

## INTERNATIONAL COFFEE AGREEMENT ACT OF 1963

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MARCH 12 (legislative day, MARCH 9), 1964—Ordered to be printed

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Mr. SMATHERS, from the Committee on Finance, submitted the following

### REPORT

together with

### MINORITY AND INDIVIDUAL VIEWS

[To accompany H.R. 8864]

The Committee on Finance, to whom was referred the bill (H.R. 8864) to carry out the obligations of the United States under the International Coffee Agreement, 1962, signed at New York on September 28, 1962, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

#### PURPOSE

The purpose of H.R. 8864 is to authorize the procedures required in order that the President might carry out the obligations of the United States under the International Coffee Agreement of 1962. That agreement has been signed by the United States, and the Senate has given its advice and consent to ratification.

The bill would authorize the President to require all coffee entering U.S. markets and all exports of coffee to be accompanied by a certificate of origin or a certificate of reexport; to limit imports of coffee from countries which have not joined in the agreement; to require the keeping of certain records, statistics, and other information; and to take such other action as he may consider necessary to implement the obligations of the United States under the treaty.

The bill also authorizes appropriations necessary to carry out the obligations of the United States under the treaty. Certain obsolete provisions of law would also be repealed.

## COMMITTEE AMENDMENTS

Under the committee amendments, a new section 4 is added to the bill. This amendment provides that whenever the Congress passes a concurrent resolution, in which it finds that there is an unwarranted increase in the domestic price of coffee attributable, in whole or in part, to the application or operation of the International Coffee Agreement, 1962, the President shall cause a copy of the resolution to be transmitted to the International Coffee Council and the executive board which are established under chapter IV of the agreement. If the President finds that the Council has failed, within 30 days after the transmittal of the resolution, to make such adjustments of quotas, or to take such other action, as is necessary to remedy the situation, he is authorized and directed to cause written notice of withdrawal of the United States from the agreement, such notice to be filed with the Secretary General of the United Nations in accordance with the provisions of article 68 of the agreement. Under article 68, withdrawal of a contracting party becomes effective 90 days after the notice is received by the Secretary General.

Under the bill, as passed by the House, the President is authorized to exercise any powers conferred on him by the bill through such agency or officer as he directs. Under the committee amendments, the powers and duties conferred on the President by the new section 4 may not be so delegated.

The amendment is designed to prevent, insofar as possible, sharp changes in prices which would be to the detriment of the American consumer. The coffee agreement provides for the withdrawal of members and this provision would be used whenever Congress felt that high prices were being maintained unnecessarily. The United States is the greatest coffee-consuming country in the world and it would seem unlikely that the agreement could stand without the membership of the United States.

## GENERAL STATEMENT

The Senate, on May 21, 1963, gave its advice and consent to the ratification of the International Coffee Agreement, 1962. On December 27, 1963, the United States deposited its instrument of ratification. By so doing the United States became a party of this treaty as a provisional member pending the enactment of implementing legislation enabling the United States to meet its obligations under the agreement. H.R. 8864 authorizes the establishment of such procedures.

Membership in the agreement does not obligate U.S. purchasers to buy coffee from any particular country, to buy any specific amount of coffee, or to pay any specific price for coffee. Coffee traders will be free to continue their established practices and patterns of trade, competing as before with buyers in other consuming countries.

The interests of the United States are protected by the fact that it will hold a minimum of 400 votes out of the total of 1,000 consumer votes in the International Coffee Council, the governing body of the agreement, and will also be a member of the executive board. Since practically all important decisions, such as adoption of the budget, establishment of the quotas, or the production control program, require a two-thirds vote of the consumers and producers voting

separately, the United States holds sufficient votes to prevent actions which might be considered adverse to our policy interests, to our business community, or to the American consumer.

The International Coffee Agreement does not contemplate any changes in the traditional relationships between the traders, the roasters, and the retailers. Coffee is a high volume, staple food product. Coffee price and quality are subject to keen competition in retail outlets in the United States. This means that the benefits of success in promoting low-cost efficient production, or in stabilizing the price cannot be withheld from the consumer.

The President is required to submit to the Congress an annual report on the operations of the agreement, including full information with regard to the level of prices. Also the legislation will expire on October 1, 1965. Thus Congress will have repeated early opportunities to review the operation of the agreement and its advantages or disadvantages to the United States. The United States may withdraw from the agreement at any time upon 90 days' notice.

The Senate Committee on Finance has added another safeguard in this respect by approving an amendment to H.R. 8864 providing that if the Congress passes a concurrent resolution finding that an unwarranted increase in domestic coffee prices is attributable to the operation of the agreement, the President is directed to initiate a U.S. withdrawal from the agreement if remedial action is not taken within 30 days after transmittal of the resolution.

The substantial increase in the price of coffee in recent months is attributed to the natural disasters which have occurred, and trader reaction to these disasters as described by Under Secretary of State W. Averell Harriman in his statement before the Committee on Finance on February 25, 1964.

Wholesale or green coffee prices have risen sharply recently. I know that the members of this committee are concerned by this and that you may want to know what role the agreement has played in that rise and whether it can be used to check it.

I want to state unequivocally that the coffee agreement did not cause the rise in coffee prices. That rise was triggered by a virtually unprecedented combination of natural disasters to coffee plantations in Brazil—the world's largest coffee producer. First came frost, then fire, then drought, and the drought is still continuing, particularly in São Paulo. That is one of the Brazilian provinces that is an important producer of coffee.

The change in Brazil's crop prospects is enormous. In the season 1959-60, Brazil produced 44 million bags of coffee; 37 million bags were of exportable quality. This year exportable production is barely 19 million bags. Some of our officials believe next year's exportable crop will not exceed 13 million bags; the Brazilians—some Brazilians—say 8.5 to 9 million bags. Some in our trade say it may be even less than this.

No one can tell, but whichever figure is right, it is clear that a buyer's market has been turned dramatically into a seller's market. Buyers are scurrying to buy up the short crop to assure themselves of fresh coffee. As Brazilian coffee prices

have risen, other coffee prices have been pushed upward as well. That's the way the market works.

The situation would be worse but for Brazil's large stocks. Unfortunately, they are not all of the qualities that we consume here. Of the approximately 50 million or so bags in stock, our trade believes that perhaps 20 to 22 million bags are of exportable quality. That may see Brazil through for the next few years until the trees revive from nature's ravages. But the market will be in a highly vulnerable position given the possible exhaustion of stock. Consequently, higher prices than we have known in the past years of glut—the last 5 years—are to be expected. We're in a seller's market, not a buyer's market. And buyers will always pay more for fresh coffee than for "stored" coffee from stocks.

Some say that quotas are a factor, albeit minor in the price rise. The fact is that exporters had a system of quotas in effect in the year following the negotiation of the agreement. Nevertheless, coffee prices continued to decline and reached new lows in August and September of 1963. Basically, that was because quotas were considerably too large and production was overabundant.

When the Brazilian situation appeared to be turning the market around, an effort was made to raise quotas but because market developments could not be clearly foreseen, no action was approved. However, now we have a background of rapid rise in prices and large buying for inventories as a safeguard against still higher prices. Accordingly, a little over 2 weeks ago, the Council of the Coffee Agreement raised quotas. Another 2.3 million bags of coffee will legally be available for export. In our judgment this will assure that the quotas will not be a factor in future price rises, if any. If further quota increases seem necessary, we are confident that producers would again agree with us and action would be taken. After all, look at the vote on the recent quota increase: importers voted unanimously for the increase and exporters voted 842 out of 955, including Brazil and Colombia, for the increase also. That is an impressive record of nearly unanimous agreement.

Price stability is what we are after and quotas should be used for this purpose.

Although the United States deposited its instrument of ratification of the agreement on December 27, 1963, its participation in the agreement has not been effective. This implementing legislation should be enacted by June 1, 1964, if the United States is to carry out the obligations of the agreement.

For the information of the Senate the text of the International Coffee Agreement, 1962, is printed below:

## INTERNATIONAL COFFEE AGREEMENT, 1962

### PREAMBLE

The Governments Parties to this Agreement,

Recognizing the exceptional importance of coffee to the economies of many countries which are largely dependent upon this commodity for their export earnings and thus for the continuation of their development programmes in the social and economic fields;

Considering that close international co-operation on coffee marketing will stimulate the economic diversification and development of coffee-producing countries and thus contribute to a strengthening of the political and economic bonds between producers and consumers;

Finding reason to expect a tendency toward persistent disequilibrium between production and consumption, accumulation of burdensome stocks, and pronounced fluctuations in prices, which can be harmful both to producers and to consumers; and

Believing that, in the absence of international measures, this situation cannot be corrected by normal market forces,  
Have agreed as follows:

### CHAPTER I—OBJECTIVES

#### ARTICLE 1

##### *Objectives*

The objectives of the Agreement are:

(1) to achieve a reasonable balance between supply and demand on a basis which will assure adequate supplies of coffee to consumers and markets for coffee to producers at equitable prices, and which will bring about long-term equilibrium between production and consumption;

(2) to alleviate the serious hardship caused by burdensome surpluses and excessive fluctuations in the prices of coffee to the detriment of the interests of both producers and consumers;

(3) to contribute to the development of productive resources and to the promotion and maintenance of employment and income in the Member countries, thereby helping to bring about fair wages, higher living standards, and better working conditions;

(4) to assist in increasing the purchasing power of coffee-exporting countries by keeping the prices at equitable levels and by increasing consumption;

(5) to encourage the consumption of coffee by every possible means; and

(6) in general, in recognition of the relationship of the trade in coffee to the economic stability of markets for industrial

products, to further international co-operation in connexion with world coffee problems.

## CHAPTER II—DEFINITIONS

### ARTICLE 2

#### *Definitions*

For the purposes of the Agreement:

(1) "Coffee" means the beans and berries of the coffee tree, whether parchment, green or roasted, and includes ground, decaffeinated, liquid and soluble coffee. These terms shall have the following meaning:

(a) "green coffee" means all coffee in the naked bean form before roasting;

(b) "coffee berries" means the complete fruit of the coffee tree; to find the equivalent of coffee berries to green coffee, multiply the net weight of the dried coffee berries by 0.50;

(c) "parchment coffee" means the green coffee bean contained in the parchment skin; to find the equivalent of parchment coffee to green coffee, multiply the net weight of the parchment coffee by 0.80;

(d) "roasted coffee" means green coffee roasted to any degree and includes ground coffee; to find the equivalent of roasted coffee to green coffee, multiply the net weight of roasted coffee by 1.19;

(e) "decaffeinated coffee" means green, roasted or soluble coffee from which caffeine has been extracted; to find the equivalent of decaffeinated coffee to green coffee, multiply the net weight of the decaffeinated coffee in green, roasted or soluble form by 1.00, 1.19 or 3.00, respectively;

(f) "liquid coffee" means the water-soluble solids derived from roasted coffee and put into liquid form; to find the equivalent of liquid to green coffee, multiply the net weight of the dried coffee solids contained in the liquid coffee by 3.00;

(g) "soluble coffee" means the dried water-soluble solids derived from roasted coffee; to find the equivalent of soluble coffee to green coffee, multiply the net weight of the soluble coffee by 3.00.

(2) "Bag" means 60 kilogrammes or 132,276 pounds of green coffee; "ton" means a metric ton of 1,000 kilogrammes or 2,204.6 pounds; and "pound" means 453.597 grammes.

(3) "Coffee year" means the period of one year, from 1 October through 30 September; and "first coffee year" means the coffee year beginning 1 October 1962.

(4) "Export of coffee" means, except as otherwise provided in Article 38, any shipment of coffee which leaves the territory of the country where the coffee was grown.

(5) "Organization", "Council" and "Board" mean, respectively, the International Coffee Organization, the Inter-

national Coffee Council, and the Executive Board established under Article 7 of the Agreement.

(6) "Member" means a Contracting Party; a dependent territory or territories in respect of which separate Membership has been declared under Article 4; or two or more Contracting Parties or dependent territories, or both, which participate in the Organization as a Member group under Article 5 or 6.

(7) "Exporting Member" or "exporting country" means a Member or country, respectively, which is a net exporter of coffee; that is, whose exports exceed its imports.

(8) "Importing Member" or "importing country" means a Member or country, respectively, which is a net importer of coffee; that is, whose imports exceed its exports.

(9) "Producing Member" or "producing country" means a Member or country, respectively, which grows coffee in commercially significant quantities.

(10) "Distributed simple majority vote" means a majority of the votes cast by exporting Members present and voting, and a majority of the votes cast by importing Members present and voting, counted separately.

(11) "Distributed two-thirds majority vote" means a two-thirds majority of the votes cast by exporting Members present and voting and a two-thirds majority of the votes cast by importing Members present and voting, counted separately.

(12) "Entry into force" means, except where the context otherwise requires, the date on which the Agreement first enters into force, whether provisionally or definitively.

### CHAPTER III—MEMBERSHIP

#### ARTICLE 3

##### *Membership in the Organization*

Each Contracting Party, together with those of its dependent territories to which the Agreement is extended under paragraph (1) of Article 67, shall constitute a single Member of the Organization, except as otherwise provided under Article 4, 5 or 6.

#### ARTICLE 4

##### *Separate Membership in Respect of Dependent Territories*

Any Contracting Party which is a net importer of coffee may, at any time, by appropriate notification in accordance with paragraph (2) of Article 67, declare that it is participating in the Organization separately with respect to any of its dependent territories which are net exporters of coffee and which it designates. In such case, the metropolitan territory and its non-designated dependent territories will have a single Membership, and its designated dependent territories, either individually or collectively as the notification indicates, will have separate Membership.

## ARTICLE 5

*Group Membership upon Joining the Organization*

(1) Two or more Contracting Parties which are net exporters of coffee may, by appropriate notification to the Secretary-General of the United Nations at the time of deposit of their respective instruments of ratification or accession, and to the Council at its first session, declare that they are joining the Organization as a Member group. A dependent territory to which the Agreement has been extended under paragraph (1) of Article 67 may constitute part of such a Member group if the Government of the State responsible for its international relations has given appropriate notification thereof under paragraph (2) of Article 67. Such Contracting Parties and dependent territories must satisfy the following conditions:

(a) they shall declare their willingness to accept responsibility for group obligations in an individual as well as a group capacity;

(b) they shall subsequently provide sufficient evidence to the Council that the group has the organization necessary to implement a common coffee policy, and that they have the means of complying, together with the other parties to the group, with their obligations under the Agreement; and

(c) they shall subsequently provide evidence to the Council either:

(i) that they have been recognized as a group in a previous international coffee agreement; or

(ii) that they have:

(a) a common or co-ordinated commercial and economic policy in relation to coffee, and

(b) a co-ordinated monetary and financial policy, as well as the organs necessary for implementing such a policy, so that the Council is satisfied that the Member group can comply with the spirit of group membership and the group obligations involved.

(2) The Member group shall constitute a single Member of the Organization, except that each party to the group shall be treated as if it were a single Member as regards all matters arising under the following provisions:

(a) Chapters XI and XII;

(b) Articles 10, 11 and 19 of Chapter IV; and

(c) Article 70 of Chapter XIX.

(3) The Contracting Parties and dependent territories joining as a Member group shall specify the Government or organization which will represent them in the Council as regards all matters arising under the Agreement other than those specified in paragraph (2) of this Article.

(4) The Member group's voting rights shall be as follows:

(a) the Member group shall have the same number of basic votes as a single Member country joining the Organization in an individual capacity. These basic



votes shall be attributed to and exercised by the Government or organization representing the group;

(b) in the event of a vote on any matters arising under provisions specified in paragraph (2) of this Article, the parties to the member group may exercise separately the votes attributed to them by the provisions of paragraph (3) of Article 12 as if each were an individual Member of the Organization, except for the basic votes, which shall remain attributable only to the Government or organization representing the group.

(5) Any Contracting Party or dependent territory which is a party to a Member group may, by notification to the Council, withdraw from that group and become a separate Member. Such withdrawal shall take effect upon receipt of the notification by the Council. In case of such withdrawal from a group, or in case a party to a group ceases, by withdrawal from the Organization or otherwise, to be such a party, the remaining parties to the group may apply to the Council to maintain the group, and the group shall continue to exist unless the Council disapproves the application. If the Member group is dissolved, each former party to the group will become a separate Member. A Member which has ceased to be a party to a group may not, as long as the Agreement remains in force, again become a party to a group.

#### ARTICLE 6

##### *Subsequent Group Membership*

Two or more exporting Members may, at any time after the Agreement has entered into force with respect to them, apply to the Council to form a Member group. The Council shall approve the application if it finds that the Members made a declaration, and have provided evidence, satisfying the requirements of paragraph (1) of Article 5. Upon such approval, the Member group shall be subject to the provisions of paragraphs (2), (3), (4), and (5) of that Article.

#### CHAPTER IV—ORGANIZATION AND ADMINISTRATION

#### ARTICLE 7

##### *Establishment, Seat and Structure of the International Coffee Organization*

(1) The International Coffee Organization is hereby established to administer the provisions of the Agreement and to supervise its operation.

(2) The seat of the Organization shall be in London.

(3) The Organization shall function through the International Coffee Council, its Executive Board, its Executive Director, and its staff.

## ARTICLE 8

*Composition of the International Coffee Council*

(1) The highest authority of the Organization shall be the International Coffee Council, which shall consist of all the Members of the Organization.

(2) Each Member shall be represented on the Council by a representative and one or more alternates. A Member may also designate one or more advisers to accompany its representative or alternates.

## ARTICLE 9

*Powers and Functions of the Council*

(1) All powers specifically conferred by the Agreement shall be vested in the Council, which shall have the powers and perform the functions necessary to carry out the provisions of the Agreement.

(2) The Council shall, by a distributed two-thirds majority vote, establish such rules and regulations, including its own rules of procedure and the financial and staff regulations of the Organization, as are necessary to carry out the provisions of the Agreement and are consistent therewith. The Council may, in its rules of procedure, provide a procedure whereby it may, without meeting, decide specific questions.

(3) The Council shall also keep such records as are required to perform its functions under the Agreement and such other records as it considers desirable, and shall publish an annual report.

## ARTICLE 10

*Election of the Chairman and Vice-Chairmen of the Council*

(1) The Council shall elect, for each coffee year, a Chairman and a first, a second, and a third Vice-Chairman.

(2) As a general rule, the Chairman and the first Vice-Chairman shall both be elected either from among the representatives of exporting Members, or from among the representatives of importing Members, and the second and the third Vice-Chairmen shall be elected from representatives of the other category of Members; these offices shall alternate each coffee year between the two categories of Members.

(3) Neither the Chairman nor any Vice-Chairman acting as Chairman shall have the right to vote. His alternate will in such case exercise the Member's voting rights.

## ARTICLE 11

*Sessions of the Council*

As a general rule, the Council shall hold regular sessions twice a year. It may hold special sessions if it so decides. Special sessions shall also be held when either the Executive

Board, or any five Members, or a Member or Members having at least 200 votes so request. Notice of sessions shall be given at least thirty days in advance, except in cases of emergency. Sessions shall be held at the seat of the Organization, unless the Council decides otherwise.

## ARTICLE 12

*Votes*

(1) The exporting Members shall together hold 1,000 votes and the importing Members shall together hold 1,000 votes, distributed within each category of Members—that is, exporting and importing Members, respectively—as provided in the following paragraphs of this Article.

(2) Each Member shall have five basic votes, provided that the total number of basic votes within each category of Members does not exceed 150. Should there be more than thirty exporting Members or more than thirty importing Members, the number of basic votes for each Member within the category of Members shall be adjusted so as to keep the number of basic votes for each category of Members within the maximum of 150.

(3) The remaining votes of exporting Members shall be divided among those Members in proportion to their respective basic export quotas, except that in the event of a vote on any matter arising under the provisions specified in paragraph (2) of Article 5, the remaining votes of a member group shall be divided among the parties to that group in proportion to their respective participation in the basic export quota of the Member group.

(4) The remaining votes of importing Members shall be divided among those Members in proportion to the average volume of their respective coffee imports in the preceding three-year period.

(5) The distribution of votes shall be determined by the Council at the beginning of each coffee year, and shall remain in effect during that year, except as provided in paragraph (6) of this Article.

(6) The Council shall provide for the redistribution of votes in accordance with this Article whenever there is a change in the Membership of the Organization, or if the voting rights of a Member are suspended or regained under the provisions of Article 25, 45 or 61.

(7) No Member shall hold more than 400 votes.

(8) There shall be no fractional votes.

## ARTICLE 13

*Voting Procedure of the Council*

(1) Each representative shall be entitled to cast the number of votes held by the Member represented by him, and cannot divide its votes. He may, however, cast differently from such votes any votes which he exercises pursuant to paragraph (2) of this Article.

(2) Any exporting Member may authorize any other exporting Member, and any importing Member may authorize any other importing Member, to represent its interests and to exercise its right to vote at any meeting or meetings of the Council. The limitation provided for in paragraph (7) of Article 12 shall not apply in this case.

#### ARTICLE 14

##### *Decisions of the Council*

(1) All decisions of the Council shall be taken, and all recommendations shall be made, by a distributed simple majority vote unless otherwise provided in the Agreement.

(2) The following procedure shall apply with respect to any action by the Council which under the Agreement requires a distributed two-thirds majority vote:

(a) if a distributed two-thirds majority vote is not obtained because of the negative vote of three or less exporting or three or less importing Members, the proposal shall, if the Council so decides by a majority of the Members present and by a distributed simple majority vote, be put to a vote again within 48 hours;

(b) If a distributed two-thirds majority vote is again not obtained because of the negative vote of two or less importing or two or less exporting Members, the proposal shall, if the Council so decides by the majority of the Members present and by a distributed simple majority vote, be put to a vote again within 24 hours;

(c) if a distributed two-thirds majority vote is not obtained in the third vote because of the negative vote of one exporting Member or one importing Member, the proposal shall be considered adopted;

(d) if the Council fails to put a proposal to a further vote, it shall be considered rejected.

(3) The Members undertake to accept as binding all decisions of the Council under the provisions of the Agreement.

#### ARTICLE 15

##### *Composition of the Board*

(1) The Executive Board shall consist of seven exporting Members and seven importing Members, elected for each coffee year in accordance with Article 16. Members may re-elected.

(2) Each member of the Board shall appoint one representative and one or more alternates.

(3) The Chairman of the Board shall be appointed by the Council for each coffee year and may be re-appointed. He shall not have the right to vote. If a representative is appointed Chairman, his alternate will have the right to vote in his place.

(4) The Board shall normally meet at the seat of the Organization but may meet elsewhere.

## ARTICLE 16

*Election of the Board*

(1) The exporting and the importing Members of the Board shall be elected in the Council by the exporting and the importing Members of the Organization respectively. The election within each category shall be held in accordance with the following paragraphs of this Article.

(2) Each Member shall cast all the votes to which it is entitled under Article 12 for a single candidate. A Member may cast for another candidate any votes which it exercises pursuant to paragraph (2) of Article 13.

(3) The seven candidates receiving the largest number of votes shall be elected; however, no candidates shall be elected on the first ballot unless it receives at least 75 votes.

(4) If under the provisions of paragraph (3) of this Article less than seven candidates are elected on the first ballot, further ballots shall be held in which only Members who did not vote for any of the candidates elected shall have the right to vote. In each further ballot, the minimum number of votes required for election shall be successively diminished by five until seven candidates are elected.

(5) Any Member who did not vote for any of the Members elected shall assign its votes to one of them, subject to paragraphs (6) and (7) of this Article.

(6) A Member shall be deemed to have received the number of votes originally cast for it when it was elected and, in addition, the number of votes assigned to it, provided that the total number of votes shall not exceed 499 for any Member elected.

(7) If the votes deemed received by an elected Member would otherwise exceed 499, Members which voted for or assigned their votes to such elected Member shall arrange among themselves for one or more of them to withdraw their votes from that Member and assign or reassign them to another elected Member so that the votes received by each elected Member shall not exceed the limit of 499.

## ARTICLE 17

*Competence of the Board*

(1) The Board shall be responsible to and work under the general direction of the Council.

(2) The Council may, by a distributed simple majority vote, delegate to the Board the exercise of any or all of its powers, other than the following:

(a) annual distribution of votes under paragraph (5) of Article 12;

(b) approval of the administrative budget and assessment of contributions under Article 24;

(c) determination of quotas under the Agreement;

(d) imposition of enforcement measures other than those whose application is automatic;

- (e) suspension of the voting rights of a Member under Article 45 or 61;
  - (f) determination of individual country and world production goals under Article 48;
  - (g) establishment of a policy relative to stocks under Article 51;
  - (h) waiver of the obligations of a Member under Article 60;
  - (i) decision of disputes under Article 61;
  - (j) establishment of conditions for accession under Article 65;
  - (k) a decision to require the withdrawal of a Member under Article 69;
  - (l) extension or termination of the Agreement under Article 71; and
  - (m) recommendation of amendments to Members under Article 73.
- (3) The Council may at any time, by a distributed simple majority vote, revoke any delegation of powers to the Board.

## ARTICLE 18

*Voting Procedure of the Board*

- (1) Each member of the Board shall be entitled to cast the number of votes received by it under the provisions of paragraphs (6) and (7) of Article 16. Voting by proxy shall not be allowed. A member may not split its votes.
- (2) Any action taken by the Board shall require the same majority as such action would require if taken by the Council.

## ARTICLE 19

*Quorum for the Council and the Board*

- (1) The quorum for any meeting of the Council shall be the presence of a majority of the Members representing a distributed two-thirds majority of the total votes. If there is no quorum on the day appointed for the opening of any Council session, or if in the course of any Council session there is no quorum at three successive meetings, the Council shall be convened seven days later; at that time and throughout the remainder of that session the quorum shall be the presence of a majority of the Members representing a distributed simple majority of the votes. Representation in accordance with paragraph (2) of Article 13 shall be considered as presence.
- (2) The quorum for any meeting of the Board shall be the presence of a majority of the members representing a distributed two-thirds majority of the total votes.

## ARTICLE 20

*The Executive Director and the Staff*

(1) The Council shall appoint the Executive Director on the recommendation of the Board. The terms of appointment of the Executive Director shall be established by the Council and shall be comparable to those applying to corresponding officials of similar inter-governmental organizations.

(2) The Executive Director shall be the chief administrative officer of the Organization and shall be responsible for the performance of any duties devolving upon him in the administration of the Agreement.

(3) The Executive Director shall appoint the staff in accordance with regulations established by the Council.

(4) Neither the Executive Director nor any member of the staff shall have any financial interest in the coffee industry, coffee trade, or coffee transportation.

(5) In the performance of their duties, the Executive Director and the staff shall not seek or receive instructions from any Member or from any other authority external to the Organization. They shall refrain from any action which might reflect on their position as international officials responsible only to the Organization. Each Member undertakes to respect the exclusively international character of the responsibilities of the Executive Director and the staff and not to seek to influence them in the discharge of their responsibilities.

## ARTICLE 21

*Co-operation With Other Organizations*

The Council may make whatever arrangements are desirable for consultation and co-operation with the United Nations and its specialized agencies and with other appropriate inter-governmental organizations. The Council may invite these organizations and any organizations concerned with coffee to send observers to its meetings.

## CHAPTER V—PRIVILEGES AND IMMUNITIES

## ARTICLE 22

*Privileges and Immunities*

(1) The Organization shall have in the territory of each Member, to the extent consistent with its laws, such legal capacity as may be necessary for the exercise of its functions under the Agreement.

(2) The Government of the United Kingdom of Great Britain and Northern Ireland shall grant exemption from taxation on the salaries paid by the Organization to its employees, except that such exemption need not apply to nationals of that country. It shall also grant exemption from taxation on the assets, income and other property of the Organization.

## CHAPTER VI—FINANCE

## ARTICLE 23

*Finance*

(1) The expenses of delegations to the Council, representatives on the Board, and representatives on any of the committees of the Council or the Board shall be met by their respective Governments.

(2) The other expenses necessary for the administration of the Agreement shall be met by annual contributions from the Members assessed in accordance with Article 24.

(3) The financial year of the Organization shall be the same as the coffee year.

## ARTICLE 24

*Determination of the Budget and Assessment of Contributions*

(1) During the second half of each financial year, the Council shall approve the administrative budget of the Organization for the following financial year, and shall assess the contribution of each Member to that budget.

(2) The contribution of each Member to the budget for each financial year shall be in the proportion which the number of its votes at the time the budget for that financial year is approved bears to the total votes of all the Members. However, if there is any change in the distribution of votes among Members in accordance with the provisions of paragraph (5) of Article 12 at the beginning of the financial year for which contributions are assessed, such contributions shall be correspondingly adjusted for that year. In determining contributions, the votes of each Member shall be calculated without regard to the suspension of any Member's voting rights or any redistribution of votes resulting therefrom.

(3) The initial contribution of any Member joining the Organization after the entry into force of the Agreement shall be assessed by the Council on the basis of the number of votes to be held by it and the period remaining in the current financial year, but the assessments made upon other Members for the current financial year shall not be altered.

(4) If the Agreement comes into force more than eight months before the beginning of the first full financial year of the Organization, the Council shall at its first session approve an administrative budget covering only the period up to the commencement of the first full financial year. Otherwise the first administrative budget shall cover both the initial period and the first full financial year.

## ARTICLE 25

*Payment of Contributions*

(1) Contributions to the administrative budget for each financial year shall be payable in freely convertible currency, and shall become due on the first day of that financial year.



(2) If any Member fails to pay its full contribution to the administrative budget within six months of the date on which the contribution is due, both its voting rights in the Council and its right to have its votes cast in the Board shall be suspended until such contribution has been paid. However, unless the Council so decides by a distributed two-thirds majority vote, such Member shall not be deprived of any of its other rights nor relieved of any of its obligations under the Agreement.

(3) Any Member whose voting rights have been suspended, either under paragraph (2) of this Article or under Article 45 or 61, shall nevertheless remain responsible for the payment of its contribution.

#### ARTICLE 26

##### *Audit and Publication of Accounts*

As soon as possible after the close of each financial year, an independently audited statement of the Organization's receipts and expenditures during that financial year shall be presented to the Council for approval and publication.

#### CHAPTER VII—REGULATION OF EXPORTS

#### ARTICLE 27

##### *General Undertakings by Members*

(1) The Members undertake to conduct their trade policy so that the objectives set forth in Article 1 and, in particular, paragraph (4) of that Article, may be achieved. They agree on the desirability of operating the Agreement in a manner such that the real income derived from the export of coffee could be progressively increased so as to make it consonant with their needs for foreign exchange to support their programmes for social and economic progress.

(2) To attain these purposes through the fixing of quotas as provided for in this Chapter and in other ways carrying out the provisions of the Agreement, the Members agree on the necessity of assuring that the general level of coffee prices does not decline below the general level of such prices in 1962.

(3) The Members further agree on the desirability of assuring to consumers prices which are equitable and which will not hamper a desirable increase in consumption.

#### ARTICLE 28

##### *Basic Export Quotas*

(1) For the first three coffee years, beginning on 1 October 1962, the exporting countries listed in Annex A shall have the basic export quotas specified in that Annex.

(2) During the last six months of the coffee year ending 30 September 1965, the Council shall review the basic export

quotas specified in Annex A in order to adjust them to general market conditions. The Council may then revise such quotas by a distributed two-thirds majority vote; if not revised, the basic export quotas specified in Annex A shall remain in effect.

## ARTICLE 29

*Quota of a Member Group*

Where two or more countries listed in Annex A form a Member group in accordance with Article 5, the basic export quotas specified for those countries in Annex A shall be added together and the combined total treated as a single quota for the purposes of this Chapter.

## ARTICLE 30

*Fixing of Annual Export Quotas*

(1) At least 30 days before the beginning of each coffee year the Council shall adopt by a two-thirds majority vote an estimate of total world imports for the following coffee year and an estimate of probable exports from nonmember countries.

(2) In the light of these estimates the Council shall forthwith fix annual export quotas which shall be the same percentage for all exporting Members of the basic export quotas specified in Annex A. For the first coffee year this percentage is fixed at 99, subject to the provisions of Article 32.

## ARTICLE 31

*Fixing of Quarterly Export Quotas*

(1) Immediately following the fixing of the annual export quotas the Council shall fix quarterly export quotas for each exporting Member for the purpose of keeping supply in reasonable balance with estimated demand throughout the coffee year.

(2) These quotas shall be, as nearly as possible, 25 per cent of the annual export quota of each Member during the coffee year. No Member shall be allowed to export more than 30 per cent in the first quarter, 60 per cent in the first two quarters, and 80 per cent in the first three quarters of the coffee year. If exports from any Member in one quarter are less than its quota for that quarter, the outstanding balance shall be added to its quota for the following quarter of that coffee year.

## ARTICLE 32

*Adjustment of Annual Export Quotas*

If market conditions so require, the Council may review the quota situation and may vary the percentage of basic export quotas fixed under paragraph (2) of Article 30. In so

doing, the Council shall have regard to any likely shortfalls by Members.

## ARTICLE 33

*Notification of Shortfalls*

(1) Exporting Members undertake to notify the Council at the end of the eighth month of the coffee year, and at such later dates as the Council may request, whether they have sufficient coffee available to export the full amount of their quota for that year.

(2) The Council shall take into account these notifications in determining whether or not to adjust the level of export quotas in accordance with Article 32.

## ARTICLE 34

*Adjustment of Quarterly Export Quotas*

(1) The Council shall in the circumstances set out in this Article vary the quarterly export quotas fixed for each Member under paragraph (1) of Article 31.

(2) If the Council varies the annual export quotas as provided in Article 32, then the change in that annual quota shall be reflected in the quotas for the current and remaining quarters, or the remaining quarters, of the coffee year.

(3) Apart from the adjustment provided for in the preceding paragraph, the Council may, if it finds the market situation so requires, make adjustments among the current and remaining quarterly export quotas for the same coffee year, without, however, altering the annual export quotas.

(4) If on account of exceptional circumstances an exporting Member considers that the limitations provided in paragraph (2) of Article 31 would be likely to cause serious harm to its economy, the Council may, at the request of that Member, take appropriate action under Article 60. The Member concerned must furnish evidence of harm and provide adequate guarantees concerning the maintenance of price stability. The Council shall not, however, in any event, authorize a Member to export more than 35 per cent of its annual export quota in the first quarter, 65 per cent in the first two quarters, and 85 per cent in the first three quarters of the coffee year.

(5) All Members recognize that marked price rises or falls occurring within brief periods may unduly distort underlying trends in price, cause grave concern to both producers and consumers, and jeopardize the attainment of the objectives of the Agreement. Accordingly, if such movements in general price levels occur within brief periods, Members may request a meeting of the Council which, by distributed simple majority vote, may revise the total level of the quarterly export quotas in effect.

(6) If the Council finds that a sharp and unusual increase or decrease in the general level of prices is due to artificial manipulation of the coffee market through agreements among

importers or exporters or both, it shall then decide by a simple majority vote on what corrective measures should be applied to readjust the total level of the quarterly export quotas in effect.

## ARTICLE 35

*Procedure for Adjusting Export Quotas*

(1) Annual export quotas shall be fixed and adjusted by alerting the basic export quota of each Member by the same percentage.

(2) General changes in all quarterly export quotas, made pursuant to paragraphs (2), (3), (5) and (6) of Article 34, shall be applied *pro rata* to individual quarterly export quotas in accordance with appropriate rules established by the Council. Such rules shall take account of the different percentages of annual export quotas which the different Members have exported or are entitled to export in each quarter of the coffee year.

(3) All decisions by the Council on the fixing and adjustment of annual and quarterly export quotas under Articles 30, 31, 32 and 34 shall be taken, unless otherwise provided, by a distributed two-thirds majority vote.

## ARTICLE 36

*Compliance with Export Quotas*

(1) Exporting Members subject to quotas shall adopt the measures required to ensure full compliance with all provisions of the Agreement relating to quotas. The Council may request such Members to adopt additional measures for the effective implementation of the quota system provided for in the Agreement.

(2) Exporting Members shall not exceed the annual and quarterly export quotas allocated to them.

(3) If an exporting Member exceeds its quota for any quarter, the Council shall deduct from one or more of its future quotas a total amount equal to that excess.

(4) If an exporting Member for the second time while the Agreement remains in force exceeds its quarterly quota, the Council shall deduct from one or more of its future quotas a total amount equal to twice that excess.

(5) If an exporting Member for a third or subsequent time while the Agreement remains in force exceeds its quarterly quota, the Council shall make the same deduction as provided in paragraph (4) of this Article, and in addition the Council may take action in accordance with Article 69 to require the withdrawal of such a Member from the Organization.

(6) The deductions in quotas provided in paragraphs (3), (4) and (5) of this Article shall be made by the Council as soon as it receives the necessary information.

## ARTICLE 37

*Transitional Quota Provisions*

(1) Exports of coffee after 1 October 1962 shall be charged against the annual export quota of the exporting country concerned at such time as the Agreement enters into force in respect of that country.

(2) If the Agreement enters into force after 1 October 1962, the Council shall, during its first session, make such modifications as may be necessary in the procedure for the fixing of annual and quarterly export quotas in respect of the coffee year in which the Agreement enters into force.

## ARTICLE 38

*Shipments of Coffee from Dependent Territories*

(1) Subject to paragraph (2) of this Article, the shipment of coffee from any of the dependent territories of a Member to its metropolitan territory or to another of its dependent territories for domestic consumption therein or in any other of its dependent territories shall not be considered as the export of coffee, and shall not be subject to any export quota limitations, provided that the Member concerned enters into arrangements satisfactory to the Council with respect to the control of re-exports and such other matters as the Council may determine to be related to the operation of the Agreement and which arise out of the special relationship between the metropolitan territory of the Member and its dependent territories.

(2) The trade in coffee between a Member and any of its dependent territories which, in accordance with Article 4 or 5, is a separate Member of the Organization or a party to a Member group, shall however be treated, for the purposes of the Agreement, as the export of coffee.

## ARTICLE 39

*Exporting Members not Subject to Quotas*

(1) Any exporting Member whose average annual exports of coffee for the preceding three-year period were less than 25,000 bags shall not be subject to the quota provisions of the Agreement, so long as its exports remain less than that quantity.

(2) Any Trust Territory administered under a trusteeship agreement with the United Nations whose annual exports to countries other than the Administering Authority do not exceed 100,000 bags shall not be subject to the quota provisions of the Agreement, so long as its exports do not exceed that quantity.

## ARTICLE 40

*Exports not Charged to Quotas*

(1) In order to facilitate the increase of coffee consumption in certain areas of the world having a low *per capita* consumption and considerable potential for expansion, exports to countries listed in Annex B shall not, subject to the provisions of sub-paragraph (f) of this paragraph, be charged to quotas. The Council, at the beginning of the second full coffee year after the Agreement enters into force, and annually thereafter, shall review the list with a view to determining whether any country or countries should be deleted from it, and may, if it so decides, delete any such country or countries. In connexion with exports to the countries listed in Annex B, the provisions of the following sub-paragraphs shall be applicable:

(a) At its first session, and thereafter whenever it deems necessary, the Council shall prepare an estimate of imports for internal consumption by the countries listed in Annex B, after reviewing the results obtained in the previous year with regard to the increase of coffee consumption in those countries and taking into account the probable effect of promotion campaigns and trade arrangements. Exporting Members shall not in the aggregate export to the countries listed in Annex B more than the quantity set by the Council, and for that purpose the Council shall keep those Members informed of current exports to such countries. Exporting Members shall inform the Council not later than thirty days after the end of each month of all exports made to each of the countries listed in Annex B during that month.

(b) Members shall supply such statistics and other information as the Council may require to assist it in controlling the flow of coffee to countries listed in Annex B and its consumption therein.

(c) Exporting Members shall endeavor to renegotiate existing trade agreements as soon as possible in order to include in them provisions preventing re-exports of coffee from the countries listed in Annex B to other markets. Exporting Members shall also include such provisions in all new trade agreements and in all new sales contracts not covered by trade agreements, whether such contracts are negotiated with private traders or with government organizations.

(d) In order to maintain control at all times of exports to countries listed in Annex B, the Council may decide upon further precautionary steps, such as requiring coffee bags destined to those countries to be specially marked and requiring that the exporting Members receive from such countries banking and contractual guarantees to prevent re-exportation to countries not listed in Annex B. The Council may, whenever it deems necessary, engage the services of an internationally recognized worldwide organization to investigate irregulari-

ties in, or to verify exports to, countries listed in Annex B. The Council shall call any possible irregularity to the attention of the Members.

(e) The Council shall annually prepare a comprehensive report on the results obtained in the development of coffee markets in the countries listed in Annex B.

(f) If coffee exported by a Member to a country listed in Annex B is re-exported to any country not listed in Annex B, the Council shall charge the corresponding amount to the quota of that exporting Member. Should there again be a re-exportation from the same country listed in Annex B, the Council shall investigate the case, and unless it finds extenuating circumstances, may at any time delete that country from Annex B.

(2) Exports of coffee beans as raw material for industrial processing for any purposes other than human consumption as a beverage or foodstuff shall not be charged to quotas, provided that the Council is satisfied from information supplied by the exporting Member that the coffee beans are in fact used for such other purposes.

(3) The Council may, upon application by an exporting Member, decide that coffee exports made by that Member for humanitarian or other non-commercial purposes shall not be charged to its quota.

#### ARTICLE 41

##### *Assurance of Supplies*

In addition to ensuring that the total supplies of coffee are in accordance with estimated world imports, the Council shall seek to ensure that supplies of the types of coffee that consumers require are available to them. To achieve this objective, the Council may, by a distributed two-thirds majority vote, decide to use whatever methods it considers practicable.

#### ARTICLE 42

##### *Regional and Inter-regional Price Arrangements*

(1) Regional and inter-regional price arrangements among exporting Members shall be consistent with the general objectives of the Agreement, and shall be registered with the Council. Such arrangements shall take into account the interests of both producers and consumers and the objectives of the Agreement. Any Member of the Organization which considers that any of these arrangements are likely to lead to results not in accordance with the objectives of the Agreement may request that the Council discuss them with the Members concerned at its next session.

(2) In consultation with Members and with any regional organization to which they belong, the Council may recommend a scale of price differentials for various grades and qualities of coffee which Members should strive to achieve through their pricing policies.

(3) Should sharp price fluctuations occur within brief periods in respect to those grades and qualities of coffee for which a scale of price differentials has been adopted as the result of recommendations made under paragraph (2) of this Article, the Council may recommend appropriate measures to correct the situation.

#### ARTICLE 43

##### *Survey of Market Trends*

The Council shall keep under constant survey the trends of the coffee market with a view to recommending price policies, taking into consideration the results achieved through the quota mechanism of the Agreement.

#### CHAPTER VIII—CERTIFICATES OF ORIGIN AND RE-EXPORT

#### ARTICLE 44

##### *Certificates of Origin and Re-export*

(1) Every export of coffee from any Member in whose territory that coffee has been grown shall be accompanied by a certificate of origin modelled on the form set forth in Annex C, issued by a qualified agency chosen by that Member. Each such Member shall determine the number of copies of the certificate it will require and each copy shall bear a serial number. The original of the certificate shall accompany the documents of export, and a copy shall be furnished to the Organization by that Member. The Council shall, either directly or through an internationally recognized world-wide organization, verify the certificates of origin, so that at any time it will be able to ascertain the quantities of coffee which have been exported by each Member.

(2) Every re-export of coffee from a Member shall be accompanied by a certificate of re-export issued by a qualified agency chosen by that Member, in such form as the Council may determine, certifying that the coffee in question was imported in accordance with the provisions of the Agreement, and, if appropriate, containing a reference to the certificate or certificates of origin under which that coffee was imported. The original of the certificate of re-export shall accompany the documents of re-export, and a copy shall be furnished to the Organization by the re-exporting Member.

(3) Each Member shall notify the Organization of the agency or agencies designated by it to perform the functions specified in paragraphs (1) and (2) of this Article. The Council may at any time, for cause, declare certification by a particular agency unacceptable to it.

(4) Members shall render periodic reports to the Organization concerning imports of coffee, in such form and at such intervals as the Council shall determine.

(5) The provisions of paragraph (1) of this Article shall be put into effect not later than three months after the entry into



force of the Agreement. The provisions of paragraph (2) shall be put into effect at such time as the Council shall decide.

(6) After the respective dates provided for under paragraph (5) of this Article, each Member shall prohibit the entry of any shipment of coffee from any other Member which is not accompanied by a certificate of origin or a certificate of re-export.

## CHAPTER IX—REGULATION OF IMPORTS

### ARTICLE 45

#### *Regulations of Imports*

(1) In order to prevent non-member exporting countries from increasing their exports at the expense of Members, the following provisions shall apply with respect to imports of coffee by Members from non-member countries.

(2) If three months after the Agreement enters into force, or at any time thereafter, the Members of the Organization represent less than 95 per cent of world exports in the calendar year 1961, each Member shall, subject to paragraphs (4) and (5) of this Article, limit its total annual imports from non-member countries as a group to a quantity not in excess of its average annual imports from those countries as a group during the last three years prior to the entry into force of the Agreement for which statistics are available. However, if the Council so decides, the application of such limitations may be deferred.

(3) If at any time the Council, on the basis of information received, finds that exports from non-member countries as group are disturbing the exports of Members, it may, notwithstanding the fact that the Members of the Organization represent 95 percent or more of world exports in the calendar year 1961, decide that the limitations of paragraph (2) shall be applied.

(4) If the Council's estimate of world imports adopted under Article 30 for any coffee year is less than its estimate of world imports for the first full coffee year after the Agreement enters into force, the quantity which each Member may import from non-member countries as a group under the provisions of paragraph (2) shall be reduced by the same proportion.

(5) The Council may annually recommend additional limitations on imports from non-member countries if it finds such limitations necessary in order to further the purposes of the Agreement.

(6) Within one month from the date on which limitations are applied under this Article, each Member shall inform the Council of the quantity of its permissible annual imports from non-member countries as a group.

(7) The obligations of the preceding paragraphs of this Article shall not derogate from any conflicting bilateral or multilateral obligations which importing Members have

entered into with non-member countries before 1 August 1962; provided that any importing Member which has such conflicting obligations shall carry them out in such a way as to minimize the conflict with the obligations of the preceding paragraphs, take steps as soon as possible to bring its obligations into harmony with those paragraphs, and inform the Council of the details of the conflicting obligations and of the steps taken to minimize or eliminate the conflict.

(8) If an importing Member fails to comply with the provisions of this Article, the Council may, by a distributed two-thirds majority vote, suspend both its voting rights in the Council and its right to have its votes cast in the Board.

## CHAPTER X—INCREASE OF CONSUMPTION

### ARTICLE 46

#### *Promotion*

(1) The Council shall sponsor a continuing programme for promoting the consumption of coffee. The size and cost of this programme shall be subject to periodic review and approval by the Council. The importing Members will have no obligation as respects the financing of this programme.

(2) If the Council after study of the question so decides, it shall establish within the framework of the Board a separate committee of the Organization, to be known as the World Coffee Promotion Committee.

(3) If the World Coffee Promotion Committee is established, the following provisions shall apply:

(a) The Committee's rules, in particular those regarding membership, organization, and financial affairs, shall be determined by the Council. Membership in the Committee shall be limited to Members which contribute to the promotional programme established in paragraph (1) of this Article.

(b) In carrying out its work, the Committee shall establish a technical committee within each country in which a promotional campaign will be conducted. Before a promotional campaign is inaugurated in any Member country, the Committee shall advise the representative of that Member in the Council of the Committee's intention to conduct such a campaign and shall obtain that Member's consent.

(c) The ordinary administrative expenses relating to the permanent staff of the Committee, other than the costs of their travel for promotion purposes, shall be charged to the administrative budget of the Organization, and shall not be charged to the promotion funds of the Committee.

### ARTICLE 47

#### *Removal of Obstacles to Consumption*

(1) The Members recognize the utmost importance of achieving the greatest possible increase of coffee consump-

tion as rapidly as possible, in particular through the progressive removal of any obstacles which may hinder such increase.

(2) The Members affirm their intention to promote full international co-operation between all coffee exporting and importing countries.

(3) The Members recognize that there are presently in effect measures which may to a greater or lesser extent hinder the increase in consumption of coffee, in particular:

(a) import arrangements applicable to coffee, including preferential and other tariffs, quotas, operations of Government import monopolies and official purchasing agencies, and other administrative rules and commercial practices;

(b) export arrangements as regards direct or indirect subsidies and other administrative rules and commercial practices; and

(c) internal trade conditions and domestic legal and administrative provisions which may affect consumption.

(4) The Members recognize that certain Members have shown their concurrence with the objectives stated above by announcing their intention to reduce tariffs on coffee or by taking other action to remove obstacles to increased consumption.

(5) The Members undertake, in the light of studies already carried out and those to be carried out under the auspices of the Council or by other competent international organizations, and of the Declaration adopted at the Ministerial Meeting in Geneva on 30 November 1961:

(a) to investigate ways and means by which the obstacles to increased trade and consumption referred to in paragraph (3) of this Article could be progressively reduced and eventually, whenever possible, eliminated, or by which their effects could be substantially diminished;

(b) to inform the Council of the results of their investigation, so that the Council can review, within the first eighteen months after the Agreement enters into force, the information provided by Members concerning the effect of these obstacles and, if appropriate, the measures planned to reduce the obstacles or diminish their effects;

(c) to take into account the results of this review by the Council in the adoption of domestic measures and in proposals for international action; and

(d) to review at the session provided for in Article 72 the results achieved by the Agreement and to examine the adoption of further measures for the removal of such obstacles as may still stand in the way of expansion of trade and consumption, taking into account the success of the Agreement in increasing income of exporting Members and in developing consumption.

(6) The Members undertake to study in the Council and in other appropriate organizations any requests presented by

Members whose economies may be affected by the measures taken in accordance with this Article.

## CHAPTER XI—PRODUCTION CONTROLS

### ARTICLE 48

#### *Production Goals*

(1) The producing Members undertake to adjust the production of coffee while the Agreement remains in force to the amount needed for domestic consumption, exports, and stocks as specified in Chapter XII.

(2) Not later than one year after the Agreement enters into force, the Council shall, in consultation with the producing Members, by a distributed two-thirds majority vote, recommend production goals for each of such Members and for the world as a whole.

(3) Each producing Member shall be entirely responsible for the policies and procedures it applies to achieve these objectives.

### ARTICLE 49

#### *Implementation of Production-Control Programmes*

(1) Each producing Member shall periodically submit written reports to the Council on the measures it has taken or is taking to achieve the objectives of Article 48, as well as on the concrete results obtained. At its first session the Council shall, by a distributed two-thirds majority vote, establish a time-table and procedures for the presentation and discussion of such reports. Before making any observations or recommendations the Council will consult with the Members concerned.

(2) If the Council determines by a distributed two-thirds majority vote either that any producing Member has not, within a period of two years from the entry into force of the Agreement, adopted a programme to adjust its production to the goals recommended by the Council in accordance with Article 48, or that any producing Member's programme is not effective, it may by the same majority decide that such Member shall not enjoy any quota increases which may result from the application of the Agreement. The Council may by the same majority establish whatever procedures it considers appropriate for the purpose of verifying that the provisions of Article 48 have been complied with.

(3) At such time as it considers appropriate, but in any event not later than the review session provided for in Article 72, the Council may, by a distributed two-thirds majority vote, in the light of the reports submitted for its consideration by the producing Members in accordance with paragraph (1) of this Article, revise the production goals recommended in accordance with paragraph (2) of Article 48.

(4) In applying the provisions of this Article, the Council shall maintain close contact with international, national and private organizations which have an interest in or are re-

sponsible for financing or, in general, assisting the development plans of the primary producing countries.

## ARTICLE 50

*Co-operation of Importing Members*

Recognizing the paramount importance of bringing the production of coffee into reasonable balance with world demand, the importing Members undertake, consistently with their general policies regarding international assistance, to cooperate with the producing Members in their plans for limiting the production of coffee. Their assistance may be provided on a technical, financial or other basis, and under bilateral, multilateral or regional arrangements, to producing Members implementing the provisions of this Chapter.

## CHAPTER XII—REGULATION OF STOCKS

## ARTICLE 51

*Policy Relative to Coffee Stocks*

(1) At its first session the Council shall take measures to ascertain world coffee stocks, pursuant to systems which it shall establish, and taking into account the following points: quantity, countries of origin, location, quality, and condition. The Members shall facilitate this survey.

(2) Not later than one year after the Agreement enters into force, the Council shall, on the basis of the data thus obtained and in consultation with the Members concerned, establish a policy relative to such stocks in order to complement the recommendations provided for in Article 48 and thereby to promote the attainment of the objectives of the Agreement.

(3) The producing Members shall endeavour by all means within their power to implement the policy established by the Council.

(4) Each producing Member shall be entirely responsible for the measures it applies to carry out the policy thus established by the Council.

## ARTICLE 52

*Implementation of Programmes for Regulation of Stocks*

Each producing Member shall periodically submit written reports to the Council on the measures it has taken or is taking to achieve the objectives of Article 51, as well as on the concrete results obtained. At its first session, the Council shall establish a time-table and procedures for the presentation and discussion of such reports. Before making any observations or recommendations, the Council shall consult with the Members concerned.

## CHAPTER XIII—MISCELLANEOUS OBLIGATIONS OF MEMBERS

## ARTICLE 53

*Consultation and Co-operation with the Trade*

(1) The Council shall encourage Members to seek the views of experts in coffee matters.

(2) Members shall conduct their activities within the framework of the Agreement in a manner consonant with the established channels of trade.

## ARTICLE 54

*Barter*

In order to avoid jeopardizing the general price structure, Members shall refrain from engaging in direct and individually linked barter transactions involving the sale of coffee in the traditional markets.

## ARTICLE 55

*Mixtures and Substitutes*

Members shall not maintain any regulations requiring the mixing, processing or using of other products with coffee for commercial resale as coffee. Members shall endeavour to prohibit the sale and advertisement of products under the name of coffee if such products contain less than the equivalent of 90 per cent green coffee as the basic raw material.

## CHAPTER XIV—SEASONAL FINANCING

## ARTICLE 56

*Seasonal Financing*

(1) The Council shall, upon the request of any Member who is also a party to any bilateral, multilateral, regional or inter-regional agreement in the field of seasonal financing, examine such agreement with a view to verifying its compatibility with the obligations of the Agreement.

(2) The Council may make recommendations to Members with a view to resolving any conflict of obligations which might arise.

(3) The Council may, on the basis of information obtained from the Members concerned, and if it deems appropriate and suitable, make general recommendations with a view to assisting Members which are in need of seasonal financing.

## CHAPTER XV—INTERNATIONAL COFFEE FUND

## ARTICLE 57

*International Coffee Fund*

(1) The Council may establish an International Coffee Fund. The Fund shall be used to further the objective of limiting the production of coffee in order to bring it into reasonable balance with demand for coffee, and to assist in the achievement of the other objectives of the Agreement.

(2) Contribution to the Fund shall be voluntary.

(3) The decision by the Council to establish the Fund and the adoption of guiding principles to govern its administration shall be taken by a distributed two-thirds majority vote.

## CHAPTER XVI—INFORMATION AND STUDIES

## ARTICLE 58

*Information*

(1) The Organization shall act as a centre for the collection, exchange and publication of:

(a) statistical information on world production, prices, exports and imports, distribution and consumption of coffee; and

(b) in so far as is considered appropriate, technical information on the cultivation, processing and utilization of coffee.

(2) The Council may require Members to furnish such information as it considers necessary for its operations, including regular statistical reports on coffee production, exports and imports, distribution, consumption, stocks and taxation, but no information shall be published which might serve to identify the operations of persons or companies producing, processing or marketing coffee. The Members shall furnish information requested in as detailed and accurate a manner as is practicable.

(3) If a Member fails to supply, or finds difficulty in supplying, within a reasonable time, statistical and other information required by the Council for the proper functioning of the Organization, the Council may require the Member concerned to explain the reasons for non-compliance. If it is found that technical assistance is needed in the matter, the Council may take any necessary measures.

## ARTICLE 59

*Studies*

(1) The Council may promote studies in the fields of the economics of coffee production and distribution, the impact of governmental measures in producing and consuming countries on the production and consumption of coffee, the opportunities for expansion of coffee consumption for traditional

and possible new uses, and the effects of the operation of the Agreement on producers and consumers of coffee, including their terms of trade.

(2) The Organization shall continue, to the extent it considers necessary, the studies and research previously undertaken by the Coffee Study Group, and shall periodically carry out studies on trends and projections on coffee production and consumption.

(3) The Organization may study the practicability of prescribing minimum standards for exports from Members who produce coffee. Recommendations in this regard may be discussed by the Council.

## CHAPTER XVII—WAIVER

### ARTICLE 60

#### *Waiver*

(1) The Council may, by a two-thirds distributed majority vote, relieve a Member of an obligation which, on account of exceptional or emergency circumstances, *force majeure*, constitutional obligations, or international obligations under the United Nations Charter for territories administered under the trusteeship system, either:

- (a) constitutes a serious hardship;
- (b) imposes an inequitable burden on such Member;

or

- (c) gives other Members an unfair or unreasonable advantage.

(2) The Council, in granting a waiver to a Member, shall state explicitly the terms and conditions on which and the period for which the Member is relieved of such obligation.

## CHAPTER XVIII—DISPUTES AND COMPLAINTS

### ARTICLE 61

#### *Disputes and Complaints*

(1) Any dispute concerning the interpretation or application of the Agreement which is not settled by negotiation, shall, at the request of any Member party to the dispute, be referred to the Council for decision.

(2) In any case where a dispute has been referred to the Council under paragraph (1) of this Article, a majority of Members, or Members holding not less than one-third of the total votes, may require the Council, after discussion, to seek the opinion of the advisory panel referred to in paragraph (3) of this Article on the issues in dispute before giving its decision.

(3)(a) Unless the Council unanimously agrees otherwise, the panel shall consist of:

- (i) two persons, one having wide experience in matters of the kind in dispute and the other having legal standing and experience, nominated by the exporting Members;



- (ii) two such persons nominated by the importing Members; and
  - (iii) a chairman selected unanimously by the four persons nominated under (i) and (ii), or if they fail to agree, by the Chairman of the Council.
- (b) Persons from countries whose Governments are Contracting Parties to this Agreement shall be eligible to serve on the advisory panel.
- (c) Persons appointed to the advisory panel shall act in their personal capacities and without instructions from any Government.
- (d) The expenses of the advisory panel shall be paid by the Council.
- (4) The opinion of the advisory panel and the reasons therefor shall be submitted to the Council which, after considering all the relevant information, shall decide the dispute.
- (5) Any complaint that any Member has failed to fulfill its obligations under the Agreement shall, at the request of the Member making the complaint, be referred to the Council, which shall make a decision on the matter.
- (6) No Member shall be found to have committed a breach of its obligations under the Agreement except by a distributed simple majority vote. Any finding that a Member is in breach of the Agreement shall specify the nature of the breach.
- (7) If the Council finds that a Member has committed a breach of the Agreement, it may, without prejudice to other enforcement measures provided for in other articles of the Agreement, by a distributed two thirds majority vote, suspend that Member's voting right in the Council and its right to have its votes cast in the Board until it fulfills its obligations, or the Council may take action requiring compulsory withdrawal under Article 69.

## CHAPTER XIX—FINAL PROVISIONS

### ARTICLE 62

#### *Signature*

The Agreement shall be open for signature at United Nations Headquarters until and including 30 November 1962 by any Government invited to the United Nations Coffee Conference, 1962, and by the Government of any State represented before independence as a dependent territory at that Conference.

### ARTICLE 63

#### *Ratification*

The Agreement shall be subject to ratification or acceptance by the signatory Governments in accordance with their respective constitutional procedures. Instruments of ratification or acceptance shall be deposited with the Secre-

tary-General of the United Nations not later than 31 December 1963. Each Government depositing an instrument of ratification or acceptance shall, at the time of such deposit, indicate whether it is joining the Organization as an exporting Member or an importing Member, as defined in paragraphs (7) and (8) of Article 2.

#### ARTICLE 64

##### *Entry into Force*

(1) The Agreement shall enter into force between those Governments which have deposited instruments of ratification or acceptance when Governments representing at least twenty exporting countries having at least 80 per cent of total exports in the year 1961, as specified in Annex D, and Governments representing at least ten importing countries having at least 80 per cent of world imports in the same year, as specified in the same Annex, have deposited such instruments. The Agreement shall enter into force for any Government which subsequently deposits an instrument of ratification, acceptance or accession on the date of such deposit.

(2) The Agreement may enter into force provisionally. For this purpose, a notification by a signatory Government containing an undertaking to seek ratification or acceptance in accordance with its constitutional procedures as rapidly as possible, which is received by the Secretary-General of the United Nations not later than 30 December 1963, shall be regarded as equal in effect to an instrument of ratification or acceptance. It is understood that a Government which gives such a notification will provisionally apply the Agreement and be provisionally regarded as a party thereto until either it deposits its instrument of ratification or acceptance or until 31 December 1963, whichever is earlier.

(3) The Secretary-General of the United Nations shall convene the first session of the Council, to be held in London within 30 days after the Agreement enters into force.

(4) Whether or not the Agreement has provisionally entered into force in accordance with paragraph (2) of this Article, if by 31 December, 1963 it has not definitively entered into force in accordance with paragraph (1), those Governments which have by that date deposited instruments of ratification or acceptance may consult together to consider what action the situation requires, and may, by mutual consent, decide that it shall enter into force among themselves.

#### ARTICLE 65

##### *Accession*

The Government of any State Member of the United Nations or of any of its specialized agencies and any Government invited to the United Nations Coffee Conference, 1962, may accede to this Agreement upon conditions that shall be established by the Council. In establishing such conditions

the Council shall, if such country is not listed in Annex A, establish a basic export quota for it. If such country is listed in Annex A, the respective basic export quota specified therein shall be the basic export quota for that country unless the Council decides otherwise by a distributed two-thirds majority vote. Each Government depositing an instrument of accession shall, at the time of such deposit, indicate whether it is joining the Organization as an exporting Member or an importing Member, as defined in paragraphs (7) and (8) of Article 2.

## ARTICLE 66

*Reservations*

Reservations may not be made with respect to any of the provisions of the Agreement.

## ARTICLE 67

*Notifications in Respect of Dependent Territories*

(1) Any Government may, at the time of signature or deposit of an instrument of acceptance, ratification or accession, or at any time thereafter, by notification to the Secretary-General of the United Nations, declare that the Agreement shall extend to any of the territories for whose international relations it is responsible, and the Agreement shall extend to the territories named therein from the date of such notification.

(2) Any Contracting Party which desires to exercise its rights under Article 4 in respect of any of its dependent territories, or which desires to authorize one of its dependent territories to become part of a Member group formed under Article 5 or 6, may do so by making a notification to that effect to the Secretary-General of the United Nations, either at the time of the deposit of its instrument of ratification, acceptance or accession, or at any later time.

(3) Any Contracting Party which has made a declaration under paragraph (1) of this Article may at any time thereafter, by notification to the Secretary-General of the United Nations, declare that the Agreement shall cease to extend to the territory named in the notification, and the Agreement shall cease to extend to such territory from the date of such notification.

(4) The Government of a territory to which the Agreement has been extended under paragraph (1) of this Article and which has subsequently become independent may, within 90 days after the attainment of independence, declare by notification to the Secretary-General of the United Nations that it has assumed the rights and obligations of a Contracting Party to the Agreement. It shall, as from the date of such notification, become a party to the Agreement.

## ARTICLE 68

*Voluntary Withdrawal*

No Contracting Party may give notice of voluntary withdrawal from the Agreement before 30 September 1963. Thereafter, any Contracting Party may withdraw from the Agreement at any time by giving a written notice of withdrawal to the Secretary-General of the United Nations. Withdrawal shall become effective 90 days after the notice is received.

## ARTICLE 69

*Compulsory Withdrawal*

If the Council determines that any Member has failed to carry out its obligations under the Agreement and that such failure significantly impairs the operations of the Agreement, it may, by a distributed two-thirds majority vote, require the withdrawal of such Member from the Organization. The Council shall immediately notify the Secretary-General of the United Nations of any such decision. Ninety days after the date of the Council's decision, that Member shall cease to be a Member of the Organization, and, if such Member is a Contracting Party, a party to the Agreement.

## ARTICLE 70

*Settlement of Accounts with Withdrawing Members*

(1) The Council shall determine any settlement of accounts with a withdrawing Member. The Organization shall retain any amounts already paid by a withdrawing Member, and such Member shall remain bound to pay any amounts due from it to the Organization at the time the withdrawal becomes effective; provided, however, that in the case of a Contracting Party which is unable to accept an amendment and consequently either withdraws or ceases to participate in the Agreement under the provisions of paragraph (2) of Article 73, the Council may determine any settlement of accounts which it finds equitable.

(2) A Member which has withdrawn or which has ceased to participate in the Agreement shall not be entitled to any share of the proceeds of liquidation or the other assets of the Organization upon termination of the Agreement under Article 71.

## ARTICLE 71

*Duration and Termination*

(1) The Agreement shall remain in force until the completion of the fifth full coffee year after its entry into force, unless extended under paragraph (2) of this Article, or earlier terminated under paragraph (3).

(2) The Council, during the fifth full coffee year after the Agreement enters into force, may, by vote of a majority of the

Members having not less than a distributed two-thirds majority of the total votes, either decide to renegotiate the Agreement, or to extend it for such period as the Council shall determine.

(3) The Council may at any time, by vote of a majority of the Members having not less than a distributed two-thirds majority of the total votes, decide to terminate the Agreement. Such termination shall take effect on such date as the Council shall decide.

(4) Notwithstanding termination of the Agreement, the Council shall remain in being for as long as necessary to carry out the liquidation of the Organization, settlement of its accounts, and disposal of its assets, and shall have during that period such powers and functions as may be necessary for those purposes.

#### ARTICLE 72

##### *Review*

In order to review the Agreement, the Council shall hold a special session during the last six months of the coffee year ending 30 September 1965.

#### ARTICLE 73

##### *Amendment*

(1) The Council may, by a distributed two-thirds majority vote, recommend an amendment of the Agreement to the Contracting Parties. The amendment shall become effective 100 days after the Secretary-General of the United Nations has received notifications of acceptance from Contracting Parties representing at least 75 per cent of the exporting countries holding at least 85 per cent of the votes of the exporting Members, and from Contracting Parties representing at least 75 per cent of the importing countries holding at least 80 per cent of the votes of the importing Members. The Council may fix a time within which each Contracting Party shall notify the Secretary-General of the United Nations of its acceptance of the amendment, and, if the amendment has not become effective by such time, it shall be considered withdrawn. The Council shall provide the Secretary-General with the information necessary to determine whether the amendment has become effective.

(2) Any Contracting Party, or any dependent territory which is either a Member or a party to a Member group, on behalf of which notification of acceptance of an amendment has not been made by the date on which such amendment becomes effective, shall as of that date cease to participate in the Agreement.

## ARTICLE 74

*Notifications by the Secretary-General*

The Secretary-General of the United Nations shall notify all Governments represented by delegates or observers at the United Nations Coffee Conference, 1962, and all other Governments of States Members of the United Nations or of any of its specialized agencies, of each deposit of an instrument of ratification, acceptance or accession, and of the dates on which the Agreement comes provisionally and definitively into force. The Secretary-General of the United Nations shall also notify all Contracting Parties of each notification under Article 5, 67, 68 or 69; of the date to which the Agreement is extended or on which it is terminated under Article 71; and of the date on which an amendment becomes effective under Article 73.

IN WITNESS WHEREOF the undersigned, having been duly authorized to this effect by their respective Governments, have signed this Agreement on the dates appearing opposite their signatures.

The texts of this Agreement in the English, French, Russian, Spanish and Portuguese languages shall all be equally authentic. The originals shall be deposited in the archives of the United Nations, and the Secretary-General of the United Nations shall transmit certified copies thereof to each signatory and acceding Government.

For Argentina:

L M CARABALLO

For Belgium:

WALTER LORIDAN

For Bolivia:

JAIME CABALLERO TAMAYO

For Brazil:

SERGIO ARMANDO FRÁZAO

For Burundi:

PASCAL BUBIRIZA

For Cameroon:

J. KUOH MOUKOURI

For Colombia:

CARLOS SANZ DE SANTAMARIA

For Costa Rica:

F. VOLIO J.

For the Dominican Republic:

DE MOYA

For El Salvador:

F R LIMA

For France:

SEYDOUX

For Guatemala:

ROBERTO ALEJO

For Haiti:

CARLET AUGUSTE

For Honduras:

G CÁ CERES

For Italy:

GIUSEPPE BRUSASCA

or Japan:

KATSUO OKAZAKI

Ad referendum

or Madagascar:

LOUIS RAKOTOMALALA

For Mexico:

M A CORDERA JR

Ad referendum

For Peru:

LUIS EDGARIO LLOSA

For Spain

JOSE F. DE LEQUERICA

For Tanganyika:

A. Z. NSILO SWAI

For the United Kingdom of Great Britain and Northern  
Ireland:

PATRICK DEAN

For the United States of America:

W. MICHAEL BLUMENTHAL

For Venezuela:

MAURICIO BÁEZ

Ad referendum

## UNITED NATIONS COFFEE CONFERENCE, 1962

## ANNEXES TO THE INTERNATIONAL COFFEE AGREEMENT, 1962

## ANNEX A

*Basic Export Quotas*

(60-kilogramme bags)

Brazil.....	18, 000, 000	Gabon.....	18, 000
Colombia.....	6, 011, 280	Ivory Coast.....	2, 324, 278
Costa Rica.....	950, 000	Malagasy Republic..	828, 828
Cuba.....	200, 000	Togo.....	170, 000
Dominican Republic <sup>a</sup> .....	425, 000	Kenya.....	516, 835
Ecuador.....	552, 000	Uganda.....	1, 887, 737
El Salvador.....	1, 429, 500	Tanganyika.....	435, 458
Guatemala.....	1, 344, 500	Portugal.....	2, 188, 648
Haiti <sup>a</sup> .....	420, 000	Congo (Leopoldville) <sup>b</sup> .....	700, 000
Honduras.....	285, 000	Ethiopia.....	850, 000
Mexico.....	1, 509, 000	India.....	360, 000
Nicaragua.....	419, 100	Indonesia.....	1, 176, 000
Panama.....	26, 000	Nigeria.....	18, 000
Peru.....	580, 000	R w a n d a a n d	
Venezuela.....	475, 000	Burundi <sup>b</sup> .....	340, 000
Cameroun.....	762, 795	Sierra Leone.....	65, 000
Central African Republic.....	150, 000	Trinidad.....	44, 000
Congo (Brazzaville).....	11, 000	Yemen.....	77, 000
Dahomey.....	37, 224		
		Grand total..	45, 587, 183

<sup>a</sup> The Republic of Haiti and the Dominican Republic shall be permitted to export 20 percent more than their respective adjusted basic quotas in the coffee year 1963-64. In no event, however, shall such increases be taken into account for the purpose of calculating the distribution of votes. In the review of the Agreement, provided for in Article 72, the two-year production cycle in those countries shall be given special consideration.

<sup>b</sup> In the first coffee year, the Republic of the Congo (Leopoldville), after presentation to the Council of acceptable evidence of an exportable production larger than 700,000 bags, shall be authorized by the Council to export up to 900,000 bags. In the second and third coffee years it is permitted to increase its coffee exports by an amount not to exceed 20 percent over those for the previous year. After presentation to the Council of acceptable evidence of an exportable production larger than 340,000 bags, Rwanda and Burundi may be authorized by the Council to export a combined total of up to 450,000 bags in the first coffee year, 500,000 bags in the second coffee year and 665,000 bags in the third coffee year. In no event, however, shall the increases allowed those countries in the first three years be taken into account for the purpose of calculating the distribution of votes.

## ANNEX B

*Non-quota Countries of Destination, referred to in Article 40, Chapter VII*

The geographical areas below are non-quota countries for purposes of this Agreement:

Bahrain	Philippines
Basutoland	Poland
Bechuanaland	Qatar
Ceylon	Republic of Korea
China (Taiwan)	North Korea
China (mainland)	Republic of Viet-Nam
Federation of Rhodesia and Nyasaland	North Viet-Nam
Hungary	Romania
Iran	Saudi Arabia
Iraq	Somalia
Japan	South West Africa
Jordan	Sudan
Kuwait	Swaziland
Muscat and Oman	Thailand
Oman	Republic of South Africa
	Union of Soviet Socialist Republics



## ANNEX C

*Certificate of Origin*

This certificate is made pursuant to the International Coffee Agreement. A copy of this certificate must be submitted with export documents and will be required for export (and import) clearance.

No. ----- Member -----  
 (to be cited in any future correspondence) (producing country)

I hereby certify that the green, soluble, roasted, semi-roasted or other coffee described below has been produced in ----- (producing country).

per S. S.: or other carrier  
 from: (name of port or other point of embarkation)  
 to: (name of port or country of final destination)  
 via:  
 on or about: (date)

Shipping Marks or other identification	Quantity (number of units)	Total Weight		Observations
		Kg.	lbs.	
<i>Green</i>		Gross	Gross	
		-----	-----	
		Net	Net	
		-----	-----	
<i>Roasted or Soluble</i>		Gross	Gross	
		-----	-----	
		Net	Net	
		-----	-----	
<i>Other (specify)</i>				
Date -----		Signature ----- (Certifying Officer) ----- (Certifying Agency)		

## ANNEX D

## List of exports and imports in 1961

## I. EXPORTS

[Thousands of 60-kilogramme bags]

Country	Bags	Percent	Country	Bags	Percent
Bolivia.....	(*)	0.0	Jamaica.....	(*)	0.0
Brazil.....	16,971	39.2	Liberia.....	41	0.1
Burundi and Rwanda.....	397	0.9	Madagascar.....	651	1.5
Cameroon.....	591	1.4	Mauritania.....	(*)	0.0
Central African Republic.....	121	0.3	Mexico.....	1,483	3.5
Colombia.....	5,651	13.1	Nicaragua.....	349	0.8
Congo (Brazzaville).....	(*)	0.0	Nigeria.....	(*)	0.0
Congo (Leopoldville).....	499	1.2	Panama.....	(*)	0.0
Costa Rica.....	835	1.9	Paraguay.....	25	0.1
Cuba.....	85	0.2	Peru.....	667	1.3
Dahomey.....	40	0.1	Portugal.....	1,976	4.5
Dominican Republic.....	327	0.8	Rwanda (see Burundi).....		
Ecuador.....	381	0.9	Sierra Leone.....	85	0.2
El Salvador.....	1,430	3.3	Tanganyika.....	438	1.0
Ethiopia.....	950	2.2	Togo.....	171	0.4
Gabon.....	(*)	0.0	Trinidad and Tobago.....	38	0.1
Ghana.....	28	0.1	United Kingdom (Kenya).....	636	1.2
Guatemala.....	1,255	2.9	United Kingdom		
Guinea.....	200	0.5	(Uganda).....	1,806	4.2
Haiti.....	348	0.8	Upper Volta.....	(*)	0.0
Honduras.....	210	0.5	Venezuela.....	406	0.9
India.....	539	1.2	Yemen.....	80	0.2
Indonesia.....	1,091	2.5			
Ivory Coast.....	2,618	6.0	Total.....	43,219	100.0

## II. IMPORTS

[Thousands of 60-kilogramme bags]

Afghanistan.....	(*)	0.0	Luxembourg (included in Belgium).....		
Albania.....	(*)	0.0	Mali.....	(*)	0.0
Argentina.....	574	1.3	Mongolia.....	(*)	0.0
Australia.....	166	0.4	Morocco.....	120	0.3
Austria.....	218	0.5	Nepal.....	(*)	0.0
Belgium.....	1,036	2.4	Netherlands.....	1,147	2.6
Bulgaria.....	60	0.1	New Zealand.....	35	0.1
Burma.....	(*)	0.0	Niger.....	(*)	0.0
Byelorussian S.S.R. (included in U.S.S.R.).....			Norway.....	450	1.0
Cambodia.....	(*)	0.0	Pakistan.....	(*)	0.0
Canada.....	1,119	2.6	Philippines.....	(*)	0.0
Ceylon.....	(*)	0.0	Poland.....	89	0.2
China.....	(*)	0.0	Republic of Korea.....	(*)	0.0
Chile.....	113	0.3	Republic of Viet-Nam.....	(*)	0.0
China.....	(*)	0.0	Romania.....	(*)	0.0
Cyprus.....	(*)	0.0	Saudi Arabia.....	(*)	0.0
Czechoslovakia.....	175	0.4	Senegal.....	(*)	0.0
Denmark.....	727	1.7	Somalia.....	(*)	0.0
Federal Republic of Germany.....	3,540	8.1	South Africa.....	185	0.4
Federation of Malaya.....	109	0.2	Spain.....	300	0.7
Federation of Rhodesia and Nyasaland.....	(*)	0.0	Sudan.....	154	0.3
Finland.....	638	1.5	Sweden.....	1,205	3.0
France.....	3,682	8.0	Switzerland.....	541	1.2
Greece.....	132	0.3	Syria.....	31	0.1
Hungary.....	39	0.1	Thailand.....	83	0.2
Iceland.....	29	0.1	Tunisia.....	48	0.1
Iran.....	(*)	0.0	Turkey.....	36	0.1
Iraq.....	(*)	0.0	Ukrainian S.S.R. (included in U.S.S.R.).....		
Ireland.....	(*)	0.0	Union of Soviet Socialist Republics.....	371	0.9
Israel.....	74	0.2	United Arab Republic.....	70	0.2
Italy.....	1,753	4.0	United Kingdom.....	978	2.3
Japan.....	244	0.6	United States.....	22,404	51.7
Jordan.....	23	0.1	Uruguay.....	45	0.1
Kuwait.....	(*)	0.0	Yugoslavia.....	143	0.3
Laos.....	(*)	0.0			
Lebanon.....	158	0.4	Total.....	43,393	100.0
Libya.....	(*)	0.0			

\* Less than 22,000 bags.

## MINORITY VIEWS ON H.R. 8864

The Senate should not hesitate to reject this bill. The chief beneficiaries of the International Coffee Agreement are government treasuries which levy heavy taxes on exports, coffee speculators, and a few large landowners and the American housewife will pay the bill.

The agreement is a brew of international politics in which those interested in global price fixing are determined to place an unnecessary and unconscionable burden on the coffee drinkers of our Nation and the world. This commodity agreement substitutes political judgment for economic judgment in trying to solve an economic problem.

The agreement gives some lipservice to the regulation of supplies in order to prevent wide fluctuations in prices, but its prime purpose is to keep those prices at a high level. Article 27(2) states that:

the Members agree of the necessity of assuring that the general level of coffee prices does not decline below the general level of such prices in 1962.

There seems to have been a policy established which would place a floor on prices, but there is no reference to any ceiling. Article 1 refers to the objectives to—

achieve a reasonable balance between supply and demand on a basis which will assure adequate supplies of coffee to consumers and markets for coffee to producers at equitable prices \* \* \*

but this objective is at once lost sight of and there is no later provision for carrying out that objective.

In short, the principal purpose of the agreement and the implementation of it are aimed at keeping prices high.

The International Coffee Council in London was conceived and created not to stabilize the prices of coffee, but to increase them at the discretion of the coffee-producing countries.

The only possible provision for preventing runaway prices is that for increasing quotas, and this by no means assures the American consumer of fair prices.

Before quotas can be increased two-thirds of the consuming countries, plus two-thirds of the producing countries, must vote in favor of the increase. Every consuming country could vote for an increase, but this would not be sufficient.

The first test of the agreement painfully proved that the United States is powerless and defenseless in that body. It proved the coffee-producing countries of Africa, Latin America, and Asia can and will dominate the market. They can and will reduce or limit export-import quotas at their discretion, thus fixing prices at any level they see fit.

Furthermore, if there happens to be a shortage, the price can skyrocket and there is nothing to prevent it from so doing. On the other hand, if stocks become large so that the price might be affected,

or if competition on the market tends to drive the price down, the quota system prevents any of this advantage from reaching the ultimate consumer.

Present experience bears this out. There are claims that today's inflated price is the result of crop failure in Brazil. Yet testimony before the Finance Committee brought out the fact that there is a very large supply on hand, and there seems to be no question that if there had been no coffee agreement there would be an ample supply and prices would be much less than at present.

If there have been crop failures, and there may someday be a shortage, then prices at some future date might have risen, but a possible future shortage seems little reason for the very high prices of today. It is more than just coincidence that prices began an inexorable march upward just at the time the international agreement became effective. Had prices not increased, then the stated objectives of the agreement would have failed in accomplishment.

Nothing could be done which would interfere more with the natural economy of free enterprise than controlled production, subsidized inefficiency, and artificially supported subsidies for large producers. Those who know the situation in the principal producing countries are aware that the fancy prices now being paid for coffee by the American housewife never reaches the worker on the foreign plantations. It is readily admitted that the increased income from higher prices for coffee is intercepted to a very large degree by the governments of the countries concerned, and what does filter through is quickly pocketed by the owner of the plantation.

This is not a program for the stabilization of coffee markets, it is a very bad form of foreign aid, camouflaged to deceive the unsuspecting public.

Is it not reasonable to assume that the State Department, which will be our representative in the International Coffee Agreement, would be more interested in buying good will in coffee exporting countries than in protecting our coffee consumers?

If the coffee drinkers of the United States were fully informed about the reasons for the great increase in the cost of a pound of coffee, and if they understood that little, if any, of the extra amount they have to spend ever reaches the workman's level in the foreign country, they would be even more up in arms about the new "foreign entanglement" we have entered into. The public should know that coffee buyers in the United States are now paying at the rate of over \$500 million per year more than in 1962.

In May of 1963, the Secretary of State, the Honorable Dean Rusk, wrote:

The objective of the new International Coffee Agreement is to stop the long-term decline in revenues from coffee exports by stabilizing prices at a level no lower than the general level of coffee prices in 1962.

Before the agreement was more than a few weeks old, it had succeeded in the price increase part of that objective, but it has failed utterly to stabilize prices at any fair level to the consumer.

This implementing legislation, if adopted, will cost the taxpayers literally billions over a relatively few years.

It places a floor on prices but makes the sky the limit as far as a ceiling is concerned.

Although the United States consumes one-half of the coffee used in the entire world, when it comes to changing quotas to affect some reduction in price, it has only one-fifth of the votes, and even worse, it must convince two-thirds of the producing countries to take a financial loss by taking the necessary action to reduce prices. The only way this can be done, as has been proved already, is to exert diplomatic pressure. Such pressures almost invariably result in a loss of good neighborliness and friendship.

The American housewife pays and pays, and the recipients are foreign governments and wealthy landowners.

It seems obvious that the below-normal crop in Brazil has not been the real cause of all of the massive price rise that is still growing. Huge stocks are on hand and could have been used, and can yet be used, to keep prices to a reasonable level.

Foreign countries have been encouraged and financially helped to diversify production. The coffee agreement is a step in the opposite direction. If the United States supports price fixing and helps to assure a high level of income to coffee producers, how can we expect them to listen to pleas to produce a wider range of commodities? How can they hear what we are saying when what we are doing rings so loudly in their ears?

If H.R. 8864 is adopted there can be but one result. Prices will remain high and continue to penalize the domestic consumer. A solid floor has been built, but nothing has been done to set an upward limit.

The time has arrived when we had best begin to look after our American interests, instead of trying to assume the burdens of surplus coffee producers in many nations.

The bill should be defeated.

FRANK CARLSON.  
JOHN J. WILLIAMS.  
WALLACE F. BENNETT.  
CARL T. CURTIS.

## INDIVIDUAL VIEWS BY SENATOR PAUL H. DOUGLAS

The implementing legislation to make the International Coffee Agreement effective in this country (H.R. 8864) creates grave dangers for the people of the United States.

### I. THE STRUCTURE OF THE AGREEMENT AND PROPOSED LEGISLATION

Under section 2 of H.R. 8864, the President is authorized, in order to carry out the agreement—

(1) to regulate the entry of coffee for consumption, or withdrawal of coffee from warehouses for consumption, including (A) the limitation of entry, or withdrawal from warehouses, of coffee imported from countries which are not members of the International Coffee Organization and (B) the prohibition of entry of any shipment from any member of the International Coffee Organization of coffee which is not accompanied by a certificate of origin or certificate of reexport, issued by a qualified agency in such form as required under the agreement.

Stated more simply, this means that our Government would be expected to be an enforcing arm of the coffee organization or cartel. We would not be expected to admit coffee from any country which is not now a member of the International Coffee Organization or which in the future secedes from it. Similarly, we would not be expected to admit coffee from any maverick inside a member country who tries to export coffee to us without a permit from that country authorizing him to do so.

Pursuant to this agreement, the International Coffee Organization fixes quotas for each country of the number of bags of coffee which can be exported annually. The sum of these quotas constitutes, of course, the global total. This was set originally in 1962 at 45.6 million bags of coffee of 60 kilograms each. Brazil was allotted 18 million bags, or between 39 and 40 percent of the total. Colombia's allotment was 6,011,000 bags, or over 13 percent. The 5 Republics of Central America were allowed 4.43 million bags, or nearly 10 percent. Mexico was given 1.5 million bags, or 3½ percent, while 3 South American countries (Ecuador, Peru, and Venezuela) were allotted 1.6 million bags, or 3½ percent. In all, the share of the Latin American countries came to 70 percent of the global total. The African countries, which have been rapidly expanding their production, were allotted approximately 27 percent, while India and Indonesia had 3 percent.

These were the original total quotas. But population is also increasing rapidly all over the world, new groups are adopting coffee as a drink, and since coffee is, in a sense, habit forming, the demand for coffee is steadily increasing. It is estimated that this annual increase in the quantity demanded at the same price is somewhere around 3 percent a year.

## HOW QUOTAS MAY BE CHANGED

Now let us notice carefully how the quotas may be adjusted and changed. This is laid down in article 35, paragraph 3 of the International Coffee Agreement as follows:

All decisions by the Council on the fixing and adjustment of annual and quarterly export quotas under articles 30, 31, 32, and 34 shall be taken unless otherwise provided by a distributed two-thirds majority vote. (Hearings before Senate Committee on Foreign Relations, Mar. 22, 1963, p. 20.)

What, then, is the meaning of "a distributed two-thirds majority vote"? This is defined in article 2, paragraph 11 (Senate hearings, p. 8) as "a two-thirds majority of the votes cast by exporting members present and a two-thirds majority of the votes cast by importing members present and voting *counted separately*. [Italics mine.] In other words a simple majority of the two panels of the exporting and importing nations taken either separately or together will not be sufficient to alter the export quotas, nor will a majority of the combined two panels in joint session. No, it must be two-thirds of each panel taken separately. A clear proof of this was given last November when the International Coffee Council, which is the legislative body of the organization, met to decide whether they would increase the export quotas as had been recommended by the executive board. All of the importing countries voted for such an increase and cast their full 1,000 votes in its favor, but only 629 of the 1,000 votes among the exporters were cast affirmatively, instead of the 667 which were needed to carry the proposal.

It is further contended by advocates of the bill that, while a third of the votes of the exporting nations may prevent an increase in the quarterly quotas, they cannot do so in the case of the annual quotas. These they maintain are "original" quotas and the two-thirds requirement of each panel voting separately does not apply.

This is a clear and proven error. Section 28 of the International Coffee Agreement covers this point in clear and explicit language.

## ARTICLE 28. BASIC EXPORT QUOTAS

(1) For the first three coffee years, beginning on 1 October 1962, the exporting countries listed in Annex A shall have the basic export quotas specified in that Annex.

(2) During the last six months of the coffee year ending 30 September 1965, the Council shall review the basic export quotas specified in Annex A in order to adjust them to general market conditions. The Council may then revise such quotas by a distributed two-thirds majority vote; if not revised, the basic export quotas specified in Annex A shall remain in effect.

In other words, the two-thirds requirement for both panels applies to all changes in quotas from those originally fixed.

We should now explore the distribution of voting strength within the exporting and importing panels. The total votes in each are, as previously stated, 1,000. These are apportioned among the exporting countries in proportion to their assigned export quotas, while those

for the importing countries are allotted in proportion to the relative volume of their coffee imports during the preceding 3 years. No nation, however, is to have more than 400 votes. Since the United States consumes approximately 52 percent of all coffee imported, this does mean some scaling down of our representation. Since we have more than a third of the votes, we will, however, be able to veto changes in the quotas. Had the agreement been negotiated some years back when Brazil dominated the export market with from 60 to 47 percent of coffee exports, the limit on total votes would also have applied to that nation. But now that the Brazilian quotas are only 37 percent of the total, the ceiling of 400 votes applies only to the United States.

But just as the United States, with its 400 votes in the importing panel, can veto any change in the quotas (as can a solid front of the Western European nations which import approximately 37 percent of the total) so can Brazil with its approximately 370 votes. So can a coalition of the countries of Central and Northern South America when supported by the countries of the Caribbean and some from Africa and Asia. Finally, a solid Afro-Asian bloc, with some aid from Latin America, could also impose a veto.

The conclusion is inescapable. While we are protected from having the total exports of coffee reduced by our effective voting veto, we are not protected from the exporting countries refusing to increase the global quotas in the face of a world increase in population and in the demand for coffee. This failure to increase the quotas, or increasing them inadequately, would, of course, raise the price per pound and levy tribute upon the consumers, over half of whom are in the United States.

The vote in November within the Coffee Council showed some of the possibilities. While Brazil and Mexico voted for an increase in global and assigned quotas, the Central and Northern South American countries did not and they were able to get sufficient support from other areas to poll about 37 percent of the export votes and hence to defeat the proposals.

This is what we would have to fear in the future were we to pass this implementing legislation, namely, that Brazil, or some coalition of exporting countries, would refuse to permit adequate supplies of coffee to be exported even though population and the world demand for coffee were steadily rising. This would, of course, increase the price of coffee in the United States. And yet while we stayed in the Coffee Organization, to whose principles we are now asked to subscribe, we would be prevented from importing coffee from any country which might secede from the Organization or from any maverick who tried to ship us coffee without an export license. We would become an enforcing arm of a coffee cartel which, in the face of a rising demand, refused to permit supplies to be expanded adequately. And we would be helping to maintain artificially high prices at the expense of the great mass of American consumers.

We should never forget that each increase of 1 cent a pound in the retail price of coffee means an added burden of \$30 to \$35 million a year to the American consumer. Last March, when the Foreign Relations Committee considered the treaty, the import price of Brazilian coffee was 34 cents a pound. On Monday, March 2, it was 51 cents. During the period, therefore, in which the treaty and implementing agreement have been under consideration by the U.S.



Government, we have had an increase in the wholesale price of 17 cents a pound, an increase of 50 percent. This has meant a loss to the American consumer of at least \$500 million. There are influential voices in the exporting countries proposing a further increase of 10 cents per pound. If this were to happen our housewives would lose a further \$300 million a year. These are not small sums. The effect of such increases are widely distributed but primarily hit the low and middle income groups. Their impact, therefore, is highly regressive.

## II. THE ARGUMENTS OF THE ADVOCATES OF THE LEGISLATION CONSIDERED

But, rejoin the advocates of this legislation, "did not the exporting countries show their good faith by agreeing in early February to a further increase in the global quotas of 2.6 million tons, or 5.6 percent? Is not this proof of their benevolent intentions?"

The reversal of the November refusal to increase quotas is surely to be welcomed. But it should be scrutinized carefully before it is accepted as conclusive proof of a permanent change of heart. The Council was summoned to meet only a few days before the Senate Finance Committee was scheduled to consider the implementing legislation. There had already been a sharp increase in the price of coffee and it was known that there were some Senators, at least, who were more than dubious about the wisdom of passing the enabling legislation. It was also felt that unless the exporting nations gave ground a little, the Senate might refuse to approve the bill which is now before us, thereby severely crippling the ability of the cartel to maintain or raise prices. In response to a question which I directed to him, Mr. John T. McKiernan, an honest and competent witness, who is an ardent advocate of the legislation, admitted that the shadow of possible adverse action by the Senate hung heavily over the meeting and while it was not referred to officially, it exercised a powerful influence to induce hitherto recalcitrant countries to permit an increase in world supplies.

But once we have passed this legislation, this inducement will largely disappear. In slang phrase, we will have been "hooked." We will be bound to shut off our markets from dissenters and nonconformists and the cartel will have its way with the United States. We will be committed to help the cartel enforce the quotas for world consumption, with their consequent effect upon price.

### CAN WE WITHDRAW?

But, expostulate the sponsors of this legislation, under article 68 we can withdraw upon giving 90 days' notice. Therefore, if we are gouged, we can always escape.

This may be technically true, but we all know the moral and propaganda opprobrium which would be heaped upon us if we were to withdraw. We would be accused of breaking faith with the coffee exporting nations of the world, and the followers of Castro, Khrushchev, and Mao Tse-tung would seek to set all of Latin America against us. The honest nationalists of the countries affected would also be embittered and estranged.

No, the possibility of an ultimate divorce should not lead us to contract an unsound marriage. As a matter of fact, this body has already been led too far down the primrose path of dalliance by

previous steps which we have been induced to take by the State Department and by our Foreign Relations Committee.

We were told by the distinguished chairman of the Foreign Relations Committee last year when we were considering the formal coffee treaty that even if we did approve it, it would not go into effect or be binding upon us until the Congress passed the legislation now before us. I am sure the able and honorable Senator from Arkansas, who made that pledge, did so in complete and utter good faith. Secretary Rusk, also a highly honorable man, made a similar pledge to the minority leader. (See Congressional Record, May 21, 1963, p. 8624.) We assumed, therefore, that the ratification of the treaty would not be deposited unless and until the implementing legislation was passed.

The Finance Committee was delayed in considering the implementing legislation in the fall because of hearings on the long delayed tax bill. But in December our committee squared away to consider the measure. I shall never forget the hectic morning when the State Department started off by urging speedy hearings on the coffee agreement and then within an hour urged just as strenuously that action be withheld until after the tax bill was passed. I do not blame anyone for this. Assistant Secretary Dutton manfully took the blame for this, but it was obviously not his fault as he was merely the messenger. Then, at the suggestion of members, the chairman asked a high authority whether, if we withheld action as requested, there would be any danger that the treaty would be deposited and hence go into effect even though no implementing legislation had been passed. He reported to us that he had been assured that this would not be done. The committee, therefore, felt it safe to postpone the hearings on coffee and get on with the tax bill. No sooner was this done, however, than individuals on the committee, of whom I was one, were informed that, due to the pressure of time, the State Department would deposit the treaties after all. I was asked if I had an individual objection and replied that I did not regard myself, as one Member of the U.S. Senate, as being sufficiently important to alter the policy of the U.S. Government, but that I thought the Finance Committee had been treated cavalierly to say the least and that promises had been made which had not been fulfilled.

Now, Under Secretary Harriman, who is one of the finest and most experienced men in public life, tells us that while we are legally and morally free not to pass the implementing legislation it is, nevertheless, unthinkable that we should back away from the treaty. I ask, therefore, how much chance is there that once we have passed this second bill the State Department would ever permit us to withdraw from the Coffee Organization even though prices were to be raised further by the cartel? I think I can answer "Very little."

Once in, we are caught. This is almost our last chance to exercise caution and I urge that we stop, look, and listen before we follow these siren calls and blindly pass this legislation.

#### HAVE FOREIGN GOVERNMENTS HELD BACK EXPORTS?

I do not wish to impugn the motives of any foreign government. They have a right to decide what they shall do. But I was a bit disconcerted when the very nice special representative on coffee matters of the State Department pled ignorance upon what the past

policies of Brazil in the matter of coffee had been prior to 1958. I have never specialized in the affairs of that commodity or that country, but I thought I could remember a long line of attempts by the Brazilian governments to restrict coffee exports and to keep up prices. In the days which have passed since that hearing, I have had the chance to look up the record and I have had the chance to study a number of authoritative books and articles which I cite in a footnote and which the State Department and the Foreign Relations Committee may find useful in their studies.<sup>1</sup>

The record shows that early in this century the State of São Paulo, then the chief coffee producing center of the world, destroyed enormous quantities of coffee in an effort to keep up world prices. The record further shows that after World War I, the Brazilian Government itself took a hand and restricted exports and fixed minimum export prices. The record also shows that during the 1930's, the Brazilian Government destroyed and burned no less than 75 million bags of coffee or 4½ million tons. This was equal to two and one-half times the yearly world exports.

The record also shows that the Brazilian Government has been holding back coffee for the last 8 years and that there has been an admitted world production during that time of approximately 70 million bags above world exports.<sup>2</sup> Allowing for some coffee which has spoiled, there is an admission that at least 50 million bags are now stored in Brazilian warehouses which could be used to meet the demands of the coffee drinkers of the world. The record further shows that Brazil governs the amount which can be exported by means of export licenses and fixes minimum export prices. It levies a high export tax on coffee and thus the Government shares in the venture.

The existence of such a huge oversupply of coffee might be expected to depress the futures market on coffee. But this has not been the case. On Monday, March 9, December coffee futures were 3 cents above spot prices, namely, 54 instead of 51 cents. And the well-informed New York Times reported on Tuesday, March 3, that the feeling was strong on the New York Coffee Exchange that the Senate Finance Committee would recommend the pending legislation (New York Times, Mar. 3, 1964, p. 54). Evidently the speculators believe that this agreement will bail Brazil out of its troubles and that the price of coffee will rise still further. Brazil, and indeed every coffee country of which I know, has the machinery in being with which it can control export quite effectively under the agreements of the international coffee cartel.

<sup>1</sup> See Wiekizer, "The World Coffee Economy With Special Reference to Control Schemes," 258 pages, Food Research Institute, 1943; "Brazilian Coffee: Production and World Trade," U.S. Foreign Service, 182 pages plus tables, 1953; Federal Trade Commission, "Economic Report of the Investigation of Coffee Prices," 523 pages, 1954; Heather Wood, "The World Coffee Economy," Cartel, October 1963, vol. XIII, No. 4, pp. 160-161, 164-168; American Enterprise Association, "The International Coffee Agreement," 1962, 42 pages; Elizabeth Stoffregen, "A History of Brazil Coffee Control," Tea and Coffee Trade Journal, vol. 55, November-December 1928, pp. 555-557, 744-751, and vol. 56, January-June 1929, pp. 120-125.

<sup>2</sup> While this is denied from time to time, it is shown in the Department of State's own brochure, "Coffee: Production-Trade Prices," p. 2. The world's exportable production of coffee averaged 48,500,000 bags a year during the 5 years from 1956 to 1960, inclusive. This was a total, therefore, of 242,500,000 bags. The total exports amounted to an average of 39,200,000 bags, or a total of 196 million bags. This left a surplus of 48,500,000 bags. The surplus for 1961 was 9,100,000 bags and for 1962, 11,000,000. The combined surplus for the 7 years was, therefore, 67,200,000 bags. This does not include 1963 when the exportable production was 51,700,000 bags but for which we do not yet have precise figures on actual exports. Moreover, a considerable amount of coffee is produced which is not included in the figure of exportable production.

## WILL FEAR OF SPOILING THE MARKET RESTRAIN THE EXPORTING COUNTRIES?

But, it is argued, even if the exporting countries had the desire, the past experience, and the present machinery to restrict exports and boost prices unduly, they would be restrained from abusing their powers by the fact that such action would reduce the demand for coffee by promoting the use of substitutes such as tea, cocoa, the cola drinks and by the increasing use of "instant" coffee whereby we may get more cups to the pound. But this ignores the fact that while there will be some such substitutes, on the whole the demand for coffee is relatively inelastic. If the price of coffee were increased by 10 percent a pound, the quantity of coffee purchased will decrease by much less than 10 percent. In consequence gross receipts for the exporting nations will be greater. This is the consequence of inelastic demand and it is why Brazil and other countries have sought to reduce exports and hence supply. The Federal Trade Commission in its 1954 study estimated that the elasticity of demand for coffee was only  $-0.5$ , or that the proportionate fall in quantity demanded was only half the relative increase in price per unit. Such study as I have been able to give to the subject suggests that the elasticity of demand may well be lower and that the total gains from a reduction in supply and an increase in price may indeed be greater than the Federal Trade Commission believed 10 years ago. In short, it will be to the interest of the coffee exporting countries to restrict the amounts they ship abroad. We no longer will deal with a Brazilian but a world cartel. And where the economic interests lead, can the execution linger far behind?

## IS WEATHER SOLELY TO BLAME FOR THE BIG PRICE INCREASE?

But now an old excuse is being put forward. The increase of 16 cents a pound in spot prices during the last few months and the fact that coffee futures are still higher is said not to be due to the coffee agreement and the cartel but to the recent inclement weather in Brazil and to the damage inflicted by frost upon the coffee shrubs and trees. This no doubt is a factor. But it is not the sole and possibly not even the primary cause of the tremendous upsurge in coffee prices. Even with the frost, there are 50 million bags of good coffee ensconced in safe, weatherproof warehouses and storage sheds in Brazil which could more than make good any damage done to the coffee trees. But due to the policies of the Brazilian Government and the International Coffee Organization these are not to be allowed to come on to the market. And if we pass this legislation we will be bound under section 2 of this bill, to refuse to let them be sold on the American market should they be sent here in violation of the agreement. Moreover the argument that it is the weather and not the cartel which sends up the price of coffee is an old excuse which should be threadbare by now. It was used in 1953-54 as a coverup for the restrictionist policies in Brazil and was frequently employed even before that. There is a modicum of truth in it, but not enough to conceal from an observing eye the naked use of cartel restriction and price boosting.

## HOW MUCH WILL THE AGREEMENT HELP THE PEASANTS?

With all the economic justifications for approval of this legislation largely stripped away, its advocates fall back upon another argument; namely, that we, through this legislation, can promote the Alliance for Progress which aims to help the common people of Latin America, and the allied claim that it is necessary to prevent Latin America from turning toward Havana, Moscow, or Peiping.

Appeals are being made that it is necessary to raise the price of coffee markedly to improve the conditions of the impoverished peasantry of Latin America. It is suggested that those who oppose any such move are hardhearted enemies of the oppressed, and that those who seek to raise coffee prices are, on the contrary, trying to emancipate the masses of the people from misery and are their true friends and benefactors.

There is certainly terrible misery and poverty among the peasants or campesinos of the coffee countries. In Guatemala, El Salvador, and Columbia, which my wife and I have visited at our own expense, I doubt if the daily wage during the coffee season exceeds \$1—and perhaps more often is only 80 cents. Employment is slack during the rest of the year. But with some honorable exceptions the rich landlords, who in many countries own and operate the coffee plantations, have never shown themselves appreciably concerned about the conditions of the people. They have, on the contrary, (again with honorable exceptions) kept wages down, repressed efforts at organization, and taken advantage of the docility of the Indian population. They have neglected the health and education of the people, have resisted efforts at genuine land and tax reform, and have not helped with housing or with the provision of vegetable gardens from which a supplementary living might be derived. While an increase in coffee prices would help the small growers, who it is understood predominate in such countries as Costa Rica and certain sections of Brazil, there is little surety that the owners of the big plantations would pass the gains on to their workers. Indeed, the evidence is all to the contrary. They would pocket most of these gains for themselves. Indeed, there is little evidence that very much of the tremendous increase in coffee prices which occurred in 1953, 1954, and 1955 ever trickled down to the peasants at the bottom of the social, economic, and political structure. They remained poor, miserably fed, clothed, and housed, deprived of education and health, and kept in political and social subjection. It was the big growers, merchants, and exporters who profited.

It is true that the governments of the exporting countries profit greatly from export taxes which they levy. As the following table shows, in 1962, a year of low coffee prices, the governments collected approximately \$472 million in this fashion of which \$360 million went to Brazil and \$43.4 million to Colombia. With an increase in prices the governments will collect more. But should the low and middle income consumers of the United States be required to subsidize further these governments where the most important country in this group has indulged in very unsound financial practices?

*Coffee: 1962 exports, export value, and export tax revenue for specified countries*

[Dollar amounts in thousands]

	1962 exports (thousands of bags, 132.3 pounds each)	Total export value	Export tax revenue <sup>1</sup>
Dominican Republic.....	487	\$19,849	\$5,558
El Salvador.....	1,263	74,227	8,165
Guatemala.....	1,552	74,034	11,105
Haiti.....	514	20,627	6,460
Honduras.....	264	11,460	1,720
Mexico.....	1,519	71,286	7,924
Nicaragua.....	338	15,430	331
Brazil.....	16,376	642,629	360,272
Colombia.....	6,551	313,065	43,400
Ecuador.....	551	20,901	1,820
Peru.....	624	24,191	1,660
Angola.....	2,615	65,192	7,930
Ethiopia.....	1,044	44,000	5,022
Ivory Coast.....	2,352	76,650	11,497

<sup>1</sup> In several cases these figures are derived, and should therefore be used as approximations only.

Moreover, the dominant landed and semifeudal proprietors do not invest appreciably in their own countries. Instead they send a large part of their rents and profits abroad into numbered and anonymous accounts in Switzerland and balances in the New York, London, and Geneva banks. I have seen estimates that in recent years they have been investing abroad more money than we have been pouring in through the Alliance for Progress. Excuses can be given for this in the fear of nationalization which the Castro movement has engendered and in the galloping inflation which has been endemic in such countries as Chile and Brazil. But the same tendency has been at work until recently in countries like El Salvador which have had a comparatively stable price level and a decent government. Not much of the higher income from coffee would, therefore, trickle down from the few at the top to the many at the bottom. I am surprised that many who reject the trickle-down theory of prosperity as being not applicable in the United States with our relatively democratic economic and social system should nevertheless think it would work in the semifeudal societies of the coffee countries.

Nor do I place much reliance in the belief that progressive governments can be developed which can tax away the surplus given to those on top and use it for the benefit of the people. I am afraid, rather, that the few governments which try to carry out such a policy will be overthrown by the dominant economic groups.

I do not mean that I feel hopeless about social reform in Latin America. Reform is needed. It is ethically right. We are trying to further it and I have always been a strong supporter of the principles of the Alliance for Progress and expect to continue as such. But I do say that further to enrich the wealthy is not the most effective way of aiding the poor. Rather the increase in coffee prices would levy a heavier burden upon our own poor to enrich the wealthy landlords and plantation owners of Latin America. It would be an economic blood transfusion from the hard-pressed, low income families of the United States into the well-fed bodies of the coffee aristocracy. This would be the Alliance in reverse. If there were some surety that any increase in prices would largely go to help the group in the coffee countries who are furthest down, then I think the generous families of the United States would be willing to pay a little more per pound.

But there is no such surety. There is no such provision in the coffee treaty or agreement and I see at the moment no way of making such a provision effective in other countries by a provision in our own laws.

No, I choose instead to help Latin-America through the Alliance for Progress properly conducted. And I do not think that we can properly be called hardhearted by the power hierarchies of the coffee countries which stubbornly fight social reform, seek to sabotage the Alliance for Progress, but want to wring more profits out of the coffee crops of the Americas.

The Alliance, on the other hand, reaches the people who need help the most. It is under our own control as regards the amount of aid to be granted, whereas the costs of the coffee program would be largely controlled by foreign nations. The Alliance, moreover, can be supported from a relatively progressive system of taxation while the coffee levies are regressive, falling most heavily on the lower income groups.

IS THE LEGISLATION NECESSARY FROM THE STANDPOINT OF FOREIGN POLICY?

A final plea of the State Department is that approval of the agreement is necessary to keep Latin America on our side in our struggle with Russian and Chinese communism. The coffee growers are the most powerful economic group within Brazil, Colombia, and several of the Central American Republics. If they are tied to us and to the free world by a higher coffee price, it is argued, they will be more ardent in their opposition to a Communist takeover of their governments. The coffee countries will, moreover, have more foreign exchange with which to purchase machinery and other capital goods, thus helping to industrialize their economies and raise the standard of living of their peoples. For us to refuse to enforce the export quotas of the international coffee cartel would, it is said, expose the economies of Latin America to sharp fluctuations in prices and prosperity.

This last point is unfortunately true in the case of those commodities the demand for which, like coffee, is relatively inelastic. For here slight fluctuations in quantity create larger proportionate fluctuations in price. An increase in quantity, other things remaining the same, will cause the price per pound to fall by a greater ratio so that the total gross receipts will be less. There is, to be sure, some tendency for demand to increase; namely, for more to be demanded at the same price. But when the increase in quantity exceeds this shifting of the demand curve, then the coffee industry will suffer. That is what the coffee producers fear and why they want the consuming countries to help them enforce the restrictions upon exports which they seek to impose. If we do not do this it is indeed probable that they will blame us and that what is in reality the unfortunate peculiarity of the free and impersonal market in cases where the demand is inelastic will be ascribed to us as a national sin. The political consequences may indeed be unfortunate. Not, however, because the coffee producers will be angry with us, but because it will have an effect on the general prosperity within these countries.

I grant this and I can understand why the State Department favors this legislation. But is this coffee agreement the way we want to promote democratic attitudes and institutions among our friends

in the Americas? There are many other ways we may wish to proceed with this serious problem. I have already made reference to the Alliance for Progress and my support of the Alliance as a more equitable way to aid all the people of Central and South America.

It is also true that since World War II we have spent no less than \$100 billion in assistance to foreign nations. Never in human history has a nation been so generous and, I believe, farsighted. I recognize that a good deal of this assistance must be continued. But to tax the poor here at home to help primarily the rich south of the border does not seem to be either a wise or a truly charitable undertaking. Some charity should begin at home. Is there an obligation on the United States to shore up the prices of most tropical products? For years we paid a bonus of \$150 million a year to the foreign producers of cane sugar. An effort will shortly be made to restore this practice. Our consumers are now being asked to subsidize the Latin American coffee cartel to the probable tune of several hundred million dollars a year. And behind coffee lies cocoa. An international convention for this commodity has been drafted. It has not yet been put into effect because, it is understood, of justified State Department opposition. If this legislation is enacted, however, it is likely to be taken out of the closet and either approval will be asked of Congress or it may be put into effect through an Executive agreement. If this happens we will then be charged with a major responsibility for supporting the economies of Africa as we are now being asked to do for Latin America.

With all our proper desire to help other peoples, should we assume unlimited liability for all the economic ills and liabilities of the world? Can we not continue to be a good neighbor while evidencing some concern for the poor and the low-income families of our own country? Is a regressive tax on our own people for the benefit of a very few wealthy landowners in Latin America the way we should properly proceed? Or are there not better ways, such as the Alliance for Progress?

I ask merely that these considerations be taken into account before the Senate takes a fateful step which, in my judgment, may be extremely costly to the people of the United States.

