

TELEGRAM

SUBJECT

Foreign Office of the
United States of America

INCOMING RIO DE JANEIRO

ECON-3 (LAFTA)

ACTIONE ECON-4

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INFO: R 120030Z DEC 67
 AMB FM AMEMBASSY MEXICO
 DCM TO RUEHC/SECSTATE WASHDC 4947
 MINECOM RUESPO/AMEMBASSY MONTEVIDEO 137
 ECON/ INFO RUESAS/AMEMBASSY ASUNCION 060
 COML RUESBG/AMEMBASSY BOGOTA 276
 LABOR RUESBA/AMEMBASSY BUENOS AIRES 358
 POL RUESPS/AMEMBASSY CARACAS 272
 FINATT RUESLZ/AMEMBASSY LA PAZ 112
 BRAS-3 RUESLM/AMEMBASSY LIMA 311
 RDG RUESQI/AMEMBASSY QUITO 159
 FILE RUESUA/AMEMBASSY RIO DE JANEIRO 245
 RUESNA/AMEMBASSY SANTIAGO 200
 STATE GRNC

Classification

Control: 5545

Recd: 13 DEC 67 0810

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ACTION TAKEN

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 AMERICAN EMBASSY
 BRASILIA, BRAZIL

CONFIDENTIAL

LIMITED OFFICIAL USE MEXICO CITY 2552

REF: EMBTEL 2459

SUBJECT: SEVENTH ORDINARY CONFERENCE LAFTA

1. MEXICAN PRESS REPORTED ON DECEMBER 10 AND 11 THAT MEXICAN AMBASSADOR CORTINA GUTIERREZ HAD STATED IN MONTEVIDEO THAT MEXICO WAS OPPOSED TO THE INCLUSION OF WHEAT AND OIL IN THE LAFTA COMMON LIST AND THAT THIS ANNOUNCEMENT WAS RECEIVED WITH SURPRISE IN LAFTA CIRCLES AND PARTICULARLY BY COLOMBIA.

2. EMBASSY OFFICER TODAY DISCUSSED PRESS REPORT WITH LIC. HUGO DIAZ THOME, DEPUTY DIRECTOR OF INTERNATIONAL ECONOMIC RELATIONS IN SECRETARIAT OF FOREIGN RELATIONS, WHO STATED THAT MEXICO IS CONCERNED THAT FOREIGN TRADE IN A NUMBER OF PRODUCTIONS BEING CONSIDERED FOR INCLUSION IN SECOND STAGE OF INTEGRATION IS CONDUCTED BY STATE-TRADING ORGANIZATIONS, AS IS THE CASE OF MEXICO'S PETROLEUM AND WHEAT. THESE ORGANIZATIONS COULD CONTINUE TO CONTROL AND TO BLOCK EFFECTIVE INTRA-LAFTA TRADE EVEN THOUGH THE COMMODITIES CONCERNED TECHNICALLY WERE FREED FROM TARIFF BARRIERS. PRESIDENT OF MEXICO, SAID DIAZ THOME, WAS CONCERNED THAT SUCH APPARENT, BUT FALSE, SUCCESS IN NEGOTIATIONS AT THIS STAGE OF DEVELOPMENT OF LAFTA WOULD DEAL A CRIPPLING BLOW TO GENUINE INTEGRATION. THEREFORE, AMBASSADOR CORTINA GUTIERREZ WAS INSTRUCTED TO STATE IN MONTEVIDEO THAT MEXICO "WOULD NOT ACCEPT THE INCLUSION OF WHEAT AND PETROLEUM IN THE COMMON LIST". STATEMENT WAS INTENDED TO DEMONSTRATE THAT MEXICO WAS NOT WILLING TO INCLUDE ITEMS IN THE SECOND STAGE IN WHICH FOREIGN TRADE IS CONTROLLED BY STATE ORGANIZATIONS, AND WAS DESIGNED TO FORCE LAFTA NATIONS TO FACE

KKC/13/0800

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UP TO NECESSITY OF MAKING REALISTIC CONCESSIONS DURING SECOND ROUND, IF REAL PROGRESS WAS TO BE MADE TOWARD LAFTA OBJECTIVES.

3. THERE ARE TWO PROPOSALS, ACCORDING TO DIAZ THOME, WHICH MAY LEAD TO SOLUTION OF THIS IMPASSE: 1) A RESOLUTION HAS BEEN PROPOSED TO EXEMPT WHEAT FOR LAFTA STRICTURES AGAINST INCREASES IN UNECONOMIC PRODUCTION AND TO PERMIT STATE-TRADING IN WHEAT. PROPOSAL IS SUPPORTED BY ARGENTINA AND URUGUAY AND TO A LESSER EXTENT BY CHILE (BECAUSE OF IMPLICATIONS FOR COPPER). SIMILAR PROPOSAL WAS APPROVED IN 1965 BY ALL COUNTRIES EXCEPT ECUADOR. MEXICO IS NOT IN FAVOR OF THIS RESOLUTION, BUT HAS NOT TAKEN FORMAL POSITIONS AS YET. 2) A NEW LIST OF PRODUCTS FOR SECOND STAGE OF INTEGRATION IS BEING FORMED BY LAFTA SECRETARIAT. PROVIDED LIST IS COMPLETED AND REACES MEXICO IN TIME, IT WILL BE CONSIDERED DURING NEXT MEETING OF MEXICO'S FOREIGN TRADE COUNCIL, SCHEDULED FOR DECEMBER 18.

4. DIAZ THOME STATED THAT HE DID NOT EXPECT PRESENT SISSION TO TERMINATE ON DECEMBER 15, AS ANNOUNCED. HE RATHER EXPECTED THAT IT WOULD BE ADJOURNED FOR A FEW WEEKS TO GIVE GOVERNMENTS TIME TO CAN CONSIDER THE VARIOUS PROPOSALS, INCLUDING NEW LIST PRODUCTS. IN RESPONSE TO QUESTION AS TO WHETHER THERE WERE OTHER PRODUCTS, WHOSE INCLUSION IN THE SECOND COMMON LIST WOULD BE OPPOSED BY MEXICO FOR DOMESTIC REASONS, DIAZ THOME SAID THAT MEXICO HAD OPPOSED INCLUSION OF BEEF AND WOULD OPPOSE INCLUSION OF TIMBER AND PRIMARY TIMBER PRODUCTS FOR SIMILAR REASON, SIAMELY DANGER OF INTRODUCTION OF DISEASE.

5. EMBASSY COMMENT: 9 . /8:9'S POSITION IN OPPOSITION TO CONCESSIONS ON PRODUCTS CONTROLLED BY STATE-TRADING ORGANIZATIONS RAISES QUESTIONS ABOUT FUTURE COMMON LIST NEGOTIATIONS, EVEN IF SECOND STAGE HURDLE CAN BE SURMOUNTED. WE UNDERSTAND THAT NUMBER OF LATIN AMERICAN COUNTRIES CONDUCT FOREIGN TRADE IN VARIOUS AGRICULATURAL AND MINERAL PRODUCTS THROUGH STATE ORGANIZATIONS. MEXICO FOR ITS PART HAS SHOWN NO INDICATION THAT IT IS ABOUT TO CHANGE FOR IT PRESENT SYSTEM OF STATE-TRADING OF WHEAT AND PETROLEUM. IN FACT, IN A SPEECH ON LATIN AMERICAN INTEGRATION ON NOVEMBER 30, FOREIGN SECRETARY ANTONIO CARRILLO FLORES STATED THAT THE TREATY OF MONTEVIDEO HAD BEEN TOO OPTIMISTIC IN ASSUMING THAT AGRICULTURAL PRODUCTS, AS WELL AS INDUSTRIAL PRODUCTS, SHOULD BE FREED FROM TARIFF AND OTHER RESTRICTIONS. HE STATED THAT " THE SUCCESS OF SUBSEQUENT EFFORTS TO BRING ABOUT INTEGRATION WILL DEPEND TO A GREAT EXTENT UPON ITS BIENG RECOGNIZED THAT NONE OF OUR GOVERNMENTS CAN FAIL TO PROTECT ITS CAMPESINOS".

6. MEXICO'S POSITION ON STATE TRADING, AS REPORTED BY FOREIGN RELATIONS OFFICIAL, WOULD APPEAR TO CREATE REAL NEGOTIATING DIFFICULTIES IN ATTAINMENT OF LAFTA OBJECTIVES. WE ACCORDINGLY WILL EXPLORE MATTER FURTHER HERE IN MEXICO AND WOULD WELCOME COMMENTS AND GUIDANCE FROM THE DEPARTMENT OR OTHER POSTS.

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