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April 2, 1975

MEMO FOR: BOB WOLTHIUS

FROM: JACK MARSH

Would you and ~~the~~ Senate and House people go
over this and rewrite if necessary.

Thanks.

d1



MAR 25 1975

COUNCIL ON INTERNATIONAL ECONOMIC POLICY
WASHINGTON, D.C. 20500

March 25, 1975

MEMORANDUM FOR

John O. Marsh, Jr.
Counsellor to the President

SUBJECT: Congressional Correspondence Concerning Meat Imports

We have received a considerable amount of correspondence from members of Congress concerning the meat import situation. Among those contacting us are Senators Hansen, McGovern, Abourezk, Domenici, Tower, Bentsen, McGee, McClure, Hruska, Curtis, Metcalf, Fannin, Montoya, Pearson, Goldwater, Dole, Haskell, Bellmon and McClellan and Congressmen Melcher, Pressler, and Abdnor.

In brief, their concern is that the livestock industry is in a depressed condition, and the State Department is presently negotiating a voluntary restraint agreement with foreign suppliers which would place a limit on imports just slightly above the level which would be permitted if the President invoked mandatory import quotas. The difference between the voluntary restraint agreement level and the mandatory quota level is only .7% of total U.S. beef production.

Concerned members of Congress feel that the President has failed to fulfill public commitments made to the livestock industry.

Attached is a copy of a draft reply we have prepared dealing with the substance of the matter, and also a copy of the original telegram to the President.

Since this matter involves important considerations beyond the immediate issue, I would appreciate your guidance as to how you would like to handle the reply.


J. M. Dunn
Acting Executive Director

CC: Max Friedersdorf

COUNCIL ON INTERNATIONAL ECONOMIC POLICY

WASHINGTON, D.C. 20500

Dear Senator Hansen:

This is in reply to your letter of March 13, 1975, concerning U.S. meat imports.

On October 31, 1974, in Sioux City, Iowa, the President promised to either impose quotas or negotiate voluntary export restraint agreements with foreign suppliers if imports of meat subject to the Meat Import Law threatened to pick up markedly during 1975 and the Agriculture Department's estimate of 1975 imports exceeds the trigger level under the Meat Import Law. The President acted to fulfill that promise in December when he instructed the State Department to negotiate voluntary restraint agreements. While some difficulties have been encountered with other countries, the State Department is still seeking to negotiate those agreements.

If mandatory quotas are imposed they would be at 1,074 million pounds, the adjusted base quantity as stipulated in the Meat Import Law. The State Department is attempting to negotiate voluntary agreements as close to that level as possible. At most the level would be less than 16 percent of total U.S. beef production above the adjusted base quantity. Those agreements would be at least 10 percent below imports in 1972 and 1973. It should be noted that 1974 imports were below trend and 20 percent below 1973. Without Presidential action 1975 imports would very likely have been considerably above the 1972-73 levels.

Since the level of imports will not be significantly different whether achieved by voluntary restraints or mandatory quotas, it is greatly preferable to achieve the goal by voluntary restraints. Imposition of the quotas could be considered a technical violation of the General Agreement on Trade and Tariffs, a violation

which would damage our overall trade relations with other countries at a time when good relations are so important to the success of the multilateral trade negotiations. Imposition of mandatory quotas would prejudice the free-trade stance of the U.S. in the MTN, and would undermine U.S. efforts to persuade other major beef importers to remove their quotas or beef import bans. Voluntary restraints also remove the possibility of retaliation by other countries which could impair U.S. agricultural exports, including many items of importance to the U.S. livestock industry such as breeding cattle, hides and skins, and variety meats. U.S. exports of animals and animal products totaled \$1.8 billion in 1974 and are an important source of earnings for the U.S. livestock industry.

In further fulfillment of the President's commitment, the Council on Wage and Price Stability has been engaged in a study of farm-retail price spreads. The final report is expected to be issued in the next few weeks.

We share your concern about the difficult times facing the U.S. livestock industry. We believe that the approximately 30% projected increase in feed grain production this year as well as the Administration's program to stimulate aggregate demand provide the best hope for relief to the U.S. livestock industry.

Sincerely,

J.M. Dunn
Acting
Executive Director

The Honorable Clifford P. Hansen
United States Senate
Washington, D.C. 20510

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The White House
Washington

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S THE PRESIDENT

ITE HOUSE DC

AR MR. PRESIDENT:

ACCORDING TO DEPUTY ASSISTANT SECRETARY OF STATE,
LIUS KATZ, THE STATE DEPARTMENT HAS ENTERED INTO NEGOTIATIONS WITH
COUNTRIES THAT EXPORT MEAT TO THIS COUNTRY THAT COULD INCREASE MEAT
IMPORTS INTO THE UNITED STATES BY MORE THAN 100 MILLION POUNDS THIS
YEAR--

INCREASING TOTAL 1975 IMPORTS OF FOREIGN MEAT TO MORE THAN ONE
BILLION EIGHT MILLION POUNDS.

PRESIDENT, FOR YOUR ADMINISTRATION TO EVEN CONTEMPLATE
INCREASING MEAT IMPORTS AT A TIME THAT THIS NATION'S LIVESTOCK
INDUSTRY IS IN GREATER DEPRESSION THAN AT ANY TIME IN THE PAST 20

YEARS, IS TO US INCREDIBLE. YOUR COMMITMENTS TO THE LIVESTOCK
INDUSTRY MADE IN IOWA LAST FALL ARE PUBLIC RECORD. MILLIONS OF
AMERICANS ARE COUNTING ON YOUR KEEPING THOSE PROMISES.

THE FARMERS HOME ADMINISTRATION ADVISED US TODAY THAT DELINQUENCY
ON FARM AND RANCH LOANS BY THE FHA HAVE INCREASED DRAMATICALLY
OVER LAST YEAR.

ON JANUARY 1, 1975, 45 PERCENT (FORTY FIVE) OF FHA FARM AND
RANCH OPERATING LOANS WERE DELINQUENT-- COMPARED TO 29 PERCENT
DELINQUENCY ON JANUARY 1, 1974. LOAN DELINQUENCY ON FHA FARM
AND RANCH PURCHASE LOANS INCREASED DURING THE SAME PERIOD FROM 12
PERCENT TO 18 PERCENT. THESE DELINQUENCIES ARE IN ANNUAL PAYMENTS
AND THE SKY-ROCKETING INCREASES INDICATE CLEARLY THAT THE

AGRICULTURE INDUSTRY IS IN SERIOUS TROUBLE. THE LIVESTOCK SEGMENT HAS
BEEN HIT MOST SEVERELY. ACCORDING TO FHA, MORE THAN 72 PERCENT OF FAR



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RANCH LOANS MADE FROM OCTOBER THROUGH JANUARY WERE TO CATTLEMEN.
PRESIDENT, WE STRONGLY URGE THAT YOU TAKE ACTION IMMEDIATELY TO
EVENT FURTHER CONSIDERATION OF AN INCREASE IN FOREIGN MEAT IMPORTS.

SINCERELY

SENATOR CLIFFORD P HANSEN

SENATOR GEORGE MCGOVERN

SENATOR JAMES ABOUREZK

SENATOR PETE DOMENICI

SENATOR JOHN TOWER

SENATOR LLOYD BENTSEN

SENATOR GALE MCGEE

SENATOR JAMES MCCLURE

SENATOR ROMAN HRUSKA

SENATOR CARL CURTIS

SENATOR LEE METCALF

SENATOR PAUL FANNIN

SENATOR JOSEPH MONTOYA

SENATOR JAMES PEARSON

SENATOR BARRY GOLDWATER

SENATOR BOB DOLE

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