TELEGRAM

Foreign Service of the United States of America

INCOMING Amembassy Brasilia

ACTION:

CONFIDENTIAL

Classification

POL-2

Control:

INFO:

Recd: August 24, 1964
0913

PRINOFF
RF
FILES

FROM: AMEMBASSY RIO DE JANEIRO

NO: 28, August 22, 12 Noon

POLITICAL

RD ✓ LB ✓ TD ✓ RB ✓ PM ECON ADMIN US AID AIR CF ✓

Action Copy

For Action taken

No action required

File

Date

Initials

ACTION PRIORITY DEPT 425 INFO BRASILIA 28 SAO PAULO 24

AMFORP

1. Amforp purchase approved in Brasilia by National Security Council Friday and copies initialed memo stating agreed terms given to Congress and press. Prior to NSC meeting, Minister XKXXI Thibau appeared before joint session Mines and Energy committees chamber fand senate. He was very stiffly crossexamned, notably be Senator Joao Agripino who denounced sale as "old hardware" purchased on terms highly disadvantageous to nation. Press attacks Saturday indlude sharp editorial in Correio da Manha, Diario de Noticias headline "utility companies will carry away billionsç" and Ultima Hora "qtility purchase augments struggle against Castillo." Thibau defended terms of purchase but played main weight his defense on grounds of need to fulfill paper GOB commitment.

INCO-15-2-A Amforp

2. Meanwhile in Rio, discussion continued between Sargent ET AL and Benedito Dutra representing Mines Ministry on only remaining open points in contract, all concerned with clause 18 which contains terms of reference to neutral expert and basis for contract price adjustment in event expert valuation below agreed price. Company reps had long consultation with me in late afternoon on precise points in dispute. In late evening, Foreign Minister VAsco phone me from Presidents office in Brasilia, to report NSC approval and GOB willingness compromise on principal remaining disputed point, and requdsting my good offices to help work out remaining issues so that initialed contract could be attached Monday to formalx presidential mdssage to congress.

3. Sargent and Dutra, each accompanied by advisers, met with me at residence from 11 PM to 2 AM. 3 points at issue were (a) whether selection of indices for monetary correction and of compatible exchange rates for monetary convessation should be specified in contract or left to judgment of neutral expert; (b) whether assets corresponding to Eximbank loans should be segregated from books with valuation thereof kept oonstantly in dollars; and (c) where Amforp share in any price adjustment should be 80-5% (ration of Amforp stock plus debt to total exchuding Eximbank debt) or 70-5% (ration of Amforp stock to total stock,

EST/241055

CONFIDENTIAL

Classification

FORM FS-412
3-1-55

POST ACTION COPY

GPO 892057

TELEGRAM

INCOMING Amembassy Brasilia

Foreign Service of the United States of America

CONFIDENTIAL
Classification

Control:

PAGE TWO EMBTEL 28 FROM RIO

Recd:

excluding Amforp debt as weel as Eximbank debt)%. Unfortunately, from Amforp viewpoint, point (b) was not covered in initialed memorandum, although it might prove quite significant since Eximbank loans had been entered on local books at low cruzeiro figures feflecting greatly overvalued official rates of exchange in early 1950's.

4. Discission demonstated evident desire both sides find ways of compromising all these points. Meeting to be resumed at 2 PM Saturday with purpose winding up contract terms if possible before end of day.

GP-3.

GORDON

CONFIDENTIAL
Classification

FORM FS-412
3-1-55

POST ACTION COPY

GPO 892057