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THE DEPARTMENT OF STATE BULLETIN

Volume LXXIV • No. 1924 • May 10, 1976

A STRONG FOREIGN POLICY FOR A CONFIDENT AMERICA

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THE OFFICIAL WEEKLY RECORD OF UNITED STATES FOREIGN POLICY

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For sale by the Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402

PRICE:

52 issues plus semiannual indexes,
domestic \$42.50, foreign \$53.15
Single copy 85 cents

The Secretary of State has determined that the publication of this periodical is necessary in the transaction of the public business required by law of this Department. Use of funds for printing this periodical has been approved by the Director of the Office of Management and Budget through January 31, 1981.

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The Department of State BULLETIN is a weekly publication issued by the Office of Media Services, Bureau of Public Affairs, provides the public and interested agencies of the government with information on developments in the field of U.S. foreign relations as well as on the work of the Department and the Foreign Service.

The BULLETIN includes selected press releases on foreign policy, issued by the White House and the Department, and statements, addresses, and news conferences of the President and the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information included concerning treaties and international agreements to which the United States is or may become a party and on treaties of general international interest.

Publications of the Department of State, United Nations documents, and legislative material in the field of international relations are also listed.

A Strong Foreign Policy for a Confident America

Address by Secretary Kissinger¹

I am happy to be here in the great Southwest, where the freshness and vitality of the American spirit are so evident.

In recent years we have seen opinion on foreign policy in this country swing back and forth erratically—from peace demonstrations to calls for confrontation, from anti-militarism to concern for a strong defense, from overinvolvement to a new isolationism, from enthusiasm to disillusionment, and back again.

Today some would have Americans believe that the issue is between those who are optimistic and those who are pessimistic about America. But that is *not* the problem before us. The real issue is whether we understand the complexities and the opportunities that are before us.

Winston Churchill once said: "When danger is far off, we may think of our weakness; when it is near, we must not forget our strength." A period of thermonuclear peril and global upheaval is not the moment to forget our successes, our unequaled reserves of military and economic power, or the decisive advantages we enjoy as a free people with a free productive system.

In this Bicentennial year it is time to remind ourselves that an effective foreign policy must reflect the values and permanent interests of our nation, and not the fashionable trends of the moment. These values and interests antedate this election year and must be maintained beyond it.

I am here to tell you that America remains—and will remain—the most powerful nation in the world. I am here to tell you that the President and his Administration have founded their policies on a fundamental faith in America's vast strength and potential for greatness. We see challenging trends, but we are confident that they can be mastered. We see dangers, but we are certain that they can be overcome.

The optimist is not one who pretends that challenges do not exist; that is escapism. The true optimist has faith in his nation; he believes that challenges are to be mastered, not avoided. He is willing to trust the intelligence of the public, for he knows that Americans can understand and deal with complexity. He knows that Americans have always regarded challenge not as a cause for despair, but as a call to action, a stimulus to achievement, and a priceless chance to shape the future.

The Founding Fathers, the pioneers who opened up this vast land, the men and women who built the greatest and freest and most productive society in history—they were people of confidence and hope. Those of us today who truly have faith in America will live up to that tradition.

To oversimplify, to substitute brittle rhetoric for hard thinking, is not confidence in America. To offer slogans instead of answers is to show little faith in the American people.

The task of foreign policy is to understand our reality, to perceive the challenges to our interests and principles. It is to devise means for meeting those challenges. And it

¹ Made at Phoenix, Ariz., on Apr. 16 before a luncheon meeting sponsored by the Downtown Rotary Club (text from press release 181).

is to persevere toward our goals unafraid and unswayed by the passions of the moment.

Government in a free society has the obligation to tell the people the truth, without sugar-coating or resorting to scare tactics. The real issue before our country now is not between optimists and pessimists, but between those who support a strong American leadership in the world and those who believe that America cannot, or should not, play such a role.

The Administration has made its choice. Our policy is based on the conviction that without America's determination there can be no security, without our dedication there can be no progress, and without our example there can be no freedom.

America's Response to Challenge

In the inevitable self-criticism of a democracy, we must take care not to create an impression of impatience or uncertainty. We must never forget the great achievements of American foreign policy over three decades of involvement in world affairs.

The United States took the lead in helping Europe and Japan recover from devastation and join us in alliances that are the pillars of global stability. We opposed aggression; we mediated conflicts. We created the international economic institutions that expanded trade and prosperity worldwide. We became the world's leader in technology, in agricultural productivity, in economic enterprise. We led the world's struggle against famine, disease, and natural disaster; we promoted education and economic development in every quarter of the globe; we welcomed refugees from oppression to our shores.

And amid all the turmoil of recent years at home, our foreign policy has seen one of its most fruitful periods. Today:

—We are at peace.

—We are the world's strongest nation militarily and economically; our technological superiority is unquestioned, continuing, and growing.

—Our alliances are cooperating more closely than at any time in many years.

—We have begun to forge more rational and long-term relations with potential adversaries. Our new relationship with China is growing and durable and a positive factor in the world scene. With the Soviet Union we have resolved some conflicts, such as Berlin, and slowed some aspects of the arms race.

—For the first time in 30 years, we have helped the countries of the Middle East take significant steps toward peace.

—We have been leaders in shaping new economic relations between the industrial world and the developing world.

This is a record of which we can be proud and on which we should seek to build. So let us not delude ourselves with fairy tales of America being second best and forever taken in by wily foreigners.

Americans have nothing to fear from competition, for in almost every area of rivalry *we* have the advantage. Americans know we have the capacity, if we have the will, to maintain freedom and peace. They understand, too, that our strength is essential for peace, but also that peace must be something better than a precarious balance of terror.

Therefore our foreign policy is designed to further three principal objectives:

—To strengthen the unity of the great industrial democracies and our alliances.

—To maintain the global balance of power and to build on this foundation a lasting peace.

—To fashion between the industrial world and the developing nations positive and reliable economic relations to insure mutual prosperity.

Let me discuss these in turn.

The Challenge of Democracy

Our first priority is our relationship with the great industrial democracies.

There is no doubt that freedom today is under serious challenge. Democratic societies are in a numerical minority in the

world; and within many of them, antidemocratic forces are gaining in strength.

The dangers are real, but so is our collective capacity to respond. We and our allies account for 65 percent of the world's production and 70 percent of its trade; we are the world's most industrialized and urbanized societies; it is we who are the pioneers of the modern age, we who have the experience, the intellectual creativity, and the resources to lead attempts to solve the economic and social problems facing this shrinking planet—there is no reason for us to falter. Many of the challenges to the industrial democracies are of their own making. Therefore they can be mastered with confidence, vision, and creativity.

We are by nature a self-critical people and never more so than in our election year. This causes us sometimes to take for granted the solid achievements of the recent past:

—Faced with an oil embargo and an energy crisis, the United States took the lead in establishing, together with the other industrial democracies, a new institution, the International Energy Agency. This cooperative enterprise will enable the industrial democracies to support each other in case of another embargo. It has established common conservation policies and common policies for the development of alternative sources of energy. A great challenge has brought forth a cooperative and vital response.

—Faced with global recession, the heads of government of the United States, Great Britain, France, Germany, Italy, and Japan met to concert their economic policies. They stimulated fresh approaches to reinforce each others' programs for recovery, trade, and energy. They agreed on monetary reform which over time may usher in a period of unparalleled economic progress. Most fundamentally, they symbolized their political cohesion and shared moral values.

—Faced with the growth of Soviet power, we have strengthened the defenses of our alliances with new programs of planning, consultation, modernization, and standardization.

—Faced with the need to fashion more balanced partnerships, we have intensified our consultations and our collaboration.

These are not the actions of governments uncertain of their future. They reflect the conviction that no force in the world can match the voluntary association of free peoples. Our relations with the industrial democracies have never been stronger and our unity never more effective. With economic recovery well underway we will be even stronger, individually and collectively.

Together with the other industrial democracies we face, with confidence, a vast agenda:

—The United States is determined to protect our nation's security and that of our friends and allies; we will do our part to maintain the global balance that has preserved peace and freedom for three decades.

—Together we will foster economic progress and social justice in our societies, for the principles of freedom and human dignity which we cherish must rest on a firm foundation of responsiveness to the needs of our peoples.

—We will intensify collaboration on the great new issues of our time: the economic, political, and social challenges of global interdependence, the easing of tensions between East and West, and the forging of cooperation between developed and developing countries.

—The United States has encouraged and welcomed those of its allies that moved from dictatorship toward democracy. For the same reason we will continue to warn against those who would turn over a major share in Western democratic governments to Communist parties suddenly seeking respectability. We would do our allies no favor if we encouraged wishful thinking that the advent of Communist parties into power will not represent a watershed in our relations. The basic reality is that our people will not accept the same close and confidential relationship with Western countries where Communist parties have been granted a major share in government.

—We will stand for the cause of liberty and independence around the world; for if we do not champion our own cause, no one else will do it for us.

—We will never forget that the democratic nations hold in trust humanity's highest principles and aspirations and that they thus bear a grave responsibility.

The Challenge of Peace

Time and again in this century Americans have fought for peace. No people knows better than we the meaning of that responsibility, especially in an age shadowed by the menace of nuclear cataclysm. When war would threaten the life of literally every American, there is no higher duty than the dedicated search for peace.

But peace is far more than the mere absence of war. We will never make, in the name of peace, agreements that jeopardize our values and interests or the values and interests of our friends. We know, too, that the mere desire for peace is not enough. Since the days of Thucydides, statesmen have recognized that peace with justice comes only "where the pressure of necessity is equal; for the powerful exact what they can, and the weak grant what they must." There can be no security without an equilibrium, and no safety without a balance of power.

Since the dawn of the nuclear age, the world's fears of catastrophe and its hopes for peace have hinged centrally upon the relationship between the United States and the Soviet Union. When two superpowers have the capacity to destroy mankind in a matter of hours, there can be no greater imperative than managing the relationship between them with wisdom and restraint.

The growth of the Soviet Union to superpower status was inevitable, given its industrial and technological base. Nothing we could have done would have prevented it; nothing we do now will make it go away. What we can do, together with our friends, is to maintain our strength and our considerable advantages and demonstrate our de-

termination to prevent the irresponsible use of Soviet power. At the same time we must strive to go beyond a balance of force to shape a safer and more durable relationship of coexistence. Peace thus requires a dual policy. And we have worked hard at both these tasks.

We have kept our strategic forces sufficient to deter attack and maintain the nuclear balance. And because we know that the perception of power can be almost as important as the reality, we have made certain that other nations recognize the adequacy of our strength.

Nevertheless the strategic arms competition takes place in unprecedented conditions. As late as the end of World War II, every increase in destructive power was strategically useful. Today additions to the nuclear arsenals of either side do not automatically lead to political or military advantage. Indeed, at current and foreseeable levels of nuclear arms it becomes increasingly dangerous to invoke them. In no crisis since 1962 have the strategic arsenals of the two sides determined the outcome.

The tendency toward stalemate inherent in the nuclear arms race produces new requirements for our national defense. Under the umbrella of strategic standoff, increasing attention must be given to regional defense. For it is in peripheral areas where a military imbalance can be turned into a geopolitical change that could in time affect the global balance. This is why we are expanding our Army from 13 to 16 divisions, developing a new generation of fighter aircraft, and accelerating our naval construction, and it is why we must spend what is necessary to meet the new overall requirements.

In assessing current debates and charges it is important that the public understand the long-range nature of modern military planning. Because of the long leadtimes in the development of new weapons, the forces in being today reflect decisions taken in the sixties; the decisions we make today will not affect our forces until at least the early eighties. This imposes upon us the need for careful long-range planning and analysis of

needs. With modern weapons, national defense cannot be assured by quick fixes. Not every category of weapon is as useful for us as it is for our adversaries, and vice versa. We must and we shall maintain a steady course, mindful that what we decide today will affect the security of Americans for decades.

At the same time we must look beyond security to a safer, more durable pattern of coexistence. A balance of terror constantly contested is an unsatisfactory foundation for our security. We shall defend the global balance with vigilance, but at the same time we shall continue to search for new patterns of restraint, of communication, and of co-operation. Only when the rights of nations are respected, when accommodation takes the place of force, can man's energies be devoted to the realization of his higher aspirations.

To check and ultimately to reverse the nuclear spiral, we have sought and achieved important arms control agreements with the Soviet Union. The Strategic Arms Limitation Agreement of 1972 halted the Soviet numerical buildup, and the Vladivostok agreement places an equal ceiling on strategic forces of both sides. When this ceiling is translated into a formal agreement, we shall have reduced the danger of nuclear cataclysm. At the same time we will be able to devote the priorities in our planning to regional defense, where the needs are greatest.

In the past week we have achieved a new agreement which will limit the size of peaceful nuclear explosions and, for the first time, allow the United States to conduct on-site inspections on Soviet territory. This is a principle which we have sought to establish throughout the postwar period. Its achievement is not only a significant symbol but an important practical step to bring greater discipline to the nuclear age.

In addition to arms control, we have engaged the Soviet Union in efforts to resolve concrete political problems. For example, the Berlin Agreement of 1971 was a negotiated solution to a perennial problem that had threatened major war on at least three occasions in 20 years. And we have also reached

agreement on many bilateral projects that are based strictly on mutual benefit and can help moderate Soviet behavior.

We must see these achievements in perspective. We cannot relax our vigilance. We must not believe that the conflict of two generations can be quickly overcome. For the foreseeable future we and the Soviet Union will remain ideological adversaries. But we have an obligation to explore all honorable roads to reduction of tensions and a relationship based on coexistence rather than on tests of strength. We cannot stop trying, for we owe our children a better world than we found.

These, then, are the realities of our policy toward the Soviet Union:

—We have the military, diplomatic, and economic capacity to prevent the use of Soviet power for unilateral advantage or political expansion.

—We shall maintain the strategic and conventional forces needed to protect our security, and we shall muster the political will to insure that local situations are not exploited for unilateral gain which could undermine global stability.

—We will never tolerate a shift in the strategic balance against us, whether by violations of agreements already concluded, by making unwise new agreements, or by neglect of our own programs.

—At the same time we must recognize that sovereign states of roughly equal power cannot impose unacceptable conditions on each other and ultimately must deal with each other by compromise.

—We shall pursue the two strands of our policy toward the Soviet Union: firmness in the face of pressure and readiness to work on the basis of strict reciprocity for a more cooperative world. This is an obligation we have to our people, to our future, and to mankind.

The Challenge of Prosperity

In recent years no issue has demanded more of our attention than the prospects of the world economy. This nation has unrivaled economic strength, but in an inter-

dependent world we must work with others if our economy is to thrive.

The facts of interdependence were brought home to us dramatically by the oil embargo of 1973. It accelerated inflation and produced the largest unemployment, as well as the most severe recession, of the postwar period. It is estimated to have cost us upward of \$10 billion in lost production.

The global economy is now a single system; interdependence can strain it or enhance it. For the first time in history humanity's age-old dream of a just, stable, and prosperous world for all is a realistic possibility.

American policy has been designed to serve our interests in a global context of cooperation, for our nation's prosperity requires a healthy and cooperative world environment. The price and supply of energy and raw materials, the conditions of trade and investment, the protection of the environment, international law to govern the use of the oceans and space—these are all issues on which our prosperity and progress depend.

As the world's strongest power, the United States could best survive an era of economic warfare. At home we are leading the recovery from the most difficult economic period since the 1930's—a performance which stands in sharp contrast to those economies based on rigid principles of planning, on labor extracted by compulsion or capital formed through inadequate compensation of labor. Abroad, our technological innovation, global business expertise, and commercial dynamism have reinforced American interests and spread prosperity to every part of our planet. It is America that is the engine of the global economy, we to whom the developing nations address their claims and their complaints—for they know that our open economic system more than any other fosters the prospects for growth and widening opportunity for all.

But while we are prepared to defend our economic interests unilaterally, we know, too, that nations will prosper together or they will suffer together.

This is why the United States has taken the lead in advancing the vision of an open, growing, and cooperative world economy.

It was the United States that called for and helped launch the World Food Conference in 1974, where we offered concrete proposals to improve world food production and offer every human being security against hunger.

At the special session of the United Nations last September and at the Conference on International Economic Cooperation now underway in Paris, we have set forth a wide range of practical initiatives which address all the key global economic issues: raw materials, development, finance, and most important, energy.

A week ago I presented the Law of the Sea Conference in New York with new American proposals designed to move this historic negotiation to a successful conclusion this year. This would be a major diplomatic event with far-reaching implications for security and commerce, for food and energy, for raw materials and research, and for international law and cooperation.

Later this month I will attend the U.N. Conference on Trade and Development, where we will continue to demonstrate American leadership on the broad range of relations between North and South.

These U.S. initiatives have substantially improved the international atmosphere and laid the foundations for progress on one of the great endeavors of the modern era—the construction of a truly just and cooperative international economy.

These are the realities of the global economic challenge:

—Today, *all* national economies are sustained by the global economic system; interdependence is not a slogan, but a reality, and goes to the heart of the international order. Prosperity and justice underpin every society's ability to achieve its national goals.

—Since we are the single greatest concentration of economic wealth and power, global prosperity and our own well-being depend crucially on this country's leadership. What is asked of us now is not so much our re-

sources, but our creativity and vision in helping the world organize equitable patterns of economic relations.

—The United States will not be pressured; nor will we yield to blackmail or threats. Those who indulge in unrealistic proposals, one-sided bloc voting, appeals to stale ideologies of confrontation or resentment, will only block cooperative progress.

—Here, too, we will pursue a dual policy; we will resist pressures, but we are prepared to participate constructively in cooperative efforts based on mutual respect.

The American Responsibility

Thus the challenges we face are great and complex. But the record shows that we have responded, with confidence and with success. Ours is not the record of a tired nation, but of a vibrant people for whom frontiers have always denoted a challenge, not a limit. We are not weak; we have no intention of letting others determine our future.

America has the strength, resilience, and purpose to meet the modern era on its own terms. We are determined to help shape an international environment which, more than ever before in history, improves the lives and reflects the values of our people.

So let us stop disparaging our strength, either moral or material; because when we do, friends of America grow uncertain, enemies become bold, and a world yearning for leadership loses hope.

Let us tell our people and the world the truth: America will continue to meet the challenges of its time. America and its allies possess the greatest economic and military power the world has ever seen. We have the courage and the self-confidence to prevent nuclear war. We have the vision and the spirit to help shape a more peaceful, more stable world. We have the resources, the technology, the skill, and the organizing genius to build a world economic system together with all nations, developing and developed alike. And this will fulfill the aspirations of all peoples for dignity and well-being.

It is in this spirit that next week I shall go to Africa, where I will carry America's message of hope, social justice, aspiration for human dignity, the rule of the majority, and cooperation. And I shall also warn against foreign intervention, direct or surrogate, that would block all hope for progress.

But we can realize our historic responsibility only as a united and confident people. Our greatest foreign policy need is to end our divisions and self-denigration, to recall that we have permanent interests and values that we must nurture and defend, to recapture the sense that we are all engaged in a common enterprise.

We remain the world's strongest nation, but we no longer have the overwhelming global predominance of previous decades. Today we must lead not by our power alone but by our wisdom, boldness, vision, and perseverance. We must be a steadfast friend to those who would be our friend; we must be a determined opponent of those who would be our enemy. We must maintain simultaneously our defenses, our alliances, our principles, and our commitment to a cooperative world. And I have every confidence in our ability to do so.

In this Bicentennial year we honor our Founding Fathers for many things—but most of all for their faith in the American people, on whom the success of the American experiment has always depended. They were dreamers who believed in the future and the nation they had created. They were optimists, because they believed that free men of courage could shape their destiny. And in the end, they were realists, because they were right.

At its foundation America was, because of its promise, the hope of the world. Today it remains, because of what it has become, the best hope of all mankind.

This generation of Americans, like every generation before it, will shape its destiny and in helping the world will help itself. For what we, and the world around us, shall be is in our hands. And like those Americans who have gone before us, we shall not fail.

Questions and Answers Following the Secretary's Address at Phoenix

Press release 181B dated April 16

Q. Mr. Secretary, I speak a broken English, and I hope that my message and my question will be understood properly.

Secretary Kissinger: People with accents give me great trouble. [Laughter.]

Q. Mr. Secretary, since you are one of the most prominent members of the Council on Foreign Relations, would you tell us, first, why for less than three decades every Secretary of the United States but one had to be and was a member of the Council on Foreign Relations and how that happens.

Second, what is the position of the Council on Foreign Relations toward ruthless expansion of communism through appeasement, formation of a world government, total surrender, or any other course.

Please answer.

Secretary Kissinger: The Council on Foreign Relations usually represents a government-in-exile—that is, those members with foreign policy experience who are not serving in the government and meet in New York to reminisce about their days of glory and to prepare themselves for the day that they may be called back to Washington. [Laughter.]

There is obviously no requirement that one be a member of the Council on Foreign Relations in order to be Secretary of State. But it so happens that it usually selects people with foreign policy experience, and it does not hurt to have foreign policy experience to be Secretary of State. So, it is not absolutely necessary. [Laughter.]

Now, there is no such thing as a unified position of the Council on Foreign Relations. I myself have not attended a meeting in eight years. And given the views of most of the members of the Council on Foreign Relations, I am not likely to be invited to another one for another eight years. Insofar as there is a dominant view in the Council at this moment, it would be rather diametri-

cally opposed to the foreign policy that we are conducting.

I say all of this only to emphasize that one should not believe that there is a homogeneous body that meets to define policies.

Now, if you asked me what is the view of the Council on Foreign Relations toward Soviet expansion and similar matters, I find it hard to give you a coherent answer. I can tell you what my view toward Soviet expansion is, which is to oppose it, to resist it, to build the strength that enables us to resist it, and to conduct a policy which prevents it. And that is more important— [Applause.]

Q. I am Margaret Long, and my question is that the Los Angeles Times today reported that President Ford intends to nominate John Connally of Texas as Secretary of State after the November election. My question is, is this true or is this just an attempt to gain votes for the Texas primary?

Secretary Kissinger: Of course, I have to say my father is keeping a scrapbook of articles in which I get mentioned. And he is extremely pleased whenever I get mentioned, no matter what the context. [Laughter.]

As far as I can tell, there is a bitter competition going on for a place which may not be vacant. And I figure if I get enough people into the race, they can all be occupied through the primary season and beyond. So, I welcome Mr. Connally to the competition. [Laughter.]

Q. Mr. Secretary, Sandra O'Connor speaking. I respectfully ask whether the United States is negotiating with Panama concerning the ownership, operation, or control of the Panama Canal. And if so, to what purpose or goal?

Secretary Kissinger: Let me explain the condition with which we are attempting to deal in the Panama negotiations.

The issue is not between us and the Government of Panama. The issue is whether it is possible for the United States to achieve safe, neutral passage of all ships through the Panama Canal under conditions in which we do not have to fight all of Latin America.

Now, if necessary, we will defend our interests in the Panama Canal against all of Latin America, if we must. But, in the meantime, we want to explore whether it is possible to achieve arrangements in which our interests in the defense of the canal and in the operation of the canal are fully safeguarded but in which, at the same time, we are avoiding the possibilities that are inherent in that situation, where all of the Latin American countries could unite against the United States on that narrow issue.

I repeat: The United States will not surrender its interests in the defense of the canal or its interests in the operation of the canal. Any agreement that will be negotiated will be submitted to the Congress. And as we are negotiating it, we are briefing the Congress; and if we do it sufficiently in executive sessions, we can be sure that the public will know it. [Laughter.]

So, one has to look at the problem, and one should not play lightly with that issue, because it could involve our entire relationship with all of the Latin American nations.

Q. Mr. Secretary, I don't believe it is very hard to imagine a situation where Communist-dominated governments in southern Africa would allow Russian bases on the South Atlantic. Should the United States encourage an arms buildup in Brazil and Argentina to counter such a situation?

Secretary Kissinger: I have stated, to the dismay of much editorial opinion, that the United States will oppose expeditionary forces and the use of surrogate power in Africa. Therefore I do not want at this moment to deal with a situation in which the United States is assumed to have accepted the buildup of foreign military bases in southern Africa.

We have an interest in the security of our sealanes in the southern Atlantic. And we will work together with other interested countries to do whatever is necessary to assure the safety of the sealanes.

Q. You travel extensively, and you must be under great pressure. How do you relax and what do you do to stay healthy? [Laughter.]

Secretary Kissinger: I travel because occasionally I have the need to visit a friendly capital. [Laughter.] And I am sure that my staff members here are going to give their own press conferences, and they will say that I relax by harassing my staff. [Laughter.] They are all smiling here.

Q. Dr. Kissinger, Craig Durkin. Recently, Time magazine carried a story on Israel having atomic weapons, and I would like to know if you can confirm or deny this and what the implications of this are on U.S. foreign policy?

Secretary Kissinger: Time magazine seems to have sources that were more precise than the ones with which we are familiar, because they gave an extraordinary amount of detail.

Israel has stated publicly that it would not be the first to introduce nuclear weapons into the Middle East. I do not know what the precise meaning of that statement is.

The United States believes generally that the spread of nuclear weapons to other countries, particularly in extremely explosive situations or dangerous situations such as the Middle East, is not helpful for stability. And we have done our utmost in all circumstances to discourage such a threat. But the precise details of this particular story are perhaps not suitable for a public discussion.

Q. Mr. Secretary, do you believe that the Soviet troop buildup in Eastern Europe might portend an attempted Soviet occupation of Yugoslavia in the event of Tito's death?

Secretary Kissinger: I do not have the impression that there is a buildup of Soviet forces in Eastern Europe. What is taking place in Eastern Europe is that Soviet forces are being modernized as equipment is being replaced, and therefore the combat effectiveness of Soviet forces in Eastern Europe is being strengthened, together with all other Soviet forces. And this is the reason why I stressed in my prepared remarks the increasing need to strengthen the capacity of the United States to undertake local defenses of many areas.

With respect to Yugoslavia, the United States believes that the independence and sovereignty of Yugoslavia should be, and must be, respected and that it should have the opportunity to develop its policies free of outside military pressure. We have no evidence that the Soviet Union is, at this moment, considering any military action against Yugoslavia. But if such an event were to occur, it would present a very grave situation, and it is one that the United States could not accept.

Q. Mr. Secretary, "détente" is a word that has been used and misused many times in recent years, and I notice you did not use it once in your speech. My question is: What is your interpretation of this word, particularly as it pertains to the relationship of the United States with both the U.S.S.R. and China?

Secretary Kissinger: I just want the record to show that I am explaining the word only in response to a question. [Laughter.]

The word "détente" attempts to deal with the reality of our relationship with the Soviet Union, which, as I indicated in my prepared remarks, has two aspects.

On the one hand, we have the fact that Soviet power is growing and must be matched and that Soviet expansion must be prevented. So, on this level, the United States is determined not to permit any change in the global balance of power that could affect our security.

Secondly, if we look ahead over 10, 15, 20 years, we have an obligation to keep in mind that if there are endless confrontations,

there is always the danger that one of them will escalate into war. Therefore we are attempting to create a better environment and a kind of coexistence that is less dependent on a balance of terror. This, of course, will require changes in the Soviet perception of the world. And it will require strict reciprocity in all agreements that may be made with the Soviet Union.

The challenge before us is whether we are capable of conducting this two-track policy—resistance to aggression and a willingness to build a better world.

This is what is meant by the word "détente" and I do not believe that there is an effective alternative to it.

Q. Mr. Secretary, Chou En-lai's death—will it alter U.S. foreign policy toward mainland China?

Secretary Kissinger: Our policy toward mainland China is based on our view of our national interests. We began to reestablish contact with mainland China because, both in Peking and in the United States, we became convinced that there were certain common interests that would permit us to work together in those limited areas.

As far as we are concerned, those policies do not depend on personalities, but they depend rather on the overall global situation.

So, on our side, we have no reason to change our policy. On the Chinese side, we have the impression that they, too, will continue the policies that are now being carried out.

So, we do not anticipate any drastic change in U.S.-Chinese relations.

International Commodity Policy: Coffee, Cocoa, Sugar, Tin, Copper, and Bauxite

Statement by Julius L. Katz

Assistant Secretary for Economic and Business Affairs¹

I appreciate this opportunity to appear before these subcommittees to discuss international commodity policy. This is a subject of considerable interest and importance, particularly in view of the meeting of the UNCTAD [U.N. Conference on Trade and Development] next month in Nairobi. This hearing provides a useful opportunity to review where we stand in our consideration of one aspect of our commodity policy—the examination of individual commodity problems.

Our overall approach to commodity policy is to examine specific commodity problems analytically and to consider broadly based solutions, not excluding, but certainly not limited to, price stabilization measures. One approach is to stabilize export earnings through compensatory financing. For a number of commodities the problem in fact is not excessive price volatility, but low returns to producers. In such cases, diversification, improved cost efficiency, product improvement, or other forms of market promotion may be the appropriate solution. For other commodities, obstacles to capital investment

may be the most serious limiting factor, and we have made proposals to expand opportunities for investment in new capacity. Finally, efforts to promote market access and to assure access to supply are essential elements of U.S. commodity policy.

As a further introduction to this statement, I should note that in our examination of individual commodity problems we proceed on the basis of the fundamental premise of our international economic policy, that of seeking an open world economy that permits market forces to operate, with minimum restrictions on the flow of goods, services, capital, and technology across international boundaries. We also seek a concerted and sustained effort by the economically advanced countries to improve the prospects for economic development and social progress in the developing countries. We are prepared to consult and, where appropriate, cooperate with other countries to resolve persistent problems which have arisen in the international commodity trade.

Against this general background, Mr. Chairman, I propose to discuss six commodities: coffee, cocoa, sugar, tin, copper, and bauxite. The first four are the subject of existing international agreements. Copper and bauxite are covered by producer associations. The six taken together illustrate well the need for case-by-case examination of individual commodity problems.

¹ Submitted to the Subcommittees on International Resources, Food and Energy, on International Economic Policy, on International Organizations, and on International Trade and Commerce of the House Committee on International Relations on Apr. 14. The complete transcript of the hearings will be published by the committee and will be available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Coffee

Coffee is the largest agricultural export of the developing world. In 1974 world coffee exports amounted to over \$4 billion. More than 40 producing countries export significant amounts of coffee. Brazil is by far the largest exporter, with about one-third of the world market. Colombia is second, with just over 10 percent of the world market, followed by Uganda, the Ivory Coast, and Angola, each with about 5 percent of the market. In all, 10 countries account for about 75 percent of total world exports.

Coffee is a tree crop, with a minimum of three years required from time of planting to harvest of the first fruit. Coffee, like other agricultural products, is vulnerable to the vagaries of weather. It is particularly vulnerable to the periodic frosts which have hit the coffee-growing regions of Brazil. Variations in annual production are quite large, production having ranged in recent years between 60 and 80 million bags.

While production variations have a considerable effect on price, an equally important factor is the level of world inventories. Brazil, the largest producer, has traditionally maintained sizable stock levels in order to protect its market when frosts have reduced its production below normal export requirements.

Coffee is a classic example of a boom-or-bust commodity. High prices in 1954 were followed several years later by significant production increases, stock accumulation, and sharply falling prices. In 1962, the United States and Brazil undertook a joint initiative which resulted in the International Coffee Agreement of 1962. This agreement was designed to stabilize prices at levels equitable to both producers and consumers and to permit the orderly marketing of accumulated stocks.

By 1972, both producers and consumers recognized that the world coffee outlook had changed. Consumption was exceeding production, stocks were declining, and prices received by producers had improved considerably. Accordingly, the economic provisions of the International Coffee Agreement were

suspended and the International Coffee Organization was preserved as a forum for negotiation of a new agreement.

Today's world coffee market is suffering from the effects of the severe frost in Brazil last July that cut Brazilian production from an anticipated 28 million bags to about 9 million bags. Prices are at record highs, and it will require at least three years before production is restored.

Against the background of the Brazilian frost and a changed supply-demand outlook compared to the earlier coffee agreements, negotiations were conducted last December for a new International Coffee Agreement. After a thorough review within the Administration, we have concluded there are substantial advantages for the United States in this new arrangement. It will protect consumers during the next few years of tight supplies and give producers protection against drastic price drops when production is restored to normal. Its objectives are to provide a steady flow of coffee onto the market, to encourage producers to restore adequate production levels, and to stabilize prices around long-term market trends.

Major features are as follows:

—There are no fixed prices in the agreement, and there is no price indexation.

—Export quotas are the main instrument for stabilizing prices whenever supplies are in surplus.

—The agreement will enter into force October 1, 1976, with quotas in suspense, and they probably will not come into operation for at least three years.

—When quotas are suspended there is no obligation on our part to exclude coffee from any source.

—When quotas are in effect, they will be suspended automatically when prices rise 15 percent above an agreed level.

—Export performance during the first two years of the agreement will be a major factor in the calculation of individual producing-country export shares in the event quotas are imposed. A country which improves its performance during the next two years

will be rewarded with a permanent quota increase.

—All decisions regarding prices and quotas require a two-thirds majority of producers and consumers voting separately. The United States has 40 percent of consumer votes.

The agreement should provide producers with a more stable source of export earnings. It should also meet our needs as consumers by encouraging producers to ship all the coffee they have and to invest in planting programs that will restore production to normal levels. The net effect of the agreement's provisions and incentives is thus to attempt to influence market forces but not control them.

The President authorized signature of the agreement, and it was signed on February 27, of this year. The President subsequently requested the advice and consent of the Senate to ratification. The Administration will request implementing legislation from both Houses of Congress.

Cocoa

Like coffee, cocoa is also a tree crop. However, there are many differences. There are considerably fewer cocoa-producing countries; only 14 countries produce significant amounts. Five countries account for almost 80 percent of total world cocoa exports. Cocoa production seldom varies more than 15 percent from year to year, while coffee production may vary as much as 30 percent. Unlike coffee, cocoa cannot be easily stored in the producing countries. The quality of cocoa deteriorates rapidly in the hot, humid climates in which it is grown. Therefore cocoa must be shipped fairly rapidly, and any arrangement to stabilize prices must take this factor into account.

In 1974, 1.7 billion dollars' worth of cocoa beans entered world trade. Of that, the United States imported about 316 million dollars' worth.

Ghana is the largest producer, with about 25 percent of world production in crop year 1974/75, with Nigeria, the Ivory Coast,

Brazil, and Cameroon following. Ghana's market share has been declining in the face of stiff competition from the fastest growing producers, the Ivory Coast and Brazil.

Record cocoa production in crop year 1971/72 was followed by two years of lower production. Prices rose to record highs in 1974. Since then, they have fallen somewhat, but the market outlook is expected to remain firm. Higher prices will bring increased production, but not for several years. As might be expected, most of the supply response to high prices will probably come from the Ivory Coast and Brazil, the most dynamic producers.

On the demand side, the response to higher prices has been a sharp drop in consumption. In the United States, cocoa grindings fell by 10 percent in 1975. Part of this drop can be explained by increased use of other fats and oils to supplement or extend the cocoa content of confectionery products.

Negotiations for an International Cocoa Agreement have been held off and on for over 20 years. The United States participated in the UNCTAD cocoa conference of 1972, but we did not join the agreement which emerged. The 1972 cocoa agreement relied on export quotas as the principal operating mechanism, with surplus stocks to be stored by the Cocoa Organization in consuming countries. The United States believed the agreement was too rigid and inflexible and would not accomplish its aims if tested. The 1972 agreement was never tested. Since it came into operation in 1973, prices have remained well above its price objectives.

The 1972 agreement was renegotiated in October 1975. The United States participated actively and constructively in those negotiations. Specifically, we detailed our objections to the old agreement and proposed that the primary tool to be used for price stabilization should be a buffer stock. Our proposal included the following:

—The buffer stock would operate to defend a maximum and minimum price within a 20-cent range.

—The buffer stock could purchase up to

250,000 metric tons from normal commercial channels.

—The buffer stock would store cocoa purchased in locations most suitable to preservation of quality.

—The Cocoa Council would have the authority to periodically review and adjust the price range for buffer stock purchases. Prices would not be fixed for the life of the agreement.

The U.S. proposal was welcomed by a number of producer and consumer delegates. However, many countries felt that the U.S. proposal required more of a change to the old agreement than they could accept. Accordingly, the U.S. delegation sought to continue the negotiations to give fuller consideration to our proposal. However, the conference voted to proceed with the conclusion of the International Cocoa Agreement of 1975. The United States and the Ivory Coast both expressed strong reservations on the agreement reached.

The International Cocoa Agreement of 1975 is generally similar to the 1972 agreement, relying on export quotas to defend a rigid price range. Prices are fixed for the life of the agreement.

As the agreement now stands, it is an arrangement—cumbersome in its design and potentially disruptive of the market—that combines features of both export quotas and buffer stocks. The first line of price defense is an export quota. The formula for calculating each member's quota share is, in our view, inflexible and will not reflect actual production. It will penalize the dynamic producers. The buffer stock buys only the cocoa resulting from a quota cut. As a result, any further surplus will be retained in the producing country until it spoils or is smuggled to markets.

We have announced that we do not propose to sign the new International Cocoa Agreement in its present form because we consider it unsound and unworkable. We have reiterated our willingness to continue attempts at renegotiation. We are awaiting

the reaction of other countries. At this point, it is uncertain whether or not the agreement concluded will enter into force on October 1, 1976.

Sugar

Sugar is a more complex commodity than coffee or cocoa. It is produced in both developed and developing countries from both sugar cane and sugar beets. Each type of production has its own peculiarities—sugar cane requires one to two years to produce, while sugar beets are an annual crop. New sugar production is expensive—it costs an estimated \$50 million in capital investment just to build one new plant to process 100,000 tons annually. Sugar is experiencing growing competition from other sweeteners such as high-fructose corn syrup.

The United States produces over 50 percent of its domestic sugar consumption requirements and imports the balance. We import sugar from more than 30 nations. In 1974, we imported 2.3 billion dollars' worth of sugar, or 26.6 percent of world imports by volume.

Until December 1974, both our domestic sugar production and our imports were regulated by sugar legislation. Since January 1975, the United States has participated fully in the world market. Except for a small tariff, our domestic producers have been competing directly with other sugar producers throughout the world. The United States is neither the world's most efficient sugar producer nor the least efficient.

The first International Sugar Agreement was negotiated in 1937, and we were members until 1968. The present agreement has no operational mechanisms, and the United States is not a member. However, preliminary discussions are currently underway in London at the International Sugar Organization to determine whether the time is now ripe for a new International Sugar Agreement. The United States is participating as an observer. A negotiating conference has

been scheduled tentatively for Geneva in October of this year. However, it now appears likely the conference may be deferred until spring of 1977. The United States will participate fully in these negotiations when they are held.

tin

The United States is the world's leading consumer of tin, using over 25 percent of annual world production. In 1974, we consumed some 66,000 tons of tin, and in 1975 about 44,000 tons. Tinplate production is the chief end use for tin, followed by solder and other alloys, and chemicals. Approximately 75-80 percent of our tin consumption is of primary or new tin, with secondary or recycled tin accounting for the remainder. U.S. domestic tin production is negligible, and we rely on imports for most of our tin needs. In 1974, our tin imports amounted to \$326 million. In addition, the United States has a strategic stockpile of about 205,000 tons, of which some 165,000 tons are surplus to current objectives. Sales from the GSA [General Services Administration] stockpile have supplemented our tin imports in recent years.

Malaysia is the world's leading tin producer, accounting for about 30 percent of estimated output. Bolivia, Indonesia, and Thailand combined provide another 30 percent; and the Soviet Union, a net importer, and the People's Republic of China produce an estimated 22 percent.

Since 1956, world tin trade has been influenced by four successive five-year International Tin Agreements. A new, fifth tin agreement is scheduled to come into force this July 1. The United States did not join the first four agreements, but we have signed the fifth agreement.

Membership in the current fourth tin agreement includes seven exporting countries accounting for an estimated two-thirds of world tin production, and 22 consumer countries. The seven tin agreement producer members are Malaysia, Bolivia, Indonesia,

Thailand, Australia, Nigeria, and Zaïre. China is the only significant exporter not a member of the tin agreement. Consumer members include all major consumers with the exception of the United States.

I will provide copies of a detailed summary and analysis of the fifth agreement and the report of the U.S. delegation to the negotiating conference for the committee's use.

Basically, the tin agreement seeks to stabilize tin prices within agreed price limits. This is done mainly through a buffer stock which buys tin to defend a floor price and sells tin to defend a ceiling. In addition, the agreement permits the imposition of export controls by producer members when necessary to supplement buffer stock operations in defending the floor.

Buffer stock financing contributions are compulsory for producer and voluntary for consumer members. Thus far, four consumer members, France, the Netherlands, Belgium, and the United Kingdom, either have made contributions or will do so under the fifth agreement. The United States has announced it does not intend to make a contribution.

Decisions on price ranges, export controls, and other matters are made by the International Tin Council. Producers and consumers share voting power equally, with each group holding 1,000 votes. All decisions require at least a majority of both groups, voting separately. The United States will hold an estimated 255 of the 1,000 consumer votes.

The executive branch undertook an intensive interagency review of the fifth agreement last summer. This study concluded that U.S. membership would have no adverse economic effects on the United States.

As a member of the tin agreement the United States would have two basic obligations:

—To pay a proportionate share of the International Tin Council's administrative expenses. For the United States, this would be an estimated \$115,000 for the first year.

—To consult with the International Tin

Council on tin disposals from our stockpile.

Since we have always consulted with the Tin Council, the obligation to consult on stockpile disposals will have little practical effect. However, the United States has retained and will retain the right of final decision concerning its stockpile disposals.

We believe that U.S. membership in the tin agreement will bring benefits:

—Through its membership in the Tin Council the United States will be able to influence the council's policies affecting the long-term supply of tin.

—Our foreign relations will benefit from our support of one of the oldest and most successful producer-consumer organizations.

Because we concluded that membership in the International Tin Agreement would have no adverse consequences for the United States and our participation will provide benefits, the President decided to sign the agreement, which we did on March 11. The agreement will shortly be submitted to the Senate for its advice and consent to ratification as a treaty.

Copper

In terms of dollar volume, copper is the most important nonfuel mineral traded in international commodity markets. In 1974, total copper exports amounted to over \$6 billion. The economies of a number of less developed countries (Zambia, Chile, Zaïre, and Peru) are heavily dependent on copper exports.

The United States is relatively self-sufficient in copper, supplying between 85 and 90 percent of its needs domestically, while Japan and Western Europe must import most of the copper they consume. Because of our self-sufficiency and the structure of our copper market, with much of our copper produced by a few large integrated companies and sold on the basis of long-term prices established by individual producers, we have been relatively insulated from the wider price volatility of the world copper market, in which prices fluctuate on a daily basis.

Recent wide fluctuations in the copper market have produced new momentum for international discussions between copper consumers and producers. In his address to the U.N. General Assembly in September 1975 Secretary Kissinger gave priority to the establishment of a consumer-producer forum for copper. The call for dialogue was taken up by CIPEC (the Intergovernmental Council of Copper Exporting Countries) at a meeting in Lima in November 1975. CIPEC membership consists of Chile, Peru, Zaïre, Zambia, and Indonesia, and two associate members, Australia and Papua New Guinea. CIPEC claims it represents about 72 percent of internationally traded copper, or 45 percent of free-world mine production.

Prior to last November, CIPEC had repeatedly indicated that it was neither interested in, nor ready for, discussions with consumers. Its new attitude was based partly on CIPEC's realization that copper's sensitivity to industrial cycles and its own limited control of the market would continue to render ineffective any unilateral efforts on its part to stabilize or raise prices.

The United States welcomed the CIPEC call for a dialogue with consumers and indicated our interest in a discussion without preconditions. Early this year, CIPEC requested the assistance of UNCTAD in scheduling intergovernmental consultations on copper.

Some 30 major producers and consumers of copper met in Geneva March 23–27, 1976 for ad hoc consultations. The consultations were held in a cooperative and pragmatic atmosphere, marked by generally moderate and constructive producer attitudes. The United States, whose delegation included advisers from our copper industry, participated actively in the discussions, and we are pleased with both the tone and the results.

The discussions resulted in agreement to (a) establish a permanent producer-consumer forum for copper, (b) set up an interim committee to facilitate its establishment, and (c) accept a tentative list of studies to be carried out by the new organization. The interim committee is to submit its proposals before October to the UNCTAD

secretariat, which will call another consultation on copper before December 1976. Specific methods of stabilizing the copper market were not discussed during the meeting.

At the UNCTAD meeting and other forums, the United States has taken the position that consideration of specific arrangements or mechanisms for bringing greater stability to the copper market is premature until an adequate base of information and analysis is developed. When we entered the UNCTAD consultations, we stated that we believed their main purpose was to launch a detailed exploration of the nature and problems of the international copper industry and market. We supported the establishment of a permanent consultative body of consumers and producers of copper in which this exploration could be conducted. This position met with general acceptance on the part of both consumers and producers.

bauxite

Bauxite is the chief source of aluminum, which ranks second in importance only to steel in terms of metal consumption. As in the case of tin, the United States must rely on imports for its basic and intermediate aluminum raw materials. We import about 5 percent of our bauxite needs, with about nine-tenths of our imports coming from the developing countries in the Caribbean area. About 35 percent of our alumina, the intermediate step between bauxite and aluminum, is imported, largely from Australia and Jamaica.

As these figures would indicate, aluminum and its raw materials are the focus of considerable attention in discussions between developed and developing countries. Several factors help explain why:

—Bauxite is concentrated largely in the developing countries. Apart from Australia, the major deposits are found in Jamaica, Surinam, Guinea, Guyana, the Dominican Republic, Haiti, Sierra Leone, and India.

—Alumina and aluminum processing, on the other hand, occurs primarily in the developed countries. As with other raw mate-

rials, the bauxite producers wish to obtain for themselves more of the value added by further processing bauxite into alumina and aluminum.

—Alumina and aluminum processing is high cost. The large amounts of capital required for such facilities indicate that multinational corporations, state-owned enterprises, and/or international lending consortia will be the major source of future investments.

—Finally, the international aluminum industry is highly integrated. Most production takes place within companies which are involved in all stages from ore mining to fabrication of final aluminum products. Thus, bauxite is not an internationally traded commodity in the sense that the other commodities I have discussed today are, and it is difficult to find a "market" price for bauxite. As a consequence, bauxite-producing countries have concentrated less on questions of price and more on taxes and production levies.

To deal with what they saw as common problems, seven major bauxite producers established the International Bauxite Association (IBA) in 1974. The producer-only IBA now has 11 members: Australia, the Dominican Republic, Ghana, Guinea, Guyana, Haiti, Indonesia, Jamaica, Sierra Leone, Surinam, and Yugoslavia (plus Greece, India, and Trinidad and Tobago as observers). All of its decisions must be unanimous.

The IBA has denied that it has any price-fixing ambitions along the lines of OPEC [Organization of Petroleum Exporting Countries]. Instead, it sees itself largely as a clearinghouse for exchanges of economic and technical information that will assist members in coordinating development of their bauxite industries. However, the IBA has initiated studies which carry implications that could affect the operations of the major privately owned international aluminum companies. Areas under study by the IBA include taxation policy, and a formula to "index" the price of bauxite to the price of finished aluminum.

There are a number of constraints on the

IBA's ability to act arbitrarily to increase prices. First, aluminum is vulnerable to many potential substitutes, including copper for electrical uses; steel, paper, glass, and plastics for packaging; steel and wood for construction; and a range of metals for other uses. Also, aluminum is the most abundant metallic element in the earth's crust, and is plentiful in the United States and elsewhere in various minerals other than bauxite. There are problems of transition and relative costs in using nonbauxitic minerals for aluminum, but over the longer term these sources can become important.

To date the IBA has declined to allow consumer countries to participate in its activities. This attitude is in contrast to those of other intergovernmental organizations dealing with metals. We believe that cooperative producer-consumer efforts are more likely to find workable solutions to mutual problems than can either group working in isolation. For this reason we hope that the IBA will come to see the value of consumer participation in its activities.

Mr. Chairman, as can be seen from this brief review of six commodities, it is difficult to generalize about the nature of the problems affecting commodity trade and the best solutions to them. An international agreement to deal with the problems of coffee is no more appropriate for cocoa than it would be for bananas. A tin agreement would not work for copper or bauxite. Each individual commodity must be examined and discussed in its own context. Among the factors which must be considered are the nature of the market, the location of production, the perishability of the product, the competition from substitutes, the sensitivity of supply and demand to changes in price, and the range of domestic interests involved, whether from industrial processors, growers, or consumers.

Mr. Chairman, commodity policy is one of the major issues under active international discussion. Because of our importance as both a major producer and a major consumer of commodities, we have a special interest

as well as a special responsibility in this dialogue. The United States has played and will continue to play a leadership role in these discussions.

International Coffee Agreement Transmitted to the Senate

*Message From President Ford*¹

To the Senate of the United States:

I am transmitting herewith, for the advice and consent of the Senate to ratification, the International Coffee Agreement, 1976. In doing so, I am the fourth President since 1962 to seek favorable Senate consideration of an International Coffee Agreement. The 1976 Agreement is similar to those of 1966 and 1968, but it contains a number of innovative features which represent a considerable improvement for consumers. I strongly urge that the Senate give advice and consent to ratification of this Agreement, thus agreeing that the spirit of cooperation, which has characterized the international coffee community these past 14 years, should be continued and strengthened.

Negotiation of the 1976 Agreement began in January of 1975 and continued throughout the year. On October 28, 1975, the Senate unanimously approved the Protocol for the Continuation in Force of the International Coffee Agreement of 1968, as Extended, which allowed the continued existence of the International Coffee Organization through September 30, 1976, preserving as a source of statistical information and as the forum for negotiation of the new Agreement. These negotiations were completed in December and resulted in a greatly improved International Coffee Agreement.

The Coffee Agreement of 1962, and its successor, the Coffee Agreement of 1968, were

¹ Transmitted on Apr. 5 (text from White House press release); also printed as S. Ex. H, 94th Cong 2d sess., which includes the texts of the agreement and the report of the Department of State.

designed to stabilize the export earnings of producing countries by moderating the traditional boom or bust cycle of coffee production. These Agreements were largely successful in meeting their objectives. Overproduction was brought under control and accumulated surpluses were reduced without a disastrous disruption of the market. At the same time, consumers enjoyed relative price stability. However, the Agreements were not designed to deal with situations of short supply.

The situation the coffee community faces today differs considerably from the situations in 1962 and 1968. Coffee is no longer in surplus, and inventories in both producing and consuming countries are low. On July 17, 1975, the coffee growing regions of Brazil were hit by the most severe frost since 1918, destroying hundreds of millions of coffee trees and thus sharply reducing the productive capacity of the world's largest producer for the next several years. The world faces a period of short supply of coffee. How long this period may last will depend on how well the international coffee community can manage its efforts to restore production and stocks.

The International Coffee Agreement of 1976 was concluded after the Brazilian frost and takes into account our experience in the 1962 and 1968 Agreements. It contains a number of new features designed to deal with the situation we expect to face in the future. The Agreement contains strong new incentives for the early restoration of normal supplies to consumer member markets.

The most important features of the new Agreement are the following:

—The Agreement is intended to stabilize prices within the range of long term market trends and to encourage the restoration of adequate production levels. There are no fixed price objectives.

—Consumers are provided with assurances there will be no restriction on the flow of coffee to the market while prices are high. Thus, the Agreement commences with its

export quotas in suspense. Producers have assurances of renewed consumer cooperation should a temporary production surplus reappear. The Agreement should act as a stimulus to producing countries to restore production to levels adequate to meet consumption needs at reasonable prices.

—Those coffee producers who perform best during the next two years will be rewarded with a permanent increase in their basic quotas, which is an additional incentive to ship to the market every available bag of coffee.

—Quotas will go to those countries which have coffee available to ship through a new and more flexible system of annual quota distribution.

—The Agreement is the most generous in its quota allocation to the smallest producers, and allows them the highest growth rates.

Now, as in 1962 and 1968, coffee remains in financial terms the most important non-petroleum commodity exported by developing countries. A large number of developing countries in Latin America, Africa and Asia rely on coffee as a major source of their export earnings. Altogether, 43 producing nations participated in the negotiation of the new Agreement and are expected to join it.

As the world's largest consuming country, coffee is also important to the U.S. In 1974, we imported coffee valued at \$1.5 billion. In that same year, we exported agricultural and manufactured products to the coffee producing countries worth over \$15 billion. We are good customers of the coffee producing countries, and they are good customers of ours.

We and the other consuming countries have constructed a unique cooperative relationship with the coffee producing countries within the framework of International Coffee Agreements. We have attempted, with a good measure of success, to find constructive solutions to the problems which affect the production and trade of coffee. I strongly urge this mutually beneficial effort as represented in the new Agreement be continued.

I am also transmitting the report submitted to me by the Department of State on the International Coffee Agreement of 1976.

I recommend that the Senate give early and favorable consideration to this Agreement and its advice and consent to ratification. The Secretary of State will submit legislation to implement the Agreement through September 30, 1979.

GERALD R. FORD.

THE WHITE HOUSE, April 5, 1976.

TREATY INFORMATION

Current Actions

MULTILATERAL

Judicial Procedure

Convention on the taking of evidence abroad in civil or commercial matters. Done at The Hague March 18, 1970. Entered into force October 7, 1972. TIAS 7444. *Ratification deposited:* Finland (with reservations and declarations), April 7, 1976.

Safety at Sea

Amendments to the international convention for the safety of life at sea, 1960 (TIAS 5780). Adopted at London November 26, 1968.¹ *Acceptance deposited:* Nauru, November 25, 1975.

Telecommunications

International telecommunication convention with annexes and protocols. Done at Malaga-Torremolinos October 25, 1973. Entered into force January 1, 1975; for the United States April 7, 1976.

Proclaimed by the President, with declaration. April 19, 1976.

Treaties

Vienna convention on the law of treaties, with annex Done at Vienna May 23, 1969.¹

Accession deposited: Tanzania, April 12, 1976.

BILATERAL

Israel

Agreement establishing the Israel-United States Binational Industrial Research and Development Foundation, with annexes. Signed at Jerusalem March 3, 1976. Enters into force on the date both governments make their contributions to the endowment of the Foundation.

Organization for the Development of the Senegal River

Grant agreement for the environmental assessment of the Senegal River Basin, with side letter and annex. Signed at Dakar February 25, 1976. Entered into force February 25, 1976.

Philippines

Loan agreement concerning the financing of studies and planning and consulting services directly related to capital projects and economic development programs in the Philippines. Signed at Manila March 11, 1976. Entered into force March 11, 1976.

¹ Not in force.

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**Checklist of Department of State
Press Releases: April 19-25**

Press releases may be obtained from the
Office of Press Relations, Department of State,
Washington, D.C. 20520.

No.	Date	Subject
*183	4/20	Advisory Committee to the U.S. Section of the National Commis- sion for the Conservation of At- lantic Tunas established.
*184	4/21	William A. Anders sworn in as Ambassador to Norway (bio- graphic data).
*185	4/21	W. Beverly Carter, Jr., sworn in as Ambassador to Liberia (bio- graphic data).
†186	4/22	Kissinger: news conference.
*187	4/22	U.S. Advisory Commission on In- ternational Educational and Cul- tural Affairs, May 17.
*188	4/22	Shipping Coordinating Committee (SCC), Subcommittee on Mari- time Law, May 26.
*189	4/22	SCC, Subcommittee on Safety of Life at Sea (SOLAS), working group on container transport, June 30.
*190	4/22	SCC, SOLAS, working group on radiocommunications, May 20.
†191	4/22	U.S. and Canada extend fisheries agreement.
*192	4/22	SCC, May 27.
†193	4/23	Kissinger: departure, Andrews Air Force Base.
*194	4/23	Richard J. Bloomfield sworn in as Ambassador to Ecuador (bio- graphic data).
†195	4/24	Kissinger, Brown: remarks, Lon- don, Apr. 23.
†196	4/24	Kissinger, Crosland: remarks, Waddington Royal Air Force Base, England.
†197	4/24	Kissinger: arrival, Nairobi.
†198	4/25	Kissinger: remarks, Nakuru, Kenya.
†199	4/25	Kissinger: remarks, Nakuru, Kenya.
†200	4/25	Kissinger: departure, Nairobi.
†201	4/25	Kissinger: arrival, Dar es Salaam.
†202	4/25	Kissinger: toast, Dar es Salaam.

* Not printed.

† Held for a later issue of the BULLETIN.