADES POR AVAL		1.464.862,50	
TITULOS ENDOSSADOS		51.500,00	71.719.584,20
		Cr$.	253.447.564,90

P A S S I V O

F - NÃO EXIGÍVEL			
CAPITAL		10.000.000,00	
RESERVAS E FUNDOS ESPECIAIS		52.996.301,10	
AMORTIZAÇÕES DE OPERAÇÕES DE CRÉDITO		34.038.427,00	97.034.728,10
G - EXIGÍVEL			
CURTO PRAZO			
AGÊNCIAS NO INTERIOR	367.667,40		
BANCOS	2.595.917,80		
BANCO DO BRASIL S. A.	13.489.030,40		
CLIENTELA NO EXTERIOR	8.436,40		
COMITENTES	988.960,50		
CONTAS CORRENTES	4.174.942,10		
CREDORES C/CACAU	774.747,80		
CREDORES DIVERSOS	5.489.491,40		
DEP. TÉCNICO AGRÍCOLA	70.535,60		
DEPÓSITOS ESPECIAIS	841.608,90		
DIVERSAS CONTAS	306.652,30		
FUNDO DE BENEFICÊNCIA DOS FUNCIONÁRIOS DO I.C.B.	3.125.094,90		
GRATIFICAÇÕES A PAGAR	417.547,10		
IMPOSTOS E TAXAS	1.008.952,30		
JUNTA EXEC. DE COMBATE ÀS PRAGAS E DOENÇAS DO CACAU	6.240,00		
JUROS A PAGAR	64.941,30		
LETRAS HIPOTECÁRIAS A RESGATAR	19.000,00		
OBRIGAÇÕES A PAGAR	19.571.370,00		
ORDENS A PAGAR	26.196,00		
PRESTAÇÕES DEPOSITADAS	206.325,10		
PROVISÃO PARA COMPRA DE CACAU À ORDEM	1.000.000,00		
PROVISÃO PARA DESPESAS A EFETUAR	80.000,00		
QUOTAS CAPITAL	265.455,50	54.899.112,80	
LONGO PRAZO			
CAIXA ECONÔMICA FEDERAL DO RIO DE JANEIRO, C/EMPRESTIMO		18.995.115,70	73.894.228,50
H - RESULTADO PENDENTE			10.799.024,10
I - CONTAS DE COMPENSAÇÃO			
CREDORES POR TÍTULOS ENDOSSADOS		51.500,00	
GARANTIAS DIVERSAS		710.000,00	
GARANTIAS PIGNORATÍCIAS		45.000,00	
GARANTIAS RURAIS	35.056.700,00		
GARANTIAS URBANAS	50.000,00	35.106.700,00	
GOVÊRNO FEDERAL, C/ESTAÇÃO GERAL DE EXPERIM.		777.310,00	
HIPOTECAS CAUCIONADAS		33.066.700,00	
LETRAS AVALIZADAS		1.464.862,50	
TÍTULOS DEPOSITADOS		30.000,00	
VALORES DEPOSITADOS		467.511,70	71.719.584,20
			Cr$ 253.447.564,90

BAHIA, 15 DE JUNHO DE 1959

ANTONIO FERNANDES DA SILVA - PRESIDENTE
ARMANDO GOES DE ARAUJO - DIRETOR ADMINISTRATIVO
JOSÉ VIANA DIAS DA SILVA - DIRETOR ASSISTENTE
JOSE LAVIGNE - CHEFE DA CONTABILIDADE C.R.C. BA. Nº 897

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INSTITUTO DE CACAU DA BAHIA

BALANCETE DE JUNHO DE 1959

A T I V O

A - IMOBILIZADO				
BENS IMOVEIS	70.534.489,50			
DEP. TECN. AGRICOLA	16.023.772,80			
MOVEIS,UTENS.E INSTAL.	6.631.085,80			95.858.704,60
VEICULOS	2.669.356,50			
B - DISPONIVEL				
CAIXA: MATRIZ	6.785.20			
AGENCIAS NO INTERIOR	164.214,50			
DEP.TECN.AGRICOLA	836.932,80	1.007.932,50		
BANCOS		568.922,00		1.576.854,50
C - REALIZAVEL				
CURTO PRAZO				
ADIANTAMENTOS P/C DO FUNDO DE BENEFICENCIA	57.999,40			
ALMOXARIFADO	482.479,00			
CACAU A VENDER	168.020,00			
CACAU VENDIDO A LIQUIDAR	1.819.274,60			
COMITENTES	7.979.664,90			
CONTAS CORRENTES	16.059.324,20			
COMPRAS DE CACAU	2.391.179,20			
DEP. TECNICO AGRICOLA	1.734.919,20			
DEVEDORES C/CACAU	238.207,40			
DEVEDORES DIVERSOS	10.145.922,50			
DIVERSAS CONTAS	17.535,90			
EMPREST. PIGNORATICIOS	10.937,30			
ESCRIT. TECN. AGRICULTURA	741.898,80			
JUROS A RECEBER	52.445,20			
OFICINA GRAFICA	47.622,60			
OBRIGAÇÕES A RECEBER	6.665.006,90			
SACARIA E FIO	651.822,90	49.264.260,00		
LONGO PRAZO				
CONTAS CORRENTES	624.000,00			
EMPRESTIMOS HIPOTECARIOS	440.964,70			
EMPRESTIMOS HIPOTECARIOS-EXERCICIO DE 1958	3.500.000,00			
EMPRESTIMOS HIPOTECARIOS-EXERCICIO DE 1959	10.703.380,00			
IFEB. C/CAPITAL	2.500.000,00			
TITULOS DE N/PROPRIEDADE	3.271.660,00	21.040.004,70		70.304.264,70
D - RESULTADO PENDENTE				
AGENCIAS NO INTERIOR	708.135.80			
CONTAS DUVIDOSAS	1.631.671.30			
DEP. TECNICO AGRICOLA	1.610.734,60			
DESPESAS COM CACAU	780.138,00			
VENCIMENTOS DO FUNCIONAL.	6.913.266,20			
OUTRAS CONTAS	4.979.004,30			16.622.949,20
E - CONTAS DE COMPENSAÇÃO				
BENS DE EMPRESTIMOS HIPOTECARIOS	38.947.125,00			
BENS DO GOVERNO FEDERAL	777.310,00			
BENS DE EMPREST.EM CAUÇÃO	36.907.125,00			
DEPOSITARIOS DE TITULOS	30.000,00			
DEPOSITOS JUDICIAIS	467.511,70			
HIPOTECAS	710.000,00			
PENHORES AGRICOLAS	45.000,00			
RESPONSABILIDADES POR AVAL	1.404.640,00			
TITULOS ENDOSSADOS	51.500,00			79.340.211.70
			Cr$	263.702.984,70

P A S S I V O

F - NÃO EXIGÍVEL			
CAPITAL		10.000.000,00	
RESERVAS E FUNDOS ESPECIAIS		52.996.301,10	
AMORTIZAÇÕES DE OPERAÇÕES DE CRÉDITO		34.038.427,00	97.034.728,10
G - EXIGÍVEL			
CURTO PRAZO			
AGÊNCIAS NO INTERIOR	378.176,00		
BANCOS	2.635.917,80		
BANCO DO BRASIL S.A.	14.289.030,40		
CLIENTELA NO EXTERIOR	8.436,40		
COMITENTES	988.960,50		
CONTAS CORRENTES	5.046.026,60		
CREDORES C/CACAU	772.210,30		
CREDORES DIVERSOS	4.932.552,40		
DEP. TÉCNICO AGRÍCOLA	133.228,10		
DEPÓSITOS ESPECIAIS	835.448,10		
DIVERSAS CONTAS	254.501,60		
FUNDO DE BENEFICÊNCIA DOS FUNCIONÁRIOS DO I.C.B.	3.117.163,50		
GRATIFICAÇÕES A PAGAR	417.547,10		
IMPOSTOS E TAXAS	1.008.952,30		
JUNTA EXEC. DE COMBATE ÀS PRAGAS E DOENÇAS DO CACAU	6.760,00		
LETRAS HIPOTECÁRIAS A RESGATAR	19.000,00		
JUROS A PAGAR	64.941,30		
OBRIGAÇÕES A PAGAR	19.487.485,50		
ORDENS A PAGAR	26.196,00		
PRESTAÇÕES DEPOSITADAS	206.325,10		
PROVISÃO P/COMPRA DE CACAU A ORDEM	1.000.000,00		
PROVISÃO P/DESPESAS A EFETUAR	80.000,00		
QUOTAS CAPITAL	265.455,50	55.974.314,50	
LONGO PRAZO			
CAIXA ECONÔMICA FEDERAL DO RIO DE JANEIRO, C/EMPRÉSTIMO		18.628.961,40	74.603.275,90
H - RESULTADO PENDENTE			12.724.769,00
I - CONTAS DE COMPENSAÇÃO			
CREDORES POR TÍTULOS ENDOSSADOS		51.500,00	
GARANTIAS DIVERSAS		710.000,00	
GARANTIAS PIGNORATÍCIAS		45.000,00	
GARANTIAS RURAIS	38.897.125,00		
GARANTIAS URBANAS	50.000,00	38.947.125,00	
GOVERNO FEDERAL, C/ESTAÇÃO GERAL DE EXPERIM.		777.310,00	
HIPOTECAS CAUCIONADAS		36.907.125,00	
LETRAS AVALIZADAS		1.404.640,00	
TÍTULOS DEPOSITADOS		30.000,00	
VALORES DEPOSITADOS		467.511,70	79.340.211,70
			Cr$ 263.702.984,70

BAHIA, 15 DE JULHO DE 1959

ANTONIO FERNANDES DA SILVA - PRESIDENTE
ARMANDO GÓES DE ARAUJO - DIRETOR ADMINISTRATIVO
JOSÉ VIANA DIAS DA SILVA - DIRETOR ASSISTENTE
JOSÉ LAVIGNE - CHEFE DA CONTABILIDADE - C.R.C. BA. Nº 897

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INSTITUTO DE CACAU DA BAHIA

BALANCETE DE JULHO DE 1959

A T I V O

A - IMOBILIZADO			
Bens Imoveis	70.534.489,50		
Dep.Tecnico Agricola	16.031.007,80		
Moveis,Utens.e Instal.	6.631.085,80		
Veiculos	2.669.356,50		95.865.939,60
B - DISPONIVEL			
Caixa: Matriz	59.275,90		
Agencias no Interior	68.446,90		
Dep.Tecn.Agricola	1.273.657,70	1.401.380,50	
Bancos		514.765,40	1.916.145,90
C - REALIZAVEL			
Curto Prazo			
Adiantamentos P/C do Fundo de Beneficencia	55.576,90		
Almoxarifado	481.409,90		
Cacau a Vender	168.020,00		
Cacau Vendido a Liquidar	1.819.274,60		
Comitentes	7.979.664,90		
Contas Correntes	16.050.976,10		
Compras de Cacau,	2.391.179,20		
Dep. Tecnico Agricola	1.332.531,10		
Devedores C/Cacau	238.207,40		
Devedores Diversos	11.032.059,40		
Diversas Contas	17.535,90		
Emprestimos Pignorat.	10.937,30		
Escrit.Tecnico Agric.	768.421,80		
Juros a Receber	52.445,20		
Oficina Grafica	47.622,60		
Obrigações a Receber	6.665.006,90		
Sacaria e Fio	638.636,90	49.749.506,10	
Longo Prazo			
Contas Correntes	624.000,00		
Emprestimos Hipotecarios	440.964,70		
Emprestimos Hipotecarios-Exercicio de 1958	3.500.000,00		
Emprestimos Hipotecarios-Exercicio de 1959	13.287.500,00		
IFEB, C/Capital	2.500.000,00		
Titulos de N/Propriedade	3.271.660,00	23.624.124,70	73.373.630,80
D - RESULTADO PENDENTE			
Agencias no Interior	774.801,50		
Contas Duvidosas,	1.631.671,30		
Dep. Tecnico Agricola	1.984.645,00		
Despesas C/Cacau	780.138,00		
Vencimentos do Funcional.	7.780.622,30		
Outras Contas	5.226.947,50		18.178.825,60
E - CONTAS DE COMPENSAÇÃO			
Bens de Emprestimos Hipotecarios		38.947.125,00	
Bens de Emprestimos em Caução		36.907.125,00	
Bens do Governo Federal		777.310,00	
Depositarios de Titulos		30.000,00	
Depositos Judiciais		467.511,70	
Hipotecas		710.000,00	
Penhores Agricolas		45.000,00	
Responsabilidades por Aval		1.404.640,00	
Titulos Endossados		51.500,00	79.340.211,70
			Cr$ 268.674.753,60

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P A S S I V O

F - NÃO EXIGÍVEL			
CAPITAL		10.000.000,00	
RESERVAS E FUNDOS ESPECIAIS		52.996.301,10	
AMORTIZAÇÕES DE OPERAÇÕES DE CRÉDITO		34.038.427,00	97.034.728,10
G - EXIGÍVEL			
CURTO PRAZO			
AGÊNCIAS NO INTERIOR	392.387,00		
BANCOS	2.675.067,70		
BANCO DO BRASIL S.A.	16.873.150,40		
CLIENTELA NO EXTERIOR	8.436,40		
COMITENTES	988.960,50		
CONTAS CORRENTES	5.467.307,20		
CREDORES C/CACAU	773.510,30		
CREDORES DIVERSOS	5.098.391,80		
DEP. TÉCNICO AGRÍCOLA	133.228,10		
DEPÓSITOS ESPECIAIS	888.487,10		
DIVERSAS CONTAS	309.182,20		
FUNDO DE BENEFICÊNCIA DOS FUNCIONÁRIOS DO I.C.B.	3.113.818,90		
GRATIFICAÇÕES A PAGAR	417.547,10		
IMPOSTOS E TAXAS	1.008.952,30		
JUNTA EXEC. DE COMBATE ÀS PRAGAS E DOENÇAS DO CACAU	7.020,00		
JUROS A PAGAR	64.941,30		
OBRIGAÇÕES A PAGAR	19.310.343,50		
ORDENS A PAGAR	26.196,00		
PRESTAÇÕES DEPOSITADAS	206.325,10		
PROVISÃO P/COMPRA DE CACAU A ORDEM	1.000.000,00		
PROVISÃO P/DESPESAS A EFETUAR	80.000,00		
QUOTAS CAPITAL,	265.455,50		
LETRAS HIPOTECÁRIAS A RESGATAR	19.000,00	59.127.708,40	
LONGO PRAZO			
CAIXA ECONÔMICA FEDERAL DO R. DE JANEIRO, C/EMPRÉSTIMO		18.259.734,10	77.387.442,50
H - RESULTADO PENDENTE			14.912.371,30
I - CONTAS DE COMPENSAÇÃO			
CREDORES POR TÍTULOS ENDOSSADOS		51.500,00	
GARANTIAS DIVERSAS,		710.000,00	
GARANTIAS PIGNORATÍCIAS		45.000,00	
GARANTIAS RURAIS	38.897.125,00		
GARANTIAS URBANAS	50.000,00	38.947.125,00	
GOVÊRNO FEDERAL, C/ESTAÇÃO GERAL DE EXPERIMENTAÇÃO		777.310,00	
HIPOTECAS CAUCIONADAS		36.907.125,00	
LETRAS AVALIZADAS		1.404.640,00	
TÍTULOS DEPOSITADOS		30.000,00	
VALORES DEPOSITADOS		467.511,70	79.340.211,70
			Cr$ 268.674.753,60

BAHIA, 14 DE AGÔSTO DE 1959

ANTONIO FERNANDES DA SILVA - PRESIDENTE
ARMANDO GÓES DE ARAUJO - DIRETOR ADMINISTRATIVO
JOSÉ VIANA DIAS DA SILVA - DIRETOR ASSISTENTE
JOSE LAVIGNE - CHEFE DA CONTABILIDADE C.R.C. Bª. Nº 897

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ESTATÍSTICA

EXPORTAÇÃO DE CACAU DA BAHIA

EXPORTAÇÃO DE CACAU EM BAGAS, DURANTE O ANO DE 1959

MESES	QUANTID. QUILOS	VALOR COMERCIAL EM CRUZEIROS		
		CAMBIAL	BONIFICAÇÃO	TOTAL
JANEIRO	5.889.346	84.846.946,30	127.186.083,30	212.033.029,60
FEVEREIRO...	7.929.199	111.485.806,70	313.565.681,50	425.051.488,20
MARÇO	6.167.094	85.251.416,10	239.779.009,40	325.030.425,50
ABRIL	7.817.188	110.152.812,50	309.819.784,30	419.972.596,80
M A I O	1.625.001	22.135.229,00	62.258.344,90	84.393.573,90
JUNHO	3.288.153	43.826.996,90	122.393.539,40	166.220.536,30
JULHO	7.433.854	100.923.029,30	308.965.019,20	409.888.048,50
AGÔSTO	8.657.054	115.394.668,60	362.108.721,70	477.503.390,30
SETEMBRO ...	13.607.716	181.347.270,50	569.049.478,70	750.396.749,20
OUTUBRO	3.530.748	46.024.497,90	144.681.231,50	190.705.720,40
NOVEMBRO ...	9.520.922	118.280.900,70	371.335.027,90	489.615.928,60
DEZEMBRO ...	2.951.902	37.661.557,80	118.434.688,60	156.096.246,40
T O T A L ..	78.418.177	1.057.331.132,30	3.049.576.610,40	4.106.907.742,70

EXPORTAÇÃO DE MANTEIGA DE CACAU, DURANTE O ANO DE 1959

JANEIRO	1.199.660	33.527.674,70	53.030.019,20	86.557.693,90
FEVEREIRO ..	1.434.389	41.249.339,90	116.019.385,70	157.268.725,60
MARÇO	2.456.523	71.754.754,70	201.858.120,30	273.612.875,00
ABRIL	464.140	13.076.061,70	36.778.204,20	49.854.265,90
M A I O	1.839.810	47.318.507,50	211.788.453,60	259.106.961,10
JUNHO	1.542.643	38.020.553,50	168.866.228,60	206.886.782,10
JULHO	2.823.867	69.064.905,80	303.984.059,00	373.048.964,80
AGÔSTO	2.381.846	57.894.213,70	256.329.715,00	314.223.928,70
SETEMBRO ...	2.595.489	62.182.968,30	275.947.503,20	338.130.471,50
OUTUBRO	365.898	9.012.274,00	37.975.968,60	46.988.242,60
NOVEMBRO ...	232.045	5.603.517,20	24.821.936,60	30.425.453,80
DEZEMBRO ...	785.699	16.893.979,40	75.153.048,90	92.047.028,30
T O T A L ..	18.122.009	465.598.750,40	1.762.552.642,90	2.228.151.393,30

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EXPORTAÇÃO DE TORTA DE CACAU, DURANTE O ANO DE 1959

MESES	QUANTID. QUILOS	VALOR COMERCIAL EM CRUZEIROS		
		CAMBIAL	BONIFICAÇÃO	TOTAL
JANEIRO ...	1.744.588	9.851.881,80	21.467.652,00	31.319.533,80
FEVEREIRO .	308.701	1.996.372,20	4.726.107,00	6.722.479,20
MARÇO	3.092.989	19.236.562,00	51.292.814,00	69.529.376,00
ABRIL	1.471.108	8.236.670,50	23.166.757,50	31.403.428,00
M A I O ...	1.486.669	7.304.140,50	20.543.880,50	27.848.030,00
JUNHO	3.113.418	11.113.547,70	31.255.366,50	42.368.914,20
JULHO	2.884.930	10.208.317,80	31.251,734,00	41.460.051,80
AGÔSTO	2.821.542	11.786.647,10	37.068.668,60	48.855.315,70
SETEMBRO ..	6.532.267	22.008.434,20	69.094.016,80	91.102.451,00
OUTUBRO ...	2.584.837	11.194.339,60	35.101.418,60	46.295.758,20
NOVEMBRO ..	1.172.701	3.091.483,50	9.705.503,90	12.796.986,40
DEZEMBRO ..	712.186	3.520.376,00	11.057.010,40	14.577.386,40
T O T A L .	27.925.936	118.548.771,90	345.730.938,80	464.279.710,70

COMPANHIAS SUBSIDIÁRIAS

CIA. VIAÇÃO SUL BAHIANO

HORÁRIO DAS LOTAÇÕES

ITABUNA - ILHÉUS (IDA E VOLTA)

6,30 - 7,30 - 8,30 - 9,30 - 10,30
11,30 - 13 - 14 - 15,16 - 17 - 18 - 19,30 - 20,30
E 31,30

OS HORÁRIOS DOS ÔNIBUS PERMANECEM OS MESMOS

ITABUNA - BUERAREMA

11 E 17,30 (IDA)
17,30 E 13,30 (VOLTA)

OS HORÁRIOS AO LADO SÃO EM CARÁTER PROVISÓRIO

ITABUNA - ITAJUIPE

11 E 17,30 (IDA)
17,30 E 13,30 (VOLTA)

DAS TERÇAS ÀS. SEXTAS

ITAPEBI - CAMACÃ - ÀS 7 HS.
CAMACA - ITAPEBI - AS 13,30
AOS SÁBADOS - ITAPEBI - ITABUNA - ÀS 9 HS.
ÀS SEGUNDAS - ITABUNA - ITAPEBI - ÀS 8 HS.

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O CÔCO PODIA TER MELHOR EXPRESSÃO ECONÔMICA PARA O ESTADO

TIRE MAIOR RENDIMENTO DO SEU COQUEIRAL

A PRODUÇÃO MÉDIA DE CÔCO POR PÉ NO ESTADO DA BAHIA, TALVEZ NÃO CHEGUE A 30 FRUTOS POR ANO, O QUE REPRESENTA UM ÍNDICE BAIXÍSSIMO EM COMPARAÇÃO COM OUTRAS REGIÕES PRODUTORAS (FILIPINAS) ONDE UM COQUEIRO TEM UMA MÉDIA DE 120 FRUTOS POR ANO.

TEMOS CONDIÇÕES FAVORÁVEIS PARA A CULTURA DO CÔCO DAR GRANDE RENTABILIDADE, MAS, TORNA-SE MISTER MELHOR ATENÇÃO NO TRATO DESSA CULTURA.

OS NOSSOS COQUEIROS EXIGEM MELHOR TRATAMENTO, NÃO SÓ NO QUE DIZ RESPEITO À ADUBAÇÃO COMO A TRATOS CULTURAIS E FITO-SANITÁRIOS. ALÉM DO MAIS, A PRÁTICA DE SE COLHEREM FRUTOS EM ESTADO DE MATURIDADE INCOMPLETO É MUITO PREJUDICIAL À PLANTA.

PODEMOS DOBRAR A PRODUÇÃO DE CÔCO NO ESTADO SÒMENTE COM OS COQUEIROS QUE JÁ EXISTEM E FOMENTAR NOVAS PLANTAÇÕES EM BASES TÉCNICAS O QUE ASSEGURARÁ MELHOR MÉDIA DE PRODUÇÃO POR PÉ E CONSEQUENTEMENTE MAIOR RENTABILIDADE.

O GOVÊRNO DO ESTADO ESTÁ INTERESSADO NO FOMENTO DA CULTURA DO CÔCO, E, PARA A REALIZAÇÃO DO SEU OBJETIVO ESTÁ PROMOVENDO ATRAVÉS DA COMISSÃO DE PLANEJAMENTO ECONÔMICO A ARTICULAÇÃO DOS VÁRIOS ÓRGÃOS E TÉCNICOS CONHECEDORES DO PROBLEMA PARA UMA AÇÃO CONJUNTA. ASSIM, UM GRUPO DE TRABALHO ORGANIZOU UM ANTE-PROJETO DO PLANO PARA RECUPERAÇÃO E EXPANSÃO DA CULTURA DO COQUEIRO NO ESTADO DA BAHIA. EM LINHAS GERAIS, O PLANO VISA FAVORECER AOS INTERESSADOS FORNECENDO-LHES ORIENTAÇÃO TÉCNICA, MUDAS SELECIONADAS A PREÇOS ACESSÍVEIS E DEFESA FITO-SANITÁRIA.

MERECEU ESPECIAL ATENÇÃO A INDÚSTRIA DO CÔCO, POIS, "TÔDAS AS PARTES DO COQUEIRO OFERECEM AMPLAS POSSIBILIDADES DE ÊXITO INDUSTRIAL, SEJAM AS FÔLHAS, O TRONCO, A CASCA (ENDOCARPO), A FIBRA (MESOCARPO) OU A AMÊNDOA.

NA BAHIA, A MAIOR PREFERÊNCIA TEM SIDO O APROVEITAMENTO DA AMÊNDOA PARA A PRODUÇÃO DO LEITE, DE FARINHA, DA TORTA E DO ÓLEO.

EXPORTAÇÃO DE PIAÇABA

EM 1959, A BAHIA EXPORTOU MAIS DE 3.000 TONS. DE PIAÇABA VALENDO Cr.$119.065.043,80. EM RELAÇÃO AO ANO ANTERIOR, HOUVE UM AUMENTO DE 20,40% NO VOLUME FÍSICO E 53,77% NO VALOR COMERCIAL.



COMPANHIAS SUBSIDIÁRIAS

CIA. DE ARMAZENS GERAIS DA BAHIA S. A.

RELATÓRIO DA DIRETORIA

SENHORES ACIONISTAS:

CUMPRINDO DISPOSITIVOS ESTATUTÁRIOS E EXIGÊNCIAS LEGAIS, SUBMETEMOS À VOSSA APRECIAÇÃO, ACOMPANHADO DO PARECER DO CONSELHO FISCAL, O NOSSO BALANÇO GERAL E A CONTA DE LUCROS E PERDAS DO EXERCÍCIO FINDO EM 31 DE DEZEMBRO DE 1959.

É COM IMENSA SATISFAÇÃO QUE REGISTRAMOS OS CONSTANTES PROGRESSOS DA NOSSA COMPANHIA, ECONÔMICA E FINANCEIRAMENTE, POSITIVADOS NO VOLUME SEMPRE CRESCENTE DOS SEUS NEGÓCIOS, E NOS RESULTADOS OBTIDOS, TÃO BEM COMENTADOS NO LÚCIDO PARECER DO NOSSO CONSELHO FISCAL.

BAHIA, 19 DE JANEIRO DE 1960

ASS.) ANTONIO FERNANDES DA SILVA - PRESIDENTE
AZIZ RAYMUNDO - DIRETOR - SUPERINTENDENTE.

PARECER DO CONSELHO FISCAL

"O CONSELHO FISCAL DA COMPANHIA DE ARMAZENS GERAIS DA BAHIA S/A., CUMPRINDO IMPERATIVO LEGAL, EXAMINOU CUIDADOSAMENTE, O BALANÇO E CONTAS OFERECIDOS PELA SUA DIRETORIA, REFERENTES AO EXERCÍCIO FINANCEIRO FINDO EM 31 DE DEZEMBRO DE 1959".

DO CONFRONTO QUE DÊLES FÊZ COM OS LIVROS DE CONTABILIDADE SOCIAL E DOCUMENTOS QUE LHES COMPROVAM OS LANÇAMENTOS, FICOU-LHE ALÉM DE UM INTEGRAL CONHECIMENTO DA SITUAÇÃO DOS NEGÓCIOS SOCIAIS, A GRATA CERTEZA DE QUE OS NEGÓCIOS SOCIAIS CONTINUAM A SE DESENVOLVER PROMISSORAMENTE. DAÍ OS RESULTADOS DO EXERCÍCIO, DEMONSTRADOS NO BALANÇO E CONTAS APRESENTADOS.

O FATO REFLETE A SEGURANÇA E OPEROSIDADE DA ILUSTRE DIRETORIA DA SOCIEDADE, MERECEDORA, DATA VENIA, DOS MAIS FRANCOS LOUVORES DO SEU CORPO DE ACIONISTAS.

ANTE O EXPOSTO E TENDO EM VISTA A SUA EXATIDÃO E PERFEITA CONFORMIDADE COM OS LIVROS SOCIAIS, A AS PRESCRIÇÕES ESTATUTÁRIAS E LEGAIS, SOMOS DE PARECER MERECEM O BALANÇO E CONTAS APRESENTADOS INTEGRAL APROVAÇÃO."

PARA CONSTAR MANDAMOS TRANSCREVER O PARECER NO LIVRO DE ATA DAS REUNIÕES DO CONSELHO FISCAL.

1080

SALVADOR-BAHIA, 19 DE JANEIRO DE 1960
ASS.) BEL. JAIR SANTOS
HAROLDO ALBERTO DE CERQUEIRA LIMA
JOSÉ PEDREIRA DO COUTO FERRAZ.

* * * *

BALANÇO GERAL REALIZADO EM 31 DE DEZEMBRO DE 1959

ATIVO

DISPONÍVEL			
CAIXA		387.514,00	
BANCOS		929.112,10	
ESTAMPILHAS		286,00	1.316.912,10
REALIZÁVEL			
ALMOXARIFADO		47.653,30	
CONTAS CORRENTES		1.476.287,70	
DEVDS. E CREDS. DIVERSOS		21.250,00	
EMP. COMP. LEI 1474		32.800,00	1.577.991,00
IMOBILIZADO			
CAUÇÃO DE SERV. PÚBLICOS		100,00	
GUINCHO ELÉTRICO		36.397,80	
MÓVEIS		58.951,10	
MELHTOS. NO EDF. SEDE		181.994,00	
ESTRADOS DE MADEIRA		137.260,00	414.702,90
DE COMPENSAÇÃO			
AÇÕES CAUCIONADAS		20.000,00	
EMISSÃO DE WARRANTS		755.000,00	775.000,00
			4.084.606,00

PASSIVO

NÃO EXIGÍVEL			
CAPITAL		500.000,00	
RESERVA DE 1958 P/C/DUV.	402.001,30		
FUNDO DE RESERVA	300.000,00		
FUNDO DE AMORTIZAÇÃO DE:			
GUINCHO ELÉTRICO	36.397,80		
MÓVEIS	58.951,10		
MELHTOS. NO EDF. SEDE	118.296,30		
ESTRADOS DE MADEIRA	76.574,00	992.220,50	1.492.220,50
EXIGÍVEL			
CONTAS A PAGAR		647.888,40	
DEVDS. E CREDS. DIVERSOS		22.996,00	
IMPOSTOS A PAGAR		317.225,10	
INST. DE CACAU DA BAHIA		117.219,60	
DIVIDENDOS A PAGAR		60.000,00	
GRATIFICAÇÕES A PAGAR		587.133,00	1.752.462,10
DE RESULTADO PENDENTE			
SALDO A DISP. DA ASSEMB. GERAL			64.923,40
DE COMPENSAÇÃO			
CAUÇÃO DA DIRETORIA		20.000,00	
MERCADORIAS WARRANTADAS		755.000,00	775.000,00
			4.084.606,00

BAHIA, 31 DE DEZEMBRO DE 1959

ASS.) ANTONIO FERNANDES DA SILVA - PRESIDENTE
AZIZ RAYMUNDO - DIRETOR-SUPERINTENDENTE
JOSÉ LAVIGNE - T.CONT. REG. Nº 897 - C.R.C.- BA.

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CIA. DE ARMAZENS GERAIS DA BAHIA S. A.

DEMONSTRATIVO DA CONTA "LUCROS E PERDAS" EM 31 DE DEZEMBRO DE 1959

CRÉDITO

SALDO DO EXERCÍCIO DE 1958 NÃO DISTRIBUÍDO		27.237,20
RENDA BRUTA DO EXERCÍCIO DE 1959		
JUROS, COMISSÕES E DESCONTOS		15.064,20
RECEITA DOS ARMAZENS		9.025.950,40
SOMA TOTAL	CR.$	9.068.251,80

DÉBITO

DESPESAS DO EXERCÍCIO DE 1959

ARRENDAMENTO FIXO DO EDIFÍCIO SEDE...	75.000,00	
ARRENDAMENTO VARIÁVEL DO EDF. SEDE...	3.200.000,00	3.275.000,00
CONSERVAÇÃO DO EDIFÍCIO SEDE.....		5.190,00
CONSERVAÇÃO DOS ELEVADORES		44.670,00
CONTRIBUIÇÃO À ASSISTÊNCIA SOCIAL ...		20.597,20
DESPESAS DOS ARMAZENS		2.732.099,20
DESPESAS GERAIS		119.980,40
IMPOSTOS E TAXAS		308.634,20
INDENIZAÇÕES		38.960,00
PESSOAL "EMPREGADOS E DIRETORIA"		1.240.773,00
PREVIDÊNCIA DOS SERVENTUÁRIOS		231.694,50
SEGUROS		126.398,20
PERDAS C/DIVERSOS CLIENTES		132.385,20
AMORTIZAÇÃO DA CONTA "MELHTOS.ED.SEDE"		45.498,50
IDEM DA CONTA "ESTRADOS DE MADEIRA"..		34.315,00
DIVIDENDOS AOS ACIONISTAS		60.000,00
GRATIFICAÇÕES AOS SERVENTUÁRIOS		587.133,00
SUB-TOTAL ..		9.003.328,40
SALDO À DISPOSIÇÃO DA ASSEMB. GERAL .		64.923,40
SOMA TOTAL Cr$.		9.068.251,80

BAHIA, 31 DE DEZEMBRO DE 1959

ASS.) ANTONIO FERNANDES DA SILVA - PRESIDENTE
AZIZ RAYMUNDO - DIRETOR - SUPERINTENDENTE
JOSÉ LAVIGNE - T.CONT.REG. Nº 897 - C.R.C. - BA.

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CIA. DE ARMAZENS GERAIS DA BAHIA S. A.

BALANCETE DO MÊS DE JANEIRO DE 1960

ATIVO

DISPONÍVEL			
CAIXA		242.964,90	
BANCOS		1.352.647,10	
ESTAMPILHAS		810,00	1.596.422,00
REALIZÁVEL			
ALMOXARIFADO		90.317,30	
CONTAS CORRENTES		1.840.245,10	
DEVDS. E CREDS. DIVERSOS		151.000,00	
EMP. COM. LEI Nº 1474		32.800,00	2.114.362,40
IMOBILIZADO			
CAUÇÃO DE SERV. PÚBLICOS		100,00	
GUINCHO ELÉTRICO		36.397,80	
MOVEIS		58.951,10	
MELHTº NO EDF. SEDE		181.994,00	
ESTRADOS DE MADEIRA		137.260,00	414.702,90
DE RESULTADO PENDENTE			
ARRENDAM. FIXO DO EDF. SÉDE		6.250,00	
CONSERVAÇÃO DOS ELEVADORES		4.175,00	
DESPESAS DOS ARMAZENS		171.930,30	
DESPESAS GERAIS		2.554,40	
IMPOSTOS E TAXAS		120,00	
PESSOAL - DIRETª. E EMPGDS.		105.650,00	
SEGUROS		5.455,00	296.134,70
DE COMPENSAÇÃO			
AÇOES CAUCIONADAS		20.000,00	
EMISSÃO DE WARRANTS		325.000,00	345.000,00
			4.766.622,00

PASSIVO

NÃO EXIGÍVEL			
CAPITAL		500.000,00	
RESERVA DE 1958 P/C.DUVID.	402.001,30		
FUNDO DE RESERVA	300.000,00		
FUNDO DE AMORTIZAÇÃO DE:			
GUINCHO ELETRICO	36.397,80		
MOVEIS	58.951,10		
MELHTº NO EDF. SEDE	118.296,30		
ESTRADOS DE MADEIRA	76.574,00	992.220,50	1.492.220,50
EXIGÍVEL			
CONTAS A PAGAR		570.080,70	
DEVDS. E CREDS. DIVERSOS		14.261,00	
IMPOSTOS A PAGAR		317.225,10	
INST. DE CACAU DA BAHIA		98.703,40	
DIVIDENDOS A PAGAR		60.000,00	
GRATIFICAÇÕES A PAGAR		587.133,00	
PREV. DOS SERVENTUÁRIOS		21.207,10	1.668.610,30
DE RESULTADO PENDENTE			
SALDO A DISPOSIÇÃO DA ASS.GERAL		64.923,40	
JUROS, COMISS. E DESCONTOS	853,20		
RECEITA DOS ARMAZENS	1.195.014,60	1.195.867,80	1.260.791,20
DE COMPENSAÇÃO			
CAUÇÃO DA DIRETORIA		20.000,00	
MERCADORIAS WARRANTADAS		325.000,00	345.000,00
			4.766.622,00

BAHIA, 2 DE FEVEREIRO DE 1960

AZIZ RAYMUNDO - DIRETOR - SUPERINTENDENTE

JOSÉ LAVIGNE - T. CONT. REG. Nº 897 - C.R.C. - BA.

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NOTICIÁRIO DA ZONA CACAUEIRA

COARACI

30 DE JANEIRO DE 1960

COTAÇÕES - DURANTE O MÊS DE JANEIRO, OS PREÇOS NESSA PRAÇA FORAM OS SEGUINTES:

FIRMAS EXPORTADORAS ..... CR.$645,00 A 655,00
COOPERATIVA CENTRAL ..... 680,00 BASE ILHÉUS.

MARCHA DA SAFRA - AS COLHEITAS, SEGUNDO INFORMAÇÕES, ACHAM-SE TERMINADAS, EXISTINDO, AINDA, EM ALGUMAS FAZENDAS CERTA QUANTIDADE DE CACAU SÊCO EM DEPÓSITO.

INFORMAÇÕES CLIMATOLÓGICAS - NESSE MUNICÍPIO HOUVE GRANDE ESTIAGEM NA PRIMEIRA QUINZENA DO MÊS EM REVISTA, CHOVENDO REGULARMENTE NA SEGUNDA, COM TROVOADAS, ESTANDO CORRENDO BEM A ESTAÇÃO PARA A LAVOURA.

GANDU

8 DE FEVEREIRO DE 1960

COTAÇÕES - DURANTE O MÊS DE JANEIRO P.P., OS PREÇOS NESSA PRAÇA ATINGIRAM AS SEGUINTES COTAÇÕES: CR.$650,00, 630,00, TENDO BAIXADO NO TÉRMINO DO MÊS PARA 600,00, POR 15 QUILOS NA BALANÇA.

PERSPECTIVA PARA A SAFRA NOVA - TENDO CHOVIDO REGULARMENTE EM TÔDA REGIÃO, COM INTERVALO DE ALGUNS DIAS DE SOL, OS CACAUEIROS ESTÃO BASTANTE BILRADOS E FLORADOS, TUDO PREVENDO UM "TEMPORÃO" SATISFATÓRIO E CEDO. AS FIRMAS COMPRADORAS DESSA PRAÇA ESTÃO FAZENDO ALGUNS PEQUENOS NEGÓCIOS PARA ENTREGA ATÉ JUNHO E JULHO AO PREÇO DE 550,00 COM ADIANTAMENTO DE 80%, E 600,00 ATÉ 650,00, SEM ADIANTAMENTO.

O DEPARTAMENTO TÉCNICO AGRÍCOLA (DO I.C.B.) INFORMA:

RELAÇÃO DAS MUDAS EXISTENTES NO RIPADO DA SECÇÃO DE AGRONOMIA DO DETAG

ESPÉCIES	FEVEREIRO		JANEIRO	
	1	8	18	25
ABIO DO PARÁ	68	67	72	68
GRUMICHAMA	32	22	38	32
ACÁCIA UNHA DE VACA	28	28	28	28
CAMBUCÁ	4	3	8	4
CÁSSIA JAVÂNICA	180	180	173	180
CABELUDEIRA	2	1	18	14
CAIMITO	30	29	34	30
BIRIBA DO PARÁ	12	11	16	12

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INSTITUTO DE CACAU DA BAHIA

DEPARTAMENTO TÉCNICO AGRÍCOLA

SUB-SECÇÃO DE CLIMATOLOGIA E PLUVIOMETRIA

DADOS DA ESTAÇÃO METEOROLÓGICA DE URUÇUCA (BAHIA) - DEZEMBRO DE 1959

DIAS	TEMPERATURA C. MAX.	MIN.	AMPLITUDE	MEDIA APROXIMADA P/MAX. E MIN.	UMIDADE RELATIVA (MEDIA DAS 9,15 E 21 HS	AGUA EVAPORADA EM CM	CHUVAS EM MM
1	29,5	19,4	10,1	24,5	69,0	0,5	0,0
2	32,0	18,4	13,6	25,2	65,7	0,5	-
3	29,5	18,2	11,3	23,9	75,0	0,7	-
4	32,7	18,7	14,0	25,7	69,0	0,5	5,0
5	31,5	21,8	9,7	26,7	72,7	0,6	0,0
6	30,8	21,6	9,2	26,2	73,7	0,7	-
7	30,3	22,3	8,0	26,3	81,7	0,3	10,5
8	29,9	21,2	8,7	25,6	76,3	0,4	8,0
9	32,7	20,3	12,4	26,5	75,7	0,5	0,8
10	33,2	20,3	12,9	26,8	72,3	0,5	-
11	33,6	23,1	10,5	28,4	72,0	0,6	-
12	31,1	22,6	8,5	26,9	78,3	0,7	-
13	31,4	23,3	8,1	27,4	68,7	0,6	-
14	31,5	20,1	11,4	25,8	76,3	0,7	2,0
15	30,8	20,4	10,4	25,6	75,0	0,6	0,3
16	30,9	21,5	9,4	26,2	79,7	0,6	3,3
17	30,0	19,2	10,8	24,6	77,3	0,6	0,7
18	30,3	20,2	10,1	25,1	78,0	0,5	3,1
19	30,2	18,7	11,5	24,5	73,3	0,6	-
20	29,5	21,8	7,7	25,7	79,3	0,6	2,3
21	31,9	19,6	12,3	25,8	67,3	0,5	7,4
22	33,1	23,1	10,0	28,1	72,0	0,6	0,4
23	32,6	23,7	8,9	28,2	75,0	0,6	0,3
24	32,8	23,1	9,7	28,0	69,0	0,7	-
25	33,8	23,6	10,2	28,7	67,7	0,6	-
26	32,2	22,4	9,8	27,3	67,3	0,7	-
27	27,2	22,8	4,4	25,0	78,0	0,7	3,4
28	27,6	20,8	6,8	24,2	85,3	0,3	7,5
29	25,8	22,0	3,8	23,9	88,0	0,3	7,6
30	28,5	22,6	5,9	25,6	80,3	0,2	5,0
31	31,6	21,3	10,3	26,5	71,7	0,4	1,0
TOTAIS						16,9	68,6
MEDIAS:	30,9	21.2	9,7	26,1	74,5	0,54	

OBS.: TEMPERATURA - MAIOR AMPLITUDE..... DIA 4... 14,0
" MAXIMA ..... " 25 33,8
MENOR MINIMA ..... " 3 18,2
DIFERENÇA 15,6

CHUVA - NÚMERO DE DIAS ..... 15 (VALORES MAIORES QUE 0,4)
MAIOR ALTURA ..... DIA 7 10,5

URUÇUCA, 27 DE JANEIRO DE 1960

PEDRITO SILVA
CHEFE DO DETAG

A. RAMOS
P/METEOROLOGISTA-CHEFE

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1089

PLANO DE COMERCIALIZAÇÃO

INSTITUTO E LAVOURA BENEFICIADOS

DENTRE AS COISAS ELABORADAS PELO ATUAL PRESIDENTE DO I.C.B., SR. ANTONIO FERNANDES DA SILVA, UMA SE EVIDENCIA E SE COLOCA EM DESTAQUE NO ROTEIRO DOS PROBLEMAS ECONÔMICO-FINANCEIROS:O PLANO DE COMERCIALIZAÇÃO, QUE ENTREGUE AO DR. TOSTA FILHO, ENCONTROU A RECEPTIVIDADE ESPERADA E A ENTUSIÁSTICA ACOLHIDA NA MANEIRA DE ESTUDÁ-LO E DISCUTIR AS SUAS PARTICULARIDADES. O PRESIDENTE VOLTANDO DE SUA VIAGEM AO RIO, AINDA NÃO PÔDE ESCLARECER DE TODO PARA OS LAVRADORES OS ITENS DO REFERIDO PLANO. MAS EM DECLARAÇÕES PÚBLICAS JÁ REALIZADAS, FARTAMENTE NOTICIADAS PELA IMPRENSA DESTA CAPITAL E DA REGIÃO CACAUEIRA, AFIRMOU QUE O PLANO NÃO VIRÁ BENEFICIAR, SÒMENTE, O INSTITUTO DE CACAU, E SIM, TAMBÉM A LAVOURA, NOTADAMENTE OS LAVRADORES, AQUELES QUE CUIDAM E VIVEM VOLTADOS PARA O CACAU.

O INSTITUTO DE CACAU REPRESENTA PARA A LAVOURA E REGIÃO CACAUEIRAS UMA OBRA GLORIOSA E DE RECONHECIDA UTILIDADE, DETENTOR DE MARCANTES INICIATIVAS, DESDE A CONSTRUÇÃO DO SEU EDIFÍCIO-SEDE, EM SALVADOR, QUE TRINTA ANOS DEPOIS AINDA SE DESTACA COMO ARROJADA OBRA ARQUITETÔNICA, ASSIM COMO A SUA ESTAÇÃO CENTRAL DE EXPERIMENTAÇÃO, EM URUÇUCA, E SUB-ESTAÇÕES EM DIVERSAS LOCALIDADES, ENCARREGADAS DE PROTEGER AS ÁRVORES DAS ENDEMIAS E PRAGAS E INCENTIVAR SUA PROPAGAÇÃO COM ESPÉCIES SELECIONADAS DE ALTA PRODUÇÃO E GUINDADA EM MODERNAS TÉCNICAS DE CULTIVO. ESTÃO AÍ AS ESTRADAS DO INSTITUTO QUE DESDE 1940 CORTAM AS FLORESTAS UNINDO AS LONGÍNQUAS ZONAS PRODUTORAS AOS CENTROS MAIS ADIANTADOS E AOS PORTOS MARÍTIMOS; AÍ ESTÃO OS VEÍCULOS DA VIAÇÃO SUL BAHIANO, UMA INEQUÍVOCA PROVA DE INTERÊSSE DO INSTITUTO PARA COM A LAVOURA. ISSO TUDO, SEM PENETRARMOS NAS MEMORÁVEIS CAMPANHAS COMO A DO PREÇO MÍNIMO, EM QUE O INSTITUTO ESTÁ SEMPRE AO LADO DOS LAVRADORES, LIVRANDO-OS DOS MERCENÁRIOS AGIOTAS QUE VIVEM A ESPALHAR UMA POLÍTICA DE USURA E DESENTENDIMENTO.

O INSTITUTO NUNCA DEIXA DE TER UM PLANO EM MENTE A REALIZAR EM BENEFÍCIO DA LAVOURA, MESMO QUANDO A SUA SITUAÇÃO É DEFICITÁRIA, COMO VEM ACONTECENDO HÁ ALGUNS POUCOS ANOS, COM DESPESAS ASSOMBROSAMENTE MAIORES QUE A RECEITA.

MESMO LUTANDO COM O ACIMA EXPOSTO, A DIRETORIA DO INSTITUTO TRABALHA DENODADAMENTE PELO PLANO DE COMERCIALIZAÇÃO, QUE É UMA NECESSIDADE E QUE DEVE SER ESPERADO ANSIOSAMENTE E CARECENTE DO AUXÍLIO DE TODOS, DOS LAVRADORES DE CACAU, DOS HOMENS DE NEGÓCIO, DAS INSTITUIÇÕES DA ZONA CACAUEIRA, DOS GOVÊRNOS,

PRIORITY

OFFICIAL USE ONLY
(Security Classification)

DO NOT TYPE IN THIS SPACE

832.131/4-1460

DES

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

1008
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 14, 1960

APR 20 1960

REF : Embassy Despatch 975, April 7, 1960

For Dept. Use Only	ACTION	DEPT.
20	ARA-4	RM/R-2 REPI IRC-8 E-7 IRA-11 SCS-1
	REC'D 4-23-60	INFO OTHER Com-8 TR-3 FRB-3 XMB-4 CIA-10 AG-8

SUBJECT: Sale of Foreign Exchange Against PVC's

There is enclosed herewith a table, obtained from the Exchange Department of the Bank of Brazil, showing a breakdown of the currencies claimed against PVC's sold in the commercial auctions in Rio de Janeiro and São Paulo during January-February, 1960. Purchases of U. S. dollars to finance imports from the U.S. in those two months averaged 41.4 percent of the total, as compared with an average of 48.9 percent during January-April, 1959, and 42.9 percent for the full year, 1959.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor of Embassy
for Economic Affairs

Enclosure: As stated

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
APR 27 1960

832.131/4-1460

FILED

APR 29 1960

HKMay|dh
REPORTER

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ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

1087

Page 1, Encl. 1
Desp 1008,
Rio de Janeiro

PERCENTAGE UTILIZATION, ACCORDING TO COUNTRY OF ORIGIN AND SOURCE, OF PROMISES TO SELL FOREIGN EXCHANGE (PVC's), IN AMERICAN DOLLARS; APPLIED IN CERTIFICATES OF EXCHANGE COVER (CCC'S) EMITTED IN RIO DE JANEIRO AND SÃO PAULO IN 1960

(Unit: US$1,000)

COUNTRY OF ORIGIN AND SOURCE	JANUARY		FEBRUARY		TOTAL	
	Amount	Percent	Amount	Percent	Amount	Percent
U. S. A.	6,436	40.7	7,488	41.9	13,924	41.4
CANADA	331	2.1	485	2.7	816	2.4
SWITZERLAND	563	3.6	566	3.2	1,129	3.4
JAPAN	-	-	54	0.3	54	0.1
	7,330	46.4	8,593	48.1	15,923	47.3
Other countries not part of the old "area of limited convertibility" (ACL Area)	347	2.2	605	3.4	952	2.8
TOTAL	7,677	48.6	9,198	51.5	16,875	50.1
MEMBERS OF THE OLD AREA OF LIMITED CONVERTIBILITY:						
GERMANY	3,135	19.9	2,792	15.6	5,927	17.7
AUSTRIA	80	0.5	153	0.9	233	0.7
FRANCE	966	6.1	1,316	7.4	2,282	6.8
HOLAND	344	2.2	707	4.0	1,051	3.1
ENGLAND AND SPECIFIC TERRITORIES	1,898	12.0	2,151	12.0	4,049	12.0
ITALY	821	5.2	716	4.1	1,537	4.6
BELGIUM-LUXEMBOURG UNION	871	5.5	822	4.5	1,693	5.0
TOTAL	8,115	51.4	8,657	48.5	16,772	49.9
GRAND TOTAL	15,792	100.0	17,855	100.0	33.647	100.0

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1088

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.131/4-2860

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 1038 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 28, 1960 DATE

REF : Embassy Despatch 951, March 29, 1960

APR 29 1960

For Dept. Use Only	ACTION	DEPT.
55	ARA-3	RM/A-2 REP-1 IRC-8 E-7 ICA-11
	REC'D 6/2	INFO CIA-10 COM-8 TR-3 FRB-3 XMB-4 AG-8

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193

As reported, SUMOC Instruction 193 of March 25 permitted the sale of three times the weekly offering of U.S. dollars in the general category at each of the auctions held throughout the country whenever the full amount offered in the general category at that auction has been taken up.

The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, the present price being Cr$222.00, with the Carteira de Cambio being authorized to lower it further if desirable.

The extra offering can total $17,073,000 for all the auctions held throughout Brazil. Equal amounts of $5,355,000 are potentially available in Rio and São Paulo.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category to this date are summarized below:

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 5 1960

Week ending		Rio de Janeiro	São Paulo
April 2	Regular	1,785,000	1,785,000
	Extra (at Cr$225.00)	41,000	322,000
April 9	Regular	1,785,000	1,785,000
	Extra (at Cr$224.00)	148,000	1,008,000
April 23	Regular	1,785,000	1,785,000
	Extra (at Cr$223.00)	1,067,000	3,130,000
April 30	Regular	1,785,000	1,785,000
	Extra (at Cr$222.00)	434,000	1,637,000

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It is understood that there have been only trifling purchases in excess of the regular allocations outside of Rio and São Paulo.

For the Ambassador:

Herbert K. May

Herbert K. May,
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

cc: Amemconsulate, São Paulo.

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO

397
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 29, 1960
DATE

REF : CERP, Section V, A, 4.

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	
	REC'D 5-11-60	INFO OTHER Com 8 TR 3 FRB-2 RMB-4 CIA 10 AID 8

SUBJECT: Opposition to SUMOC Instruction 193 Which Permits Sale of Additional Funds at the Weekly Import Exchange Auctions

DEPARTMENT OF STATE
BUREAU OF
INTER - AMERICAN AFFAIRS
MAY 13 1960

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SUMOC Instruction 193 of March 25 permitted the sale of three times the weekly offering of U.S. dollars in the general category at each of the import exchange auctions throughout the country. This resulted in the sale in São Paulo of the following additional amounts of exchange, over and above the normal sum offered for auction:

First Week - $,300,000
Second Week - 1,000,000
Third Week - 3,130,000
Fourth Week - 1,637,000

Instruction 193 has been under examination by the Commercial Association of São Paulo and at a recent meeting the Association decided to express to the government its feeling that the system instituted thereby is contrary to the interests of Brazil and request that the instruction be repealed. END UNCLASSIFIED

BEGIN OFFICIAL USE ONLY

The Commercial Association feels that the government does not have the exchange it is now selling at 150 days for imports, and will have difficulty in delivering it upon the expiration of the 150 days. One of the directors of the Association said the financial policy of the government was dictated by two bankers, Marcus de Souza Dantas of SUMOC and Minister of Finance Sebastião Paes de Almeida, who are interested only in seeing that money enters the till to tide the government over until tax collections start pouring in during the second half of the year. According to the calculations of the Association, the government could accumulate Cr$22 billion from the "additional" exchange sales. The Association also calculated that the government was borrowing another Cr$12 billion from exporters, by giving them promissory notes for that portion of exchange proceeds from exports negotiated at the free market rate of exchange above Cr$130 a dollar$, under the provisions of SUMOC Instruction 192.

A director of the Association firmly believes that when money from tax collections starts coming in in greater volume, during the second half of the year,

$ The free market rate today is approximately Cr$190 a dollar.

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the government will again reduce the exchange funds offered for sale each week for imports, possibly by cutting in half the limit of US$50,000 an importer is allowed to buy at each auction. END OFFICIAL USE ONLY

William P. Cochran, Jr.

William P. Cochran, Jr.
Consul General

Source:

Discussions at meeting of International Chambers of Commerce

1092

AIR POUCH
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
1066
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 4, 1960
DATE
MAY - 6 1960

REF : Embassy Despatch 1038, April 28, 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D 5/9	INFO RM/R-2 REP-1 IRC-8 E-7 ICA-1 COM-8 CIA-10 FRB-3 TR-3 OTHER

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on May 3 amounted to $5,133,000 as compared with $5,641,000 in the previous week, a decrease of $508,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$221.00 per dollar on May 3.

The available data on the regular and extra sales of U.S. dollars in Rio and Sao Paulo in the general category are given below:

	Rio and São Paulo
Regular	$3,570,000
Extra	$1,563,000

For the Ambassador:

Herbert K. May
Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 1067 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — May 4, 1960

REF : CERP, Section B, III, B-3, April 3, 1957 — MAY - 6 1960
Embdespatches 962, Apr. 1 and 1041, Apr. 28, 1960 — Enclosure

For Dept. Use Only	ACTION	DEPT.
	ARA-4	INR/R-2 REP-1 IRC-5 E-7 ICA-11 SCA-1
	REC'D 5/9	INFO OTHER CUM-5 CIA-10 FRB-3 TR-3 XMB-1 AG-5

SUBJECT: Free Market Rates and Stock Exchange Averages.

There is transmitted herewith a table showing the buying and selling rates for U.S. dollar instruments and currency in the free market as quoted by the "Cambios" and the National City Bank as well as daily averages compiled by the Rio de Janeiro Stock Exchange (Bolsa de Valores do Rio de Janeiro).

For the Ambassador:

Herbert K. May

Herbert K. May,
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Free Market Quotations, April, 1960.

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FREE MARKET QUOTATIONS
April, 1960
(Cruzeiro per Dollar)

		Buying		Selling	
		Check	Cash	Check	Cash
Other Banks (Cambios)	High	191.00	192.50	192.50	192.00
	Low	188.50	190.50	189.00	189.00
	Average	189.89	191.44 1/	190.76	190.68
National City Bank	High	187.50	187.50	192.50	192.50
	Low	183.50	183.50	188.50	188.50
	Average	185.41	185.41	190.41	190.41

Daily Average Compiled by the
Bolsa de Valores do Rio de Janeiro
April, 1960

1	192.16	20	190.14
2	192.40	22	190.97
44	191.68	23	190.98
5	190.63	25	190.47
6	191.12	26	189.58
7	192.09	27	188.65
8	190.58	28	188.74
9	190.11	29	188.45
11	189.59	30	189.21
12	190.11		
13	190.12		
18	191.14		
19	189.88	Monthly Average	190.16

1/ One exchange dealer quotes buying rates higher than all other but does not quote selling rates.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 1068
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. May 4, 1960

REF : CERP, Section B, III, B-3, April 3, 1957 MAY - 6 1960
Embassy Despatch 976, April 7, 1960 Enclosure

For Dept. Use Only
ACTION REC'D 5/9
DEPT. INFO OTHER
ARA-4 RM/R-2 REP-1 IRC-6 E-7 ICA-11 SA-2 CUM-5 CIA-10 FRB-3 TR-3 XMB-3 AG-6 PMR

SUBJECT: Foreign Exchange Auctions during April, 1960.

As requested, the series on Foreign Exchange Auctions submitted heretofore on a weekly basis, will now have a monthly frequency, starting with the auctions covered by this Despatch.

During the three weeks of exchange auctions held in April, $7,424,000 of supplementary offerings were sold in Rio and São Paulo under the provisions of Instruction 193. The price moved from a high of Cr$224.00 to a low of Cr$222.00 to the dollar.

With respect to the regular auctioning of exchange in Rio and São Paulo the agio paid for dollars moved from Cr$224.00 to Cr$222.00 in the general category and from Cr$536.00 to Cr$486.00 in the special category. Fertilizers varied between Cr$87.00 and Cr$84.30 and for insecticides the high and low were Cr$105.00 and Cr$89.71.

The agio on the Danish Kroner sold for the general category was kept at the uniform rate of Cr$27.80 throughout the month, showing no change in relation to last week of March figures.

Other bilateral accounts denominated in dollars were sold in reduced amounts at the uniform rate of Cr$187.00, showing a decrease of Cr$5.00 in relation to the last week of March figures.

The regular monthly auction of foreign exchange for delivery in three years to finance automobile imports was held in Rio. $190,000 were sold at the average agio of Cr$400.20 per dollar compared with Cr$452.15 realized at the auction in March last in São Paulo. There were no takers for the offerings of "dollars" on Spain, Poland and Czechoslovakia.

The available data on foreign auctions in Rio and São Paulo during April 1960, are summarized in the enclosed tables.

For the Ambassador:
Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
Counselor for Economic Affairs
Enclosure: As stated.

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AUCTIONS OF FOREIGN CURRENCIES DURING APRIL, 1960

A. Auctions of Currencies in Limited Amounts

Auctions & Currency Unit of Auction	Rio de Janeiro & São Paulo Offers (000)	Sales (000)	Ágio High	Ágio Low	All Brazil Offers (000)
U.S. Dollars					
General Category	10,710	10,710	224.00	222.00	17,073
Special Category	210	210	536.00	486.00	327
Fertilizers	630	630	87.00	84.30	900
Insecticides	450	450	105.00	89.71	900
Total	12,000	12,000			19,200
Extra (Instr.193)	32,130	7,424	224.00	222.00	51,219
Chile - $	360	119	81.08	81.08	
Finland - $	348	319	192.60	187.00	
Norway - $	348	263	191.51	187.00	
Uruguay - $	200	-.-	-.-	-.-	

B. Auctions of Currencies Without Maximum Units

Auction & Currency Unit of Auction	Rio de Janeiro & São Paulo Sales (000)	Ágio
General Category		
Argentina - $	480	187.00
Chile - $	558	187.00
Czechoslovakia - $	373	187.00
Denmark - Kroner	3,071	27.80
East Germany - $	119	187.00
Hungary - $	40	187.00
Israel - $	82	187.00
Poland - $	69	187.00
Spain - $	460	187.00
Yugoslavia - $	19	187.00
Uruguay - $	67	187.00
Special Category		
Denmark - Kroner	14	63.71
Spain - $	9	440.00
East Germany - $	1	440.00
Czechoslovakia - $	0.5	440.00

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Date Sent: May 9,1960
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FROM: AMEMBASSY, RIO DE JANEIRO

TO: Secretary of State

NO: G-153

MAY 11 4 42 PM '60

RMR

Ref: G-125

By order of the Minister of Finance the conversion rate for the calculation of tariff charges during May, 1960, was fixed at Cr$174.00 to the dollar or its equivalent. This rate has prevailed since November, 1959.

CA/BOT

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DEPARTMENT OF STATE
DIVISION OF COMMUNICATIONS SERVICES
DCL
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
1093
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 10, 1960
MAY 11 1960

REF : Embassy Despatch 1066, May 4, 1960

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 IRC-8 E-7 ICA-11
	REC'D 5-14-60	INFO OTHER Com-8 TR-3 FRB-3 XMB-4 CIA-10

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on May 10 amounted to $5,130,000 as compared with $5,133,000 in the previous week, a decrease of $3,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$220.00 per dollar on May 10.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,570,000
Extra	$ 1,560,000
Total of extra sales to date	$10,910,000

For the Ambassador:

Herbert K. May

Herbert K. May,
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 18 1960

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 1134 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — May 18, 1960 DATE

REF : Embassy Despatch 1093, May 10, 1960 — MAY 19 1960

For Dept. Use Only	ACTION	DEPT.
20	AAA-4	RM/R-2 REPL IRC-8 E-7 ICA-11
	REC'D 5-23-60	INFO OTHER Com-8 TR-3 FRB-3 XMB-4 CIA-10

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SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

832.131/5-1860

The regular and extra sales of U.S. dollars in Rio and São Paulo on May 17 amounted to $4,962,000 as compared with $5,130,000 in the previous week, a decrease of $168,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$219.00 per dollar on May 17.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,570,000
Extra	$ 1,392,000
Total of extra sales to date	$12,302,000

for week ending May 17

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 1145
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. May 19, 1960
MAY 20 1960

REF :

For Dept. Use Only | ACTION | DEPT. | INFO | OTHER
ARA-4 | RM/R-2 REP-1 IRC-5 E-7 ICA-11 SCS-1
REC'D 5/23 | COM-5 CIA-10 FRB-3 TR-3 XMB-4 AG-5

SUBJECT: Foreign Exchange Auctions.

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The Brazilian press reported today that the weekly offerings of U.S. dollars in the general category in Rio and São Paulo will each be reduced from $1,785,000 to $1,705,000. The $80,000 resulting from the cut in each city will be taken up by the special category, fertilizers and insecticides in the following manner:

	Increase
Special Category	
From $35,000 to $36,000	$ 1,000
Fertilizers	
From $105,000 to $136,000	$31,000
Insecticides	
From $75,000 to $123,000	$48,000

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 27 1960

The changes will become effective with the auctions of the week beginning May 22,1960. The maximum exchange surcharge for that week in the general category will be Cr$218, as compared with Cr$219 this week.

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The reported "transfer" of $80,000 from the general category auction in Rio (30% of Brazil as a whole) actually represents an effective increase in the total dollar allocation for Brazil by about $267,000 weekly. This is because the effect of Instruction 193 is to permit actual sales in the general category in Rio amounting to $6,820,000 even at the "reduced" allocation, and actual purchases have steadily been much below that figure. In other words, the "reduction" in the basic amount of the general category auction has no effective meaning. On the other hand, the increase for the special

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category, for fertilizers and insecticides represent actual additional offerings in the total of $80,000 in Rio and São Paulo.

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

35

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AIR POUCH
PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

1164
DESP. NO.

May 25, 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

MAY 27 1960

REF : Embassy Despatch 1134, May 18, 1960

For Dept. Use Only	ACTION	DEPT.
35	ARA-4	RM/R-2 REP-1 IAC-8 E-7 ICA-11 RM/R
	REC'D 5/31	INFO OTHER CIA-10 COM-8 TR-3 FRB-3 XMB-4 AG-8

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

832.131/5-2560

The regular and extra sales of U.S. dollars in Rio and São Paulo on May 24 amounted to $4,307,000 as compared with $4,962,000 in the previous week, a decrease of $655,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$218.00 per dollar on May 24.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,410,000
Extra	$ 897,000
Total of extra sales to date	$13,199,000

For the Chargé d'Affaires, a.i.

Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUN 3 1960

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — DESP. NO. 1171

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE June 1, 1960

REF : Embassy Despatch 1164, May 25, 1960 — JUN - 3 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D 6-6	INFO RM/R-2 RPP-1 IRR-1 IWI-1 E-7 Secs-2 OTHER Cad-10 Comio FRB-3 FMB-4 Agr-2

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SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 195. Tar. 2

The regular and extra sales of U.S. dollars in Rio and São Paulo on May 31 amounted to $4,316,000 as compared with $4,307,000 in the previous week, an increase of $9,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$217.00 per dollar on May 31.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,410,000
Extra	$ 906,000
Total of extra sales to date	$14,105,000

For the Chargé d'affaires, a.i.

Herbert K. May
Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

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FROM: AMEMBASSY; RIO DE JANEIRO

Date Sent: JUNE 1,1960
Rec'd:

TO: Secretary of State

INR
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CIA

NO: G-166

JUN 6 11 03 AM '60

Ref: G-153

RMR

According to the press the Minister of Finance has fixed the conversion rate for the calculation of tariff charges during June, 1960, at Cr$174.00 to the dollar. This continues the rate in effect since November, 1959.

832.131/6-160

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

1178
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 2, 1960

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 1067, May 4, 1960

JUN - 3 1960
DATE

Enclosure

For Dept. Use Only	ACTION	DEPT.	RM/R-2 REPT IRC& ECA-11 E-7 SCS-2
	REC'D 6-6	INFO OTHER	ECA-10 COM 8 FRB-3 TR-3 & MB-4 AGR

SUBJECT: Free Market Rates and Stock Exchange Averages - May, 1960 Tab 2

There is transmitted herewith a table showing the buying and selling rates for U.S. dollar instruments and currency in the free market as quoted by the "Cambios" and the National City Bank as well as daily averages compiled by the Rio de Janeiro Stock Exchange (Bolsa de Valores do Rio de Janeiro).

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Free Market Quotations, May 1960.

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FREE MARKET QUOTATIONS
May, 1960
(Cruzeiros per Dollar)

		Buying		Selling	
		Check	Cash	Check	Cash
Other Banks (Cambios)	High	189.50	191.00 1/	189.00	189.00
	Low	183.00	184.50	185.50	185.50
	Average	186.47	188.32	187.26	187.26
National City Bank	High	186.50	186.50	189.00	189.00
	Low	181.00	181.00	185.50	185.50
	Average	182.35	182.35	187.50	187.50

Daily Average Compiled by the
Bolsa de Valores do Rio de Janeiro
May, 1960

2	189.20	17	187.01
3	188.56	18	186.03
4	188.13	19	185.93
5	188.04	20	186.07
6	187.80	21	186.23
7	187.34	23	186.10
9	186.93	24	186.07
10	187.45	25	185.79
11	186.88	26	185.75
12	187.10	27	185.83
13	187.53	28	185.62
14	187.59	30	185.63
16	187.29	31	185.75
		Monthly Average	186.92

- - - - - - - - - - -

1/ One exchange dealer quotes buying rates higher than all others but does not quote selling rates.

1107

AIR POUCH
PRIORITY

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832.131/6-360

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 1182 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — June 3, 1960 DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 1068, May 4, 1960

JUN 22 1960

Enclosure

55 For Dept. Use Only

ACTION ARA4 REC'D 6/27

INFO DEPT. RMA-2 REP-1 IRC-8 E-2 TRAN SCS-1

OTHER CIA-1 COM-8 TR-3 FRB-1 AID-4

DEPARTMENT OF STATE
PURCHASED FROM
PAN AMERICAN AIRWAYS
AUG 8 1960

SUBJECT: Foreign Exchange Auctions during May, 1960

During the exchange auctions held in May $30,883,000 of regular offerings and $6,534,000 of supplementary offerings under the provisions of Instruction 193 were purchased by Brazilian importers. Throughout the month in the regular auctions the price moved from a high of Cr$221.00 to a low of Cr$216.00 in the general category and from Cr$522.00 to Cr$451.00 in the special category.

A breakdown of the total of $37,417,000 auctioned throughout the country during May follows:

U.S. Dollars	Offerings	Sales	Balance Unsold
General Category	27,690,000	27,689,000	1,000
Special Category	544,000	544,000	-.-
Instruction 193	83,070,000	6,534,000	76,536,000
Fertilizers	1,517,000	1,444,000	73,000
Insecticides	1,107,000	1,105,000	2,000
Automobiles	100,000	100,000	-.-

With respect to the regular auctioning of exchange in Rio and São Paulo, the agio paid for dollars moved from Cr$221.00 to Cr$217.00 in the general category and from Cr$510.09 to Cr$466.50 in the special category. Fertilizers varied between Cr$85.20 and Cr$81.08 and for insecticides the high and low were Cr$115.10 and Cr$102.00.

The agio on the Danish Kroner sold for the general category varied between Cr$27.08 and Cr$26.79, in comparison with the uniform rate of Cr$27.80 kept throughout the month of April.

Other bilateral accounts denominated in dollars were sold in substantial amounts at a rate that moved from Cr$187.00 at the beginning of the month to Cr$185.00 at the auction of May 31.

The regular monthly auction of foreign exchange for delivery in three years to finance automobile imports was held in São Paulo. $100,000 were sold at the average agio of Cr$400.24 per dollar, compared with Cr$400.20 realized at the auction in April in Rio de Janeiro only

832.131/6-360

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1108

30,000 "dollars" on Czechoslovakia were sold at the average agio of Cr$304.50 of a total offering of 400,000.

The available data on foreign exchange auctions in Rio and São Paulo during May, 1960, are summarized in the enclosed table.

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Table on auctions of foreign currencies during May, 1960

1109

AUCTIONS OF FOREIGN CURRENCIES DURING MAY, 1960

A. Auctions of Currencies in Limited Amounts

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Offers (000)	Sales (000)	Agio High	Agio Low
U.S. Dollars				
General Category	17,530	17,530	221.00	217.00
Special Category	354	354	510.09	466.50
Fertilizers	902	902	85.20	81.08
Insecticides	696	696	115.10	102.00
Total	19,482	19,482		
Extra (Instruction 193)(Potentially)	52,590	6,318	221.00	217.00
Chile-$	480	170	81.08	81.08
Finland-$	464	464	206.10	186.00
Norway-$	464	454	189.70	186.00
Uruguay-$	200	-.-	-.-	-.-

B. Auctions of Currencies Without Maximum Units

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Sales (000)	Agio High	Agio Low
General Category			
Argentina-$	707	187.00	185.00
Chile-$	138	187.00	185.00
Czechoslovakia-$	257	187.00	185.00
Denmark-Kroner	2,389	27.08	26.79
East Germany-$	231	187.00	185.00
Hungary-$	29	187.00	185.00
Iceland-£	18	417.00	520.80
Israel-$	3	187.00	187.00
Poland-$	111	187.00	185.00
Spain-$	961	187.00	185.00
Yugoslavia-$	18	187.00	185.00
Special Category			
Chile-$	30.5	431.00	417.00
Czechoslovakia-$	12	423.00	417.00
East Germany-$	0.2	423.00	423.00
Denmark-Kroner	42	62.41	61.25
Norway-$	2	417.00	417.00
Spain-$	14	423.00	417.00
Poland-$	3.3	417.00	417.00

1110

AIR POUCH
PRIORITY

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832.131/6-660
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 1193 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 6, 1960
JUN - 8 1960
Enclosure

REF : Embassy Despatch 955, March 31, 1960
832.131

For Dept. Use Only	ACTION	DEPT.
	REC'D 6-13	INFO OTHER

DEPT. RM/R-2 REP.1 RA&E-7 SCS-2
OTHER Cia.10 Comm.10 FRC-3 IR-3 IMA-4 Ag-8

SUBJECT: Internal Revenue Circular 52- Conversion Rates for Consumption Tax on Imports without Exchange Cover.
Tax 2

832.131/6-660

Enclosed is a translation of Circular 52 of the Director of Internal Revenue establishing new conversion rates to be used in calculating the consumption tax due on imports without exchange cover.

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Translation of Internal Revenue Circular 52

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUN 16 1960

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JUN 23 1960

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REPORTER

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TRANSLATION
Source: Diario Oficial, May 10, 1960

Department of Internal Revenue
Circular No. 52 of April 25, 1960

The Director of Internal Revenue of the National Treasury, exercising the powers vested upon him, declares to Customs Inspectors and Chiefs of other Customs Departments, as well as Consumption Tax Supervising agents that in accordance with data secured and supplied by the Superintendency of Money and Credit, there shall be in effect for purposes of calculating the consumption tax on imports independent of exchange cover, the rates of exchange and average agios as listed below, such rates to go into force in the Federal District and São Paulo three days after the publication of this Circular in the Diario Oficial and the other States and Territories ten days after such publication.

It is further declared that the Customs Department must issue an order repeating the present circular and placing it in their office for the information of interested parties.

Month of March, 1960 (Cr$ per currency unit)

Currencies	Weighted Averages of Agios (A)		Official Exchange Rate (B)	Total (A + B)	
	Categories: General	Special		Categories: General	Special
Danish Crown	25.7308	(x)	2.7466	28.4774	(x)
Swedish Crown	(x)	(x)	3.6591	(x)	(x)
US$	223.36	529.96	18.92	242.28	548.88
US$-Argentina	177.25	(x)	18.92	196.17	(x)
US$-Chile	184.99	(x)	18.92	203.91	(x)
US$-Spain	174.42	434.00	18.92	193.34	452.92
US$-Finland	181.04	(x)	18.92	199.96	(x)
US$-Hungary	178.54	(x)	18.92	197.46	(x)
US$-Israel	170.30	(x)	18.92	189.22	(x)
US$-Yugoslavia	180.96	(x)	18.92	199.88	(x)
US$-Norway	185.62	434.00	18.92	204.54	452.92
US$-East Germany	178.79	(x)	18.92	197.71	(x)
US$-Poland	172.93	(x)	18.92	191.85	(x)
US$-Portugal	(x)	(x)	18.92	(x)	(x)
US$-Czechoslovakia	175.76	434.00	18.92	194.68	452.92
US$-Uruguay	177.20	(x)	18.92	196.12	(x)
£ Iceland	479.2402	(x)	53.1160	532.3562	(x)

(x) Not auctioned

1112

AIR POUCH
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832.131/6-860

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 1207 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. June 8, 1960

REF : Embassy Despatch 1171, June 1, 1960 JUN · 9 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D 6-13	INFO OTHER Cad.10 Com.10 TR.3 FRB-3 Imag Agr

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on June 7 amounted to $5,277,000 as compared with $4,316,000 in the previous week, an increase of $961,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$216.00 per dollar on June 7.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,410,000
Extra	$ 1,867,000
Total of extra sales to date	$15,972,000

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUN 16 1960

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INCOMING AIRGRAM *Department of State*

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PAGE 1 OF 1 PAGES

Action
DCL

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RMR

Date Sent: JUNE 8, 1960
Rec'd:

FROM: AmEmbassy - Rio

TO: Treasury Dept. Foreign Currency Branch
~~Department~~ of State Division of Central Reports

NO: G-2

Jul 11 4 26 PM '60

Prevailing rate of exchange on June 30, 1960
was CR$187,00.

Bond

J.W. Gordhamer

DCJensen/od

DEPARTMENT OF STATE
DIVISION OF COMMUNICATIONS SERVICES
Date
JUL 1960
ASSISTANT CHIEF FOR LIAISON

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
1223
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 15, 1960

REF : Embassy Despatch 1207, June 8, 1960

JUN 17 1960
DEPARTMENT OF STATE
INTER-AMERICAN AFFAIRS

For Dept. Use Only
REC'D 6/21

ACTION: ARA-4
INFO: DEPT. RMR-2 REP-1 IRC-8 E-7 CR-1 CIA-1 USIA-1 FRB-3 TRE-3 XMB-1 AG-8
OTHER: CUM-8 CIA-10

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on June 14 amounted to $5,575,000 as compared with $5,277,000 in the previous week, an increase of $298,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$215.00 per dollar on June 14.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,410,000
Extra	$ 2,165,000
Total of extra sales to date	$18,137,000

For the Chargé d'Affaires, a.i.

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler
Counselor for
Economic Affairs

832.131/6-1560

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JUN 27 1960

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

1232
DESP. NO.

June 21, 1960
JUN 21 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Embassy Despatch 1193, June 6, 1960

SCS-1

For Dept. Use Only	ACTION	DEPT.
55	ARA-4	RM/R-2 REP-1 IRC-8 E-7 ICA-11
	REC'D 6/24	INFO OTHER CIA-10 COM-8 IA-3 FRB-3 XIMB-4 AG-1

SUBJECT: Internal Revenue Circular 62 - Conversion Rates for Consumption Tax on Imports without Exchange Cover.

Enclosed is a translation of Circular 62 of the Director of Internal Revenue establishing new conversion rates to be used in calculating the consumption tax due on imports without exchange cover.

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Translation of Internal Revenue Circular 62.

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
JUN 28 1960

832.131/6-2160

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JUN 28 1960
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TRANSLATION
Source: Diario Oficial, June 14, 1960

Department of Internal Revenue
Circular no. 62 of May 12, 1960

The Director of Internal Revenue of the National Treasury, exercising the powers vested upon him, declares to Customs Inspectors and Chiefs of other Customs Departments, as well as Consumption Tax supervising agents that in accordance with data secured and supplied by the Superintendency of Money and Credit, there shall be in effect for purposes of calculating the consumption tax on imports independent of exchange cover, the rates of exchange and average agios as listed below, such rates to go into force in the Federal District and São Paulo three days after the publication of this Circular in the Diario Oficial and the other States and Territories ten days after such publication.

It is further declared that the Customs Department must issue an order repeating the present circular and placing it in their office for the information of interested parties.

Month of April, 1960 (Cr$ per currency unit)

Currencies	Weighted Averages of Agios (A)		Official Exchange Rate (B)	Total (A + B)	
	Categories: General	Special		Categories: General	Special
Danish Crown	27.0150	62.7100	2.7443	29.7593	66.4543
US$	222.42	510.79	18.92	241.34	529.71
US$-Argentina	187.00	(x)	18.92	205.92	(x)
US$-Chile	187.00	(x)	18.92	205.92	(x)
US$-Spain	187.00	436.81	18.92	205.92	455.73
US$-Finland	188.19	440.00	18.92	207.11	458.92
US$-Hungary	187.01	(x)	18.92	205.93	(x)
US$-Israel	187.00	(x)	18.92	205.92	(x)
US$-Yugoslavia	187.00	(x)	18.92	205.92	(x)
US$-Norway	188.21	440.00	18.92	207.13	458.92
US$-Poland	187.00	440.00	18.92	205.92	458.92
US$-East Germany	187.00	440.00	18.92	205.92	458.92
US$Roumania	(x)	(x)	18.92	(x)	(x)
US$-Czechoslovakia	187.00	440.00	18.92	205.92	458.92
US$-Uruguay	187.00	(x)	18.92	205.92	(x)
£ - Iceland	(x)	(x)	53.1538	(x)	(x)

(x) Not auctioned

1117

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832.131/6-2260

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 1238 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — June 22, 1960 DATE

REF : Embassy Despatch 1207, June 15, 1960 — JUN 23 1960

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 IRC 7 E-7 ICA-11
	REC'D 6-27-60	INFO OTHER Com-8 TR-3 FRB-3 XMB-4 CIA/O NSA/O

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUN 30 1960

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193

The regular and extra sales of U.S. dollars in Rio and São Paulo on June 21 amounted to $4,287,000 as compared with $5,575,000 in the previous week, a decrease of $1,288,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$214.00 per dollar on June 21.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,410,000
Extra	$ 877,000
Total of extra sales to date	$19,014,000

For the Chargé d'Affaires, a.i.

Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

832.131/6-2260

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Control: 20574
Rec'd: June 27, 1960
9:14 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 2027, June 27

Rate of exchange applicable coffee exports has been changed from 76 cruzeiros per dollar to 90 cruzeiros per dollar, effective July 1. This change part of general modification coffee regulations applicable 1960-1961 crop, including increase prices applicable internal consumption quota. Despatch follows.

BOND

HND-3

832.131/6-2760

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JUN 29 1960

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INCOMING AIRGRAM *Department of State*

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PAGE 1 OF 1 PAGES

Date Sent: June 28,1960
Rec'd:

FROM: AMEMBASSY, RIO DE JANEIRO

TO: Secretary of State

NO: G-178

JUL 1 4 02 '60

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G-166

According to the press the Minister of Finance has fixed the conversion rate for the calculation of tariff charges during July, 1960, at Cr$174.00 to the dollar. This continues the rate in effect since November, 1959.

832.131/6-2860

BOND

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SEP 21 1960

DEPT. OF STATE
DIVISION OF COMMUNICATIONS SERVICES
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JUL 1960
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
DESP. NO. 1259

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DATE June 29, 1960
JUL 1 1960

REF : Embassy Despatch 1238, June 22, 1960

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55	ARA-4	RM/A-2 REP-1 IRC-7 E-7 ICA-4
	REC'D 7/7	INFO OTHER: CIA-10 COM-8 TIP-3 FRB-3 XMB-4 NSA-2

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on June 28 amounted to $4,709,000 as compared with $4,287,000 in the previous week, a rise of $422,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$213.00 per dollar on June 28.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,410,000
Extra	$ 1,299,000
Total of extra sales to date	$20,313,000

For the Chargé d'Affaires, a.i.
Herbert K. May

Herbert K. May
Treasury Attaché

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUL 11 1960

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

832.131/6-2960
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JUL 13 1960
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1121

AIR POUCH
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832.131/7-160

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

4
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 1, 1960
DATE

REF : Embassy Telegram 2027, June 27, 1960

JUL - 5 1960
DATE
Enclosure

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20 For Dept. Use Only	ACTION	DEPT.
	ARA-R	RM/R-2 REP-1 IRC-7 E-7 ICA-11
	REC'D 7-9-60	INFO OTHER Com-8 TR-3 FRB-2 XMB-4 CIA-10 AG-8

SUBJECT: New Foreign Exchange Regulation issued by SUMOC.

On June 25, 1960, the Council of the Superintendency of Money and Credit (SUMOC) issued Instruction no. 196 modifying Brazil's foreign exchange regulations so as to provide an effective rate of exchange of Cr$90.00 per dollar (the official export rate of Cr$18.36 plus a "bonus" of Cr$71.64) for the commodities classified in the first category by Instruction no. 192 of December 30, 1959. The commodities in the first category are: green coffee; toasted coffee, whether or not ground; and cacao beans. All other exchange regulations continue unmodified.

SUMOC Instruction no. 196 was issued in conjunction with the announcement by the government of its coffee purchasing and financing program for the crop year 1960/61.

A translation of the Instruction is enclosed.

832.131/7-160

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Translation of SUMOC Instruction no. 196.

BRANCH
CONSULAR RECORDS

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUL 12 1960

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JUL 18 1960
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1122

TRANSLATION

Source: Diario Oficial, June 25, 1960

SUPERINTENDENCY OF MONEY AND CREDIT

Instruction no. 196

The Superintendency of Money and Credit, in view of the decision of the Council at today's meeting and in accordance with the provisions of Art. 3, line "h" and Art. 6 of Decree-law 7,293 of February 2, 1945 resolves to alter to Cr$71.64 per U.S. dollar or its equivalent in other currencies the fixed bonus paid to the products classified in the first category by Instruction no. 192 of December 30, 1959.

The present Instruction will enter into force on July 1, 1960, and applies to the shipment of exports as of that date.

Brasilia, June 25, 1960

Francisco Vieira de Alencar
Executive Director

1123

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.131/7-560

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
DESP. NO. 6

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 5, 1960

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 1178, June 2, 1960

JUL - 6 1960

Enclosure

For Dept. Use Only	ACTION	DEPT.
	ARA-A	RM/R-2 REP-1 IRC-7 E-7 ICA-11 SCS-1
	REC'D 7-9-60	INFO OTHER COM-8 TR-3 FRB-3 XMB-4 CIA-10 NSA-2 AGR

SUBJECT: Free Market Rates and Stock Exchange Averages - June, 1960.

There is transmitted herewith a table showing the buying and selling rates for U.S. dollar instruments and currency in the free market as quoted by the "Cambios" and the National City Bank as well as daily averages compiled by the Rio de Janeiro Stock Exchange (Bolsa de Valores do Rio de Janeiro).

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

Enclosure
Free Market Quotations, June, 1960

832.131/7-560 HBS

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
JUL 12 1960

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1124

FREE MARKET QUOTATIONS
June, 1960
(Cruzeiro per Dollar)

		Buying		Selling	
		Check	Cash	Check	Cash
Other Banks (Cambios)	High	187.00	188.00	189.00	189.00
	Low	183.50	184.50	185.50	185.50
	Average	184.72	185.80	186.34	186.34
National City Bank	High	184.00	184.00	189.00	189.00
	Low	181.00	181.00	185.50	185.50
	Average	181.71	181.71	186.20	186.20

Daily Averages Compiled by the
Bolsa de Valores do Rio de Janeiro
June, 1960

1	185.60	17	185.89
2	185.78	18	186.22
3	185.90	20	185.81
4	185.71	21	186.11
6	185.56	22	185.89
7	185.63	23	185.78
8	185.48	24	186.37
9	185.68	25	186.66
10	186.18	27	188.27
11	186.16	28	187.48
13	186.00	29	187.08
14	186.09	30	187.23
15	186.23		

Monthly Average 186.32

1125

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

11
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 6, 1960
DATE

JUL · 7 1960

REF : Embassy Despatch 1259, June 29, 1960

For Dept. Use Only	ACTION	INFO	DEPT.
20	ARA-4		RM/R-2 REPL IRC-7 E-7 JCA-11
	REC'D 7-12-60		OTHER Com-8 TR-3 FRB-3 XMB-4 CIA-10 NSA-2

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
JUL 1 1960

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on July 5 amounted to $4,557,000 as compared with $4,709,000 in the previous week, a decrease of $152,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$212.00 per dollar on July 5.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,308,000
Extra	$ 1,249,000
Total of extra sales to date	$21,562,000

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

832.131/7-660

BRANCH
CONSULAR RECORDS

1960 JUL 15 AM 11 54

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JUL 21 1960

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HR432.0[illegible]

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

14
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 7, 1960
DATE
JUL - 8 1960

REF : Embassy Despatch 1232, June 21, 1960

Enclosure

For Dept. Use Only
REC'D 7/12

ACTION: ARA-4
INFO: DEPT. RM/R-2 REP-1 IRC-7 E-7 ICA-11 [illegible]-1
OTHER: CIA-10 COM-8 FNB-3 TR-3 X[illegible]-4

SUBJECT: Internal Revenue Circular 78 - Conversion Rates for Consumption Tax on Imports without Exchange Cover.

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
JUL 18 1960

A68
ARA-2

Enclosed is a translation of Circular 78 of the Director of Internal Revenue establishing new conversion rates to be used in calculating the consumption tax due on imports without exchange cover.

For the Chargé d'Affaires, a.i.

Herbert K. May

Herbert K. May
Treasury Attaché

Enclosure:
Translation of Internal Revenue Circular 78.

832.131/7-760
HBS

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JUL 22 1960

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS: TO RM/R

ACTION COPY — DEPARTMENT OF STATE

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1127

TRANSLATION

Source: Diario Oficial, July 1, 1960

Department of Internal Revenue
Circular no. 78 of June 23, 1960

The Director of Internal Revenue of the National Treasury, exercising the powers vested upon him, declares to Customs Inspectors and Chiefs of other Customs Departments, as well as Consumption Tax supervising agents that in accordance with data secured and supplied by the Superintendency of Money and Credit, there shall be in effect for purposes of calculating the consumption tax on imports independent of exchange cover, the rates of exchange and average agios as listed below, such rates to go into force in the Federal District and São Paulo three days after the publication of this Circular in the Diario Oficial and the other states and territories ten days after such publication.

It is further declared that the Customs Department must issue an order repeating the present circular and placing it in their office for the information of interested parties.

Month of May, 1960 (Cr$ per currency unit)

Currencies	Weighted Averages of Agios (A)		Official Exchange Rate (B)	Total (A + B)	
	Categories: General	Special		Categories: General	Special
Danish Crown	26.9647	61.5467	2.7387	29.7034	64.2854
US$	218.07	491.55	18.92	236.99	510.47
US$ Argentina	186.35	(o)	18.92	205.27	(o)
US$ Chile	186.50	420.12	18.92	205.42	439.04
US$ Spain	186.25	421.39	18.92	205.17	440.31
US$ Finland	193.80	(o)	18.92	212.72	(o)
US$ Hungary	186.10	(o)	18.92	205.02	(o)
US$ Israel	187.00	(o)	18.92	205.92	(o)
US$ Yugoslavia	185.99	(o)	18.92	204.91	(o)
US$ Norway	187.50	417.00	18.92	206.42	435,92
US$ Poland	186.37	417.05	18.92	205.29	435.97
US$ East Germany	186.66	425,41	18.92	205.58	444.33
US$ Roumania	(o)	(o)	18.92	(o)	(o)
US$ Czechoslovakia	186.38	419.04	18.92	205.30	437.96
US$ Uruguay	187.00	(o)	18.92	205.92	(o)
£ Iceland	523.2420	(o)	53.0422	576.2842	(o)

(o) Not auctioned.

1128

AIR POUCH
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832.131/7-1360
DEF ESM B

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
DESP. NO. 31

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DATE July 13, 1960

REF : Embassy Despatch 11, July 6, 1960

For Dept. Use Only	ACTION REC'D	DEPT. IN / OTHER TO
	ARA 7/18	RM/A-2 REP-1 IRC-7 E-2 FCAM CIA-10 COM-8 TR-3

DEPARTMENT OF STATE
INTER-AMERICAN AFFAIRS
JUL 21 1960

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 192.

The regular and extra sales of U.S. dollars in Rio and São Paulo on July 12 amounted to $4,731,000 as compared with $4,557,000 in the previous week, an increase of $174,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1,00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$211.00 per dollar on July 12.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,410,000
Extra	$ 1,321,000
Total of extra sales to date	$22,883,000

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

832.131/7-1360

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JUL 29 1960

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

30
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 13, 1960

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 1182, June 3, 1960

JUL 14 1960

Enclosure

SUBJECT: Foreign Exchange Auctions during June, 1960.

DEPARTMENT OF STATE
OFFICE OF INTER-AMERICAN AFFAIRS
JUL 19 1960

During the exchange auctions held in June $26,045,000 of regular offerings and $6,822,000 of supplementary offerings under the provisions of Instruction 193 were purchased by Brazilian importers.

Throughout the month in the regular auctions the price moved from a high of Cr$216.00 to a low of Cr$213.00 in the general category and from Cr$486.00 to Cr$443.00 in the special category.

A breakdown of the total of $32,867,000 auctioned throughout the country during June follows:

U.S. Dollars	Offerings	Sales	Balance Unsold
General Category	21,705,000	21,705,000	-.-
Special Category	443,000	443,000	-.-
Instruction 193	65,115,000	6,822,000	-.-
Fertilizers	2,290,000	1,866,000	424,000
Insecticides	1,944,000	1,931,000	13,000
Automobiles	100,000	100,000	-.-

With respect to the regular auctioning of exchange in Rio and São Paulo, the agio paid for dollars moved from Cr$216.00 to Cr$213.00 in the general category and from Cr$486.00 to Cr$443.00 in the special category. Fertilizers varied between Cr$82.30 and Cr$81.08 and for insecticides the high and low were Cr$108.10 and Cr$81.08.

The agio on the Danish Kroner sold for the general category varied between Cr$26.79 and Cr$26.21 as compared with Cr$27.08 and Cr$26.70 in the previous month.

Other bilateral accounts denominated in dollars were sold in substantial amounts at a rate that moved from Cr$185.00 at the beginning of the month to Cr$181.00 at the auction of June 30.

WBlomeyer/mwc
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ACTION ASSIGNED TO-	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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For Dept. Use Only
ACTION REC'D 7-18
DEPT. INFO
ACTION: Eca-4
OTHER: Rep-1 RMR-2 IRC-7 E-5 ICA-11 Com-8 TR-3 FRB-2 Cia-10 Tar ag-8

SLS-1

832.131/7-1360

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JUL 14 1960
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CA

1130

The regular monthly auction of foreign exchange for delivery in three years to finance automobile imports was held in Rio. $100,000 were sold at the average agio of Cr$402.12 per dollar, compared with Cr$400.24 realized at the auction in May in São Paulo. Only $20,000 "dollars" on Czechoslovakia were sold at the average agio of Cr$290.00 of a total offering of 400,000.

The available data on foreign exchange auctions in Rio and São Paulo during June, 1960, are summarized in the enclosed table.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Table on auction of foreign currencies during June, 1960.

1131

AUCTIONS OF FOREIGN CURRENCIES DURING JUNE, 1960

A. Auctions of Currencies in Limited Amounts

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Offers (000)	Sales (000)	Ágio High	Ágio Low
U.S. Dollars				
General Category	13,640	13,640	216.00	213.00
Special Category	288	288	486.00	443.00
Fertilizers	1,088	1,088	82.30	81.08
Insecticides	984	984	108.10	81.08
Extra (Instr. 193)	40,920	6,208	216.00	213.00
Chile-$	600	222	81.08	81.08
Finland-$				
General Category	580	423	185.00	181.00
Special Category	16	6	399.00	387.00
Norway-$				
General Category	580	576	199.30	189.30
Special Category	12	2	418.00	387.00
Uruguay-$	200	-.-	-.-	-.-

B. Auctions of Currencies without Maximum Units

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Sales (000)	Ágio High	Ágio Low
General Category			
Argentina-$	637	185.00	181.00
Chile-$	57	184.00	181.00
Czechoslovakia[1]$	551	185.00	181.00
Denmark - Kroner	5,780	26.79	26.21
East Germany-$	169	185.00	181.00
Hungary-$	52	185.00	181.00
Israel-$	197	184.00	181.00
Poland-$	211	185.00	181.00
Spain-$	1,238	185.00	181.00
Yugoslavia-$	92	184.00	181.00
Special Category			
Argentina-$	50	407.00	387.00
Czechoslovakia-$	4	387.00	387.00
East Germany-$	1	387.00	387.00
Denmark - Kroner	35	57.63	56.04
Poland-$	2	387.00	387.00
Spain-$	85	399.00	387.00

1132

AIR POUCH
PRIORITY

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FOREIGN SERVICE DESPATCH

32

FROM : AMEMBASSY, RIO DE JANEIRO

TO : THE DEPARTMENT OF STATE, WASHINGTON

REF :

DEPARTMENT OF STATE
INTER-AMERICAN AFFAIRS
JUL 2 1960

REPLY TO DEPARTMENT OF STATE
BUREAU OF
DATE July 13, 1960
JUL 14 1960
Enclosure

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For Dept. Use Only	ACTION REC'D	DEPT. INFO OTHER
55	ARA-4	RVA-2 REPT IAEC-1 E-1 ICA-11 TAD-2
	7/18	CIA-10 COM-8 FR-3 FRB-3 XMB-4 AG-8

SUBJECT: SUMOC Instruction 197 Amending Items 2, 4 and 5 of Instruction 151 on Subsidies for Domestic Producers of Fertilizers and Insecticides

BEGIN UNCLASSIFIED

The regulation granting the subsidy established by Article 94 of Decree 42,820, December 16, 1957 to domestic manufacturers of fertilizers and insecticides and implemented by Instruction 151 has been modified by Instruction 197, a translation of which is enclosed.

The subsidy continues to be equivalent to the difference between the price of the foreign "similar" as effected at Cr$100.00 per dollar and that which would have resulted if the import had been carried out at the exchange rate in the general category plus the ad-valorem duty calculated on the basis of the rate established in the "Customs Tariff" for the imported product.

Pursuant to Instruction 197, however, the imputed exchange rate is no longer the weighted average of the agios for all currencies but only the average of the agios for the currency of the country in which the foreign similar originates.

Also, the FOB price is no longer the monthly average price of the foreign similar in the main exporting countries but the monthly average price of the foreign similar of the lowest quotation.

END UNCLASSIFIED

BEGIN OFFICIAL USE ONLY

Reportedly SUMOC believes that the effect of Instruction 197 will be to reduce the subsidy paid to domestic producers out of the Special Fund set up with resources transferred from the Agio Account.

Coordinated:

William A. Fowler
Counselor for
Economic Affairs

For the Ambassador:
Herbert K. May
Treasury Attaché

Enclosure: As stated.

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R	

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832.131/7-1360

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1133

TRANSLATION

Source: Diario Oficial, July 7, 1960

Superintendency of Money and Credit

Instruction 197

The Superintendency of Money and Credit under a decision of the Council at a meeting held this date, and in accordance with the provisions of Articles 3, line "h" and 6 of Decree-Law 7,293 of February 2, 1945, and also the provisions in Paragraph 2, Article 94 of Decree 42,820 of December 16, 1957 resolves to modify Instruction 151 of February 13, 1958 in its items 2, 4 and 5, which will read as follows:

2 - By cost of exchange in the general category referred to in the previous item is understood the weighted average of the agios for the currency of the country in which the foreign similar originates at the several Stock Exchanges of the country, plus the rate resulting from the parity declared to the International Monetary Fund.

4 - The CIF price will correspond to the FOB price of the foreign similar plus expenses for insurance and ocean freight.

5 - By FOB price is understood the monthly average price of the foreign similar of the lowest quotation.

Brasilia (DF), July 7, 1960

Superintendency of Money and Credit

Francisco Vieira de Alencar
Executive-Director

1134

AIR POUCH — PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

45 — DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 20, 1960 — DATE

REF : Embassy Despatch 31, July 13, 1960

JUL 21 1960
DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUL 29 1960

55 For Dept. Use Only

ACTION: ARA-4 — DEPT.: RM/A-2 REP-1 ERC-1 E-2 FCA-11 ECS

REC'D 7/26 — INFO OTHER: CIA-10 COM-8 TA-3 FRB-3 XMB-4 AG-

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on July 19 amounted to $4,847,000 as compared with $4,731,000 in the previous week, an increase of $116,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively, and accordingly amounted to Cr$210.00 per dollar on July 19.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,410,000
Extra	$ 1,437,000
Total of extra sales to date	$24,320,000

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

832.131/7-2060

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE RECORDS BRANCH

1960 JUL 29 AM 8 49

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INCOMING AIRGRAM **Department of State**

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PAGE 1 OF 1 PAGES

FROM: AMEMBASSY, RIO DE JANEIRO
TO: Secretary of State
NO: G-14

Date Sent: July 26, 1960
Rec'd:

Jul 29 1 19 PM '60

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832.131

Ref. G-178

832.131/7-2660

According to the press the Minister of Finance has fixed the conversion rate for the calculation of tariff charges during August, 1960, at Cr$174.00 to the dollar. This rate has been in effect since November, 1959.

CABOT

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DEPARTMENT OF STATE
JUL 29 1960
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AUG -2 1960

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — DESP. NO. 75

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE July 29, 1960

REF : CERP, Section B, III, E-1, April 3, 1957; Embassy Despatch 1246, June 24, 1960

Enclosure

55 For Dept. Use Only

ACTION: A/RA-4 — DEPT.

INFO: RM/A-2 REP-1 IRC-7 E-7 ICA-11

OTHER: CIA-10 COM-8 IA-3 FRB-3 XMB-4 NSA

REC'D 8/5

SUBJECT: Operations of the Carteira de Redescontos, June, 1960.

The outstanding balance of total rediscounts by the Carteira de Redescontos on June 30 (see enclosure), amounted to Cr$56,835 million. This reflected an increase of Cr$1,707 million during the month.

The liability account, Tesouro Nacional, increased by Cr$2,600 million during June indicating an issue of paper currency in that amount on behalf of the Carteira de Redescontos.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 10 1960

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Balance sheet of the Rediscount Bureau, June, 1960.

CENTRAL RECORDS

1960 AUG 2 AM 8 41

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AUG 23 1960

832.13/7-2960

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RM

1137

BANCO DO BRASIL, S. A.

Carteira de Redescontos

Balancete em 30 de Junho de 1960

A t i v o	Cr$
Titulos Redescontados	53,948,313,117.50
Titulos Redescontados - Lei 3,253	34,371,513.00
Titulos Redescontados - Dec. 29,536	2,852,547,326.90
Créditos a Receber	30,500,562.30
Bens Patrimoniais	19,063,269.40
Banco do Brasil S.A.- C/Cobrança	20,506,393.40
Valores em Garantia	2,871,069,266.50
	59,776,371,449.00

P a s s i v o	
Tesouro Nacional	54,000,840,000.00
Superintendency of Money and Credit	33,793,553.90
Fundo de Reserva	1,702,470,960.10
Provisão para Despesas de Notas	404,086,593.10
Banco do Brasil S.A. - C/Corrente	6,409,604.60
Redescontos do Semestre Futuro	736,092,122.90
Juros do Semestre Futuro	1,012,954.50
Percentagens a Distribuir	90,000.00
Titulos em Cobrança	20,506,393.40
Depositantes de Valores em Garantia	2,871,069,266.50
	59,776,371,449.00

1138

AIR POUCH
PRIORITY

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832.131/7-2960

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

76
DESP. NO.

AUG -2 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 29, 1960
DATE

REF : Embassy Despatch 45, July 20, 1960

For Dept. Use Only	ACTION REC'D	DEPT. INFO OTHER
55	ARA-4	RM/R-2 REP-1 IRC-7 E-7 ICA-11 S-2
	8/5	CIA-10 COM-8 TR-3 FRB-3 XMB-4 A-8

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on July 26 amounted to $3,949,000 as compared with $4,847,000 in the previous week, a decrease of $898,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively. No reduction, however, was made for the week covered by this Despatch, the price remaining unchanged and equal to Cr$210.00 to the US$1.00 as in the previous week.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,410,000
Extra	$ 539,000
Total of extra sales to date	$24,859,000

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 10 1960

For the Ambassador:

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

1960 AUG 2 PM 5 41

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AUG 23 1960

832.131/7-2960

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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AIR [illegible]

UNCLASSIFIED
(Security Classification)

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832.131/8-360

F[illegible]GE DESPATCH

FROM : AM[illegible], RIO DE JANEIRO

93
DESP. NO.

AUG - 4 1960
August 3, 1960
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CER, Section B, III, B-3, April 3, 1957
Embassy Despatch 6, July 5, 1960

Enclosure

ESTIB

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For Dept. Use Only	ACTION	DEPT.
	AMB-M	RM/R-2 REAI IRC7 E-7 ICA-11 SCS-1
	8-9-60	INFO OTHER COM-8 TR-3 FRB-3 XMB-4 CIA-10 AG-8

SUBJECT: Free Market Rates and Stock Exchange Averages - July, 1960

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 1 5 1960

There is transmitted herewith a table showing the buying and selling rates for U.S. dollar instruments and currency in the free market as quoted by the "Cambios" and the National City Bank as well as daily averages compiled by the Rio de Janeiro Stock Exchange (Bolsa de Valores do Rio de Janeiro).

832.131/8-360

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure
Free Market Quotations, July, 1960

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FREE MARKET QUOTATIONS
July, 1960
(Cruzeiro per Dollar)

		Buying		Selling	
		Check	Cash	Check	Cash
Other Banks (Cambios)	High	186.5o	188.00	188.00	188.00
	Low	184.00	185.00	185.50	185.50
	Average	185.20	186.22	186.45	186.54
National City Bank	High	183.00	183.00	187.80	187.80
	Low	181.50	181.50	185.80	185.80
	Average	181.77	181.77	186.38	186.38

Daily Averages Compiled by the
Bolsa de Valores do Rio de Janeiro
July, 1960

2	187.65	18	186.25
4	188.01	19	186.10
5	187.60	20	186.09
6	186.74	21	185.95
7	186.26	22	186.01
8	186.30	23	186.06
9	186.60	25	186.06
11	187.12	26	185.80
12	186.59	27	185.83
13	186.27	28	185.63
14	186.07	29	185.77
15	186.06	30	185.69
16	186.28		

Monthly Average 186.39

1141

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832.131/8-360
AUG - 4 1960

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 94 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — August 3, 1960 DATE

REF : Embassy Despatch 76, July 29, 1960

20 For Dept. Use Only

ACTION: ARA-4 — DEPT. INFO: AM/R-2 REP-1 IRC-7 E-7 ICA-11 SCS-1

REC'D 8-9-60 — OTHER: COM-8 TR-3 FRB-3 XMB-4 CIA-10 AGR

DEPARTMENT OF STATE — BUREAU OF INTER-AMERICAN AFFAIRS — AUG 16 1960

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on August 2 amounted to $4,884,000 as compared with $3,949,000 in the previous week, an increase of $935,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price has been reduced by Cr$1.00 for each of the auctions of the following weeks successively. No reduction, however, was made for the week covered by this Despatch, the price remaining unchanged and equal to Cr$210.00 to the US$1.00 for the second consecutive week.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,410,000
Extra	$ 1,474,000
Total of extra sales to date	$26,333,000

For the Ambassador:

Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

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832.131/8-1060

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 317 NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. August 10, 1960 DATE

REF : Embassy Despatch 94, August 3, 1960

SCS

For Dept. Use Only	ACTION REC'D	DEPT. INFO	OTHER
	8/20	ARA-4	RM/R-2 REP-1 IRC-1 E-1 ICA-1/ OPR-1 COM-6 CIA-10 FRB-3 TR-3 XMB-1 AG-8

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and SÃo Paulo on August 9 amounted to $4,753,000 as compared with $4,884,000 in the previous week, a decrease of $131,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price was reduced by Cr$1.00 for each of the auctions of the following weeks successively until it reached the rate of Cr$210.00 on July 19, 1960. Since then, the rate has remained unchanged at Cr$210.00 to the US$1.00.

The available data on the regular and extra sales of U.S. dollars in Rio and SÃo Paulo in the general category are given below:

	Rio and SÃo Paulo
Regular	$ 3,410,000
Extra	$ 1,343,000
Total of extra sales to date	$27,676,000

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 1 1960

Coordinated:

William A. Fowler
Counselor for
Economic Affairs

1960 AUG 30 AM 8 41

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ACTION ASSIGNED TO		ACTION TAKEN	
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 120 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — August 12, 1960 (DATE)

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 30, July 13, 1960

SCS-1 Enclosure OPR

For Dept. Use Only — ACTION REC'D 8-19 — INFO DEPT. Ref-1 RMR-2 IRC-7 E-7 ICA-11 OTHERS ela-10 Com-8 TR-2

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
AUG 24 1960

SUBJECT: Foreign Exchange Auctions during July, 1960.

During the exchange auctions held in July $24,959,000 of regular offerings and $5,464,000 of supplementary offerings under the provisions of Instruction 193 were purchased by Brazilian importers.

Through the month in the regular auctions the price moved from a high of Cr$212.00 to a low of Cr$210.00 in the general category and from Cr$479.00 to Cr$455.20 in the special category.

A breakdown of the total of $30,423,000 auctioned throughout the country during July follows:

U.S. Dollars	Offerings	Sales	Balance Unsold
General Category	21,756,000	21,654,000	102,000
Special Category	444,000	444,000	-.-
Instruction 193	65,268,000	5,464,000	-.-
Fertilizers	1,840,000	1,324,000	516,000
Insecticides	1,558,000	1,537,000	21,000
Automobiles	100,000	100,000	-.-

With respect to the regular auctioning of exchange in Rio and São Paulo, the agio paid for dollars moved from Cr$212.00 to Cr$210.00 in the general category and from Cr$479.00 to Cr$455.10 in the special category. Fertilizers varied between Cr$82.60 and Cr$81.08 and for insecticides the high and low were Cr$90.20 and Cr$82.00.

The agio on the Danish Kroner sold for the general category varied between Cr$26.07 and Cr$25.78 as compared with Cr$26.79 and Cr$26.21 in the previous month.

Other bilateral accounts denominated in dollars were sold in substantial amounts at a rate that moved from Cr$180.00 at the beginning of the month to Cr$178.00 at the auction of July 28.

832.131/8-1260

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The regular monthly auction of foreign exchange for delivery in three years to finance automobile imports was held in São Paulo. $100,000 were sold at the average agio of Cr$343.70 per dollar, compared with Cr$402.12 realized at the auction in June in Rio. Only $81,000 "dollars" on Czechoslovakia were sold at the average agio of Cr$287.00 of a total offering of 400,000.

The available data on foreign exchange auctions in Rio and São Paulo during July 1960, are summarized in the enclosed table.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Table on auction of foreign currencies during July, 1960.

1145

Enclosure 1
Despatch 120
Rio de Janeiro

AUCTIONS OF FOREIGN CURRENCIES DURING JULY, 1960

A. Auctions of Currencies in Limited Amounts

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Offers (000)	Sales (000)	Agio High	Agio Low
U.S. Dollars				
General Category	13,640	13,538	212.00	210.00
Special Category	288	288	479.00	455.10
Fertilizers	1,088	956	82.60	81.08
Insecticides	984	984	90.20	82.00
Extra (Instr. 193)	40,920	4,546	212.00	210.00
Chile-$	480	98	180.00	178.00
Finland-$				
General	464	230	180.00	178.00
Special	16	8	403.00	396.00
Norway-$				
General	464	464	193.00	189.00
Special	16	-.-	-.-	-.-
Uruguay-$	200	-.-	-.-	-.-

B. Auctions of Currencies without Maximum Units

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Sales (000)	Agio High	Agio Low
General Category			
Argentina-$	650	180.00	178.00
Chile-$	81	180.00	178.00
Czechoslovakia-$	335	180.00	178.00
Denmark-Kroner	4,241	26.07	25.78
East Germany-$	159	180.00	178.00
Hungary-$	46	180.00	178.00
Israel-$	2	180.00	178.00
Poland-$	183	180.00	178.00
Spain-$	1,247	180.00	178.00
Uruguay-$	0.2	180.00	178.00
Yugoslavia-$	54	180.00	178.00
Special Category			
Argentina-$	1	403.00	403.00
Czechoslovakia-$	12	403.00	396.00
Chile-$	7	402.00	396.00
Denmark-Kroner	14	58.79	58.79
Spain-$	101	406.00	396.00

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AIR POUCH
PRIORITY

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(Security Classification)

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432-0066

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 128 DESP. NO. — AUG 19 1960 DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON. — August 17, 1960

REF : Embassy Despatch 14, July 7, 1960 — Enclosure

For Dept. Use Only — ACTION REC'D 8/23 — INFO — DEPT. — OTHER

ACTION: ARA-4
INFO: RM/R-2 REP-1 INR-7 E-7 ICA-11
OTHER: COM-8 CIA-10 TR-3 FRB-3 XIMB
TAR-2

SUBJECT: Internal Revenue Circular 96 - Conversion Rates for Consumption Tax on Imports without Exchange Cover.

Enclosed is a translation of Circular 96 of the Director of Internal Revenue establishing new conversion rates to be used in calculating the consumption tax due on imports without exchange cover.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Translation of Internal Revenue Circular 96.

832.131/8-1760

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SEP 14 1960
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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 30 1960
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TRANSLATION

Source: Diario Oficial, August 10, 1960

Department of Internal Revenue
Circular No. 96 of July 18, 1960

The Director of Internal Revenue of the National Treasury, exercising the powers vested upon him, declares to Customs Inspectors and Chiefs of other Customs Departments, as well as Consumption Tax supervising agents that in accordance with data secured and supplied by the Superintendency of Money and Credit, there shall be in effect for purposes of calculating the consumption tax on imports independent of exchange cover, the rates of exchange and average agios as listed below, such rates to go into force in the State of Guanabara and São Paulo three days after the publication of this Circular in the Diario Oficial and the other States and territories ten days after such publication.

It is further declared that the Customs Departments must issue an order repeating the present Circular and placing it in their offices for the information of interested parties.

Month of June, 1960 (Cr$ per currency unit)

Currencies	Weighted Averages of Agios (A)		Official Exchange Rate (B)	Total (A + B)	
	Categories: General	Special		Categories: General	Special
Danish Crown	26.4646	56.6760	2.7462	29.2108	59.4222
US$	213.44	464.40	18.92	232.36	483.32
US$-Argentina	183.07	389.05	18.92	201.99	407.91
US$-Chile	182.26	(o)	18.92	201.18	(o)
US$-Spain	182.73	387.78	18.92	201.65	406.70
US$-Finland	184.93	394.67	18.92	203.85	413.59
US$-Hungary	182.46	(o)	18.92	201.38	(o)
US$-Israel	182.19	(o)	18.92	201.11	(o)
US$-Hugoslavia	182.04	(o)	18.92	200.96	(o)
US$-Norway	191.09	394.75	18.92	210.01	413.67
US$-Poland	183.17	387.00	18.92	202.09	405.92
US$-East Germany	182.40	387.00	18.92	201.32	405.92
US$-Roumania	(o)	(o)	18.92	(o)	(o)
US$-Czechoslovakia	183.34	387.00	18.92	202.26	405.92
US$-Uruguay	181.42	(o)	18.92	200.34	(o)
£ Iceland	518.00	(o)	53.1084	571.1084	(o)

(o) Not auctioned

1148

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
129
DESP. NO.
AUG 19 1960
August 17, 1960
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Embassy Despatch 117, August 10, 1960 SCS-1

For Dept. Use Only
ACTION REC'D 8-23
DEPT. Aua-4
INFO
OTHER Rep-1 pMR-2 NR-7 E-7 CA-11 OPR-1 Com-5 TR-3 FRB-3 XMB-4 ag-8

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on August 16 amounted to $5,245,000 as compared with $4,753,000 in the previous week, an increase of $492,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price was reduced by Cr$1.00 for each of the auctions of the following weeks successively until it reached the rate of Cr$210.00 on July 19, 1960. Since then, the rate has remained unchanged at Cr$210.00 to the US$1.00.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,410,000
Extra	$ 1,835,000
Total of extra sales to date	$29,511,000

For the Ambassador:
Herbert K. May
Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 27 1960
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — DESP. NO. 148

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE August 24, 1960

REF : Embassy Despatch 129, August 17, 1960

For Dept. Use Only	ACTION	DEPT.
25	ARA-4	Rep-1 RMR-2 INR-7 E-7 ICA-11
	REC'D 8-30	INFO OTHER Com-8 TR-3 FRB-3 XMB-4

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

cia-10

The regular and extra sales of U.S. dollars in Rio and São Paulo on August 23 amounted to $4,781,000 as compared with $5,245,000 in the previous week, a decrease of $464,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price was reduced by Cr$1.00 for each of the auctions of the following weeks successively until it reached the rate of Cr$210.00 on July 19, 1960. Since then, the rate has remained unchanged at Cr$210.00 to the US$1.00.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular 1/	$ 3,310,000
Extra	$ 1,471,000
Total of extra sales to date	$30,982,000

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 6 1960

1/ Weekly offerings of U.S. dollars for regular sales in the general category in Rio and São Paulo were reduced by $50,000 each at the auction covered by this Despatch. The resulting $100,000 were shifted to the Stock Exchange in Niteroi (State of Rio de Janeiro) where the exchange auctions started August 23, 1960. All Brazil totals in US$ remain unchanged.

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INCOMING AIRGRAM **Department of State**

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PAGE 1 OF 1 PAGES

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RMR

Date Sent:
Rec'd: August 30, 1960

FROM: AMEMBASSY, RIO DE JANEIRO

TO: Secretary of State

NO: G-71

SEP 5 9 57 AM '60

G-14

According to the press the Minister of Finance has fixed the conversion rate for the calculation of tariff charges during September, 1960, at Cr$174.00 to the dollar. This continues the rate in effect since November, 1959.

CABOT

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

177
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 31, 1960
DATE

REF : Embassy Despatch 148, August 24, 1960

For Dept. Use Only	ACTION REC'D	DEPT.
55	ARA-4	RM/R-2 REP-1 INR-7 E-7 ICA-11 SCS-1
	9/5	CIA-10 COM-8 TR-3 FRB-3 XMB-4 AG-8

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on August 30 amounted to $4,992,000 as compared with $4,781,000 in the previous week, an increase of $211,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price was reduced by Cr$1.00 for each of the auctions of the following weeks successively until it reached the rate of Cr$210.00 on July 19, 1960. Since then, the rate has remained unchanged at Cr$210.00 to the US$1.00.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 1,682,000
Total of extra sales to date	$32,664,000

For the Ambassador:

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 9 1960

SEP 12 1960

832.131/8-3160

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AIR POUCH
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — DESP. NO. 204

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE: September 8, 1960

REF : Embassy Despatch 177, August 31, 1960

For Dept. Use Only — ACTION: ARA 4 — REC'D: 9-20

INFO: DEPT. RM/R2 REP.1 INR 7 ICA-11 SCS-1 OTHER Cleo.10 Conv 10 TR 3 FRB-2 FMS-4 Agr-8

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on September 6 amounted to $5,400,000 as compared with $4,992,000 in the previous week, an increase of $408,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price was reduced by Cr$1.00 for each of the auctions of the following weeks successively until it reached the rate of Cr$210.00 on July 19, 1960. Since then, the rate has remained unchanged at Cr$210.00 to the US$1.00.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
SEP 27 1960

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 2,090,000
Total of extra sales to date	$34,756,000

For the Ambassador:
Herbert K. May

Herbert K. May
Treasury Attaché

832.131/9-860

CAA

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OCT 11 1960

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1153

AIR POUCH
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832.131/9-860

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 205 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — September 8, 1960 DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 93, August 3, 1960

Enclosure OPR-1

For Dept. Use Only	ACTION	INFO	DEPT
25	ara-4		Rep-1 RMR-2 INR-7 E-5 ICA-11 SCS-1
REC'D 9-20		OTHER	ag-8 Cia-10 Com-8 TR-3 FRB-3.

SUBJECT: Free Market Rates and Stock Exchange Averages - August, 1960

XMB-4 Army-2 Navy-3 NSA-2

There is transmitted herewith a table showing the buying and selling rates for U.S. dollar instruments and currency in the free market as quoted by the "Cambios" and the National City Bank as well as daily averages compiled by the Rio de Janeiro Stock Exchange (Bolsa de Valores do Rio de Janeiro).

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

832.131/9-860 HBS

Enclosure:
Free Market Quotations, August, 1960

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 26 1960

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1960 SEP 30 AM 8 20

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1154

FREE MARKET QUOTATIONS
August, 1960

(Cruzeiro per dollar)

		Buying		Selling	
		Check	Cash	Check	Cash
Other Banks (Cambios)	High	189.50	190.00	190.50	190.50
	Low	184.50	185.50	185.50	185.50
	Average	186.95	187.77	187.82	188.03
National City Bank	High	185.00	185.00	190.00	190.00
	Low	181.00	181.00	186.00	186.00
	Average	183.18	183.18	187.92	187.92

Daily Averages Compiled by the
Bolsa de Valores do Rio de Janeiro
August, 1960

1	185.73	18	188.23
2	185.98	19	188.32
3	185.75	20	188.72
4	186.15	22	189.32
5	186.12	23	189.58
6	186.29	24	189.03
8	186.30	25	189.67
9	186.91	26	189.03
10	187.48	27	188.41
11	188.17	29	188.48
12	189.18	30	187.52
13	189.90	31	187.23
16	190.79		
17	188.36		

Monthly Average 186.87

1155

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 224 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — September 14, 1960 DATE

REF : Embassy Despatch 204, September 8, 1960 — SEP 22 1960

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 INR-7 E-7 ICA-11
	REC'D	OTHER
	9-24-60	COM-8 TR-3 FRB-3 XMB-4 CIA-10

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on September 13 amounted to $5,522,000 as compared with $5,400,000 in the previous week, an increase of $122,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price was reduced by Cr$1.00 for each of the auctions of the following weeks successively until it reached the rate of Cr$210.00 on July 19, 1960. Since then, the rate has remained unchanged at Cr$210.00 to the US$1.00.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 2,212,000
Total of extra sales to date	$36,966,000

For the Ambassador:
Herbert K. May
Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 30 1960

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OCT 6 1960

832.131/9-1460

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
242
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
September 20, 1960
DATE

REF : CERP, Section B, III, as B-3, April 3, 1957
Embassy Despatch 120, August 12, 1960
SEP 22 1960
Enclosure

20 For Dept. Use Only	ACTION	DEPT.
	REC'D 9-24-60	INFO RM/R-2 REA-1 INR-7 E-7 ICA-11 SCS-1 EUR-5
		OTHER Com-8 Tr-3 FRB-3 XMB-4 CIA-10 AGR-8

SUBJECT: Foreign Exchange Auctions during August 1960.

RM/R Rec'd 10/10/60

During the exchange auctions held in August $27,195,000 of regular offerings and $8,433,000 of supplementary offerings under the provisions of Instruction 193 were purchased by Brazilian importers.

Throughout the month in the regular auctions the price moved from a high of Cr$210.00 to a low of Cr$208.00 in the general category and from Cr$500.00 to Cr$462.00 in the special category.

A breakdown of the total of $37,915,000 auctioned throughout the country during August follows:

U.S. Dollars	Offerings	Sales	Balance Unsold
General Category	27,195,000	27,195,000	-.-
Special Category	555,000	555,000	-.-
Instruction 193	81,585,000	8,433,000	-.-
Fertilizers	1,112,000	884,000	228,000
Insecticides	1,454,000	848,000	606,000

With respect to the regular auctioning of exchange in Rio and São Paulo, the agio paid for dollars moved from Cr$210.00 to Cr$208.00 in the general category and from Cr$500.00 to Cr$462.00 in the special category. Fertilizers varied between Cr$86.10 and Cr$81.08 and for insecticides the high and low were Cr$82.60 and Cr$81.08.

The agio on the Danish Kroner sold for the general category kept stable at Cr$25.78 as compared with a high of Cr$26.07 and a low of Cr$25.78 in the previous month.

Other bilateral accounts denominated in dollars were sold in substantial amounts at the uniform rate of Cr$178.00 throughout the month.

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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
OCT 3 1960

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OCT 13 1960

1157

With the auction of July 1960, the amount of $20,000,000 provided for specific auctioning of exchange for passenger automobiles in Article 59 of the Customs Tariff (Law 3,244) became fully utilized. Therefore, no foreign exchange was auctioned in August to finance automobile imports.

The available data on foreign exchange auctions in Rio and São Paulo during August 1960, are summarized in the enclosed table.

For the Ambassador:

John Krizay
Financial Affairs Officer

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Table on auctions of foreign currencies during August, 1960

1158

AUCTIONS OF FOREIGN CURRENCIES DURING AUGUST, 1960

A. Auctions of Currencies in Limited Amounts

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Offers (000)	Sales (000)	Agio High	Agio Low
U.S. Dollars				
General Category	13,670	13,670	210.00	208.00
Special Category	178	178	500.00	462.00
Fertilizers	786	764	86.10	81.08
Insecticides	1,270	1,204	82.60	81.08
Extra (Instr. 193)	51,010	7,805	210.00	210.00
Chile-$	476	184	81.08	81.08
Finland-$				
General Category	232	166	178.00	178.00
Special category	8	-.-	-.-	-.-
Norway-$				
General Category	460	460	205.21	192.50
Special Category	16	-.-	-.-	-.-
Uruguay-$	200	-.-	-.-	-.-

B. Auctions of Currencies Without Maximum Units

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Sales (000)	Agio High	Agio Low
General Category			
Argentina-$	866.1	178.00	178.00
Chile-$	303.5	178.00	178.00
Czechoslovakia-$	572.3	178.00	178.00
Denmark - Kroner	8,433.0	25.78	25.78
East Germany-$	204.4	178.00	178.00
Hungary-$	47.4	178.00	178.00
Iceland-$	31.7	498.40	498.40
Israel-$	5.9	178.00	178.00
Poland-$	192.5	178.00	178.00
Roumania-$	2.0	178.00	178.00
Spain-$	1,598.1	178.00	178.00
Uruguay-$	36.5	178.00	178.00
Yugoslavia-$	26.8	178.00	178.00
Special Category			
Argentina-$	0.2	396.00	396.00
Czechoslovakia-$	5.6	405.00	396.00
Denmark-Kroner	8.5	59.22	59.08
East Germany-$	0.5	409.00	409.00
Spain-$	270.0	409.00	396.00

1159

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

252
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 21, 1960
DATE

REF : Embassy Despatch 224, September 14, 1960

SEP 27 1960

For Dept. Use Only

ACTION REC'D: ARA-4 W/4

INFO DEPT. OTHER: RM/R-2 REP-1 IMR-7 E-7 ICA-11 SCS-1 COM-5 CIA-10 FRB-3 TR-3 XMB-4 AG-5

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on September 20 amounted to $6,211,000 as compared with $5,522,000 in the previous week, an increase of $689,000. The price for the first sale was set in the Instruction at Cr$225.00 to the US$1.00. This price was reduced by Cr$1.00 for each of the auctions of the following weeks successively until it reached the rate of Cr$210.00 on July 19, 1960. Since then, the rate has remained unchanged at Cr$210.00 to the US$1.00.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 2,901,000
Total of extra sales to date	$39,867,000

For the Ambassador:

John Krizay
Financial Affairs Officer

Approved:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
OCT 7 1960

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OCT 13 1960

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 275 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — September 28, 1960 (DATE)

REF : Embassy Despatch 252, September 21, 1960

For Dept. Use Only	ACTION	DEPT.
	ara-4	Rep-1 RMR-2 INR-7 E-7 ICA-11
	REC'D 10-5	INFO OTHER: Cia-10 Com-8 TR-3 FRD-2 XMB-4

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193. DLF-1

The regular and extra sales of U.S. dollars in Rio and São Paulo on September 27 increased sharply to $9,117,000 as compared with $6,211,000 in the previous week (an increase of $2,906,000). The price, as in every week since July 19, remained unchanged at Cr$210.00 per US$1.00.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 5,807,000
Total of extra sales to date	$45,674,000

Extra sales amounted to $5,807,000 compared with $2,901,000 last week and a previous average of about $1,500,000 per week. It is noteworthy that for the first time since the inception of Instruction 193, the entire extra offering of dollars was taken up in São Paulo ($4,965,000 were purchased by Brazilian importers at São Paulo auctions beyond the regular offering there of $1,655,000). In Rio, on the other hand, only a small part of the extra offering was taken up. Since the auctions are open for only a very short time - roughly one hour - it is likely that any effective spill over from the saturated São Paulo market to the Rio market was prevented by lack of time.

It is difficult to point to any single reason which would explain this substantial rise in dollar purchases in this last dollar auction before presidential elections (October 3). A popular explanation reported in the press is that it reflects the fear of Brazilian importers that Instruction 193 may be revoked immediately after the elections. Other possible explanations are: expectations that the

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DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS OCT 10 1960

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832.131/9-2860 HBS

1161

Brazilian Government may permit the cruzeiro to depreciate after the elections or that additional restrictions will be placed on the foreign exchange policy. The Embassy has no information to indicate any of these possibilities may in fact be realized.

For the Ambassador:

John Krizay
Financial Affairs Officer

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

1162

INCOMING AIRGRAM **Department of State**

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Date Sent:
Rec'd: September 30, 1960

FROM: AMEMBASSY, RIO DE JANEIRO

TO: Secretary of State

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NSA
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TAR
RMR

NO: G-115

Oct 3 4 39 PM '60

G-71

According to the press the Minister of Finance has fixed the conversion rate for the calculation of tariff charges during October, 1960, at Cr$174.00 to the dollar. This rate has been in effect since November, 1959.

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XR 832.11

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 292 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — October 4, 1960 DATE

REF : Embassy Despatch 128, August 17, 1960 Enclosure

20 For Dept. Use Only	ACTION	DEPT.
	REC'D 10-10-60	INFO OTHER: RM/R-2 REF-1 INR-7 E-7 ICA-11 EUR-3 COM-8 TR-3 FRB-3 XMB-4 CIA-10 DLE-1

SUBJECT: Internal Revenue Circular 19 - Conversion Rates for Consumption Tax on Imports Without Exchange Cover.

DEPARTMENT OF STATE
INTER-AMERICAN AFFAIRS
OCT 14 1960

Enclosed is a translation of Circular 19 of the Director of Internal Revenue establishing new conversion rates to be used in calculating the consumption tax due on imports without exchange cover.

For the Ambassador:

John Krizay
Financial Affairs Officer

Coordinated:

Herbert K. May
Treasury Attaché

Enclosure:
Translation of Internal Revenue Circular 19.

832.131/10-460 HBS
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OCT 31 3 04 PM '60

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TRANSLATION
Source: Diario Oficial, September 24, 1960

Department of Internal Revenue
Circular no. 19 of September 19, 1960

The Director of Internal Revenue of the National Treasury, exercising the powers vested upon him, declares to Customs Inspectors and Chiefs of other Customs Departments, as well as Consumption Tax supervising agents that in accordance with data secured and supplied by the Superintendency of Money and Credit, there shall be in effect for purposes of calculating the consumption tax on imports independent of exchange cover, the rates of exchange and average agios as listed below, such rates to go into force in the State of Guanabara, São Paulo, Minas Gerais and Goias three days after the publication of this Circular in the Diario Oficial and the other States and territories ten days after such publication.

It is further declared that the Customs Departments must issue an order repeating the present Circular and placing it in their offices for the information of interested parties.

Month of August 1960 (Cr$ per currency unit)

Currencies	Weighted Averages of Agios (A)		Official Exchange Rate (B)	Total (A + B)	
	Categories			Categories	
	General	Special		General	Special
Danish Crown	25.7799	59.1047	2.7476	28.5275	61.8523
US$	209.01	478.00	18.92	227.93	496.92
US$-Argentina	178.00	396.00	18.92	196.92	414.92
US$-Chile	178.00	(o)	18.92	196.92	(o)
US$-Spain	178.00	399.21	18.92	196.92	418.13
US$-Finland	178.00	(o)	18.92	196.92	(o)
US$-Hungary	178.01	(o)	18.92	196.93	(o)
US$-Israel	178.00	(o)	18.92	196.92	(o)
US$-Yugoslavia	178.01	(o)	18.92	196.93	(o)
US$-Norway	195.29	(o)	18.92	214.21	(o)
US$-Poland	178.00	(o)	18.92	196.92	(o)
US$-East Germany	178.00	409.00	18.92	196.92	427.92
US$-Roumania	178.00	(o)	18.92	196.92	(o)
US$-Czechoslovakia	178.00	399.86	18.92	196.92	418.78
US$-Uruguay	178.00	(o)	18.92	196.92	(o)
£ Iceland	498.4154	(o)	53.1936	551.6090	(o)

(o) Not auctioned.

1165

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FOREIGN SERVICE DESPATCH

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
OCT DATE 1960

FROM : AMEMBASSY, RIO DE JANEIRO — 300 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Embassy Despatch 275, September 28, 1960

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 INR-7 E-9 ICA-11
	REC'D 10-10-60	OTHER COM-8 TR-3 FRB-3 XMB-4 CIA-10 DLF-1 NSA-2 ARMY-4

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on October 4 amounted to $5,119,000 as compared with $9,117,000 in the previous week, a decrease of $3,998,000. The rate remained unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 1,809,000
Total of extra sales to date	$46,483,000

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:

Herbert K. May
Treasury Attaché

832.131/10-560 HBS

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

301
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 6, 1960
DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 205, September 8, 1960

Enclosure

For Dept. Use Only

ACTION: ARA-4
REC'D: 10/17

INFO DEPT.: RM/R-2 REP-1 INR-7 E-7 ICA-11 SCS-1
OTHER: COM-8 CIA-10 FRB-3 TR-3 X/MB-4

AGR-7

SUBJECT: Free Market Rates and Stock Exchange Averages - September, 1960

There is transmitted herewith a table showing the buying and selling rates for U.S. dollar instruments and currency in the free market as quoted by the "Cambios" and the National City Bank as well as daily averages compiled by the Rio de Janeiro Stock Exchange (Bolsa de Valores do Rio de Janeiro).

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

Enclosure:
Free Market Quotations, September, 1960.

832.131/10-660 HBB

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INTER-AMERICAN AFFAIRS
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FREE MARKET QUOTATIONS
September 1960

(Cruzeiro per dollar)

		Buying		Selling	
		Check	Cash	Check	Cash
Other Banks (Cambios)	High	188.00	189.00	189.50	189.50
	Low	187.00	187.50	188.00	188.00
	Average	187.47	188.35	188.67	188.66
National City Bank	High	184.50	184.50	189.50	189.50
	Low	183.00	183.00	188.00	188.00
	Average	183.82	183.82	188.56	188.56

Daily Averages Compiled by the
Bolsa de Valores do Rio de Janeiro
September, 1960

1	188.51	17	188.15
2	189.15	19	188.41
3	189.03	20	188.55
5	189.45	21	188.60
6	189.41	22	188.75
8	188.85	23	188.57
9	188.31	24	188.54
10	188.05	26	188.60
12	188.05	27	188.62
13	188.38	28	188.62
14	188.20	29	189.01
15	188.09	30	190.82
16	188.15		

Monthly Average 188.69

1168

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832.131/10-660

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 302 DESP.

TO : THE DEPARTMENT OF STATE, WASHINGTON. October 6, 1960 DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 242, September 20, 1960

OCT 13 1960

Enclosure

This Document Must be Returned to the Records Branch

For Dept. Use Only	ACTION	DEPT. INFO OTHER
25 M	ARA-4	Rpt-1 RMR-2 INR-7 E-7 ICA-11
	REC'D 10-17	CIA-10 Com-8 TR-3 FRB-2 YMB-4

SUBJECT: Foreign Exchange Auctions during September 1960.

During the exchange auctions held in September $25,540,000 of regular offerings and $14,659,000 of supplementary offerings under the provisions of Instruction 193 were purchased by Brazilian importers.

Throughout the month in the regular auctions in the general category the rate fluctuated between a low of Cr$208.00 and a high of Cr$210.00. In the special category the rate fluctuated widely between Cr$503.00 and Cr$650.00, varying both in terms of time and region. While the end-of-month rates were down from their mid-September peaks in some regions, the general case (including Rio and São Paulo) was that rates were substantially higher at the end of the month than at the beginning (e.g. Rio Cr$515 to $1.00 on September 6, to Cr$589 to $1.00 on September 27; São Paulo Cr$510 to $1.00 on September 6 to Cr$614 on September 27).

A breakdown of the total of $40,199,000 auctioned throughout the country during September follows:

U.S. Dollars	Offerings	Sales	Balance Unsold
General Category	21,756,000	21,756,000	-.-
Special Category	444,000	444,000	-.-
Instruction 193	65,268,000	14,659,000	50,609,000
Fertilizers	1,840,000	1,840,000	-.-
Insecticides	1,592,000	1,500,000	92,000

With respect to the regular auctioning of exchange in Rio and São Paulo, the agio paid for dollars moved between Cr$209.20 and Cr$210.00 in the general category and between Cr$510.00 and Cr$614.00 in the special category. Fertilizers varied between Cr$91.40 and Cr$81.10 and for insecticides there was the uniform rate of Cr$81.08.

The agio on the Danish Kroner sold for the general category kept stable at Cr$25.78 and unchanged in relation to the previous month.

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1169

Other bilateral accounts denominated in dollars were sold in reasonable amounts at the uniform rate of Cr$178.00 throughout the month.

The available data on foreign exchange auctions in Rio and São Paulo during September, 1960, are summarized in the enclosed table.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Table on auctions of foreign currencies during September, 1960.

1170

AUCTIONS OF FOREIGN CURRENCIES DURING SEPTEMBER, 1960

A. Auctions of Currencies in Limited Amounts

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Offers (000)	Sales (000)	Agio High	Agio Low
U.S. Dollars				
General Category	13,240	13,240	210.00	209.20
Special Category	280	280	614.00	510.00
Fertilizers	918	918	91.40	81.10
Insecticides	1,592	1,500	81.08	81.08
Extra (Instr. 193)		13,010	210.00	210.00
Chile-$				
Fertilizers	560	287	81.08	81.08
Norway-$				
General Category	560	560	223.00	197.50
Special Category	2	1	408.00	408.00
Uruguay-$	200	-.-	-.-	-.-

B. Auctions of Currencies Without Maximum Units

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Sales (000)	Agio High	Agio Low
General Category			
Argentina-$	632	178.00	178.00
Chile-$	286	178.00	178.00
Czechoslovakia-$	593	178.00	178.00
Denmark-Kroner	16,097	25.78	25.78
East Germany-$	226	178.00	178.00
Greece-$	13	178.00	178.00
Hungary-$	70	178.00	178.00
Iceland-£	53	498.40	498.40
Israel-$	2	178.00	178.00
Poland-$	409	178.00	178.00
Spain-$	2,231	178.00	178.00
Turkey-$	3	178.00	178.00
Uruguay-$	9	178.00	178.00
Yugoslavia-$	82	178.00	178.00
Special Category			
Denmark-Kroner	45	69.35	59.08
Insecticides	25	11.74	11.74
Czechoslovakia-$	12	460.00	408.00
East Germany-$	4.7	479.00	436.00
Fertilizers	97	81.08	81.08
Israel-$	-.-	-.-	-.-
Fertilizers	80	81.08	81.08
Poland-$	5.5	479.00	408.00
Spain-$	38	460.00	408.00

1171

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
315
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
October 12, 1960
DATE

REF : Embassy Despatch 300, October 5, 1960
OCT 13 1960

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	
	REC'D	INFO OTHER
	10-17-60	RM/R-2 REP-1 INR-7 E-7 IGA-4 SCS-1
		Com-8 TR-3 FBA-3 XMB-4 CIA-10 AGR-8 NSA-2 ARMY-4

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on October 11 amounted to $5,505,000 as compared with $5,119,000 in the previous week, an increase of $386,000. The rate remained unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 2,195,000
Total of extra sales to date	$48,678,000

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

832.131/10-1260 HBS

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BRANCH CARIBBEAN RECORDS

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
333
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
October 19, 1960
DATE

REF : Embassy Despatch 315, October 12, 1960

For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 INR-7 E-7 ICA-11 305-1
	REC'D 10-24-60	OTHER Com-8 TR-3 FRB-3 XMB-4 CIA-10 AGR-8 NSA-2 ARMY-4

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on October 18 amounted to $5,530,000 as compared with $5,505,000 in the previous week, an increase of $25,000. The rate remained unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 2,220,000
Total of extra sales to date	$50,898,000

For the Ambassador:
Herbert K. May
Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
352
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

OCT 28 1960
October 26, 1960
DATE

REF : Embassy Despatch 333, October 19, 1960

For Dept. Use Only	ACTION REC'D	INFO	DEPT. OTHER
25	Ara-4		Ref-1 RMR-2 INR-7 E-9 ICA-11 SCS-1
7	11-1		Cia-10 Com-8 TR-3 FRB-3

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

XMB-4 DLF-1 Agr-8

The regular and extra sales of U.S. dollars in Rio and São Paulo on October 25 amounted to $6,618,000 as compared with $5,530,000 in the previous week, an increase of $1,088,000. Extra sales amounted to $3,308,000 marking an increase of over $1,000,000 from the previous week and the largest volume of extra sales since the record high set during the pre-election auction of September 27 (see Embassy Despatch 275 of September 28). The rate remained unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 3,308,000
Total of extra sales to date	$54,206,000

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
NOV 8 1960

Coordinated:

William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
386
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
November 7, 1960
DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 301, October 6, 1960

Enclosure

20 For Dept. Use Only	ACTION	DEPT.
	REC'D 11-16-60	INFO OTHER: ARA-4 / GM/R-2 REPI INR-7 E-7 ICA-11 SCS-2 / Com-8 TR-3 FRB-3 XMB-4 CIA-10 AGR-8

SUBJECT: Free Market Rates and Stock Exchange Averages - October, 1960

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
NOV 1 - 1960

There is transmitted herewith a table showing the buying and selling rates for U.S. dollar instruments and currency in the free market as quoted by the "Cambios" and the National City Bank as well as daily averages compiled by the Rio de Janeiro Stock Exchange (Bolsa de Valores do Rio de Janeiro).

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

Enclosure:
Free Market Quotations, October, 1960.

RM/R file 11/23/60
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FREE MARKET QUOTATIONS
October, 1960

(Cruzeiro per Dollar)

		Buying		Selling	
		Check	Cash	Check	Cash
Other Banks (Cambios)	High	190.50	190.50	192.00	192.50
	Low	188.00	188.50	189.00	188.50
	Average	189.09	189.87	190.35	190.40
National City Bank 1/	High	188.50	188.50	192.00	192.00
	Low	185.00	185.00	190.00	190.00
	Average	186.07	186.07	190.50	190.50

Daily Averages Compiled by the
Bolsa de Valores do Rio de Janeiro
October, 1960

1	190.45	17	189.58
4	191.90	18	189.26
5	190.13	19	189.88
6	190.23	20	190.49
7	189.90	21	190.76
8	190.23	22	190.56
10	190.66	24	191.44
11	190.66	25	192.43
12	190.86	26	192.24
13	190.57	27	191.90
14	190.53	28	191.67
15	190.12	29	190.82
		31	191.92

Monthly Average 190.75

1/ As of October 13 the Embassy discontinued receiving quotations from the National City Bank of New York.

1176

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832.131/11-960

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 394 (DESP. NO.) — November 9, 1960 (DATE)

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Embassy Despatch 352, October 26, 1960

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	
	REC'D 11-21-60	INFO OTHER: RM/R-2 REP-1 INR-7 E-7 ICA-11 SOSA COM-8 TR-3 FRB-3 WMA-4 CIA-10 AGR-8 OLAF

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 1936

The regular and extra sales of U.S. dollars in Rio and São Paulo on November 8 amounted to $8,057,000 as compared with $6,618,000 in the previous auction, October 25, marking an increase of some $1,400,000 from the October 25 auction. The increase in extra sales on this occasion may, however, be largely attributable to the fact that no auctions were held last week. The rate continues to remain unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 4,747,000
Total of extra sales to date	$58,953,000

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:
William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

832.131/11-960 HBS

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832.131/11-1660

FOREIGN SERVICE DESPATCH

406
DESP. NO.

FROM : AMEMBASSY, RIO DE JANEIRO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

November 16, 1960
DATE

REF : Embassy Despatch 394, November 9, 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D 11/21	INFO OTHER

ARA-4 RM/R-2 REP-1 INR-7 E-7 ICA-11 COM-8 CIA-10 DLF-1 FRB-3 TR-3 XMB-4

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on November 14 amounted to $6,764,000 as compared with $8,057,000 in the previous auction marking a decrease of $1,293,000 from the November 8 auction. Considering, however, that the November 8 auction actually represented 2 weeks accumulated demand (since there was no auction on November 1) in terms of average weekly sales, extra sales actually increased this week ($3,454,000 this week as compared with an average of $2,373,500 for the previous 2 weeks). The rate continues to remain unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 3,454,000
Total of extra sales to date	$62,407,000

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:

William A. Fowler
William A. Fowler
Counselor for
Economic Affairs

FILED
DEC 5 2 58 PM 1960

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BUREAU OF
INTER-AMERICAN AFFAIRS
NOV 28 1960

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Department of State

B 00394

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NO. G-61

832.73
AR 832.131

SENT TO: American Embassy, RIO DE JANEIRO

Nov 16 8 32 PM '60

Page ___ of ___ Pages

Following is text of despatch Department has received from Consul General, Sao Paulo concerning an injunction against SUMOC 181 and Decree 47,255:

"A Sao Paulo importer obtained an injunction against the provision in Superintendency of Money and Credit (SUMOC) Instruction 181 of April 22, 1959, and Decree 47,255, requiring that imports given exchange subsidies or privileges must be carried in Brazilian bottoms or vessels leased to Brazilian shipping companies.

"The court ruled that no one can be obliged to do something, or not do something, except by law, and that neither a decree or administrative regulations can establish provisions not supported by a legal text. The court held that the decree establishing SUMOC gave it power over foreign exchange policy, but did not and could not give it powers to impose the obligations established in Instruction 181. That in effect, it said, would be delegation of legislative prerogative, prohibited by the Constitution. The court also held that the provision also infringes article 155 of the Federal Constitution, which establishes privileges for Brazilian vessels only in coastwise trade. The court finally determined that the obligatory transportation of merchandise in Brazilian flag vessels, even when granted exchange subsidies or privileges, cannot be enacted by SUMOC."

The Department would appreciate advise soonest as to validity court action against SUMOC Instruction 181 and whether this decision can be appealed to higher court and if so, does the Superintendent of Money and Credit plan such an appeal. Also, what is the validity of 181 during such an appeal? Advise soonest.

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832.131/11-1660

LWS

Drafted by: ARA:RNA:GWRussellferb 11/15/60

Airgram transmission and classification approved by: RNA - Gerald W. Russell

Clearances: EST:RBrown Sit [illegible] Maritime - Mr. Tibbott (In substance)

NOV 18 8 50 PM

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832.131/11-1660

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
415
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
November 17, 1960
DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 302, October 6, 1960
Enclosures

For Dept. Use Only	ACTION REC'D	DEPT.
	ARA-4 11/29	INFO RMAR INA-7 REP-1 E-7 ICA-11 OTHER CIA-10 COM-8 TR-3 FRC-3 XMB-4

SUBJECT: Foreign Exchange Auctions during October, 1960. AGR-8

During the exchange auctions held in October $25,600,000 of regular offerings and $11,551,000 of supplementary offerings under the provisions of SUMOC Instruction 193 were purchased by Brazilian importers. By the end of October, over $60 million of extra offerings were purchased since the inception of Instruction 193, more than half of these in the last three months. With the trend continuing upward (extra sales in the first half of November exceeded $8 million) this means that the overwhelmingly largest part of the extra sales will mature after January and the obligation to deliver the foreign exchange will have to be met by the new administration. Enclosure 1 contains a breakdown of supplementary sales under Instruction 193 by month and indicates maturity dates.

Throughout the month in the regular auctions in the general category the rate fluctuated between a low of Cr$208.00 and a high of Cr$210.00. In the special category the rate fluctuated widely between Cr$553.00 and Cr$608.00, varying both in terms of time and region with no discernible trend.

A breakdown of the total of $37,151,000 auctioned throughout the country during October follows:

U.S. Dollars	Offerings	Sales	Balance Unsold
General Category	21,756,000	21,756,000	-.-
Special Category	444,000	444,000	-.-
Instruction 193 (extra sales)	65,268,000	11,551,000	-.-
Fertilizers	1,640,000	1,634,000	6,000
Insecticides	1,760,000	1,176,000	584,000

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With respect to the regular auctioning of exchange in Rio and São Paulo the agio paid for dollars in the general category kept stable throughout the month at Cr$210.00 and moved between C $576.50 and Cr$608.00 in the special category. Fertilizers varied between Cr$86.20 and Cr$90.50 and for insecticides the high and low were respectively Cr$87.08 and Cr$81.08.

The agio on the Danish Kroner sold for the general category kept stable at Cr$25.78 and unchanged in relation to the previous month.

Other bilateral accounts denominated in dollars were sold in reasonable amounts at the uniform rate of Cr$178.00 throughout the month.

The extra auction held October 21 in Rio and São Paulo for the importation of Christmas articles concentrated on the traditional suppliers, namely, Spain and Portugal. Chile, Greece and Argentina were the other supplying countries receiving bids for the importation of nuts and fruits for Christmas.

The available data on foreign exchange auctions in Rio and São Paulo during October, 1960, are summarized in enclosure 2.

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:

Herbert K. May
Treasury Attaché

Enclosures:
1 - Supplementary Sales of U.S. Dollars (Instruction 193)
2 - Auctions of Foreign Currencies during October, 1960

1181

SUPPLEMENTARY SALES OF U. S. DOLLARS
Instruction 193

All Brazil

	Sales	Maturity
		1960
March	382,000	August 23
April	7,921,000	September 22
May	6,534,000	October 22
June	6,822,000	November 21
July	5,464,000	December 21
		1961
August	8,433,000	January 20
September	14,659,000	February 19
October	11,551,000	March 19

The maturity begins August 23, 1960, i.e., 150 days after inception of Instruction 193 issued March 25, 1960.

1182

AUCTIONS OF FOREIGN CURRENCIES DURING OCTOBER 1960

A. Auctions of Currencies in Limited Amounts

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Offers (000)	Sales (000)	Agio High	Agio Low
U.S. Dollars				
General Category	13,240	13,240	210.00	210.00
Special Category	280	280	608.00	576.50
Fertilizers	940	940	90.50	86.20
Insecticides	1,068	883	87.08	81.08
Extra (Instr. 193)	39,720	9,532	210.00	210.00
Chile-$				
Fertilizers	290	93	81.08	81.08
Uruguay-$	8	-.-	-.-	-.-

B. Auctions of Currencies Without Maximum Units

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Sales (000)	Agio High	Agio Low
General Category			
Argentina-$	432	178.00	178.00
Chile-$	147	178.00	178.00
Czechoslovakia-$	476	178.00	178.00
Denmark-Kroner	7,258	25.78	25.78
East Germany-$	218	178.00	178.00
Greece-$	246	178.00	178.00
Hungary-$	48	178.00	178.00
Iceland-£	32.6	498.40	498.40
Israel-$	162	178.00	178.00
Norway-$	1,149	178.00	178.00
Poland-$	202	178.00	178.00
Spain-$	2,945	178.00	178.00
Yugoslavia-$	60	178.00	178.00
Special Category			
Denmark-Kroner	7	71.38	71.38
Czechoslovakia-$	1	493.00	493.00
East Germany-$ (fertilizers)	55	81.08	81.08
Spain-$	37.5	502.00	486.00

Special Auction on October 21 for Imports of Nuts & Fruits for Christmas

	Rio de Janeiro & São Paulo Offers	Sales	Balance Unsold
Argentina	203	2	201
Chile	406	122	284
Greece	406	176	230
Poland	203	203	-.-
Portugal	203	203	-.-
Spain	406	406	-.-

1183

INCOMING TELEGRAM *Department of State*

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FROM: Rio de Janeiro

E MESSAGE CENTER CONTROL NOV 22 1960

TO: Secretary of State

NO: 667, November 18, 6 p.m.

According Cornelius Griffin, President ESSO Do Brasil, Paulo Poock Correa convoked meeting November 11 with financial representatives ESSO, Shell, TEXACO and Atlantic, for purpose requesting financial assistance from those companies at that meeting and at subsequent meeting November 16 (at which all present except ESSO). Poock Correa asked that oil companies agree to two proposals: (A) That payment all PVC's coming due December, January and February be postponed for six months, and (B) that PVC's covering future oil imports, commencing December 1, be on 150 day basis instead of present 120 day basis. According Griffin, Poock Correa stated that unless oil companies voluntarily agree such arrangements, Poock Correa would ask SUMOC Council take unilateral action along those lines, immediately following his return from impending trip to Washington. Griffin states he advised his headquarters New Jersey foregoing facts by telegram yesterday, recommending against voluntary approval Poock Correa proposals. Stated, in that connection, he has ascertained that neither National Petroleum Council nor President Kubitschek had been aware Poock Correa proposals.

Poock Correa's action doubtless influenced by low current foreign exchange balances (totalling $13.8 million on November 14 together with unutilized commercial bank credit lines totalling $10.3 million) plus large impending payment obligations and fact EXIM Bank mission recently rejected request by Finance Minister Paes de Almeida and Poock Correa for new money totalling $60 million in addition rescheduling EXIM Bank debts. Poock Correa advised Embassy yesterday he expects

/conclude

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

832.131/11-1860

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-2- 667, November 18, 6 p.m., from Rio de Janeiro

conclude arrangements within few days whereby the Bank of America and Chase Manhattan each extend advance payments amounting $10 million on future coffee shipments. Brazilian payments problem next few months and 1961 summarized in EMBDES 403 November 14.

CABOT

MLJ/10

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

435
DESP. NO.

DEC 1 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

November 23, 1960
DATE

REF : Embassy Despatch 406, November 16, 1960

25 For Dept. Use Only	ACTION	DEPT.
	Ara-4	Rel-1 RMR-2 INR-7 E-7 ICA-11
	REC'D 12-5	INFO OTHER cia-10 Com-8 Tar-2 TR-3 FRB-3 XMA-4

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction [illegible]

DLF-1

The regular and extra sales of U.S. dollars in Rio and São Paulo on November 22 amounted to $7,493,000 as compared with $6,764,000 in the previous auction, marking an increase of $729,000 over the previous week's auction. Extra sales for November thus far amount to $12,384,000 and with one more auction to be held in November, the chances are good that extra sales for this month will exceed the September high of $14,659,000. The rate continues to remain unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 4,183,000
Total of extra sales to date	$66,590,000

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Treasury Attaché

JKrizay/WBlomeyer/mwd
REPORTER

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ACTION ASSIGNED TO:	ACTION TAKEN
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DEPARTMENT OF STATE
INTER-DEPARTMENTAL AFFAIRS
DEC 1 1960

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INCOMING AIRGRAM *Department of State*

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Amembassy RIO DE JANEIRO

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Action

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COM
XMB
FRB
TRSY

RMR

Date Sent:
Rec'd: December 2, 1960

FROM: Amembassy RIO DE JANEIRO

TO: Secretary of State

NO: G-213

RPTD INFO: Consulate General SÃO PAULO G-5

DEC 5 15 29 PM '60

Dept Airgram G-61

CACEX appealing to Federal Appeals Court grant of injunction by São Paulo court against SUMOC 181 and Decree 47225. Injunction applicable only to firm concerned and 181 continues in general effect. In any case, firm which was granted injunction and other firms which may obtain similar injunctions will be, according Fausto Basto of Bank Brasil, denied exchange for freight at subsidized rate and will have to purchase exchange through free market if they ship on non-Brazilian vessels. Such action by Bank would effectively cancel out effect of injunction. As Embassy has reported in connection tanker problem, Basto referred several months ago to this method of combatting injunctions against 181.

Firm which received injunction is very large importer fertilizer and has claimed Lloyd Brasileiro has been willing carry such cargo but because of 181 vessels other flags have not been permitted participate in carriage. This complaint has been echoed by agricultural interests and has been subject editorial comment Estado de São Paulo.

CABOT

ECON:JSCrimmins:rrl
December 2, 1960

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

461
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DEC 7 1960
December 5, 1960
DATE

REF : Embassy Despatch 435, November 23, 1960

For Dept. Use Only
REC'D 12/13

ACTION AMB-4 DEPT. INFO OTHER RM/R-2 MCP-1 INR-7 E-7 ICA-11 SCS-1 CIA-10 CIA-8 FRB-3 TRW-3 AMB-4

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
DEC 20 1960
File No. REAIF 12-52-60

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 289

The regular and extra sales of U.S. dollars in Rio and São Paulo on November 29 amounted to $7,193,000 as compared with $7,493,000 in the previous auction, marking a decrease of $300,000 over the previous week's auction. Total extra sales for November amounted to $16,267,000, exceeding by $1,608,000 the September high of $14,659,000. The rate continues to remain unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 3,883,000
Total of extra sales to date	$70,473,000

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:

Herbert K. May
Treasury Attaché

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JAN 16 1961

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

480
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DEC 13 1960

December 9, 1960
DATE

REF : Embassy Despatch 461, December 5, 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D 12/19	INFO RM/R-2 INR-7 REP-1 E-7 ECA-11 CUSY OTHER CIA-10 COM-8 TR3 FRB-1 INTER-AMB-2 OIF-7 AGR-9

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 4 1961
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REAF 1-16-61

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193

The regular and extra sales of U.S. dollars in Rio and São Paulo on December 6 amounted to $8,256,000 as compared with $7,193,000 in the previous auction, marking an increase of $1,063,000 over the previous week's auction. Extra sales amounted to $4,946,000 the largest amount in any single auction since the peak of $5,807,000 recorded during the week before the Presidential elections. The average of weekly extra sales since the last auction before the elections has been nearly $3.5 million, compared with an average for the entire period prior to that time of $1.5 million.

The rate nonetheless continues to remain unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U. S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 4,946,000
Total of extra sales to date	$75,419,000

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For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Treasury Attaché

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NO.: CA-5137 December 9, 1960

SUBJECT:

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832.131/12-960

TO: The American Embassy, RIO DE JANEIRO
RPTD INFO: MOSCOW, HABANA

A recent FBIS for Latin America carried a news broadcast from Havana concerning the possible "sale" of Soviet rubles on the Brazilian exchange market, which was based on an article in the Brazilian leftist paper Ultima Hora of November 17. The broadcast stated that a Brazilian delegation is scheduled to confer with Soviet officials in December to "study the possibility of putting rubles on sale on the Brazilian currency exchange as well as the free exchange of Soviet currency". The newspaper article itself said nothing about sale of rubles as such in Brazil but linked the recent announcement of the gold parity for the new "heavy" ruble with future possible "exchange" auctions under the Soviet trade agreement which would be on the agenda of the upcoming semi-annual trade talks. While the article may have little basis in fact, the Department desires fullest possible information on any indications that a move in this direction may be contemplated.

Apart from the fact that a sale of rubles outside the USSR would be such a radical departure from past principles of Soviet currency management as to be unlikely on these grounds alone, there would appear to be no need for it in view of the present Brazilian trading and payments arrangements with the Soviet Union. As the Embassy is aware, the current 3 year agreement signed in December 1959 provides for a balanced exchange of goods between the two countries at a stated level and for the channeling of all payments through a clearing account. Thus no actual foreign exchange transactions take place as long as the $4 million "working balance" (swing) is not exceeded.

Under the agreement, quotas other than those in physical units are expressed in clearing dollars. Exchange certificates auctioned for import quotas under similar agreements with other Bloc countries (e.g. Czechoslovakia, Poland) have been in terms of clearing "dollars". Embassy monthly reports on exchange auctions to date have not shown any Soviet "clearing dollars" and we assume this is because imports from the USSR so far appear to have been made by Brazilian state agencies and semi-governmental institutions which do not operate through the

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DRAFTED BY: OFD:FN:HWHeiss:mr 12-9-60

APPROVED BY: OFD:FN M. L. Milne

CLEARANCES: SOV - Mr. Killham
EST - Mr. Wilson
INR - Mr. Block
REP - Miss Mitchell
RAR/E - Mrs. Manzoli (informed)

S/S-CR

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auction market. The Embassy is requested to ascertain, if possible, whether this apparent lack of private participation in Soviet trade is the result of deliberate Brazilian (or Soviet) policy or whether difficulties encountered by Brazilian private businesses or their unfamiliarity in dealing with Soviet export organizations (which we understand have no permanent representatives in Brazil) are responsible. Does the Embassy have any information indicating whether eventual auction of exchange certificates under the Soviet trade agreement had been envisaged at the time of its conclusion?

Whether there is any substance to the Ultima Hora report or not, it would seem to have been inspired by an interest in "exchange" auctions under the Soviet trade agreement, on someone's part, either the Soviets or the Brazilians. If such a move is made, is it likely that auction certificates will be denominated in new rubles rather than in clearing dollars? There would, of course, be no difficulty in translating import quotas into rubles in order to enable allocation in terms of rubles rather than clearing dollars. Although the ruble would only be an accounting unit, and no actual trading of Soviet currency or its physical presence in Brazil would be involved, Soviet propaganda would undoubtedly exploit such a move as evidence that the ruble is now "used" in trade with the free world. This would serve the Soviet propaganda objective (See CA 5975 dated December 5) of making it appear that the new ruble has gained international status as a result of the recently announced revaluation.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY; Rio de Janeiro — 481 DESP. NO. — DEC 12 1960 — December 12, 1960 DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Embtel 667, November 18, 1960
Airgram G-218, December 12, 1960
Embdes 403, November 14, 1960

For Dept. Use Only	ACTION	DEPT.					
	ARA-4	RM/R-2	REP1	INR-7	E-7	ICA-A	
	REC'D	OTHER					
	12-22-60	COM-8	TR-3	FRB-2	XMA	[illegible]	DAF-3

SUBJECT: Brazilian Foreign Exchange Position

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
Files 1-10-60

Sr. Paulo Poock Correa, Director of the Exchange Department of the Bank of Brazil, is extremely worried about Brazil's present foreign exchange position. He has even expressed doubts, summarized in Enclosure 1, concerning the possibility that the present Brazilian Government can maintain a viable foreign exchange position until the new government takes office on January 31. As pointed out in Enclosure 1, the Brazilian Government has lengthened the maturity dates on the PVCs pertaining to petroleum imports to 180 days in place of the 120 days prevailing heretofore. Prepayments have been negotiated from Chase Manhattan Bank of $15 million covering exports of cacao and world market sugar during December through February. Also, the Bank of Brazil has been negotiating all swaps consistent with its present policy concerning swaps. Meanwhile, the free market rate of exchange has depreciated sharply from a level of approximately Cr$186 per dollar which had long prevailed to approximately Cr$210 on December 10. These and other subjects are discussed in Enclosure 1.

While the reporting officer recognizes the seriousness of the present foreign exchange position of the Bank of Brazil, it should nevertheless be pointed out that Sr. Paulo Poock Correa has somewhat exaggerated that seriousness. Only about six weeks remain for the Kubitschek administration, and there seems to be little reason to doubt that expedients of some sort or another can be found to continue viability in the foreign exchange area during that period. In particular, it seems thoroughly feasible for the Bank of Brazil to delay at least some of the payments contracted by it during that period covering imports made by various companies in Brazil, when those companies are the local representatives of foreign suppliers which are unlikely to create major public issues because of any delays in payments, remembering the desirability that they maintain their long-term markets in Brazil. In the judgment of the reporting officer, the position

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is serious, but not as desperate as that suggested by Sr. Poock Correa. On the other hand, it seems quite clear, as indicated by Embassy Despatch 403 dated November 14, 1960, that the new Brazilian administration, to be headed by President-elect Janio Quadros, will be confronted by an extremely serious foreign exchange problem, the resolution of which can not be long postponed.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor of Embassy
for Economic Affairs

Enclosure: As stated

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Memorandum of Conversation with Sr. Paulo Poock Correa, December 9, 1960, 11:00 a.m.

1. Poock Correa told me that the SUMOC Council decided yesterday that the PVCs on imports of petroleum will hereafter be on a 180-day basis, instead of the 120-day basis prevailing heretofore. He said that ESSO, Texaco, Atlantic and Shell have already been notified. He said also that Sr. José Nabuco had already sent him a letter protesting that decision, claiming discrimination against the foreign oil companies in view of the fact that all other imports are on a 150-day basis. Poock Correa said that Nabuco had obviously chosen to ignore the fact that the previously prevailing 120-day basis for the foreign oil companies has been discriminatory in their favor since the 150-day maturities have been applying to all other imports since April, 1960. He implied that in any case the oil companies should consider themselves fortunate in view of the fact that the Brazilian Government had not taken more severe measures. He referred to the request which he had made to those companies early in November (Ref: Embtel 667 of November 18) and said that the companies had "turned me down cold".

2. I referred to the present low level of Brazil's dollar availabilities and asked whether they reflected the prepayments for coffee exports which he had expected early in November to obtain from Chase Manhattan Bank and the Bank of America; Ref: Embtel 667 and Airgram G-218. He said that he has, in fact, been able to negotiate a $15 million prepayment from Chase Manhattan Bank on exports of dacao and world market sugar during December through February, but that he has not yet received the $15 million although he expects to do so within a day or two. He said that the Bank of Brazil is still studying a Bank of America offer to prepay $10 million on future coffee exports, although the IBC (Brazilian Coffee Institute) is reluctant to approve that agreement for fear that it might jeopardize Brazil's international coffee position.

3. I asked Poock Correa whether he could account for the recent change in the free market exchange rate, which has moved from approximately Cr$186 to the dollar to approximately Cr$198 to the dollar during the past few weeks. He said that this

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depreciation of the cruzeiro was the subject of considerable discussion in the meeting of the SUMOC Council in Brasilia yesterday, but that the Council had not been able to arrive at any general agreement as to the cause for the depreciation. He said that most members of the Council believed that the depreciation has been induced by wide-spread rumors that the Government was going to revoke SUMOC Instruction 193 (providing for a 3-fold increase in the amounts of foreign exchange available for imports in the commercial import auctions). He stated that there is no truth to the reports current in Rio to the effect that the Bank of Brazil has tightened up the conditions under which it is selling dollars at Cr$186 per dollar in the free market. He said that it has been true for many months that the Bank of Brazil stands ready to buy dollars from anyone at Cr$182 per dollar and to sell dollars to anyone, on 30-day delivery, at Cr$186 per dollar, provided that the purchaser of dollars can demonstrate that he is in fact making a bonafide transfer abroad, and not simply reselling the dollars to someone else in Brazil at rates ranging up to Cr$198 per dollar. He pointed out that, in any case, sales of convertible currencies by the Bank of Brazil in the free market have long been quite small, averaging approximately $4 million per month. He agreed with my observation that perhaps the depreciation of the cruzeiro has been influenced by the low level of exports during the past month or so, inasmuch as the flow of dollars into the free market has been to some extent the product of under-invoicing of coffee exports, and more importantly, the proceeds of exports other than coffee, cacao and caster beans. (Although I did not mention it to him, I consider it possible that the depreciation of the cruzeiro has been influenced also by a general awareness of the very tight foreign exchange position of the Bank of Brazil and general speculation that the Bank will be compelled somehow to restrict all purchases of dollars in the free market.)

4. Poock Correa expressed great concern about the very difficult foreign exchange position which the Bank of Brazil is likely to face, at least through the end of the Kubitschek administration. He pointed out that increasing the maturities of PVCs on petroleum imports will help relieve the Bank of Brazil's position only in May and June, inasmuch as the Bank continues to be responsible for honoring the PVCs which will be maturing before May. Even the prepayment of $15 million by the Chase Manhattan Bank on exports of cacao and world market sugar is of only very temporary assistance, inasmuch as

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that prepayment will cover exports during the months of December, January and February. He said that he has concluded all swaps that he could hope to conclude, and has postponed as many payments as possible. He said that he had promised Mr. Seymour Pollack of the Export-Import Bank to send the latter a telegram if and when the Bank of Brazil position became really desperate, but that he was reluctant to send that telegram even though the Bank of Brazil position is desperate right now. I stated that I would advise Mr. Pollack of the circumstance of our conversation, perhaps thereby relieving Sr. Pocek Correa of the need to send such a cable. He said that that would be very desirable.

Herbert K. May
Treasury Attaché

HKMay|dh
December 9, 1960

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
494
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DEC 16 1960
December 13, 1960
DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 386, November 7, 1960
Enclosure

For Dept. Use Only
ACTION: Ara-4
REC'D: 12-23
INFO: DEBT. Rep-2 RMR-2 E-7 ICA-11
OTHER: CIA-10 TR-3 FRB-3 XMB-4 Com-8

SUBJECT: Free Market Rates and Stock Exchange Averages - November, 1960

BEGIN UNCLASSIFIED

There is transmitted herewith a table showing the buying and selling rates for U.S. dollar instruments and currency in the free market as quoted by the "Cambios" as well as daily averages compiled by the Rio de Janeiro Stock Exchange (Bolsa de Valores do Rio de Janeiro).

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It will be noted that a small but sharp rise in the cruzeiro/dollar rate took place in the last quarter of the month and, after some fluctuations, firmed, at least for the moment, at about Cr$194.00 (buying rate). At the time of this writing, however, there has been another spurt this time pushing the buying rate up to Cr$208.00 per $1.00. There is no simple explanation for this recent deterioration in the strength of the cruzeiro. What appears to have happened is a speculative wave of buying based partly on a fear that SUMOC Instruction 193 will be rescinded (reflected also in increased extra sales in agio auctions, see Despatch 480) which would inevitably push the free market rate up too and partly on numerous reports indicating a growing weakness in Brazil's overall dollar position. For example, the press recently reported that PVCs for petroleum imports would mature in 180 days instead of 120. In addition, various newspapers and trade journals, including the Boletim Cambial have written editorials criticizing SUMOC Instruction 193 as an extravagant means of maintaining an artificial rate of exchange "for prestige purposes".

In the face of the mounting pressure on the cruzeiro, the Bank of Brazil is maintaining its policy of selling dollars at Cr$186.00 but only to those who have legitimate dollar needs. Presumably if the Bank were to sell at Cr$186.00 to all comers - whether speculators or not - even for 30 days delivery, the rate would tend downwardly. However, the Bank does not possess sufficient dollar reserves to play the market to that extent. Nonetheless, the Embassy is advised that

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no change in the Bank's policy is anticipated at least for the duration of the present administration (January 31, 1961) which apparently considers that the strength of the cruzeiro is measured by the relative stability of the free market rate.

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For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:

Herbert K. May
Treasury Attaché

Enclosure:
Free Market Quotations, November, 1960

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Enclosure 1
Despatch 494
Rio de Janeiro

FREE MARKET QUOTATIONS
November, 1960

(Cruzeiro per Dollar)

		Buying		Selling	
		Check	Cash	Check	Cash
Other Banks (Cambios)	High	193.50	194.00	194.50	194.50
	Low	189.00	189.00	189.50	189.50
	Average	190.51	190.83	191.46	191.46

Daily Averages Compiled by the Bolsa de Valores do Rio de Janeiro
November, 1960

3	191.58	18	190.80
4	190.85	19	191.03
5	190.20	21	190.94
7	190.52	22	191.61
8	189.89	23	193.18
9	190.02	24	194.82
10	189.64	25	192.93
11	189.68	26	194.16
12	190.05	28	194.92
14	190.43	29	194.30
16	190.33	30	193.99
17	191.11		

Monthly Average 191.40

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Enclosure 1
Despatch 494
Rio de Janeiro

FREE MARKET QUOTATIONS
November, 1960

(Cruzeiro per Dollar)

		Buying		Selling	
		Check	Cash	Check	Cash
Other Banks (Cambios)	High	193.50	194.00	194.50	194.50
	Low	189.00	189.00	189.50	189.50
	Average	190.51	190.83	191.46	191.46

Daily Averages Compiled by the Bolsa de Valores do Rio de Janeiro
November, 1960

3	191.58	18	190.80
4	190.85	19	191.03
5	190.20	21	190.94
7	190.52	22	191.61
8	189.89	23	193.18
9	190.02	24	194.82
10	189.64	25	192.93
11	189.68	26	194.16
12	190.05	28	194.92
14	190.43	29	194.30
16	190.33	30	193.99
17	191.11		

Monthly Average 191.40

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FOREIGN SERVICE DESPATCH

FROM : Amconsgen São Paulo

226
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 13, 1960
DATE

REF :

DEC 13 1960

	ACTION	DEPT.
20 For Dept. Use Only	ARA-4	RM/R-2 RER-1 INR-7 E-7 ICA-11
	REC'D 12-28-60	INFO OTHER COM-8 TR-3 FRB-3 XMB-4 CIA-10 AGR-8

SUBJECT: Opinions of São Paulo Bankers Concerning Recent Weakening of Free Market Exchange Rate for Cruzeiros

The recent marked weakening of the cruzeiro exchange rate against U.S. dollars in the free market at São Paulo was discussed at a meeting of the Economic Committee of the American Chamber of Commerce for Brazil—São Paulo on December 13. Leading the discussion were two local bankers, Mr. James H. Redington, Manager of a local branch of The First National City Bank of New York, and Mr. Clark D. Burton, Manager of the São Paulo office of the First National Bank of Boston.

Both bankers interpreted the recent weakening, to a selling rate of around 210 cruzeiros per U. S. dollar after months of hovering around 185, to the basic weakness of Brazil's foreign exchange position and lack of reserves, the situation having been aggravated of late by heavy demand for dollar payments in connection with the "câmbio português" (a rebate by exporters of coffee); by usual year-end remittances of profits by foreign-owned companies (especially heavy this year because of the growing number of such companies earning profits); and purchases of foreign currency by Brazilians wishing to protect themselves against further depreciation of the cruzeiro. They noted that it was not unusual for the cruzeiro to weaken on the free market around the end of the year—the rate hit nearly the same level at the end of 1959.

The psychological climate has lately been affected by recurring rumors that a change in the exchange system is imminent, they said. One such rumor, having a psychological effect on the free market, especially strong in the last few days when the break in the rate has been sharpest, is to the effect that the present type of exchange auction of hard currency for imports will be abolished, and that the auction December 13 will be the last. The bankers considered it significant that the purchases on December 13 were especially heavy at São Paulo, up to the full amount offered. They noted that apparently the auction at Rio de Janeiro had not disposed of maximum amount authorized for sale there, but they offered no explanation for this difference, except that there customarily is a heavier demand for foreign exchange at São Paulo than at Rio.

1960 DEC 30 AM 10 32

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 12 1961

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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832.131/12-1360

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The bankers stated that the Bank of Brazil has continued to support the cruzeiro by offering dollars at 186 cruzeiros per dollar. The Bank does not furnish dollars on this basis to just anyone who wants them, but it has apparently not been more selective of late than for some months past. However, there have recently been many "new faces" in the market, who presumably are not qualified to obtain foreign exchange from the Bank of Brazil, and therefore exert pressure on the free market rate.

Comment. While these bankers did not lay stress on speculative elements in promoting the recent instability, there has been mention in the local press of speculators spreading rumors and attempting to unsettle the market for their own profit.

For the Minister Consul General:

Scott Clyon

Scott C. Lyon
American Consul

1202

AIR POUCH
PRIORITY

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(Security Classification)

DO NOT TYPE IN THIS SPACE
832.131/12-1560

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

499
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 15, 1960
DATE

DEC 19 1960

REF : Embassy Despatch 480, December 9, 1960

For Dept. Use Only	ACTION	DEPT.
20	ARA-4	RM/R-2 REP-1 INR-7 E-7 IOA-4
	REC'D	OTHER
	12-28-60	COM-8 TR-3 FRB-2 XMB-4 CIA-10 AGR-8

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on December 13 amounted to $10,715,000 as compared with $8,256,000 in the previous auction, marking an increase of $2,459,000 over the previous week's auction. Extra sales amounted to $7,405,000, the largest amount in any single auction since the inception of Instruction 193. It is possible that extra sales would have been even larger had time permitted an effective spill-over from the São Paulo market where the entire extra offering of dollars ($4,965,000) was taken up. The market is open, however, only for a very short time which limits the ability of buyers to shift their demand to other cities. The rate continues unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

For December, the weekly average recorded in the two first auctions of the month exceeds $6 million, even higher than the record average of November, very likely reflecting ever more persistent rumors that SUMOC Instruction 193 will soon be rescinded. Whatever the causes, the more significant aspect is the burden these mounting sales will place upon the new administration when the PVCs become due during the first months of the Quadros regime.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 7,405,000
Total of extra sales to date	$82,824,000

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

For the Ambassador:
John Krizay
Second Secretary of Embassy

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 16 1961

JKrizay/WBlomeyer/mwc
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AIR POUCH
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832.131/12-1960

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
509
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DEC 21 1960
December 19, 1960
DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 415, November 17, 1960

Enclosures

20 For Dept. Use Only

ACTION REC'D 1-3-61

DEPT.

INFO OTHER

RM/R-2 REPL INR-7 E-7 ICA-11 SS-1 AID
Com-8 TR-3 FRB-3 XMB-4 CIA-10 INF-7 AGR-8

DEPARTMENT OF STATE
INTER-AMERICAN AFFAIRS

RM/R

SUBJECT: Foreign Exchange Auctions during November, 1960.

This Document must be returned to the RM/R Central Files

832.131/12-1960

During the exchange auctions held in November $22,756,000 of regular offerings and $19,173,000 of supplementary offerings under the provisions of SUMOC Instruction 193 were purchased by Brazilian importers. By the end of November $80,939,000 of extra offerings were purchased since the inception of Instruction 193, more than half of these in the last three months. Enclosure 1 contains a breakdown of supplementary sales under Instruction 193 by month and indicates maturity dates.

Throughout the month in the regular auctions in the general category the rate fluctuated between a low of Cr$208.00 and a high of Cr$210.00. In the special category the rate fluctuated widely between Cr$533.00 and Cr$626.00 with rates generally over Cr$600.00 at the end of the month. It might be added that the Cr$533.00 rate which was recorded in Manaus at the beginning of the month represented only a small isolated market and was not typical. Lows recorded elsewhere were much higher and, in fact, never fell below Cr$600.00 in Rio or São Paulo, the largest markets.

A breakdown of the total of $43,569,000 auctioned throughout the country during November follows:

U.S. Dollars	Offerings	Sales	Balance Unsold
General Category	21,756,000	21,756,000	-.-
Special Category	444,000	444,000	-.-
Instruction 193 (extra sales)	65,268,000	19,173,000	-.-
Fertilizers	1,380,000	1,376,000	4,000
Insecticides	1,170,000	820,000	350,000

With respect to the regular auctioning of exchange in Rio and São Paulo, the agio paid for dollars in the general category kept stable throughout the month at Cr$210.00 and moved between Cr$602.00 and Cr$622.00 in the special category. Fertilizers varied between Cr$88.20 and Cr$90.59 and for insecticides the high and low were respectively Cr$81.50 and Cr$81.08.

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1204

The agio on the Danish Kroner sold for the general category kept stable at Cr$25.78 and unchanged in relation to the previous month.

Other bilateral accounts denominated in dollars were sold in substantial amounts at the uniform rate of Cr$178.00 throughout the month with no change in relation to the previous month.

The countrywide extra auction held November 18 for the importation of Christmas articles concentrated on the traditional suppliers. $500,000 divided in equal parts, were fully taken up for the importation of wines from Spain and Portugal. The average agio was respectively Cr$265.39 and Cr$516.76.

The available data on foreign exchange auctions in Rio and São Paulo during November 1960, are summarized in enclosure 2.

For the Chargé d'Affaires, a.i.

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

Enclosures: all in 1.
1 - Supplementary Sales of U.S. Dollars (Instruction 193)
2 - Auctions of Foreign Currencies during November, 1960

1205

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Enclosure 1
Despatch 509
Rio de Janeiro

SUPPLEMENTARY SALES OF U. S. DOLLARS
Instruction 193

All Brazil

	Sales	Maturity
		1960
March	382,000	August
April	7,921,000	September
May	6,534,000	October
June	6,822,000	November
July	5,464,000	December
		1961
August	8,433,000	January
September	14,659,000	February
October	11,551,000	March
November	19,173,000	April

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AUCTIONS OF FOREIGN CURRENCIES DURING NOVEMBER 1960

A. Auctions of Currencies in Limited Amounts

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Offers (000)	Sales (000)	Agio High	Agio Low
U.S. Dollars				
General Category	13,240	13,240	210.00	210.00
Special Category	280	280	622.00	602.00
Fertilizers	940	792	90.59	88.20
Insecticides	1,068	607	81.50	81.08
Extra (Instr. 193)	39,720	16,267	210.00	210.00
Chile-$				
Fertilizers	348	71	81.08	81.08

B. Auctions of Currencies Without Maximum Units

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo Sales (000)	Agio High	Agio Low
General Category			
Argentina-$	759	178.00	178.00
Chile-$	179	178.00	178.00
Czechoslovakia-$	513	178.00	178.00
Denmark-Kroner	7,123	25.78	25.78
East Germany-$	205	178.00	178.00
Finland-$	226	178.00	178.00
Greece-$	131	178.00	178.00
Hungary-$	69	178.00	178.00
Iceland-£	4,871	498.40	498.40
Israel-$	5	178.00	178.00
Norway-$	1,247	178.00	178.00
Poland-$	238	178.00	178.00
Roumania-$	11	178.00	178.00
Spain-$	224	187.00	186.14
Yugoslavia-$	57	178.00	178.00
Uruguay-$	5	178.00	178.00
Special Category			
Czechoslovakia-$	5	520.00	513.00
Denmark-Kroner	23	74.28	74.28
East Germany-$	1	519.00	519.00
Fertilizers	33	81.08	81.08
Israel-$ (Fertilizers)	89	81.08	81.08
Poland-$	1	513.00	513.00
Spain-$	4	513.00	513.00

1207

AIR POUCH
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832.131/12-2760
DEC 28 1960

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

527
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 27, 1960
DATE

REF : Embassy Despatch 499, December 15, 1960

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	INFO RM/R-2 REP-1 INR-7 E-7 ICA-11
	REC'D 1-5-61	OTHER COM-8 TR-3 FRB-3 XMB-4 CIA-10 AGR-8 DLF-7

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on December 20 amounted to $9,858,000 as compared with $10,715,000 in the previous auction, marking a decrease of $857,000 from the previous week's auction. Extra sales amounted to $6,548,000, of which the São Paulo market took $4,965,000, or the entire extra offering.

For December, the weekly average recorded in the three auctions of the month exceeds $6 million as compared with the all-month average of $4 million for November and $3 million for the entire period since Instruction 193 has been in effect. The rate continues unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 6,548,000
Total of extra sales to date	$89,372,000

For the Chargé d'Affaires a.i.

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 13 1961

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PAGE 1 OF 1 PAGES

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RMR

FROM: Amembassy, RIO DE JANEIRO

TO: Secretary of State

NO: G-236

File

DEC 29 3 26 PM '60

832.131/12-2760

Ref: Dept's CA-5137, December 9, 1960

Subject: Possible Sale of Rubles on Brazilian Exchange Market

Ultima Hora November 17 article mentioned to Minister Leão de Moura, Acting Head Econ Dept Fonoff, who stated no substance to story. GOB has no intention departing from provisions December 1959 calling for over swing payments in dollars.

Concerning talks reportedly scheduled for December, said it was true that there had been some thought of meeting this month to discuss problems which have developed under agreement, including question suitability Sov crude oil, but arrangements could not be worked out. GOB tried, without success, to have meeting held Geneva. Now possible talks will be held in February in Moscow (at Sov insistence). de Moura, who probably will head Braz group, already shivering at prospect.

BOND

Copies to: Moscow
Habana

WAFowler:nbg
December 22, 1960

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No reply was ordered. TW Hillers

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XR 832.11
XR 432.006

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 532 DESP. NO. — December 28, 1960 DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Embassy Despatch 292, October 4, 1960

Enclosure

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	
	REC'D 1-5-61	INFO: RM/R-2 REF-1 INR-7 E-7 ICA-11 EUR-3
		OTHER: COM-8 TR-3 FRB-3 XMB-4 CIA-11 JCF-7 AGR-8

SUBJECT: Internal Revenue Circular 147 - Conversion Rates for Consumption Tax on Imports without Exchange Cover.

Enclosed is a translation of Circular 147 of the Director of Internal Revenue establishing conversion rates to be used in calculating the consumption tax due on imports without exchange cover, beginning October 25 in the State of Guanabara, São Paulo, Minas Gerais and Goiás and November 1 in all other States and Territories. The rate table, which was just released, has since been superseded by Circular 170, being forwarded as an enclosure to Embassy Despatch 533 of this date.

For the Chargé d'Affaires, a.i.

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Treasury Attaché

Enclosure:
Translation of Internal Revenue Circular 147.

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BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 17 1961

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832.131/12-2860

1210

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Enclosure 1
Despatch 532
Rio de Janeiro

TRANSLATION

Source: Diario Oficial, December 23, 1960

Department of Internal Revenue
Circular no. 147 of October 22, 1960

The Director of Internal Revenue of the National Treasury, exercising the powers vested upon him, declares to Customs Inspectors and Chiefs of other Customs Departments, as well as Consumption Tax supervising agents that in accordance with data secured and supplied by the Superintendency of Money and Credit, there shall be in effect for purposes of calculating the consumption tax on imports independent of exchange cover, the rates of exchange and average agios as listed below, such rates to go into force in the State of Guanabara, São Paulo, Minas Gerais and Goiás three days after the publication of this Circular in the Diario Oficial and the other States and territories ten days after such publication.

It is further declared that the Customs Departments must issue an order repeating the present Circular and placing it in their offices for the information of interested parties.

Month of September 1960 (Cr$ per currency unit)

Currencies	Weighted Averages of Agios (A)		Official Exchange Rate (B)	Total (A + B)	
	Categories: General	Special		Categories: General	Special
Danish Crown	25.7800	64.0175	2.7493	28.5293	66.7668
US$	209.41	550.57	18.92	228.33	569.49
US$-Argentina	178.00	436.00	18.92	196.92	454.92
US$-Chile	178.00	(o)	18.92	196.92	(o)
US$-Spain	178.00	437.52	18.92	196.92	456.44
US$-Greece	178.00	(o)	18.92	196.92	(o)
US$-Hungary	178.00	418.00	18.92	196.92	436.92
US$-Israel	178.00	(o)	18.92	196.92	(o)
US$-Yugoslavia	178.00	(o)	18.92	196.92	(o)
US$-Norway	204.68	408.00	18.92	223.60	426.92
US$-Poland	178.00	438.73	18.92	196.92	457.65
US$-East Germany	178.00	455.10	18.92	196.92	474.02
US$-Czechoslovakia	178.00	436.63	18.92	196.92	455.53
US$-Turkey	178.00	(o)	18.92	196.92	(o)
US$-Uruguay	178.00	436.00	18.92	196.92	454.92
£ Iceland	498.4312	(o)	53.1595	551.5907	(o)

(o) Not auctioned

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XR 832.11
XR 432.00

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

533
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 28, 1960
DATE

REF : Embassy Despatch 532, December 28, 1960 Enclosure

This Document must be Returned to the RM/R Central Files

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 INR-7 E-7 ICA-11 EUR-3
	REC'D	OTHER
	1-5-61	COM-8 TR-3 FRB-3 XMA-4 CIA-10 DLF-7 AGR-8

SUBJECT: Internal Revenue Circular 170 - Conversion Rates for Consumption Tax on Imports Without Exchange Cover.

Enclosed is a translation of Circular 170 of the Director of Internal Revenue establishing new conversion rates to be used in calculating the consumption tax due on imports without exchange cover. The rates listed in this Circular supersede those of Circular 147 transmitted to the Department as an enclosure to Embassy Despatch 532.

For the Chargé d'Affaires, a.i.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 17 1961

John Krizay
Second Secretary of Embassy

FILED
FEB 2 8 32 AM '61

Coordinated:
Herbert K. May
Treasury Attaché

Enclosure:
Translation of Internal Revenue Circular 170

832.131/12-2860

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1212

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Enclosure 1
Despatch 533
Rio de Janeiro

TRANSLATION

Source: Diario Oficial, December 23, 1960

Department of Internal Revenue
Circular no. 170 of November 20, 1960

The Director of Internal Revenue of the National Treasury, exercising the powers vested upon him, declares to Customs Inspectors and Chiefs of other Customs Departments, as well as Consumption Tax supervising agents that in accordance with data secured and supplied by the Superintendency of Money and Credit, there shall be in effect for purposes of calculating the consumption tax on imports independent of exchange cover, the rates of exchange and average agios as listed below, such rates to go into force in the State of Guanabara, São Paulo, Minas Gerais and Goiás three days after the publication of this Circular in the Diario Oficial and the other States and territories ten days after such publication.

It is further declared that the Customs Departments must issue an order repeating the present Circular and placing it in their offices for the information of interested parties.

Month of October, 1960 (Cr$ per currency unit)

Currencies	Weighted Averages of Agios (A)		Official Exchange Rate (B)	Total (A + B)	
	Categories General	Categories Special		Categories General	Categories Special
Danish Crown	25.7800	71.3799	2.7566	28.5366	74.1365
US$	209.47	583.35	18.92	228.39	602.27
US$-Argentina	178.00	513.27	18.92	196.92	532.19
US$-Chile	178.00	(o)	18.92	196.92	(o)
US$-Spain	178.00	490.73	18.92	196.92	509.65
US$-Greece	178.00	(o)	18.92	196.92	(o)
US$-Hungary	178.00	(o)	18.92	196.92	(o)
US$-Israel	178.00	(o)	18.92	196.92	(o)
US$-Yugoslavia	178.00	(o)	18.92	196.92	(o)
US$-Norway	185.27	(o)	18.92	204.19	(o)
US$-Poland	178.00	(o)	18.92	196.92	(o)
US$-East Germany	178.00	(o)	18.92	196.92	(o)
US$-Czechoslovakia	178.00	493.00	18.92	196.92	511.92
US$-Uruguay	178.00	(o)	18.92	196.92	(o)
£ Iceland	498.4278	(o)	53.2863	551.7139	(o)

(o) Not auctioned

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

538
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 29, 1960
DATE

REF : Embassy Despatch NC 527, December 27, 1960

JAN 3 · 1961

For Dept. Use Only	ACTION	DEPT.
	REC'D 1-7	INFO OTHER

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

The regular and extra sales of U.S. dollars in Rio and São Paulo on December 27 amounted to $6,194,000 as compared with $9,858,000 in the previous auction, marking a decrease of $3,664,000 from the previous week's auction. Extra sales amounted to $2,884,000, of which the São Paulo market took $2,293,000. Total extra sales for December amounted to $21,783,000, exceeding by $5,516,000 the November high of $16,267,000. The rate continues to remain unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 2,884,000
Total of extra sales to date	$92,256,000

For the Chargé d'Affaires, a.i.

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 16 1961

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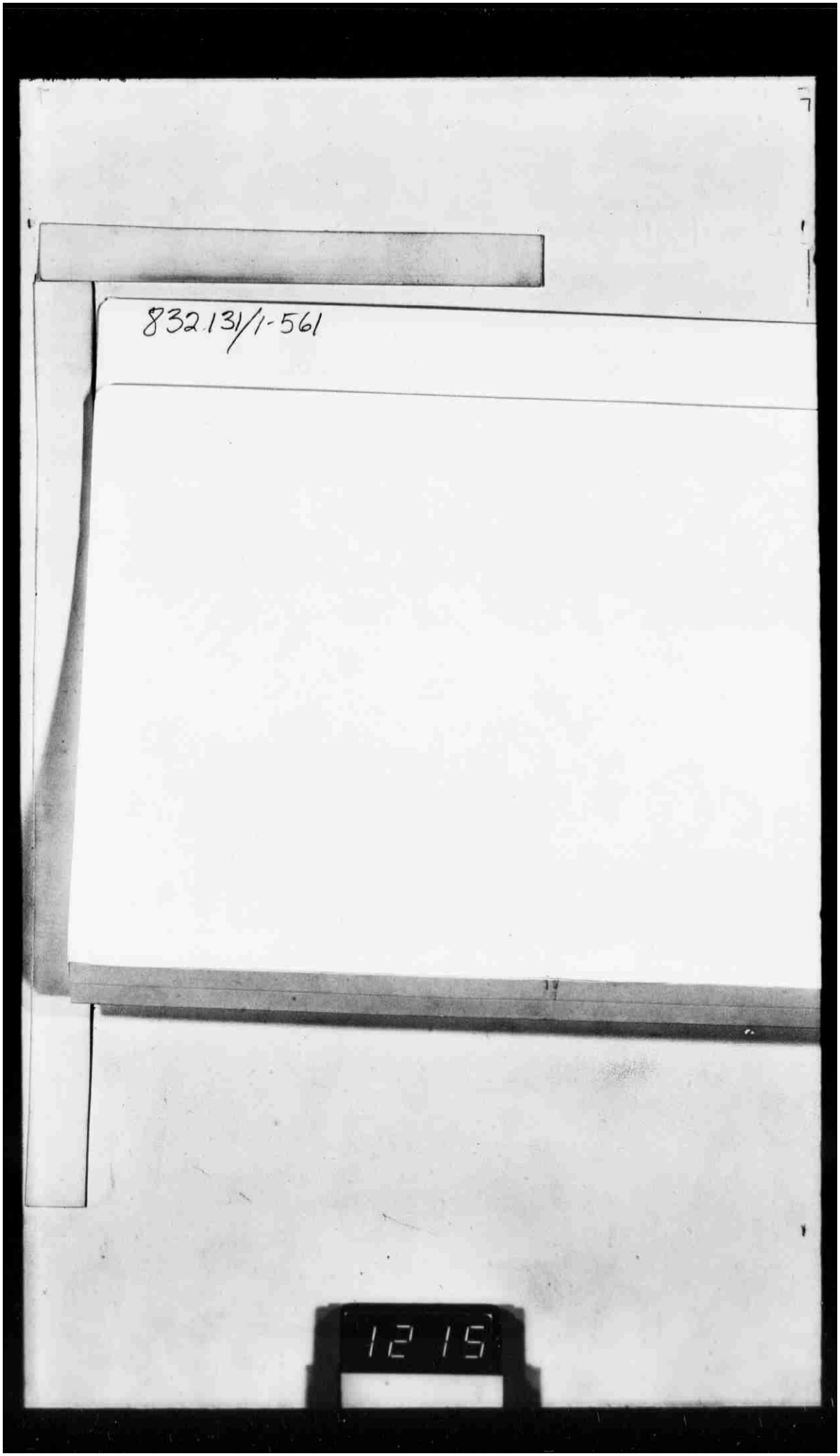
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 563
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

JAN 10 1961
January 3, 1961
DATE

REF : Embassy Despatch 538, December 29, 1960

For Dept. Use Only	ACTION	INFO	DEPT.
	REC'D 1-13	OTHER	Arg-4 Rio-1 RMR-2 INR-7 E-7 ICA-1 Bra-10 Com-8 FRB-3 XMB-4

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
JAN 17 1961
file memo
REA 1-25-61

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193

DLF-7

The regular and extra sales of U.S. dollars in Rio and São Paulo on January 3 amounted to $6,569,000 as compared with $6,194,000 in the previous auction, marking an increase of $375,000 over the previous week's auction. Extra sales amounted to $3,259,000 of which the São Paulo market took $2,625,000. The rate continues to remain unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 3,259,000
Total of extra sales to date	$95,515,000

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

832.131/1-561 HBS

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 572 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — January 9, 1961 (DATE)

REF : Embdes 85, Aug. 1, 1960 and Embdes 403, Nov. 14, 1960
CERP, Sec. B, III, B.4 and Sec. B., III, C.

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R2 REP/1 INR-7 E-7 ICA-11
REC'D	INFO OTHER	
1-17-61		Com-8 TR-2 FRB-2 XMA-4 CIA-10 AGR-8

SUBJECT: Official Foreign Exchange Position, First Eleven Months of 1960; Estimated Position, Full Year, 1960, and Full Year, 1961

832.131/1-961

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I. The 1960 Deficit

1. During the first eleven months of 1960, the purchases and sales of convertible currencies by the Bank of Brazil yielded a deficit of $249.0 million, of which $154.2 million represented the U.S. dollar deficit and $94.8 million represented the deficit in other convertible currencies. There are transmitted herewith two tables prepared by the Exchange Department of the Bank showing the Bank's purchases and sales during July-November, 1960, (Enclosure 1) and the means whereby the deficit of that period was covered (Enclosure 2). ($)

2. It appears reasonable to estimate that the convertible currency deficit for the full year, 1960, was in the neighborhood of $290 million, allowing for a deficit of approximately $40 million in December. The deficit which had been "budgeted" for that month was $38.3 million. However, foreign exchange receipts are understood to have been somewhat less than budgeted, while the recent Eximbank-Bank of Brazil agreement provided for the postponement of certain payments which would otherwise have been due in December.

3. The major transactions by which the Bank of Brazil was able to cover the $249 million deficit incurred during the first

($) The summary comments appearing in this despatch are based in part on those enclosures and ingert on the enclosures transmitted with the reference despatches, as well as on conversations with Bank of Brazil officials.

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JAN 19 1961

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eleven months of 1960 were as follows:

a.	Swaps	$96.2 million
b.	Commercial bank credit lines	53.5 "
c.	Prepayments for Brazilian exports	10.2 "
d.	Overdrafts with U. S. banks	37.6 "
e.	Drawing at I.M.F.	47.7 "
f.	Loan on gold collateral.	10.0 "

4. Large as was the deficit realized during October - November, 1960 ($55.5 million), it is interesting to note that the deficit in those two months was considerably less than had been budgeted for those months ($136.8 million). This "saving" of $81.3 million was accounted for principally by the fact that the Brazilian Government was able (a) to secure approval by the I.M.F. for a six-month postponement of the $47.7 million payment which had been due in November, and (b) to renew a gold collateral loan of $25.0 million from U.S. commercial banks which loan was scheduled to have been redeemed in October.

II. The Prospective 1961 Deficit

According to Paulo Poock Correa, Director of the Exchange Department of the Bank of Brazil, his latest projections indicate a probable deficit, in convertible currencies, of $455 million during 1961. He estimates the deficit during the first half of 1961 at $213 million, and the deficit during the second half of 1961 at $242 million.

The reporting officer will discuss this subject at greater length in a forthcoming despatch analyzing the financial situation confronting President-elect Janio Quadros. Meanwhile, the following comments are pertinent concerning Poock Correa's estimate:

12 18

1. According to Poock Correa, it will not be possible to reduce by a significant amount the deficit of $213 million estimated for the first half of 1961, inasmuch as almost all of the expenditures estimated for that period represent commitments undertaken by the PVC's sold during the last months of 1960 plus the PVC's to be sold during January, 1961.

2. Poock Correa is assuming exports at a rate equal to, or slightly higher than, the rate during 1960. He is also assuming that there will be no change in the foreign exchange system during 1961.

3. He is assuming that "supplementary" sales of convertible currency PVC's pursuant to SUMOC Instruction 193 will average $12.0 million monthly (roughly the monthly average, since that Instruction became effective, at the end of March, 1960.) In that connection, it should be noted that there has been a sharp increase in those sales recently, the total having amounted to $19.2 million in November and $22.8 million in December.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler

William A. Fowler
Counselor of Embassy
for Economic Affairs

Encl: As stated

JM.

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- OPERAÇÕES DE CÂMBIO - JULHO/NOV. DE 1960 -
COMPARATIVO DA EXECUÇÃO & ORÇAMENTO DA RECEITA & DESPESA EM MOEDAS CONVERSÍVEIS
DEMONSTRATIVO DA RECEITA & DESPESA EM MOEDAS INCONVERSÍVEIS

-Unidade: US$ 1,000,000

ESPECIFICAÇÃO	MOEDAS CONVERSÍVEIS					MOEDAS INCONVERSÍVEIS
	EEUU Total	Outros Países Total	Todos os Países Total	Orçado para o Período	+ ou - executado sobre orçado	TOTAL
RECEITA	249.7	120.7	370.4	366.4	+ 4.0	98.4
EXPORTAÇÕES	239.9	113.4	353.3	361.5	- 8.2	94.3
-Café	179.2	74.9	254.1	250.0	+ 4.1	62.2
-Cacau	15.9	19.4	35.3	35.3	-	5.7
-Petroleo	-	4.3	4.3	13.7	- 9.4	-
-Outros produtos:						
(negociaveis no Mercado de Taxa Oficial	1.4	0.1	1.5	-	+ 1.5	-
(negociaveis no Mercade de Taxa Livre	43.4	14.7	58.1	62.5	- 4.4	26.4
TRANSAÇÕES FINANCEIRAS	9.8	7.3	17.1	4.9	+12.2	4.1
-Diversas:						
(no Mercado de Taxa Oficial..	1.4	0.6	2.0	4.9	- 2.9	0.3
(no Mercado de Taxa Livre....	8.0	6.5	14.5	-	+14.5	2.3
-Reajuste de Operações - líquido	0.4	0.2	0.6	-	+ 0.6	1.5
DESPESA	329.2	153.1	482.3	551.3	-69.0	101.8
TRANSAÇÕES COMERCIAIS	239.2	127.1	366.3	373.2	- 6.9	100.0
IMPORTAÇÕES FOB	211.5	125.7	337.2	350.3	-13.1	93.6
-Petróleo & derivados	81.0	5.5	86.5	87.4	- 0.9	2.1
-"PETROBRÁS"-exceto óleo cru...	2.7	2.3	5.0	5.0	-	-
-Estradas de Ferro-equip	0.1	1.8	1.9	1.9	-	4.4
-Emprêsas de Navegação Aérea ..	5.7	0.2	5.9	5.9	-	-
-Livros, Jornais & Revistas ...	1.0	1.2	2.2	2.0	+ 0.2	0.9
-Grupo LIGHT -carvão & equip...	1.7	0.3	2.0	2.0	-	-
-Companhia Siderurgica Nacional	2.5	0.1	2.6	2.6	-	-

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(OPERAÇÕES DE CÂMBIO-CONT'd)

ESPECIFICAÇÃO	MOEDAS CONVERSÍVEIS					MOEDAS Inconversíveis
	EXIM Total	Outros Países Total	Todos os Países Total	Orçado para o Período	+ ou - executado sobre orçado	TOTAL
-Imprensa & Papel para Livros ...	1.7	6.1	7.8	7.8	-	6.8
-Borracha	6.0	7.0	13.0	13.1	- 0.1	-
-Trigo - inclusive Frete	3.3	-	3.3	3.3	-	32.3
-Industria Augomobilistica GEIA	20.7	6.4	27.1	34.3	- 7.2	-
-Maquinaria Agrícola	1.7	2.7	4.4	4.4	-	3.0
-Entidades Gov. & Concessionárias de Serviços Publicos	3.3	5.6	8.9	4.0	+ 4.9	3.7
-Superintendencia do Desenvolvimento do Nordeste - SUDENE	0.7	-	0.7	0.7	-	-
-Amparadas em Certificados com e sem Prioridade Cambial	19.8	22.2	42.0	49.5	- 7.5	4.3
-Outras - inclusive as oriundas de Licitação em Bôlsa	59.6	64.3	123.9	126.4	- 2.5	36.1
SERVIÇOS	27.7	1.4	29.1	22.9	+ 6.2	6.4
-Frete	27.7	1.4	29.1	22.9	+ 6.2	6.4
TRANSAÇÕES FINANCEIRAS	68.5	16.9	85.2	64.7	+20.5	1.8
-EXIMBANK - juros dos empréstimos de $300, US$45 e US$100 mil.	3.9	-	3.9	3.8	+ 0.1	-
-Consórcio de Banqueiros: (juros do emprestimo de US$200 mil.	5.3	-	5.3	4.5	+ 0.8	-
(juros do empréstimo de US$58 mil.	0.4	-	0.4	0.6	- 0.2	-
-Dívida Pública Externa	5.4	2.4	7.8	6.8	+ 1.0	-
-Bond & Share, Light & Power e IT&T - juros	12.9	0.1	13.0	16.5	- 3.5	-
-Industria Automobilística GEIA juros	0.9	0.8	1.7	2.5	- 0.8	-
-Maquinaria Agrícola - juros	0.1	0.2	0.3	0.3	-	0.3
-Certificados com e sem Prioridade Cambial - juros	6.8	2.5	9.3	11.0	- 1.7	0.1

(OPERAÇÕES DE CÂMBIO - CONT'D)

ESPECIFICAÇÃO	MOEDAS CONVERSÍVEIS					MOEDAS INCONVERSÍVEIS
	EE.UU. Total	Outros Países Total	Todos os Países Total	Orçado para o Período	+ ou - executado sobre orçado	TOTAL
-Delegacia do Tesouro Brasileiro em New York	5.3	-	5.3	7.5	- 2.2	-
-Fundo Monetário Internacional - comissões & juros	0.2	-	0.2	-	+ 0.2	-
-Juros a Banqueiros	3.1	2.0	5.1	3.0	+ 2.1	0.2
-"PETROBRÁS" - Serviços Tecnicos	1.8	0.1	1.9	5.0	-3.1	-
-Instituto Brasileiro do Café	0.8	-	0.8	-	+ 0.8	-
-Requisições das Forças Armadas	4.3	0.1	4.4	3.2	+ 1.2	0.6
-Reajuste de Operações - liquido	-	-	-	-	-	0.1
-Outras:						
(através do Mercado de Taxa Oficial	3.7	1.8	5.5	-	+ 5.5	0.2
(através do Mercado de Taxa Livre	13.4	6.9	20.3	-	+20.3	0.3
EMPRÉSTIMOS COMPENSATÓRIOS	21.7	9.1	30.8	113.4	-82.6	-
-EXIMBANK - amortização do empréstimo de US$300 mil.	12.0	-	12.0	20.2	- 8.2	-
-Consórcio de Banqueiros:						
(amortização do empresimo de US$200 milhões	-	-	-	25.0	-25.0	-
(amortização do empréstimo de US$58 milhões	9.7	-	9.7	9.7	-	-
-Fundo Monetário Internacional	-	-	-	47.7	-47.7	-
-Atrasados Comerciais em L ...	-	9.1	9.1	10.8	- 1.7	-
SUPERAVIT (+) ou DEFICIT(-)	-79.5	-32.4	-111.9	-184.9	(+73.0)	- 3.4

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-OPERAÇÕES DE CÂMBIO-
ANÁLISE DA COBERTURA DO DÉFICIT DE JULHO/NOVEMBRO DE 1960
-MOEDAS CONVERSÍVEIS-

(Unidade: US$1,000,000)

ESPECIFICAÇÃO	EEUU	OUTROS PAÍSES	TOTAL
DEFICIT DE JULHO/NOVEMBRO DE 1960	79.5	32.4	111.9
Financiado por:			
-Líquido das transações em US$ com outros países que não os EE UU	+ 8.4	- 8.4	-
-"SWAPS"	+44.1	+ 2.2	+46.3
-"SWAPS"	- 4.1	+ 4.1	-
-Linhas de Crédito normais	+21.0	+ 2.3	+23.3
-Linhas de Crédito especiais vinculadas a exportação de:			
-Cafe	-11.0	-	-11.0
-Cacau	- 8.6	-	- 8.6
-Minerio de manganês contra importação de trigo	- 0.8	-	- 0.8
-Açucar & alcool	+ 6.7	-	+ 7.7
-Empréstimo de US$10 milhões com grupo de banqueiros americanos	+10.0	-.	+10.0
-Variação do total dos créditos comerciais a executar	- 4.2	- 1.6	- 5.8
-Arbitragens	-32.4	+32.5	+ 0.1
-Outros créditos	+37.6	-	+37.6
VARIAÇÃO DA CAIXA	-12.8	- 1.3	-14.1
P r o v a:			
Saldo de Caixa em: 30/6/60	24.1	7.8	31.9
30/11/60	9.4	8.9	18.3
	-14.7	+ 1.1	-13.6
Verbas em trânsito, erros ou omissões	+ 1.9	- 2.4	- 0.5
VARIAÇÃO DA CAIXA	-12.8	- 1.3	-14.1

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JAN 11 1961

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

570
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 9, 1961
DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 494, December 13, 1960

Enclosure SCS-1

For Dept. Use Only	ACTION	DEPT
25	ARA-4	Refa-1 RMR-2 INR-7 E-4 ICA-11
	REC'D 1-16	INFO OTHER Embassy-10 Com-8 TR-3 FRB-3

SUBJECT: Free Market Rates and Stock Exchange Averages - December, 1960

Opr-8 XMB-4 DLF-7 Army-4 Navy-4 NSA-2

There is transmitted herewith a table showing the buying and selling rates for U.S. dollar instruments and currency in the free market as quoted by the "Cambios" as well as daily averages compiled by the Rio de Janeiro Stock Exchange (Bolsa de Valores do Rio de Janeiro).

The cruzeiro deteriorated around the middle of the month moving from Cr$194.00 (check buying) to the $1.00 at the beginning of December to Cr$208.00 on the 13th, fluctuating between Cr$202.00 and Cr$204.00 during the rest of the month and closing at Cr$204.00.

On December 27 the Bank of Brazil announced a change in its buying and selling rates in the free market from Cr$182.00 to Cr$190.00 and from Cr$186.00 to Cr$195.00 respectively. This fact was reported and commented on by the Embassy in other despatches.

For the Ambassador:

John Krizay
Second Secretary of Embassy

FEB 7 11 AM '61
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832.131/1-961 HBS

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

Enclosure:
Free Market Quotations, December, 1960

DEPARTMENT OF STATE
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JAN 24 1961

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Enclosure 1
Despatch 570
Rio de Janeiro

FREE MARKET QUOTATIONS
December, 1960

(Cruzeiro per Dollar)

		Buying		Selling	
		Check	Cash	Check	Cash
Other Banks (Cambios)	High	208.00	208.00	212.00	212.00
	Low	194.00	194.50	194.50	194.50
	Average	201.12	201.50	202.60	202.65

Daily Averages Compiled by the Bolsa de Valores do Rio de Janeiro
December, 1960

1	195.26	19	206.47
2	195.74	20	205.63
3	195.41	21	205.77
5	195.10	22	205.23
6	195.52	23	204.93
7	196.66	24	205.71
9	200.31	26	203.91
10	213.03	27	203.28
12	214.41	28	202.69
13	207.56	29	203.83
14	205.31	30	205.36
15	205.18	31	205.14
16	205.33		
17	204.43		

Monthly Average 204.13

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, RIO DE JANEIRO — 575 DESP. NO. — JAN 18 1961 — January 10, 1961 DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP Section D-III-A-2

20 For Dept. Use Only	ACTION REC'D	DEPT. INFO OTHER
	ARA-4	RM/R-2 REPI INR-7 E-7 IOA-11 L-2
	1-24-61	Com-8 TR-3 FRB-3 XMA-4 CIA-10 NGR-8 DLF-7

SUBJECT: Transmittal of Decree No. 49,487 of December 9, 1960 which changes Article 66 of Decree No. 42,820 of December 16, 1957.

There is enclosed a free English translation of Decree No. 49,487 of December 9, 1960 as published in the Diário Oficial of December 20, 1960.

This Decree alters the text of Article 66 of Decree No. 42,820 of December 16, 1957, dealing with exchange violations. The new Decree provides for a procedure (described in Paragraphs 3 and 4) whereby differences with the Bank of Brazil are to be settled prior to the clearance of merchandise by the customs authorities.

The new text became effective December 20, 1960.

For the Ambassador:

Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler
Counselor of Embassy for Economic Affairs

Enclosure: As stated

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 26 1961

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Page 2 of
Encl. No. 1
Desp. No. 575
From Rio, Brazil

DIÁRIO OFICIAL - December 20, 1960

Decree No. 49,487 of December 9, 1960

Changes Article 66 of Decree No. 42,820 of December 16, 1957

The President of the Republic, acting under authority vested in him by Chapter I, Article 87 of the Constitution and considering Paragraph 1 of Article 6 and Article 50 of Law No. 3,244 of August 14, 1957, decrees:

Article 1 - Article 66 of Decree No. 42,820 of December 16, 1957 as well as its Items and Paragraphs, shall henceforth read as follows:

Article 66 - Exchange regulation infringements verified at the time of customs clearance shall be punished with:

I) Fine in the amount of 100% of the respective value in the case of merchandise imported without license, without exchange cover certificate or beyond the limits mentioned in the license or the exchange cover certificate whenever the importation is subject to these documents.

II) Fine in the amount of 100% of the fraud in cases of under or over invoicing or any other kind of exchange fraud in the importation;

Par. 1 - For the purposes of regulations set forth in Items I and II the value of the merchandise or of the fraud shall be calculated on the basis of the cost of exchange for the corresponding import category. The "agio" of this cost shall be the equivalent of the weighted average resulting from the auctions of the respective currency.

Par. 2 - A difference of more or less 10% in regard to the price or 5% in regard to quantity or weight shall not be construed as a fraud.

Par. 3 - After definite verification or decision on the exchange fraud mentioned in this Article or after verification of the price difference up to 10% the customs authorities shall, for the purpose of clearing the merchandise, demand previous proof from the importer to the effect that the exchange aspect of the importation has been settled with the Exchange Department of the Bank of Brazil.

Par. 4 - For the purpose of settling the exchange aspect of the importation, as described in foregoing Paragraph, the Exchange Department shall take into consideration the results of the investigation started by the customs authorities and collect any amounts due in lieu of the cost of exchange which may be due including that applicable to the 10% difference for which the importer may not yet have the respective exchange cover.

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Par. 5- The infractions referred to in this Article shall be decided upon in accordanse with Article 6 of Law No. 3244 of August 14, 1960.

Par. 6- In the case of recurrence with aggravating circumstances the Director of Customs Revenue may, upon unappealable condemnatory decision at administrative level, suspend for a period of 1 to 5 years the acceptance on the part of any Customs office, of papers submitted by the infringing corporation or firm.

Par. 7- The penalties established in foregoing Paragraph shall be applicable to the directors, managing partners and attorneys as well as to any company or firm of which they are members.

Article 2 - This Decree shall become effective on the date of its publication.

Article 3 - All contrary regulations are hereby revoked.

Brasilia, December 9, 1960

Juscelino Kubitscheck

Sebastião Paes de Almeida

[redacted]

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(Security Classification)

DESPATCH

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[redacted]SSY, RIO DE JANEIRO

587
DESP. NO.

THE DEPARTMENT OF STATE, WASHINGTON.

January 12, 1961
DATE

ara

Embassy Despatch 563, January 5, 1961

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	INFO RM/R-2 REP-1 INR-7 E-7 ICA-11
	REC'D 1-24-61	OTHER Com-8 TR-3 FRB-3 XMB-4 CIA-10

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 27 1961
Elmer
FEB 1-61

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193

The regular and extra sales of U.S. dollars in Rio and São Paulo on January 10 amounted to $8,216,000 as compared with $6,569,000 in the previous auction, marking an increase of $1,647,000 over the previous week's auction. Extra sales amounted to $4,906,000 of which the São Paulo market took $4,009,000. The rate continues to remain unchanged at Cr$210.00 to the US$1.00 as it has since July 19, 1960.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 4,906,000
Total of extra sales to date	$100,421,000

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For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

832.131/1-1261

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO
DESP. NO. 597

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DATE January 16, 1961

REF : Embdes 975 dated April 7, 1960
Embdes 1008 dated April 14, 1960

JAN 18 1961

For Dept. Use Only	ACTION REC'D	DEPT. INFO OTHER
	ara-4 1-25-	Rep-1 RMR-2 INR-7 E-7 ICA-11 ara-10 Com-8 TR-3 FRB-3 XMB-4

SUBJECT: Sale of Foreign Exchange Against PVC's DLF-7

During the first 10 months of 1960, persons and firms buying convertible currency PVC's in the commercial import auctions chose to convert 39.8 percent of those PVC's into exchange contracts for purchases of U.S. dollars to finance imports from the United States. This compares with an average of 48.9 percent during the first four months of 1959 (when PVC's were first made applicable to all convertible currencies), and an average of 42.9 percent for the full year of 1959. Inasmuch as the purchasers of PVC's have a completely free choice as to the country of origin of the commodities to be imported, it is evident that the competitive position of U. S. exporters in the Brazilian market has declined sharply since the beginning of 1959. The decline in that competitive position since May, 1959, has not, however, been great.

There is enclosed herewith a table, obtained from the Exchange Department of the Bank of Brazil showing a breakdown of the currencies claimed against PVC's sold in all of the commercial auctions of Brazil during January-October, 1960.

For the Ambassador:

Herbert K. May

Herbert K. May
Treasury Attaché

832.131/1-1661

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FEB 14 1:50 PM '61

Coordinated:

William A. Fowler

William A. Fowler
Counselor of Embassy
for Economic Affairs

Enclosure: As stated

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Page 1
Encl 1
Desp 597
Rio de
Janeiro

PERCENTAGE BREAKDOWN, ACCORDING TO THE COUNTRY OF ORIGIN, OF U. S. DOLLAR PVC's, APPLICABLE TO CERTIFICATES OF EXCHANGE COVER EMITTED IN THE ENTIRE COUNTRY DURING 1960

(Unit:US$1,000)

COUNTRY OF ORIGIN	JANUARY/SEPTEMBER		OCTOBER		TOTAL	
	Amount	Percent	Amount	Percent	Amount	Percent
U. S. A.	86,333	39.5	10,765	41.3	97,098	39.8
CANADA	7,776	4.6	907	3.5	8,683	3.5
SWITZERLAND	6,064	2.7	902	3.5	6,966	2.8
JAPAN	6,537	3.0	707	2.7	7,244	2.9
SWEDEN	8,073	3.7	934	3.6	9,007	3.7
SUBTOTAL	114,783	52.5	14,215	54.6	128,998	52.7
Other countries not members of the Old ACL Area	4,185	1.9	249	0.9	4,434	1.8
TOTAL	118,968	54.4	14,464	55.5	133,432	54.5
Members of the Old ACL Area						
GERMANY	33,855	15.5	4,529	17.4	38,384	15.7
AUSTRIA	1,320	0.6	173	0.7	1,493	0.6
FRANCE	22,959	10.5	1,626	6.2	24,585	10.0
HOLLAND	5,516	2.5	835	3.2	6.351	2.6
ENGLAND	20,587	9.4	2,386	9.2	22,973	9.4
ITALY	7,110	3.3	935	3.6	8,045	3.3
BELGIAN-LUXEMBURG UNION	8,383	3.8	1,104	4.2	9,487	3.9
TOTAL	99,730	45.6	11,588	44.5	111,318	45.5
GRAND TOTAL	218,698	100.0	26,052	100.0	244,750	100.0

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

601
DESP. NO.

JAN 18 1961

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 16, 1961
DATE

REF : CERP, Section B, III, B-3, April 3, 1957
Embassy Despatch 509, December 19, 1960

Enclosures

For Dept. Use Only	ACTION	DEPT.
25	CA-H	Ref-1 RMR-3 INR-7 E-9 ICA-11
	REC'D 1-25	INFO OTHER Cia-10 Com-8 TR-3 FRB-2 XMB-4

SUBJECT: Foreign Exchange Auctions during December, 1960.

During the exchange auctions held in December $26,156,000 x/ of regular offerings and $25,358,000 of supplementary offerings under the provisions of SUMOC Instruction 193 were purchased by Brazilian importers. By the end of December $106,297,000 of extra offerings were purchased since the inception of Instruction 193, more than half of this amount in the last three months of the year. Enclosure 1 contains a breakdown of supplementary sales under Instruction 193 by month and indicates maturity dates. It will be noted that approximately $70 million of the extra sales of FVCs will fall due after the new government assumes power at the end of this month.

Throughout the month in the regular auctions in the general category the rate fluctuated between a low of Cr$182.80 and a high of Cr$210.00. In the special category the rate fluctuated widely between Cr$582.10 and Cr$675.00. It should be noted, however, that the low of Cr$182.80 in the general category was recorded in Teresina, a small isolated market and therefore is not representative. In Rio and São Paulo which are the largest markets the rate in the general category kept stable at Cr$210.00 and in all other markets, except for São Luiz and João Pessoa, it never fell below Cr$200.00 to the US$1.00. Likewise it should be pointed out that the Cr$582.10 in the special category was also recorded in Teresina. In Rio and São Paulo the special rate fluctuated between Cr$609 and Cr$675, declining somewhat at the end of the month.

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A breakdown of the total of $55,514,000 auctioned throughout the country during December follows:

U.S. Dollars	Offerings	Sales	Balance Unsold
General Category	21,756,000	21,756,000	
Special Category	444,000	444,000	
Instruction 193 (extra sales)	65,268,000	25,358,000	
Fertilizers	2,300,000	2,299,000	1
Insecticides	1,950,000	1,657,000	

x/ The corresponding November figure should be corrected to read $24,396,000 in Despatch 509, December 19, 1960.

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Fertilizers varied between Cr$85.20 and Cr$96.60 and for insecticides the high and low were respectively Cr$87.00 and Cr$81.08.

The agio on the Danish Kroner sold for the general category kept stable at Cr$25.78 and unchanged in relation to the previous month.

Other bilateral accounts denominated in dollars were sold in substantial amounts at the uniform rate of Cr$178.00 throughout the month with no change in relation to the previous month.

The available data on foreign exchange auctions in Rio and São Paulo during December 1960, are summarized in enclosure 2.

For the Ambassador:

John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

Enclosures:
1 - Supplementary sales of U.S. Dollars (Instruction 193)
2 - Auctions of Foreign Currencies during December, 1960.

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Enclosure 1
Despatch 601
Rio de Janeiro

SUPPLEMENTARY SALES OF U. S. DOLLARS
Instruction 193

All Brazil

	Sales	Maturity
		1960
March	382,000	August
April	7,921,000	September
May	6,534,000	October
June	6,822,000	November
July	5,464,000	December
		1961
August	8,433,000	January
September	14,659,000	February
October	11,551,000	March
November	19,173,000	April
December	25,358,000	May
T o t a l	106,297,000	

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Enclosure 2
Despatch 601
Rio de Janeiro

AUCTIONS OF FOREIGN CURRENCIES DURING DECEMBER 1960

A. Auctions of Currencies in Limited Amounts

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo			
	Offers (000)	Sales (000)	Agio High	Agio Low
U.S. Dollars				
General Category	13,240	13,240	210.00	210.00
Special Category	280	280	675.00	609.60
Fertilizers	1,320	1,320	96.60	85.20
Insecticides	1,190	1,094	87.00	81.08
Extra (Instr. 193)	39,720	21,783	210.00	210.00
Chile-$				
Fertilizers	580	108	81.08	81.08
Finland-$	226	226	219.00	189.06
Spain-$	560	560	207.00	186.00

B. Auctions of Currencies Without Maximum Units

Auction and Currency Unit of Auction	Rio de Janeiro and São Paulo		
	Sales (000)	Agio High	Agio Low
General Category			
Argentina-$	927	178.00	178.00
Chile-$	389	178.00	178.00
Czechoslovakia-$	995	178.00	178.00
Denmark-Kroner	11,145	25.78	25.78
East-Germany-$	266	178.00	178.00
Greece-$	203	178.00	178.00
Hungary-$	78	178.00	178.00
Iceland-£	81,016	498.40	498.40
Israel-$	21	178.00	178.00
Norway-$	1,788	178.00	178.00
Poland-$	500	178.00	178.00
Yugoslavia-$	51	178.00	178.00
Uruguay-$	5	178.00	178.00
Special Category			
Argentina-$	1	526.00	526.00
Czechoslovakia-$	8	532.00	519.00
Denmark-Kroner	90	81.52	81.52
East Germany-$ (Fertilizers)	84	81.08	81.08
Israel-$ (Fertilizers)	10	81.08	81.08
Norway-$	2	539.00	519.00
Poland-$	4	539.00	519.00
Spain-$	3	526.00	519.00

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FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1658, JANUARY 18

832.131

FOR COMMERCE

REFERENCE DEPARTMENT TELEGRAM 1887, JANUARY 10, 1962

FISCAL DOLLAR RATE CONFIRMED FOR BAGGAGE CLEARANCE.

GORDON

JHW

Rio de Janeiro 1658 832.131/1-1862

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

624
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 19, 1961
DATE

REF : Embassy Despatch 587, January 12, 1961

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 INR-7 E-7 ICA-11
	REC'D 1-27-61	OTHER COM-8 TR-3 FRB-3 XMB-4 CIA-10 AGR-8 DLF-7

SUBJECT: Foreign Exchange Auctions under SUMOC Instruction 193.

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The regular and extra sales of U.S. dollars in Rio and São Paulo on January 17 amounted to $12,973,000 as compared with $8,216,000 in the previous auction, marking an increase of $4,757,000 over the previous week's auction. Extra sales amounted to $9,663,000, the highest amount recorded since the inception of Instruction 193. For the third time (the two previous ones occurred during the pre-election auctions of September 27 and on December 13 - see Embassy Despatches 275 and 499 of September 28 and December 15) the entire extra offering of dollars was taken up in São Paulo ($4,965,000 were purchased by Brazilian importers at the São Paulo auction beyond the regular offering there of $1,655,000). In the Rio auction $4,698,000 of the extra offering of $4,965,000 was taken up, the largest volume of extra sales ever made in Rio.

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The factors contributing to the sudden rise in extra sales are numerous. Underlying them all, however, is an awareness - based on rumors, intuitions and fact - of the seriousness of Brazil's foreign exchange position and uncertainty as to what the foreign exchange policies of the new administration will be in light of the seriousness of the foreign exchange position. Particularly there is a feeling that the extra sales under SUMOC Instruction 193, which has been severely criticized by the press and trade journals as a costly mechanism which serves only to keep the cruzeiro rate down "for prestige purposes", will be discontinued; or that in any case the exchange rate applicable to imports will not be maintained at the present relatively low level.

These views have been generally prevalent for some time at least in the business and financial community but became even more prevalent in recent weeks in light of press reports that the oil companies were told of an increase to 180 days from the previous 120 days in the maturity of new PVCs for petroleum imports, of rumors that the Bank of Brazil was having difficulty soliciting swap transactions and that

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efforts were being made to obtain advance payments on certain exports. In the circumstances, it is not unnatural that as the present government - with its policy of keeping the cruzeiro-dollar rates down at almost any cost - approached the end of its term, interest in stocking up on dollars "while they are still relatively cheap" should grow.

One event which may have given impetus to the sudden rise in extra sales this week was the sudden deterioration of the free market cruzeiro rate on the Friday preceding this auction. On that day the free rate rose to Cr$226 per $1.00. Though the Bank of Brazil tried to "shore up" confidence by announcing its readiness to sell dollars at Cr$220 to $1.00 in $50,000 lots (later even in $20,000 lots), the public was apparently skeptical that the Bank had sufficient funds to carry out its offer for very long.

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In spite of everything the agio rate in Rio and São Paulo remained constant at Cr$210.00 to $1.00.

The available data on the regular and extra sales of U.S. dollars in Rio and São Paulo in the general category are given below:

	Rio and São Paulo
Regular	$ 3,310,000
Extra	$ 9,663,000
Total of extra sales to date	$110,084,000 x/

For the Ambassador:

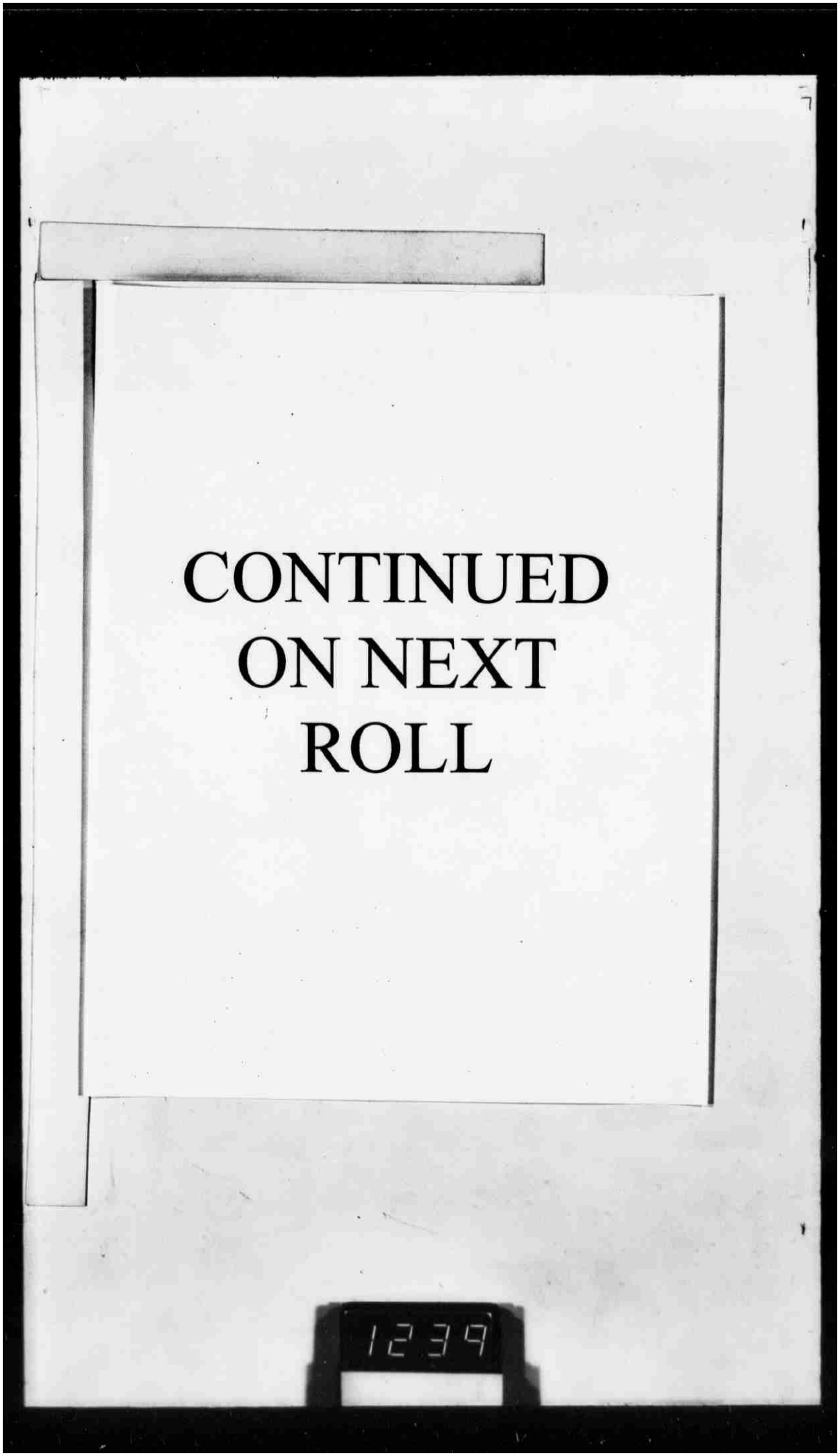
John Krizay
Second Secretary of Embassy

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

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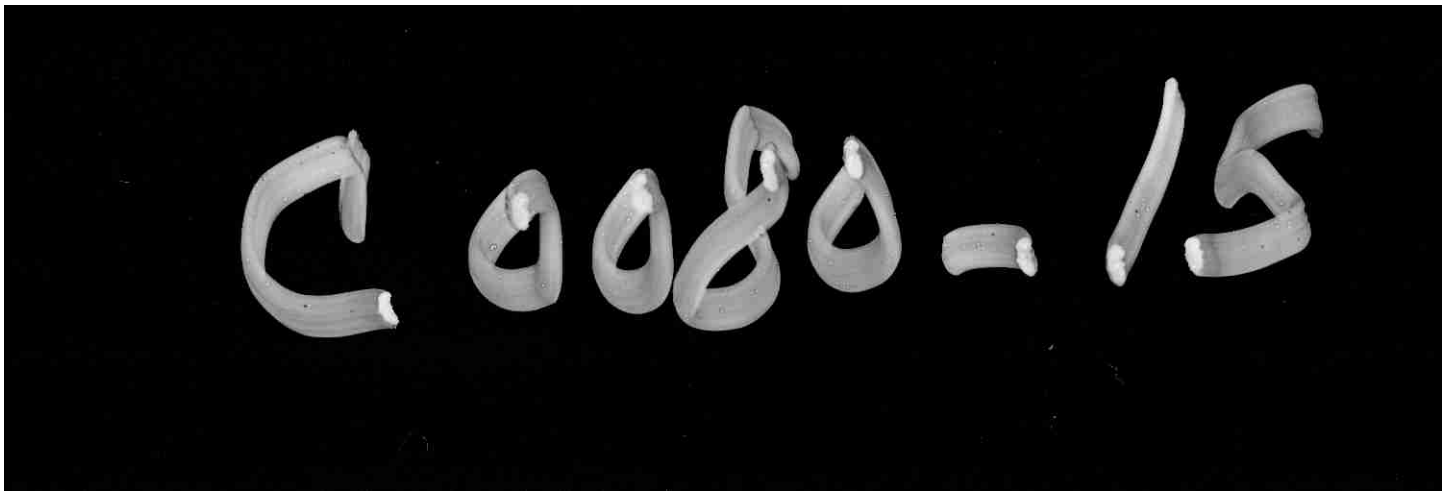
x/ Roughly Cr$83 million of these extra sales will mature after the new government assumes office.

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