

INCOMING TELEGRAM *Department of State*

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UNCLAS RIO DE JANEIRO 8656

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1. OF APPROXIMATELY 45 DECREE LAWS PROMULGATED BY PRESIDENT CASTELLO

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BRANCO DURING LAST 2 DAYS OF AUTHORITY GRANTED HIM TO LEGISLATE IN THIS FASHION BY INSTITUTIONAL ACT NO. 4 MANY ARE OF GREAT ECONOMIC SIGNIFICANCE. MOST IMPORTANT ARE DECREE LAWS 199 AND 200 REDEFINING FUNCTIONS OF LEGISLATURE'S TRIBUNAL DE CONTAS AND REFORMING STRUCTURE OF EXECUTIVE, RESPECTIVELY. THIS LONG-AWAITED ADMINISTRATIVE REFORM FOLLOWS LINES ANTICIPATED BY COUNTRY TEAM EXCEPT IN SO FAR AS IT FAILS RESOLVE VARIOUS ISSUES WHICH AROSE WITHIN ADMINISTRATION DURING FORMULATION OF REFORM. EXAMPLES ARE FAILURE TO REMOVE CIVIL FUNCTION FROM AIR MINISTRY TO TRANSPORT MINISTRY (REFORM AUTHORIZES EXECUTIVE TO REMOVE CIVIL AIR FUNCTION TO TRANSPORT MINISTRY IF IT SEES IFT) AND FAILURE TO UPGRADE SUNAB BY ATTRIBUTING ITS FUNCIONS EITHER TO

AG MIN OR TO NEW EXTRAORDINATY MINISTER FOR SUPPLY (REFORM POSTPONES DECISION HERE AS WELL BY AUTHORIZING EXECUTIVE EVENTUALLY TAKE EITHER ONE OF ABOVE MEASURES). WILL SUBMIT DETAILED ANALYSIS OF REFORM BY AIRGRAM SOONEST.

2. FOLLOWING IS LIST OF OTHER NEW ECONOMIC MEASURES. APPROPRIATE DETAILED REPORTING WILL BE SUBMITTED BY EMBASSY WHEN TEXTS OF RESPECTIVE DECREE LAWS BECOME AVAILABLE:

A. DECREE LAW 191 OPENS NCR\$ 21 MILLION SPECIAL CREDIT DESTINED FINANCE NAVAL CONSTRUCTION AND PROVIDES VARIOUS FISCAL INCENTIVES FOR THIS INDUSTRY;

B. DECREE LAW 187 FIXES FISCAL DOLLAR AT NCR\$ 2.70; IN ABSENCE SUCH MEASURES LAGS BETWEEN CLOSURE OF IMPORT CONTRACTS AND RECEIPT

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OF COMMODITIES WOULD HAVE LEFT FISCAL DOLLAR APPROXIMATELY
EQUAL OLD EXCHANGE RATE FOR SEVERAL MONTHS;

C. DECREE LAW 195 DEFINES TYPES OF IMPROVEMENTS FOR WHICH
ASSESSMENTS CAN BE LEVIED AGAINST PROPERTY OWNERS AT ANY GOVERNMENT
LEVEL;

D. UNIDENTIFIED DECREE LAW REPLACES OLD BRAZILIAN SALT INSTITUTE
WITH EXECUTIVE COMMISSION FOR SALT EMPOWERED CONCEDE FISCAL
INCENTIVES TO INDUSTRY, FIX PRICES, ACCUMULATE STOCKS , ETC;

E. UNIDENTIFIED DECREE LAW PROMULGATES LONG-AWAITED
MODERNIZATION OF BRAZILIAN PATENT PROCEDURE;

F. UNIDENTIFIED DECREE LAW CREATES NEW MACHINERY FOR ENFORCING
STANDARDS OF WEIGHTS AND MEASURES IN BRAZIL ;

G. DECREE LAW 208 PERMITS STATES IMPOSE EXCISE TAX ON AUTO
GASOLINE AND DIESEL FUEL (EXCEPT FOR DIESEL FUEL DESTINED FOR
USE OTHER THAN ON ROADS) IN ORDER RESTORE REVENUES LOST WHEN NEW
CONSTITUTION REDUCED SHARE OF LOCAL GOVERNMENTS IN PETROLEUM
PRODUCTS SOLE TAX PROCEEDS FROM 60 TO 40 PERCENT;

H. DECREE LAW 209 PROMULGATES NEW NATIONAL FOOD CODE,
PRESUMABLY BRAZILIAN COUNTERPART OF U.S. PURE FOOD AND DRUG ACT;

I. DECREE LAW 210 RE-DEFINES STATE WHEAT MONOPOLY, AUTHORIZING
SUNAB DETERMINE MARGINAL REQUIREMENT FOR IMPORTED WHEAT ON BASIS
LOCAL PRODUCTION ESTIMATES, PURCHASE BOTH LOCAL AND FOREIGN WHEAT
THROUGH BANK OF BRAZIL, DISTRIBUTE WHEAT TO MILLERS IN ACCORDANCE
THEIR DEMONSTRATED CAPACITY TO STORE AND PROCESS THIS COMMODITY;

J. UNIDENTIFIED DECREE LAW OPENS FIELD OF WORKER
INDEMNIFICATION COVERAGE TO PRIVATE ISURANCE COMPANIES;

K. UNIDENTIFIED DECREE LAW CREATES GOVERNMENT COMMISSION TO
REORGANIZE DEFUNCT MINERACAO GERAL DO BRAZIL (JAFET STEEL GROUP)
AS "COMPANHIA SIDERURGICA DE MOGI DAS CRUZES- COSTM"- AND TO

TRANSFER THIS FACILITY TO PRIVATE OWNERSHIP WITHIN 12 MONTHS;

L. DECREE LAW 221 PROMULGATES NEW NATIONAL FISHING CODE;

M. DECREE LAW 227 PROMULGATES NEW NATIONAL MINING CODE WHICH
PROHIBITS FOREIGN INVOLVEMENT IN MINING EXCEPT BY MEANS OF
PARTICIPATION IN BRAZILIAN CORPORATIONS. TUTHILL
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