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AIR POUCH

Department of State

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Amembassy, Brasilia Office

November 26, 1962

- 1) Key Brazilian Deputy Tells Embassy Mild Profit Remittance Bill Will Not Pass; (2) Rio Grande do Sul Wants to Begin Participation in AFP.

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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that smothers reason and prevents rational action.

For the Ambassador:

Harry Weiner

Harry Weiner
Second Secretary of Embassy

APPROVED BY:

John Keppel
Counselor of Embassy
for Political Affairs

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Enclosure:

Memorandum of Conversation
dated November 24, 1962.

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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 Meneghetti, 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

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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.

Washington, Brasilia Office December 25, 1964

1) My Brazilian Deputy Galla Roberto Will Fossil
Assistance Will Not Pass; (2) The Grants do not
want to begin participation in AFP.

Attached is a memorandum of conversation with Deputy
officers and Galla Roberto, Chairman of the Chamber of
Deputies Committee on the Economy. Fossil said he will
oppose State Secretary of Economy in the new Rio Grande do
Sul government and that he and the 1st Deputy want to
participate in the AFP.

He also gave his opinion that the Krueger bill (a
milder version of the present profits resistance bill) 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 prac-
tically the same as at present. He also defended the
present law, saying it is natural for Brazil to take such
experiments.

Comments: 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 resistance
law by the Chamber's foremost exponent of sound economics
was somewhat discouraging. Fossil's statement that the
Chamber might pass the Krueger bill next year may have been
more a wish than a prediction. His comments add evidence to the impression voiced by officers
at this post who have been working with the Chamber that the
profits resistance issue remains blocked in the national law.

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