



DEPARTMENT OF STATE

Washington, D.C. 20520

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OR
ARA

1. Judy
2. BR

TO: The Secretary */row*
THROUGH: S/S *BR*
FROM: ARA - Robert M. Sayre, Acting *eml*
E - Anthony M. Solomon *as*

SUBJECT: Your Meeting with Brazilian Minister of Commerce and Industry, Edmundo de Macedo Soares, Friday, November 17 at 3:30 p.m. - BRIEFING MEMORANDUM

Minister Macedo Soares has come to Washington for several days at our invitation en route to the meeting of the International Coffee Council in London beginning November 20. We wished to discuss the soluble coffee problem with him and to attempt to resolve as many differences between us as possible before the Council meetings next week. He has made the visit gladly and with the express approval of President Costa e Silva, who has also sent an important letter on this subject to President Johnson (Tab A).

Discussions with Macedo Soares are now taking place and you will be provided a short oral briefing on the status of these talks just prior to your receiving him. Based on our discussions with him thus far, prospects for

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GROUP 3

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MICROFILMED
BY S/S: GMS

Declassified
Authority: 44281 By:
Laurie Madsen Date:
04-15-2015

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a resolution of the problem remain uncertain; Macedo Soares is clearly not in a position at this time to commit the Brazilian Government to the steps we believe need to be taken.

As you know, the soluble coffee problem has received close and highest level attention in the Brazilian Government, as well as keen attention in the Brazilian Congress and heavy play in the Brazilian press. The question has emerged as a major domestic problem for Costa e Silva, and it is being widely viewed in Brazil as a test case of whether or not Costa e Silva will knuckle under to pressures from the U.S. Government and U.S. business interests. Costa e Silva and the Brazilian authorities are not convinced that the USG has given sufficient high level attention to their problem.

In this meeting with Macedo Soares you should endeavor to make the following points:

1. Express warm appreciation to him for visiting Washington and for his efforts to find a mutually satisfactory solution to the problem;

2. Impress upon him the high importance the United States attaches to close and friendly relations with Brazil, that although certain differences between us are certain to arise we must be as understanding of each other's positions as possible, in the larger interests of both countries;

3. Tell him that President Johnson has received President Costa e Silva's letter of November 10 and that the USG wants to be as

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cooperative as possible, considering the dimensions and implications of the soluble coffee problem;

4. Stress

a) That the Administration is extremely interested in extending the ICA.

b) That we are not being protectionist; our industry is quite prepared to compete but we can't justify to them unfair competition; and

c) That we will need to work out language in the ICA which will assure our trade that the problem will not crop up again in the future in some other form, perhaps involving some other producing country.

5. If Macedo Soares asks that the U.S. disburse \$25 million from the 1967 Program Loan on political grounds; he should be informed that this would be most difficult.

6. If Macedo Soares seeks to link the soluble coffee issue to that of the acquisition by the Brazilian Air Force of supersonic aircraft; he may be informed that we consider that a completely separate matter regarding which discussions are under way.

Minister Macedo Soares will be accompanied by Minister Sa'Almeida, Brazilian Charge', and Brazil Country Director Jack Kubisch.

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A copy of the Memorandum concerning your meeting with Brazilian Ambassador Leitao da Cunha is attached (Tab B) as well as a biographic sketch of Macedo Soares (Tab C).

Attachments:

- Tab A - Copy of President Costa e Silva's letter to President Johnson.
- Tab B - Memorandum concerning your meeting with Brazilian Ambassador Leitao da Cunha.
- Tab C - Biographic Sketch.

ARA-LA/BR:JBKubisch:ds, Ext. 3066, 11/16/67

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TAB A

UNOFFICIAL TRANSLATION

Brasilia, November 10th, 1967.

His Excellency
Lyndon B. Johnson,
President of the United States
of America.

Dear Mr. President,

In the spirit of friendship and frankness which has prevailed between us since our meeting at Punta del Este, where we entered into important commitments for the progress of the Americas, I wish to set forth to you my concern over two problems of particular urgency and gravity which may come to jeopardize our common objectives of close collaboration between the United States of America and Brazil and of ample international cooperation, especially for the benefit of the less developed countries.

2. I refer to maritime shipping and to the Brazilian exports of soluble coffee. As to the former, my Government's objectives is to ensure a substantial participation of the Brazilian merchant navy in the transport of our exportable products, as well as to equip it adequately for this purpose.

3. The latter problem presents a special interest for the relations between our two countries, upon whose concurrence the future of the International Coffee Agreement substantially depends. My Government has sought, in the spirit of Punta del Este, to provide incentives to the production and export of

manufactured goods, for the understandable reason that infant industries in my country require a certain amount of protection. Brazilian soluble coffee exports - which represent a negligible value in the world coffee trade - have raised objections on the part of sectors of the coffee industry in the United States of America, thus creating a certain atmosphere of crisis in the re-negotiation of the Agreement which regulates the world market. For the sum total of the economy of your country those exports mean relatively little whereas for the Brazilian economy, as a whole, they are highly important. Although convinced of the legitimacy of the Brazilian marketing policy, I nevertheless recognize the existence of a political problem and its significance in regard to the relations between our two countries and the decisions to be taken concerning the Agreement.

4. I share Your Excellency's wishes to do our best to maintain and strengthen the Coffee Agreement and to make the relations between our two Governments more fruitful. Therefore, my delegates have sought to reach an understanding with representatives of your Government and have presented reasonable proposals towards the solution of the problem, so far without success. I have the impression that the position one might consider inflexible of the United States Government is due to a certain misunderstanding of our efforts and of our wish to support international cooperation in this area without, at the same time, sacrificing the incipient export industry of my country.

5. Therefore, I address myself to Your Excellency in order to request your personal intervention for the solution of this problem, which will persist unless the two principal parties are willing to adjust their positions, as for my part

I have endeavoured to do. The Brazilian sensitivity to this question is too sharp for both of us to allow it to eventually hurt our relations in other areas. Furthermore, the fact that the economy of so many countries of this Hemisphere depends substantially on their coffee exports, to a greater degree than that of Brazil, is a circumstance which will certainly be present in your mind, as well as in my own, as regards the survival of the Agreement.

With great confidence in your understanding and in your practical spirit of conciliation, I remain,

very sincerely

(signed) Arthur da Costa e Silva



DEPARTMENT OF STATE

Washington, D.C. 20520

Mr. Palmer

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TO: The Secretary
THROUGH: S/S
FROM: E - Anthony M. Solomon
ARA - Covey T. Oliver

SUBJECT: Your Appointment with the Brazilian Ambassador
Vasco Leitao da Cunha, November 1, 1967 -
5:00 P.M. -- ACTION MEMORANDUM

You have agreed to receive the Brazilian Ambassador to discuss the problem of soluble coffee imports. Assistant Secretary Oliver and Mr. Palmer of ARA will be present.

PROBLEM

The Ambassador has instructions to raise at the "highest political level" the problem created by what we and other coffee consuming countries regard as Brazilian governmental discrimination in favor of the Brazilian soluble coffee industry. The soluble producers, some of whom exercise important political influence in Brazil, benefit by an export policy whereunder the soluble product made of green coffee is tax free. (See Background Paper at Tab B.) President Costa e Silva is under pressure from industry members, and many other politicians and journalists, who have taken up the "soluble coffee cause" in defense of Brazil's "right to industrialize its major agricultural export."

Brazil's soluble coffee export policy is contrary to the spirit of the Coffee Agreement and has aroused our trade and Congress. The issue, if not resolved in terms of our principle of equal access for all coffee consumers to Brazilian coffee, will make it impossible for us to support renewal of the Coffee Agreement.

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Our close working relationship with the Brazilian Government is currently jeopardized by two other ticklish issues, the possible purchase by Brazil of Mirage aircraft, and our inability to continue disbursements from the 1967 Program Loan because of Brazil's failure to meet key performance commitments in the economic field.

BACKGROUND

The soluble coffee problem has been the subject of discussions between our two governments for more than a year, first in bilateral talks, and then at meetings of the International Coffee Council in London. (Our proposal for an ameliorating amendment to the Coffee Agreement is at Tab A). Other consuming countries support our position in the ICA Council, as do a number of African producers. Moreover, most of these countries now wish a "multilateral" solution. We have found heretofore proposed Brazilian solutions unsatisfactory, including a version communicated to Under Secretary Rostow in September.

ANTICIPATED BRAZILIAN POSITION

The Brazilian Ambassador will present a Brazilian proposal for a bilateral solution. However, he has made clear that he does not wish to discuss the matter further as an economic issue. His instructions are to seek a political decision from the U.S. Government. He may relate his request to the "understanding" the GOB believes it is exercising in withholding for several months a decision on the Mirage question.

RECOMMENDED U.S. POSITION

(It is important that the Ambassador not be encouraged to report that his proposal is likely to resolve the issue. Our position will continue to be that we must insist on equal terms for all users of Brazilian coffee traded internationally.)

That you respond along the following lines:

1. We will give this Brazilian proposal careful consideration, and will convey our reaction promptly.

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2. We want to settle this matter in a way which will meet the domestic political problems of both countries, and the legitimate interests of other parties to the International Coffee Agreement.
3. Its satisfactory resolution has become essential to the political support of the Coffee Agreement by the Executive Branch as well as by our industry and our Congress, because the Brazilian practices are regarded as inequitable and inconsistent with the International Coffee Agreement.
4. We must insist that all elements of the coffee trade have access to supplies of green coffee on an equitable and non-discriminatory basis.

Attachments:

Tab A - Amendments

Tab B - Background Paper

S/S-S:MLGribble:11/1/67

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FOIA(b)(1)
FOIA(b)(3) - 50 USC 403g - CIA

BRAZIL

Edmundo de MACEDO SOARES e Silva

Minister of Industry and Commerce

Gen. (Ret.) Edmundo de Macedo Soares, a highly respected business figure, took office as Minister of Industry and Commerce on 15 March 1967. He comes to the Cabinet from concurrent positions in private industry as president of the National Confederation of Industry (since 1964) and president of Mercedes Benz of Brazil (since at least 1961). He has extremely close family and business connections in the important industrial State of São Paulo.



[Redacted] FOIA(b)(1) (1954)

In 1930 he was a member of the Aliança Liberal, and a report of 1946 listed him as a member of the moderate and now defunct Social Democratic Party (PSD).

[Redacted] FOIA(b)(1)

Macedo Soares has stated that the governments of all developing countries should focus their efforts toward establishing "poles of development." This would involve the creation of so-called "generating enterprises" whose very presence in a region would stimulate further private investment. For Brazil, he says, the fundamental economic objective should be to increase agricultural productivity which would in turn increase consumer income, thus creating a vast market for Brazil's industrial output. Macedo Soares has stated that one of the greatest tasks facing the new Government is the need for administrative reform in the public service. He estimates that the increased efficiency would save large sums of money that would be better used for reinvestment in private enterprise.

Born 9 June 1901 in the then Federal District of Rio de Janeiro, Edmundo de Macedo Soares e Silva is reportedly a member of a family that descended from the first founders of the city. He studied at the Colegia Militar in Rio from 1912 to 1917 and at the Escola Militar in Rio from 1918 to 1920, graduating first in his class from both schools. In 1921 he was an instructor at the latter institution. In 1922 he was separated from the army and sent to the political prison Ilha Grande, but he escaped in 1924 and fled to Europe. He remained abroad until 1930, studying metallurgy and metalworking at the Conservatoire National des Arts et Métiers and industrial smelting at the Ecole de Chauffage Industriel, both engineering schools in Paris. He also studied at the French Academy of Sciences and the Ecole Supérieure de Fonderie. Macedo Soares returned to Brazil in 1930. Resuming

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FOIA(b) (1)
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Edmundo de MACEDO SOARES e Silva (cont.)

his army career, he was made chief of engineering services of the 2nd Military Region. That same year he was appointed a member of an examining commission to study certain aspects of Brazil's steel problems and was later named secretary of the National Steel Commission. He was also assigned to the Brazilian delegation to the Disarmament Conference. In 1932 he attended the Garibaldi celebrations in Italy and was the Brazilian delegate to the International Labor Conference. During 1932-33 he was connected with an artillery projectile factory at Andaraí, first as a member of the organizing commission, and later as chief of manufacture and technical director of the plant. From 1933 to 1935 Macedo Soares was again in Europe, making technical studies for the President of Brazil. Over the next four years he lectured on assaying and technical metallurgy and in June 1937 he was made office director for his cousin, then Minister of Justice Jose Carlos de Macedo Soares. In 1938 Edmundo became head of the directorate of war materiel and later made further studies in connection with the steel industry for the Minister of Transportation and Public Works.

In 1940 Macedo Soares was appointed as a member of the National Steel Planning Commission. In this position he outlined a program for the creation of a Government-owned National Steel Company at Volta Redonda; he is regarded as the father of that firm, with which he was associated almost continuously until 1959. He was technical director of the Volta Redonda company from 1942 until 1946, when he was appointed as Minister of Transportation and Public Works. In January 1947 Macedo Soares was elected Governor of the Federal District of Rio de Janeiro, primarily on the strength of his immense personal popularity and prestige. During his five-year tenure in the Rio governorship, he was on leave of absence from the army. In 1954 he went to Hungary to exploit possible commercial dealings with that country. Around the same year he became president of the National Steel Company and in June 1955 he was elected president of the then new National Council on Physical Research, an agency which has under its jurisdiction the National Commission of Nuclear Energy. In September 1959 Macedo Soares submitted his resignation as president of the National Steel Company, apparently because he disagreed with President Juscelino Kubitschek over certain changes in the company's administrative structure. The general reaction in the press was regret that such a capable and honest man would have to leave his position. Kubitschek asked Macedo Soares to reconsider, but on 20 October 1959 the President officially accepted his resignation. That same month, Macedo Soares was named president of the Latin American Iron and Steel Institute, a position from which he reportedly resigned in 1961. He was a representative of management on the Brazilian Consultative Planning Council (CONSPAN) which was created in February 1965. In December of that year he headed a 70-man Brazilian trade mission to Japan.



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Edmundo de MACEDO SOARES e Silva
(cont.)

According to a newspaper description, Macedo Soares is high-spirited, a man of etiquette, and always properly dressed. He does not smoke.

[Redacted] FOIA(b)(1)

He is married to the former Alcina Fonseca and has been reported to be the father of six children. (An article published recently in the Brazilian press indicated that he had been married twice and was the father of five children, one by his first wife and four by his second. His eldest daughter is said to be married to a French industrialist and nobleman.) Macedo Soares has been reported to speak French, German and English, in addition to his native Portuguese.

May 1967

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