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and
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Joint communiqué relating to trade, investment and financial matters. Issued at Brasília on 11 May 1976

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**ÉTATS-UNIS D'AMÉRIQUE
et
BRÉSIL**

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JOINT COMMUNIQUÉ¹ OF MARIO HENRIQUE SIMONSEN, MINISTER OF FINANCE OF BRAZIL, AND WILLIAM E. SIMON, SECRETARY OF THE TREASURY OF THE UNITED STATES, MAY 11, 1976

The Secretary of the Treasury, William E. Simon, concluded today his visit to Brasília. During his visit, the Secretary met with President Geisel, Finance Minister Simonsen and with Ministers Silveira, Velloso, Paulinelli, Ueki and with the Secretary General for Trade and Commerce, Belotti. Secretary Simon's discussions with Brazilian leaders covered a broad range of economic topics of major interest to the two Governments and were marked by a spirit of cordiality.

At the conclusion of their meetings in Brasília, the Secretary and Minister Simonsen announced a number of specific results which are a practical demonstration of the close ties between the U.S. and Brazil and open significant opportunities for future collaborative efforts of major benefit to the two countries.

Secretary Simon and Minister Simonsen agreed that a resolution of key bilateral trade issues would provide major impetus to an expansion of trade and investment between the U.S. and Brazil and deepen the relationship between them. They agreed, therefore, that this goal should be given their personal and priority attention. After a series of meetings they reached agreement on a number of important measures in achievement of this important goal.

Minister Simonsen announced his Government's intention to adjust export incentives in order to avoid barriers to the increase of Brazilian exports.

With respect of footwear, Minister Simonsen welcomed the recent decision taken by the President of the United States not to increase import barriers on footwear from Brazil. The Minister confirmed that no more export incentives on footwear are being provided than there were in 1974 and that the noted adjustments in the export incentives of Brazil assure that the utilization of tax credits is no higher than in 1973. Secretary Simon welcomed these developments and agreed that the present countervailing duties on footwear would not be reevaluated until the last quarter of next year.

Minister Simonsen indicated that the Brazilian Government would also adjust its tax credit program on exports of leather handbags. Secretary Simon indicated that this action would enable the United States to waive countervailing duties imposed on imports of leather handbags from Brazil and agreed to take such action effective July 1, 1976.

Minister Simonsen expressed his concern to Secretary Simon over the possibility of trade restrictions against Brazilian exports to the United States because of tax credits granted by the Brazilian Government on exports of soybean oil. He agreed with Secretary Simon on the importance of avoiding such action.

Toward this objective, Minister Simonsen informed Secretary Simon of the Brazilian Government's decision to adjust export incentives on soybean oil exports. As a result of this action, Secretary Simon indicated he did not believe that a complaint by U.S. producers would be filed under section 301 of the Trade Act and that the issue has been satisfactorily resolved.

¹ Came into force on 11 May 1976, the date of issuance.

Recognizing the importance to relations between the U.S. and Brazil of avoiding disagreements over incentives and countervailing policy, Minister Simonsen and Secretary Simon agreed to consult fully on incentive-countervail issues. As for any U.S. investigations of countervailing complaints concerning Brazilian exports Secretary Simon indicated that the U.S. will consult with the Brazilian Government on all aspects of any such cases.

The Minister and the Secretary also agreed that both Governments should discuss marketing and ways to promote demand and usage of soybeans, soybean meal and soybean oil.

Minister Simonsen and Secretary Simon agreed that the above measures represent a major contribution toward the development of a sound and dynamic trading relationship between the United States and Brazil. They agreed that a hospitable climate for investment and capital flows was also of great importance. In this connection, the Secretary and the Minister agreed on the importance of a treaty between the two countries to avoid double taxation, and agreed that their tax experts should meet in the near future to discuss the provisions that might be incorporated in such a tax treaty.

Secretary Simon discussed with the Brazilian Ministers Brazil's development plans and prospects, and in particular capital projects under consideration in Brazil which could be facilitated by U.S. investment. Secretary Simon expressed his belief that U.S. investment in Brazil, which now exceeds over \$3 billion, will continue to grow and make a significant contribution to Brazil's development efforts. He agreed to bring key Brazilian projects to the attention of the private sector in the United States.

Secretary Simon noted that the sharp increases in oil prices have shifted the pattern of the world's surplus investment funds. He expressed his belief that this shift has created important opportunities for countries such as Brazil, as it seeks capital to develop a viable rapidly growing industrial/agricultural economy. Secretary Simon and Minister Simonsen agreed on the importance of close collaboration to maximize these opportunities. They agreed to work together to facilitate tripartite investments, joining U.S. and Brazilian enterprises in partnership with the oil-producing countries for productive investments in Brazil, for the benefit of each of the Parties. The Secretary and the Minister agreed that the opportunities for bilateral and tripartite investment in Brazil were extensive.

Minister Simonsen explained to Secretary Simon the programs and policies Brazil has undertaken to consolidate its economic accomplishments and to attain internal and external equilibrium for the long-term. The Minister expressed his concern about the existing deficit for Brazil in the trade balance with the United States, and his desire that trade equilibrium be achieved through the increase of Brazilian exports to the U.S. market. Secretary Simon expressed his view that Brazil's economic prospects remained highly favorable. Secretary Simon felt that Brazilian economic policies should be effective in achieving greater price stability and equilibrium in Brazil's balance of payments position, and that these efforts merited the confidence of foreign investors and lending institutions.

During their meetings, Secretary Simon and Minister Simonsen also exchanged views on conditions prevailing in the major foreign exchange markets of the world and on other topics of current interest in the international monetary area. They also discussed the policies and prospects of the international financial institutions.

Secretary Simon and Minister Simonsen agreed on the importance of continuing the dialogue between them on issues of major significance in the economic and financial area. Within the framework of the memorandum of understanding signed in Brasilia February 21, 1976,¹ and to underscore the importance of continued consultations and to provide a more formal mechanism in which these discussions can take place, the Ministers agreed to establish and co-chair a consultative group on trade, investment, and financial issues within the area of responsibility of the Department of Treasury and of the Ministry of Finance. The Ministers will designate Co-Executive Secretaries for support of the Consultative Group.

In concluding his visit to Brasilia, Secretary Simon indicated to Minister Simonsen that in his view the measures that he and Minister Simonsen had agreed upon during his visit represented a significant development in the overall relationship between the two countries, heralding the prospect for broader and more intensive ties between the United States and Brazil that would prove of substantial benefit to the two countries. Secretary Simon expressed his Government's determination to build on the impressive framework of the current relationship between the U.S. and Brazil and to add to the accomplishments which had resulted from his visit and the visit of Secretary Kissinger earlier this year. Minister Simonsen agreed that the economic relationship between the United States and Brazil had been enhanced as a result of Secretary Simon's visit and expressed his conviction that the measures they have announced today will be of major benefit to both countries.

¹ See "Memorandum of Understanding concerning consultations on matters of mutual interest" in United Nations, *Treaty Series*, vol. 1041, p. 195.