

State Dept. review completed

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NSA review completed

TO LARRY EAGLEBURGER FOR SEC. KISSINGER

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Processed IAW CIA TREA
arrangement letter dtd 4/11/08

FEBRUARY 27, 1974

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CABLE FOR SECRETARY KISSINGER

FROM: BRENT SCOWCROFT

ON-FILE NSC RELEASE
INSTRUCTIONS APPLY

SUB3:5: COUNTERVAILING DUTY INVZSTIGATION ANNOUNCEMENT-
BRAZIL

SHULTZ IS DETERMINED TO ANNOUNCE A COUNTERVAILING DUTY INVESTIGATION ON FOOTWEAR FROM BRAZIL THIS WEEK. HE WANTS YOU TO REALIZE THAT HE IS NOT ANNOUNCING FORMAL PROCEEDINGS, BUT ONLY STARTING THE INFORMATION GATHERING PROCESS WHICH HE BELIEVES GOES A LONG WAY TOWARDS BEING AS CONSISTENT AS HE CAN WITH WHAT YOU TOLD THE BRAZILIAN FOREIGN MINISTER. KUBISCH AND HENNESSY HAVE EXPLAINED TO SHULTZ THE PROGRESS YOU MADE WITH THE BRAZILIAN FOREIGN MINISTER, BUT SHULTZ FEELS HE MUST MOVE AHEAD AND THWT HE HAS QUASI-JUDICIAL AUTHORITY IN THIS FIELD. HE BELIEVES IT IS ESSENTIAL TO TAKE A CONCRETE PUBLIC ACTION BEFORE HEARINGS ON THE TRADE BILL START NEXT MONDAY. SHULTZ' POSITION IS A STRONG ONE, SINCE WE ARE SEEKING MORE FLEXIBLE COUNTERVAILING DUTY AUTHORITY AND THE BRAZILIAN SHOE CASE IS A CLEAR-CUT INSTANCE OF AN EXPORT SUBSIDY. YOU SHOULD ALSO BE AWARE THAT

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AND TREASURY IS NOT, THEREFORE, OVERLY

IMPRESSED BY THE COMMITMENT THE OUTGOING FOREIGN MINISTER GAVE YOU.

AT OUR REQUEST, SHULTZ AGREED TO DELAY HIS ACTION FROM FEBRUARY 28 TO MARCH 1 TO GIVE YOU A CHANCE TO DECIDE HOW TO PROCEED. NOTHING BUT YOUR PERSONAL INTERVENTION COULD HOPE TO CHANGE SHULTZ' POSITION.

FIRST, LET SHULTZ GO AHEAD ON FRIDAY. IF THIS IS DONE, KUBISCH WILL ARRANGE TO HAVZ OUR AMBASSADOR TALK WITH THE BRAZILIAN FOREIGN MINISTER IN ADVANCE. HE WOULD EMPHASIZE THAT OUR DOMESTIC SITUATPON AND THE IMPORTANCE TO ALL LATIN AMERICAN AND BRAZIL OF THE OVER-ALL TRADE BILL INCLUDING PREFERENCES REQUIRE ACTION NOW ON FOOTWARE WHICH IS A DOMESTIC ISSUE. MOREOVER, HE WOULD STRESS THAT THIS IS ONLY AN INVESTIGATION AND THERE WILL BE TIME TO FIND A MUTUALLY SATISFACTORY SOLUTION WITH THE NEW GOVERNMENT WHILE THE INVESTIGATION PROCEEDS.

SECOND, YOU COULD SEND A MESSAGE TO SHULTZ EXPLAINING YOUR COMMITMENT TO THE BRAZILIAN FOREIGN MINISTER, NOTING THE POOR TIMING SO SOON AFTER YOUR MULTILATERAL AND BILATERAL COMMITMENT IN MEXICO AND SUGGESTPNG THAT WE MAKE CLEAR TO THE CONGRESS OUR INTENTION TO MOVE QUICKLY ON THE MATTER WITH THE NEW BRAZILIAN GOVERNMENT AFTER MARCH 15.

THIRD, YOU COULD SEND A STRONG MESSAGE TO SHULTZ URGING DELAY ON THE ORGANIZED INVESTIGATION FOR OVERRIDING FOREIGN POLICY REASONS AND INDICATING THAT THIS ISSUE IS SUFFICIENTLY IMPORTANT THAT THE DECISION BETWEEN OUR LATIN AMERICAN FOREIGN POLICY INTERESTS AND OUR DOMESTIC AND TRADE BILL INTEREST CAN BY MADE ONLY BY THE PRESIDENT.

WE HAVE DISCUSSED THESE OPTIONS IN DETAIL WITH JACK KUBISCH WHO AGREES THAT THEY ARE THE ALTERNATIVES AND BELIEVES YOU SHOULD MAKE ANOTHER TRY WITH SHQLTZ ALONG THE LINES OF OPTION TWO. KUBISCH SAYS HE HAS DONE EVERYTHING HE CAN WITH TREASURY. OUR FEELING IS THAT THERE IS PROBABLY NO WAY FNK TZ , 90SHIPSYCSWF AND I T ASIMPLY STARTING AXINVESTIGATION OF THE FACTS CAN BE EXPLAINED TO THE BRAZILIANS AS OUTLINED ABOVE. THEREFORE, WE WOULD RECOMMEND EITHER OF THE FIRST TWO OPTIONS.

AS A FOOTNOTE, YOU SHOULD BE AWARE THAT SHULTZ ALSO HAS ON HIS DESK A SIMILAR INVESTIGATION ON COLOMBIAN CUT FLOWERS. WE BELIEVE WE CAN GET HIM TO DELAY ACTION FOR AT LEAST A FEW DAYS WHILE THE ISSUE IS DISCUSSED WITH THE COLOMBIANS FOR THE FIRST TIME.