

# Soluble Coffee Dispute Divides Brazil and U.S.

## 'Unfortunate Situation' Continues to Hamper U.S. Participation In New Coffee Agreement

THE International Coffee Agreement of 1968 is a five-year pact designed to expire in 1973. At the time that this Agreement was made, it replaced the Agreement of 1963, and expectations were that in 1973, a new five-year pact would be made, extending to 1978.

The United States Congress originally approved U.S. participation until September 30, 1970. This legislation enabled the President to carry out the obligations assumed by the United States as a member of the ICA.

Long before this legislation was due to expire, the Administration set the wheels in motion to ensure that there would be no break in U.S. participation.

On April 2, 1970, Secretary of State William Rogers sent a communication to the U.S. House of Representatives, urging approval of the enabling legislation. Before any bill can become law, it must go through several stages before it reaches the President's desk for final approval.

### How Bill Becomes Law

First the bill is examined by a committee in the House of Representatives, which can make any amendments or adjustments that it feels necessary. Then it is presented to the members of the House for a vote. If the majority approves, the bill is sent on to the Senate, where the process starts over—first a Senate committee reviews the bill, again making any changes they believe necessary, and on to a Senate vote. Only after approval does the bill go to the White House for

Presidential approval or veto.

President Nixon wanted the bill to be passed. He knew that without the United States, the world's largest coffee importer, the Agreement would be meaningless and would probably collapse.

Secretary Rogers' memo to the House extolled the virtues of the Agreement, citing how the price mechanisms had kept coffee import prices down, and how the Agreement had exercised a "moderating influence" on price fluctuations, even in spite of the Brazilian frost and drought of 1969.

### Changing the Date

The draft bill read:  
*"Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, that section 302 of the International Coffee Agreement Act of 1968 is amended by striking out October 1, 1970., and inserting in lieu thereof October 1, 1973."*

As simple as that—changing the date from 1970 to 1973.

The ICA bill was originally part of a multi-faceted "Trade Bill" which included enabling legislation for similar agreements on other commodities such as grain, leather, tin, etc.

But the ICA bill was snagged by the chairman of the House Ways and Means Committee Wilbur Mills (D-Ark.), who took the ICA bill out of the Trade Bill to be scrutinized more carefully.

There were many objections to the passage of the enabling legislation, particularly on the retention

of the quota system and the question of the Brazil soluble.

At the London meeting of the International Coffee Council, the largest export quota ever was approved—54 million bags, with allowances that additional bags, (up to four million) would be released if certain price conditions were met. (The first of those conditions, was already met, i.e. the composite daily indicator price remained at or above 52.00 cents for fifteen days, and a release of 2 million bags has been approved by the Executive Board of the ICO).

### Nine-Month Agreement

Despite objections by the various American green coffee associations, which advocated the elimination of the quota system entirely, the House approved the passage of the ICA bill—but only for nine months.

The Senate has yet to approve the amended bill. And the Brazil soluble issue is still unresolved.

The soluble issue is not new. And some, on hearing all the facts, wonder how it has continued.

Within the framework of the 1968 agreement, there is an accepted method for settling differences between members regarding soluble coffee.

The 1968 Agreement prohibits member countries from employing governmental measures that constitute discriminatory treatment in favor of the export of processed coffee as compared to the export of green coffee.

### Arbitration Provision

In the event of a dispute over non-compliance with this prohibition there is provision for arbitration under the auspices of the ICO.

In December 1968 the United States filed a complaint against Brazil, on the grounds that the latter country's failure to levy a tax on its exports of soluble coffee, while levying a heavy tax on its exports of green coffee, constituted discriminatory treatment of the type prohibited by the Agreement.

Since Brazil did not end its discriminatory practices the United States invoked the arbitration provision of the Agreement. A majority of the Arbitration Panel concluded that an "unfortunate situation" existed and authorized the United States to take appropriate action to remedy the situation if Brazil failed to do so.

The panel, however, did not in-

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