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**SUBJECT**

JUN 6 4 07 PM '68

AMERICAN EMBASSY  
BRASILIA, BRAZIL

Department of State

INFO : Brasilia, Bolón, Recife, São Paulo, Porto Alegre

Ambassy RIO DE JANEIRO

May 31, 1968

Fiscal Dollar

AMB  
DCI  
POL  
MINECON  
ECON-3  
E/COMI-3  
USAID-10  
FINATT-5  
ADDP  
BRASILIA-3  
SPAULO-2  
FILE

PASS COMMERCE AND TREASURY

1. This message is in response to informal inquiry and is communicated by airgram as general information for any interested party.

2. The fiscal dollar is the rate of exchange used to determine the cruzeiro value, for the assessment of import duties, of imported goods which are valued in other than Brazilian currency. The legal authority is contained in Decree Law 37 of Nov. 18, 1966.

3. Article 24 of Decree Law 37 stipulates that the fiscal dollar rate of exchange will be fixed monthly by the competent authorities based upon the behavior of the import exchange market in the month before last. This means that, although the provisions of Article 24 do not directly link the fiscal dollar exchange to the official rate, the two are usually identical.

4. Variation from the normal situation occurs when there is a change in the official exchange rate. For example, in January and February of this year the fiscal dollar rate was based on activity in the import exchange market in November and December, 1967. Thus it remained at NCr\$2.71 per US\$ although the official rate had been devalued at the end of December to NCr\$3.22 per US\$. The effect was to enable the importer to pay the duties on his imports at values that were calculated at the previous (lower) rate. Any new purchases of foreign exchange to pay for imports themselves, of course, had to be made at the new official rate.

EMBOFFICE  
Brasilia

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ECON/COMI:R Bash; FINATT:GJLohmann/tw

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Rio de Janeiro

5. Given the relationship between the fiscal dollar rate and the official rate (namely, virtually equivalent except for a two-month lag after a devaluation), it is the Embassy's recommendation that monthly reporting of the fiscal dollar rate be discontinued unless or until there is a numerically important difference between the official and fiscal dollar rate. When such a difference does occur the Embassy would make it the subject of an Alert report.

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