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SUBJECT

INCOMING AMEMBASSY RIODEJANEIRO FT 4-GATT

AMEMBASSY RIODEJANEIRO

AMERICAN EMBASSY
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ACTION: 121911Z JAN 67
ECON-3 FM USMISSION GENEVA

INFO: TO RUEHC/SECSTATE WASHDC
AMB INFO RUESUA/AMEMBASSY RIODEJANEIRO 35
DCM STATE GRNC

Control: 475

Recd: Jan 12, 1967
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ECON/COLC CONFIDENTIAL
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FINATT LIMITED OFFICIAL USE GENEVA 2052

USIS
BRAS-2 GATT

RDG
FILE SUBJECT: BRAZILIAN GATT WAIVER

REF: STATE 116677

1. WORKING PARTY BEGAN SUBSTANTIVE EXPLORATION BRAZILIAN REQUEST WAIVER ARTICLE 2 GATT OBLIGATIONS TODAY.

2. BRAZILIANS DISTRIBUTED NEW DOCUMENTATION COMPARING OLD AND NEW RATES OF DUTY ON ITEMS AFFECTED BY DECREE LAW 63. COPY BEING AIR POUCHED. WORKING PARTY ACCEPTED U.S.

SUGGESTION SECRETARIAT WORK WITH BRAZILIAN DELEGATION TO PREPARE COMPARATIVE TABULATION AND ANALYSIS OLD BOUND RATES AND NEW RATES ON SAME ITEMS TO BE AVAILABLE AFTERNOON JANUARY 17. TASK SHOULD BE RELATIVELY EASY SINCE DISCUSSION REVEALED ITEM DESCRIPTIONS GENERALLY UNCHANGED IN NB TARIFF.

3. EEC INSISTED COULD NOT OPT NOT AGREE TO HOLDING NEXT MEETING PRIOR 3 P.M. JANUARY 19 BECAUSE NECESSITY REFER NEW DOCUMENTATION TO GOVERNMENTS. BRAZILIAN AMBASSADOR SURROUNDED BY LARGE DELEGATION FROM RIO RELUCTANTLY AGREED WHAT HE CONSIDERED TO BE UNNECESSARILY LENGTHY DELAY. CHAIRMAN EXPRESSED HOPE WORKING PARTY COULD APPROVE REPORT AND DRAFT DECISION BY JANUARY 23 IN ORDER PERMIT COUNCIL CONSIDERATION JANUARY 25.

4. BRAZILIAN AMBASSADOR OPENED DISCUSSION EMPHASIZING TARIFF MODIFICATION MAJOR LIBERALIZATION EFFORT PARTICULARLY SHIFT ALL ITEMS FROM VIRTUALLY PROHIBITIVE SPECIAL CATEGORY TO GENERAL CATEGORY AND ELIMINATION OTHER CHARGES AND BARRIERS. SAID UNDER NEW CUSTOMS TARIFF QTE AS IT NOW STANDS UNQTE THOUGH STILL SUBJECT MODIFICATION, 4,424 OR 69 PERCENT OF ALL ITEMS ARE MAINTAINED AT FORMER LEVEL, 1,875 OR 28 PERCENT ARE REDUCED, AND WQR OR 3 PERCENT ARE RAISED. STRESSED CP'S SHOULD RECOGNIZE IMPORTANCE ENTIRE LIBERALIZATION EFFORT AND AVOID FOCUSING EXLUSIVE ATTENTION ON CHANGES IN BOUND RATES. SAID OF 549 BOUND ITEMS ABOUT 350 MAINTAINED APPROXIMATELY AT PREVIOUS SCHEDULE 3 LEVELS QTE EVEN IN ADVANCE NEGOTIAT NS

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WITH CP'S AND ONLY ABOUT 100 ITEMS RAISED UNQTE. IN RESPONSE TO QUESTIONS FROM NUMBER CP'S AS TO EXTENT NEW RATES MIGHT BE FURTHER RAISED UNDER 60 PERCENT AND 30 PERCENT AUTHORITY, BRAZIL DEL SAID STRICT CRITERIA WOULD BE OBSERVED IN CONSIDERING REQUESTS FOR SUCH INCREASES AND THEY, THEREFORE, WOULD BE KEPT TO MINIMUM.

5. U.S. RAISED SEVERAL QUESTIONS INDICATED STATE 116677 DURING DISCUSSION RECEIVING FOLLOWING PARTIAL RESPONSES (WILL RAISE OTHER QUESTIONS JANUARY 19):

A. QUESTION 2: SAID MOST RATE INCREASES DESIGNED TO COMPENSATE FOR ELIMINATION BOP RESTRICTIONS RESULTING FROM TRANSFER SPECIAL ITEMS TO GENERAL CATEGORY.

B. QUESTION 3: IT QTE THEORETICAL POSSIBILITY UNQTE 30 POINT HIKE AFTER MARCH 1 COULD BE PYRAMIDED ON TOHFG0 POINT JUMP PRIOR THAT DATE. BRAZILIAN DEL SAID THIS HIGHLY UNLIKELY, HOWEVER, SINCE IT CONTRARY LIBERALIZATION POLICY. ADDED STRICT PROCEDURES REGARDING USE OF RATE RAISING AUTHORITY WOULD PREVENT THIS POSSIBILITY.

C. QUESTION 5: SAID THIS AUTHORITY WOULD BE USED ONLY SPARINGLY SINCE GOB INTENTION INCREASE IMPORTS NOT RPT NOT PROTECTION. CITED AUTOMOBILE CDDUSTRY AS EXAMPLE OF IMPORTANT ACTIVITY THAT WOULD CONTINUE TO NEED SPECIAL PROTECTION UNDER THIS ARTICLE. AS GENERAL RULE SAID VALUATION FOR DUTY PURPOSES WOULD BE DETERMINED ON BASIS COMPETITIVE WORLD PRICES. SAID THIS AUTHORITY HAS NEVER BEEN USED ON SCHEDULE III ITEMS IN PAST AND DOUBTFUL THIS WILL BE NECESSARY IN FUTURE. INDICATED EITHER OF CONDITIONS (A) AND (B) ALONE OUTLINED IN ARTICLE 6 WOULD BE SUFFICIENT GROUNDS FOR USING MECHANISMS AUTHORIZED BY ARTICLE. WAS UNABLE TO REFINE MEANING OF TERM "UNFAIR COMPETITION."

D. QUESTION 6: RULES OUT AS MOST UNLIKELY TRANSFER OF BOUND ITEM BACK TO SPECIAL CATEGORY. IF THIS OCCURRED SAID PRESUMABLY ITEM WOULD BE SUBJECT TO EXCHANGE QUOTA AS WITH SPECIAL CATEGORY ITEMS IN PAST.

6. EEC, U.K., AND SWITZERLAND CONCENTRATED QUESTIONING ON ARTICLE 6 DECREE LAW 63 (C/W/110) ESPECIALLY PHRASE QTE UNFAIR COMPETITION FROM LIKE IMPORTED MERCHANDISE UNQTE. RAISED QUESTIONS WHAT CRITERIA MIGHT GUIDE APPLICATION THIS ARTICLE.

7. EEC AND SWITZERLAND RAISED OTHER QUESTIONS ESPECIALLY IN CONNECTION PROVISIONS ARTICLES 4, 7, AND 8 LAW 63 WHICH APPEARED PROVIDE BASIS ARBITRARY UPWARD ADJUSTMENTS. MOST OTHER DELEGATIONS SAID LITTLE OR RAISED ONLY MINOR POINTS FOR CLARIFICATION.

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8. U.S. DEL WILL CONSULT PRIVATELY WITH BRAZILIANS ON
POINT 8 AND QUESTIONS RAISED IN PENULTIMATE PARAGRAPH.
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