

# TELEGRAM

RECEIVED

**SUBJECT**  
Foreign Office of the  
United States of America

JAN 27 9 07 AM '67 **INCOMING** RIO DE JANEIRO

**Ft 4-GATT**

**ACTION:** ECON 3  
**INFO:** AMERICAN EMBASSY  
BRASILIA, BRAZIL  
**AMB**  
**DCM**  
**MINECON**  
**ECON/COM**  
**USAID-10**  
**FINATT**  
**USIS**  
**BRAS-2**  
**RDG**  
**FILE**

**LIMITED OFFICIAL USE**  
*Classification*

**Control:** 969  
**Recd:** Jan 25 1967  
0700

P 250225Z JAN 67  
FM SECSTATE WASHDC  
TO RUESUA/AMEMBASSY RIODEJANEIRO PRIORITY 3441  
INFO RUFHGV/USMISSION GENEVA 1864  
STATE GRNC  
BT  
**C O N F I D E N T I A L**

LIMITED OFFICIAL USE STATE 124579

GATT

REF: GENEVA 2140 STATE 123877

SUBJ: BRAZILIAN GATT WAIVER

ACTION TAKEN
CF
MSS
IRI
PSO
Usis
Cons
Geo
PRR
Adm.
Pol/Co
P.O.

1. BRAZILIAN AMB RESPONSES TO BRODIES APPROACH DO NOT ELIMINATE OUR CONCERN ON PROPOSED TARIFF INCREASE ON WHEAT AND WE AGREE GENEVA RECOMMENDATION EMBASSY TAKE UP MATTER URGENTLY IN RIO.
2. WHEAT CONCESSION WAS NEGOTIATED WITH US IN BRAZILS LAST MAJOR TARIFF REVISION IN 1958 AND PROVIDES FOR DUTY-FREE ENTRY OF WHEAT WITHIN A MINIMUM GLOBAL QUOTA OF 750,000 METRIC TONS. US TOTAL WHEAT SALES TO BRAZIL DURING 1966 WERE ABOUT 1,200,000 TONS OF WHICH 680,000 COMMERCIAL.
3. SINCE GAP BETWEEN BRAZILIAN WHEAT PRODUCTION AND CONSUMPTION CONSIDERABLY EXCEEDS DUTY-FREE QUOTA, PROTECTION OF DOMESTIC WHEAT DOES NOT SEEM ADEQUATE RATIONALE FOR INCREASING TARIFF FROM VZERO TO 50 PERCENT. IF BRAZIL CANS REALLY PLAN EXEMPT WHEAT FROM DUTY UNDER ARTICLE 7, REASON FOR SHARP TARIFF INCREASE EVEN LESS CLEAR.
4. MOST LIKELY EXPLANATION SEEMS THAT THIS REPRESENTS EFFORT TO PROVIDE MARGIN FOR TARIFF REDUCTION TO ARGENTINA IN LAFTA. WE SUPPORT LATIN AMERICAN ECONOMIC INTEGRATION AND DO NOT OPPOSE DISCRIMINATORY TREATMENT INHERENT IN LOWERING OF TRADE BARRIERS AMONG THE LAFTA COUNTRIES WHILE MAINTAINING THEM AGAINST THIRD COUNTRIES. HOWEVER, WE STRONGLY OBJECT CREATING MARGINS OF PREFERENCE FAVORING LAFTA BY IMPOSITION OR RAISING OF BARRIERS AGAINST THIRD COUNTRIES AS WOULD BE CASE IN PROPOSED IMPOSITION OF DUTY ON WHEAT.
5. WE HAVE INFORMED GENEVA OF THE NEED TO KNOW MORE ABOUT WHAT BRAZIL INTENDS TO DO ABOUT WHEAT AND THAT THE ANSWERS WE RECEIVE COULD AFFECT OUR ATTITUDE TOWARDS BRAZILS WAIVER. REQUEST YOU

FORM FS-501 1-66

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RAISE MATTER WITH GOB IMMEDIATELY TO FIND OUT WHAT BRAZIL INTENDS TO DO AND HOW OUR TRADING CONDITIONS IN WHEAT LIKELY TO BE AFFECTED. FYI. BRAZILIAN ACTION ENDANGERING OUR COMMERCIAL WHEAT SHIPMENTS COULD OF COURSE RAISE QUESTIONS RE CONTINUED SHIPMENTS OF PL 480 WHEAT. END FYI. (EMBASSY SHOULD NOT RPT NOT GIVE BRAZILIANS IMPRESSION THAT WHEAT IS ONLY ITEM WHICH CONCERNS US. WE ALSO CONCERNED ABOUT INCREASE ON MANUFACTURED GOODS.) RUSK

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