

INCOMING TELEGRAM *Department of State*

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FROM: RIO DE JANEIRO

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NSA IN DEC. 31 NEW YEARS EVE STATEMENT, PRESIDENT GOULART ANNOUNCED GOB
AGR INTENTION UNDERTAKE NEGOTIATIONS WITH INTERNATIONAL CREDITORS TO
COM RESCHEDULE EXTERNAL DEBT FALLING DUE 1964/65. CITED LBJ LETTER OF DEC-
FRB EMBER 19. FOLLOWING IS INFORMAL TRANSLATION VERBATIM TEXT THAT PORTION
TRSY GOULARTS MESSAGE DEALING WITH DEBT PROBLEM (PARAGRAPH NUMBERING IS
XMB OURS):
RMR

"1. IN ORDER TO ATTAIN ITS OBJECTIVES, THE BRAZILIAN GOVERNMENT WILL IMMEDIATELY UNDERTAKE A PROGRAM OF ACTION ABROAD, IN IMPLEMENTATION OF ITS ECONOMIC DEVELOPMENT. THIS ACTION WILL BE CONDITIONED ON ITS FUNDAMENTAL INTERESTS. THE MEASURES WHICH HAVE BEEN RECENTLY ADOPTED TO PROMOTE EXPORTS WILL PERMIT, IN 1964, TAKING ADVANTAGE OF COMMERCIAL POSSIBILITIES IN ALL COUNTRIES OF THE WORLD AND WILL SUPPORT UNDERSTANDINGS IN THE FINANCIAL AREA.

2. IN THIS CONNECTION, THE EXTERNAL DEBT OF BRAZIL, ALTHOUGH NOT LARGE COMPARED WITH THE VALUE OF THE GNP AND WITH ACTUAL ANNUAL EARNINGS OF FOREIGN EXCHANGE COMPRISES OBLIGATIONS TO BE HONORED IN THE TWO-YEAR PERIOD 1964/65 WHICH TOTAL ABOUT 1.3 BILLION DOLLARS.

3. IN ACCORDANCE WITH WHAT IS ACKNOWLEDGED BY THE MOST AUTHORITATIVE INTERNATIONAL ECONOMIC SECTORS, THE FINANCIAL OBLIGATIONS OF EACH

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-2- 1360, JANUARY 2, FROM RIO DE JANEIRO

COUNTRY SHOULD NOT EXCEED FIFTEEN PER CENT OF RESPECTIVE EXCHANGE RECEIPTS. THIS IS THE LIMIT, IF THE DEBT IS NOT TO DISTURB THE ECONOMIC DEVELOPMENT PROCESS.

4. FOR BRAZIL, IT WOULD BE REASONABLE THAT OUR ANNUAL FINANCIAL OBLIGATIONS SHOULD NOT EXCEED 150 MILLION DOLLARS A YEAR, OR 300 MILLION DOLLARS IN THE TWO YEARS. NEVERTHELESS, THIS LIMIT DOES NOT MEAN THAT WE MUST NEGOTIATE ABROAD THE RESCHEDULING OF THE REMAINING ONE BILLION DOLLARS. IN TRUTH, WE ARE IN A POSITION TO RENEW CERTAIN CREDITS, SUCH AS "SWAPS" AND THOSE GUARANTEE WITH THE PLEDGE OF GOLD, ON THE ORDER OF 350 MILLION DOLLARS.

TO THIS PORTION, WE MAY AF* PROBABLE INCREASE IN RECEIPTS FROM EXPORTS OF COFFEE, WHICH IT IS HOPED WILL REPRESENT IN THE NEXT TWO YEARS AN ADDITIONAL 300 MILLION DOLLARS IN HARD CURRENCY. A SUMMING UP OF THESE ITEMS AND ESTIMATES PERMITS THE CONCLUSION THAT THE COUNTRY WILL CONFRONT, IN THE NEXT TWO YEARS, AN OVERLOAD OF OBLIGATIONS IN FOREIGN CURRENCY AMOUNTING TO 350 MILLION, THE PAYMENT OF WHICH WILL NOT BE POSSIBLE THROUGH NORMAL MEANS AND RESOURCES.

5. THIS, BASICALLY, IS THE FUNDAMENTAL PROBLEM OF GOB BALANCE OF PAYMENTS, IN THE SHORT TERM. THE COUNTRY IS AWARE OF ITS RESPONSIBILITIES AND OF ITS POTENTIALITIES. THE PICTURE DESCRIBED ABOVE IS RELATIVELY FAVORABLE. WE ARE DISPOSED TO DEVELOP WITH THE INTERNATIONAL CREDIT ORGANIZATIONS THE UNDERSTANDING WHICH ARE INDISPENSABLE FOR A SOLUTION OF THE MOST URGENT PROBLEMS.

6. TO THIS END, WE CAN ALREADY COUNT WITH THE COLLABORATION OF THE GOVERNMENT OF THE UNITED STATES REVEALED IN THE LETTER WHICH PRESIDENT JOHNSON SENT ME ON THE 19TH. WE ARE ALSO ABLE TO ANNOUNCE THAT THE INTERNATIONAL ORGANIZATIONS OF FINANCIAL COOPERATION HAVE ALREADY SHOWN THEMSELVES RECEPTIVE TO INITIAL CONTACTS.

7. THEREFORE, CONCRETE NEGOTIATIONS SHALL BE INITIATED IMMEDIATELY, IT BEING LEFT CLEAR THAT IN THE SAME MANNER AS BRAZIL RECOGNIZES ITS OBLIGATIONS, IT ALSO RECOGNIZES THAT IT IS THE SOLE JUDGE OF ITS INTERNAL POLICY."

GORDON

LLN/27

*AS RECEIVED.

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