

AIRGRAM

POL 2-1 BRAZ

FOR RM USE ONLY

RM/R	REP	AF
1		
ARA	EUR	FE
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NEA	CU	INR
E	P	IO
L	FBO	AID
		9
PC	SL/L	RS/R
2	1	1
AGR	COM	FRB
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INT	LAB	TAR
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TR	XMB	AIR
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ARMY	CIA	NAVY
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OSD	USIA	NSA
46	11	3
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A-760

NO.

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PRIORITY

HANDLING INDICATOR

TO : Department of State

RECEIVED

DEPARTMENT OF STATE

FEB 17 7 30 AM 1967

RS/AN
ANALYSIS BRANCH

FEB 14 1967

DATE: February 10, 1967

FROM : Amembassy - RIO DE JANEIRO

DATE:

SUBJECT : WEEKA NO. 6

REF :

CONTENTSPOLITICAL

1. Major Reform of the Cruzeiro
2. Press Law Signed
3. Inter-American Defense Board Proposal Withdrawn
4. Rhodesia Sanctions
5. Carnival

MILITARY

6. Air Minister to Visit US

ALLIANCE FOR PROGRESS

Negative

PSYCHOLOGICAL

Negative

GROUP 3: Downgraded at 12-year intervals;
not automatically declassified.

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4-62 DS-323

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Contents and Classification Approved by:

POL:MVKrebs

Clearances:

DECLASSIFIED

Authority NND 969000

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INR COMMUNICATIONS
CENTER

1967 FEB 17 PM 4 55

DEPARTMENT OF STATE
RECEIVEDAction Assigned to
Action Taken to
3/2/67
RARSite of Action
Action Office Symbol
Name of Officer
Direction to RM/R

POLITICAL1. Major Reform of the Cruzeiro

On February 8, the Monetary Council announced its decision to: (1) issue the "Cruzeiro Novo" and, (2) devalue the exchange rate. Both measures will be implemented Monday, February 13. A bank holiday, including the Bank of Brazil and all exchange dealers, was announced for February 9 and 10. The "New Cruzeiro"--which initially will be an overmarking of existing cruzeiros--will be equal in value to 1,000 current cruzeiros. The Bank of Brazil will open February 13 with a new buying rate for dollars of Cr\$2700 (or NCr\$2.7) and Cr\$2715 selling rate (NCr\$2.715). (UNCLASSIFIED)

COMMENT: The (22.7%) devaluation was timely and not unexpected. The issuance of the New Cruzeiro probably was premature in terms of the anticipated price increases in coming months. It has been a longstanding objective of the present Government to issue the New Cruzeiro when price increases are reduced to about 10 percent annually. The January price index is not yet available but is expected to show a significantly higher increase than the 1.4 percent monthly average of the last quarter of 1966. (LIMITED OFFICIAL USE)

2. Press Law Signed

On February 9, President Castello Branco signed the new Press Law (WEEKA 3) with only two vetoes of procedural provisions having to do with evidence of violations and the criminal record of violators. The changes do not alter the basic thrust of the law nor provide relief for the problems created by the law for foreign owned, controlled or operated media. (UNCLASSIFIED)

3. Inter-American Defense Board Proposal Withdrawn

During a press conference on February 3 to report on his recently completed world tour, Foreign Minister Juracy Magalhães said that in the face of opposition from other OAS countries to the proposal for institutionalization of the Inter-American Defense Board, Brazil would not insist on the matter. (UNCLASSIFIED)

4. Rhodesia Sanctions

President Castello Branco on February 1 signed a decree implementing the resolution of the UN Security Council concerning economic sanctions against Rhodesia. (UNCLASSIFIED)

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5. Carnival

Notwithstanding economic pressures and difficulties arising out of the recent storm (electricity rationing was suspended during carnival, but air conditioning still prohibited), this year's carnival in Rio was at least as animated as that of last year. The occasion was used for some protest, e.g. students complaining over lack of vacancies in the universities, but strict censorship relegated social comment in the carnival songs to rather indirect allusions. (UNCLASSIFIED)

MILITARY6. Air Minister to Visit US

Air Minister Eduardo Gomez has orally accepted an invitation from Secretary of the Air Force Brown, to make an official visit to the US. He indicated a preference for the dates 27 February - 5 March, and is expected to want to discuss supply support for S2A's, replacement aircraft for P2E's, an export license for CF-5's and the future of MAP. (UNCLASSIFIED)

RAINE
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