

The original documents are located in Box 11, folder “Economy - Trade Poultry/Cognac” of the Philip Buchen Files at the Gerald R. Ford Presidential Library.

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THE WHITE HOUSE

WASHINGTON

November 10, 1976

MEMORANDUM FOR: BILL SEIDMAN
FROM: PHIL BUCHEN *P.*
SUBJECT: Poultry/Cognac
Problem

I have no objection to
Ambassador Dent's recommendations.



THE WHITE HOUSE

WASHINGTON

November 10, 1976

MEMO FOR: PHIL BUCHEN *Bobbie*
FROM: BOBBIE KILBERG
SUBJECT: Seidman memo re Poultry/
Cognac Problem

Suggested response:

No objection to Ambassador Dent's
recommendation~~S~~.



THE WHITE HOUSE
WASHINGTON

November 10, 1976

MEMORANDUM FOR PHILIP BUCHEN ✓
JAMES CANNON
MAX FRIEDERSDORF
JOHN O. MARSH

FROM: L. WILLIAM SEIDMAN *fw3*
SUBJECT: Poultry/Cognac Problem

Attached is a memorandum for the President from Ambassador Dent regarding the poultry/cognac problem.

I would appreciate having your comments and recommendations on this matter by 10:00 a.m. Thursday, November 11, 1976.

Thank you very much.

Attachment



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THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

November 9, 1976

MEMORANDUM

FOR THE PRESIDENT

FROM: Ambassador Frederick B. Dent (Signed) Frederick B. Dent

SUBJECT: Poultry/Cognac Problem

In 1974, the United States successfully concluded negotiations under GATT Article XXIV:6 with the European Community (EC) related to the entry of the United Kingdom, Denmark and Ireland into the Common Market. Following these negotiations, the United States made a unilateral decision to decrease the tariff on certain brandy imports into the United States. This was accomplished by increasing the "price-break" at which higher rates of duty (\$5 per gallon) would apply. Prior to the action, brandy had to be valued at \$9 per gallon or less to qualify for the lower duty rates. After the action, brandy qualified for lower rates of duty if it was valued at \$17 per gallon or less. French cognac fell mainly in this \$9 to \$17 price range and thus benefited from the increase of the price-break. During the last two years, this brandy has been dutiable at \$1.00 per gallon (bulk) and \$1.25 per gallon (bottled) rather than the \$5 per gallon rate.

Presidential Proclamation 4304 of July 16, 1974, which implemented this action stated specifically that it was being taken in order to "encourage the resolution of outstanding trade disputes between the United States and the EEC, including the removal of unreasonable import restrictions on poultry." (Tab A). This action benefited the French and encouraged their support for resolution of the 1974 negotiations. At that time we made clear to the French that our commitment to maintain the price-break at \$17 was for two years and its continuation would depend on the resolution of outstanding trade problems, particularly those affecting U.S. poultry exports.

Although no specific commitments were made to the poultry industry in 1974, they clearly viewed the action on cognac as being linked to achievement of improved access conditions for U.S. poultry in the EC market. However, despite extensive U.S. efforts to obtain improved access for U.S. poultry, including

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E.O. 12958, Sec. 3.5

NSC Memo, 11/24/98, State Dept. Guidelines
By W.H.M., NARA, Date 5/5/00

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meetings with top level EC and French officials (including a meeting with then French Minister of Trade, Raymond Barre on May 20) at the end of the two year U.S. commitment period on June 30 of this year, restrictions on U.S. poultry exports to the EC (particularly turkeys and turkey parts) were substantially more of a burden to U.S. trade than those in effect prior to the price-break action (Tab B). As a result the domestic poultry industry has strongly urged that we roll back the price-break to the earlier \$9 per gallon level. This decision has been held in abeyance to date, however, in order to permit intensified efforts with both EC and French Government officials to seek a meaningful resolution of this problem.

On August 2, notice was published in the Federal Register to obtain the views of the public on a proposal to roll back the price-break on cognac in order to restore the previous level of duty. Public hearings were scheduled for September 1 and subsequently postponed until September 21 at the request of French and EC officials who asked for additional time to complete initiatives underway within the Community.

Public hearings were held on September 21-22 on the proposed U.S. action. Representatives of the poultry industry again urged that the United States take decisive action and roll back the price-break if meaningful concessions on poultry were not obtained. Representatives of the cognac importers opposed this action. Following analysis of the testimony presented at the hearings, EC and French officials were informed that a roll back would be inevitable unless the EC took action by October 8 to meet our requests.

In a final effort to resolve the poultry/cognac problem an interagency task force considered and approved a minimum U.S. request which would provide the basis for a satisfactory interim resolution of the poultry/cognac issue. This request would have reduced EC import restrictions on U.S. turkey parts and improved trading conditions for these products (TAB C). The task force also agreed to consider rescinding U.S. penalty duties on potato starch and dextrine to facilitate favorable EC action.

I presented this request to the Head of the EC Delegation and the Ambassadors of France and the Netherlands during the week of October 4. During these meetings I stressed that what was necessary now was a political decision on the part of the Community that the problem be resolved. I pointed out that the United States had bent over backwards to be accommodating



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but that we were running out of time and that the October 8 meeting of the Poultry Management Committee would in effect provide a final opportunity for EC action.

The results of the October 8 meeting of the Poultry Management Committee fell far short of U.S. requirements. However, a U.S. decision on roll back was again deferred at the request of the EC Delegation Head Fernand Spaak, to permit "political level" consideration during the U.S./EC bilateral consultations, October 21-22 in Washington.

On October 21 I discussed this question with EC Commissioner Gundelach (Acting Commissioner for External Relations). I noted that the October 8 offer would not provide a basis for a solution and reiterated the elements of the U.S. request (TAB C). I also informed him that without a substantial improvement in the EC offer the United States would have no alternative but to proceed to a roll back decision. Gundelach responded that he would personally look into this matter. He also requested, and I agreed, that technical consultations be held in Brussels on October 28 to provide a final opportunity for clarification of the issues.

Following the Brussels meeting the EC informed me on November 4 that they were prepared to make modest improvements in their former offer. However, this revised offer still falls far short of the U.S. request and would not result in improved market access for U.S. poultry in the EC market. Commissioner Gundelach has further informed me that from the EC point of view the November 4 offer is final.

The following factors are relevant in consideration of a roll back decision:

PRO:

1. Extensive U.S. efforts to seek a satisfactory resolution are well documented.
2. Would maintain U.S. credibility. We have told EC that we would be forced to roll back unless meaningful concessions for poultry were obtained.
3. Would be strongly supported by the domestic poultry industry.
4. Would maintain pressure on the EC for early resolution of poultry problem in MTN.

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CON:

1. Would be an irritation in U.S. relations with the EC and France.
2. Could lead to retaliation by the EC through increased poultry restrictions. Annual U.S. turkey and turkey parts exports of \$30 million could be affected. (However, the U.S. poultry industry has indicated its willingness to accept this risk in order to further its long term objectives in the EC market.)
3. Would penalize U.S. importers and consumers of French cognac.

This problem has been carefully reviewed by the interagency Trade Policy Committee structure. The Departments of Agriculture, Commerce and Labor, the Council of Economic Advisors, the Council on International Economic Policy, and the Office of the Special Trade Representative recommend action to roll back the price-break on bottled brandy from \$17 to \$13 and on bulk brandy from \$17 to \$9 per gallon restoring duties on these products to the previous level of \$5 per gallon.

The Treasury Department favors a roll back but proposes that the duty on bottled brandy in the \$13 - \$17 price range be increased to \$3 per gallon instead of \$5 per gallon.

The Department of State has reserved its position.

I strongly favor the roll back recommendation. This action is supported by the majority of participating member agencies. I am forwarding for your consideration with this memorandum a proclamation which would implement this action.

This action is structured so that its impact will be mainly on French cognac which now enters at prices above \$13 per gallon. It will not affect bottled brandies in the \$9 to \$13 range which is mainly imported from other suppliers.

If approved this action will take effect on December 10 approximately 30 days from date of signature. This will permit entry of goods in transit and will not affect brandy already entered in bond or in foreign trade zones.

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U.S. MINIMUM REQUEST

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- I. Commission to modify appropriate EC regulation governing the application of supplementary levies or charges on poultry and poultry products so that changes in these charges are effective at the time of shipment rather than at time of arrival at the EC border.
- II. Commission to revise the coefficients used to derive gate prices for certain parts:

<u>Product</u>	<u>Revised Coefficient</u>	<u>Current Coefficient</u>
(a) Turkey drumsticks	0.60	0.90
(b) Turkey thighs	0.90	1.55
(c) Turkey breasts	1.55	1.65

- III. Best efforts commitment by the Dutch and French to ensure that the level of supplemental charges on turkey and turkey parts is not increased above the levels in effect on May 1, 1976, or the level which would have resulted from application on that date of the above coefficients, whichever is lower, pending definitive and early resolution of the poultry problem in the MTN. This does not preclude changes which result from the automatic operation of the variable levy system. This assumes that any decreases in such charges which would result from the normal operation of the system if U.S. delivered prices for these products rise will be duly provided.

- IV. Commitment from the French Government to early technical discussions on health regulations governing poultry imports with a view toward possible liberalization of these regulations.

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presidential documents

Title 3—The President

PROCLAMATION 4304

Termination, In Part, of the Suspension of Benefits of Trade Agreement Concessions and Adjustment of Duty on Certain Brandy

By the President of the United States of America

A Proclamation

1. WHEREAS, pursuant to the authority vested in him by the Constitution and the statutes of the United States of America, including sections 252(c) of the Trade Expansion Act of 1962 (19 U.S.C. 1882(c)) and section 350(a)(6) of the Tariff Act of 1930, as amended (19 U.S.C. 1351(a)(6)), the President, in response to certain unreasonable import restrictions on poultry from the United States maintained by the European Economic Community (the EEC), suspended, by Proclamation No. 3564 of December 4, 1963, the application of the benefits of certain trade agreement concessions;

2. WHEREAS, the President has determined that it is in the interest of the United States to restore, in part, the application of the benefits of trade agreement concessions suspended by Proclamation No. 3564 in order to encourage the resolution of outstanding trade disputes between the United States and the EEC, including the removal of unreasonable import restrictions on poultry from the United States maintained by the EEC;

3. WHEREAS, section 255(b) of the Trade Expansion Act of 1962 and section 350(a)(6) of the Tariff Act of 1930, as amended, authorize the termination, in whole or in part, of a proclamation issued pursuant to title II of the Trade Expansion Act of 1962 and section 350 of the Tariff Act of 1930, as amended, respectively.

NOW, THEREFORE, I, RICHARD NIXON, President of the United States of America, acting under the authority vested in me by the Constitution and the statutes of the United States of America, including section 255(b) of the Trade Expansion Act of 1962 and section 350 of the Tariff Act of 1930, as amended, in order to restore the application of the benefits of trade agreement concessions on certain brandy valued



THE PRESIDENT

over \$9 per gallon, suspended by Proclamation 3564 of December 4, 1963, do hereby proclaim—

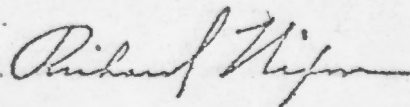
(1) the termination of such part of Proclamation 3564 of December 4, 1963 as proclaims a rate of duty inconsistent with that provided for in the amendment made by paragraph (2) of this proclamation; and

(2) the amendment of subpart B of part 2 of the Appendix to the Tariff Schedules of the United States to read as follows:

Item	Article	Rates of Duty	
		1	2
945.16	Brandy valued over \$17.00 per gallon provided for in items 168.20 and 168.22	\$5 per gal.	No change.

The rates provided for in the amendment made by paragraph (2) of this proclamation shall be effective as to all articles entered, or withdrawn from warehouse, for consumption on and after July 1, 1974.

IN WITNESS WHEREOF, I have hereunto set my hand this sixteenth day of July, in the year of our Lord nineteen hundred seventy-four, and of the Independence of the United States of America the one hundred ninety-ninth.



[FR Doc. 74-16564 Filed 7-17-74; 11:33 am]



EVOLUTION OF AD VALOREM EQUIVALENT OF TOTAL EC LEVIES FOR
WEST GERMANY ^{1/}

	Whole Turkeys	Turkey Breasts	Turkey Thighs	Turkey Drumsticks
February 1, 1974.....	11	9	13	12
May 1, 1974.....	7	7	35	9
August 1, 1974.....	26	28	105	29
November 1, 1974.....	21	48	133	47
February 1, 1975.....	12	50	142	72
May 1, 1975.....	13	62	148	68
August 1, 1975.....	17	54	147	70
November 1, 1975.....	14	39	116	54
February 1, 1976.....	15	28	47	56
May 1, 1976.....	24	29	80	57
August 1, 1976.....	26	24	73	88
October 12, 1976.....	27	24	^{2/} 71	^{3/} 88

^{1/} Based on total EC charges (variable levy plus supplementary levy) compared with U.S. N.Y. whole-sale price plus transportation and delivery charges. ^{2/} With coeff. of 1.40. ^{3/} With coeff. of .80.



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THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

November 9, 1976

MEMORANDUM

FOR THE PRESIDENT

FROM: Ambassador Frederick B. Dent (Signed) Fred Dent

SUBJECT: Poultry/Cognac Problem

The attached memorandum details the extensive U.S. Government efforts to negotiate improved access to the European Community market for U.S. poultry in return for a commitment to maintain present favorable duty levels on imports of French cognac. The cognac duty was unilaterally reduced by the United States in 1974 unbalancing trade concessions for a two year period to "encourage the resolution of outstanding trade disputes between the United States and the EC, including the removal of unreasonable restrictions on poultry."

These efforts have not been successful. Despite numerous warnings that U.S. cognac duties would be restored to former levels without meaningful EC poultry concessions, the European Community has not been forthcoming. The two-year period ended on June 30, 1976 and the domestic poultry industry is pressing strongly for U.S. action. I am enclosing a list of the Members of Congress and Farm Organizations which have advocated roll back action.

I believe that the U.S. Government has made every possible effort to seek a satisfactory resolution of this problem. In my view further negotiations at this time would not be likely to result in an early solution. U.S. credibility both internationally and with the domestic agricultural community requires that action now be taken to restore the former level of the cognac duty.

This problem has been carefully reviewed by the interagency Trade Policy Committee structure. The recommendation and proposed agency positions are as follows:

RECOMMENDATION:

Roll back the price-break on bottled brandy from \$17 to \$13 per gallon and on bulk brandy from \$17 to \$9 per gallon, restoring duties on these products to \$5 per gallon.

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E.O. 12958, Sec. 3.5

NSC Memo, 11/24/98, State Dept. Guidelines
By U/HM NARA, Date 5/9/00

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This recommendation is supported by the Departments of Agriculture, Commerce and Labor, the Council of Economic Advisors, the Council on International Economic Policy, and the Office of the Special Trade Representative.

The Treasury Department favors a roll back but proposes that the duty on bottled brandy in the \$13 - \$17 price range be increased to \$3 per gallon instead of \$5 per gallon.

The Department of State has reserved its position.

I strongly favor the roll back recommendation. This action is supported by the majority of participating member agencies. I am forwarding for your consideration with this memorandum a proclamation which would implement this action.

This action is structured so that its impact will be mainly on French cognac which now enters at prices above \$13 per gallon. It will not affect bottled brandies in the \$9 to \$13 range which are mainly imported from other suppliers.

If approved this action will take effect on December 10 approximately 30 days from date of signature. This will permit entry of goods in transit and will not affect brandy already entered in bond or in foreign trade zones.

Approved _____

Disapproved _____



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MEMBERS OF CONGRESS AND FARM ORGANIZATIONS SUPPORTING POULTRY/
COGNAC PRICE-BREAK ROLLBACK

MEMBERS OF CONGRESS

1. Senator Herman Talmadge
2. Senator Hugh Scott
3. Senator Richard Schweiker
4. Congressman Edwin Eshleman
5. Congressman G. William Whitehurst
6. Congressman J. Kenneth Robinson
7. Congressman Daniel J. Flood

FARM ORGANIZATIONS SUPPORTING POULTRY/COGNAC PRICE-BREAK ROLLBACK

1. Poultry and Egg Institute
2. National Broiler Council
3. National Turkey Federation
4. American Farm Bureau Federation
5. The Grange
6. Northeastern Poultry Producer's Council
7. Pennsylvania Poultry Federation
8. Virginia Poultry Federation
9. Georgia Poultry Federation
10. Southeastern Poultry and Egg Association
11. Indiana State Poultry Association
12. Pennsylvania Poultry Processors
13. Pacific Egg and Poultry Association
14. North Carolina Poultry Federation
15. Iowa Turkey Federation
16. Minnesota Turkey Growers Association



17. California Turkey Industry
18. Alabama Poultry and Egg Association
19. Texas Poultry Federation
20. Indiana State Poultry Association
21. Mississippi Poultry Association, Inc.
22. Nebraska Turkey Federation
23. Nebraska Poultry Industries, Inc.
24. Ohio Poultry Association
25. Poultry Industries of Louisiana, Inc.



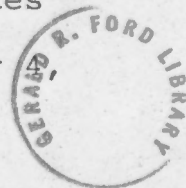
ADJUSTMENT OF DUTY ON CERTAIN BRANDY

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. In December, 1963, in the exercise of international rights accorded the United States, particularly paragraph 3 of Article XXVIII of the General Agreement on Tariffs and Trade (the GATT), the United States notified the Contracting Parties to the GATT that it was suspending certain trade agreement concessions made by the United States and reflected in the United States Schedules to the GATT in response to a withdrawal of certain concessions with respect to poultry, resulting from the formation of the European Economic Community.

2. Pursuant to the authority vested in him by the Constitution and the statutes of the United States of America, including section 252(c) of the Trade Expansion Act of 1962 (19 U.S.C. 1882(c)), and section 350(a)(6) of the Tariff Act of 1930, as amended (19 U.S.C. 1351(a)(6)), the President determined that the European Economic Community maintained unreasonable import restrictions on poultry from the United States and suspended, by Proclamation No. 3564 of December 1963, the application of the benefits of the trade agreement concessions of the United States which were suspended as noted in paragraph 1.



3. By Proclamation 4304 of July 16, 1974, pursuant to section 255(b) of the Trade Expansion Act of 1962 (19 U.S.C. 1885(b)), and section 350 of the Tariff Act of 1930, as amended (19 U.S.C. 1351), the President, in order to encourage the resolution of outstanding trade disputes between the United States and the European Communities (the EC), including the removal of unreasonable import restrictions maintained by the EC on poultry from the United States, terminated in part Proclamation 3564 of December 4, 1963, restored in part the application of the benefits of the suspended trade agreement concessions on certain brandy valued over \$9 and not over \$17 per gallon, and maintained a rate of duty for column 1 of \$5 per gallon for brandy valued over \$17 per gallon provided for in items 168.20 and 168.22 of the Tariff Schedules of the United States (TSUS). This action was taken for the purpose of providing a temporary adjustment for a period of time during which a satisfactory solution to the aforementioned trade dispute could be found.

4. No solution having been reached between the United States and the EC regarding the removal of unreasonable import restrictions on poultry from the United States, I have determined it to be appropriate, in the exercise of United States rights under Article XXVIII of the GATT following from the suspension of concessions noted in

paragraph 1 above, to increase rates of duty on certain brandy as provided in this proclamation.

5. Pursuant to Section 125(c) of the Trade Act of 1974 (19 U.S.C. 2135(c)), whenever the United States, acting in pursuance of any of its rights or obligations under any trade agreement entered into pursuant to the Trade Act of 1974, section 201 of the Trade Expansion Act of 1962, or section 350 of the Tariff Act of 1930, withdraws, suspends, or modifies any obligation with respect to the trade of any foreign country or instrumentality thereof, the President is authorized to proclaim increased duties or other import restrictions, to the extent, at such times, and for such periods as he deems necessary or appropriate, in order to exercise the rights or fulfill the obligations of the United States.

6. Moreover, section 255(b) of the Trade Expansion Act of 1962, and section 350(a)(6) of the Tariff Act of 1930, as amended, authorize the termination, in whole or in part, of any proclamation issued pursuant to Title II of the Trade Expansion Act of 1962, and section 350 of the Tariff Act of 1930, as amended, respectively.

7. For purposes of the Generalized System of Preferences, the former TSUS items 168.20 and 168.22, providing for all brandy valued over \$9 per gallon, were subdivided into new items 168.23, 168.26, 168.28, and 168.32, the first

two of which apply to pisco and singani, which are types of brandy not produced in the EC, and the latter two of which provided for all other brandy valued over \$9 per gallon.

8. In accordance with the requirements of the Trade Act of 1974, the Trade Policy Staff Committee held a public hearing on September 21 and 22, 1976, at which all interested persons were given reasonable opportunity to be present, to produce evidence, and to be heard on the proposed duty increase on brandy. Public notice of the hearing was given on August 19, 1976 (41 F.R. 35107).

NOW, THEREFORE, I, Gerald R. Ford, President of the United States of America, acting under the authority vested in me by the Constitution and the statutes of the United States of America, including section 125(c) of the Trade Act of 1974, section 255(b) of the Trade Expansion Act of 1962, and section 350(a)(6) of the Tariff Act of 1930, as amended, in the exercise of the rights of the United States, do hereby proclaim, until the President otherwise proclaims or until otherwise superseded by law, that:

A. Proclamation 4304 of July 16, 1974, is terminated; and

B. Item 945.16 of Subpart B of part 2 of the Appendix to the Tariff Schedules of the United States (TSUS), is amended to read as follows:

<u>Item</u>	<u>Article</u>	<u>Rate of Duty</u>	
		<u>1</u>	<u>2</u>
945.16	Brandy valued over \$13 per gallon provided for in item 168.28, and brandy valued over \$9 per gallon provided for in item 168.32	\$5 per gallon	No Change

The modifications of Subpart B of Part 2 of the Appendix to the TSUS, made by this proclamation, shall be effective as to all articles that are both

(i) imported, and

(ii) entered, or withdrawn from warehouse, for consumption,

on or after December 10, 1976.

IN WITNESS WHEREOF, I have hereunto set my hand this day of November, in the year of our Lord nineteen hundred seventy-six, and of the Independence of the United States of America the two hundred and first.

GERALD R. FORD