

TELEGRAM

INCOMING

BRASILIA

Foreign Service of the
United States of America

SUBJECT

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FM SECSTATE WASHDC
TO RUESAS/AMEMBASSY ASUNCION
RUESAL/AMEMBASSY SAN SALVADOR
RUESBA/AMEMBASSY BUENOS AIRES
RUESBG/AMEMBASSY BOGOTA
RUESDO/AMEMBASSY MONTEVIDEO
RUESEI/AMCONSUL RECIFE
RUESGT/AMEMBASSY GUATEMALA CITY
RUESJO/AMEMBASSY SAN JOSE
RUESKN/AMEMBASSY KINGSTON
RUESLM/AMEMBASSY LIMA
RUESLZ/AMEMBASSY LA PAZ
RUESMG/AMEMBASSY MANAGUA
RUESMO/AMEMBASSY MEXICO CITY
RUESNA/AMEMBASSY SANTIAGO
RUESON/AMEMBASSY GEORGETOWN
RUESPR/AMEMBASSY PORT AU PRINCE
RUESQI/AMEMBASSY QUITO
RUESRS/AMEMBASSY CARACAS
RUESSD/AMEMBASSY SANTO DOMINGO
RUESTE/AMEMBASSY TEGUCIGALPA
RUESUA/AMEMBASSY RIO DE JANEIRO
RUESUP/AMCONSUL SAO PAULO
RUESVA/AMEMBASSY PANAMA CITY
RUESUA/AMCONSUL BELEM
RUESUA/AMCONSUL PORTO ALEGRE
RUESUA/AMCONSUL SALVADOR
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TELEGRAM

INCOMING

Foreign Service of the
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Classification

Control:

Recd:

TOKYO FOR USDEL ECAFE

SUBJECT: US POLICY ON TRADE PREFERENCES FOR LDCS - GUIDANCE
ON US ACTION AT INTER-AMERICAN SUMMIT MEETING

1. AT MEETING INTER-AMERICAN CHIEFS OF STATE PUNTA DEL ESTR,
PRESIDENT JOHNSON MADE FOLLOWING STATEMENT APRIL 12:

BEGIN QUOTE WE ARE NOW DEVOTING A MAJOR EFFORT TO TRY TO MAKE THE
KENNEDY ROUND NEGOTIATIONS A SUCCESS. IF THEY SUCCEED, THEY WILL
HELP US ALL--INCLUDING LATIN AMERICA.

BUT THE PROCESS OF FREEING TRADE FROM UNNECESSARY RESTRICTIONS
WILL NOT COME TO AN END WHEN THE CURRENT IMPORTANT KENNEDY ROUND
NEGOTIATIONS ARE COMPLETED.

WE HAVE BEEN EXAMINING THE KIND OF TRADE INITIATIVES THAT THE
U.S. SHOULD PROPOSE IN THE YEARS AHEAD. WE ARE CONVINCED THAT
OUR FUTURE TRADE POLICY MUST PAY SPECIAL ATTENTION TO THE NEEDS OF
THE DEVELOPING COUNTRIES IN LATIN AMERICA AND ELSEWHERE IN THE
WORLD.

WE HAVE BEEN EXPLORING WITH OTHER MAJOR INDUSTRIALIZED COUNTRIES
WHAT PRACTICAL STEPS CAN BE TAKEN TO INCREASE THE EXPORT
EARNINGS OF ALL DEVELOPING COUNTRIES. WE RECOGN
E THAT COMPARABLE
TARIFF TREATMENT MAY NOT ALWAYS PERMIT DEVELOPING COUNTRIES TO
ADVANCE AS RAPIDLY AS DESIRED. TEMPORARY TARIFF ADVANTAGES FOR
ALL DEVELOPING COUNTRIES BY ALL INDUSTRIALIZED COUNTRIES WOULD
BE ONE WAY TO DEAL WITH THIS.

WE THINK THIS IDEA IS WORTH PURSUING. WE WILL BE DISCUSSING IT
FURTHER WITH MEMBERS OF OUR CONGRESS, WITH BUSINESS AND LABOR
LEADERS, AND WE WILL SEEK THE COOPERATION OF OTHER GOVERNMENTS
IN THE WORLD TRADING COMMUNITY TO SEE WHETHER A BROAD CONSENSUS
CAIBE REACHED ALONG THESE LINES. ND QUOTE

2. IN HIS ADDRESS APRIL 13, PRESIDENT JOHNSON SAID:
BEGIN QUOTE THIRD, I KNOW HOW HARD YOU ARE STRIVING TO EXPAND
THE VOLUME AND VALUE OF LATIN AMERICAN EXPORTS. BILATERAL AND
MULTILATERAL EFFORTS TO ACHIEVE THIS ARE ALREADY UNDERWAY. BUT I
MADE CLEAR YESTERDAY AFTERNOON IN OUR PRIVATE SESSION THAT WE ARE

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Recd:

PREPARED TO CONSIDER A FURTHER STEP IN INTERNATIONAL TRADE POLICY. WE ARE READY TO EXPLORE WITH OTHER INDUSTRIALIZED COUNTRIES, AND WITH OUR PEOPLE, THE POSSIBILITIES OF TEMPORARY PREFERENTIAL TARIFF ADVANTAGES FOR ALL DEVELOPING COUNTRIES IN THE MARKETS OF ALL THE INDUSTRIALIZED COUNTRIES. END QUOTE.

3. GUIDANCE AS FOLLOWS:

(A) PRESIDENTIAL STATEMENTS REPRESENT SIGNIFICANT DEVELOPMENT IN U.S. POLICY ON TRADE PREFERENCES FOR ALL LDCU

M FYI U.S. HAS IN PAST QUESTIONED WHETHER TRADE PREFERENCES WOULD BE USEFUL WAY TO ASSIST LDCS TO PROMOTE THEIR EXPORTS, WHETHER ADVANTAGES OF PREFERENCES OUTWEIGHED DISADVANTAGES AND WHETHER WORKABLE SCHEME RMULSSBE DEVISED. END FYI PRESIDENT HAS NOW INDICATED U.S. CONSIDERS TEMPORARY (TRANSITIONAL) TRADE ADVANTAGES FOR ALL LDCS IN MARKETS OF ALL DCS WOULD BE ONE WAY TO HELP LDCS TO ADVANCE MORE RAPIDLY, THAT U.S. CONSIDERS IDEA WORTH PURSUING, AND THAT U.S. INTENDS TO CONSULT WITH AND SEEK COOPERATION OF OTHER DCS ON FORMULATION OF JOINT POLICY.

(B) PRESIDENTIAL STATEMENT

DO NOT RPT NOT MEAN U.S. WILL IMMEDIATELY GIVE TRADE PREFERENCES TO LDCS. U.S. INTENDS TO PURSUE IDEA AND SEEK JOINT POLICY WITH OTHER DCS. ACTUAL EXTENSION OF TEMPORARY PREFERENCES DEPENDS ON RECHING CONSENSUS ON ACCEPTABLE SCHEME AND PASSAGE OF NECESSARY LEGISLATION. DOMESTICALLY IDEA WILL BE CONSIDERED IN CONTEXHO OF COMPREHENSIVE FOREIGN TRADE PNWICY STUDY WHICH PRESIDENT RECENTLY REQUESTED SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, AMBASSADOR ROTH, TO UNDERTAKE WITH VIEW TO RECOMMENDING LEGIPATIVE AND OTHER MEASURES AS MAY BE REQUIRED. STUDY WILL FOCUS BOTH ON (1) FURTHER REDUCING TRADE BARRIERS AMONG INDUSTRIALIZED COUNGRIES KDTER KENNEDY ROUND; AND (2) IMPROVING TRADE POSITION OF DEVELOPING COUNTRIES. AMBASSADOR ROTH WILL CONSULT WITH CONGRESS AND OTHER INTERESTED PARTIES ANSQILL HAVE PUBLIC ADVISORY COMMITTEE TO ASSIST HIM IN CARRYING OUT STUDY.

(C) PRINCIPAL INTERNATIONAL FRAMEWORK WHERE IDEA WILL BE PURSUED, IN FIRST INSTANCE, IS OECD. OECD SPECIAL GROUP ON TRADE WITH LDCS (SENIOR TRADE POLICY OFFICIALS OF U.S., U.K., FRANCE, FEDREP GERMANY) HAS BEEN EBAMINING TRADE PEFERENCE QUESTION SINCE EARLY 1966 PURSUANT OECD MINISTERIAL MANDATE NOVEMBER 1965,"... TO FORMULATE CONSTRUCTIVE AND CONCERTED POLICIES

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Control:

Recd:

PRINCIPLE INVOLVED OECD MINISTERS REMITTED TO STATE OF SPECIAL GROUP
NOVEMBER 1964 AND GROUP HAS CONTINUED YET MORE RECENTLY APRIL
1-48 TO EXAMINE PRACTICAL PROBLEMS INVOLVED IN ANY PREFERENCE
SCHEME. PRESIDENT'S STATEMENT AT SUPPLY MEETING WAS
ESSENTIAL FOR EXPLORING POSSIBILITY OF GENERALLY ACCEPTABLE
PROPOSAL TO BE INCORPORATED IN

FOR ENCOURAGING INCREASED EXPORT EARNINGS BY THE DEVELOPING
COUNTRIES". INTERIM REPORT OF SPECIAL GROUP (CLASSIFIED OECD
CONFIDENTIAL) ISSUED AUGUST 1966 CONTAINED NO FORMAL
RECOMMENDATIONS BUT OUTLINED TWO ALTERNATIVE PREFERENCE
APPROACHES WITHOUT PREJUDICE TO GOVERNMENT POSITIONS ON BASIC

OF WORLD TRADE AGREEMENTS.

THE CONCLUSION THAT U.S. HAS NO INTENTION OF ENTERING INTO A
SYSTEM OF PREFERENCE WITH LATIN AMERICAN COUNTRIES
REPRESENTATION INTERESTS ON PART OF SEVERAL LA COUNTRIES IN
SUN OF AMERICAN, 130-14

1967 CONTINUED EXPRESSION OF U.S. DISAPPROVAL WITH REGARD TO
EXCLUSIVE TRADING ARRANGEMENTS IN OTHER PARTS OF THE WORLD
DISCRIMINATE AGAINST LATIN AMERICA, ESPECIALLY WITH REGARD
TO TRADING ARRANGEMENTS REFERRED TO INCLUDE DISCRIMINATORY
PREFERENCE, AND PREFERENTIAL ARRANGEMENTS WITH REGARD TO
QUANTITIES, AND EEC-NIGERIA ARRANGEMENT. THE
PRESIDENT'S STATEMENT PREFERENTIAL ARRANGEMENT IS NOT
ALTERNATIVE DISCRIMINATORY BENEFITS CAN BE GRANTED. THE
IT IS UNREALISTIC TO EXPECT ABRUPT END TO SUCH DISCRIMINATION
WAS ON-345 JAN. 20 CAN FURTHER QUANTIFY THIS POLICY.

AL ACTION:

ONE DEPT. TEAM MAY DRAW ON THIS MESSAGE IN APPROPRIATE OPPORTUNITY
WHICH DURING CLOSING MEETING TEAM PLANNING.
END LATER MAY GIVE ONE SECRETARIAT TEXT OF PRESIDENTIAL STATEMENT

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PRINCIPLE INVOLVED. OECD MINISTERS RENEWED MANDATE OF SPECIAL GROUP NOVEMBER 1966 AND GROUP HAS CONTINUED TO MEET (MOST RECENTLY APRIL 3-4) TO EXPLORE PRACTICAL PROBLEMS INVOLVED IN ANY PREFERENCE SCHEME. PRESIDENT'S STATEMENT AT SUMMIT GIVES U.S. REP MANDATE FOR EXPLORING POSSIBILITY OF GENERALLY ACCEPTABLE PROPOSAL TO BE INCORPORATED INTO SPECIAL GROUP REPORT TO BE COMPLETED IN JULY FOR CONSIDERATION BY OECD MINISTERS IN NOVEMBER. CONSENSUS IN OECD WOULD THEN PROVIDE BASIS FOR JOINT DC PRESENTATION AT UNCTAD-II IN NEW DELHI FEB/ MARCH 1968.

(DL IN LIGHT FOREGOING, U.S. APPROACH IN OECD SPECIAL GROUP WILL INCLUDE:

(I) EMPHASIS ON U.S. INTEREST IN JOINT POLICY INVOLVING TRADE ADVANTAGES FOR LDCS IN WAYS WHICH WILL NOT IMPEDE FURTHER MOVEMENT TOWARD THE REDUCTION OF TRADE BARRIERS ON A WORLD-WIDE BASIS. THIS IS MEANING BEHIND STATEMENT THAT U.S. BELIEVES TRADE PREFERENCES MUST BE TEMPORARY (OR TRANSITIONAL) RATHER THAN PERMANENT FEATURE OF WORLD TRADE AGREEMENTS.

(II) CONFIRMATION THAT U.S. HAS NO INTENTION OF ENTERING INTO A SPECIAL U.S. TRADE ARRANGEMENT WITH LATIN AMERICAN ALONE, NOTWITHSTANDING INTERESTS ON PART OF SEVERAL LA COUNTRIES IN SUCH AN ARRANGEMENT, AND

(III) CONTINUED EXPRESSION OF U.S. DISSATISFACTION WITH SPECIAL AND EXCLUSIVE TRADING ARRANGEMENTS IN OTHER PARTS OF THE WORLD WHICH DISCRIMINATE AGAINST LATIN AMERICA, AGAINST OTHER LDCS, AND AGAINST U.S. ARRANGEMENTS REFERRED TO INCLUDE UK-COMMONWEALTH PREFERENCES, EEC PREFERENTIAL ARRANGEMENTS WITH 18 ASSOCIATED OVERSEAS COUNTRIES, AND EEC-NIGERIA ARRANGEMENT. WE SEEK PHASING OUT OF PRESENT PREFERENTIAL ARRANGEMENTS AS SPEEDILY AS ALTERNATIVE COMPENSATORY BENEFITS CAN BE SUBSTITUTED, RECOGNIZING IT IS UNREALISTIC TO EXPECT ABRUPT END TO SUCH ARRANGEMENTS (REF CA-5638 JAN. 30 FOR FURTHER GUIDANCE THIS POINT).

4. ACTION:

- (A) USDEL ECAFE MAY DRAW ON THIS MESSAGE IF APPROPRIATE OPPORTUNITY ARISES DURING CLOSING MEETINGS ECAFE PLANARY.
- (B) USOECD MAY GIVE OEC SECRETARIAT TEXTS OF PRESIDENTIAL STATEMENTS

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AND ORALLY BRIEF SECRETARIAT ON BASIS GUIDANCE PARA 3.

(C) US MISSION GENEVA MAY DO SAME WITH GATT AND UNCTAD SECRETARIATS.

(D) USEC BRUSSELS MAY DO SAME WITH EEC COMMISSION.

(E) USUN MAY DO SAME WITH APPROPRIATE OFFICIALS UN SECRETARIAT.

(F) AMEMBASSIES PARIS, LONDON, BONN MAY PASS INFORMATION TO
BOCHET, GOLT, KEISER RESPECTIVELY (MEMBERS OECD SPECIAL GROUP).

(G) MISSIONS ALL OECD COUNTRIES AUTHORIZED BRIEF HOST GOVERNMENTS.

(H) ALL OTHER ADDRESSEES (EXCEPT EASTERN EUROPE) MAY IN THEIR
DISCRETION AND IN LIGHT LOCAL CIRCUMSTANCES (INCLUDING ANY
RECENT INDICATIONS OF HOST GOVERNMENT INTEREST IN QUESTION
TRADE PREFERENCES) BRING TEXTS PRESIDENTIAL STATEMENTS TO
ATTENTION APPROPRIATE OFFICIALS. GUIDANCE PARA 3 MAY BE DRAWN ON
AS APPROPRIATE. INFORM DEPARTMENT IF ACTION TAKEN.
KATZENBACH
BT

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