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1.	Mr.	Frank Campbell				
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FROM (Name or Organization)	ROOM NO.	DATE
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UNCLASSIFIED

U.S. Information Service  
American Embassy  
Rio de Janeiro, Brazil

December 2, 1968

MEMORANDUM -- FYI No 21

SUBJECT: U.S. Files Complaint in ICO against Brazilian Soluble  
Coffee Exports

As you may have seen in Brazilian newspapers of November 30 and December 1, the United States Government has filed a complaint at the London headquarters of the International Coffee Organization with respect to current Brazilian practice in exporting soluble coffee to the United States.

This is essentially the same matter which was at issue in January, 1968 when the International Coffee Agreement was being re-negotiated. The United States objected at that time that Brazil's exportation of soluble coffee to the United States without the imposition of any export tax (as compared with exports of green coffee subject to export tax) placed American soluble producers at an unfair disadvantage. American soluble producers were forced to pay about 36 cents per pound for green coffee to process as against about 4 cents per pound (since increased to 9 cents) paid by Brazilian producers of soluble coffee.

In February, the United States, Brazil, and other signatories of the ICA agreed to a new clause (Para. 1 of Article 44) which says: "No member shall apply governmental measures affecting its exports and re-exports of coffee to another member which, when taken as a whole in relation to that other member, amount to discriminatory treat in favor of processed coffee as compared with green coffee." The revised agreement went into effect on October 1. However, Brazil has continued to impose an export tax on green coffee but has not initiated any export tax on soluble coffee. The United States regards this as a violation of Paragraph 1 Article 44.

The attached paper (supplied in both English and Portuguese) is distributed so that you may be familiar with the United States official position on this subject. It is not designed to be used as a press release. However, you should feel free to use this information in replying to any questions on the subject, including questions from the press.

USIS:FBEvans:das

Clearance: Mr. Bloomfield  
(in draft)

The United States has filed at the headquarters of the International Coffee in London a formal complaint regarding Brazilian soluble coffee exports. The United States has taken this step reluctantly, and only after diplomatic consultations with the Government of Brazil failed to result in agreement. The United States believes that Brazil is violating the terms of the International Coffee Agreement by giving discriminatory treatment in favor of Brazilian exports of soluble coffee to the United States as compared with green coffee exports to the United States.

Paragraph One of Article 44 of the International Coffee Agreement, which became effective on October 1, prohibits such discriminatory treatment. It says: "No member shall apply governmental measures affecting its exports and re-exports of coffee to another member which, when taken as a whole in relation to that other member, amount to discriminatory treatment in favor of processed coffee as compared with green coffee".

The United States has discussed with the Government of Brazil for some time the fact that Brazil assesses a substantial "contribution quota", which has the effect of an export tax, on all exports of green coffee, but levies no export tax or equivalent on exports of soluble coffee.

Thus the soluble producer in Brazil can purchase green coffee at prices substantially below prices available to the United States soluble coffee producer. This gives the Brazilian producer an unfair competitive advantage over the producer in the United States. In the view of the United States, this constitutes discriminatory treatment within the terms of Article 44.

If alternative sources of green coffee were freely available to the United States producer, the effect of such discriminatory treatment would be lessened. However, in order to maintain stable and favorable coffee prices, the coffee agreement operates to restrict the amount of coffee available in international trade. While the price support function of the coffee agreement is highly desirable and useful for producing countries, it is essential that no discriminatory governmental measures be applied which create special privileges for one segment of the trade.

In the discussions through diplomatic channels which the United States has held with the Brazilian Government, both prior to and since the coming into force of the new agreement, the issue of soluble coffee exports has not been resolved.

The United States supports the legitimate desire of Brazil to advance an industry which processes this important raw material. The United States believes, however, that it is not legitimate to grant this industry an advantage based upon a discriminatory practice. This discrimination occurs under cover of a favorable world price for green coffee which is strongly supported by the United States, as the principal coffee consuming nation with a policy of assisting raw material producing countries such as Brazil. In effect, all of those who drink coffee in consumer countries such as the United States subsidize the restrictive system which gives good prices to the producer countries since they pay considerably more for their coffee than they would in a market not restricted by the International Coffee Agreement.

The United States will, of course, cooperate fully with the Executive Director of the International Coffee Organization in attempting to seek a mutually satisfactory solution through direct discussion with the Government of Brazil during the 30-day mediation period contemplated in the process as set forth in the agreement. If the issue cannot be resolved in this way, the agreement provides for the establishment of an arbitration panel to consider the problem under the auspices of the International Coffee Organization.

The United States has kept the Government of Brazil fully informed of the steps it plans to take, specifically with regard to the filing of the complaint to the International Coffee Organization.

USIS Rio de Janeiro  
December 2, 1968

Os Estados Unidos apresentaram à sede da Organização Internacional do Café, em Londres, uma queixa oficial concernente à exportação brasileira de café solúvel. Os Estados Unidos tomaram essa medida com relutância, e somente depois de consultas diplomáticas com o governo brasileiro não terem chegado a um acordo. Os EUA acreditam em que o Brasil está violando os termos do Acordo Internacional do Café, ao dar tratamento discriminatório em favor das exportações brasileiras de café solúvel para os Estados Unidos, quando comparado com as exportações de café verde para o mesmo país.

O Parágrafo 1 do Artigo 44 do Acordo Internacional do Café, que entrou em vigor no dia 1º de outubro, proíbe tal tratamento discriminatório. Diz ele: "Nenhum membro aplicará medidas governamentais que afetem suas exportações e re-exportações de café para outro membro, as quais, quando consideradas como um todo em relação àquêle outro membro, importem em tratamento discriminatório em favor do café industrializado, quando comparado com o café verde".

Os Estados Unidos discutiram com o governo brasileiro, durante algum tempo, o fato de o Brasil estar cobrando uma substancial "quota de contribuição", que equivale a uma taxa de exportação sobre todas as exportações de café verde, sem impor nenhuma taxa de exportação ou um equivalente às exportações de café solúvel.

Assim, o produtor de café solúvel no Brasil pode comprar café verde a preços substancialmente abaixo dos preços cobrados ao produtor de café solúvel nos Estados Unidos. Isto dá ao produtor brasileiro uma vantagem competitiva injusta sobre o produtor nos Estados Unidos. De acordo com o ponto de vista dos Estados Unidos, isto constitui um tratamento discriminatório, em violação aos termos do Artigo 44.

Se outras fontes de café verde estivessem livremente à disposição do produtor norte-americano, o efeito de tal tratamento discriminatório seria abrandado. Todavia, a fim de manter estáveis e convenientes os preços do café, atua o Acordo do Café para restringir a quantidade do produto disponível no mercado internacional. Embora a função do subsídio do Acordo do Café seja altamente desejável e útil para os países produtores, é essencial que nenhuma medida governamental discriminatória seja aplicada, quando ela cria privilégios especiais para um segmento do comércio.

Nas discussões por vias diplomáticas mantidas entre os Estados Unidos e o Brasil, antes da entrada em vigor do novo acordo, e durante a sua vigência, esta questão não foi resolvida.

Os Estados Unidos apóiam o legítimo desejo do Brasil e desenvolver uma indústria que processa essa importante matéria prima. No entanto, os Estados Unidos acreditam em que não é legítimo dar a essa indústria uma vantagem baseada numa prática discriminatória. Essa discriminação ocorre sob a proteção de um preço mundial favorável para o café verde, firmemente apoiado pelos Estados Unidos como a principal nação consumidora de café e mantenedora de uma política de ajuda aos países produtores de matéria prima, tal como o Brasil. Com efeito, todos os que tomam café nos países consumidores, tais como os Estados Unidos, subsidiam o sistema restritivo que dá bons preços aos países produtores, pois que pagam pelo seu café consideravelmente mais do que pagariam num mercado não restringido pelo Acôrdo Internacional do Café.

Os Estados Unidos, naturalmente, cooperarão plenamente com o Diretor Executivo da Organização Internacional do Café na tentativa de encontrar uma solução mutuamente satisfatória através de negociações diretas com o govêrno do Brasil, durante o período intermediário de 30 dias contemplado no processo estabelecido no Acôrdo. Se a questão não puder ser resolvida dêste modo, determina o Acôrdo o estabelecimento de uma junta de arbitramento, que se encarregará de considerar o problema, sob os auspícios da Organização Internacional do Café.

Os Estados Unidos vêm mantendo o govêrno do Brasil plenamente informado - das medidas que pretendem tomar, especificamente no que concerne à apresentação da queixa à Organização Internacional do Café.