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FROM: Rio de Janeiro

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TO: Secretary of State

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DIFFICULT AS YET EVALUATE IMPLICATIONS ANNOUNCEMENT CARVALHO PINTO APPOINTMENT AS FINANCE MINISTER. PINTO APPARENTLY HAS NOT FULLY ACCEPTED. REPORTS VARY, INCLUDING THAT PINTO WILL GIVE DEFINITE REPLY IN 48 HOURS AND ACCEPTANCE IS CONDITIONAL ON (A) CONVERSATION WITH DANTAS ON FINANCIAL SITUATIONS, (B) SOUNDING OUT ATTITUDE FRIENDS IN SAO PAULO AND (C) LIBERTY APPOINT KEY FINANCIAL OFFICIALS, INCLUDING EXECUTIVE DIRECTOR SUMOC, BANK OF BRAZIL AND BNDE. IF PINTO ACCEPTS POSITION HE PROBABLY HAS TWO BASIC ALTERNATIVES. ONE IS TRY USE PAST REPUTATION AND POSITION AS SPOKESMAN FREE ENTERPRISE AND BUSINESS COMMUNITY TO INDUCE US GIVE FURTHER INTERIM FINANCIAL ASSISTANCE WHILE HE ATTEMPTED PUT INTO EFFECT PROGRAM ACCEPTABLE TO US AND IMF. OTHER ALTERNATIVE WOULD BE ABANDON DANTAS FINANCIAL POLICY AND TRY MOBILIZE INTERNAL FORCES IN COUNTRY, INCLUDING NATIONALISTIC BUSINESS COMMUNITY, FOR MORATORIUM AND RELIANCE FAR AS POSSIBLE BRAZIL'S OWN RESOURCES. SOMEWHAT DIFFICULT PICTURE PINTO IN ROLE SECOND ALTERNATIVE, UNLESS HE BELIEVED COULD NEGOTIATE DEBT MORATORIUM IN DIGNIFIED AND BUSINESSLIKE FASHION, WITHOUT OFFENDING INTERNATIONAL CREDITORS. RUMORS HAVE BEEN HE FAVORS MORATORIUM AND REPORTS IN TODAY'S PRESS STATE GOULART WITH PINTO APPOINTMENT INTENDS CHANGE ECONOMIC FINANCIAL POLICY TO EMPHASIZE DEVELOPMENT AND RE-NEGOTIATE FOREIGN DEBTS, IN CONTRAST TO DANTAS POLICY STABILIZATION, WHICH NOW FELT HAS ACHIEVED ITS PURPOSE IN REDUCING INFLATIONARY PRESSURES.

WITH EXHAUSTED RESERVES, HIGH COMMERCIAL ARREARS, SUBSTANTIAL DEBT PAYMENTS DUE JUNE AND JULY, AND JULY 1 DEADLINE FORESEEN MEMORANDUM OF UNDERSTANDING WITH AMFORP APPROACHING, PINTO WOULD FIND NECESSARY MAKE ALMOST IMMEDIATE CHOICE BETWEEN ABOVE ALTERNATIVES. HE MAY NOT BE COMPLETELY AWARE BASIC SERIOUSNESS OF SITUATION AND MAY HAVE SECOND THOUGHTS ABOUT ACCEPTING POSITION AFTER TALKING WITH DANTAS. EDITORIAL OPINION

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-2- 2455, June 18, 9 p.m., from Rio de Janeiro

TODAY IN JORNAL DO BRASIL, WHICH GENERALLY REFLECTS DANTAS LINE, WHILE ACKNOWLEDGING SOUNDNESS PINTOS PAST RECORD, ASKS WHAT PINTO COULD POSSIBLY ACCOMPLISH BY JOINING NEW MINISTRY AND IF PURPOSE HIS APPOINTMENT TO CONTINUE DANTAS PROGRAM, WHY WAS DANTAS DISMISSED? ESTADO DO SAO PAULO STATES EDITORIALLY PINTO FREE PARTICIPATE IN CABINET, BUT SUCH PARTICIPATION MUST BE VIEWED WITH DEEP DISAPPOINTMENT AS ASSOCIATION WITH "CONSPIRACY WHICH DECEIVES NO ONE AND WHICH IS REJECTED BY DEMOCRATIC BRAZIL."

NEWS CIRCULATING THAT GOULART NAMED DANTAS TO HEAD SPECIAL ECONOMIC-FINANCIAL MISSION TO US, WESTERN EUROPE AND SOVBLOC, WITH ELIEZER BATISTA, CARLOS BERNARDES AND OTHERS. HOWEVER, OTHER REPORTS INDICATE DANTAS REFUSED ACCEPT SUCH MISSION.

PARALITIZED RATE WHICH CLOSED 818/824 YESTERDAY STRENGTHENED TO 780/795 THIS MORNING APPARENTLY INFLUENCED BY NEWS PINTO APPOINTMENT, ALTHOUGH WEAKENED TO 790/800 EARLY AFTERNOON.

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