98-

S. HRG. 661

EUROPEAN COMMUNITIES' PROPOSALS TO REFORM COMMON AGRICULTURAL POLICY

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

DECEMBER 12, 1983

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

31-869 O WASHINGTON : 1984

COMMITTEE ON FINANCE

ROBERT J. DOLE, Kansas, *Chairman*

BOB PACKWOOD, Oregon	RUSSELL B. LONG, Louisiana
WILLIAM V. ROTH, JR., Delaware	LLOYD BENTSEN, Texas
JOHN C. DANFORTH, Missouri	SPARK M. MATSUNAGA, Hawaii
JOHN H. CHAFEE, Rhode Island	DANIEL PATRICK MOYNIHAN, New York
JOHN HEINZ, Pennsylvania	MAX BAUCUS, Montana
MALCOLM WALLOP, Wyoming	DAVID L. BOREN, Oklahoma
DAVID DURENBERGER, Minnesota	BILL BRADLEY, New Jersey
WILLIAM L. ARMSTRONG, Colorado	GEORGE J. MITCHELL, Maine
STEVEN D. SYMMS, Idaho	DAVID PRYOR, Arkansas
CHARLES E. GRASSLEY, Iowa	

RODERICK A. DEARMENT, *Chief Counsel and Staff Director*
MICHAEL STERN, *Minority Staff Director*

CONTENTS

ADMINISTRATION WITNESSES

PUBLIC WITNESSES

ADDITIONAL INFORMATION

COMMUNICATIONS

EUROPEAN COMMUNITIES' PROPOSALS TO REFORM COMMON AGRICULTURAL POLICY

MONDAY, DECEMBER 12, 1983

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 9:42 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Robert Dole (chairman) presiding.

Present: Senators Dole and Grassley.

Also present: Senators Boschwitz, Pressler, and Percy.

[The press release announcing the hearing and the prepared statements of Senators Dole, Grassley, and Baucus follow:]

[Press Release No. 83-202, Nov. 30, 1983]

FINANCE COMMITTEE SETS HEARING ON PROPOSALS TO REFORM EC COMMON AGRICULTURAL POLICY

Senator Robert J. Dole (R., Kans.), Chairman of the Committee on Finance, announced today that the Committee would conduct a hearing on Monday, December 12, 1983, on proposals of the European Communities (EC) to reform its Common Agricultural Policy (CAP). These proposals include the possible unbinding of EC's tariff commitment on corn gluten feed (CGF), citrus pulp, and other nongrain feed ingredients, and a tax on vegetable oils and fats.

The hearing will begin at 9:30 a.m. in Room SD-215 of the Dirksen Senate Office Building.

In announcing the hearing, Senator Dole noted that the EC Council of Ministers will meet December 5-6 to consider certain proposals to contain the spiraling costs of the CAP. At that time, the Ministers may direct the EC Commission to commence the process of unbinding its commitment to duty-free treatment of nongrain feed ingredients, to which it contracted in the General Agreement on Tariffs and Trade (GATT). The Commission staff has suggested that the resulting price increases may cause farmers to substitute EC wheat and feed grains for the nongrain feed ingredients. The staff further has recommended a tax on vegetable fats and oils in an attempt to discourage consumption and raise revenue.

In announcing the hearing, Chairman Dole commented: "While I am gratified that the EC appears at least to have recognized the necessity of reforming the CAP, some of the proposals it will consider will not address the underlying problems and worse, will attempt to shift the costs of the CAP to U.S. farmers. The United States cannot agree to foot their bills by giving up one-half billion dollars in exports."

Senator Dole further noted that the Finance Committee previously has held hearings that established the adverse effects of the CAP on U.S. farmers. "Through unreasonably high support prices, the EC encourages vast overproduction. Then, to avoid the costs of absorbing this surplus internally, the EC resorts to export subsidies to dump their products on world markets. This results in a general depression of world prices, and it deprives U.S. farmers of markets in which U.S. agricultural exports would be fully competitive but for these policies," Dole charged.

Senator Dole pointed out that "in previous tariff negotiations, the United States obtained the EC's tariff commitment on nongrain feed ingredients in return for concessions on tariff items of importance to its exporters. Now it appears that the EC not only seeks to renege on that commitment, but to do so as a way of avoiding responsibility for its policies that already are inflicting severe damage on U.S. farmers—indeed, on farmers around the world.

"Because of the significant trade implications of the EC proposals," Senator Dole concluded, "it is appropriate that the Finance Committee immediately review them and the position of the Administration in this matter. This hearing will prepare the Committee to respond expeditiously when the Congress reconvenes in January, should responsive action be warranted."

Statement of Senator Dole

We are holding these hearings at a time when the European Communities are deliberating over reforms of the common agricultural policy, known as the CAP.

We welcome the EC's growing recognition of the distortions of world agricultural markets arising from the CAP as now constituted. We also support, in principle, the objective of reducing EC surpluses, and the resulting subsidized exports from the EC.

DISMAYED THAT "REFORMS" SHIFT BURDEN TO UNITED STATES

But I am dismayed that the CAP reform proposals would shift the financial burden of CAP adjustments from the EC to other countries, particularly the United States. At this time, the EC proposals do not appear to impose any real constraint on its production or to specify concrete steps to adjust prices toward world levels. If implemented, these proposals would be another significant move away from a liberal world trade environment based on comparative advantage for agriculture commodities and would conflict with our joint pledges at the OECD and the Williamsburg Summit regarding the need to liberalize trade and avoid protectionism. From an economic perspective, the stakes for the United States are high. We ship about $2 billion in soybeans, another $2 billion in soybean products, and $700 million in nongrain feed ingredients to the nations of the European economic community annually. It is an important market. The proposal to impose a vegetable oils tax and limit imports of nongrain feed ingredients strikes at exports representing over 50 percent of our total agriculture exports to the European economic community and nearly 15 percent of total U.S. farm exports.

The U.S. exports affected by these proposals benefit from some of the few duty-free bindings which our agricultural exporters have. Once these bindings are breached, it is reasonable to fear further erosion of our access to the European market.

EROSION OF THE "FREE TRADE" AGRICULTURAL CONSTITUENCY

From a political perspective, these EC proposals are shortsighted. They strike at an American agricultural community which has been a key supporter and defender of open markets and free trade not just for agriculture, but for industry as well. Adoption of these reform proposals is certain to erode the agricultural community's support for free trade and alter the political balance on all trade issues. The EC must understand that the importance of this issue transcends their immediate impact on U.S. exports. The stakes are no less than the loss of U.S. agriculture from the front ranks of the defenders of free trade.

THE DAMAGE TRANSCENDS SHORT-TERM EFFECT ON U.S. EXPORTS

Because these proposals represent a breach of tariff bindings which the United States obtained during the Kennedy round of negotiations, we can and should insist on compensation from the EC if these proposals are adopted. But compensation cannot mitigate the damage inflicted on our farmers by these proposed actions. Indeed, these so-called CAP reforms merely compound the damage which the CAP has inflicted for years on European consumers and American farmers. With a budget estimated as high as $40 billion—(A figure which includes the cost to consumers and member state government budgets)—the CAP has stimulated European over-production through artificially high support prices, and has disposed of the resulting surpluses by subsidizing their exports from the EC, thereby depressing world agricultural prices. As a result of the CAP, the EC has become a surplus producer of wheat, barely, sugar, butter, powered milk, cheese, beef, poultry, and eggs. In an effort to dispose of these surpluses and as a logical extension of the CAP, the European Community has become the world's No. 1 exporter of sugar, poultry, eggs, and dairy products and is challenging Argentina as No. 2 in beef. The cost to U.S. agriculture in displaced trade is estimated at $6 billion per year and is growing.

TIME FOR A MORE CONSTRUCTIVE APPROACH

It is time for our European trading partners to adopt a more constructive agricultural policy which does not subsidize European farmers at the expense of European consumers and American farmers. The EC can ill-afford a policy which erodes its trading relationships, squanders its resources, strains its budget and invites its agricultural competitors to respond, as a last resort, by engaging in comparable budget-busting guarantees and subsidies. It is often said that the CAP is the glue that holds the EC together. In light of the budgetary strains and trade tensions it is generating, the CAP may be more accurately described as a cancer which threatens to consume world trade in agriculture.

COMMENTS BY HON. E (KIKA) DE LA GARZA, CHAIRMAN, HOUSE AGRICULTURE COMMITTEE

I regret that commitments in my home District have made it impossible for me to be present for the review of trade problems which is being held today. I personally share the concerns of others in agriculture and related fields about developments which have contributed to reducing the American farmer's access to markets around the world.

We must be concerned when we see some of our trading partners using import or export practices which amount to unfair discrimination against American producers. The issue of simple fairness is important, of course. But there is also the fact that when trade restrictions are applied against us, the result is lower income for our farmers and sometimes higher costs for our taxpayers.

I and other Members of the House Agriculture Committee have personally discussed some of these problems with representatives of a number of our trading partners. We have been careful not to step over the line between our responsibilities and those of the officials of the Executive Branch of the government. But we have expressed our views, and I hope that this has had some impact in moving the thinking of several countries into more acceptable channels. I believe the Common Market, for example, understands now how seriously we view matters like the recent proposal for a vegetable oil tax and restrictions on certain feeds, and I further believe that leaders in that region are coming to understand the consequences to their taxpayers of some of their unwise farm policies.

I believe we must all continue to use every avenue available to us on these important trade issues. We must seek to promote continuing dialogue on the problems we face and to press hard for friendly resolution of the problems. My greatest concern is that we avoid situations in which we are forced, in effect, to shoot ourselves in the foot in responding to trade challenges from abroad.

STATEMENT BY SENATOR CHARLES E. GRASSLEY ON REFORM PROPOSALS FOR EC COMMON AGRICULTURAL POLICY

Mr. Chairman, I appreciate this opportunity to join you and our other colleagues on the Senate Finance Committee to address the issue of the proposals by the European Communities to reform its Common Agricultural Policy (CAP). I believe that most of us here today can empathize with the dilemma facing the EC in its attempts to reduce CAP expenditures to avoid an anticipated budget crisis. It is difficult, however, for us to sit idly back while they propose to meet this crisis by backing away from our trade agreements and jeopardizing the exports of U.S. producers who depend upon exports for a quarter of their marketing income.

Of immediate concern to us today is the EC's proposal to impose a consumption tax on fats and oils and to restrict imports of nongrain feed ingredients, such as corn gluten feed and citrus pellets. Combined, these exports represent about $5 billion for U.S. producers. We are concerned not only because of the large monetary stakes that we have with regard to this proposal, we must be concerned by the fact that the past and present treatment by EC of these U.S. products was based upon negotiations with the United States and for which the United States made trade concessions. The question becomes whether or not the United States should have to bail out the EC by swallowing the impact of restricted imports which in turn will lead to lower farm prices and in all likelihood, larger U.S. farm program costs.

What irritates me is the fact that the EC's grain surplus is a direct result of high EC government support prices, not U.S. imports of corn gluten and oilseeds. In turn, the EC ends up spending huge amounts of money on export subsidies to unload this excess production on world markets—action which directly and unfairly harms U.S. exports. Now they want us to take another blow.

Clearly, the EC must take action to get its programs in order. It is would be ill-advised, however, to expect the United States to bail it out from its policies that have already harmed our producers.

STATEMENT OF SENATOR MAX BAUCUS

I welcome today's hearing. The European Community's Common Agricultural Policy—CAP—is unfair. It is a protectionist web of support pricing, non-tariff barriers and export subsidies.

In the last eight years, the Europeans have dumped massive amounts of agricultural products on world markets. They have used government subsidies to undercut Americans in export markets all over the world.

And, the EC has blocked attempts to sell American products in Europe.

The result is well-documented. European agricultural export sales—only 55 percent as much as American sales in 1976—now almost equal American sales.

Now the European Community wants to make it even harder for Americans to sell in their markets.

CURRENT PROPOSAL

The purpose of today's hearing is to look at two new import restrictions proposed by the European Community. This proposal would make an unfair policy even worse.

First the EC wants to restrict imports of non-grain feed ingredients. American farmers—already suffering because of European protectionism—would be hurt even more.

American bulk corn exports to the EC have fallen from 15.8 to 5.8 million tons since 1976. The reason: the EC's variable levies. The new restrictions would cut our corn gluten feed exports as well.

Second, the Europeans want to impose a consumption tax on vegetable oils and fats. This proposal doesn't fool anyone.

The CAP policies have created a mountain of surplus butter that the EC now wants to dump. This tax would help do that.

Even worse, by restricting American sales to Europe, the EC is forcing American dairy producers to pay for this protectionism.

CONCLUSION

Mr. Chairman, I am deeply disturbed by these new import restrictions.

I believe we must send the European Community a clear and strong message. The time has come for the United States to take a stronger action to counteract the European policies.

We should consider greater use of credit subsidies to potential customers.

And we must consider retaliatory actions against the Europeans on other products.

The European Community itself is in turmoil. The EC massive subsidies have taken a toll, as the breakdown last week of the EC summit talks demonstrates.

We must let the Europeans know that we, too, are deeply troubled by their policies. I hope today's hearing is the first step toward accomplishing that goal.

The CHAIRMAN. Let me welcome you.

We have a number of witnesses. We are very pleased. We just concluded a breakfast meeting with a number of, in this case, businessmen from the private sector, where we have been discussing this specific problem and other problems.

I have a statement; but I want to defer to Senator Percy, because I know he has another obligation. I think Senator Boschwitz would also like to make a brief statement, then we will hear Secretary Block. Is it all right with you, Jack, if we hear your Senator from Illinois, first?

Senator Percy.

STATEMENT OF HON. CHARLES H. PERCY, U.S. SENATOR FROM THE STATE OF ILLINOIS

Senator PERCY. Thank you, Mr. Chairman, very much, indeed. Now I see why I have difficulty getting a quorum. We had meetings of the Foreign Relations Committee, and have two distinguished members of the committee with us here this morning.

The CHAIRMAN. Well, they are not really members; they are associate members of the Finance Committee. [Laughter.]

Senator PERCY. Mr. Chairman, I would like to commend you and the members of the committee for holding this hearing this morning, and I would like to say, before I get into the text of my comments, that I have testified before the Finance Committee and the House Ways and Means Committee for probably 30 years. I did as an industrialist in a highly protective industry—photographic industry. I constantly came down and testified against the photographic manufacturers association in this room for many, many years. They had a highly protectionist attitude; we had a 40-percent tariff on our product; they had a nice, cozy market in the United States, and they wanted to keep it that way.

My philosophy was quite different, and as a result, at the suggestion of President Eisenhower, a group of us, including Charley Taft, founded the Committee for a National Trade Policy, which established the policy of the U.S. Government which has been steady since President Eisenhower, reaffirmed by every President and every Congress, that the best interests of the United States of America is to become a great exporter. When we do that, we can't then turn inward and expect the ships to go abroad full and not come back over here. So freer trade was a symbol that we fought for 30 years ago. We won.

Our tariffs are down to 5 percent in the photographic industry today, and I still think that Kodak, and Xerox, and Eastman Kodak, and Bell & Howell are far from struggling along, though they have had to make some adjustments to world trade.

I say that because of the comments that I will make as to what I think we have to do to get the attention of the European Community if they continue the protectionist attitude which they have had, which is so injurious to our exports. And if we can't get their attention any other way, then we are going to have to do it by taking some steps which will cause them to recognize that two-way trade has to be two way. We can't have the ships all coming full from Japan and Europe here and expect them to go back empty. We have to be, particularly with the burden of responsibility we carry for the defense of the world; we have to have a trading base, particularly among our allies.

So I am pleased to appear before the Senate Finance Committee on an issue of vital importance to the foreign economy and to all Americans who value the open system of international trade. Once again, Mr. Chairman, you have used your position of leadership to strengthen American agriculture by convening this special hearing of the Finance Committee, and you are joined by other members of the committee who are very strong advocates of that same principle.

During the years, we have worked together on many programs to aid producers, processors, and consumers. Some examples of our cooperation include the new 5-year agricultural agreement with the Soviet Union, that for the first time includes a value-added commodity, soybean meal. In addition, we have worked for the full development of an alcohol fuel industry that now represents over 5 percent of the national gasoline market and resulted in the disappearance of an additional 100 million bushels of corn in 1982, raising the price paid farmers by 5 cents a gallon and saving the Federal Government $150 million in deficiency payments to farmers. Next year, with a bumper crop predicted, we will be thankful to have this industry.

As the chairman of the Finance Committee, you have vigorously defended our overseas agricultural markets.

An outstanding list of witnesses is appearing this morning, including, to my right, my colleague Jack Block, Secretary of Agriculture and former Secretary of Agriculture of the State of Illinois. Secretary Block has distinguished himself through his ability to advance the cause of agriculture in the highest circles of this administration and in international forums because of his perseverance and personal knowledge of farming.

Jack Block is one of the reasons that we won at least a temporary victory last week in Athens, when the Ministers of the European Community agreed that some action should be taken to limit the importation of corn gluten feed and citrus pellets, but most importantly they could not agree on a strategy to achieve this goal.

Mr. Chairman, we have continued to block any European action to limit our annual $700 million exports of nongrain protein feed ingredients to the European Community for one simple reason: The administration and the Congress are united in our resolve not to knuckle under and yield this valuable market that we have won through fair competition and negotiations.

During the last 20 months, we have passed two Senate resolutions condemning any European action to break the trading agreement that we actually reached with the Community that permits these nongrain protein feed ingredients to enter Europe duty free. These include Senate Resolution 362, which I introduced in the spring of 1982, and Senate Resolution 233, introduced by Senator Dixon this fall and reported out of the Foreign Relations Committee on October 25, 1983.

This entire administration from President Reagan down has supported America's corngrowers and processors on this issue. I want to point particularly to the role of Secretary Shultz. He has taken a very special interest in this issue. We have talked with him and written to him on several occasions about this issue, and he fully understands why we must not allow the European Community to break this duty binding—the agreement reached during the 1962 Kennedy Round trade negotiations to allow nonprotein feed ingredients into the Community duty free—and that is a duty binding agreement. This has been backed up by Ambassador Brock, who has marshaled the resources of the Office of the Trade Representative to send a clear message to the Community of our resolve on corn gluten.

Mr. Chairman, I believe it is urgent that we develop a long-term strategy to deal with this problem. Even though the officials of the European Community have finally admitted that corn gluten and citrus pellets do not displace community-grown feed grains or cereals, I am afraid that some of the members are determined to break this international binding for certain domestic reasons, mainly political reasons.

It is with much regret that we note the French Government is on a crusade against corn gluten imports. At every opportunity it raises this issue, both within the Community and in bilateral discussions with the United States. The French are operating under the erroneous belief that they can somehow control dairy surpluses by denying these efficient U.S.-origin feed rations to the northern European feed lot operators located near good port facilities.

We should be under no illusion that the corn gluten problem will go away. It won't, as long as the French Government has decided to ignore the fact that its own grain farmers are not injured by this import.

It is interesting to note that in 1983 the U.S. agricultural exports to France have been dramatically declining, while their imports have been rising sharply. The amount of our agricultural exports declined for the 12 months ending this September, from $658 million to $507 million, while French agricultural exports to the United States rose from $449 million to $505 million.

This shift cannot simply be explained by the strength of the dollar. Corn gluten may be just part of the overall strategy to limit U.S. exports to France.

What do we do, then? We cannot pass a new resolution in the Senate every 4 months when the EC Foreign Ministers are scheduled to meet. We can't continue to write new letters of protest. We can't continue to just hold hearings like these for the indefinite future.

In short, we cannot simply be reactive to this assault on our agricultural trade. We must go on the offensive now.

Mr. Chairman, let us remove any doubt in the minds of the European governments that somehow they will get off scot-free if they break this binding.

I have already urged the executive branch to make public lists of European agricultural imports we may retaliate against if this binding is impaired. I understand that some of these lists may have already been prepared, but we should put all our cards right out on the table to avoid any misunderstanding of our resolve.

These lists should mandate higher tariffs and quotas on such commodities as Scotch whiskey, French wine, soft cheeses, Dutch beer, German candy, and other commodities for the rest of the EC-10 that might be recommended by the executive branch.

The list of affected commodities should be circulated in Europe, through our embassies, to both government agencies and private trading groups that may be affected.

I believe that the primary benefit of this action would be:

First, to remove any uncertainty of the financial consequences that would result if the Community impaired this binding—and I am talking about their walking away from an agreement that they had made with us.

The CHAIRMAN. I might just say at that point that the suggestion you just made is one that was agreed to—I think I can say "agreed to"—at this breakfast session we just had. I think Secretary Block may comment on this later, so I won't say anything else, but there ought to be names of things that we are going to take action on, so they will understand it's not just a game, and we're not just having hearings or passing resolutions.

I would hope Secretary Block might address that when you conclude.

Senator BOSCHWITZ. Mr. Chairman, I might just want to add to that. It may not be limited to agricultural products, as the Senator from Illinois has just outlined; it may be other products as well that have no relation to agriculture.

The CHAIRMAN. All right. That's a good point.

Excuse me, Senator.

Senator PERCY. Well, I think that will strengthen the idea that it is not just one person. A traditional lifelong freer trader has now come to the conclusion that if we are going to be pushed around this way, we've got to have them realize it's going to be reciprocated.

Certainly, no one in this room wants to start a trade war, particularly among our close allies. But they have to recognize that there has to be a principle of fairness in this, and we have been impressing the Japanese with that for many, many years now, and they are responding and showing that they understand that trade has to be a two-way street.

The second reason, it would demonstrate to the Community that they will not benefit by waiting for an opportune time to strike, while we are distracted by some crisis.

Third, it would relieve us of the burden of allowing the French Government or their allies in the European Commission to set the agenda for the U.S. Congress or executive branch on this issue and allow us to move on to equally important issues.

As chairman of the Foreign Relations Committee, with a good deal of the committee represented this morning, I would propose that we meet with the administration to see how this idea might be implemented well in advance of the next meeting of the EC ministers, now scheduled for this March in Brussels.

Again, I commend you and the members of the committee for holding these hearings, and I am only worried that there are only Republicans here this morning. The question is what are those Democrats doing, and where are they? Maybe we'd better go back there and join them. [Laughter.]

The CHAIRMAN. I didn't hear all of that last part, but we have a lot of bipartisan support for what we are doing.

I want to thank Senator Percy, not only for being here this morning but for his leadership, as you have indicated, on some of the resolutions we have passed.

These hearings are a result of concerns expressed by Senator Percy, Senator Boschwitz, Senator Dixon, others—Senator Jepsen, who cannot be here, Senator Grassley, who is, Senator Pressler. Again, it is not just to have "a hearing." We are serious about this. Our farmers are serious about it; the administration is serious about it; and we appreciate your continuing concern, Senator Percy.

Senator PERCY. What we want to really remove is the possibility of miscalculation and misunderstanding. And I think what we are doing is laying our cards right out on the table and saying, "Let's now discuss this," taking into account that we are going to be in a position where we have to take action if they break the binding.

The CHAIRMAN. Thank you.

Senator PERCY. Thank you, Mr. Chairman, very much.

[The prepared statement of Senator Percy follows:]

STATEMENT OF SENATOR CHARLES H. PERCY

I am pleased to appear before the Senate Finance Committee on an issue of vital importance to the farm economy and to all Americans who value the open system of international trade. Once again, Mr. Chairman, you have used your position of leadership to benefit American agriculture by convening this special hearing of the Finance Committee.

During the years, we have worked together on many programs to aid both producers and processors. Some examples of our cooperation include the new five-year agricultural agreement with the Soviet Union, that for the first time includes a value-added commodity, soybean meal. In addition, we have worked for the full development of an alcohol fuel industry that now represents over five percent of the national gasoline market and resulted in the disappearance of an additional 100 million bushels of corn in 1982 raising the price paid farmers by five cents a gallon and saving the federal government $150 million in deficiency payments to farmers. Next year, with a bumper crop predicted, we will be thankful we have this industry.

As the Chairman of the Finance Committee, you have vigorously defended our overseas agricultural markets.

I note a highly-qualified list of witnesses will appear this morning, including Jack Block, our Secretary of Agriculture. Secretary Block has distinguished himself through his ability to advance the cause of agriculture in the highest circles of this Administration and international forums, because of his perseverance and personal knowledge of farming.

Jack Block is one of the reasons that we won a temporary victory last week in Athens when, I have been told, the Ministers of the European Community agreed that some action should be taken to limit the importation of corn gluten feed and citrus pellets, but could not agree on a strategy to achieve this goal.

Mr. Chairman, we continue to block any European action to limit our annual $700 million exports of non-grain protein feed ingredients to the European Community for one simple reason. The Administration and the Congress are united in our resolve not to knuckle under and yield this valuable market that we won fairly through negotiations.

During the last 20 months, we have passed two Senate resolutions condemning any European action to break the trading agreement we reached with the Community that permits these non-grain protein feed ingredients to enter Europe duty-free. These include Senate Resolution 362, which I introduced in the spring of 1982, and Senate Resolution 233, introduced by Senator Dixon this fall and reported out of the Foreign Relations Committee on October 25, 1983.

This entire Administration from President Reagan down has supported America's corn growers and processors on this issue. I would like to particularly point to the role of Secretary Shultz who has taken a special interest in this issue. I have talked with him and written to him on several occasions about this issue and he fully understands why we must not allow the European Community to break this duty binding. This has been backed up by Ambassador Brock who has marshaled the resources of the Office of the Trade Representatives to send a clear message to the Community of our resolve on corn gluten.

Mr. Chairman, I believe it is urgent that we develop a long-term strategy to deal with this problem. Even though the officials of the European Community have finally admitted that corn gluten and citrus pellets do not displace community-grown feed grains or cereals, I am afraid they are determined to break this international binding for domestic reasons.

It is with much regret to report that the French government has gone on a crusade against corn gluten imports. At every opportunity it raises this issue both within the Community and in bilateral discussions with the United States. The

French are operating under the erroneous belief that it can somehow control dairy surpluses by denying these efficient U.S.-origin feed rations to the Northern European feed lot operators located near good port facilities.

We should be under no illusion that the corn gluten problem will go away. It won't as long as the French government has decided to ignore the fact that its own grain farmers are not injured by this import.

It is interesting to note that in 1983, the United States agricultural exports to France have been dramatically declining, while their imports are rising sharply. The amount of our agricultural exports declined for the 12 months ending this September from $658 million to $507 million, while French agricultural exports to the United States rose from $449 million to $505 million.

This shift cannot simply be explained by the strength of the dollar. Corn gluten may be just part of the overall strategy to limit United States exports to France.

What do we do then? We cannot pass a new resolution every four months when the EC Foreign Ministers are scheduled to meet. We cannot continue to write new letters of protest. We cannot continue to have hearings like these for the indefinite future.

In short, we cannot simply be reactive to this assault on our agricultural trade. We must go on the offensive now.

Mr. Chairman, let us remove any doubt in the minds of the European governments that somehow they will get off scot-free, if they break this binding.

I have already urged the Executive Branch to make public lists of European agricultural imports we may retaliate against if this binding is impaired. I understand that some of these lists may have already been prepared, but we should put all our cards out on the table to avoid any misunderstanding of our resolve.

These lists should mandate high tariffs and quotas on such commodities as Scotch whiskey, French wine and soft cheeses, Dutch beer, German candy, and other commodities for the rest of the EC-10 that might be recommended by the Executive Branch.

The list of affected commodities should be circulated in Europe through our embassies to both government agencies and private trading groups that may be affected.

I believe that the primary benefit of this action would be:

First, it would remove any uncertainty of the financial consequences that would occur if the Community impaired this binding;

Second, it would demonstrate to the Community that they will not benefit by waiting for an opportune time to strike while we are distracted by some crisis;

Third, it would relieve us of the burden of allowing the French government or their allies in the European Commission to set the agenda for the United States Congress or executive branch on this issue and allow us to move onto other important issues.

As Chairman of the Foreign Relations Committee, I would propose that we meet with the Administration to see how this idea might be implemented well in advance of the next meeting of EC ministers, now scheduled for this March in Brussels.

Again, I commend you for holding this hearing and I look forward to listening to the distinguished witnesses that follow.

The CHAIRMAN. Senator Pressler, are you going to be able to remain a while, or should I have Secretary Block go ahead? Do you want to make your statement now?

Senator PRESSLER. I have an airplane problem.

The CHAIRMAN. Oh! Why don't you go ahead, then.

Senator PRESSLER. So I will submit my statement for the record.

STATEMENT OF HON. LARRY PRESSLER, U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator PRESSLER. I would say that I very much appreciate the efforts being made here. I thought the breakfast this morning was very productive.

I would say that we are on the verge of a trade war which will hurt us and other nations. In my years in Congress, I have always listened to the argument that things are going to get better after the next election in Europe, or after they work out their problems;

but there was great frustration with the lack of action. For example, in another area of the world the President went to Japan and came back without any real results regarding agricultural trade.

The discussion this morning to expand the Public Law 480 program as a marketing program is good, but we have to find the money to do that. Maybe we should change the cargo preference provision to come up with some money.

The point is that we must take a slightly different approach, especially with the corn gluten problem. Farmers are very frustrated with talks and more talks. This next Congress is likely to be the most protectionistic in history. I have refrained from being a protectionist, but that may not be the case unless some progress is made.

I hope these hearings send a clear signal to the Europeans. I hope that we realize how close we are to a major trade war. I have seen protectionist amendments come up in Congress, and this year some of them are going to pass and it is going to trigger something that the trading world will not like.

So I add that thought here, and I submit my statement for the record

[Senator Pressler's prepared statement follows:]

STATEMENT OF SENATOR LARRY PRESSLER

I first want to commend the Committee for scheduling these hearings and for giving me the opportunity to participate. It is important that the Senate continue to be involved in trade issues and to work with the Administration in an effort to resolve trade disputes, such as the European Economic Community's proposed action against certain U.S. farm products.

The proposed action by the EEC and existing EEC trade policies (such as export subsidies) call for a careful examination of U.S. trade relations with the EEC. At some point, the United States must take a firm stand, and if necessary, take some retaliatory action. At this point, we are on the verge of a trade war which should be averted. However, we cannot avoid a trade war by avoiding relaliatory actions. If we continue to pursue a no-action stand, then the EEC and other nations may well persist in protectionist steps that will hurt us. The United States can no longer afford to be the "nice guy."

A firm stand must be taken against any EEC restrictions on U.S. exports of corn gluten and other agricultural products. If necessary, some restrictions on European products should be imposed. We must demonstrate to the EEC that we mean business. The loss of the European corn gluten export market would be damaging to both the farm economy and the entire U.S. economy. In 1982 almost three million metric tons of corn gluten, with a value of nearly one-half billion dollars, was exported to the EEC. A market of this size cannot be replaced.

The U.S. also must develop a more aggressive policy to expand agricultural exports and to combat exports subsidies and protectionist credit programs used by other countries to gain new markets. We should use our Blended Credit Program more effectively and also expand the GSM-102 Export Credit Program. Many additional sales could be made under the GSM-102 program if sufficient credit guarantees were available.

Finally, the U.S. should expand and fully utilize the PL-480 program as a market development program. The PL-480 program is not just a food aid program. It has been our most effective export market development program. Many of our largest current markets were originally recipients of PL-480 assistance. One way of expanding the dollars available for the PL-480 program without increasing its budget would be to eliminate the cargo preference requirement or to transfer it to another agency, such as the Defense Department. This would allow additional money for food purchasing and less for excessive transportation expenses.

In the future, more drastic actions may be necessary, but we must be careful not to trigger an unnecessary trade war. Nobody would benefit from such a war.

Thank you for allowing me to participate in this important and timely hearing. I look forward to continuing work with the members of the Committee on agricultural trade issues.

The CHAIRMAN. Thank you very much, Senator Pressler. We are pleased that you were able to attend the breakfast and at least a portion of the hearings, and we appreciate your interest.

I would now like to call on a panel with Secretary Block and Deputy U.S. Trade Representative Robert Lighthizer, and Daniel Amstutz, Undersecretary for International Affairs and Commodity Programs.

Secretary Block, we are pleased to have you here, and we will open up with your statement.

If you could summarize your statements, we are always pleased to have summaries, and your entire statements will be made a part of the record.

STATEMENT OF HON. JOHN R. BLOCK, U.S. SECRETARY OF AGRICULTURE

Secretary BLOCK. Thank you very much, Mr. Chairman.

I first would want to compliment you and the other Senators who have had an interest in this subject for your willingness to hold the hearing here today. The timeliness is very appropriate, following immediately on the heels of our meeting with five Cabinet-level officers with the European Community.

I compliment Senator Percy on his continued assistance and leadership in working for freer trade and working to make a climate and atmosphere internationally in agriculture and industry where we are convinced we have a comparative advantage, and take advantage of that efficiency that we have.

As was pointed out here, we went over to Brussels and pretty well put our cards on the table from the standpoint of the perspective of the United States. And because the EC is at the same time U.S. agriculture's largest market, its leading competitor in world trade, the course of EC agriculture is of prime importance to us, and we have been talking about it. It was my third meeting, the third time I have gone over to that kind of a high-level meeting with the EC.

My purpose here today is to report on the agricultural aspects of the meeting held in Brussels to discuss bilateral trade. As I said, Secretary Shultz, Regan, Baldrige, Ambassador Brock and myself met for about 3 hours with EC Commission, President Thorn, Agricultural Commissioner Dalsager, and others from the Commission.

I will tell you it was a team effort in every way, and we were very firm in the positions that we took. I don't think there was any doubt, from the standpoint of the EC Commissioners that were represented there, of what our position was.

As ~~I said,~~ this was the third meeting of this kind. In this intervening period since the first meeting we have held at least a dozen meetings at the working group and policy levels.

Throughout these meetings, the United States has emphasized four basic principles for the conduct of agricultural trade:

The first one is, no country should expect third countries to pay the costs of its internal agricultural policies. And this was the first point that we made in our meeting. The EC's export subsidies and also their consideration of limits on corn gluten feed, and also taxes on fats and oils, are doing precisely that. They would be asking third countries to pay for their internal farm policies.

I pointed out as an example on that, we went through a great pain and difficulty in getting dairy legislation here in the United States. We finally passed it; it was signed. But the dairy legislation is designed so that we solve our own problems. And we hope it works.

But the point I made to them is, we could have said, "Well, yes, we'll pass dairy legislation that will solve our own problem here; but to help us solve it, we are going to cut off the imports of your casein and cheese into the United States, because you have to pay a little price." And I told them we didn't do that.

But what they are suggesting, in addressing their common agricultural policy problems, is that we pay a price, a price just like that.

The second point relating to asking other countries to pay a price was a point that we made that we do support the ascension of Spain and Portugal into the common market, but we don't want to be asked to pay the price for that, either. And that definitely is a concern of ours on the horizon, and we wanted to be sure that our position was put out front in the beginning so that they don't have any doubts about where we stand.

Now, the second main point we made was, despite the temporary problems that might ensue, the only sound long-term solutions to the problems of agriculture lie in lowering barriers to trade, not raising them; that is, this idea of raising barriers, which they have suddenly been promoting in the last 6 months, and that the EC recommended on corn gluten feed and on oil seeds, is entirely contrary to the agreement that was arrived at at the Williamsburg Summit. And here they are, talking about just what everyone agreed not to do.

The third point: Export subsidies deny the full benefits of agricultural trade, which serves both producers and consumers best under the principle of comparative advantage.

As I said before, we think we have some comparative advantage; but, playing the game the way they have written the rules, we lose that comparative advantage.

The fourth point: The trade policies of developed countries must not impede the economic growth of developing countries. And I think that should be a concern to all of us who are interested in these developed countries getting a fair shake in world trade and in seeing a climate where they can solve some of their problems.

And then the fifth point was that I just expressed my disappointment at having been to three of these meetings in Brussels and, in the first place, we are still talking about the problem that we started talking about when I went to the first meeting, which is a problem of export subsidies. But the second point, which is even more distressing almost, is that there has been an effort from the EC side to move the focus away from export subsidies, which is a basic problem that we started with, to a new issue—and that is their desire to add protectionism with the corn gluten issue and the fats and oils.

31-869 O—84——2

We did make it clear that we are just not going to lose our focus on this question of export subsidies and the kind of damage it has done to the United States. We are not going to allow ourselves to have our attention diverted.

Within that context, we have expressed our concerns at the Communities' use of subsidies and its proposals to tax consumption of fats and oils other than butter and to restrict imports of nongrain feed ingredients, including corn gluten feed and citrus pellets.

These are important export items, of course, for the developing countries, and restricted access to the European market will hurt those countries.

There were two or three areas where we could compliment the EC, and I should bring those areas out:

We complimented the EC for their stated intention to aline community agricultural prices with world prices by reforming the common agricultural policy. We just had to tell them that some of their reform plan—we don't think some of that reform plan is fair or appropriate, because it is asking us to help them in their reform.

We are also pleased to see in the reform plan a growing recognition that all countries have an obligation not to let their policies aggravate already unstable world market conditions.

And then, a point that was agreed to in our discussions, and we pressed the issue very hard in order to get the agreement. The agreement was that the EC is willing to work specifically, willing to concentrate, on their cereal and grain prices to get them into line with world prices in a period of 5 or 6 years—no one could agree exactly on the number of years, but they said, "Yes, we'll work on it, and we'll get it done, and we will work with you, the United States, in putting together that plan." I don't know how successful this will be, but at least it was agreed to, and I think it was some encouragement to us.

Second, they did agree that over a period of years—this is something we both agreed to, to reduce our costs, our subsidy costs, supporting agriculture. And both the United States and the EC agreed to that.

These are the important points, as I recall, that were brought out in the meeting with the Commissioners. There was another important point that I carried with me to that meeting. I did not bring it out in the meeting with all the Commissioners; however, I met with Commissioner Dalsager privately and with his aides—Claude Villon and others—and brought up our problem with their third-country red meat directive. We raised this issue. Mr. Dalsager wasn't really prepared to discuss the technical details as they affected the United States; but we are sending him a letter. He agreed to work with us on this problem. And really, what I secured from them was a willingness that, if I were to send Assistant Secretary McMillan and some of his technical staff over there, they will meet with us and try to work our red-meat dispute out and find a solution. I don't know how it will come out.

Those are the important issues, as I recall the meeting in Brussels. All in all, I think it was a useful meeting, and I was very encouraged by the united, firm stand that the United States took. I was somewhat discouraged by the lack of willingness on the part of the EC to come forward in some areas.

[Secretary Block's prepared statement follows:]

STATEMENT OF HON. JOHN R. BLOCK, SECRETARY OF AGRICULTURE

MR. CHAIRMAN, I WELCOME THIS OPPORTUNITY TO DISCUSS DEVELOPMENTS IN U.S. AGRICULTURAL TRADE RELATIONS WITH THE EUROPEAN COMMUNITY.

BECAUSE THE EC IS AT THE SAME TIME U.S. AGRICULTURE'S LARGEST MARKET AND ITS LEADING COMPETITOR IN WORLD TRADE, THE COURSE OF EC AGRICULTURE IS OF PRIME IMPORTANCE TO US.

MY PURPOSE TODAY IS TO REPORT ON THE AGRICULTURAL ASPECTS OF THE MINISTERIAL MEETING HELD IN BRUSSELS FRIDAY TO DISCUSS BILATERAL TRADE ISSUES BETWEEN THE UNITED STATES AND THE EC.

SECRETARIES SHULTZ, REGAN, AND BALDRIGE, AMBASSADOR BROCK, AND I MET FOR ABOUT THREE HOURS WITH EC COMMISSION PRESIDENT THORN, AGRICULTURE COMMISSIONER DALSAGER AND OTHER EC MINISTERS.

THIS WAS THE THIRD OF THESE MEETINGS, WHICH DATE BACK TO DECEMBER 1981. IN THE INTERVENING PERIOD, WE HAVE HELD AT LEAST A DOZEN MEETINGS AT BOTH WORKING GROUP AND POLICY LEVELS TO ADDRESS ISSUES IN AGRICULTURE.

THROUGHOUT THESE MEETINGS, THE UNITED STATES HAS EMPHASIZED FOUR BASIC PRINCIPLES FOR THE CONDUCT OF AGRICULTURAL TRADE:

1. NO COUNTRY SHOULD EXPECT THIRD COUNTRIES TO PAY THE COSTS OF ITS INTERNAL AGRICULTURAL POLICIES.

2. DESPITE TEMPORARY PROBLEMS THAT MIGHT ENSUE, THE ONLY SOUND, LONG-TERM SOLUTIONS TO THE PROBLEMS OF AGRICULTURE LIE IN LOWERING BARRIERS TO TRADE, NOT RAISING THEM.

3. EXPORT SUBSIDIES DENY THE FULL BENEFITS OF AGRICULTURAL TRADE, WHICH SERVES BOTH PRODUCERS AND CONSUMERS BEST UNDER THE PRINCIPLE OF COMPARATIVE ADVANTAGE.

4. THE TRADE POLICIES OF DEVELOPED COUNTRIES MUST NOT IMPEDE THE ECONOMIC GROWTH OF DEVELOPING COUNTRIES.

WITHIN THAT CONTEXT, WE HAVE EXPRESSED OUR CONCERNS AT THE COMMUNITY'S USE OF EXPORT SUBSIDIES AND ITS PROPOSALS TO TAX CONSUMPTION OF FATS AND OILS OTHER THAN BUTTER AND TO RESTRICT IMPORTS OF NONGRAIN FEED INGREDIENTS, INCLUDING CORN GLUTEN FEED AND CITRUS PELLETS.

THESE ARE IMPORTANT EXPORT ITEMS FOR A NUMBER OF DEVELOPING COUNTRIES AS WELL AS FOR THE UNITED STATES, AND RESTRICTED MARKET ACCESS AND TRYING TO SELL AGAINST SUBSIDIZED COMPETITION CAN ONLY AGGRAVATE THEIR ALREADY SERIOUS FINANCIAL PROBLEMS.

I SHOULD NOTE PARENTHETICALLY FOR THE COMMITTEE THAT DEVELOPING COUNTRIES REPRESENT THE GREATEST GROWTH POTENTIAL FOR U.S. AGRICULTURE, ACCOUNTING FOR ABOUT 40 PERCENT OF U.S. FARM EXPORTS LAST FISCAL YEAR.

THESE ISSUES, AND MANY MORE, WERE COVERED IN DETAIL IN A SERIES OF CONSULTATIONS BETWEEN JANUARY AND JUNE OF THIS YEAR. PREDICTABLY, THE PRIMARY DECISION TO COME OUT OF THESE MEETINGS WAS TO CONTINUE TO TALK.

WHAT WAS NOT SO PREDICTABLE, WAS THAT SOON AFTER THESE CONSULTATIONS, THE EC COMMISSION, AS PART OF ITS EFFORT TO REFORM THE CAP, RESURRECTED TWO PROPOSALS THAT WE HAD MADE CLEAR TIME AND AGAIN WERE TOTALLY UNACCEPTABLE TO US. THOSE ARE THE FATS AND OILS TAX AND THE RESTRICTIONS ON IMPORTS OF NONGRAIN FEED INGREDIENTS.

THESE TWO PROPOSALS WOULD IMPAIR EXPORT TRADE WORTH ALMOST $5 BILLION TO THE UNITED STATES LAST YEAR. THIS TRADE REPRESENTS CLOSE TO 60 PERCENT OF OUR AGRICULTURAL EXPORTS TO THE EC.

WE CAN ONLY APPLAUD THE EC'S STATED INTENTION TO ALIGN COMMUNITY AGRICULTURAL PRICES WITH WORLD PRICES BY REFORMING THE COMMON AGRICULTURAL POLICY.

WE ARE PLEASED TO SEE IN THE REFORM PLAN A GROWING RECOGNITION THAT ALL COUNTRIES HAVE AN OBLIGATION NOT TO LET THEIR POLICIES AGGRAVATE ALREADY UNSTABLE WORLD MARKET CONDITIONS.

BUT WE FAIL TO SEE HOW BROADENING THE EC'S PROTECTIVE INSULATION FROM IMPORT COMPETITION, AS THESE TWO PROPOALS WOULD DO, WILL EFFECT A CLOSER ALIGNMENT OF EC PRICES WITH WORLD PRICES. NOR CAN WE SEE HOW THESE IMPORTS ARE THE CAUSE OF THE EC'S BUDGET PROBLEMS.

AND WE FIND NO REAL ECONOMIC JUSTIFICATION FOR THESE RESTRICTIONS OR OTHER MEASURES THAT WOULD AFFECT U.S. AGRICULTURAL TRADE. IN FACT, AN INFORMAL JOINT U.S.-EC WORKING GROUP REVIEWED THE NONGRAIN FEED INGREDIENT PROPOSAL AS IT RELATES TO CORN GLUTEN, AND FOUND NO ECONOMIC REASON TO RESTRICT IMPORTS OF THIS PRODUCT.

THE COMMUNITY'S USE OF EXPORT SUBSIDIES TO MOVE ITS SURPLUSES ONTO THE WORLD MARKET HAS BEEN OF CONTINUING AND INCREASING CONCERN TO U.S. AGRICULTURE, AND IT HAS BEEN AT THE FOREFRONT OF OUR DISCUSSIONS WITH THE EC SINCE BEFORE THE FIRST MINISTERIAL IN 1981.

EC SUBSIDIZED INROADS INTO U.S. MARKETS HAVE LED US TO TAKE COUNTER MEASURES UNDER CERTAIN CONDITIONS, BUT WE HAVE EXERCISED MONUMENTAL RESTRAINT IN OUR USE OF THESE MEASURES IN ORDER TO ENCOURAGE SIMILAR RESTRAINT BY THE EC.

THE EC RESPONSE HAS BEEN TO COMPLAIN TO THE GATT AND TO EMBARK ON FURTHER EXPORT SUBSIDY ADVENTURES, THE MOST RECENT BEING AN EXTRA SUBSIDY ON WHEAT FLOUR SALES TO EGYPT.

THAT IS THE BACKGROUND AS WE WENT INTO THE MEETING IN BRUSSELS FRIDAY: TWO YEARS OF TALKING, CONTINUING AND EXPANDED EC USE OF EXPORT SUBSIDIES, AND NEW PROPOSALS TO RESTRICT A MARKET FOR U.S. AGRICULTURAL PRODUCTS THAT IS VALUED AT CLOSE TO $5 BILLION.

IN THE SPIRIT OF THE AGREEMENT REACHED AT THE WILLIAMSBURG SUMMIT, WE PROPOSED AS THE FIRST STEP TOWARD RESTORING ORDER IN TRADE THAT THE UNITED STATES AND THE COMMUNITY MAKE A JOINT COMMITMENT: (1) TO AVOID NEW PROTECTIONIST AND OTHER TRADE MEASURES AFFECTING AGRICULTURAL IMPORTS; AND (2) TO MAKE A MUCH STRONGER EFFORT TO SOLVE OUR MUTUAL AGRICULTURAL PROBLEMS USING EVERY MEANS AT OUR DISPOSAL.

The CHAIRMAN. Thank you very much, Secretary Block. Do you have a few minutes?

Secretary BLOCK. Certainly.

The CHAIRMAN. Maybe I can have Mr. Lighthizer summarize the USTR's position, because you have been working together on this.

I might indicate that this morning Ambassador Brock was at the breakfast, along with Secretary Baldrige, Secretary Block, representatives Mr. Lamb and Mr. Niles from the State Department. I think the encouraging aspect was the fact that everybody seems to be going in the same direction within the administration. That has not always been the case in any administration, but I think on these issues we find unanimity, and I think that is most important and highly encouraging to those others who were in attendance; those representing farms and agribusiness I think were most pleased with that obvious attitude.

Mr. Lighthizer, a number of the staff members would like to ask you questions, but we have rules preventing that. So you have been saved.

Mr. LIGHTHIZER. I appreciate that, Mr. Chairman. [Laughter.]

STATEMENT OF HON. ROBERT E. LIGHTHIZER, DEPUTY U.S. TRADE REPRESENTATIVE

Mr. LIGHTHIZER. I would like to have my statement included in the record and then be very brief.

There is very little that I can add to what the Secretary of Agriculture has said.

One area in which some additional comments may be in order involves the GATT Article 28. There may be some misunderstanding about whether or not we would consult with the Europeans in GATT regarding compensation for restrictions on nongrain feed ingredients.

The fact is that we are obligated internationally to enter into such consultations if the Community requests that. And while we would enter into them, we do not believe that a settlement is likely. The trade involved for the United States is too big and too important to have a satisfactory settlement, we think.

Therefore, we feel that the end result would be the retaliatory withdrawal of concessions by the United States. This retaliatory action would be designed to be just as costly to the Community as their withdrawal of concessions of nongrain-feed ingredients would be to us.

In closing, Mr. Chairman, I would like to express our hope that the Europeans will not take the action that Secretary Block identified, and instead will rely on domestic policies to deal with their financial problems.

We remain firm in our resolve to dissuade the Community from adopting these ill-advised policies. That is the only thing that I would add, Mr. Chairman.

[Mr. Lighthizer's prepared statement follows:]

PREPARED STATEMENT OF AMBASSADOR ROBERT E. LIGHTHIZER, DEPUTY U.S. TRADE REPRESENTATIVE

MR. CHAIRMAN, IT IS A PLEASURE TO APPEAR BEFORE THIS COMMITTEE TO DISCUSS ONE OF THE MOST SERIOUS TRADE ISSUES WE HAVE FACED IN RECENT HISTORY--THE PROPOSALS NOW UNDER CONSIDERATION IN THE EUROPEAN COMMUNITY TO RESTRICT IMPORTS OF NON-GRAIN FEED INGREDIENTS AND TO IMPOSE A TAX ON CONSUMPTION OF VEGETABLE FATS AND OILS. IF ADOPTED, THESE PROPOSALS WOULD NOT ONLY HURT MAJOR U.S. AGRICULTURAL EXPORTS, BUT COULD ALSO SERIOUSLY SET BACK U.S.-EC TRADE RELATIONS.

THE EC PROPOSALS

THE COMMISSION PROPOSALS WERE FIRST ANNOUNCED LAST JULY AND I BELIEVE THAT THE COMMITTEE IS FAMILIAR WITH THEM. NEVERTHELESS, IT MAY BE USEFUL TO BRIEFLY REVIEW THESE PROPOSALS BEFORE DISCUSSING THE U.S. RESPONSE.

THE PROPOSALS TO RESTRICT IMPORTS OF NON-GRAIN FEED INGREDIENTS AND TO TAX VEGETABLE OIL CONSUMPTION ARE PART OF A PACKAGE OF PROPOSALS TO REFORM THE EC'S COMMON

AGRICULTURAL POLICY (CAP). THIS REFORM IS AIMED AT REDUCING CAP EXPENDITURES AND AVERTING A BUDGETARY CRISIS. UNDER PRESENT CIRCUMSTANCES, THE COMMUNITY WILL REACH THE LIMIT OF ITS BUDGETARY RESOURCES TOWARD THE END OF THIS YEAR AND WILL EXPERIENCE SERIOUS FINANCIAL PROBLEMS IN 1984. THE PROPOSED REFORM WOULD HELP REDUCE THE SIZE OF THE COST OVERRUNS AND POSSIBLY SECURE THE SUPPORT OF CERTAIN RELUCTANT MEMBER STATES FOR CONTEMPLATED REVENUE INCREASES.

THE MOST IMPORTANT COMMISSION PROPOSALS ARE AS FOLLOWS:

1. THE INTRODUCTION OF A QUOTA SYSTEM FOR MILK. THE COMMISSION SUGGESTS THE INTRODUCTION OF A QUOTA SYSTEM, BASED ON 1981 DELIVERIES AND ENFORCED BY MEANS OF A LEVY ON DELIVERIES IN EXCESS OF THE 1981 TOTAL. IN ADDITION, THE COMMISSION RECOMMENDS A SPECIAL LEVY ON MILK FROM DAIRY FARMS WHICH MAKE INTENSIVE USE OF FEED CONCENTRATES--AS DISTINGUISHED FROM GRASS-BASED DAIRY FARMS.

2. A "PRUDENT AND IN SOME CASES MORE RESTRICTIVE" PRICE POLICY. THE COMMISSION RECOMMENDS THAT EC GRAIN PRICES BE ALIGNED WITH WORLD PRICES MORE QUICKLY, BUT OFFERS NO TIMETABLE FOR THE COMPLETION OF THIS ALIGNMENT. FEW SPECIFICS ARE PROVIDED AS TO HOW THIS GOAL WILL BE IMPLEMENTED. WHAT CONSTITUTES THE "PRUDENT" OR "RESTRICTIVE" PRICING POLICY RECOMMENDED BY THE COMMISSION WOULD APPARENTLY BE LEFT UP TO THE COUNCIL IN THE ANNUAL PRICE PACKAGE NEGOTIATIONS.

3. A REVIEW OF EXISTING DIRECT AIDS AND PREMIUMS TO THE FARMERS. IF SUCCESSFUL, THIS EXERCISE COULD RESULT IN REDUCED SUBSIDIZATION IN SOME SECTORS.

4. THE AUTOMATIC DISMANTLEMENT OF MONETARY COMPENSATORY AMOUNTS (MCA'S) WITHIN A FIXED PERIOD OF TIME. BECAUSE OF EXCHANGE RATE CHANGES, SUPPORT PRICES IN MOST EC MEMBER STATES DIFFER FROM THE SO-CALLED COMMON PRICE LEVELS. MCA'S OFFSET THESE PRICE DIFFERENCES AND PUT ALL EC PRODUCTS ON AN EQUAL FOOTING BOTH IN INTRA-EC AND INTERNATIONAL TRADE. THE COMMISSION HAS PROPOSED THAT MCA'S BE AUTOMATICALLY PHASED OUT WITHIN A TWO TO THREE-YEAR PERIOD FOLLOWING THEIR INTRODUCTION. ADOPTION OF THIS PROPOSAL WOULD TEND TO MOVE NATIONAL SUPPORT PRICES WITHIN THE EC CLOSER TOGETHER.

5. A COORDINATED EXPORT STRATEGY. THE COMMISSION GIVES FEW DETAILS ABOUT THE PROPOSED STRATEGY, BUT DOES MENTION SPECIFICALLY THE NEGOTIATION OF LONG-TERM CONTRACTS WITH DEVELOPING COUNTRIES, PARTICULARLY IN THE MIDDLE EAST AND NORTH AFRICA. BECAUSE SUCH CONTRACTS WOULD DEPEND ON EXPORT SUBSIDIES FOR THEIR IMPLEMENTATION, WE HAVE CONSISTENTLY OPPOSED SUCH PROPOSALS.

6. THE IMPOSITION OF A CONSUMPTION TAX ON ALL FATS AND OILS EXCEPT BUTTER. THE PROPOSED TAX IS DESIGNED TO GIVE ADDED PROTECTION TO THE COMMUNITY OLIVE OIL AND DAIRY SECTORS AND TO YIELD NATIONAL REVENUE FOR SUPPORT OF THE

CAP. THE COMMISSION HAS PROPOSED THAT THE TAX ON FATS AND OILS BE SET AT THE LEVEL OF 7.5 EUROPEAN UNITS OF ACCOUNT (ECU'S) PER 100 KILOGRAMS (ABOUT THREE CENTS PER POUND) ON THE CONSUMPTION OF VEGETABLE OILS AND ANIMAL AND MARINE FATS, WITH THE EXCEPTION OF BUTTER. THE EC COMMISSION ESTIMATES THAT THE MEASURE WOULD RAISE ABOUT 600 MILLION ECU'S ($510 MILLION) ANNUALLY IN REVENUE. THE EC IMPORTS 80 PERCENT OF THE FATS AND OILS IT CONSUMES, INCLUDING ABOUT $4 BILLION IN OILSEEDS AND PRODUCTS ANNUALLY FROM THE UNITED STATES. SOYBEANS ACCOUNT FOR MOST OF THIS TRADE.

7. "RAPID AND EFFECTIVE LIMITATION" OF THE IMPORT OF NON-GRAIN FEED INGREDIENTS. CORN GLUTEN FEED AND CITRUS PELLETS ARE SPECIFICALLY CITED AS REQUIRING SUCH LIMITATION. THESE RESTRICTIONS WOULD PROBABLY BE IN THE FORM OF EITHER QUOTAS AND/OR DUTY INCREASES. THE COMMISSION WOULD BE FORCED TO NEGOTIATE THE PROPOSED NEW ARRANGEMENTS UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT), BECAUSE THE DUTIES ON MOST OF THOSE PRODUCTS ARE BOUND AT ZERO. UNITED STATES EXPORTS OF NON-GRAIN FEED INGREDIENTS TO THE EC IN 1983 WILL LIKELY TOTAL OVER $700 MILLION. EXPORTS OF CORN GLUTEN FEED ARE EXPECTED TO ACCOUNT FOR ABOUT $500 MILLION AND CITRUS PELLETS OVER $75 MILLION OF THIS TOTAL.

THE ADMINISTRATION'S POSITION

WE FIND SOME OF THE COMMISSION'S DOMESTIC PROPOSALS ENCOURAGING. WE ARE ALSO SYMPATHETIC TO THEIR PROFESSED

GOALS OF RATIONALIZING THE CAP AND SUBJECTING EC AGRICULTURE TO GREATER MARKET DISCIPLINE. BUT WE ARE ADAMANTLY OPPOSED TO THE PROPOSALS TO RESTRICT IMPORTS OF NON-GRAIN FEED INGREDIENTS AND TO IMPOSE A TAX ON FATS AND OILS. WE HAVE MADE OUR OPPOSITION ABSOLUTELY CLEAR TO THE COMMUNITY.

THESE PROPOSALS CONSTITUTE AN ATTEMPT BY THE COMMUNITY TO SHIFT THE BURDEN OF ADJUSTMENT RESULTING FROM THEIR AGRICULTURAL POLICIES TO OTHER COUNTRIES. RATHER THAN REDUCE THE GUARANTEE PRICES FOR GRAINS IN ORDER TO MAKE DOMESTIC PRODUCTION MORE COMPETITIVE, THE EC PROPOSES TO RAISE THE PRICE OF IMPORTS OR TO OTHERWISE MAKE THEM LESS COMPETITIVE. THEY'VE ALREADY DONE THIS FOR MANIOC, A FEED INGREDIENT LARGELY SUPPLIED BY DEVELOPING COUNTRIES. SIMILARLY, IN ORDER TO COPE WITH THE HUGE DAIRY SURPLUSES RESULTING FROM THEIR PRICE SUPPORT POLICY, THEY ARE SEEKING TO MAKE OTHER FATS AND OILS, MOSTLY IMPORTED, MORE EXPENSIVE.

THE PROPOSALS TO RESTRICT IMPORTS OF NON-GRAIN FEED INGREDIENTS AND TO IMPOSE A CONSUMPTION TAX ON OILS AND FATS PRESENT A CLEAR THREAT TO THE TRADE RIGHTS WE HAVE SECURED IN THE GATT. IN RETURN FOR CONCESSIONS WHICH THE UNITED STATES MADE TO THE EC DURING PREVIOUS ROUNDS OF TRADE NEGOTIATIONS, WE RECEIVED THEIR PLEDGE TO PERMIT ACCESS FOR THESE PRODUCTS DUTY-FREE OR AT AGREED-UPON

RATES OF TARIFFS. THESE PROPOSALS WOULD IMPAIR THAT PLEDGE.

FINALLY, IF ADOPTED, THESE MEASURES WOULD HURT OUR EXPORTS OF SOYBEANS AND NON-GRAIN FEED INGREDIENTS TO THE EC, AS WELL AS OUR EXPORTS OF THESE PRODUCTS TO OTHER WORLD MARKETS. OTHER EXPORTERS, SUCH AS MALAYSIA AND BRAZIL, WOULD ALSO HAVE REDUCED ACCESS TO THE EC MARKET. THE RESULT COULD BE INCREASED COMPETITION FOR OTHER MARKETS.

WHAT WE'VE DONE

THE ADMINISTRATION'S POSITION ON THIS ISSUE HAS BEEN FIRM AND UNEQUIVOCAL AND WE HAVE MADE IT KNOWN TO THE EC ON MANY LEVELS AND IN MANY FORA. WE HAVE MADE A NUMBER OF STRONG AND DIRECT FORMAL REPRESENTATIONS TO THE EC AND TO THE MEMBER STATES THROUGH OUR MISSIONS ABROAD. WE HAVE CALLED IN EC EMBASSY OFFICERS IN WASHINGTON TO REINFORCE OUR MESSAGE THROUGH DIPLOMATIC CHANNELS. THE ISSUE HAS BEEN PRESSED NOT ONLY BY OUR OFFICE, AND BY USDA BUT ALSO BY THE SECRETARIES OF STATE, TREASURY, AND COMMERCE AND THEIR RESPECTIVE STAFFS.

WE HAVE TRIED TO IMPRESS UPON THE EC COMMISSION AND THE MEMBER STATES THE GREAT ECONOMIC AND POLITICAL IMPORTANCE OF CONTINUED FULL ACCESS TO THE EC MARKET FOR OILSEED PRODUCTS AND NON-GRAIN FEED INGREDIENTS. WE HAVE

MADE IT CLEAR TO THEM THAT THE IMPOSITION OF RESTRICTIVE MEASURES ON THESE PRODUCTS WOULD CAUSE THE UNITED STATES TO REACT SWIFTLY AND CONCRETELY.

OUR EFFORTS HAVE BEEN BUTTRESSED AND REINFORCED BY OTHERS, BOTH IN THE UNITED STATES AND ABROAD. IN PARTICULAR, WE ARE PLEASED WITH THE SUPPORT FROM THE CONGRESS. SENATE RESOLUTION 233, AND ITS COUNTERPART IN THE HOUSE OF REPRESENTATIVES, HAVE BEEN OF GREAT VALUE IN EMPHASIZING OUR DETERMINATION AND IN DEMONSTRATING THE DEPTH OF OUR CONCERN. OUR INDUSTRY AND AGRICULTURAL SECTORS HAVE ALSO WORKED DILIGENTLY WITH CUSTOMERS AND REPRESENTATIVES ABROAD. OTHER COUNTRIES HAVE BEEN VOCAL AS WELL. MAJOR AGRICULTURAL EXPORTING COUNTRIES, SUCH AS CANADA, AUSTRALIA, AND NEW ZEALAND, AS WELL AS DEVELOPING COUNTRY VEGETABLE OIL EXPORTERS, HAVE MADE THEIR CONCERNS KNOWN TO THE EC.

EC PROPOSALS AND THE GATT

IN THE LETTER OF INVITATION TO THIS HEARING, MR. CHAIRMAN, YOU NOTED THAT THE MEETING OF THE EC HEADS OF STATE AND THE U.S.-EC MINISTERIAL MEETING, BOTH OF WHICH TOOK PLACE LAST WEEK, MIGHT HAVE A MAJOR EFFECT ON THE EVOLUTION OF THIS TRADE ISSUE. BEFORE DISCUSSING THOSE MEETINGS, I WOULD LIKE TO TRY TO CLEAR UP ONE ASPECT OF

THE NON-GRAIN FEED INGREDIENT ISSUE WHICH MAY HAVE BEEN A SOURCE OF MISUNDERSTANDING BOTH HERE IN THE UNITED STATES AND IN THE EC. I AM REFERRING TO QUESTIONS ABOUT THE WILLINGNESS OF THE UNITED STATES TO CONSULT WITH THE COMMUNITY ON THIS MATTER IN THE GATT.

FIRST, I WOULD POINT OUT THAT THE UNITED STATES HAS ALREADY CONSULTED WITH THE COMMUNITY ON THIS MATTER A NUMBER OF TIMES, BOTH INFORMALLY AND FORMALLY UNDER ARTICLE 22 OF THE GATT, THE GENERAL PROVISION FOR CONSULTATION BETWEEN GATT MEMBERS. THESE CONSULTATIONS HAVE BEEN TECHNICAL IN NATURE AND HAVE FOCUSED ON THE DEVELOPMENT OF TRADE IN NON-GRAIN FEED INGREDIENTS--IN PARTICULAR, CORN GLUTEN FEED. OUR MAJOR OBJECTIVE IN THE CONSULTATIONS HAS BEEN TO DEMONSTRATE THAT U.S. EXPORTS ARE NOT THE CAUSE OF THE PROBLEMS THE EC NOW FACES IN THE GRAIN SECTOR. WE BELIEVE THAT OUR PRESENTATIONS HAVE BEEN EFFECTIVE IN THIS REGARD.

SECONDLY, I WOULD LIKE TO ADDRESS THE QUESTION OF WHAT THE U.S. REACTION WOULD BE IN THE EVENT THE EC INVOKES ARTICLE 28 OF THE GATT. THIS ARTICLE ALLOWS A COUNTRY TO MODIFY OR WITHDRAW A TARIFF CONCESSION IT PREVIOUSLY GRANTED--THAT IS, TO ALTER THE TERMS OF ACCESS IT HAS PROMISED ON A PRODUCT. HOWEVER, ARTICLE 28 ALSO REQUIRES THAT, BEFORE IT WITHDRAWS OR MODIFIES CONCESSIONS, A COUNTRY MUST OPEN NEGOTIATIONS WITH OTHER AFFECTED GATT MEMBERS AND OFFER COMPENSATORY ADJUSTMENT. IF NO AGREEMENT

IS REACHED, THE AFFECTED COUNTRIES ARE ENTITLED TO WITHDRAW "SUBSTANTIALLY EQUIVALENT CONCESSIONS."

WHAT WE HAVE TOLD THE EC IS SIMPLY THIS: WE WILL, OF COURSE, RESPECT OUR GATT OBLIGATIONS. IF YOU INVOKE ARTICLE 28, WE WILL DISCUSS COMPENSATION UNDER THAT ARTICLE. HOWEVER, WE DO NOT BELIEVE THAT ANY SETTLEMENT WILL BE POSSIBLE--THE TRADE INVOLVED IS JUST TOO BIG AND TOO IMPORTANT TO THE UNITED STATES. THEREFORE, THE END RESULT OF ANY ARTICLE 28 ACTION BY THE EC WILL, IN OUR VIEW, BE THE RETALIATORY WITHDRAWAL OF TRADE CONCESSIONS BY THE UNITED STATES. BECAUSE THESE CONCESSIONS ARE SO VALUABLE TO US, RETALIATORY ACTION BY THE UNITED STATES WOULD BE VERY COSTLY TO THE EC, IN KEEPING WITH THE GATT ENTITLEMENT TO WITHDRAW EQUIVALENT CONCESSIONS.

THE MINISTERIAL MEETINGS

I CAN BE BRIEF IN DISCUSSING THE RELATIONSHIP OF LAST WEEK'S MEETINGS ON THE ISSUE BEFORE US. I THINK IT IS FAIR TO SAY THAT THE BASIC SITUATION HAS NOT BEEN CHANGED BY THESE MEETINGS.

AS YOU ARE AWARE, THE EC HEADS OF STATE DID NOT REACH AGREEMENT ON ANY OF THE ELEMENTS OF THE CAP REFORM PACKAGE AT THEIR DECEMBER 4-6 MEETING IN ATHENS. NO DECISION WAS TAKEN ON THE PROPOSAL TO RESTRICT IMPORTS OF U.S. CORN

GLUTEN FEED AND CITRUS PELLETS OR TO IMPOSE A CONSUMPTION TAX ON FATS AND OILS. NEVERTHELESS, THESE PROPOSALS REMAIN ON THE TABLE AND WILL BE CONSIDERED AT FUTURE MEETINGS. THUS, THERE IS NO CAUSE FOR RELAXATION OF OUR EFFORTS.

THE EC PROPOSALS ON NON-GRAIN FEED INGREDIENTS AND FATS AND OILS WERE DISCUSSED AT THE DECEMBER 9 MEETING BETWEEN THE EC COMMISSIONERS AND AMBASSADOR BROCK AND SECRETARIES SHULTZ, BLOCK, REGAN, AND BALDRIGE. WE BELIEVE THAT THIS MEETING AFFORDED US A UNIQUE OPPORTUNITY TO DEMONSTRATE THE STRENGTH AND UNANIMITY OF THE ADMINISTRATION'S OPPOSITION TO THESE PROPOSALS. WE ARE HOPEFUL THAT IT WILL HELP TO DISSUADE THE COMMUNITY FROM THIS COURSE OF ACTION. NEVERTHELESS, WE WILL REMAIN VIGILANT AND WILL CONTINUE TO TAKE EVERY APPROPRIATE OPPORTUNITY TO IMPRESS UPON EC AND MEMBER STATE REPRESENTATIVES THE SERIOUSNESS OF OUR CONCERNS.

MR. CHAIRMAN, WITH THAT I WILL CLOSE MY PREPARED REMARKS AND MAKE MYSELF AVAILABLE FOR ANY QUESTIONS YOU OR THE OTHER COMMITTEE MEMBERS MIGHT HAVE.

The CHAIRMAN. Thank you very much.

One thing that was raised by Senator Percy was also included in some very excellent material made available to us at breakfast by Mr. Joseph of the I. F. Joseph Co. in Minneapolis, Minn., just in suggesting different forms of response. I think Senator Percy had limited his to agricultural areas, but the suggestion was to target by name products, particularly of French origin, that have a substantial market in the United States, advising Brussels that the response will take the form of denying access to the United States of specific products.

I am not certain anyone in the administration is prepared to comment on that, but it seems to us, if it is as serious as we are told it is, then we should be just as serious in return. The last thing we want is any difficulty with the European Community. We are friends, but we have some problems. We would like to resolve those problems.

Does either Mr. Lighthizer or Secretary Block have a list of names you could put in the record now?

Mr. LIGHTHIZER. Mr. Chairman, we would prefer not to put any in the record. I would say, though, that we have had a series of informal consultations with American groups to come up with an informal list of items that could be used, items on which we could make withdrawals that would be equivalent to what the Community is proposing here.

If we enter into negotiations and the negotiations do not appear to be fruitful, we would then begin to publicly initiate the process of putting together such a list.

A number of items have been discussed from time to time, and they include agricultural products such as wine, and gin, and Scotch, and beer, and ale, some of the very things that Senator Percy talked about, and some manufactured products. There is a feeling that we really have to include manufactured products such as perfume and other products, but we are still in the process of putting together that list.

The CHAIRMAN. Could I just ask Secretary Block for any comments? Then I will yield to Senator Boschwitz, who wanted to follow up on that.

Secretary BLOCK. I would just concur with Mr. Lighthizer. We have been working on a list. The list can take different forms, but we have been working enough that we have got the list written up. We have been working in an interagency group.

So there are some options that we have. We hope it doesn't come to something like that.

The CHAIRMAN. No; we do, too. But I think it ought to be public knowledge—not that we know precisely what would be on such a list—public knowledge that that is certainly a thought that officials have had in the administration. I am certain it is a thought expressed by Senator Percy and others in the Congress.

Secretary BLOCK. Well, Mr. Chairman, it is a fact that the nongrain-feed ingredients—$696 million there—pretty well matches up with wine, plus beer, and ale.

Now, there are a number of other combinations, and you could get the same thing. So, you know, there are different ways to do it.

The CHAIRMAN. All right. We are going to put in combinations in this committee, so we would be happy to——

Secretary BLOCK. I believe it.

The CHAIRMAN. Right.

Senator Boschwitz?

Senator BOSCHWITZ. Well, I make the point again, Mr. Chairman, that that list would not be restricted to agricultural products as Ambassador Lighthizer has also alluded to.

I met with Mr. Joseph, who, as you said, put this together. I met with him on Saturday, and we discussed that. And I think that the Europeans should have a sense that in an election year here in the United States it would probably be a large number of things that would be gleefully added to such a list, and that there is a certain sensitivity I hope they have to the process over here that also will play a part in the whole question

The CHAIRMAN. Senator Percy, did you want to follow up on the points you raised?

Senator PERCY. I have just two quick questions I would like to put to the Secretary.

Although I did stress corn gluten feed in my comments, I am equally concerned about the threatened EC consumer tax on vegetable oils and fats. As you pointed out, this would reduce our soybean exports quite dramatically, and my own State would certainly be injured as a result of that.

Isn't it time that we took a closer look at French and other EC agricultural exports and ask our own custom agents to step up their monitoring of these imports into our country, in the event that we really have to take action, so we know what is being brought in and what impact it is having?

Secretary BLOCK. Well, we don't have anyone here to comment on that from Customs, but it probably would make some sense, so that we would at least be prepared if something needed to be done.

Senator PERCY. Second, I would like to ask, while we have the opportunity, about your feelings about the level of imports or exports we might expect under the 5-year grain agreement that you negotiated with the Soviet Union. They had a big surge last week in purchasing; do you have any kind of estimates as to whether in the first year of that agreement they will exceed their minimums, and if so, by possibly how much? Do we have any idea?

Secretary BLOCK. Well, our analysts put numbers in the blanks in that case. But I will tell you, I really don't think that we have a very accurate way of estimating that. Certainly I think it is important that we had the minimum increased by 50 percent. That is very important, because, consequently, even in years when they have a good crop, as they just completed, they are going to be obligated to buy more than they would have otherwise. So I can't predict where we will be at.

In terms of purchases, they are well ahead of schedule and have been rather aggressive buyers.

Senator PERCY. That's right.

Secretary BLOCK. That is an encouraging sign.

Senator PERCY. Well, and I, certainly last Tuesday in the Export Council meeting we had with the President in the Cabinet Room, commended him strongly on resisting every effort and pressure that he had in the 007 Korean incident, to not do anything with that 5-year grain agreement that would further destroy our reliability as a supplier and our reputation as a supplier.

It was totally ineffective. In speaking to members of the Foreign Relations Committee, we can say that trying to implement foreign policy on the backs of farmers and factory Workers, and so forth, has never worked; it will not work; and it is totally ineffective. We had better find other ways to do it and reestablish our reputation as reliable suppliers of agricultural and manufactured goods.

My last question pertains to a meeting that Mr. Nordlund and I had with the Chinese Ambassador in my office just a couple of weeks ago. We talked to him about their presumed intention to cut back on grain purchases because of our inability to reach agreement on the textiles. And we urged that he not try to mix apples and oranges here, that we urged them to go ahead with those grain purchases.

Do you have anything that you can report to us on that?

Secretary BLOCK. Well, I just would report that, first of all, I appreciate the effort that you have made and other Members of the Senate and of the Congress to impress upon the Chinese the importance of staying with an agreement that was made in good faith. And I am very pleased that they have come and told us that they are going to make those purchases in good faith. I think that that can go a long way toward strengthening the confidence that we have in one another. So I am pleased about that.

Briefly, on your previous question, we have to date sold 6.5 million metric tons to the Soviet Union, which is more than the previous minimum. So we have already sold more than the previous minimum

Senator PERCY. Yes.

Secretary BLOCK. And second, we are going to be going forward with consultations with them on January 24 and 25. The consultations will just be to talk about their needs, our availability of supply, and we will offer them more—if they are willing to take it, of course.

We are not going to limit them.

Senator PERCY. I think their purchases are going to be very heavy. It is absolutely in our mutual interest. We should find things that we can do with the Soviets in our mutual interest. Arms control certainly is one of those areas, too, and I hope that it will lead to that eventually.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Senator Grassley?

Senator GRASSLEY. Yes.

Secretary Block, I would like to ask the reaction of the European people to conversations that our administration has had with them in regard to the point that we often make, and rightly so, that what the present arrangements are for our ability to import grain and the various products we are talking about today into Europe was basically and originally agreed to as a trade-off between our Nation and the European Community. And now, the efforts to more or less go back on that—how they justify that.

Second, and maybe even more important, the extent to which they still feel our massive farm expenditures are a subsidy of agriculture, whereas, you know, our PIK program, and the costs of that, were to get down our subsidy as opposed to their subsidies increasing production, and then further using export subsidies to get rid of their surplus products—whether or not they still are using that argument against us as we negotiate and talk with them.

Secretary BLOCK. On your second question, we did talk briefly—or maybe more than briefly—about subsidies in agriculture. I pointed out clearly to them that our subsidies for the most part—not entirely, but on balance without question—have been used to reduce production and hold back production; and their subsidies have been subsidies that have had precisely the opposite effect, which have been subsidies which effectively increase production. And of course, when it is increased, someone else around the world has been asked to pay the price.

I think that issue was made clear to them.

Senator GRASSLEY. Are they still using the argument that our increased costs are subsidies?

Secretary BLOCK. Well, yes, they do. They talk to the question. They say, "You are spending a lot of money on agriculture in the United States." We said, "Yes, we are." In fact, I said we are spending too much, and we're working to cut it down, just as we did in the dairy question, as we have lowered loan rates. And I just suggested, "Maybe if you took some of the same steps—why don't you lower your support on dairy $1.50 a hundredweight over the next 15 months? Why can't you lower supports by so much as we have lowered the loan and wheat and feed grains?"

I also commented to them that we are probably going to have to lower the money spent on agriculture even more in the United States, and challenged them to follow suit; because you are not going to get European support prices in line with world prices unless somehow you bring them down. It is my observation that world prices aren't going to rise in the next 3 or 4 years; unless something miraculous happens that we cannot anticipate, world prices aren't all of a sudden going to shoot up to EC prices, especially when the EC adds a little increment to the price every year.

Senator GRASSLEY. And what about the first part that I asked about, the original agreements, where we traded off our ability to import into Europe?

Secretary BLOCK. Well, their reaction to that—and we made the point, the point that here we made this agreement with the Community which allowed them to effectively build a fence around their agriculture. I have to question our judgment at the time, but that's done; it's history.

There were a couple of panels in that fence that were down: One of them being soybeans, fats and oils, and soybean products, and another being nongrain feeds. Now they want to raise those two panels to complete the fence. And of course they say that they have every right to do it under article 28 of the GATT, and it's true, they do. But it doesn't mean that we are obligated to accept that.

Senator GRASSLEY. How are you reading the inability of the EC to reach an agreement in the last week or 10 days? As good news for us, or as bad news?

Secretary BLOCK. I feel that it is good news, to the extent that they didn't go ahead and accept the full recommendation of the commissioners, which would have included a fats and oils tax, and a limit on nongrain feed.

I don't think it is good news if they are unable to come to grips with their agricultural policy, because they need to do some very difficult things, and I hope that they can go ahead and do it.

I would also point out that there was a joint study made. It was an informal study, but it's agreed upon, between the EC and the United States as we worked this last year, and the study determined that there is no economic advantage to the European Community if they put this limit on nongrain feed, on corn gluten feed—no economic advantage. We brought this up to their attention. That's a fact.

Do you have anything to add?

Mr. LIGHTHIZER. No.

The CHAIRMAN. Senator Boschwitz?

Senator BOSCHWITZ. No questions, Mr. Chairman.

The CHAIRMAN. Let me just ask a couple of questions. I know Senator Bentsen had hoped to be here, but he's a Dallas Cowboy fan, and I'm not certain where he is today. [Laughter.]

Last week I suggested to the President's Commission on Private Sector Initiatives for International Development that perhaps farmers around the world could meet to seek a consensus on GATT reform and then maybe persuade their governments, instead of the other way around.

We had the public sector meeting. You've just met. Maybe there are private sector meetings, but it would seem to me that in addition to the efforts by governments, it might be worthwhile to enlist the leaders in agriculture in the various countries. Obviously they are aware, as we are, that we are spending too much money on agriculture. And if those of us from farm States don't have the courage to start making those statements in our own States, we'll end up with no farm program at all in 1985, or at least could end up with no farm program. And I find farmers generally receptive to new ideas and new thoughts about agriculture.

I guess I could direct that question to either Mr. Lighthizer or Secretary Block. Are there any plans, or do you think it might be of any help—would our Government be helpful in trying to initiate some private sector meetings with farm leaders througout the EC and the United States, to see if they could hammer out some consensus?

Secretary BLOCK. Well, Mr. Chairman, I think that one of the difficulties in getting some things done is having enough understanding of the problem, and the importance of finding a solution. So whenever you can bring leaders together and cause them to talk about the solution, and they will exchange ideas, there is attention focused on it, for one thing, and, second, there is sometimes more of a consensus that can eventually develop.

I think anything like this can be helpful. I think in our own country we have tried to bring agricultural leaders together in the last 6 or 8 months. It started off with the agricultural summit. And I have had a series of meetings with agricultural leaders in Washington and in other cities as I have flown around. We constantly talk about domestic farm policy and the relationship between international trade. I think we see things more clearly than we did before; but if we could get more of an international look at this thing and get other countries involved, it would help also.

One of the problems you face in Europe is that many people, the consumers for one, don't seem to have a great concern about how much they pay for food. Food is very expensive over there, but they seem to just go on their merry way. And I don't know how we get this problem brought to the forefront.

The CHAIRMAN. Mr. Lighthizer, do you have any comment? I am certain you are using input from the private sector; I don't mean to suggest you are not. I mean by that, farm organizations, agribusiness, and I am certain that you have contact with various organizations and groups; but I am talking about maybe an international meeting.

Mr. LIGHTHIZER. Internationally. I think that is a constructive suggestion.

We do have a number of agricultural advisers, private sector people, but the idea of putting them in an international context with their counterparts is a constructive thought, and it may very well be progressive. It is something that we ought to study, I think.

Secretary BLOCK. The side of the fence we have to work, though, is not necessarily—we can try it. But just working with the farm organizations over there will not get us very far. Their philosophies are fairly protectionist, and they are not going to open up very fast, I don't think.

The CHAIRMAN. But maybe if they would talk to each other. That is sometimes a problem—nobody communicates.

Well, I wanted to ask Mr. Lighthizer: At the GATT ministerial meeting a year ago, the EC refused to agree to a review of the GATT rules on agriculture. I guess the first question is, Are we still seeking such a review? And, second, what is it going to take to induce them? If we can't even discuss that, I'm not certain how we are going to get into any specific areas.

Mr. LIGHTHIZER. Well, we are in the process of having those discussions now in a couple of different contexts, Mr. Chairman. In the first place, the Committee on Trade in Agriculture has been formed since that ministerial, and there have been a number of working-level meetings of the Committee on Trade in Agriculture. And there will be higher level meetings coming up in the next couple of months—the first meetings, which are really an outgrowth of that ministerial.

In addition, we have had bilateral meetings with the Community on three or four occasions to try to discuss changing the rules. It's a high priority for us, but there is an awful lot of resistance there.

The CHAIRMAN. Right. We noted that last year in Geneva. I mean, there wasn't much success at all.

For about 10 years, Ambassador Lighthizer, successive teams of negotiators have been trying to arrive at a GATT decision in a case involving unfair EC preference that operates at the disadvantage of Texas and other U.S. citrus exporters. Do you have any progress report? If you don't have off the top of your head, maybe you could submit one for the record. It is a matter of interest to Senator Bentsen and I think other citrus growers' areas.

Mr. LIGHTHIZER. Yes. I am not sure exactly what the current status is. I don't know if there has been any change recently.

The panel that is considering that case in the GATT has met twice and has not come up with a decision at this point; that is the latest word.

The CHAIRMAN. This panel is getting older. [Laughter.]

Mr. LIGHTHIZER. Actually, there was a long period of time before a panel was really pursued, and the previous administration pursued it in a variety of other contexts. But it is clearly an issue that has been around a long, long time; that is correct.

The CHAIRMAN. There is another question. I think I know the answer, but I think the record should reflect it.

Secretary Block, do you have any authority or funding to carry out a program similar to the subsidized and targeted export of wheat to Egypt last year? And, if so, do you anticipate another such action?

Secretary BLOCK. We have the authority to do that. We have the resources to do it. We are looking at, No. 1, moving forward with blended credits. We don't have any specific export subsidy in mind such as the wheat flour sale to Egypt. We are not obligated to refrain from something like that, and I made it quite clear, even publicly at the press conference, that the United States does not stand with their hands tied behind their back; we are prepared to compete in areas that we choose to do so.

The CHAIRMAN. Well, there has just been a recent subsidized sale, hasn't there? An EC sale to Egypt?

Secretary BLOCK. That's true. I am surprised at it, because we didn't go back after that market; we took it one year and we didn't go back after it. And they paid even more to get it back, which I thought was kind of ridiculous, but that is what they did.

The CHAIRMAN. But do you still have the authority to fire additional warning shots, if necessary? Is the gun loaded?

Secretary BLOCK. It's always loaded.

The CHAIRMAN. That's encouraging—depending on where it's pointed. [Laughter.]

Are the cases brought by the United States in the GATT effective in obtaining EC discipline over their CAP?

Mr. LIGHTHIZER. No; to this point they have not been, Mr. Chairman. That is one of the reasons why we are engaging in these dialogs, to try to have them impose some discipline.

But I think that the cases that have been brought—in some cases they have been helpful, but they have not gone very far in terms of getting the Community to be more responsible in their agricultural policy.

Secretary BLOCK. At the meeting in Brussels, Ambassador Brock pointed out that we have won the last five cases in succession, but we haven't gotten a whole lot done beyond that. We just won the cases.

The CHAIRMAN. Are there any specific examples of EC subsidized exports displacing U.S. exports in third markets?

Secretary BLOCK. I think there is no question about that. You can demonstrate that in many markets. You can take broilers in the Middle East. We have lost the broiler market entirely. You can document that in black and white numbers very specifically. There is a whole host of other cases that can be pointed out. We can find some places where we have lost wheat flour markets, too.

The CHAIRMAN. That might be helpful, if we could have that for the record.

[The information follows:]

Impact of EC Agricultural Export Subsidies on U.S. Exports to Third Country Markets

The EC policy of high farm price supports in tandem with the stimulus provided by their heavy use of export subsidies has caused a dramatic shift in their net trading position for a number of key agricultural products (see Attachment A).

For example:

-- At the start of the 1970's, the EC was a net importer of over 20 million Metric Tons (MT) of grains annually. Since then, Community exports have increased to the extent that in 1982/83 EC net exports of grains reached 11.0 million MT.

-- The EC has gone from a net importer of white sugar to the world's largest exporter--exports totaled 5.6 million MT, raw basis, in 1982/83.

-- Prior to 1973/74, the EC was a net importer of beef and veal. Now the EC is the world's third largest exporter behind only Australia and Argentina.

-- In poultry meat, the EC has moved from the world's largest importer in the midsixties to the world's largest exporter.

These shifts have had a major impact on the volume and pattern of world agricultural trade and have significantly reduced the marketing opportunities for other, more efficient agricultural exporting countries, including the United States.

The impact of EC export subsidies is also evidenced by the increasing quantities exported, and the increased share of world markets enjoyed by the Community. Attachment B details these increases, which are highlighted below:

-- EC wheat and wheat flour exports have increased nearly fivefold during the past 14 years, from 3.4 million MT in 1970-71 to an estimated 15.5 million MT in 1983/84. The EC is now the world's fourth largest wheat exporter. The EC's share of world wheat and wheat flour trade has increased from about 6 percent in 1970/71 to 15.8 percent in 1982/83.

-- In the case of wheat flour, the EC has used export subsidies to gain a predominant share of the world commercial market. The EC share of this market, which averaged less than 30 percent at the start of the 1960's, has risen to 75 percent in recent years. The U.S. share of the commercial market fell from about 28 percent to less than 10 percent over this same period(except in 1982/83 when the U.S. market share rose to over 20 percent as a result of our subsidized wheat flour sale to Egypt).

-- EC exports of broilers have grown at a much faster pace than U.S. exports. At the start of the 1970's, EC and U.S. broiler exports both totaled about 50,000 tons. In 1983, EC and U.S. exports totaled 457,000 and 251,000 tons, respectively. Along with Brazil (which has also made extensive use of export subsidies), the EC now dominates the world broiler market. Brazil and the EC have virtually excluded the United States from the important Mid-East market.

-- EC exports of shell eggs have increased sevenfold since 1979 and their share of the world market has more than doubled.

-- EC beef exports have increased from a negligible share of the world market in the early 1970's to over 15 percent in recent years.

-- EC sugar exports, which ranged from 5 to 8 percent of the world market in the early 1970's, now account for over 18 percent.

The growth of EC exports and market shares was fueled by the lavish use of export subsidies. Annual expenditures by the EC on agricultural export subsidies have averaged $5 to 8 billion in recent years. The growth in subsidized EC agricultural exports has clearly come at the expense of non-subsidized exporting countries such as the United States. These subsidized exports have also exercized a depressive effect on world prices, which has also adversely affected producers in non-subsidizing countries.

Clearcut instances of displacement by the EC in specific country or regional markets have been more difficult to document than the overall trends described above. This difficulty results largely from the shifts in the pattern of trade which have taken place during the long period in which the EC has employed export subsidies. More frequently, U.S. exporters have been faced with a situation of market exclusion, where they have been unable to penetrate new, and often rapidly growing, markets because of subsidized EC competition.

Some specific examples of displacement are:

1. Poultry and Eggs

a. Middle East - This market for whole broilers grew from a few thousand tons in the early seventies to over 600,000 MT by 1982. The United States, the world's most efficient producer of poultry, lost markets to subsidized exports from the EC and Brazil; i.e., the U.S. share in broilers dropped from as much as 18 percent in the early seventies to only 0.1 percent in 1982. During the same period both the EC and Brazil increased their shares dramatically (around 50 percent and 48 percent, respectively, in 1982).

U.S. exporters are also experiencing declines in egg sales to this area. In Egypt, for example, U.S. sales have dropped from 7.7 million dozen in 1981 to 669,000 dozen in 1982 due mainly to EC export subsidies of about 11.5 cents per dozen. U.S. exports to Iraq have fallen from 24.6 million dozen in 1981 to 10.7 million in 1982.

b. Far East - A market which U.S. exporters developed, the Far East is still largely a U.S. market, but in recent months subsidized EC exports of poultry and eggs have begun to take an increasing share of the market. The EC's share of chicken imports into Hong Kong has grown from 2 percent in 1980 to 12 percent in the half of 1983. In Singapore, the EC's share of the whole chicken market has grown from 10 percent to 38 percent over the same period.

2. Grains

a. China - In 1982/83, subsidized EC wheat will total 1.5 million metric tons to the PRC. In contrast, sales in 1979/80-81/82 period ranged from 100,000 to 600,000 tons. French exporters are pushing to expand the 3-year supply agreement with China which expires in 1983.

b. USSR - EC exports of grain to the USSR totaled 3.4 million tons in 1982/83. In previous years, EC shipments normally did not exceed one million tons.

3. Dairy

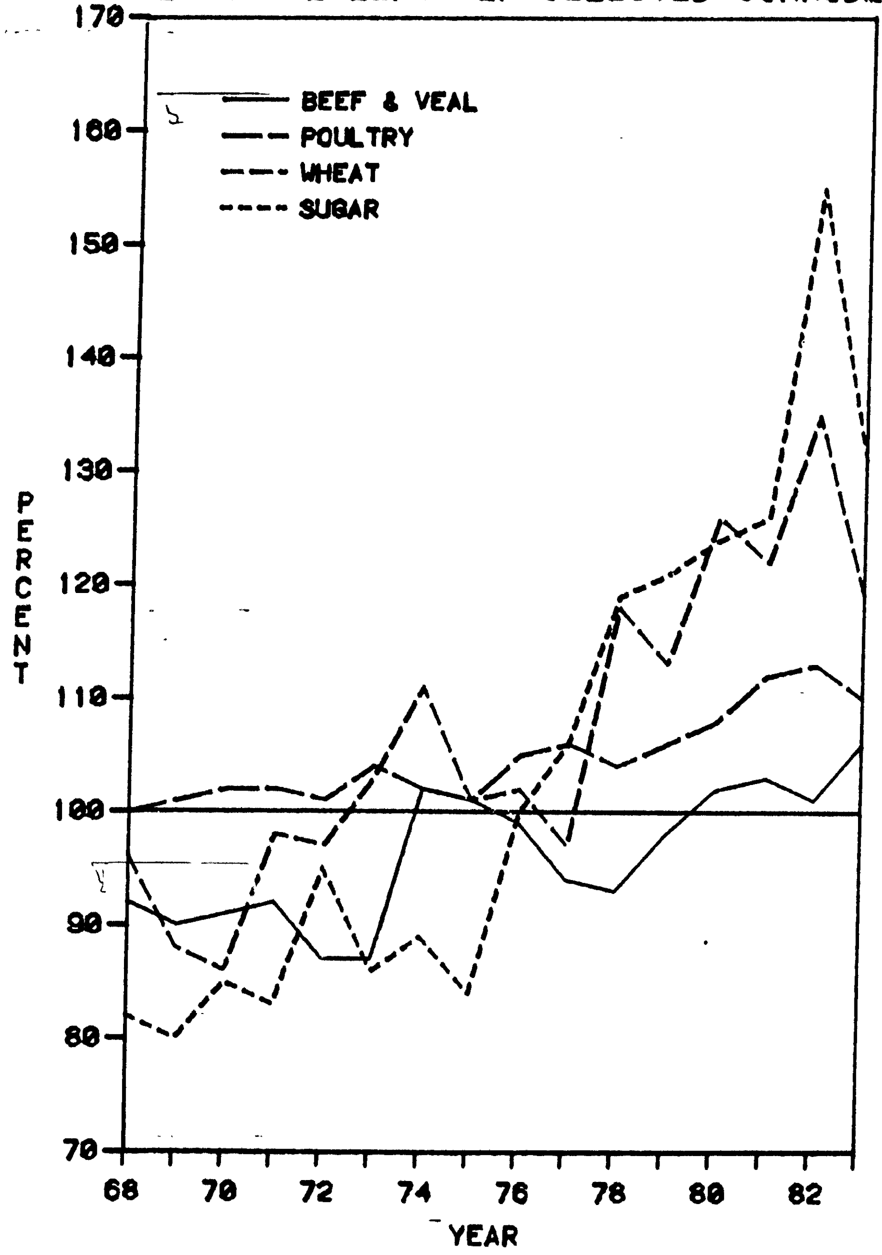
The EC has forced New Zealand and Australia from several markets and caused a significant rationalization of the Australian dairy industry. These actions have brought more pressure to the U.S. market, particularly for imported casein and certain types of imported cheeses.

4. Beef

In recent years, the EC has moved significant quantities of beef and veal into the Soviet Union, displacing traditional exporters such as Australia and New Zealand. These latter countries are then forced to rely more and more on the U.S. market as an outlet for their beef exports forcing the U.S. to invoke provisions of the U.S. Meat Import Law to avoid price depressing effects.

A-1

EC SELF-SUFFICIENCY IN SELECTED COMMODITIES



A-2

EC-10 Self-Sufficiency in Specified Products
Percent of Total Sufficiency

	Wheat	Corn	Total Coarse Grains	Rice	Beef and Veal	Cheese	Nonfat Dry Milk	Almonds	Tobacco
1961/62	79	42	72	73	92.5	--	--	60	33
1962/63	95	33	74	71	90.7	--	--	31	42
1963/64	80	41	77	65	87.4	96.4	81.9	46	46
1964/65	93	35	75	67	88.2	98.5	105.1	47	41
1965/66	94	35	73	52	89.2	100.5	113.9	48	35
1966/67	85	40	75	67	92.1	99.3	129.9	48	41
1967/68	98	38	80	82	92.6	98.3	135.2	48	36
1968/69	96	46	83	68	90.2	97.6	111.2	48	34
1969/70	88	51	82	94	91.7	96.4	99.6	36	35
1970/71	86	56	77	85	107.4	99.6	115.5	44	33
1971/72	98	56	84	89	87.2	102.8	120.8	24	36
1972/73	97	53	84	71	87.0	99.6	128.1	21	37
1973/74	103	59	83	95	102.4	104.9	136.9	15	33
1974/75	111	53	83	104	101.8	104.4	176.1	25	43
1975/76	100	51	78	85	99.5	105.6	107.9	25	46
1976/77	102	40	70	62	95.6	104.8	112.9	21	42
1977/78	97	55	86	57	95.1	104.8	107.3	24	42
1978/79	118	56	88	76	100.0	106.5	109.2	23	47
1979/80	113	60	87	92	118.7	107.7	138.6	09	44
1980/81	126	63	90	78	103.3	109.6	141.4	22	42

A-3

EC WHEAT AND COARSE GRAIN TRADE 1/
Millions of Metric Tons
July/June

	Imports	Exports	Net Trade
1974/75	20.7	10.8	- 9.9
1975/76	21.9	13.0	- 8.9
1976/77	27.6	9.0	-18.6
1977/78	20.3	10.5	- 9.8
1978/79	18.1	14.2	- 3.9
1979/80	18.5	15.4	- 3.1
1980/81	15.6	20.3	4.7
1981/82	13.5	20.8	7.3
1982/83	10.0	21.0	11.0
1983/84	11.4	20.5	9.1

SOURCE: USDA/FAS
1/ July/June trade year through 1978/79;
October/September trade year 1979/80 forward.

December 1983

A-4

EC-9 TOTAL DAIRY PRODUCT EXPORTS AND IMPORTS
(000 MT)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983*	1984**
EC Exports	663	601	522	588	617	365	472	873	863	1,358	1,398	1,183	1,056	1,063	1,127
EC Imports	197	211	288	302	241	265	240	209	217	206	200	213	220	209	189

SOURCE: USDA/FAS/DL&P DATA BASE AND EUROSTAT NIMEXE TRADE BOOKS. DAIRY PRODUCTS INCLUDE BUTTER, CHEESE AND NONFAT DRY MILK. ALL DATA EXCLUDE INTRA-EC TRADE.

* Preliminary

** Forecast

December 21, 1983

B-1

U.S. and Competitor Wheat and Flour Exports
Changes In Market Share
July-June Years

Major Wheat/Wheat Flour Exporters (Million Metric Tons)	1967/68	68/69	69/70	70/71	71/72	72/73	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81	81/82	82/83	83/84
U.S.	20.2	14.7	16.5	19.9	16.9	31.8	31.3	28.3	31.7	26.1	31.5	32.3	37.2	41.9	48.8	39.9	38.1
Canada	8.9	8.7	9.0	11.5	13.7	15.6	11.7	11.2	12.1	12.9	15.9	13.5	15.0	17.0	17.6	21.2	21.5
Australia	7.0	5.4	7.4	9.5	8.7	5.6	5.4	8.3	7.9	8.5	11.1	6.7	14.9	10.6	11.0	8.1	11.5
EC	2.4	4.5	5.8	3.4	4.2	6.0	5.2	6.9	8.6	5.1	5.0	8.8	10.4	14.7	15.5	15.5	15.5
Argentina	1.4	2.7	2.1	1.6	1.3	3.4	1.1	2.2	3.2	5.6	2.6	3.3	4.8	3.9	4.2	7.4	9.0
Subtotal	39.9	36.0	40.8	45.9	44.8	62.4	54.7	56.9	63.5	58.2	66.1	64.6	82.3	88.1	97.1	92.1	95.6
Other	11.1	9.0	9.2	9.1	7.2	4.6	8.3	7.1	3.2	4.9	7.0	7.4	3.7	6.2	4.1	6.0	5.1
Total	51.0	45.0	50.0	55.0	52.0	67.0	63.0	64.0	66.7	63.1	73.1	72.0	86.0	94.2	101.2	98.1	100.7

Percent Share Of World Wheat Market			%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
U.S.	39.6	32.7	33.0	36.2	32.5	47.5	49.7	44.2	47.5	41.4	43.1	44.9	43.3	44.5	48.2	40.7	38.4
Canada	17.4	19.3	18.0	20.9	26.3	23.3	18.6	17.5	18.1	20.4	21.8	18.8	17.4	18.0	17.5	21.6	21.3
Australia	13.7	12.0	14.8	17.3	16.7	8.4	8.6	13.0	11.8	13.5	15.2	9.3	17.3	11.2	10.8	8.3	11.4
EC	4.7	10.0	11.6	6.2	8.1	9.0	8.3	10.8	12.9	8.1	6.8	12.2	12.1	15.6	15.2	15.8	15.4
Argentina	2.7	6.0	4.2	2.9	2.5	5.1	1.7	3.4	4.8	8.9	3.5	4.6	5.6	4.1	4.2	7.5	8.9
Others	21.9	20.0	18.4	16.5	13.9	6.9	13.2	11.1	4.8	7.8	9.6	10.3	4.3	6.6	4.1	6.1	5.1

Source: Grain and Feed Division
November 21,1983
ITP:WEIA

31-869 O—84——4

B-2

WORLD SUGAR EXPORTS
(THOUSAND METRIC TONS, RAW VALUE)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
EC	1,178.8	1,287.9	1,919.6	1,915.8	1,127.5	701.8	1,868.7	2,698.8	3,556.2	3,576.8	4,325.0	5,343.7	5,614.6
U.S.	1.1	.5	.7	3.9	61.9	203.1	68.8	19.7	20.3	14.3	587.0	948.5	49.3
Cuba	6,906.3	5,510.9	4,139.6	4,797.4	5,491.2	5,743.7	5,763.6	6,238.2	7,231.2	7,269.4	6,191.1	7,072.4	7,734.3
Dom. Republic	792.8	1,011.2	1,141.3	1,069.5	1,054.9	975.3	998.8	1,116.6	936.7	1,035.0	792.7	864.0	850.2
Brazil	1,129.8	1,230.4	2,637.5	2,975.3	2,302.7	1,729.6	1,252.4	2,486.6	1,924.6	1,941.6	2,661.9	2,670.0	2,788.2
Philippines	1,178.2	1,411.5	1,216.5	1,455.0	1,635.6	1,005.7	1,514.6	2,574.8	1,141.9	1,157.5	1,793.0	1,277.6	1,301.1
Thailand	52.3	145.0	438.9	258.3	563.9	668.2	1,155.3	1,674.5	1,028.7	1,210.3	459.7	1,154.9	2,044.8
So. Africa	690.8	766.0	1,045.9	914.7	827.0	808.4	859.8	1,383.9	718.9	883.9	785.1	736.8	883.6
Australia	1,660.3	1,778.8	2,314.9	2,124.0	1,827.7	1,976.0	2,621.0	2,965.2	2,002.1	2,002.9	2,410.6	2,982.1	2,503.8
Other Countries	8,132.9	7,813.9	6,931.0	6,963.9	7,204.3	6,790.8	6,654.4	7,263.2	6,466.8	6,843.1	6,726.4	5,902.7	6,665.6
World Total	21,723.3	20,956.1	21,785.9	22,477.5	22,096.7	20,602.6	22,757.4	28,421.5	25,037.4	25,934.8	26,732.5	28,952.7	30,435.5

SOURCE: ISO Yearbooks

PERCENTAGE SHARE OF TOTAL TRADE

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
EC	5.4	6.2	8.8	8.5	5.1	3.4	8.2	9.5	14.2	13.8	16.2	18.4	18.4
U.S.	*	0	0	*	.3	1.0	.3	.1	.1	.1	2.2	3.3	.2
Cuba	31.8	26.3	19.0	21.3	24.9	27.8	25.3	21.9	28.9	28.0	23.2	24.5	25.4
Dom. Republic	3.6	4.8	5.2	4.8	4.8	4.7	4.4	3.9	3.7	4.0	3.0	3.0	2.8
Brazil	5.2	5.9	12.1	13.2	10.4	8.4	5.5	8.7	7.7	7.5	10.0	9.2	9.8
Philippines	5.4	6.7	5.8	6.5	7.4	4.8	6.7	9.1	4.6	4.5	6.7	4.4	4.3
Thailand	.2	.7	2.0	1.1	2.6	3.2	5.0	5.9	4.1	4.7	1.7	4.0	6.7
So. Africa	3.2	3.7	4.8	4.0	3.7	3.9	3.8	4.9	2.9	3.4	2.9	2.5	2.9
Australia	7.6	8.5	10.6	9.4	8.3	9.6	11.5	10.4	8.0	7.7	9.0	10.3	8.2
Other Countries	37.6	37.2	31.7	31.2	32.5	33.2	29.3	25.6	25.8	26.4	25.2	20.4	21.9
Total	100	100	100	100	100	100	100	100	100	100	100	100	100

*Less than .1 percent
SOURCE: ISO Yearbooks

B-3

EXPORTS OF SHELL EGGS FOR CONSUMPTION

(Million Eggs)

	1980	1981	1982	1983
U.S.	1,653	2,810	1,898	1,195
EC 1/	1,257	2,020	2,739	2,355
Other	3,354	3,810	3,578	3,659
World Total	6,264	8,640	8,215	7,209

WORLD EXPORT MARKET SHARES

(Percent)

	1980	1981	1982	1983
U.S.	26.3	32.5	23.1	16.6
EC 1/	20.0	23.4	33.3	32.6
Other	53.5	44.1	43.5	50.7

SOURCE: USDA/FAS/DL&P Data Base, October 1983

1/ Excludes intra-EC trade

B-4

BEEF & VEAL: Major Exporters
(000 MT)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
United States	17	17	18	24	28	41	29	24	41	47	72	78	80	100	123	140
Australia	377	450	501	557	720	855	486	744	860	1,061	1,131	1,089	840	703	730	660
New Zealand	171	208	272	301	275	311	258	305	383	384	346	343	346	347	355	330
Uruguay	113	124	167	91	114	118	120	113	195	129	112	81	117	173	210	180
Argentina	607	775	715	477	703	551	298	266	527	583	740	697	469	486	420	400
Brazil	71	109	124	158	228	170	102	101	156	191	130	110	169	279	450	600
EC1/	29	33	55	55	18	9	161	197	144	86	96	296	589	586	476	558
Subtotal	1,385	1,716	1,852	1,663	2,086	2,055	1,454	1,750	2,306	2,481	2,627	2,694	2,610	2,674	2,764	2,868
Other	497	546	483	491	537	521	370	454	544	524	550	634	653	670	624	643
Total1/	1,882	2,262	2,335	2,154	2,623	2,576	1,824	2,204	2,850	3,005	3,177	3,328	3,263	3,344	3,388	3,511

Percentage Share of World Trade

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
United States	1	1	1	1	1	2	2	1	1	2	2	2	3	3	4	4
Australia	20	20	21	26	27	33	27	34	30	35	36	33	26	21	22	19
New Zealand	9	9	12	14	10	12	14	14	13	13	11	10	11	10	10	9
Uruguay	6	5	7	4	4	5	7	5	7	4	4	2	4	5	6	5
Argentina	32	34	31	22	27	21	16	12	18	19	23	21	14	15	12	11
Brazil	4	5	5	7	9	7	6	5	5	6	4	3	5	8	13	17
EC1/	2	1	2	3	1	1	9	9	5	3	3	9	18	18	14	16
Other	26	24	21	23	20	21	20	21	19	17	17	19	20	20	18	18

1/ Does not include trade among the EC member states.

* Forecast.

SOURCE: USDA/FAS/DL&P DATA BASE AND EUROSTAT NIMEXE TRADE BOOKS.

December 6, 1983

B-5

Total Exports of Whole Chickens and Parts

(000 MT)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 (est.)
Brazil	0	0	0	0	0	0	0	9	20	33	51	81	170	292	302	380
Hungary	27	25	36	43	38	37	48	59	72	83	85	90	95	101	130	180
U.S.	40	39	43	46	44	44	53	66	139	153	162	197	281	344	236	215
EC 1/	19	21	53	61	50	84	113	117	153	212	190	261	331	452	435	457
Other	1	4	4	7	5	14	26	26	19	53	37	46	56	48	46	50
World	87	89	136	157	137	179	240	277	403	534	525	675	933	1,237	1,049	1,282

Percent of World Trade

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 (est.)
Brazil	0	0	0	0	0	0	0	3	5	6	10	12	18	24	29	30
Hungary	31	28	26	27	28	21	20	21	18	16	16	13	10	8	12	14
U.S.	46	44	32	29	32	25	22	24	35	29	31	29	30	28	23	17
EC 1/	22	24	39	39	37	47	47	42	38	40	36	39	35	37	32	36
Other	1	5	3	4	4	8	11	9	5	10	7	7	6	4	4	4

1/ Does not include trade among EC states; Denmark is not included 1968 - 1973.

2/ Does not include Thailand which is the only other exporter of any significance.

FAS/DL&P:October 5, 1983:Doc.# 2784:Sys.C

B-6

05 OCT 1983

WORLD TRADE IN CHICKEN MEAT, 1968-1983

Exports of Whole Chickens

(000 MT)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 (est.)
Brazil	0	0	0	0	0	0	0	9	20	33	51	81	170	294	302	380
Hungary	27	25	36	43	38	37	48	59	72	83	85	90	95	101	130	180
U.S.	NA	11	12	11	10	8	10	13	57	61	58	85	139	152	48	15
EC[1]	18	19	50	56	44	73	106	105	140	200	178	248	316	433	413	435
Other	1	4	4	7	5	14	26	26	19	53	37	46	56	48	46	50
World	NA	59	102	117	97	132	190	212	308	430	409	550	776	1,026	939	1,060

Percent Share of World Trade

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Brazil	NA	0	0	0	0	0	0	4	7	8	13	15	22	29	32	36
Hungary	NA	42	35	37	39	28	25	28	23	19	21	16	12	10	14	17
U.S.	NA	19	12	9	10	6	5	6	19	14	14	16	18	15	5	1
EC[1]	NA	32	49	48	45	55	56	50	46	47	44	45	41	42	44	41
Other	NA	7	4	6	5	11	14	12	6	12	9	8	7	5	5	5

Exports of Chicken Parts

(000 MT)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
U.S.	NA	28	31	35	34	36	43	53	82	92	104	112	142	192	188	200
EC[1]	1	2	3	5	6	9	17	12	13	12	12	13	15	19	22	22
World[2]	NA	30	34	40	40	45	60	65	95	104	116	125	157	211	210	222

Percent Share of World Trade

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
U.S.	NA	93	91	88	85	80	72	82	86	88	90	90	90	91	90	90
EC[1]	NA	7	9	13	15	20	28	18	14	12	10	10	10	9	10	10

B-1

MAJOR SUPPLIERS OF WHOLE CHICKENS TO THE MIDDLE EAST 1/ (1964-1982)

NOTE: INCLUDES EGYPT

Year	U.S. Exports 2/		EC Exports 3/		Brazilian Exports 4/		Hungarian Exports 5/		Denmark Exports 6/		Other Exports 7/		TOTAL	
	MT	Percent	MT	Percent	MT	Percent	MT	Percent	MT	Percent	MT	Percent	MT	Percent
1964	1,594 8/9/	44.3	69	1.9	0	---	0	0.0	1,937	53.8	Not Available		3,600	100
1965	1,271	31.9	83	2.1	0	---	0	0.0	2,626	66.0	"		3,980	100
1966	1,521	27.5	44	0.8	0	---	200	3.6	3,767	68.1	"		5,532	100
1967	568	5.5	434	4.2	0	---	1,000	9.7	8,345	80.7	"		10,347	100
1968	454	4.5	312	3.1	0	---	1,900	18.9	7,376	73.5	"		10,042	100
1969	104	1.2	673	8.0	0	---	1,200	14.3	6,388	76.4	"		8,365	100
1970	181	2.1	1,728	20.3	0	---	0	0.0	6,618	77.6	"		8,527	100
1971	112	1.2	3,665	36.1	0	---	0	0.0	6,382	62.8	"		10,159	100
1972	67	0.1	8,403	45.1	0	---	1,700	9.1	8,466	45.4	"		18,636	100
1973	190	0.1	16,157	63.5	0	---	1,600	6.3	7,487	29.4	"		25,434	100
1974	1,618	3.0	48,219	89.7	0	---	3,900	7.3			"		53,737	100
1975	583	0.7	50,035	75.1	3,426	4.4	15,600	19.8			"		78,644	100
1976	29,075	18.2	86,451	54.2	18,551	11.6	25,500	16.0			"		159,577	100
1977	20,955	10.7	110,264	56.3	30,945	15.8	33,800	17.2			"		195,964	100
1978	3,249	1.4	143,621	62.3	48,432	21.0	35,300	15.3			"		230,602	100
1979	15,069	5.9	137,275	53.5	73,589	28.7	30,600	11.9			"		256,533	100
1980	69,951	15.9	206,423 10/	47.0	145,359	33.1	17,006	4.0			"		438,739	100
1981 11/	87,114	13.7	286,224	44.9	253,448	39.8	10,000	1.6			"		636,786	100
1982 13/	690	0.1	273,000	50.3	259,000	47.7	10,000	1.8			"		542,709	100
1976-82	32,303	9.2	177,608	50.5	118,475	33.7	23,172	6.6					351,558	100

1/ The Middle East includes Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, North Yemen, South Yemen and Egypt.

2/ U.S. Bureau of the Census, Dept. of Commerce, Schedule B, U.S. Exports of Domestic Merchandise (1958-1964: 00341 + 00345; 1964-1967: 011.4010 + 011.4020; 1967 - 011.4005 + 011.4015).

3/ Eurostat-Nimexe (1958-1966: 011.4; 1966-74: 00202.11; 1975- : 0202.01-05).

4/ United Nations Trade Statistics. Data are for poultry fresh, chilled, and frozen (SITC-0114) of which over 99 percent in recent years have been whole chickens, according to the Bank of Brazil (CACEX).

5/ Hungarian Statistical Yearbook. Data is for slaughtered whole poultry.

6/ Danish Trade Yearbooks, Kuartalsstatistik over Udenrigshandeln. Danish trade included with EC from 1974 (from 1972 for 1972-74 ave.).

7/ Estimated at less than 15 percent in most years.

8/ U.S. data converted from pounds to MT using 454 g/lb. conversion factor.

9/ Data for 1964-66 includes chicken parts and whole chickens. Both the EC and United States did not disaggregate poultry data prior to 1967.

10/ Preliminary estimate based on 1980 Country Handbooks for France, West Germany, Denmark, the United Kingdom and the Netherlands.

11/ Estimated, except for U.S. and Brazilian exports.

12/ Includes Denmark for 1972 and 1973.

13/ Estimated.

D-8

Table 2, page 1

WHEAT FLOUR: WORLD COMMERCIAL EXPORTS
CROP YEARS 1959/60-1981/82
(1,000 Metric Tons Wheat Equivalent)

	59/60	60/61	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70
Australia	744	747	654	577	871	702	486	527	483	377	310
Canada	964	856	824	697	1,501	772	988	678	526	528	626
U.S.	1,028	826	739	527	545	493	505	853	360	341	259
EC 1/	947	879	1,214	991	1,416	1,531	1,438	1,754	1,232	1,239	1,717
Other	94	14	13	89	126	182	147	280	894	402	481
Total	3,777	3,322	3,443	2,881	4,459	3,680	3,564	4,092	3,495	2,887	3,339

— Market Share —
(Percent)

	59/60	60/61	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70
Australia	20	22	19	20	20	19	14	13	14	13	9
Canada	26	26	24	24	34	21	28	17	15	18	18
U.S.	27	25	21	18	12	13	14	21	10	12	8
EC 1/	25	26	35	34	32	42	40	43	35	43	51
Other	2	*	*	3	3	5	4	7	26	14	14

1/ EC-6 until 1973; EC-9 thereafter
* Less than one percent

SOURCE: IWC Record of Operations

B-8

Table 2, page 2

WHEAT FLOUR: WORLD COMMERCIAL EXPORTS
CROP YEARS 1959/60-1981/82
(1,000 Metric Tons Wheat Equivalent)

	70/71	71/72	72/73	73/74	74/75	75/76	76/77	77/78 2/	78/79 2/	79/80 2/	80/81 3/	81/82 4/	82/83 5/
Australia	299	241	167	160	265	280	273	108	81	76	78	76	65
Canada	595	506	509	386	480	509	54	513	608	569	462	291	199
U.S.	265	252	313	282	357	493	335	505	440	466	404	287	828
EC 1/	1,496	2,111	2,382	2,356	2,204	2,653	2,095	2,761	2,926	3,679	4,047	3,897	2,662
Other	392	181	339	179	219	166	39	72	117	245	93	135	226
Total	3,047	3,291	3,710	3,363	3,525	4,101	2,796	3,959	4,172	5,035	5,084	4,687	3,980

-- Market Share --
(Percent)

	70/71	71/72	72/73	73/74	74/75	75/76	76/77	77/78 2/	78/79 2/	79/80 2/	80/81 3/	81/82 4/	82/83 5/
Australia	10	7	5	5	8	7	10	3	2	2	2	2	2
Canada	20	15	14	11	14	12	2	13	15	11	9	6	5
U.S.	9	8	8	8	10	12	12	13	11	9	9	6	21
EC 1/	49	64	64	70	63	65	75	70	70	73	80	83	67
Other	13	5	9	5	6	4	1	2	3	5	2	3	5

1/ EC-6 until 1973; EC-9 threeafter
2/ EEC food aid shipments were not separated from commercial transactions in data submitted to the IWC by the EEC for 1977/78, 1978/79 or 1979/80, but such transactions were reported separately again for 1980/81. Therefore, based on EEC wheat flour aid levels in the 6 years prior to 1977/78, we have estimated special transactions at 10.8% of total flour exports and have deducted these amounts in estimating EEC commercial shipments for 1977/78, 1978/79 and 1979/80.
3/ Adjusted for discrepancies in IWC data.
4/ Estimate
5/ Subject to review by IWC members

SOURCE: IWC Record of Operations.

B-9

NFDM: Major Exporters
(000 MT)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983*	1984**
EC1/	125	242	91	224	141	95	173	310	145	167	420	422	666	578	434	340	391	435
New Zealand	130	135	130	158	128	158	167	216	141	122	296	189	141	172	163	134	144	160
United States	197	190	154	196	170	138	17	12	54	61	74	122	84	131	155	144	225	250
Australia	54	40	40	53	50	42	60	94	67	95	110	36	18	12	6	28	36	36
Subtotal	506	607	415	631	489	433	417	632	407	445	900	769	909	893	758	646	796	881
Other	54	64	126	148	128	98	161	102	102	207	240	587	149	123	114	183	215	188
World1/	560	671	541	779	617	531	578	734	509	652	1140	1356	1058	1016	872	829	1011	1069

Percentage Share of Global Trade

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983*	1984**
EC1/	22	36	17	29	23	18	30	42	28	26	37	31	63	57	50	41	39	41
New Zealand	23	20	24	20	21	30	29	29	28	19	26	14	13	17	19	16	14	15
United States	35	28	28	25	28	26	3	2	11	9	6	9	8	13	18	17	22	23
Australia	10	6	7	7	8	8	10	13	13	15	10	3	2	1	1	3	4	3
Other	10	10	23	19	21	18	28	14	20	32	21	43	14	12	13	22	21	18

1/ Does not include trade among the EC member states.

* Preliminary

** Forecast

SOURCE: USDA/FAS/DL&P DATA BASE AND EUROSTAT NIMEXE TRADE BOOKS.

December 21, 1983

B-10

CHEESE: Major Exporters
(000 MT)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983*	1984**
EC 1/	105	128	109	114	116	134	109	188	160	201	208	207	264	327	351	370	378	381
New Zealand	104	100	88	91	93	88	95	68	65	81	79	70	63	69	80	81	75	76
Switzerland	40	46	47	47	45	46	53	52	54	55	63	57	60	64	65	63	63	64
Australia	26	35	26	41	38	33	30	38	34	32	53	44	51	61	54	61	48	62
Austria	14	15	17	21	21	24	27	30	31	33	35	38	38	41	43	43	43	44
Finland	16	17	18	21	20	20	23	23	21	30	33	37	38	38	34	35	40	35
East Germany	0	0	0	0	0	0	0	0	0	0	0	97	97	96	96	96	96	96
United States	10	12	10	10	13	14	14	16	15	16	17	20	5	6	6	18	20	25
Subtotal	315	353	314	345	346	359	353	415	380	448	488	570	616	702	729	767	763	783
Other	68	70	68	70	67	61	58	58	57	83	80	79	70	94	66	73	78	77
World 1/	383	423	382	415	413	420	411	473	437	531	568	649	686	796	795	840	841	860

Percentage Share of Global Trade

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983*	1984**
EC 1/	27.9	30.3	28.5	27.5	28.1	31.9	26.5	39.8	36.6	37.9	36.6	31.9	38.5	41.1	44.2	44.0	44.9	44.3
New Zealand	27.2	23.6	23.0	21.9	22.5	21.0	23.1	14.4	14.9	15.3	13.9	10.8	9.2	8.7	10.1	9.6	8.9	8.8
Switzerland	10.4	10.9	12.3	11.3	10.9	11.0	12.9	11.0	12.4	10.4	11.1	8.8	8.8	8.0	8.2	7.5	7.5	7.4
Australia	6.8	8.3	6.8	9.9	9.2	7.9	7.3	8.0	7.8	6.0	9.3	6.8	7.4	7.7	6.8	7.3	5.7	7.2
Austria	3.7	3.6	4.5	5.1	5.1	5.7	6.6	6.3	7.1	6.2	6.2	5.9	5.5	5.2	5.4	5.1	5.1	5.1
Finland	4.2	4.0	4.7	5.1	4.8	4.8	5.6	4.9	4.8	5.7	5.8	5.7	5.5	4.8	4.3	4.2	4.8	4.1
East Germany	0	0	0	0	0	0	0	0	0	0	0	15.0	14.1	12.1	12.1	11.4	11.4	11.2
United States	2.6	2.8	2.6	2.4	3.2	3.3	3.4	3.4	3.4	3.0	3.0	3.1	0.7	0.8	0.8	2.1	2.4	2.9
Other	17.8	16.6	17.8	16.9	16.2	14.5	14.1	12.3	13.0	15.6	14.1	12.2	10.2	11.8	8.3	8.7	9.3.	9.0

1/ Does not include trade among the EC member states.

* Preliminary

** Forecast

SOURCE: USDA/FAS/DL&P DATA BASE AND EUROSTAT NIMEXE TRADE BOOKS.

December 21, 1983

B-11

BUTTER: Major Exporters
(000 MT)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983*	1984**
EC1/	105	107	83	178	185	74	306	119	60	104	245	234	428	493	398	346	294	311
New Zealand	203	205	206	198	195	187	177	162	164	207	213	177	192	231	203	200	228	210
Australia	104	78	75	103	93	62	75	60	35	76	34	34	45	24	16	7	18	25
Finland	16	18	17	29	20	19	12	19	12	21	16	15	17	10	15	10	27	21
East Germany	0	0	0	0	2	1	0	0	0	0	0	39	28	35	36	37	38	39
United States	3	19	12	4	45	24	8	3	1	2	2	2	0	0	54	68	30	50
Subtotal	431	427	393	512	540	367	578	363	272	410	510	501	710	793	722	668	635	656
Other	117	98	107	112	54	70	66	86	55	64	58	51	38	39	53	66	90	89
World1/	548	525	500	624	594	437	644	449	327	474	568	552	748	832	775	734	725	745
Percentage Share of Global Trade																		
EC1/	19.2	20.4	16.6	28.5	31.1	16.9	47.5	26.5	18.4	21.9	43.1	42.4	57.2	59.3	51.4	47.1	40.6	41.7
New Zealand	37.0	39.1	41.2	31.7	32.8	42.8	27.5	36.1	50.2	43.7	37.5	32.1	25.7	27.8	26.2	27.2	31.4	28.2
Australia	19.0	14.9	15.0	16.5	15.7	14.2	11.7	13.4	10.7	16.0	6.0	6.2	6.0	2.3	2.1	1.0	2.5	3.4
Finland	2.9	3.4	3.4	4.7	3.4	4.4	1.9	4.2	3.7	4.4	2.8	2.7	2.3	1.2	1.9	1.4	3.7	2.8
East Germany	0	0	0	0	0.3	0.2	0	0	0	0	0	7.1	3.7	4.2	4.6	5.0	5.2	5.2
United States	0.6	3.6	2.4	0.6	7.6	5.5	1.2	0.7	0.3	0.4	0.4	0.4	0	0	7.0	9.3	4.1	6.7
Other	21.4	18.6	21.4	18.0	9.1	16.0	10.3	19.2	16.8	13.5	10.2	9.2	5.1	4.7	6.8	9.0	12.4	11.9

1/ Does not include trade among the EC member states.

* Preliminary

** Forecast

SOURCE: USDA/FAS/DL&P DATA BASE AND EUROSTAT NIMEXE TRADE BOOKS.

December 21, 1983

The CHAIRMAN. I think, finally, of course we are a legislative committee. If necessary are you also looking at legislative areas that might be proposed by the administration or do you need any more legislative authority? I mean, have you got plenty of authority to deal with the EC countries if they should go ahead and do whatever they might do on vegetable oil, or gluten, or whatever?

Mr. LIGHTHIZER. We have sufficient authority to take counteractions in that case under current law. It may be necessary at some point, depending on what they do, to seek additional authority, but we don't see any need for it at this point, Mr. Chairman.

The CHAIRMAN. Mr. Amstutz, do you have anything to add? I know you have been working on this closely.

Mr. AMSTUTZ. Thank you, Mr. Chairman. I concur with all the statements and responses from my distinguished colleagues here.

Senator BOSCHWITZ. Mr. Chairman, are you done?

The CHAIRMAN. I'm close. Go ahead. [Laughter.]

Because I want to take a look while you are questioning them.

Senator BOSCHWITZ. I wonder if Ambassador Lighthizer would comment on whether or not we are considering a streamlined system on dumping procedures in this country, particularly when used by Europe, and that in itself may snap them a little bit to attention.

Mr. LIGHTHIZER. Well, we are considering changes that have been proposed in the dumping laws. As I am sure you know, the Ways and Means Committee in the House is considering a variety of proposals in dumping and countervailing, and we are evaluating those. And the administration is coming to positions on them.

Speeding up times, and the like, is something that we have not ruled out and indeed may very well end up endorsing.

Senator BOSCHWITZ. It may be that this is an area where we can give you some legislative help and perhaps expand some authorizations that you have.

The CHAIRMAN. We may have additional questions to submit in writing, but I think we have covered essentially the highlights of the action. Are there any further meetings planned? I guess that's the next obvious question.

Secretary BLOCK. There will be some meetings shortly after the first of the year. Ambassador Lighthizer will be leading a team to address this agreement that the EC made to work on bringing down the price of their cereals to world market levels or alining them with world market prices. We agreed to work with them on this plan.

I don't think we know exactly how this will proceed.

The CHAIRMAN. You are also having meetings, as I understand, in January with the Soviets on maybe additional purchases.

Secretary BLOCK. Yes; consultations on January 24 and 25, at which time we will talk about their needs, our supplies.

The CHAIRMAN. What about the People's Republic of China? Are they going to buy what they said they would buy?

Secretary BLOCK. They say they will buy the 2 million metric tons, and I'm convinced they will.

I would not want to mislead everyone and assume that everything is perfect, because there are some textile problems still lurking in the shadows, and we are going to have to see how those come out; but as far as agriculture is concerned, I think we have come through in good shape here, and our relationship is in good shape right now.

Do you have anything to add, Dan?

Mr. AMSTUTZ. Just this, Mr. Chairman, that the major difference between the Chinese and us has been on this question of linkage. We contend that the grains agreement is a separate agreement, not linked to other commercial relationship questions, and they have always contended the reverse.

It was heartening several weeks ago, when, in response to our request for them to once more look at their obligations this year, that they did indeed indicate a willingness to fulfill their agreement. However, at the same time they indicated that willingness they mentioned the problem relating to countervailing duties. So, clearly, they still believe that this element of linkage continues to exist.

The CHAIRMAN. OK.

I appreciate very much your testimony, and we will keep in touch. As I say, there may be additional questions that we will submit in writing. Thank you.

We next have a panel of distinguished witnesses. We will now have the taxpayers' view. All these people work for the Government who are leaving now.

Our first panel consists of Donald E. Nordlund, chairman of the board of A. E. Staley Manufacturing Co., of Decatur, on behalf of the Corn Refiners Association; John Stevenson, president, National Corn Growers Association; E. Thurman Gaskill, past president, Iowa & National Corn Growers Association; and Glenn Tussey, assistant director, national affairs division, American Farm Bureau.

We will start with Don Nordlund, and I would recommend that you summarize the highlights of your statement or, if you want to, comment on anything that Secretary Block may have said. Then, after each witness has summarized we hope to have some questions from Senator Percy, Senator Boschwitz, or myself.

Don.

STATEMENT OF DONALD E. NORDLUND, CHAIRMAN OF THE BOARD, A. E. STALEY MANUFACTURING CO., DECATUR, ILL., ON BEHALF OF THE CORN REFINERS ASSOCIATION, INC.

Mr. NORDLUND. Thank you, Mr. Chairman

I will summarize my testimony. A full copy has been filed.

I appear here today on behalf of our company and other members of the Corn Refiners Association. We are here today to reiterate our serious concern with the European Community's common agricultural policy, which is the policy of subsidization, and we are specifically concerned with the actions being contemplated by the EC with reference to corn gluten feed, citrus pellets, and vegetable oils.

Both the Senate and the House have recorded their opposition to these measures with resolutions urging the President to use his full diplomatic powers to oppose their adoption by the EC. Nevertheless, a number of EC members continue to press for some type of restriction on U.S. farm products.

In the case of corn gluten feed, reports are that any amounts of imports above 3 million tons would be subject to punitive and restrictive duty. Currently, as you are well aware, GATT agreements between the two countries provide for duty-free entry of any amount of corn gluten feed into the Community.

Mr. Chairman, much has been made about the rapid growth of corn gluten feed exports to the EC. While these statistics provide interesting material for debate, the numbers in a sense are irrelevant.

Of more significance is the basic question that this issue raises—namely, will the United States continue to permit its vital agricultural and agribusiness interests to be unjustly compromised?

Certain members of the Common Market charge that unrestrained imports are forcing EC grains out of the animal feed markets. This is a classic ploy to divert attention from the serious internal difficulties faced by the Community. The facts are that during the period of 1974–83, EC imports of grain were down, while EC exports were up. Over the same period, EC usage of its domestic grain increased 8 million metric tons, while corn gluten feed imports rose only 2 million metric tons.

On the other hand, the effect of limiting corn gluten in imports would be immediate and severe in this country. Estimates from the USDA indicate that the restrictions contemplated would cost the U.S.-corn-refining industry $700 million over the next 5 years.

In summary, we in the corn-refining industry have been extremely gratified by the strong stance taken on this issue by Congress and the various agencies.

The next several months will be critical, and we urge a continued strong and unified stance in opposition to any changes in the current GATT agreement on corn gluten feed trade.

Thank you, and I will be pleased to answer any questions you or any member of the committee may have.

The CHAIRMAN. Thank you.

[Mr. Nordlund's prepared statement follows:]

PREPARED STATEMENT OF DONALD E. NORDLUND, CHAIRMAN, A. E. STALEY MANUFACTURING CO., DECATUR, ILL.

Mr. Chairman and members of the Committee: I am Donald E. Nordlund, Chairman of the A. E. Staley Manufacturing Company of Decatur, Ill. I appear today on behalf of our company and the other members of the Corn Refiners Association, Inc. A list of members of the Association is appended to my testimony. Corn refiners are engaged in processing corn into starches, syrups, alcohol, oils and animal feed ingredients, including corn gluten feed.

Corn refiners use around 600 million bushels of corn annually—one of every six bushels of corn sold in the United States in a normal production year. This year with reduced corn production, our industry will be using a far greater percentage of the corn crop available for cash sale.

Mr. Chairman, we appear today to reiterate our serious concern with actions being contemplated by the European Community which could have a major impact on sales of U.S. farm products, particularly corn gluten feed, citrus pellets and vegetable oils. Members of this panel are aware that the Community is considering an arbitrary import quota on the amount of corn gluten feed which may be shipped to Europe by American firms; it also is considering a consumption tax on vegetable oils which would reduce the amount of U.S. soybeans and soybean products which would be sent to Europe. Both the Senate and the House have recorded their opposition to these measures with resolutions urging the President to use his full diplomatic powers to oppose their adoption by the EC.

However, a number of EC members continue to press for some type of restrictions on U.S. farm products. In the case of corn gluten feed, reports are that any amount of imports above three million tons would be subject to a punitive and restrictive duty. Currently GATT agreements between the two parties provide for duty free entry of any amount of corn gluten feed into the Community.

Mr. Chairman, much has been made of the rapid growth of corn gluten feed exports to the EC. Statisticians on both sides of the Atlantic have spent countless hours analyzing and discussing both current and projected shipment levels of corn gluten feed. While this provides interesting material for debate the numbers are, in a sense, irrelevant.

Of more significance is the basic question that this issue raises: Will the U.S. continue to permit its vital agriculture and agribusiness interests to be unjustly compromised, or will it take a stand, signaling a new resolve to create a fair market once again for American farm products?

Certain members of the Common Market charge that unrestrained imports are forcing EC grains out of the animal feed market. This is a classic ploy to divert attention from the serious internal difficulties faced by the Community with the Common Agricultural policy. The facts are that during the period from 1974-75 to 1982-83, EC imports of grain were down 11.1 million metric tons while EC exports were up 10.3 million metric tons. Over the same period EC usage of its domestic grain increased 8 million metric tons while corn gluten feed imports rose only 2 million metric tons. Corn gluten feed accounts for no more than three percent of the animal feed used in Europe.

The effect of limiting corn gluten feed imports would be immediate and severe in this country. Estimates from the Department of Agriculture indicate that the restrictions contemplated by the EC would cost the U.S. corn refining industry $700 million over the next five years.

Beyond this immediate and direct cost to U.S. agriculture and agribusiness, acceptance of such limits would have far more serious long range implications. Acceding to unilateral EC action would indicate a willingness on the part of the U.S. to abandon long-standing trade agreements—the result of rigorous item-by-item negotiations. If restrictions are placed on corn gluten feed and, as we believe, have no material affect on the grain surplus in the EC, Community planners will soon be looking for another scapegoat for the failure of the CAP. The U.S. market for soybeans in Europe is our largest single farm export market. This trade currently takes place under the same legal framwork as does the gluten feed trade. The soybean trade would be an extremely inviting target if restrictions on gluten feed are imposed without U.S. countermeasures

Mr. Chairman, it is not our position to suggest what specific steps the U.S. should take in the event gluten feed restrictions are adopted by the EC. However, if such action does occur, it is vital for U.S. trade policy that we take firm countermeasures.

We in the corn refining industry have been extremely gratified by the strong stance taken on this issue by the Congress and the various agencies involved. The next several months will be a critical time in the EC deliberations on corn gluten feed imports. We urge a continued strong and unified stance in opposition to any changes in the current GATT agreement on corn gluten feed trade.

Thank you, and I will be pleased to answer any questions you or members of the committee may have.

The CHAIRMAN. I might say, before we hear from Mr Stevenson, there are literally dozens of witnesses who are willing to comment. I want the record to reflect that this is a matter of great concern to hundreds and thousands of businesses as well as farmers across the country. So what we have is a representative sample.

If anyone would like to file a written statement who was not invited to testify, we would be very happy to receive statements for the record.

Mr. Boschwitz, did you want to include something in the record at this point?

Senator BOSCHWITZ. I would like to include in the record a study that was given to me by Mr. Burton Joseph of the I. S. Joseph Co. from Minneapolis. At an appropriate point it should appear in the record.

The CHAIRMAN. Fine. We will have that added to the record following the testimony of this panel.

Mr. Stevenson, president of the National Corn Growers Association. John?

STATEMENT OF JOHN STEVENSON, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION, WASHINGTON, D.C.

Mr. STEVENSON. Thank you, Mr. Chairman.

It is indeed an honor to be here this morning. I am John Stevenson, president of the National Corn Growers Association and a grain farmer from Circleville, Ohio.

I would like to submit my testimony today and summarize it. Also I would like to submit for the record a letter dated December 2 that was sent to Secretary Shultz prior to his visit with the European community.

Paralleling your comment, and maybe anticipating your comment on "should world producers get together?", at a directors meeting we had just 3 days ago—the National Corn Growers—we decided that at our next annual meeting in July 1984 we would have an international day, and during that day we would have a panel of the world's producers—Argentine, Australia coarse grain producers—and also spend a half a day with those individuals who are our main purchasers of imports. So we are maybe making some inroads and trying to get some international understanding. We like your comment.

In 1975 corn gluten products amounted to about $4.4 billion in export trade to the European Community, and by 1980–81 they amounted to $9.5 billion. And we are presently exporting about 3 million metric tons of gluten. But we hear rumors that, if we do give in to the trade levies, and so on, and so forth, that they may want to reduce that to 2.8 or 2.9 million tons.

So we have become immediately very concerned, and from that basis we hope that we can draw a line on this kind of a situation.

We feel that, with a rather ineffective farm program before us now, we will probably have a production, with good weather, of 8.5 to 9 billion bushels. As a corn growers association, we realize that since the export market has deteriorated, to a degree, we are trying to advance domestic utilization. If we do that, we will be looking toward more corn utilization so far as alcohol is concerned, corn fructose; there is some experimentation being done utilizing corn as a binder for wallboard; there will also be some petrochemical displacement by corn chemicals. All these programs may relate to about a 5 billion additional utilization, but this will be 5 to 10 years down the road. But they ultimately amount to a greater export need of corn glutens. Therefore, we feel it is an imperative issue that we not give up anything on corn gluten exports. In fact, we have to be aggressive enough to even advance the utilization.

I was just recently returning from an East Asian trip, and we picked up a sense there that particularly South Africa is suddenly realizing that they can no longer pay the price of corn production subsidies in their country to enter the export market. Therefore, they may be more or less targeting for their own domestic production and not be the competitor in world corn production, coarse grain production, that they have been.

We think the stage is probably being set for more world fiscal responsibility, and in that light possibly—and we suggest—could have put some pressure on some of our other competitors, say Brazil, Argentina, and make them reach some more fiscal responsibility and not subsidize their exports to the tune that it is essentially making a net cost to their gross national product and everything else.

We do commend the administration for taking a stronger stance in all these various export issues as far as the GATT, the cap, and others. Certainly a stronger voice has been related than in any administration in the past 15 or 20 years, probably since the "chicken war" some years ago. And with all these issues we have a good spirit going. We hope it continues. We hope that the corn producers do not have to wind up maybe subsidizing the world again, as maybe we did in an embargo, by giving up some corn gluten markets.

Thank you very much, Mr. Chairman.

[Mr. Stevenson's prepared statement and the letter to Secretary Shultz follow:]

31-869 O—84——5

NATIONAL CORN GROWERS ASSOCIATION

Suite 201
1015 15th Street NW
Washington DC 20005
Telephone (202) 371-1450

EFFECTS OF PROPOSED EEC IMPORT POLICIES

ON U.S. CORN GLUTEN FEED AND SOYBEAN MEAL EXPORTS

by

John Stevenson, President

NATIONAL CORN GROWERS ASSOCIATION

before the

COMMITTEE ON FINANCE

UNITED STATES SENATE

on

December 12, 1983

I am John Stevenson, a corn and grain farmer from Circleville, Ohio, and the President of the Board of Directors of the National Corn Growers Association (NCGA). Mr. Chairman, I appreciate the opportunity to meet with you today to express the concerns of U.S. corn farmers about the agricultural policies of the European Economic Community and the effects they have on the trade of U.S. agricultural commodities.

Various representatives of our organization have testified before several committees of both chambers of the United States, as well as field hearings on this issue in several major corn producing states. In this regard, I would like to submit my prepared statement for inclusion in the record of these hearings, and to attempt to summarize my statement for you and the other members of the Committee on Finance. Before summarizing my statement, I would also like to submit for the record a copy of a December 2, 1983, letter to Secretary of State George Shultz from Dain Friend, Vice President of Legislative Affairs of the National Corn Growers Association.

As you well know, expanded agricultural trade is vital to the economic prosperity of the United States. In the past ten years, agricultural exports have returned $230.7 billion to the U.S. economy, thereby maintaining a positive agricultural trade balance, the only U.S. industry that can lay claim to such remarkable achievements. More fundamental, however, is the dependency of American farmers on the export market to ensure a reasonable level of income on the basis of efficient production and modern farm management. Without sustained U.S. farm exports to meet the food and fiber demands of the world, U.S. farmers are forced to look for income support from other sources, a measure that generally results in decreased production and an inefficient use of the most valuable resource in the United States.

Fortunately, we have continued to overcome the multitude of natural and artificial barriers that have affected U.S. agricultural exports. In 1975, just eight years ago, U.S. corn and corn by-product exports totaled 1.7 billion bushels, with an estimated value of $4.4 billion. In comparison, in the 1980/81 season, the United States exported 2.4 billion bushels of corn and corn by-products valued at $9.5 billion. These remarkable achievements are a credit to the efficiencies of American agriculture and the tremendous dedication of those involved in the production, processing, and transportation of U.S. agricultural products. The success we have enjoyed has been spurred on by the dependence we have on the export market for vast quantities of U.S. agricultural products, as well as the natural obstacles that have arisen from the challenges of moving large quantities of agricultural products onto the world market. However, we must also recognize the artificial barriers that have impeded expanded international trade and examine these issues to determine the existing and potential effects they may have on U.S. agricultural exports. The issues that bring us here today have caused immediate concern to those associated with the U.S. corn industry. Various reports recently emanating from the European Economic Community (EEC) indicate that future attempts will be made to restrict the level of U.S. corn by-product exports to the EEC.

Under the General Agreement on Tariffs and Trade (GATT), there has been a series of international tariff and trade negotiations during which comprehensive tariff and non-tariff barriers have been lowered and fixed among various trading countries. At the "Kennedy" round of tariffs and trade negotiations in 1967, the United States negotiated a "zero-duty import concession" on corn gluten feed from the European Economic Community (EEC). Since that time, the U.S. export volume of corn gluten feed to the European countries has grown to an annual amount of three (3) million tons. During 1980, the total value of U.S. corn gluten feed to the European countries was approximately $500 million.

The EEC Commission has now requested authority from the EEC Council of Ministers to put into place import restrictions to prevent any further growth in the importation of corn gluten feed. The United States is the overwhelming supplier of corn gluten feed to not only the European countries, but to the world market as well. The proposed EEC Commission corn gluten feed import regime would be designed to allow the 1981 volume of imports to enter the EEC countries duty-free at the three (3) million-ton level, but to impose a variable import levy on any additional import volumes greater than three (3) million tons.

Under the General Agreement on Tariffs and Trade (GATT), the European Economic Community has legal recourse under Article XXVIII to withhold, withdraw and/or modify previous tariff and trade concessions. This Article reads, in part:

ARTICLE XXVIII

Modification of Schedules

> 1. On the first day of each three-year period ..., a contracting party ... may, by negotiation and agreement with any contracting party with which such concession was initially negotiated and with any other contracting party determined by the CONTRACTING PARTIES to have a principal supplying interest ..., and subject to consultation with any other contracting party determined by the CONTRACTING PARTIES to have a substantial interest in such concession, modify or withdraw a concession included in the appropriate Schedule annexed to this Agreement.
>
> 2. In such negotiations and agreement, which may include provision for compensatory adjustment with respect to other products, the contracting parties concerned shall endeavor to maintain a general level of reciprocal and mutually advantageous concessions not less favorable to trade than provided for in this Agreement prior to such negotiations.
>
> 3. (a) If agreement between the contracting parties primarily concerned cannot be reached before 1 January ... or before the expiration of a period envisaged in paragraph 1 of this Article, the contracting party which proposes to modify or withdraw the concession shall, nevertheless, be free to do so and if such action is taken, any contracting party with which such concession was initially negotiated ... shall then be free not later than six months after such action is taken, to withdraw ... substantially equivalent concessions initially negotiated with the applicant contracting party.

The United States has three options to pursue in the event the EEC Council of Ministers votes to grant the EEC Commission the authority to regulate the importation of corn gluten feed: (1) to negotiate with the European Economic Community another set of tariff concessions on U.S. exports to the European countries "substantially equivalent" in value and volume lost from the modification of the "zero-duty binding" on corn gluten feed; (2) to withdraw unilaterally an equivalent concession in value and volume of previous U.S. tariff concessions to the European Economic Community; or (3) to employ the proposed EEC action as the beginning debate over the value and efficacy of the General Agreement on Tariffs and Trade to govern international agricultural trade.

The short and long-term implications for the proposed EEC import restrictions on corn gluten feed are far greater than just the imposition of an EEC variable import levy on corn gluten feed at a trigger volume of three (3) million tons reached each year. The concern of the EEC Commission is to prevent any further growth of corn by-products and near-grain substitutes, such as manioc, tapioca, etc. The EEC Commission request for this authority can be interpreted to include various other by-products of corn -- distiller's dried grain, high fructose corn syrup, etc. Consequently, the United States may not view the EEC Commission initiative simply as an attempt to regulate the importation of corn gluten feed. One only has to cite the EEC-Thailand agreement that put into place a voluntary export commitment by Thailand to hold tapioca exports to the European countries at no more than five (5) million tons a year. And, moreover, the EEC Commission initiative could well lay the precedent for attempting to restrain the level of U.S. soybean and soya product exports to the European Economic Community.

Irrespective of the ultimate decision by the EEC Council of Ministers about the request to restrict corn gluten feed imports to no more than (3) million tons each year -- irrespective because of the clear legality under the General Agreement on Tariffs and Trade -- such an EEC import regime on corn gluten feed would have additional domestic and international implication for the U.S. corn industry, particularly growers and processors.

With export access to the largest importer of corn gluten feed limited, the U.S. domestic processors would lose the opportunity for export expansion of corn by-products resulting from the potential growth in the U.S. sweeteners industry for high fructose corn syrup. Without a significant domestic or international export outlet for the by-products of corn utilized in industrial consumption, the price incentive for greater production of high fructose corn syrup is substantially negated.

Moreover, the sustained use of EEC export subsidies for moving increasingly significant volumes of sugar (sucrose) into world markets will only become more financially onerous to the European Economic Community. With increased volume of high fructose corn syrup displacing sucrose consumption in the United States, world sugar prices remain low and require even larger EEC sugar export subsidies to bring the higher domestic price of EEC sugar to the distressed world sugar price level. Consequently, the proposed EEC Commission request for authority to restrict corn gluten feed imports will encourage greater sucrose sugar consumption in both the United States and several developed-country foreign markets, increasing consumption and price of sucrose sugar to alleviate the growth in EEC export subsidies to move surplus EEC sugar into world markets.

The sustained utilization of sucrose by developed countries such as Japan, the Republic of China and others, due to price considerations, will only serve to inhibit the natural growth in use of high fructose corn syrup. The countries cited above have on numerous occasions expressed interest in developing the technological base necessary for the commercial production of corn sweeteners. Therefore, not only will the prospects for exports of processed corn sweeteners to these markets be impaired, the potential for increased exports of corn as grain for in-country processing may be lost.

The use of variable import levies by the EEC is certainly not a new development, but rather indicative of the restrictive tendencies of the Common Agricultural Policy (CAP) adopted by the member countries of the EEC. In order to properly assess the impact that reduced corn by-product exports would have on U.S. corn farmers and the entire U.S. corn industry, we first must examine the past export levels of gluten feed produced by the U.S. corn wet milling industry in terms of both volume and value. The table below outlines the levels of corn gluten feed and meal exports to all destinations for the 1971/72 marketing year through the 1981/82 year, including a partial listing for the 1980/81 season. In addition, we have indicated the percentage volume share of corn gluten feed and meal exports that were destined to the European Economic Community.

U.S. Exports of Corn Gluten Feed and Meal

	All Destinations		EEC
	1,000 Metric Tons	Million Dollars	1,000 Metric Tons
1971/72	338.0	21.7	327.0
1972/73	731.0	62.2	715.0
1973/74	765.0	86.9	743.0
1974/75	784.0	88.9	765.0
1975/76	977.0	117.5	952.0
1976/77	1,364.0	187.8	1,323.0
1977/78	1,631.0	208.5	1,601.0
1978/79	1,843.0	290.5	1,832.0
1979/80	2,461.0	414.0	2,456.0
1980/81	2,493.0	405.0	2,473.0
1981/82	2,629.0	437.0	2,624.0

* October-August

As you can see from the above data, we have experienced a steady increase in both the volume and value of corn gluten feed and meal exports from the United States the past several years. Since the 1971/72 marketing season, annual exports have increased by more than 2 million tons, or 740 percent, and have increased in value by more than $375 million. Even more revealing is the fact that corn gluten feed and meal exports to the EEC over the past ten years have, on the average, accounted for 98 percent of the total volume exported. Obviously, any disruption in the flow of corn gluten feed and meal from the United States would have serious effects, not only in the immediate sense in terms of reduced exports, but also through the effects of reduced demand in the long term and the impact this would have on various sectors of the U.S. corn industry.

Corn gluten feed is a medium protein feed and one of several by-products produced by the corn wet milling industry in the manufacture of its primary product, corn starch. The corn starch is utilized in its basic form or is further processed into corn sweeteners or into fuel alcohol. The wet milling industry in the United States has emerged as a major market for corn through the increased demand for corn sweeteners, which have moved from 23 percent of the total caloric sweetener market in 1975 to 32 percent in 1980, and also by increased utilization of fuel alcohol. As demand for these products continues to increase, so will the production of corn by-products such as corn gluten feed and meal. Therefore, the importance of the export market as a final destination for these by-products will continue to grow, and will remain a vital economic element to the sustained success of the industry. Inasmuch as the U.S. corn industry must continue to look abroad for expanded markets for the basic and semi-processed commodities, it is crucial that we strive to overcome the natural and artificial barriers that exist to expanded international trade.

We readily recognize the great success that has been achieved in increased world trade, and applaud the efforts of the international community to achieve a fairer, more open, world trading system. These efforts were highlighted by the successful conclusion of the Tokyo Round of Multilateral Trade Negotiations in 1979, wherein attempts were made to remove specific barriers to trade and to develop new rules to govern the international trading system. However, notwithstanding the many accomplishments of these negotiations, barriers to expanded international trade still persist and will continue in the years ahead unless equitable solutions to these difficult problems are found. In addressing the issue we have discussed here today, the U.S. Agricultural Counselor to France recently stated in a prepared report on the use of non-grain feeds and silages in France,

> "The Socialist Government has indicated interest in increasing French agricultural exports and reducing the dependence on agricultural imports. It is difficult to evaluate what type of changes in French and EEC agricultural policies would be required to accomplish this objective without creating serious consequences for the present patterns of world agricultural trade."

Consequently, we must continue to resist vigorously any further EEC measures to impose artificial barriers to expanded international trade and move forward with the purpose of expanding U.S. agricultural exports. There are many reasons we continue our efforts to achieve this objective, the most important of which are: (1) to assure a realistic income return to producers on the basis of production and management investment; (2) to realize the return from these farm exports as a significantly positive factor in the current balance of trade situation; (3) to reaffirm that the United States is the preponderant source and a reliable supplier of the major agricultural commodities at any time throughout any year; and (4) to utilize efficiently our uniquely valuable resources to meet the growing demand for the food and feed needs of the world.

We applaud the efforts of you and your colleagues in holding these hearings today. In addition, we completely support the House Resolution (H.R. 322) introduced by Representatives Durbin and Madigan, which should send a signal to European officials that these issues are critical and important to U.S. agriculture.

NATIONAL CORN GROWERS ASSOCIATION

Suite 201
1015 15th Street, N.W.
Washington, D.C. 20005
Telephone: (202) 371-1450

The Honorable George P. Shultz
Secretary of State
Washington, D.C. 20520

December 2, 1983

Dear Secretary Shultz:

The National Corn Growers Association has long contended that the United States should resist and oppose any measures by the European Economic Community to restrict the imports of U.S. corn gluten feed. During the past several years, cabinet-level officials in the Reagan Administration have consistently stated that the United States would not negotiate any modification of the GATT binding on European imports of U.S. corn gluten feed. Moreover, statements by these officials always warned that any measures by the Europeans to restrict such imports would produce immediate and effective retaliatory U.S. trade sanctions against the European Economic Community.

Our organization is dismayed at this point to learn that senior level officials in the Reagan Administration are now quietly and informally expressing the view that the United States will negotiate with and accommodate the European Economic Community following any EEC import restrictions on U.S. corn gluten feed. If this is the case, U.S. corn farmers will again lose an important export market for their product -- a continuous process of damage to U.S. agricultural trade in the development of the EEC's "common agricultural policy." Moreover, the restrictions on U.S. exports of corn gluten feed will have a significant impact on the domestic market for U.S. corn inasmuch as the U.S. wet corn milling industry will be denied the prospects for export growth of the corn gluten feed by-product from the manufacturing of corn into either high fructose corn syrup, ethanol, or both.

U.S. corn farmers urge you to consider the negative impact of the EEC proposal to restrict imports of U.S. corn gluten feed on U.S. grain farmers in your negotiations with EEC agriculture and trade officials. Any further erosion of export markets for either corn or corn by-products will only add to the mounting factors pointing to extremely low corn prices in 1984.

Sincerely,

Dain Friend

Dain Friend
Vice President for Legislative Affairs

DF:mj
cc: The Honorable Donald T. Regan
The Honorable Malcolm Baldrige
The Honorable John R. Block
The Honorable William E. Brock

The CHAIRMAN. Thank you, John. We will have some questions.

Our next witness is Mr. Gaskill from Iowa.

Thurman, we are pleased you are here, and I know that Senator Jepsen wanted to be here this morning. He is making a speech, either to the Corn Growers or the Farm Bureau—I am not certain which.

Mr. GASKILL. The Corn Growers.

The CHAIRMAN. The Corn Growers, in Iowa.

He had asked that you represent him, and represent yourself, and all your other associates. So we are pleased to have you here.

Senator Grassley had to leave for another meeting and said he wanted me to acknowledge your presence and welcome you to the committee.

STATEMENT OF E. THURMAN GASKILL, PAST PRESIDENT, IOWA & NATIONAL CORN GROWERS ASSOCIATION, CORWITH, IOWA

Mr. GASKILL. Thank you, Mr. Chairman. It is always a pleasure to appear before your committee.

Senator, your interest in agriculture is very much appreciated on my behalf and the corn producers of Iowa and the United States.

I am going to just summarize my comments here, and then I would be happy to answer any questions.

Iowa has been and is one of the leading States in the Nation in corn production, and not only in production but also in corn refining. We have six plants there and a seventh one being built. We process approximately 600,000 bushels of corn a day.

We are very concerned about the corn gluten issue in the EC.

This is an issue that has been turned around here and discussed many years, as you are well aware of, Senator. I guess I am very pleased at the level it is being discussed today and that it is being brought at this level by this administration, with trade with the EC.

I had the opportunity of hosting their Commissioner of Agriculture 1 year ago and his staff, and I found that your comments were very comparable to his on the basis of: "Are your farmers really concerned about trade with the EC, or is it just your Government?"

I, too, believe that perhaps an exchange of farmers here, which would have to be in cooperation with both Governments in order to have meaning, would be beneficial to both countries.

We seem to have a problem. Of course, we tried to stop it in the form of production, and they tried to produce it and sell it. And I think we have a concept here that is open to debate by the farmers of both countries. Our Governments have debated it for quite some time.

I will cease with my comments, and I would be happy to participate in any questions you may have.

[Mr. Gaskill's prepared statement follows:]

PREPARED STATEMENT OF E. THURMAN GASKILL, PAST PRESIDENT, IOWA AND NATIONAL CORN GROWERS ASSOCIATION

First of all, Mr. Chairman, thank you for allowing me to testify at this hearing. And may I extend to you my thanks for the leadership you have shown in the past and present regarding this very serious situation.

As an Iowa corn farmer, I want to give you the producer's perspective of this world trade threat.

As you know, Senator, Iowa is the nation's largest producer of corn. Our state generally accounts for 20 percent or more of the entire U.S. corn crop. Our record corn production of 1,758,950,000 bushels was set in 1981. Obviously, we corn growers like our jobs.

In fact, about the only thing we like better than growing corn is selling it. That's why I'm concerned about any action worldwide that would restrict our access to the markets for corn and corn products.

You see, our largest customer for corn is America's livestock industry. But even in the best of times, only about half of the crop we're capable of growing will be fed to U.S. livestock. So that's about 4 billion bushels of corn. Where does the rest go?

The next biggest outlet is the export market, using about 2 billion bushels, while No. 3 is industrial uses—requiring about 1 billion bushels of corn.

Iowa is not only the leader in corn production, it is the recognized leader in corn refining. We have six plants, with a seventh being built. Iowa's plants grind about 600,000 bushels of corn each day.

Wet millers take corn and turn it into alcohol—to improve the octane rating of gasoline, and high-fructose corn syrup—to sweeten soft drinks and candies. We see these two areas—ethanol and high-fructose corn syrup—as growth industries. The catch is that those two products are made from corn starch, which is 61 percent of the kernel. Of the remainder, 16 percent is water, 3.8 percent is oil and 19.2 percent is feed in the form of gluten and hull.

Something has to be done with the gluten and hull which, in fact, is protein and represents a high-quality livestock feed. Some progress is being made marketing it in its wet form to livestock producers within a 150-mile radius of a plant. But up until now, most of this product has been dried and pelletized for shipment to the European Economic Community countries.

Corn gluten feed totaled about $500 million of the non-grain feed ingredients exported by the U.S. to the EEC last year. To the degree that this market is restricted, the profit potential for America's corn refiners to produce high-fructose corn syrup and ethanol will be restricted. And in our society, when you reduce the opportunity to make money, you reduce the desire for a business to continue.

Now, getting back to those six corn processing plants in Iowa. They currently employ 1,700 people and have an annual payroll of more than $40 million. These plants contribute an estimated $1.27 billion each year to the state's economy. And the use of corn by refiners is estimated to increase the net farm income in Iowa by approximately $400 million.

That's why I'm concerned, Senator. When there's talk of restricting the export of corn gluten feed, the bottom line is my bank account as a corn grower.

Now, knowing corn growers as I do, I would suggest to you that we're going to grow corn next year regardless of what the EEC does with its Common Agricultural Policy. But if the demand for our commodity is sharply reduced because of that policy, we're going to have a lot of corn left over at the end of the year. That means a return to huge carryovers and the need for expensive government programs.

The U.S. Department of Agriculture has calculated that the EEC's CAP costs our nation $6 billion a year in lost trade. It says that lost trade results in a net loss in U.S. farm income of as much as $3 billion, and an increase of from $1 billion to $2 billion in U.S. government payments.

There are very few zero duty binding commitments in world trade today, Senator, and we can't afford to lose one. It is an important anchor in the arguments for free trade traditionally made by American farmers. It is an anchor that must hold if worldwide creeping protectionism is to be stopped.

Finally, our grain export markets are threatened by this suggested EEC policy change. In eight short years, the EEC has gone from a 10 million metric ton importer of grains to a 10 million ton exporter. Placing a quota on corn gluten feed imports would give the EEC additional money with which to finance the expansion of their grain industry through subsidized exports. The end results, or course, is fewer markets for my corn.

It seems to me that the EEC is asking the American farmer to pick up the tab for its expensive CAP. I am confident, Senator Dole, that you know of many better ways to spend our dollars.

Again, Mr. Chairman, I thank you. And I thank Iowa's Senator Roger Jepsen for helping to arrange my appearance before your distinguished panel.

The CHAIRMAN. The final witness of this panel is Glenn Tussey, who at one time had a very responsible position in the USDA, and we were also privileged to have Glenn with us a couple of years on the Senate Ag Committee staff. Now he is with the American Farm Bureau Federation, so he has a wealth of knowledge.

Glenn, we are pleased to have you here this morning, and we appreciate your comments.

STATEMENT OF W. GLENN TUSSEY, ASSISTANT DIRECTOR, NATIONAL AFFAIRS DIVISION, AMERICAN FARM BUREAU FEDERATION, WASHINGTON, D.C.

Mr. TUSSEY. Thank you very much, Mr. Chairman.

The CHAIRMAN. He is also from North Carolina.

Mr. TUSSEY. Oh, thank you. Your wife will be pleased that you included that. So am I.

We appreciate this opportunity. I think so much has been said here that what I would like to do is just say how some of our farmer members feel about some of the important trade issues that face us in dealing with the European Community.

Our farmer members have been greatly concerned over some of the subsidized exports of the European Community. We have seen our markets eroded not because our farmers feel that they are inefficient, but because the European Community and others have chosen to subsidize exports.

Now our farmers are confronted with not only the subsidized exports from the European Community, but they are confronted now with the recommendation of the EC Commission to place a variable levy and quantitative restrictions on corn gluten and a tax on vegetable oil.

A group of our farmers last year went to the European Community, visited a number of the countries there and also visited with EC officials in Brussels. The message to the Europeans at that time from our farmers was rather straightforward; it was this, simply this; that the commitment that the European Community made during previous trade negotiations to have a duty-free binding on corn gluten and soybeans was a solemn responsibility, and now many of our farmers are astounded that the Europeans want to renege on what our farmers consider was a deal.

You know, in rural America a lot of business is done on a handshake. We even have a saying in my part of the country, and I'm sure this is true all across rural America, that a person's word is his bond. And I think farmers view the responsibility of the EC to live up to their previous commitment as a bond. So we feel that a deal is a deal, and it should be lived up to.

We also feel that U.S. farmers should not be asked to help finance the common agricultural policy. The real culprit, as we know and as the Europeans must know, is the common agricultural policy itself, and the Secretary spoke earlier about some reforms that are needed in that.

So we told the Europeans that we think these issues that have been mentioned here this morning strike at the very heart of our trading relationship with the Community, and we hope that they will not pursue these matters with the GATT, because with the protectionism that exists today on both sides of the Atlantic a lot of things could come unraveled and we could end up with more protection rather than less protection in international trade.

Thank you very much, Mr. Chairman, for this opportunity.

The CHAIRMAN. Thank you, Mr. Tussey.

Again, I would indicate that everyone's statement will be made a part of the record

[Mr. Tussey's prepared statement and the study by the I. S. Joseph Co. follow:]

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION
BEFORE THE U.S. SENATE COMMITTEE ON FINANCE
REGARDING PROPOSALS OF THE EUROPEAN ECONOMIC COMMUNITY TO
REFORM ITS COMMON AGRICULTURAL POLICY

Presented by
W. Glenn Tussey, Assistant Director, National Affairs Division

December 12, 1983

Mr. Chairman, Farm Bureau appreciates this opportunity to comment on proposals of the E.C. to reform its common agricultural policy. We wish to especially focus on the proposal by the E.C. Commission to (1) place restrictions on the importation of non-grain feed ingredients, such as corn gluten and citrus pellets, and (2) impose a consumption tax on vegetable fats and oils.

While the trade problems with the E.C. have been accentuated by the worldwide economic recession and the relationship of the U.S. dollar to other currencies, the basic U.S./E.C. trade problems remain. The U.S. farmer through the years has seen levies and other E.C. restrictions curtail or virtually eliminate his market for some agricultural exports to the E.C. and then too he has had to face subsidized E.C. competition in third-country markets.

Farm Bureau supports the principles of the General Agreement on Tariffs and Trade (GATT) and encourages trade conducted in accordance with the GATT. In good faith, and with Farm Bureau support, our Congress endorsed the results of the "Tokyo Round", and they are included in our Trade Agreements Act of 1979.

This acceptance was based on confidence that other member-nations, including those of the European Community, would abide by these agreed-upon trading rules. We have been forced to question whether or not our confidence has been misplaced.

U.S. farmers are discouraged to see efforts made to undo zero-duty bindings and to capture markets from traditional suppliers by extensive use of export subsidies which are granted in a manner never envisioned under the subsidies code. These trading issues are placing our trading relations under severe stress. Everywhere there are signs of rising protectionism, both in our country and around the world.

Hunger that prevailed in Europe during and following World War II could understandably be used to argue for self sufficiency in European agriculture. However, through the use of farm price supports at above market levels, Europe has built a program of self sufficiency into what some have described as a "subsidized export machine". Certainly, the E.C. has moved into leading export roles in international trade by means of both production and export subsidies.

The Community is now challenging Australia as the third largest exporter of wheat. It is the largest exporter of poultry with 44 percent of the world trade in whole chickens. The Community is the second largest exporter of beef and veal and closing rapidly on Australia, the number one supplier.

These rapid changes from importer, to self sufficiency, to exporter have been achieved through the use of high internal price supports and export subsidies. This relieves the E.C. of its agricultural surpluses at the expense of other countries that have traditionally supplied export markets. The E.C. is exporting its surpluses while we resort to production adjustments.

American farmers now hear that the E.C. Commission proposals for reform of the Common Agricultural policy includes three that will adversely affect their incomes.

These proposals are:

(1) The imposition of a consumption tax on fats and oils,
(2) restrictions on the import of non-grain feed ingredients, such as corn gluten and citrus pellets, and
(3) a coordinated export strategy.

The proposed fats and oils consumption tax, which would apply to all fats and oils other than butter, is designed to give added protection to the Community olive oil and dairy sectors and yield additional revenue for the support of the CAP. As we understand it, the amount of the proposed tax has been set by the Commission at about $65 per metric ton. The E.C. imports 80 percent of the fats and oils it consumes, most in the form of soybeans, including about $4 billion in oilseeds and their products, annually from the U.S.

The restrictions on non-grain feed ingredients such as corn gluten feed and citrus pellets would be in the form of either quotas or duty increases. The U.S. exports about $700 million worth of non-grain feed ingredients to the E.C. annually.

We have heard few details about the proposed new E.C. export strategy, but we understand that it does specifically recommend the negotiation of long-term contracts with developing countries, particularly in the Middle East and North Africa.

The United States made valuable trade concessions to the European Community during previous rounds of GATT negotiations and, in effect, those concessions "paid" for these zero bindings on corn gluten and soybeans. Any serious threat to these duty-free bindings would strike at the very heart of our trading relationship with the Community and should bring swift retaliation by the United States.

We must emphasize that these issues, more than any other, have the greatest potential for seriously undermining trade foundations with the Community.

As with soybeans, there is also recognition in the United States that the zero-duty binding on corn gluten feed was "paid for" with U.S. counter concessions in previous negotiation rounds.

Congress, in previous resolutions, has asked President Reagan to notify the E.C. that this binding is not negotiable and that appropriate retaliatory steps be implemented should restrictions be placed on corn gluten.

Some have suggested that we now are on the brink of a global trade war; a war none of us want, none of us can afford, and which would produce only losers. Certainly, the subsidy issue and the threat to undo zero-duty bindings are placing great strain on normal trade relations at a time when economic conditions in the United States are far from normal. U.S. farmers are greatly upset over economic community efforts to capture markets from traditional suppliers by extensive use of export subsidies.

Last year, our Farm Bureau House of Delegates broke with the past when it endorsed retaliation, if necessary, against those nations which subsidize exports to capture world markets. Subsidy actions of the European Community were specifically mentioned.

The Farm Bureau delegates said that "appropriate measures" should be used to send a clear message to the international community and that the United States will no longer tolerate trade subsidies.

As this Committee knows, farm groups are being asked to support protectionist legislation.

The lack of progress with the E.C. trade problems makes it more difficult for U.S. farmers and their representatives to continue our opposition to protectionist measures. If the E.C. follows through now with the Commission proposal, undoing the zero-duty bindings coupled with aggressive export practices, the arguments of protectionists will seem more logical to those who have resisted them.

Farm Bureau vigorously supports the efforts of the Congress and the Administration to gain resolution to the trade problems that we are experiencing with the European Community. We hope that they can be resolved without having to resort to the practice of "fighting subsidies with subsidies". However, we cannot permit our export markets to be eroded and continue to absorb production adjustment while others increase their exports.

PLAYING BY THE RULES

The question then arises as to what can be done when rhetoric and negotiations do not gain access to markets nor remove unfair trade practices.

We must be competitive in world markets not only in price but also in export financing. We would like to achieve this through market forces. But if others will not play by free market rules and insist on gaining markets through price or credit subsidies, then we must meet that "brand" of competition.

We ask if we would not be further ahead five years from now in world markets if we were to shift a substantial portion of domestic farm expenditures to an effort that would make us truly competitive in world markets?

We are asking ourselves this question, and we believe it is also a good one for our government to consider.

Mr. Chairman, we appreciate having had the opportunity to appear before this Committee to express our views on E.C. trade practices, including the proposal to renege on duty-free bindings on corn gluten and soybean products.

December 12, 1983

BRIEFING PAPER

I. SUBJECT: MEETING OF TRADE AND GOVERNMENTAL INTERESTS ON BILATERAL TRADE ISSUES WITH FOCUS ON EEC (BRUSSELS) ATTEMPT TO RESTRICT EXPORT OF AMERICAN AGRICULTURAL BY-PRODUCTS TO THE EUROPEAN COMMUNITY

II. BACKGROUND

In 1958, the Treaty of Rome established the European Common Market which incorporated the Common Agricultural Policy (CAP). The parliamentary system and coalition governments of the Western Europe countries within the European Economic Community allows small political parties, particularly agricultural parties, to have a very effective central government lobby and, consequently, ministerial influence. As a result, benefits to agriculture in the EEC have been substantial.

What Brussels has yet to learn (as we responded to in the United States in the 1960's) is that it is not possible to have unlimited agricultural production combined with higher and higher internal support prices without running into an overwhelming financial obligation on the part of the central budgetary system.

Grain production in the European Community is protected from third country import competition by a variable levy system that provides the European farmer with internal support prices substantially over that of world markets. In order for third country grains to come through the ports of Western Europe to reach the consumers, a levy or duty must be paid to Brussels. This levy is generally so high (ranging from $50-$80 per ton)(Schedule 1) that it effectively bars third country grain, especially American wheat and feed grains, from entering into trade in the Community.

However, no comparable duty arrangement is permitted for the oilseed meals or the by-products of the agriprocessing plants in third countries (with a few exceptions, such as wheat millfeed and rice bran) as the by-products are bound by a treaty in GATT in Geneva to have zero levy or an insignificant levy. (If there is any violation to the binding in GATT, GATT rules stipulate that a penalty must be paid by the violating party.)

Because of very high prices, EEC grain production, particularly wheat and barley, is in heavy surplus -- now in the order of 20 to 21 million tons. Markets for these grains must be found. In the last several years, Brussels has aggressively sought out export customers by using heavy subsidies (Schedule 2) in order to compete at world prices. Consequently, a considerable volume of Western European grain has been sold in recent years to countries that have traditionally been accounts of the United States and Canada (Schedule 3).

Increasing cost of the European grain export programs and the declining income from the variable levy as less third country grain enters the EEC have resulted in two-thirds of the total EEC budget (25 billion) being consumed by agricultural programs. Also, the farmers and the feed lots of Western Europe must be given exaggerated prices for their production as their raw material costs are so high. Therefore, the high support price for dairy products has brought on a mountain of surplus dried milk, butter, and cheese. This, combined with substantially higher prices for beef and pork, forces the European household to pay close to 23% of its disposable income for food as contrasted to 16%-17% in the United States.

III. THE PROBLEM

What results from the above is an intensifying attempt on the part of Brussels (in a large measure prompted by French agricultural interests since French farmers do not compete as well as the Dutch, West Germans, or the UK farmers) to shut off the growing duty free import of U.S. and other third country agricultural by-products which, because of attractive duty free prices, has in increasing volume substituted for grains used in European compound feed manufacture and directly by farmers. (Schedule 4(a)(b)(c)) (Especially corn gluten feed and citrus pulp.)

Contrary to GATT rules, the commission in Brussels is now in the process of being persuaded by certain European agricultural interests to place a quota limit or a special duty on the import of agricultural by-products -- called grain substitutes in Western Europe. The trade feels that Brussels is prepared to raise some barriers to free access of grain substitutes. Third country protest to this in GATT is a long and tedious protest process. Brussels assumes that penalties affixed by Geneva will not be too heavy.

IV. UNITED STATES AND THIRD COUNTRY RESPONSE

As one might expect, opposition to this attempt to cut across free trade in agricultural products has been fought most vigorously by American interests. American agribusiness has grown in the aura of free trade but now is being hampered by the efforts of country after country to enlarge its own agriproduct export potential through the use of export subsidy or other devices to make its grains and agriproducts more competitive in world trade (Schedule 5(a)(b)(c)).

It is fully recognized around the world that no country can produce a unit of agricultural products as efficiently or economically as the United States. Therefore, if any one country, as a competitor to the United States, wishes to build an export trade in agriproducts, an export subsidy or other aids are an essential feature.

The American response has been to put Brussels on notice that if there is any attempt to close the current window to EEC markets for American agri by-products, a retaliatory response can be expected. This warning has been effective to this point, but it is becoming increasingly clear that Brussels, with its enormous budgetary problems (Schedule 6) has more concern about solving its financial troubles than to worry about the American threat to retaliate.

We expect that without future dramatic action on the part of the United States government, there is a real possibility that an immediate quota or duty will be established against the major grain substitute items entering into Western Europe, particularly corn gluten feed, citrus pulp, sugar beet pulp -- and a future but clear threat to soybean meal, soybean oil, cottonseed meal, cottonseed oil, sunseed oil, and a variety of other American products which have established substantial markets in the European Community. In all, there is nearly $6 billion worth of trade at risk.

V. THE FORM OF THE RESPONSE

1) To target by name, products, particularly of French origin, that have a substantial market in the United States, advising Brussels that the response will take the form of denying access to the United States of specific products.

2) To consider without delay the reinstitution of a grain and grain by-product export subsidy program which was set aside during the great Soviet drought years of 1971-72. (Schedule 7) It was through the use of the export subsidies before 1971 that American agricultural products were kept competitive in world markets. Many countries are amazed that the U.S. is providing them with the opportunity to produce agricultural products and to sell them profitably under the high priced umbrella of the American domestic price support program. Without a two-price system, American agriculture will find it increasingly difficult to sell the world markets. A Green Dollar Certificate export program has been suggested (Schedule 8).

3) To examine our policy on European imports to the U.S. which has seriously weakened our claim for free trade. What is needed is a streamlined system to quickly assess dumping procedures when used by Europe. An announced policy reexamination could immediately counter the current Brussels effort to bar or restrict our grain by-product imports to the EEC.

We all agree that the trade, political and military alliance of North America and Western Europe will not benefit with a continuance of the unfortunate agri trade dispute.

Schedule 1

Selected International Prices

Item	Nov. 29, 1983		Change from previous week	A year ago
ROTTERDAM PRICES 1/	$ per MT	$ per bu.	$ per MT	$ per MT
Wheat:				
Canadian No. 1 CWRS-13.5%.	199.00	5.42	-1.00	207.50
U.S. No. 2 DNS/NS: 14%...	185.00	5.03	0	182.00
U.S. No. 2 S.R.W.11/......	156.00	4.25	+4.00	158.00
U.S. No. 3 H.A.D.12/.....	198.00	5.39	-2.00	177.50
Canadian No. 1 A: Durum..	211.00	5.74	+5.00	204.00
Feed grains:				
U.S. No. 3 Yellow Corn....	159.00	4.04	+2.00	118.50
Soybeans and meal:				
U.S. No. 2 Yellow.........	310.00	8.44	+11.25	231.50
Brazil 47/48% SoyaPellets 2/	281.00	--	+8.00	229.00
U.S. 44% Soybean Meal.....	257.00	--	+6.00	219.00
U.S. FARM PRICES 3/				
Wheat.....................	124.19	3.38	-.37	131.18
Barley....................	81.30	1.77	-8.73	66.14
Corn......................	126.37	3.21	-1.18	92.12
Sorghum...................	105.82	4.80 4/	-.66	92.37
Broilers 5/...............	1329.81	--	+33.73	N.A.
EC IMPORT LEVIES				
Wheat 6/................	71.30	1.94	-4.30	89.35
Barley....................	46.95	1.02	-2.25	95.25
Corn......................	45.20	1.15	+4.30	94.65
Sorghum...................	59.95	1.52	+2.95	87.60
Broilers 7/...............	N.Q.	--	-- 8/	--
EC INTERVENTION PRICES 10/				
Common wheat(feed quality)	167.10	4.55	-.70	175.95
Bread wheat (min. quality)	183.10	4.98	-.75	194.10
Barley and all other feed grains.......	167.10	--	-.70	175.95
Broilers 9/.............	N.Q.	--	--	--
EC EXPORT RESTITUTIONS (subsidies)				
Wheat 10/................	41.40	1.13	+1.00	61.70
Barley....................	N.A.	--	--	70.70
Broilers 7/..............	N.Q.	--	-- 10/	--

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Optional delivery: Argentine. 3/ Based on selected major markets and adjusted to reflect farm prices more closely. 4/ Hundredweight (CWT). 5/ Twelve-city average, wholesale weighted average. 6/ Durum has a special levy. 7/ EC category--70 percent whole chicken. 8/ Reflects lower EC export subsidy-down to 20.00 ECU/100 bag effective 14 Sept 83 from 22.50 ECU/100 bag set in Feb 1983. 9/ F.o.b. price for R.T.C. broilers at West German border. 10/ Corrective amount in ECU's: Dec. zero, Jan. -3, Feb. -5, Mar. -6. 11/ January shipment. 12/ April/May shipment. N.Q.=Not quoted. N.A.=None authorized. Note: Basis December delivery.

Schedule 2

REUTER 0415

E.C. OILSEED CRUSHING SUBSIDIES SET
BRUSSELS, DEC 1 - THE EUROPEAN COMMISSION SET THE FOLLOWING SUBSIDIES FOR COLZA, RAPESEED AND SUNFLOWERSEED IN ECUS PER 100 KILOS EFFECTIVE DEC 1 WITH PREVIOUS RATES IN BRACKETS.

COLZA/RAPE 8864 (9408) SUNFLOWER 19237 (18954)

FOR ADVANCE FIXING - COLZA/RAPE DEC 8864 (9408)JAN 9304 (9928) FEB 9904 (10655) MAR 10424 (11275) APR 9855 (11547) MAY 9858 (11652)

SUNFLOWERSEED DEC 19237 (18954) JAN 19913 (19569) FEB 20372 (21160) MAR 20465 (21302) APR 20804 (21493)

REUTER 2424

E.C. GRANTS EXPORT LICENSES FOR WHEAT, BARLEY
PARIS, DEC 1 - THE EUROPEAN COMMISSION GRANTED LICENSES FOR THE EXPORT OF 330,000 TONNES OF SOFT WHEAT AT ITS WEEKLY GRAIN TENDER AT A MAXIMUM EXPORT REBATE OF 49.49 EUROPEAN CURRENCY UNITS (ECUS) PER TONNE, TRADERS HERE SAID.

THE WHEAT IS DESTINED FOR ALL ZONES EXCEPT FOR ZONE FOUR (LATIN AMERICA).

THE COMMISSION ALSO GRANTED LICENSES FOR THE EXPORT OF 50,000 TONNES BARLEY AT A MAXIMUM REBATE OF 33.90 ECUS, THEY SAID.

TTL 17042 1336 10004 0230 1120

E.C. COMMISSION RAISES WHEAT FLOUR EXPORT REBATE
BRUSSELS, NOV 28 - THE EUROPEAN COMMISSION HAS RAISED THE WHEAT FLOUR EXPORT REBATE TO 87 ECUS PER TONNE FROM 83 ECUS, EFFECTIVE NOV 25, COMMISSION SOURCES SAID.

THE SOURCES SAID THE REBATE HAS BEEN RAISED IN SEVERAL SUCCESSIVE STEPS OVER THE PAST TWO WEEKS, FROM 72 ECUS PER TONNE ON NOV 11.

REUTER 1429

BEST AVAILABLE COPY

31-869 O—84——7

FRENCH FIRM GETS SOVIET FLOUR CONTRACT

PARIS, DEC 1 - FRENCH COMMUNIST AGRICULTURE BARON JEAN-BAPTISTE DOUMENG OBTAINED A CONTRACT FOR THE DELIVERY OF 120 000 TONNES OF FLOUR TO THE SOVIET UNION, FRENCH STATE RADIO REPORTED.

THE RADIO DID NOT GIVE THE VALUE OF THE CONTRACT AND NO IMMEDIATE CONFIRMATION WAS AVAILABLE FROM DOUMENGS INTERAGRA FIRM.

DOUMENG LAST MONTH OBTAINED A CONTRACT FOR THE DELIVERY OF 1.5 MLN TONNES OF WHEAT TO THE SOVIET UNION, THE RADIO SAID.

TRADE SOURCES SAID LATER THE FLOUR CONTRACT WAS WORTH AN ESTIMATED 30 TO 35 MLN DLRS.

THE SOVIET CONTRACT GAINED BY INTERAGRA LAST MONTH WAS FOR 1.3 MLN TONNES OF WHEAT AND NOT 1.5 MLN TONNES AS REPORTED BY FRENCH STATE RADIO, THEY ADDED.

REUTER 1627

U.S. GRAIN EXPORT PROSPECTS DETERIORATE - USDA

WASHINGTON, NOV 29 - PROSPECTS FOR TOTAL U.S. GRAIN EXPORTS HAVE DETERIORATED OVER THE PAST MONTH, EVEN THOUGH THE OUTLOOK FOR WORLD WHEAT TRADE REMAINS STRONG, THE U.S. AGRICULTURE DEPARTMENT SAID.

IN ITS REPORT ON EXPORT MARKETS FOR U.S. GRAIN, THE USDA SAID AUSTRALIA, ARGENTINA AND THE EUROPEAN COMMUNITY HAVE MADE MAJOR WHEAT SALES.

INTENSE PRICE COMPETITION AND OTHER SPECIAL INDUCEMENTS, SUCH AS CREDIT AND REPORTED GRAIN BONUSES, EMPHASIZE THE COMPETITIVENESS IN THE WHEAT TRADE AT PRESENT, USDA SAID.

MORE 1706

E.C. COMMISSION AUTHORIZES WHEAT, BARLEY SALES

LONDON, DEC 8 - GRAIN TRADERS SAID THE EUROPEAN COMMISSION AUTHORIZED 202,000 TONNES OF SOFT WHEAT FOR EXPORT AT TODAYS TENDER AT 47.99 EUROPEAN CURRENCY UNITS (ECU) AND 120,000 TONNES OF BARLEY AT 35.45 ECUS PER TONNE.

REUTER 1108

BEST AVAILABLE COPY

EEC BY-PRODUCT IMPORTS

(000 M.T.)

	1973	1974	1975	1976	1977	1978	1979	(Est.) 1983
MANIOC	1663	2250	2337	3039	4162	6144	5939	5000
BRAN-RICE	134	233	267	417	435	450	467	400
WHEAT MILLFEED/ POLLARDS	1079	976	1237	1839	1700	1755	1885	1735
CORN GLUTEN FEED	800	647	1002	1041	1560	1929	2397	3700
BEET PULP	224	133	176	365	225	813	877	650
BREWERS, ETC.	68	69	68	124	150	642*	619*	600
CITRUS PULP	382	340	490	665	860	1016	1346	1200
ALFALFA			137	389	716	645	754	500
SOYMEAL	4605	4447	4695	5388	5657	6110	6070	6500
	8955	9095	10409	13267	15385	19504	20354	20285

* Nomenclature includes other articles

Source: I. S. Joseph Company (Netherlands) B.V. - December 1, 1983

Schedule 4(b)

UNITED STATES

CORN GLUTEN FEED

(in short tons)

Year	Total U. S. Production	Total U. S. Export	% Exported
1960	921,000	--	--
1961	943,000	11,000	1.2
1962	1,028,000	54,000	5.2
1963	1,110,000	121,000	10.9
1964	1,163,000	180.000	15.5
1965	1,229,000	245,000	19.9
1966	1,222,000	346.000	28.3
1967	1,243,000	334,000	26.9
1968	1,314,000	418,000	31.8
1969	1,351,000	441,000	32.6
1970	1,359,000	540,000	39.7
1971	1,409,000	545.000	38.7
1972	1,524,000	783,000	51.4
1973	1,676,000	881,000	52.6
1974	1,776,000	713,000	40.2
1975	1,897,000	1,105,000	58.3
1976	2,112,000	1,147,000	54.3
1977	2,478,000	1,727,000	69.7
1978	2,660,000	1,837,000	69.1
1979	2,770,000	2,202,000	79.5
1980	3,194,000	2,800,000	87.7
1981	3,450,000	3,073,000	89.1
1982	3,750,000	3,146,000	83.9
*1983	4,550,000	4,085,000	89.8

* First seven months actual, last five months estimated.

Schedule 4(c)

U. S. A.

CITRUS PULP

PRODUCTION & EXPORT

(Short Tons)

	Total Production	Tonnage Exported	% Exported
1965	421,000	--	
1966-67	574,000	5,000	0.87
1967-68	410,000	8,800	2.1
1968-69	530,000	38,500	7.3
1969-70	600,000	60,500	10.1
1970-71	640,000	80,300	12.5
1971-72	670,000	135,300	20.2
1972-73	740,000	251,900	34.0
1973-74	780,000	182,600	23.4
1974-75	808,000	259,600	32.1
1975-76	845,000	396,000	46.9
1976-77	1,050,000	660,000	62.9
1977-78	894,000	565,400	63.2
1978-79	884,000	643,500	72.8
1979-80	1,088,000	936,100	86.0
1980-81	983,000	698,500	71.1
1981-82	739,000	577,500	78.1
1982-83	735,000	556,000	75.6
*1983-84	1,025,000	800,000	78.1

*Estimate

Prepared by: I. S. Joseph Company, Inc.
Minneapolis, Minnesota U.S.A.

Schedule 5(a)

ARGENTINE 1983 GRAIN/OILSEED EXPORTS RECORD HIGH

BUENOS AIRES, DEC 6 - ARGENTINE GRAIN, OILSEED AND BY-PRODUCTS SHIPMENTS IN THE FIRST 11 MONTHS OF 1983 REACHED A RECORD 25,530,679 TONNES, 13.2 PCT ABOVE THE PREVIOUS RECORD OF 22,548,858 TONNES FOR THE WHOLE OF 1981 AND UP 43.8 PCT FROM 17,757,471 TONNES IN THE SAME PERIOD LAST YEAR, GRAIN TRADE SOURCES SAID.

EXPORTS IN NOVEMBER TOTALED 1,284,000 TONNES, 76.7 PCT ABOVE THE 723,499 TONNES OF NOVEMBER LAST YEAR. FOLLOWING ARE NOVEMBER EXPORTS IN TONNES, WITH FIGURES FOR NOVEMBER 1982 IN BRACKETS --

BREAD WHEAT 340,900 (6,600), MAIZE 218,800 (243,419), GRAIN SORGHUM 340,500 (113,670), SOYBEANS 72,800 (64,853), OILSEED SUBPRODUCTS 295,000 (283,241), SUNDRY PRODUCTS 16,000 (11,716).

MORE 1746

REUTER 1751

ARGENTINE 1983 GRAIN/OILSEED 2 BUENOS AIRES

EXPORTS DURING JANUARY-NOVEMBER 1983 WERE AS FOLLOWS, IN TONNES, WITH FIGURES FOR SAME PERIOD LAST YEAR AND THE WHOLE OF 1981 IN BRACKETS -

BREAD WHEAT	9,477,975	(3,466,625)	(3,660,079)
DURUM WHEAT	NIL	(4,844)	(97,989)
MAIZE	6,246,216	(4,822,534)	(9,112,118)
GRAIN SORGHUM	5,093,425	(5,081,062)	(4,931,501)
SOYBEANS	1,382,650	(1,798,416)	(2,206,084)
OILSEED SUBPRODUCTS	2,971,100	(2,288,227)	(2,062,268)
SUNDRY PRODUCTS	359,313	(295,763)	(478,039)
TOTAL	25,530,679	(17,757,471)	(22,548,858)

REUTER 1752

BEST AVAILABLE COPY

Schedule 5(b)

NEW ZEALAND THREATENS TO UNDERCUT EC BUTTER COST

WELLINGTON, OCT 28 - NEW ZEALAND WILL UNDERCUT EUROPEAN COMMUNITY BUTTER PRICES ON THE WORLD MARKET IF THE COMMUNITY REDUCES NEW ZEALANDS BUTTER QUOTA ANY FURTHER THAN ALREADY PROPOSED, NEW ZEALAND DAIRY BOARD CHAIRMAN JIM GRAHAM SAID.

"IT SIMPLY MEANS THAT WE WILL HAVE TO SELL THE BUTTER AND WE WILL HAVE TO SELL IT AT A PRICE," HE SAID IN AN INTERVIEW WITH THE DOMINION NEWSPAPER HERE. "IF THAT PRICE IS BELOW THE EEC PRICE, THEN THAT WILL HAVE TO BE.

"WE WOULDNT BE DUMPING BUTTER, BECAUSE WE ARE STILL SELLING BUTTER ABOVE THE CURRENT PRICE OF MANUFACTURE, BUT WHAT WE HAVE SAID QUITE CLEARLY IS THAT WE HAVE HAD A RESTRAINED VOLUME OF DAIRY PRODUCTS CONTINUALLY GOING ON TO THE WORLD MARKET AND THAT WE WILL CONTINUE TO SELL THOSE PRODUCTS, DAY IN, DAY OUT, YEAR IN, YEAR OUT."

to D.C.

MORE 0243

NEW ZEALAND THREATENS 2 WELLINGTON

"WE HAVE BEEN ABLE TO COOPERATE WITH THE EEC ON THE BASIS OF THERE BEING AN ABILITY UP TO NOW FOR US TO DIVERSIFY INTO OTHER MARKETS."

THE COMMUNITY IS PROPOSING TO CUT NEW ZEALANDS BUTTER ACCESS FROM THE PRESENT RATE OF 87,000 TONNES TO 83,000 NEXT YEAR, WITH A REDUCTION OF 2,000 TONNES FOR EACH OF THE FOLLOWING FOUR YEARS, ENDING WITH AN ALLOCATION OF 75,000 TONNES IN 1988.

GRAHAM, WHOSE ORGANIZATION CONTROLS ALL EXPORTS OF DAIRY PRODUCE FROM NEW ZEALAND, HAS JUST RETURNED FROM A VISIT TO EUROPE.

REUTER 0244

BEST AVAILABLE COPY

Schedule 5(c)

ARGENTINE OILSEED EXPORTERS DENY SUBSIDIES
BUENOS AIRES, DEC 8 - ARGENTINAS OILSEED EXPORTERS DENIED CHARGES BY EUROPEAN TRADERS THEY ARE SUBSIDIZING SOYMEAL EXPORTS AND PROTESTED THAT THE EUROPEAN COMMUNITYS OWN OILSEEDS INDUSTRY IS SUBSIDIZED AND PROTECTED.
NOLLY SARKIS, SECRETARY OF THE ARGENTINE OILSEEDS INDUSTRY ASSOCIATION, SAID IN A WRITTEN STATEMENT THE FEEDCRUSHERS AND OIL PROCESSORS FEDERATION OF THE E.C. (FEDIOL) HAD BEEN ARBITRARY IN DEMANDING A COMMUNITY INVESTIGATION INTO ARGENTINE SALES PRACTICES AND THE IMPOSITION OF COUNTERVAILING DUTIES.
MORE 1722

ARGENTINE OILSEED EXPORTERS 2 BUENOS AIRES
THE E.C. IS CURRENTLY CONDUCTING A THREE MONTH INVESTIGATION INTO FEDIOLS ALLEGATIONS AND IS EXPECTED TO DECIDE WHETHER OR NOT TO TAKE ANY ACTION AGAINST ARGENTINE SOYMEAL EXPORTS IN MID JANUARY, TRADE SOURCES SAID.
SARKIS DENIED THAT ARGENTINAS OILSEEDS INDUSTRY BENEFITTED FROM CHEAP GOVERNMENT CREDIT OR EXPORT SUBSIDIES. HE ACCUSED THE E.C. OF PROTECTING ITS OWN OILSEEDS INDUSTRY WITH SUBSIDIES AND A FIVE TO 15 PCT EXTERNAL TARIFF ON IMPORTS OF VEGETABLE OILS.

CANADA SELLS CHINA 1.4 MLN TONNES OF WHEAT
//// WINNIPEG, DEC 2 - THE CANADIAN WHEAT BOARD ANNOUNCED A SALE OF 1.4 MLN TONNES OF WHEAT TO CHINA, TO BE SHIPPED FROM PACIFIC COAST PORTS THROUGH JULY, 1984.
THE SALE PROVIDES FOR DELIVERIES OF NUMBER ONE, TWO, AND THREE CANADIAN WESTERN SPRING WHEAT, AND CANADIAN WESTERN RED WINTER WHEAT, THE WHEAT BOARD SAID.
THE SALE WAS FOR CASH WITH PAYMENT IN CANADIAN DLRS, AND IT WAS NEGOTIATED IN WINNIPEG BETWEEN REPRESENTATIVES OF THE CANADIAN WHEAT BOARD AND CEROILFOOD, THE CHINESE GRAIN IMPORTING AND EXPORTING ORGANIZATION, THE BOARD SAID.
REUTER 1751

Schedule 6(a)

DELORS SEES FRENCH E.C. BUDGET PLAN KEY TO DEAL
PARIS, NOV 29 - A FRENCH PLAN TO IMPOSE STRICT BUDGET DISCIPLINE ON THE EUROPEAN COMMUNITY COULD PROVIDE THE KEY TO AGREEMENT AT NEXT WEEKS ATHENS SUMMIT ON RESHAPING THE E.C.S FINANCES, FRENCH FINANCE MINISTER JACQUES DELORS TOLD REUTERS.

"EVERY MEMBER STATE IS HAVING TO CONTROL ITS BUDGET, WHY SHOULD THE E.C. BE AN EXCEPTION."

HIS PLAN FOR AN ANNUAL CEILING ON E.C. SPENDING, SUBJECT TO QUARTERLY REVIEW AND CONSULTATION WITH THE COMMUNITYS PARLIAMENT, WAS TABLED AT A JOINT MEETING OF E.C. FOREIGN AND FINANCE MINISTERS IN BRUSSELS YESTERDAY.

IT WAS IMMEDIATELY WELCOMED BY WEST GERMANY, BRITAIN AND THE NETHERLANDS, BUT PROVOKED INITIAL OBJECTIONS FROM SOME SMALLER STATES FEARING AN ATTEMPT BY THE LARGER MEMBERS TO REDUCE THE BENEFITS OF E.C. MEMBERSHIP.

REUTER 1719

Schedule 6(b)

REUTER 0339

E.C. FACES PROBLEM SEEKING FARM SUBSIDY FUNDS

ATHENS, DEC 7 - THE EUROPEAN COMMUNITY COMMISSION FACES AN IMMEDIATE PROBLEM OF FINDING THE MONEY TO CONTINUE FARM SUBSIDIES FOLLOWING THE DEADLOCK AT THE SUMMIT WHICH ENDED HERE YESTERDAY, COMMISSION OFFICIALS SAID.

THE HEADS OF GOVERNMENT DISCUSSED THE POSSIBILITY OF INCREASING THE COMMUNITYS SOURCES OF MONEY, BUT REACHED NO AGREEMENT.

THE OFFICIALS NOTED THE COST OF OPERATING THE COMMON AGRICULTURAL POLICY COULD BE UP TO FOUR BILLION DLRS MORE THAN THE 16 BILLION DLRS AVAILABLE FOR 1984 FARM SPENDING.

MORE 0344

E.C. FACES PROBLEM 2 ATHENS

THE COMMISSION ALREADY PLANS TO DEFER UNTIL THE END OF JANUARY FROM LATER THIS MONTH THE PUBLICATION OF ITS FARM PRICE PROPOSALS, DUE TO BE DECIDED BY AGRICULTURE MINISTERS IN THE SPRING.

IT IS EXPECTED TO PROPOSE A WIDE RANGE OF PRICE AND OTHER CURBS TO KEEP WITHIN THE BUDGET.

OFFICIALS HAVE INDICATED IT WILL PROPOSE TO LIMIT THE AMOUNT OF MILK ON WHICH IT OFFERS SUBSIDIES, CUT CEREALS PRICES AND REDUCE SUBSIDIES ON PORK PRODUCTS, OLIVE OIL, AND FRUIT AND VEGETABLES.

MORE 0345

Schedule 7

MORE 1346

CARGILL MANAGER OPPOSES ;3 DES MOINES

HUBER CALLED FOR AN END TO TARGET PRICES, SAYING SOME OTHER MEANS SHOULD BE FOUND TO MEET FARM INCOME GOALS WITHOUT DISTORTING MARKET SIGNALS.

REGARDING UNFAIR TRADE PRACTICES, HUBER URGED THE UNITED STATES TO FIGHT SUBSIDIZED EXPORTS WITH ITS OWN SUBSIDIES, "TO PRESERVE MARKETS AND TO HURT THE EUROPEAN COMMUNITY WHERE IT HURTS THE MOST."

AT THE SAME TIME, HE SAID, THE UNITED STATES SHOULD NEGOTIATE WITH THE COMMUNITY TO REDUCE THE HIGH PRICE SUPPORTS THAT GENERATE SURPLUSES AND MAKE SUBSIDIES ATTRACTIVE IN THE FIRST PLACE.

REUTER 1347

The CHAIRMAN. I want to yield first to Senator Percy. I know earlier you indicated you had a meeting with Mr. Nordlund and the Chinese Ambassador. I don't know if you want to follow on on that. We are happy to have Mr. Nordlund here as a witness.

Do you have any questions of anyone on the panel, Senator Percy?

Senator PERCY. Yes. Thank you, Mr. Chairman.

Some of you have suggested that we take a very strong countermeasure to retaliate against any corn gluten limits, that if we did that there may be some boomerang effect on it, some people have suggested that, at least, and it might drive the Europeans to buy in other markets.

What is your own judgment in this matter? We certainly want to be guided by you on it. We have heard a lot today of the resolve of the Government on this issue, but how strong is the resolve of the private sector to take risks if the EC just continues to persist and we see that they are going to pay no price for it?

Mr. Nordlund.

Mr. NORDLUND. I think that you touched upon really the key issue and the key thing that we have working for us, and that is the firm resolve of the administration and Congress on this issue.

I suspect that the threat of retaliation is going to be the key. I ~~would~~ personally hate to see the trade war emerge to the point where we had to take countermeasures, because I suspect that retaliation, as such, is never a very effective mechanism; it's a better threat than it is a remedy.

I think, on the other side, when one looks at the other potential, and that is as has been suggested the compensatory remedies available under GATT, that these are really not satisfactory remedies from our standpoint because it's very difficult to pinpoint the compensation, in this case, to the injured parties.

So I guess my answer, Senator Percy, is that I hope that the administration and everyone concerned with this issue will continue with the firm resolve and that the Europeans will understand that we are deadly serious, both as a government and as the private sector, on these issues. I think the private sector is going to be willing to hang tough.

Senator PERCY. Thank you very much.

At one time, I believe it was during the Carter administration, because of the byproducts of ethanol manufacture, it was estimated that we would try to ship to Europe 10 million tons of corn gluten feed. Those estimates have not proven anywhere near right. We are running what—4 to 4.5 million tons? What do you see ahead for the European market? And, therefore, is there any assurance that you can give in those figures? The 10 million tons that was talked about before was never achieved; we have never even come close to it, and we probably won't in the future.

Mr. NORDLUND. Well, I think your statement on that is absolutely correct, that the initial hype of where the ethanol business was going to take us certainly has not proved to be a realistic expectation.

I think one must understand also the cause which creates the European market for corn gluten feed. Actually, the fact is that it is really in a sense substituting for imports of other feed grains, because their common agricultural policy is protecting the local corn producer in the Common Market to such a high extent through levies on imported maize that it is no longer an economic ration.

If in fact, and Secretary Block was discussing it earlier in his testimony, the EEC could begin to move their own subsidies down so that their prices more nearly reached the level of world prices, then of course the corn gluten problem for them really sort of disappears. I don't think it is going to help their indigenous crops very much, but it certainly would bring in other feed grains from this country.

So I don't think it is a very realistic expectation that we will see corn gluten feed going into Europe at the 10-million ton level. To the best of my knowledge, although the gentleman from Iowa indicated that there is another plant being built in Iowa, I think that's the only one that is currently on the drawing board. So I don't see that we are going to expand anywhere near that level.

Senator PERCY. Possibly, in conclusion, Mr. Stevenson could clarify maybe where the confusion lies, because you did appear before the Government Affairs Energy Subcommittee that I chaired 2 years ago to discuss ethanol from corn. I want to thank you for that testimony, by the way. Since you testified, ethanol sales have doubled. So we are making good progress.

But some EC officials seem to believe that there is no limit to the growth of the ethanol industry and that there seems to be a leveling off, and also that corn gluten is a byproduct of the wet process, which represents only half of the production; the dry process used for the rest of the production is something that they don't have to worry about, then. So maybe that's where the confusion came from.

Mr. STEVENSON. Very possibly so, Mr. Chairman and Senator.

Of course, there is still the probability that the corn chemical industry will be expanding, and I think that is where we want the increased potential of the corn gluten situation, because that industry will be similar to the wet-milling industry, and that's where we want to keep the doors open, so to speak.

I think I would dispute maybe some of the industry experts that the ethanol industry has leveled off. I think there is expansion on the horizon, if we can get a more viable tax situation, tax-credit situation, and some similarities that would enhance us to maybe more appropriately fight a petroleum industry that has been heavily subsidized over the years, that we can make greater inroads because society will be the beneficiary of these programs. We are putting a lot of emphasis on that.

Senator PERCY. Thank you very much, indeed.

Mr. NORDLAND. Senator, if I may, I would just like to supplement his statement briefly, because he made reference to the chemical industry and the fact that we are anticipating that products from corn will make some inroads in the replacement of petrochemicals.

I should add, also, that our industry has a strong research orientation, and among the projects that I know my personal company, and I'm sure other members of the industry are also researching, is alternate uses for corn gluten feed. But this takes time.

Senator PERCY. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Boschwitz?

Senator BOSCHWITZ. Mr. Chairman, I have no questions. We have reviewed these things quite thoroughly during the course of the morning. As a matter of fact, I will probably leave the hearing so I can join you this afternoon at the budget hearings. I have some stuff to get done in the interim. But I thank you for holding these hearings, and I think they are very useful. I hope that they send the message that indeed needs to be sent and that is sent with great sincerity but with great force, as well.

So if I leave a little early, I trust that the subsequent witnesses will understand. And I thank you for holding the hearings, Mr. Chairman.

The CHAIRMAN. We have a little time now. Thurman, do you have anything you can add? If we had known you were here early, we would have had you come to the breakfast. We discussed a number of these things, about how the CAP presently impacts on our exports, and I think that is probably something you are aware of in Iowa. Do you have any specific examples?

Mr. GASKILL. I think, Mr. Chairman, that the Secretary commented on that in his statement. He covered that area very well this morning, and it is something that, as you are well aware of, has been laying there for the past—oh, since 1974 to 1976, when I first became involved in the EC. I was glad to hear the Secretary make those comments and kind of reiterate some of the things that have transpired. But I think it is most important that you pursue this at the highest level in both governments—our Government and the EEC.

The CHAIRMAN. Glenn, do you have anything else? We are just trying to make a record here so that I understand we are serious about it.

Mr. TUSSEY. Mr. Chairman, I would like to add a figure to what the Secretary said. He mentioned how our market for poultry had been eroded. I checked recently. Some European visitors were coming to our office, and I wanted to check the figures. I checked them, and they now have 44 percent of the whole chicken market in the world—world trade. Forty-four percent.

The CHAIRMAN. John, do you have anything else to add?

Mr. STEVENSON. Yes, sir, Mr. Chairman.

I think the success we have just had with the Chinese over the textile LTA situation also sets a stage for trying to continue the series of successes, that we are telling the world that we are firm traders and we are not going to mess around anymore, and we are going to do something about it.

Thank you, sir.

The CHAIRMAN. Well, as I have indicated, and as I indicated in my statement which I will ask to be made part of the record at the outset of the hearings, this is a matter of concern; it is a matter of concern to a lot of Senators, obviously, who are not in Washington right now because we are in recess. But I can indicate that there is strong bipartisan support for what we are trying to do and for what you are trying to do. I mean, it is not a Republican or Democrat, whatever, interest; it is an interest of many of us. There was never any intent at all that there should ever be any quotas established, and I think, as has been pointed out by Mr. Nordlund and others, it is a long way from what they may suggest.

So we are determined, if necessary. I asked Secretary Block and Mr. Lighthizer if there is any legislative action that should be taken. I think we should be prepared.

We also believe it would be helpful if in fact they did know certain items that we might target, if in fact they are serious about this. They have the same problem we have. They are spending too much money in agriculture, just as we are. And we have got to figure out some way. It seems to me if those of us from farm States can't provide leadership in lowering the cost of farm programs, we are going to have the Members of Congress from New York City and other cities do it for us. I mean, the target-price concept passed the Senate by one vote—no; the whole farm bill passed the House by two votes, wasn't it, Glenn, in 1981? And I think the target-price concept survived the Senate by one or two votes—one vote in the committee. Then it was going to be too expensive. Well, we have demonstrated that we were not accurate; it was much more expensive than we thought.

So, hopefully we can continue to work with all the groups who are represented here today, trying to fashion maybe a different approach or some approach where there would be more emphasis on exports, and maybe get the market price up, and maybe put the money there rather than in some target-price mechanism. I don't know.

Well, we appreciate very much your coming, and I hope you will give Roger our best.

Thank you.

Our final panel consists of Bobby F. McKown, executive vice president, Florida Citrus Mutual, Lakeland, Fla.; Roger Asendorf, first vice president, American Soybean Association, St. James, Minn.; and Sheldon Hauck, president of the National Soybean Processors Association, Washington, D.C.

Sheldon, let me apologize to you for not calling you earlier this morning.

Mr. REED. He couldn't be here. I will take his place.

The CHAIRMAN. Oh, that's why we didn't have you listed this morning. I didn't have a chance to call on you, so I apologize for that now.

Well, all of you attended the breakfast, and I think we had a very good discussion. It would be helpful if you could summarize your statements, then maybe we might have some questions.

We will need your name for the record, then.

Mr. REED. My name is John G. Reed, Jr. I am vice president, international, of Archer Daniels Midland Co., and I am here in my capacity as chairman of the International Trade Policy Committee of the National Soybean Processors Association.

The CHAIRMAN. Good.

Bobby, do you want to start off?

STATEMENT OF BOBBY F. McKOWN, EXECUTIVE VICE PRESIDENT, FLORIDA CITRUS MUTUAL, LAKELAND, FLA.

Mr. McKOWN. Thank you, Mr. Chairman.

In this statement I have summarized my summary, and it's all on behalf of the Florida Citrus Mutual, the Florida Citrus Processors Association, and the Florida Department of Citrus.

Citrus pulp is a byproduct of citrus juice production, and it's used and by and large exported as a high carbohydrate feed to the EC.

It is estimated that our 1983-84 exports to the EC will exceed $100 million. Approximately 78 percent of the 718,000 tons processed in 1982 and 1983 was exported, the vast bulk to the EC, and 90 percent of the Texas production was exported there as well.

The EC agreed to a bound zero duty rate in the multilateral trade negotiations for nongrain feed items including citrus pulp. The EC has proposed new changes in its CAP to resolve its financial problems by restricting importation of nongrain feed ingredients. This would shift the burden of the EC's production surpluses to U.S. exporters who have moved to fill the European market demand.

The EC Council of Ministers should be strongly urged—and I emphasize "urged"—not to implement programs which would violate tariff trade bindings and disrupt both U.S. exports and internal markets. The EC should be informed of U.S. intentions to enforce its rights under the GATT and to seek negotiated equivalent tariff concessions should this program be implemented.

We urge that whatever steps are available be taken by the United States within the principles of the GATT, to avoid the adverse impact the current EC proposals would have on U.S. producers of citrus pellets.

We have submitted our formal statement for the record, and we would be more than happy to provide additional data to assist the committee in this deliberation.

Thank you.

The CHAIRMAN. Thank you very much.

Roger.

[Mr. McKown's prepared statement follows:]

Statement of Bobby F. McKown on Behalf of Florida Citrus Mutual, Florida Citrus Processors Association, Florida Department of Citrus

My name is Bobby F. McKown. I am Executive Vice President and General Manager of Florida Citrus Mutual, a voluntary cooperative association whose membership consists of more than 13,339 active Florida citrus growers, with headquarters at 302 S. Massachusetts Avenue, P.O. Box 89, Lakeland, Florida, 33802. I speak on behalf of Florida Citrus Mutual, the Florida Citrus Processors Association and the Florida Department of Citrus.

These comments are submitted for your consideration in connection with your review of the proposals of the Commission of the European Communities to restrict or otherwise adversely affect exports from the United States to the E.C. of non-grain feed ingredients, including citrus pellets. Appended hereto are descriptive summaries of each of the bodies which support the comments in this submission. The citrus grower and processor members of this coalition are engaged in the production of citrus pulp pellets, which are used as a high-carbohydrate feed, and are a by-product of juice production engaged in by the Florida, Texas, and other citrus industries.

We are greatly concerned about and strongly opposed to the recent proposals of the Commission of the European Communities, in connection with reform measures for the E.C.'s Common Agricultural Policy (CAP), to impose an internal consumption tax on fats and oils, other than butter, and to restrict the importation of non-grain feed ingredients, such as corn gluten feed and citrus pellets. We support the efforts of this Committee, as well as those of the Senate and House Committees on Agriculture, to develop a clear record of the

31-869 O—84——8

damaging impact such proposals would have on agricultural and trade relations between the United States and the European Communities. We also support the U.S. Department of Agriculture and the U.S. Trade Representative in their efforts to discourage the E.C.'s adoption of restrictive, and possibly, GATT-violative trade measures, in an attempt to shift the burden of the CAP's financial problems.

The citrus industry is an extremely important segment of Florida's economy, accounting for over 30 percent of the $4 billion of Florida farm-gate receipts in 1981. There are an estimated 16,000 citrus growers in Florida, representing almost 20 percent of the 86,000-plus people directly employed in the Florida citrus industry in jobs ranging from harvesting to research.

Citrus pulp pellets have developed over the last ten to fifteen years as a major alternative feed source due to the high, supported prices in the E.C. for feed grains. Along with such substitutes as corn gluten and soybean meal, citrus pulp pellets are used in the E.C. in increasing quantities. In the 1983/84 year, it is estimated that in excess of $100 million of citrus pellets from Florida will be exported to the E.C. It is estimated that, overall, approximately $700 million worth of U.S. non-grain feed substitutes are exported to the E.C., and would be directly affected by any proposed E.C. import restrictions.

Attachment A demonstrates the growth of citrus pulp production in Florida since the 1977-78 season. Although some recent declines in production were evident, due to unusual consecutive freezes, the amount of citrus pulp processed has reached substantial levels. This has been accompanied by an increased European demand for citrus pellets as a stock feed source, and Attachment B illustrates the growth in E.C. export volume over the last ten years. Recovery of the Florida industry from the recent freezes will result in further growth in this export market to meet the increased European demand. The volume of exports has increased from 18 percent of Florida production in the 1972-73 season to 78 percent of production in the 1982-83 season. In addition, some 90 percent of the Texas production of citrus pulp pellets is exported to the European Community, and the same export/domestic marketing relationship applies to the Texas citrus pellet production as to Florida. The U.S. industry is neither government subsidized nor price-supported. It is obvious that the export market, and especially the European Community, is essential to the welfare of this industry, and contributes significantly to the United States balance of payments.

The E.C. is now considering reforms in its Common Agricultural Policy which may include duty increases or quantitative restrictions on imports of citrus pulp, as well as other non-grain feed ingredients. We understand the intent of this proposal is to eliminate the E.C.'s existing system of price supports, bring E.C. prices more in line with world market levels, and eliminate E.C. export subsidies which are relied upon to dispose of production surpluses stimulated by CAP programs. The dubious benefits to be gained by the E.C. through such restrictions place the burden directly on Florida and other U.S. producers of citrus pulp and non-grain feeds, and threaten to disrupt internal U.S. markets as well, as citrus pellet production searches for alternative markets after having built to substantial levels in meeting the overseas demand.

Apart from the policy rationales for the CAP proposal, we feel that unilateral import restrictions of the kind being considered by the E.C. may violate the General Agreement on Tariffs and Trade, and the tariff bindings undertaken by the E.C. during multilateral trade negotiations. At the time of the Tokyo Round, a zero-duty rate was bound for non-grain feed articles (including citrus pulp) in exchange for tariff concessions by the United States on imports of other products from the E.C. The Florida citrus growers and processors have a right to rely on this binding. The Florida citrus growers and processors have moved to fill the market demand in Europe by expanding domestic capacity and production efforts, and have met the need of European livestock producers for reasonably priced non-grain feed substitutes.

While it is presently unclear what the legal basis might be for the E.C. action, the United States would certainly have recourse to equivalent value duty concessions or the withdrawal of offsetting tariff concessions in response to the E.C. action. If the E.C. proposal is undertaken pursuant to Article XXVIII of the GATT, the E.C. Council should be notified of U.S. intentions to demand negotiated equivalent value duty concessions for other articles, and absent any acceptable, negotiated solution, to withdraw unilaterally substantially equivalent trade concessions pursuant to Article 28(3) of the GATT. If the E.C. proposal is undertaken pursuant to Article

XIX,[1] the U.S. should also notify the E.C. of its intent to suspend substantially equivalent concessions on products of the E.C., pursuant to Article 19(3), in the event that a negotiated settlement cannot be reached.

While alternative remedies might be available to the United States under Section 301 of the Trade Act of 1974, we feel that unilateral, non-negotiated responses would be neither prudent nor effective in addressing the scope of this problem. The Florida citrus industry has supported and will continue to support free and fair trade concepts, and seeks only equitable treatment and multilateral adherence to fair trade principles and previously negotiated duty bindings. Retaliatory actions by any trading partner will not effectively resolve the serious threat the E.C. action poses to the U.S. citrus industry, but will simply result in further self-generative retaliation.

To this end, we support the principles and objectives expressed in H. Res. 322, that the Congress should express its sense to the President that he should urge, and take whatever steps are available to encourage, the Council of European Community Ministers to reject the E.C. Commission proposals to shift to the United States the financial burden of disposing of E.C. agricultural surpluses, especially the burden on U.S. producers of citrus pulp pellets.

1/It seems doubtful that Article XIX could be used as a basis for the E.C.'s withdrawal of concessions, since the action appears not to be intended to remedy injury to E.C. producers of like or directly competitive products, but rather to enhance the financial position of the CAP and control internal E.C. prices.

We are mindful of the failure of the Council of Ministers to reach a consensus during its meetings on December 5 and 6, on the wide-ranging problems facing the European Communities over the Common Agricultural Policy. The impending, unresolved financial crisis which thus confronts the E.C. now raises the further possibility that emergency measures might be taken by the Council or the Commission without full deliberation of the consequences of individual components of such a budget compromise. FCM is concerned that quotas, tariff-rate quotas, or other forms of "unbinding" of the E.C. tariff concessions on citrus pulp and other non-grain feeds, could result from a sweeping and hurried short-term resolution of the CAP financial problems. Consequently, it is now crucial that the United States express its position to the Council of Ministers that any action adverse to U.S. exporters of citrus pulp and other non-grain feed sources must be avoided, or that such actions will definitely result in a U.S. claim for compensation under the GATT.

Florida Citrus Mutual is ready to assist and respond to any inquiries or questions from the Committee and provide any further details in support of our position.

Respectfully submitted,

Bobby F. McKown
Executive Vice President
Florida Citrus Mutual

ATTACHMENT A

PULP FOR CATTLE FEED FROM FLORIDA

	Tons Processed	Tons Exported EEC	FOB Price Per Ton
77/78	850,000	550,000	$68-83
78/79	800,000	579,027	85-111
79/80	1,092,428	798,139	106-114
80/81	989,637	625,432	113-119
81/82	724,000	483,000	91-105

July, '83
Price - $117

No tariff to EEC

FCM
10-4-83

Attachment B

SHIPMENTS OF DRIED CITRUS PULP FROM FLORIDA

	Total Shipments (000 tons)	Exports * (000 tons)	Percentage Exported	Dollar Value ($000)
72/73	768	141	18	7,508.3
73/74	754	183	24	12,215.3
74/75	799	223	28	17,672.8
75/76	851	320	38	26,665.6
76/77	971	563	58	49,684.7
77/78	943	500	53	46,997.5
78/79	911	643	71	62,156.7
79/80	1,088	904	83	101,323.3
80/81	951	667	70	77,538.8
81/82	770**	549**	71	54,351.0
82/83	718**	563**	78	65,871.0

Source: Published data of the Florida Citrus Processors Association; Dollar Values Computed by Florida Citrus Mutual.

* Estimated to be in excess of 90% to the EEC

** Reduced tonnage as a result of severe freezes in 1980 and 1981 which substantially reduced the citrus crop. With more normal crops expected in 1983-84 and future years, the tonnage of pulp is expected to increase substantially since the production of citrus pulp (shipped in pellet form to EEC) is directly related to crop size.

FCM
10-4-83

FLORIDA CITRUS MUTUAL

Florida Citrus Mutual is now in its 35th year as a Lakeland-based service and informational entity for more than 13,339 citrus grower members banded together as a voluntary cooperative nonprofit association.

Its operations cover a broad spectrum of activities, all interrelated and with one purpose in mind - representation of the best interests of grower members.

One of Mutual's main services is daily market information upon which the grower can make his decisions concerning the marketing of his fruit. Along with market information, routine activities range from consumer demand studies to efforts in seeing the development of the best possible advertising programs, improvement of quality of all citrus products, development of new products, maintenance of an adequate tariff structure, seeking standards of identity for citrus products, taking a direct hand in research and development of a workable mechanical harvesting system, achieving a theft and vandalism protection program and serving the growers' needs in such areas as environmental concerns, taxation, water management, property rights and development of new markets for citrus products.

Basically, Florida Citrus Mutual deals in all forces brought into play in the production, distribution and marketing of citrus and citrus products.

Florida Citrus Mutual is governed by a 21 member Board of Directors elected annually by the membership.

Mr. Bobby F. McKown
Executive Vice President
Florida Citrus Mutual
Post Office Box 89
Lakeland, Florida 33802
813/682-1111

FLORIDA CITRUS PROCESSORS ASSOCIATION

The Florida Citrus Processors Association is a voluntary trade association whose membership is comprised of 48 citrus processing firms which represent all major processing outlets located in Florida which produce frozen concentrated citrus juices and canned and refrigerated citrus juices and citrus fruits.

The members of the association, in utilizing 93% of the total Florida orange production and about 60% of the Florida grapefruit production, annually produce in excess of one billion single-strength equivalent gallons of 100% citrus juices.

Mr. Warren E. Savant
Executive Vice President
Florida Citrus Processors Ass'n
P. O. Box 780
Winter Haven, Florida 33880
813/293-4171

STATE OF FLORIDA, DEPARTMENT OF CITRUS

The Florida Department of Citrus, formerly known as the Florida Citrus Commission, is a full-fledged department of the Executive Branch of State Government. It was established in 1935 to stabilize and protect the Florida citrus industry. It is headed by a board of twelve growers appointed to staggered 3-year terms by the Governor and confirmed by the Florida Senate. This board is known as the Florida Citrus Commission.

The Department is charged with the administration of the state's citrus fruit laws and under those laws it has broad regulatory and police powers with respect to packing, processing, labeling, and quality standards, etc., of Florida citrus fruit and products, and the licensing of those who deal with them. Also, the Department conducts extensive advertising and promotion programs and carries on continuing broad-scale scientific, economic, and marketing research activities, all in behalf of the Florida citrus industry. Current annual expenditures are approximately $32,000,000 funded exclusively from special excise taxes assessed on each box of citrus grown in the State of Florida.

A primary concern of the Department is the protection and enhancement of the quality and reputation of Florida citrus fruit and products.

Dr. W. Bernard Lester
Executive Director
Florida Department of Citrus
Post Office Box 148
Lakeland, Florida 33802
813/682-0171

STATEMENT OF ROGER ASENDORF, FIRST VICE PRESIDENT, AMERICAN SOYBEAN ASSOCIATION, SAINT JAMES, MINN.

Mr. ASENDORF. Thank you, Mr. Chairman. I appreciate the chance to meet before yourself and the members of the committee.

I am Roger Asendorf from Saint James, Minn., a corn and soybean producer. The American Soybean Association appreciates this opportunity to discuss its concerns with the European Community's proposed consumption tax on all fats and oils.

With almost half of the total U.S. exports of soybeans and soybean meal currently being sold to the EC at a value of almost $4 billion, the U.S. soybean farmers understandably regard any attempt to undermine their unfettered access to the EC with the greatest concern.

Our analysis indicates the proposed 7.5 ECU per 100 kg assessment on soybean oil would amount to a 35-cent-a-bushel tax on American soybeans and result initially in a reduction in EC soybean oil consumption of between 85,000 to 150,000 metric tons annually. The impact of dumping that much soy oil on an already surplus world oil market will be a 3- to 6-percent decline in world oil prices. Of course, it will be the U.S. soybean farmers that will suffer the costs of the tax in the form of lower soybean prices.

While imposition of the tax at the 7.5 ECU per 100 kg level would not have an immediate large impact on soybean prices, our greatest concern is with what may happen in the future if the United States allows the tax to be imposed.

If the tax is accepted at the modest level proposed, the United States will be powerless to oppose increases in the future. What if that tax were raised to 75 ECU per 100 kg and applied only to soybean oil? Of course, the result would be a virtual collapse of the soybean oil consumption within the EC and a flood of soybean oil onto the world market. Yet, that is exactly what may happen if the protectionists within the EC have their way. They view soybeans as the hole in the dike of the common agricultural policy and will never cease their efforts to close that hole.

ASA is also concerned with the EC proposals to cap imports of corn gluten feed and citrus pellets. We recognize that if the EC is successful in capping imports of those nongrain-feed ingredients, it will then move to place a similar cap on soybean and soybean meal imports. For that reason we urge the Reagan administration to refuse to accept a negotiated cap on nongrain-feed-ingredient imports.

Mr. Chairman, the American soybean farmers are proud of the fact that our industry over the years has had little Government involvement and has required very small Federal outlays in the form of price supports. We have been able to maintain such a market-oriented farm policy because of the success we have achieved in the export market. If we begin to see a loss of our huge European market, it will be very difficult to continue such a policy. Thus, it is important not only to us but to the nation as a whole that the fats and oils tax be defeated.

We appreciate your support in that effort.

I thank you, and I would be happy to answer any questions.

The CHAIRMAN. Thank you very much.

Jack.

[Mr. Asendorf's prepared statement follows:]

Prepared Statement of Roger Asendorf, First Vice President of the American Soybean Association

Thank you, Mr. Chairman.

I am Roger Asendorf, a farmer from Minnesota, where I produce soybeans and corn. I appear here today in my capacity as the First Vice-President of the American Soybean Association. ASA commends the Chairman for calling this hearing to investigate the proposed internal consumption tax on fats and oils by the European Community. We thank you.

The American Soybean Association is a national, volunteer, non-profit, farmer-controlled, single commodity association organized to assure the opportunity for a profitable soybean industry. ASA is supported by over 450,000 soybean farmers who voluntarily invest in ASA programs through 24 separate statewide soybean checkoff programs. ASA seeks to maintain soybean profitability through its foreign market development, research, producer and public information, and government relations programs.

The ten nations of the European Community (E.C.) collectively purchased 46.6% of total U.S. exports of soybeans and soybean meal in CY 1982. E.C. purchases of soybeans from the U.S. were valued at $2,961,100,000 while the value of meal imports from the U.S. was $902,986,000. The total value of $3,864,086,000 was more than 10% of total U.S. exports of all agricultural commodities during 1982. Soybean meal is used in the E.C. for livestock and poultry feeds. Soybeans imported into the E.C. are processed there into soybean meal and soybean oil with the soybean oil primarily used for the production of margarine, salad oils, shortening and cooking oils. Some soybeans have been used in recent years for animal feed without the oil being extracted, but with the current high level of world oil prices such full-fat feeding of soybeans has practically ended.

The E.C. has evolved into the world's largest market for U.S. soybeans and soybean meal for two main reasons. First, the E.C. has been and still is highly deficient in vegetable protein for livestock and poultry feeds and in vegetable oil. Second, recognizing its protein needs, the E.C. agreed in negotiations with the U.S. in 1962 to bind in GATT its import duties for soybeans and soybean meal at zero. The U.S. paid for those bindings by making offsetting trade concessions to the E.C. At the same time the E.C. bound its soybean and soybean meal duties at zero it implemented its Common Agricultural Policy (CAP) which maintains high levels of support for commodities produced within the E.C. and applies variable levies to imports of grains.

Since 1962, E.C. agricultural production has risen dramatically. Yet, its production of proteins have not kept pace with growth in poultry and livestock production. Thus, demand for imported soybeans and soybean meal have grown greatly since 1962. With the E.C. now producing a surplus of milk, poultry and wheat, and with over two-thirds of the E.C. budget now allocated to farm supports, some within the E.C., particularly the French, have begun to blame duty free soybean and soybean meal for the failures of the CAP. They claim soybean meal displaces E.C.-produced grains even though soybean meal is a source of protein, not energy. They claim soybean oil displaces consumption of olive oil even though olive oil is not a desirable oil to North Europeans. Most important, critics claim consumption of soybean oil-based margarine is the reason for the E.C.'s butter surplus. Also, many blame the heavy use of relatively inexpensive soybean meal and imported cassava (tapioca) in Dutch and German dairy feeds to be a major reason for overproduction of dairy products. They see soybeans as the "hole in the dike" of the CAP and are out to close that hole. Unwilling to pay the compensation necessary to abrogate the zero bindings the soybean critics in the E.C. have sought some GATT-legal way of undermining those bindings.

The fats and oils tax is the method the E.C. has chosen to undermine the zero bindings. Under the proposal the E.C. would impose a tax of 7.5 E.C.U. (1 ECU = $.85) per 100 kgs of all fats and oils with the exception of butter. The tax would evidently be applied at the port of entry in the case of imported oils and fats, and at the internal processing facility in the case of soybean oil produced from imported soybeans. The tax would be refunded on oil exported from the E.C. At present exchanges rates, the tax would amount to $63 per ton of oil or fat, but under the dollar-ECU exchange rate that existed in 1981-82, the tax would have amounted to $73.50 per ton. The E.C. has estimated the tax would bring in annual revenues of approximately 600 million ECUs ($510 million) for use in paying the overall cost of the CAP. Once imposed the tax could be increased at will in future years with no assurance the tax rate would be equal for all oils and fats.

It is worth noting that not all nations within the E.C. favor the fats and oils tax. In particular, the Dutch and Germans have heretofore opposed the tax. Not only are most soybeans processed in Germany and the Netherlands, but also the livestock industries of those nations are heavily dependent on soybean meal for their livestock and poultry feeds. With little oilseed production of their own Germany and the Netherlands also are major consumers of soybean oil. Great Britain also opposes the fats and oils tax because of its impact on taxpayers. Denmark also opposes the tax. France, Italy and Ireland have been the most vocal proponents of the tax. Since all E.C. nations have to approve the tax for it to take effect there is growing pressure on the Dutch, Germans and British to endorse the tax in order to achieve approval of the other CAP reform proposals which primarily impact France and Ireland.

ASA understandably views the tax with enormous concern and hopes the U.S. will continue to oppose it with maximum resolve. We believe the tax has the following implications:

1) The tax discriminates against lower-priced oils like soybean oil by increasing the consumer price by a higher percentage than for higher-priced oils such as olive oil.

2) The tax would decrease the relative competitiveness of margarine with butter and reduce total soybean oil consumption within Europe. USDA economists have estimated a cut in E.C. soybean oil consumption of 85,000 mt to 150,000 mt with the majority of that oil being dumped on the world market in competition with U.S. soybean oil exports. The impact on the world soybean oil price is unclear but estimates by USDA economists indicate a 3% to 6% decline would occur.

3) The value of soybeans to E.C. processors would be lower since the demand for soybean oil would be less. In order to make up the decline in value the processors would either have to pay less for imported soybeans or assign a higher value to soybean meal. If the former occurs U.S. farmers will receive less for the crop. If the latter occurs soybean meal will become less competitive within the E.C. with

other protein sources.

4) With the expected accession of Spain and Portugal to the E.C. in future years there will be great pressure to increase the fats and oils tax on soybean oil in order to pay the costs of supporting the huge amounts of olive oil produced in those two nations. If the oils tax is ever allowed to be imposed we will be powerless in future years to prevent its increase. The threat of future discriminatory increases is actually much more important than the impact of the proposed tax.

5) Imposition of the tax will effectively result in the U.S. soybean industry paying part of the cost of the CAP, including export subsidies on wheat, wheat flour, poultry and other commodities. By raising butter consumption it will reduce the cost of dairy supports at the expense of U.S. soybean producers.

6) If the U.S. allows the tax to be imposed in the E.C. it will set a precedent which will be followed by other protein deficient but oil-surplus nations. The result will be a further decline in world vegetable oil prices and a reduction in the value of soybeans to U.S. producers.

7) Imposition of the tax will mean nations will have carte blanche to use internal mechanisms to negate their GATT-bound import commitments. Such a process would effectively destroy the GATT and set in motion a dangerous rise in world trade protectionism.

8) A decline in U.S. soybean prices caused by a decline in U.S. exports to the E.C. will have major repercussions within the U.S. If soybeans become less competitive with other crops, particularly corn and cotton, production of those crops will increase. The impact on the U.S. Treasury from such a crop production shift could be enormous.

ASA also views with alarm the EC proposal to place a cap on non-grain feed ingredient imports such as corn gluten feed and citrus pellets. If the E.C. is successful in imposing the cap on non-grain feed ingredients, it is almost certain to begin advocating a similar cap on soybeans and soybean meal. Once the principle of an import limit has been adopted it will be relatively simple to extend it to soybeans and soybean meal. Attached is a copy of a letter ASA's farmer leaders recently sent to President Reagan, urging his continued opposition to both the fats and oils tax and the limits on non-grain feed ingredients.

In conclusion, Mr. Chairman, ASA believes it to be imperative the U.S. Government continue to strongly oppose the imposition of the fats and oils tax. We commend the Administration for the strong interdepartmental unanimity with which it has opposed the tax. In particular, we appreciate the very strong statement of USDA Under Secretary Daniel Amstutz regarding the tax, when he recently spoke in London at an ASA-sponsored outlook conference. We also thank Senators Dixon, Helms and others who cosponsored the Senate resolution expressing opposition to the proposed fats and oils tax. If this tax is imposed it will be the "foot in the soybean door" the E.C. has long sought in order to negate its 1962 zero bindings. Those zero bindings are the largest single zero tariff binding the U.S. has ever achieved. If the E.C. is able to undermine that commitment it will not only mean enormous long-term losses to U.S. soybean farmers, but also the destruction of what remains of the GATT multilateral trade structure under which world trade has been governed since the end of World War II. The U.S. cannot afford to see the tax imposed.

Thank you.

ASA Washington Office
CAPITOL GALLERY BLDG.
600 MARYLAND AVE., S.W.
SUITE 510
WASHINGTON, D.C. 20024
PHONE (202) 554-7804

December 2, 1983

The President
The White House
Washington, D.C. 20500

Dear Mr. President;

The undersigned farmer members of the Boards of Directors of the American Soybean Association and the American Soybean Development Foundation commend your Administration for its strong commitment to opposing the proposal of the European Community to impose a consumption tax on fats and oils. The European Community is the market for approximately $4 billion worth of U.S. soybeans and soybean meal, almost half of our total exports. By taxing a major product of soybeans, the consumption tax on soybean oil would undermine the EC's duty-free bindings for soybeans which have been in place since 1962, and place our market within the EC in jeopardy.

ASA urges the Administration to continue its strong opposition to the EC fats and oils tax as well as to the EC's proposal to place a cap on the level of non-grain feed ingredients the U.S. can export to the EC. If the EC is successful in limiting non-grain feed ingredient imports, there is every likelihood the next step would be an effort to limit soybean and soybean meal imports. Strong U.S. opposition to the protectionist measures is essential to preventing their adoption by the EC and in preserving the European market for U.S. soybean farmers.

Sincerely,

Ralph Weems, President

B.B. Spratling, Jr.
Chairman

Roger Asendorf, First
Vice President

777 CRAIG ROAD, P.O. BOX 27300, ST. LOUIS, MO 63141, TELEX 4312081, PHONE (314) 432-1600
Soybeans American Soybean Association

STATEMENT OF JOHN G. REED, JR., VICE PRESIDENT, INTERNATIONAL, ARCHER DANIELS MIDLAND CO., APPEARING AS CHAIRMAN OF THE INTERNATIONAL TRADE POLICY COMMITTEE OF THE NATIONAL SOYBEAN PROCESSORS ASSOCIATION

Mr. REED. Thank you, Mr. Chairman, for the opportunity to be here this morning.

I will give a short summary of the written statement, which either has been or will be submitted for the record.

The National Soybean Processors Association believes that both EEC proposals—the consumption tax on fats and oils, and restrictions on corn gluten feed, and citrus pellets imports—must continue to be opposed by the U.S. Government, because both proposals would set two very dangerous precedents.

First, both would represent an impairment of important zero-duty bindings in our largest market for the products involved. If this is allowed to occur, it is almost certain that soybeans and soybean meal will become the next EEC target.

Second, both proposals represent an attempt by the EEC to shift the financial burden of its own agricultural surpluses to its trading partners, principally to the United States, and principally to the U.S. soybean, corn, and citrus industries.

We believe very strongly that the EEC must deal with its own problems and cannot be allowed to export them to their trading partners.

We would like to thank you, Mr. Chairman, and many other Members of Congress, Secretary Block, Ambassador Brock, and other members of the administration for the extremely strong and unified response that the United States has taken to this issue, and we just wish you will keep up the good work.

That is the end of the summary. During the question and answer session I have a comment I would like to make on international private sector initiatives.

The CHAIRMAN. Right.

All right. Well, we will make your entire statement a part of the record.

[Mr. Reed's prepared statement follows:]

BEFORE THE SENATE COMMITTEE ON FINANCE

HEARING ON PROPOSALS TO
REFORM THE EEC COMMON AGRICULTURAL POLICY

STATEMENT OF THE NATIONAL
SOYBEAN PROCESSORS ASSOCIATION

Mr. Chairman, my name is John G. Reed, Jr. I am Vice President, International, of Archer Daniels Midland Company and Chairman of the International Trade Policy Committee of the National Soybean Processors Association (NSPA). I appreciate this opportunity to discuss with you two issues of profound concern to the U.S. soybean processing industry: the EEC's proposed consumption tax on vegetable oils and fats, and the EEC's proposed restrictions on imports of corn gluten feed and citrus pellets.

NSPA is the association of America's soybean processors. Our members process and market more than 95 percent of all soybeans crushed within the continental United States.

Exports are the lifeblood of our industry. In the most recent marketing year, we exported $1.5 billion of soybean meal and $0.4 billion of soybean oil.

No export market is more important for U.S. soybean products than the European Economic Community. We have been able to develop this market largely because of the zero tariff binding the United States negotiated on soybeans and soybean meal twenty years ago. Because of those bindings, we now send about 50 percent of our exports to the EEC. In 1982, U.S. exports of soybeans and soybean products to the Community amounted to $4 billion. This is why we have been jealously protective of the EEC market and why we have protested vigorously any threatened impairment of our binding rights on soybeans and soybean meal.

As the Committee knows, this is not the first time that market access has been jeopardized by proposed EEC measures. Almost with clockwork regularity, whenever the Commission does its arithmetic on the costs of the Common Agricultural Policy, some form of tax on vegetable oils and fats has been proposed.

This most recent proposal, announced by the Commission on September 21, is especially disturbing, however. It has been included in a package of proposals designed to relieve the mounting budgetary pressures on the EEC's Common Agricultural Policy. This is a very popular goal within the Community.

Let me share with you my understanding of the proposed tax on vegetable oils and fats. The tax would become effective in less than one month, on January 1, 1984. It would be levied at a rate of 7.5 European Currency Units (ECU's) per one hundred kilograms -- roughly three cents per pound -- on the consumption of vegetable oils and animal and marine fats, with the exception of butter. The EEC Commission estimates that the measure would raise about 600 million ECU's, or $510 million, annually in revenue.

What would be the impact of this tax if enacted?

The EEC Commission argues that the tax would not affect the competitive relationship between imported products and those produced within the Community and that it would not reduce the value of our zero tariff bindings. Both claims are manifestly inaccurate.

The proposed tax is designed to raise EEC revenues to finance the continuation of a regime of excessively generous price supports. It is also intended to reduce the competitive position of oils and fats that compete with excessively supported butterfat. Since most (about 85 percent) of the raw materials from which these vegetable oils are derived are imported, the effect of the proposal would be to discriminate against imports and impair the value of our duty-free binding rights.

The seriousness of such an impairment cannot be overstated. Our GATT bindings on soybeans and soybean meal were obtained in response to concessions made by the United States during the Dillon round of trade negotiations. Soybeans and soybean meal are among the few agricultural commodities that enter the Community on a zero duty basis. This heightens the political and economic importance of our tariff rights. Not even the smallest encroachment of these rights can be permitted.

It has been aptly said that encroachment of any kind would be "the foot in the soybean door." Once the principle is breached, the precedent for further trade restrictive actions is in place. As a probable example, the tax could be increased in subsequent years. The risk is that successive actions will steadily erode the value of these bindings. Binding impairments by the EEC may well serve as precedent to be followed by other vegetable oil-surplus nations. In short, the recently proposed tax or any other form of binding impairment would have serious and broad ramifications.

By the same token, EEC imports of corn gluten feed and citrus pellets, which are non-grain feed ingredients, as is soybean meal, are also subject to zero duty bindings. To allow the EEC to impair these bindings would set a dangerous precedent that would almost certainly be extended to soybeans and soybean meal at a later date.

If the EEC believes that structural adjustments in the Common Agricultural Policy are necessary, the costs of those adjustments should be borne solely by the EEC. The United States cannot allow the Commission to shift the burdens of its problem from the EEC finance ministries to the soybean farmers and processors of America. This, I believe, is one of the central messages that must be conveyed to the Community.

As this Committee knows, our industry faces a proliferation of unfair, world trade practices. Our export problems are so severe that we have petitioned for Section 301 relief on a global basis. The government has accepted the petition and is now prosecuting our case. At a time when our industry is fighting for its survival, we can ill afford to shoulder the burdens of another.

For these reasons, the U.S. government must exercise every available power to persuade the Community not to implement the proposed tax. We are heartened by the efforts taken to date. This hearing and others held recently are themselves an effective expression of Congress' concern. Equally effective are the recently passed Senate and House resolutions calling for strong countermeasures should the

Commission proposals be adopted. This message should be repeated over and over again at the highest levels of government.

Above all, the Commission must be put on clear notice that any action taken to impair our valued soybean and soybean meal bindings would provoke harsh, retaliatory measures by the United States. This country would be fully authorized under international law to take such countermeasures and it must exercise those rights. To do otherwise would irreparably weaken U.S. strength and credibility in dealing with foreign trade problems in the future.

No one on either side of the Atlantic wants a trade war. We sincerely hope, therefore, that the depth of U.S. concern and our adamant commitment to retaliate if necessary will persuade the Community to withdraw its ill-considered, potentially explosive tax proposal.

Mr. Chairman, that concludes my remarks. I would be happy to answer any questions that the Committee might have.

The CHAIRMAN. I would like to include in the record following my statement a statement by the distinguished chairman of the House Agriculture Committee, Congressman de la Garza. I understand that has been submitted, and we are happy to have counsel here from the House Ag Committee. Also, I think Senator Helms has asked permission, and Senator Jepsen, and maybe Senator Hawkins. I am not certain about Senator Hawkins. So there may be other Senators who would like to include a statement in the record, and the record will remain open for 10 days.

I wanted to check—I think I know the answer. Even if we obtained compensation from the EC for the limits on soybean and corn gluten exports to the EC, is it likely to mitigate the damage to your industry?

I guess, in other words, can retaliation in some other area help you? I know the answer to that question, but I think the record ought to reflect that we are not really interested in compensation. Is that true, Roger?

Mr. ASENDORF. That is our feeling. They have said that there will be compensation, but they have not outlined what that compensation may be, and in a situation of agricultural exports any type of compensation would more than likely be temporary. It would be a short compensation.

However, when you look at exports in any agricultural export promotion program, these are long-term things, and is hard for us to assess how long we would be suffering with that loss of exports or value to our exports, when over half of the soybean production goes to the EC, either through meal or whole soybeans.

The CHAIRMAN. And I think Mr. McKown made the point at breakfast that we ought to sort of ban together on this issue. If they start picking off one at a time, maybe with some compensation for this, and it might even be attractive to citrus—I don't know what they have in mind, but once that process starts, it might not be many years before it would be a disaster.

Do you have any different views?

Mr. REED. We should not let ourselves be divided and conquered.

Mr. MCKOWN. Exactly. That is our position, Mr. Chairman.

Also, in light of that I might add that I think the heart of the issue, as Secretary Block raised, again, is the subsidy program in its entirety and not the splinter parts, and we must address the splinter because it had been raised by the EC, but also the basic heart of the issue of subsidies in the EC.

The CHAIRMAN. Maybe this is to Mr. Reed and Mr. Asendorf: When Spain and Portugal come into the EC, do you expect this to affect the imposition of the proposed vegetable oil tax? Is that going to put more pressure on?

Mr. ASENDORF. It very definitely will, as far as soy oil is concerned.

I had an occasion to be in the EC and talk to some of the indivduals in five of the countries we were in. The people of Europe, if you could split the EC in half, the northern tier really do not like olive oil as a cooking oil or a vegetable oil. However, they are going to be forced to use it, should Spain and Portugal both gain entrance into the EEC. It definitely will replace a huge portion of soybean oils that are imported into the EEC, and it will definitely affect us. And those are the two countries that are pushing hardest to have this oil seed tax put in place, because the only way that that will be affected in their commodity is if they export it, because it's a consumption tax. And even though it will be put on olive oil, they have more than they can consume or more than they would want to consume. And we would soon see increasing exports of olive oil. There the tax does not apply, because they would be eligible for a refund of that tax.

Mr. REED. Mr. Chairman, if I could add to Roger's comments on that, the EEC supports the olive oil producer within the EEC in two basic ways: one through a rather expensive system of production aids to the producers of olive oil and, secondly, because the internal price of olive oil is held at a very high level, they also have consumption aids to consumers. If that EEC practice is extended to the additional production of olive oil accompanying the accession of Spain and Portugal, it is going to substantially worsen the EEC's financial problems and is going to create more reasons why they are going to try to find a way to shift that burden to their trading partners.

So what happens during the negotiations which precede the accession of Spain and Portugal are very important to us.

The CHAIRMAN. Are there any other comments? You said you had an additional comment.

Mr. REED. Yes; there was a question earlier about international private sector initiatives to try to deal with some of these trade problems.

There is something interesting going on in the world oil seed processing industry. There is an international trade association called the International Association of Seed Crushers, which represents seed crushers and edible oil refiners all over the world. Much of the membership of that international organization is represented by organizations like the National Soybean Processors Association and other national counterparts.

During 1983 there have been two meetings between the leadership of the International Association of Seed Crushers, our organization, the NSPA, the EEC seed crushers organization, the Brazilian soybean processors trade association, and the Malaysian oil palm producers trade association.

This was under the initiative of the present rather charismatic and very dedicated chairman of the international association, a gentleman from Hamburg, West Germany, who believes that we are all being injured by export subsidies and other trade-distorting practices utilized by governments around the world, and that we would all be better off if these practices could be done away with.

It's a very difficult undertaking for a group of private associations to try to come to grips with this, but in the two meetings we have had so far I think there has been substantial agreement and recognition that in the long run export subsidies injure everybody, including those who are the initial beneficiaries, and that we would all be better off if there were no export subsidies.

And second, that in the case of fats and oils, if there were a way to bring about some kind of an internationally supported and funded equivalent of the U.S. Public Law 480 program, it could contribute a great deal to recovery in what is now a very depressed industry on a worldwide basis.

The next meeting is scheduled to be held in Brazil in April 1984.

The CHAIRMAN. I appreciate that information. I think that's at least some indication that perhaps we could broaden the private sector involvement. It would be helpful. Again, who knows? If we can't sit down and talk to other people in other countries about our problems, it's pretty hard for the governments to solve some of them.

Well, I appreciate very much your testimony. I would like to include in the record at this point a statement by Senator Grassley, who is a member of the committee.

The record will remain open, and if there are others, as I have indicated, who would like to file written statements, they may do that. If you would like to add comments or comment on any statements other witnesses have made, you may supplement your statements. But we are going to watch this very closely, and I am pleased that the House Ag Committee was here, in effect monitoring these hearings. So I am certain there is interest on both sides of the Capitol. It's bipartisan. It is a matter of serious concern.

This hearing will stand in recess or adjourn, with a meeting at 2 p.m. on the budget deficit. So I am certain that many of you could just stay right over and give us some help on that. It would be helpful.

Thank you.

[Whereupon, at 11:30 a.m., the hearing was concluded.]

[The following communications were submitted for the record:]

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, D.C. 20510

December 8, 1983

The Honorable Robert J. Dole
Chairman
Senate Finance Committee
SH-141
Washington, D.C. 20510

Dear Bob:

I would greatly appreciate it if the enclosed letter to Secretary of State Shultz could be inserted in the record of your hearing on December 12, 1983. The letter relates to the trade practices and proposals of the European Economic Community.

Many thanks for your help.

Sincerely,

JESSE HELMS
Chairman

Enclosure

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, D.C. 20510

December 7, 1983

The Honorable George P. Shultz
Secretary of State
U. S. Department of State
2201 C Street
Washington, D. C. 20520

Dear George:

While I was among the several senators who joined in a December 2 letter to you regarding the most recent proposals of the European Economic Community which would distort international trade, I am adding this personal note to urge you to strongly oppose these proposals.

As you are aware, high internal EEC supports of agricultural commodities have encouraged excessive production within the EEC. The resulting surpluses are then dumped on the world market through the use of export subsidies.

Like many other countries, the EEC is experiencing a budget crisis. However, rather than dealing with the basic problem, the EEC now proposes to restrict corn gluten feed and citrus pellets imports and impose a consumption tax on vegetable oils and fats. These proposals are not real solutions to the EEC's budget problems. They merely shift the burden of their costly policies onto others -- particularly the farmers of the United States and other exporting countries.

American farmers strongly believe that not only are the EEC export subsidies intolerable but the further shifting of the burden of their policies through the latest proposals is also unacceptable.

Both the House and Senate have strongly objected to any EEC restrictions on imports on non-grain feed ingredients or any consumption tax on vegetable oils by the passage of House Resolution 322 and Senate Resolution 233. The Senate resolution was introduced by Senator Dixon and me and 34 other senators. I recall that your Department, the Department of Agriculture, and the United States Trade Representative have objected to the EEC proposals in testimony before the Committee on Agriculture, Nutrition, and Forestry on October 17, 1983. This united front on behalf of American agriculture is vital and must be maintained.

It should be emphasized that the United States has acted repeatedly to control U. S. production of agricultural commodities in times of surplus, even though production control measures, such as paid diversions, and storage programs are expensive and difficult to administer.

It is for these reasons that any U. S. willingness to accede in some measure to these EEC proposals would be viewed in the Senate with considerable alarm and concern. As you well know, every senator has an agricultural constituency. It is my judgment that a majority of the senators would react to any new EEC import restrictions or increased taxes on U.S. agricultural products by insisting on countermeasures of equal or greater value against specific products imported into the United States from the EEC. I trust you and other U. S. representatives will make this known to all parties at the upcoming round of meetings.

Beyond that, I am personally convinced that the existing export subsidy practices of the EEC and other countries now merit an additional response from the United States. Therefore, S. 2005, the Agricultural Export Trade Equity Act of 1983, will be a high priority of mine in the second session of the 98th Congress.

I urge you to unequivocally oppose the EEC's trade restricting measures and to refocus their attention on the basic cause of their problem: excessive internal EEC subsidies, which lead to dumping of surpluses in third-country markets. The EEC must seek real solutions to the economic problems facing the Community and not attempt to solve its problems at the expense of other countries.

Sincerely,

Jesse

JESSE HELMS
Chairman

SEN. HAWKINS STATEMENT
OF EEC TRADE RESTRICTIONS

To be placed in hearing record.

Proposed E.C. Restrictions on Imports of Citrus Pellets from the United States

Mr. Chairman, the recent proposals being considered by the European Communities to reform the Common Agricultural Policy pose a threat to the citrus industries of the State of Florida. A component of the E.C. proposal is to restrict the Communities' imports of non-grain feed ingredients, including citrus pulp pellets, through the imposition of tariff or quota barriers to trade. During previous multilateral trade negotiations, the E.C. agreed to a zero-duty on importations of citrus pellets from the United States. Of course, we welcome the E.C.'s attempts to address the nagging problems posed by the Common Agricultural Policy, and the adverse impact of the CAP on trade relations between the United States and the European Communities. However, the proposals to limit U.S. exports of citrus pellets would merely force Florida and other American citrus growers and processors to shoulder the burden of rectifying the CAP budgetary dilemma.

Because of artificially supported grain prices in Europe, Florida producers have met the growing demand for non-grain feed ingredients, and have become reliable suppliers of citrus pellets, a high-carbohydrate livestock feed source which is a by-product of the citrus juice industry. It is estimated that Florida exports of citrus pellets will exceed $100 million in the 1983/84 season, and that U.S. exports of all non-grain feed ingredients will be approximately $700 million. Restrictive actions by the E.C. will seriously impact a large volume of U.S. agricultural exports, and in particular, the Florida citrus industry. Furthermore, the proposed quantitative restrictions on U.S. exports would force non-grain feeds to seek alternative commercial outlets in the United States, disrupting internal markets and diminishing the value of the Florida citrus crop.

Aside from the damage this proposal could cause to U.S. agriculture, the contemplated restrictions may be in violation of the General Agreement on Tariffs and Trade, and would repudiate the negotiated tariff bindings to which the E.C. has committed itself. United States agriculture is a reliable supplier to world demand, and should not be forced to assume the burden for the CAP's fiscal difficulties or to adapt to abrupt reversals in trade rules.

I applaud and join my colleagues' efforts to raise the level of debate on this issue. It is important that the E.C. be made aware of our intent to enforce U.S. rights under the GATT, should the Florida citrus industry and other American agricultural exporters be adversely affected by the proposed CAP reforms.

Roger W. Jepsen

STATEMENT OF
SENATOR ROGER W. JEPSEN (R-IOWA)
PROPOSALS OF THE EUROPEAN COMMUNITIES (EC)
TO REFORM AGRICULTURAL POLICY

SENATE FINANCE COMMITTEE
DECEMBER 12, 1983

I AM EXTREMELY CONCERNED ABOUT THE EUROPEAN ECONOMIC COMMUNITY'S (EEC's) PROPOSAL TO RESTRICT IMPORTS OF CORN GLUTEN FEED AND IMPOSE A TAX ON VEGETABLE OILS AS PART OF AN EFFORT TO SOLVE ITS FARM BUDGET PROBLEMS.

THE RESULT OF THESE PROPOSALS WOULD BE TO EXPAND EC RESTRICTIONS ON AGRICULTURAL IMPORTS TO COVER VIRTUALLY ALL MAJOR PRODCUTS.

ACCORDING TO THE FOREIGN AGRICULTURE SERVICE (FAS) OF THE UNITED STATES DEPARTMENT OF AGRICULTURE, THE PROPOSAL FOR A TAX ON VEGETABLE OILS AND RESTRICTIONS ON IMPORTS OF CORN GLUTEN FEED WILL AFFECT MORE THAN $4 BILLION IN ANNUAL U.S. FARM EXPORTS TO THE EC. THIS IS ABOUT HALF OF OUR AGRICULTURAL TRADE WITH THE EC AND OVER 10 PERCENT OF OUR TOTAL FARM EXPORTS.

EXPANDED AGRICULTURAL TRADE IS VITAL TO THE ECONOMIC PROSPERITY OF THE UNITED STATES. REGRETFULLY, WE MUST BE FULLY AWARE OF THE "ARTIFICIAL" BARRIERS THAT HAVE IMPEDED EXPANDED INTERNATIONAL TRADE. ONE OF THESE BARRIERS HAS THE POTENTIAL OF DEVASTATING THE CORN BY-PRODUCT INDUSTRY AND THE SOYBEAN INDUSTRY.

31-869 O—84——10

IT IS IN OUR INTEREST TO PURSUE GLOBAL FREE TRADE. WE HAVE A DECIDED COMPARATIVE ADVANTAGE OVER THE REST OF THE WORLD IN FOOD PRODUCTION.

UNFORTUNATELY OUR COMPETITORS KNOW THAT AND THEREFORE THE REASON FOR PROTECTION AND SUBSIDIZATION OF EXPORTS.

WE CANNOT EXPECT U.S. FARMERS, AS EFFICIENT AS THEY ARE, TO SUCCESSFULLY TAKE ON THE TREASURIES OF THE EUROPEAN ECONOMIC COMMUNITY.

WE SHOULD NOT ALLOW THE EUROPEAN COMMUNITY TO LEVY A TAX ON OUR EXPORTED CORN GLUTEN FEED INTO THE COMMUNITY. WE MUST DRAW THE LINE ON THESE PRACTICES AND NOW IS THE TIME.

WITH THE INCREASING AMOUNTS OF GLUTEN BEING GENERATED BY THE GROWTH IN THE ETHANOL ALCOHOL MARKET, WE HAVE TO MAINTAIN AND EXPAND UTILIZATION OF THIS QUALITY PROTEIN FROM GLUTEN.

UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT), THERE HAVE BEEN A SERIES OF INTERNATIONAL TARIFF AND TRADE NEGOTIATIONS DURING WHICH COMPREHENSIVE TARIFF AND NON-TARIFF BARRIERS ~~HAVE BEEN~~ LOWERED AND FIXED AMONG VARIOUS TRADING COUNTRIES.

AT THE "KENNEDY" ROUND OF TARIFFS AND TRADE NEGOTIATIONS IN 1967, THE UNITED STATES NEGOTIATED A "ZERO-DUTY IMPORT CONCESSION" ON CORN GLUTEN FEED FROM THE EUROPEAN ECONOMIC COMMUNITY. SINCE THAT TIME, THE U.S. EXPORT VOLUME OF CORN GLUTEN FEED TO THE EUROPEAN COUNTRIES HAS GROWN TO AN ANNUAL AMOUNT OF THREE MILLION TONS. DURING 1980, THE TOTAL VALUE OF U.S. CORN GLUTEN FEED TO THE EUROPEAN COUNTRIES WAS APPROXIMATELY $500 MILLION.

THE EEC COMMISSION HAS NOW REQUESTED AUTHORITY FROM THE EEC COUNCIL OF MINISTERS TO PUT INTO PLACE IMPORT RESTRICTIONS TO PREVENT ANY FURTHER GROWTH IN THE IMPORTATION OF CORN GLUTEN FEED. THE UNITED STATES IS THE OVERWHELMING SUPPLIER OF CORN GLUTEN FEED TO NOT ONLY THE EUROPEAN COUNTRIES BUT TO THE WORLD MARKET AS WELL. THE PROPOSED EEC COMMISSION CORN GLUTEN FEED IMPORT REGIME WOULD BE DESIGNED TO ALLOW THE 1981 VOLUME OF IMPORTS TO ENTER THE EEC COUNTREIS DUTY-FREE AT THE THREE MILLION-TON LEVEL, BUT TO IMPOSE A VARIABLE IMPORT LEVY ON ANY ADDITIONAL IMPORT VOLUMES GREATER THAN THREE MILLION TONS.

THE SHORT AND LONG-TERM IMPLICATIONS FOR THE PROPOSED EEC IMPORT RESTRICTIONS ON CORN GLUTEN FEED ARE FAR GREATER THAN JUST THE IMPOSITION OF AN EEC VARIABLE IMPORT LEVY ON CORN GLUTEN FEED AT A TRIGGER VOLUME OF THREE MILLION TONS REACHED EACH YEAR.

THE CONCERN OF THE EEC COMMISSION IS TO PREVENT ANY FURTHER GROWTH OF CORN BY-PRODUCTS AND NEAR-GRAIN SUBSTITUTES, SUCH AS MANIOC, TAPIOCA, ETC. THE EEC COMMISSION REQUEST FOR THIS AUTHORITY CAN BE INTERPRETED TO INCLUDE VARIOUS OTHER BY-PRODUCTS OF CORN DISTILLER'S DRIED GRAIN, HIGH FRUCTOSE CORN SYRUP, ETC.

ALSO, THE EC IS PROPOSING TO USE A DISCRIMINATORY TAX ON FATS AND OILS. THE REVENUE GENERATED BY THE TAX WOULD BE USED BY THE EC TREASURY TO CONTINUE TO SUPPORT THEIR PRESENT AGRICULTURAL POLICY. BY TAXING FATS AND VEGETABLE OILS AT A HIGHER RATE THAN LOCALLY PRODUCED EC OLIVE OIL, AND IMPOSING NO TAX ON BUTTER, THE EFFECT WOULD BE TO REDUCE THE USE OF SOYBEAN OIL. THE NET EFFECT OF THIS PROPOSAL WOULD BE A LOSS OF SOYBEAN AND SOYBEAN MEAL EXPORTS BY THE UNITED STATES. THIS WOULD CORRESPOND TO A REDUCTION IN PRICE TO THE MORE THAN 600,000 AMERICAN SOYBEAN FARMERS.

CONSEQUENTLY, WE MUST CONTINUE TO RESIST VIGOROUSLY ANY FURTHER EEC MEASURES TO IMPOSE ARTIFICIAL BARRIERS TO EXPANDED INTERNATIONAL TRADE AND MOVE FORWARD WITH THE PURPOSE OF EXPANDING U.S. AGRICULTURAL EXPORTS.

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, D.C. 20510

December 12, 1983

Honorable Bob Dole
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Today's hearing concerns a timely and important topic for farmers and U.S. agricultural trading interests. I commend you for convening the hearing.

Enclosed is a statement that I ask be made a part of the hearing record.

Sincerely,

Walter D. Huddleston

Enclosure

STATEMENT BY SENATOR WALTER D. HUDDLESTON
DECEMBER 12, 1983

MR. CHAIRMAN, I COMMEND YOU FOR HOLDING THIS TIMELY HEARING ON TWO VITALLY IMPORTANT TOPICS -- PROPOSED ACTIONS BY THE EUROPEAN COMMUNITY TO MODIFY ITS COMMON AGRICULTURAL POLICY, AND THE OUTCOME OF THE DISCUSSIONS BETWEEN OUR DELEGATION AND THE EC MINISTERS LAST WEEK. TODAY'S TESTIMONY WILL ADD TO THE PUBLIC AWARENESS OF THE PROPOSED MODIFICATIONS OF THE EUROPEAN COMMON AGRICULTURAL POLICY AND THE DETRIMENTAL EFFECTS OF THE "CAP" MODIFICATIONS ON OUR AGRICULTURAL EXPORT TRADE.

THE MODIFICATIONS OF THE CAP, PROPOSED BY THE EC'S EXECUTIVE COMMISSION IN JULY, WOULD PROVIDE NEW PROTECTIONISM FOR THE DOMESTIC AGRICULTURAL ECONOMIES OF EC MEMBERS. IF ADOPTED BY THE COUNCIL OF MINISTERS OF THE EC, THE MODIFICATIONS WOULD UNFAIRLY RESTRICT AND HAMPER U.S. AGRICULTURAL EXPORT SALES TO EUROPE.

THE MODIFICATIONS WOULD BE ESPECIALLY HARMFUL TO SOYBEAN AND CORN PRODUCERS AND TO PROCESSORS OF THOSE COMMODITIES.

THE EC'S EXECUTIVE COMMISSION HAS PROPOSED IMPOSING A TAX ON FATS AND OIL. THE EFFECT OF THIS TAX WOULD BE TO DISCOURAGE USE OF SOYBEAN OIL; AND REDUCED USE WOULD MEAN A LOSS OF U.S. EXPORT SALES OF SOYBEAN OIL. FURTHER, THE TAX WOULD CAUSE A PRICE REALIGNMENT THAT WOULD CAUSE SOYBEAN MEAL TO BE PLACED AT A COMPETITIVE DISADVANTAGE RELATIVE TO EC-PRODUCED PROTEIN FEEDS.

FURTHER, THE EC IS CONSIDERING IMPORT RESTRICTIONS ON NON-GRAIN FEED INGREDIENTS, INCLUDING CORN GLUTEN FEED AND CITRUS PULP.

MANY MEMBERS OF THE AGRICULTURE COMMITTEE -- INCLUDING MYSELF -- JOINED SENATOR DIXON IN INTRODUCING S. RES. 233 ON SEPTEMBER 29, 1983, TO EXPRESS OBJECTION TO SUCH MODIFICATIONS OF THE CAP. MORE THAN THIRTY SENATORS COSPONSORED THE RESOLUTION, AND THE SENATE UNANIMOUSLY AGREED TO IT IN OCTOBER.

THE RESOLUTION IS A STATEMENT BY THE SENATE THAT, SHOULD THESE PROPOSED MODIFICATIONS BE ADOPTED BY THE COUNCIL OF

MINISTERS OF THE EUROPEAN COMMUNITY, LEGITIMATE AMERICAN TRADING INTERESTS WOULD BE ADVERSELY AFFECTED AND, ACCORDINGLY, THESE MODIFICATIONS SHOULD BE VIGOROUSLY OPPOSED BY THE UNITED STATES GOVERNMENT.

WITH THE DECLINE IN THE UNITED STATES AGRICULTURAL EXPORTS IN THE PAST TWO YEARS, IT IS IMPORTANT THAT WE MAKE EVERY EFFORT TO MAINTAIN OUR NATION'S LEGITIMATE TRADING OPPORTUNITIES AND PROMOTE FAIR TRADE IN WORLD MARKETS.

I AM HOPEFUL THAT THE U.S. DELEGATION CONVEYED TO THE MINISTERS OF THE EUROPEAN COMMUNITY OUR RESOLVE TO MAINTAIN OUR TRADING INTERESTS, AND THAT THE EC MINISTERS WERE ATTENTIVE TO THE MESSAGE.

THE SEVERE FINANCIAL PROBLEMS FACING FARMERS ARE DUE, IN NO SMALL PART, TO THE WEAK DEMAND IN EXPORT MARKETS. DURING THE PAST TWO YEARS, THE VALUE AND VOLUME OF U.S. FARM PRODUCT EXPORTS

BEGAN AN OMINOUS DOWNWARD TREND. THIS TREND TOWARD REDUCED EXPORT SALES MUST BE REVERSED.

WE MUST WORK TO ENHANCE THE ABILITY OF THE UNITED STATES TO SELL ITS PRODUCTS ABROAD AND OPPOSE EFFORTS TO RESTRICT TRADE. MORE IMPORTANTLY, WE MUST NOT SIT BACK AND ALLOW OUR PRODUCERS TO BE PUT AT A DISADVANTAGE BY UNFAIR TRADE AND TARRIFF PRACTICES OF OTHER COUNTRIES.

WE OUGHT TO STRIVE FOR FREE TRADE THROUGHOUT THE WORLD, LOOKING TOWARD THE ELIMINATION OF TARIFFS AND TRADE BARRIERS OF ALL NATURES. THAT ULTIMATELY IS THE PROPER WAY TO GO.

MR. CHAIRMAN, THE COSTS TO GOVERNMENTS AND CONSUMERS OF PROTECTIONIST POLICIES ARE LARGE. FURTHER, SUCH POLICIES DISTORT PATTERNS OF TRADE AND DIVERT RESOURCES FROM BETTER ECONOMIC USES. NO ONE GAINS FROM SUCH INEFFICIENCIES.

I AM HOPEFUL THAT THE COUNCIL OF MINISTERS OF THE EUROPEAN COMMUNITY WILL REJECT THE PROPOSALS OF THE COMMISSION.

Testimony of

Daniel E. Shaughnessy

President

Export Processing Industry Coalition

Mr. Chairman, other members of the Committee, I am President of the Export Processing Industry Coalition, a unique combination of organizations involved in the export of processed agricultural products. Our Coalition consists of major trade associations representing processors in the corn refining, flour milling and soybean processing industries, as well as the Industrial Union Department of the AFL-CIO. Our primary objective is to increase the share of processed products in U.S. agricultural exports, in order that the United States can realize the many benefits accruing from such exports, particularly in the areas of strengthened economic activity and employment. Of particular importance in pursuing this objective is our support of actions to eliminate unfair trade practices affecting these exports.

Many of the witnesses at this and other hearings on this subject, have clearly described the strong concern that exists over possible action by the European Community to limit imports of corn gluten feed and to tax fats and oils. We agree wholly with those concerns. Not only are grain and soybean products an essential part of a multi-billion dollar export market for the United States, but also, we are dealing with processing industries which employ tens of thousands of workers and which affect the livelihood of countless others in related occupations such as in the domestic transport, storage, and handling, export shipping and farm production sectors.

These facts and figures are impressive; but equally important is the fact that any European Community action to limit the import of these products is a clear violation of existing international agreements relating to the trade and movement of these commodities. For the United States to accept any Common Market action which would limit U.S. exports of these products and thereby damage our badly needed market opportunities, would put the United States in the position of acquiescing to a violation of these agreements and, at the same time, paying the cost of the Community's Common Agricultural Policy. We would find ourselves in the position of exporting the jobs and employment opportunities that are dependent upon those processing industries rather than high value processed products. Often, I think we may tend to overlook the fact that when dealing with a complex trade issue such as this, we are not just dealing with questions of tariff regulations, GATT rules, quota restrictions, etc.--but also, that we are talking about personal livelihood, our income and jobs, improved economic conditions and revenue earnings for our government. For example:

-- If an additional ten percent of the $8.6 billion worth of corn which was exported in 1980 had been processed into wet milling products for export, there could have been as much as $7.645 billion business activity generated, up to 163,400 jobs created and a $1.695 billion increase in personal income.

-- The U.S. exported $5.9 billion worth of soybeans in 1980. If means were found to export only ten percent of those soybeans in the form of processed products, it would expand siness activity by $1.646 billion, create 28,320 more jobs and increase personal income by $253.7 million.

Mr. Chairman, those of us in the Export Processing Industry Coalition are primarily interested in a fair opportunity for our processed agricultural products to compete equally in international trade and export activities. The efficiency of the American farmer, the competence of our agricultural processing industry, and the immense contribution of American labor in that industry, allows us to be more than willing to compete in international agricultural markets. But when those markets and the economic and employment benefits which they produce, are threatened by possible violations of international agreements or other actions which attempt to shift the cost and responsibility for European farm policy decisions to the United States, then we believe that it is clearly time to demonstrate that such actions will not be tolerated. In this regard, we would call to the Committees attention Senate Resolution 233, introduced by Senators Helms and Dixon, and House Resolution 322 introduced by

Congressmen Durbin and Madigan. We strongly support these resolutions which call upon the President to vigorously oppose any EEC action that would threaten our export markets in these agricultural products.

Mr. Chairman, the American farmer, the United States' food processing industry and the organized labor which participates in that industry, are extremely dependent on exports. While the members of our Coalition fully recognize the complexity of today's international trade situation, we are also very concerned about the effects of this situation on U.S. employment opportunities and our economic well-being. We, therefore, commend this committee for its foresight in holding these hearings and for its continuing efforts to protect U.S. interests in the field of international agricultural trade. We stand ready to provide any further information or assistance that may be helpful.

O