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Update On Reactions To U.S. 700,000 Mt Wheat Offer To Brazil

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May 16: The US Embassy in Brasilia confirmed the offer of 700,000 metric tons of subsidized wheat to Brazil under Washington's export promotions program. (See Chronicle, 05/14/91, 05/16/91 for previous coverage.) The embassy statement did not specify whether the offer was made to the government or private sector. According to the statement, the objective of the export support program is to help US exporters to participate in the Brazilian market at competitive prices. The wheat offer, said the statement, was carefully developed based on traditional Argentine-Brazilian agricultural trade, and respecting the two nations' bilateral agreement under which Brasilia is committed to purchasing 2 million MT of wheat from Argentina this year. On May 15, the Canadian Embassy's trade affairs secretary Douglas Fortney sent a communique to the Brazilian ministries of economy, agriculture and foreign relations expressing opposition to the Brazilian purchase of US wheat. May 17: In Montevideo (Uruguay), Deputy Jose Sarney (son of former Brazilian president Jose Sarney) told reporters said the US wheat sale had not been finalized. He asserted that the entire affair was a result of "the corruption which surrounds the government of President Fernando Collor de Mello." Sarney was visiting Montevideo to participate in a Southern Cone parliamentary conference, attended by representatives of Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay. Both the Uruguayan and Argentine governments expressed dismay and irritation with the news of a US wheat sale to Brazil. In February, the three nations and Paraguay signed an agreement establishing the foundations of MERCOSUR. Under the agreement, the four governments agreed to avoid imports of subsidized products. Uruguayan officials were particularly irritated, since earlier in the year, Brazil purchased 1,000 MT of subsidized beef from the European Economic Community (EEC). Beef is Uruguay's principal export, and Brazil is a major client. Brazilian Agriculture Minister Antonio Cabrera said that his government would reject any US wheat offer, in complying with the MERCOSUR agreement, and an agreement with other members of the Cairns group (agro-exporter member- nations of the General Agreement on Tariffs and Trade). May 18: In Rio de Janeiro, Argentine Economy Minister Domingo Cavallo met with Brazilian counterpart Marcilio Marques Moreira to discuss the dispute over the US offer. During the four-hour meeting, the ministers decided that officials from both countries would meet next week to "coordinate action" involving the offer. Cavallo noted that his meeting with Marques had not been called because of the US wheat offer, but had been scheduled prior to the May 8 resignation of Marques' predecessor, Zelia Cardoso de Mello. In 1990, Brazil purchased 2 million MT of wheat from Argentina, representing 10% of bilateral trade worth $2 billion. Although a price on the US wheat offer had not yet been specified, unidentified financial sources in Brazil cited by EFE said the subsidy ranges from $20 to $40 per ton.

[Basic data from Gazeta Mercantil (Brazil), 05/16/91; AFP, 05/17/91, 05/18/91; EFE, 05/18/91]

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