The original documents are located in Box C50, folder "Presidential Handwriting, 10/11/1976" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

October 11, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: L. WILLIAM SEIDMAN

FROM: JAMES E. CONNOR JEC

SUBJECT: U.S. Meat Import Policy

The President reviewed your memorandums of October 7 and 8 on the above subject and signed on October 8 a proclamation imposing a global meat import quota.

The signed proclamation has been forwarded to Robert Linder for appropriate handling.

Please follow-up with any other action that is necessary.

cc: Dick Cheney
Robert Linder

THE WHITE HOUSE

WASHINGTON

October 8, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN RBP for

SUBJECT: United States Meat Import Policy

This memorandum updates my memorandum to you yesterday describing a proposal to secure from the Australians a commitment to reduce their level of exports to the United States by 15 million pounds under the voluntary restraint agreement. The Australian Ambassador informed the Department of State today that after consulting at the highest levels in the Australian government, including Prime Minister Fraser who is in Jakarta, the Australians could not agree to the reduction. They indicated in their response that similar requests were not being made of other countries which export meat to the United States and that they (the Australians) could not agree to a unilateral reduction.

The Australian response effectively eliminates Option 1 of the October 7 U.S. meat import policy memorandum since the option was contingent on a favorable Australian commitment.

I am informed that the Department of State is now proposing that you announce that you will impose quotas within 10 days if all supplying countries do not agree to a 2 percent reduction in their meat exports to the United States. The particulars of the new State proposal are being sent to Brent Scowcroft.

In view of the negative Australian response, Acting Secretary of Agriculture, John Knebel, is signing this afternoon a letter to you estimating meat imports in 1976 at 1,250 million pounds, which is above the trigger level. A proclamation imposing a global meat import quota at the trigger level of 1,233 million pounds is attached. (tab C) It has been cleared as to form by the General Counsel of the Office of Management and Budget and, if signed, would implement Option 2 of the October 7 meat import policy memorandum.

Attachment

THE WHITE HOUSE

WASHINGTON

October 7, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN RBP FOR

SUBJECT: U.S. Meat Import Policy

Depressed prices continue to characterize the current situation and outlook for the domestic cattle market. A brief review of the current situation, prepared by the Department of Agriculture, is attached at Tab A. The U.S. livestock industry has focused its frustration on the meat import question. The sensitive import issue has been exacerbated by the circumvention of the restraint program resulting from shipments of an estimated 55 million pounds (through December) of beef (mostly Australian) through the Mayaguez Foreign Trade Zone. The Executive Branch was unsuccessful in its efforts to close the loophole administratively and the Congress was unwilling to close the loophole legislatively. The livestock industry is strongly urging the imposition of meat quotas.

The memorandum reviews the current import situation, outlines the policy options for our meat import policy during the remainder of 1976, and seeks your decision regarding imposing a quota on meat imports.

Current Import Situation

The Secretary of Agriculture is responsible for making quarterly estimates of meat imports under the Meat Import Act. Quotas will be triggered this year if the estimate of imports exceeds the trigger level of 1,233 million pounds. The fourth quarterly estimate has been delayed due to uncertainties regarding likely imports from Canada and Mexico which could cause the estimate to exceed the trigger level. The Department of Agriculture now feels strongly that an estimate below the trigger level is not credible -- because of increased imports from Canada -- unless assurances are obtained for offsetting reductions from other foreign supplier countries.

There is general interagency agreement that any attempt to obtain assurances of reductions in the level of imports should focus on Australia for three reasons. First, Australia supplies over half of the total meat imports to the U.S. Second, Australia has shipped more than 50 million pounds over its restraint level through the Mayaguez Foreign Trade Zone. Third, Australia has shipped 68.2 million pounds to Canada which has contributed to the accelerating Canadian shipments to the U.S.

This morning, J.D. Anthony, Acting Prime Minister of Australia (Prime Minister Fraser is in Jakarta), sent you a letter on this issue which is attached at Tab B. The letter expresses the Australians' strong wish that the United States not impose meat import quotas, indicates that Australian exporters have been formally informed that the Australian Government will permit no further shipments to Mayaguez during calendar year 1976, and urges that, should the USDA estimate exceed the "trigger" level, you use your powers to suspend the operation of quotas.

This afternoon Deputy Secretary of State Robinson and other U.S. officials met with the Australian Ambassador and informed him that given the projected Department of Agriculture fourth quarter estimate for 1976 meat imports that the quota would be triggered unless Australia agreed to reduce its 1976 shipments by 15 million pounds.

Deputy Secretary Robinson made clear to the Ambassador that you had not yet been informed of this initiative and that he could not assure that you would not impose quotas even if the Australians agreed to the reduction in exports to the U.S. However, he indicated that the United States shared with Australia a desire to achieve a world liberalization of trade in agricultural products and that the necessity of imposing quotas could undermine this effort. He explained that the Department of Agriculture must publish the delayed fourth quarter estimate, that you were meeting with representatives of the domestic cattle industry tomorrow (Friday) evening, and that if a voluntary reduction in Australian exports to the U.S. were to be a viable option we needed a response before your Friday evening meeting.

<u>Options</u>

Three options are presented for your consideration.

<u>Option 1:</u> <u>Assure that meat imports do not exceed 1,233 million pounds through securing an Australian commitment to reduce exports to the U.S. by 15 million pounds below the negotiated voluntary restraint level of 632.2 million pounds coupled with initiatives to help the cattle industry.</u>

This option is contingent on a favorable Australian response to the proposed 15 million pound reduction outlined by Deputy Secretary Robinson in his meeting with the Australians. If the Australians respond favorably and you select this option, you may wish to personally confirm the commitment with Prime Minister Fraser.

This option also includes three additional Administration initiatives:

(1) The State Department would make diplomatic demarches with the other countries participating in the meat import program to ensure that none of them begin using the Free Trade Zone loophole.

(2) Negotiations for a 1977 program would be initiated, under the guidance of the Agricultural Policy Committee, to determine by the end of the year whether a voluntary program is possible to ensure that a meat import program is in place at the outset of 1977. (In the past, the failure to have a voluntary restraint program in place at the beginning of the year has irritated cattlemen.)

(3) Announce that you will introduce in the next Congress an amendment to the Meat Import Act (along the lines of the Curtis Amendment, which passed the Senate but failed in the House in the closing hours of the 94th Congress) to permanently close the Free Trade Zone loophole.

Advantages:

- Avoids the imposition of quotas which would violate international agreements and avoids an embargo of imports from Canada.
- Avoids action inconsistent with our GATT obligations.
- Avoids the possibility of retaliation especially by Canada.
- Deals effectively with meat processing in Foreign Trade Zones without the threat of further litigation.

Disadvantages:

- This approach to providing relief is less acceptable to the domestic livestock industry than the imposition of quotas.
- This approach requires the cooperation of Australia and other supplying countries.

<u>Option 2</u>: <u>Impose quotas at the trigger level of 1,233 million pounds and issue regulations to prevent circumvention of import restraints</u>.

Imposing quotas at the trigger level of 1,233 million pounds would require either (a) an immediate embargo of imports from Canada or (b) a unilateral reduction in the allocation to Mexico which would violate our restraint agreement with that country while delaying the need for an embargo on Canadian beef. An embargo on Canadian imports would undoubtedly result in comparable action by Canada against U.S. exports.

<u>Advantages</u>:

- Imposition of a quota at the trigger level of 1,233 million pounds is the action most desired by the domestic livestock industry.

- Imposition of a quota does not require the cooperation of any foreign government.

<u>Disadvantages</u>:

- Imposition of a quota would place the United States in violation of the voluntary restraint agreements, its GATT obligations, and could result in possible requirements for compensation or in retaliation by foreign governments.

- Imposition of quotas is inconsistent with our long-term objective of securing trade liberalization and expanded export markets for our agricultural products, a central U.S. objective in the Multilateral Trade Negotiations.

- Regulations to deal with Foreign Trade Zones would likely be delayed or overturned through litigation.

<u>Option 3</u>: <u>Impose quotas above the trigger level at 1,250 million pounds and issue regulations to prevent circumvention of import restraints</u>.

Imposing quotas above the trigger level at 1,250 million pounds would permit country allocations at the level of our voluntary restraint agreements while not requiring the imposition of an embargo on Canadian exports.

<u>Advantages</u>:

- This approach would minimize the short-term effects of imposing quotas on our foreign and trade policy.

- o This approach would not require the cooperation of foreign governments.

Disadvantages:

- o Permitting imports to exceed the trigger level of 1,233 million pounds would be vigorously opposed by the domestic cattle industry.
- o Imposition of quotas, even above the trigger level, is inconsistent with our long-term objective of securing trade liberalization and expanded export markets for our agricultural products.
- o Regulations to deal with Foreign Trade Zones would likely be delayed or overturned through litigation.
- o Imposition of a quota would violate our GATT obligations.

Decision

Option 1 __________ Assure that meat imports do not exceed 1,233 million pounds through securing an Australian commitment to reduce exports to the U.S. by 15 million pounds below the negotiated voluntary restraint level of 632.2 million pounds coupled with initiatives to help the cattle industry.

This option is contingent on a favorable Australian response to the proposed reduction.

Supported by: State, Treasury, STR, OMB, CEA NSC, Buchen

Option 2 __________ Impose quotas at the trigger level of 1,233 million pounds and issue regulations to prevent circumvention of import restraints.

Supported by: Agriculture, Friedersdorf, Marsh, Domestic Council

Option 3 __________ Impose quotas above the trigger level at 1,250 million pounds and issue regulations to prevent circumvention of import restraints.

U. S. LIVESTOCK SITUATION

At the end of 1974, the U.S. ended 2 1/2 years of suspended quotas and returned to a restraint program for several reasons. First, declining beef prices moderated consumer discontent, but caused serious economic distress in the cattle industry. Second, higher feed prices caused by short 1974 crops led to concern that cow herd liquidation would result in an insufficient base for increasing beef supplies when demand conditions warranted. Third, the existence of import barriers amounting to almost total bans in the other major consuming areas, the EC and Japan, left the U.S. market particularly vulnerable to a surge in imports. The situation was exacerbated by record cattle inventories in major supplying countries, particularly Australia and New Zealand. These circumstances continued throughout 1975.

The record 1975 slaughter levels were high enough to reduce the U.S. cattle herd at the beginning of 1976 by 4 million head, the first year to year decline since 1967. Beef cow inventories were down almost 2 million head, the first decline in 20 years. Herd liquidation is continuing in 1976.

After a brief period of profits in 1975, cattle feeders have been operating in the red since January. Most cow-calf operations probably have not been able to cover all costs of raising cattle since 1973. Returns to cow-calf producers are particularly important because imported beef substitutes most directly for domestic cow beef.

Through the first 7 months of this year U.S. beef and veal production was running about 11 percent above the same period a year earlier. Continued herd liquidation is expected during the remainder of the year. Limitations on the importation of meat are considered necessary to assist in the economic recovery of the livestock industry.

QUANTITATIVE LIMITATION ON THE
IMPORTATION OF CERTAIN MEATS
INTO THE UNITED STATES

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

Section 2(A) of the Act of August 22, 1964 (78 Stat. 594, 19 U.S.C. 1202 Note) (hereinafter referred to as the Act), declares that it is the policy of the Congress that the aggregate quantity of the articles specified in item 106.10 (relating to fresh, chilled, or frozen cattle meat) and item 106.20 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs) of the tariff schedules of the United States (hereinafter referred to as meat) which may be imported into the United States in any calendar year beginning after December 31, 1964, shall not exceed a quantity to be computed as prescribed in that section (hereinafter referred to as adjusted base quantity).

Section 2 (B) of the Act provides that the Secretary of Agriculture for each calendar year after 1964 shall estimate and publish the adjusted base quantity for such calendar year and shall estimate and publish quarterly the aggregate quantity of meat which in the absence of the limitations under the Act would be imported during such calendar year (hereinafter referred to as potential aggregate imports).

The Secretary of Agriculture, pursuant to Section 2(A) and (B) of the Act estimated on December 31, 1975 (41 F.R. 1095) the adjusted base quantity of meat for the calendar year 1976 to be 1,120.9 million pounds and has estimated (in the 1976 fourth quarterly estimate) the potential aggregate imports of meat for 1976 to be 1,250 million pounds.

The potential aggregate imports of meat for the calendar year 1976, as estimated by the Secretary of Agriculture and no limitation under the Act is in effect with respect to the calendar year 1976.

Section 2(C) (1) of the Act requires the President in such circumstances to limit by proclamation the total quantity of meat which may be entered, or withdrawn from warehouse, for consumption, during the calendar year, to the adjusted base quantity estimated for such calendar year by the Secretary of Agriculture pursuant to Section 2(B) (1) of the Act, which is 1,120.9 million pounds.

Section 2(D) of the Act provides that the President may increase the total quantity proclaimed pursuant to Section 2(C) of the Act if he determines and proclaims that such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the nation of the economic well-being of the domestic livestock industry.

Section 2(D) of the Act further provides that such increase shall be in such amount as the President determines and proclaims to be necessary to carry out the purposes of Section 2(D).

Now, therefore, I, Gerald R. Ford, President of the United States of America, by virtue of the authority vested in me as President and pursuant to Section 2 of the Act, do hereby proclaim as follows:

1. In conformity with and as required by Section 2(C) of the Act, the total quantity of the articles specified in item 106.10 (relating to fresh, chilled, or frozen cattle meat) and item 106.20 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs) of Part 28, schedule 1 of the tariff schedules of the United States which may be entered, or withdrawn from warehouse, for consumption during the calendar year 1976 is limited to 1,120.9 million pounds.

2. Pursuant to Section 2(D) of the Act, it is hereby determined that an increase in the quota quantity proclaimed in Paragraph 1. is required by overriding economic interests of the United States, giving special weight to the importance to the nation of the economic well-being of the domestic livestock industry, and that an increase of 112.1 million pounds in such quota quantity is necessary to carry out the purposes of such subsection.

3. Pursuant to Section 2(D) of the Act, the quota quantity proclaimed in Paragraph 1. is increased by 112.1 million pounds and the total quantity of the articles specified in item 106.10 (relating to fresh, chilled, or frozen cattle meat) and item 106.20 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs) of Part 2B, schedule 1 of the tariff schedules of the United States which may be entered, or withdrawn from warehouse, for consumption during the calendar year 1976 is limited to 1,233 million pounds.

IN WITNESS WHEREOF, I have hereunto set my hand this day of October, 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

QUANTITATIVE LIMITATION ON THE
IMPORTATION OF CERTAIN MEATS
INTO THE UNITED STATES

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

Section 2(a) of the Act of August 22, 1964 (78 Stat. 594, 19 U.S.C. 1202 note) (hereinafter referred to as the Act), declares that it is the policy of the Congress that the aggregate quantity of the articles specified in item 106.10 (relating to fresh, chilled, or frozen cattle meat) and item 106.20 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs)) of the Tariff Schedules of the United States (hereinafter referred to as meat) which may be imported into the United States in any calendar year beginning after December 31, 1964, shall not exceed a quantity to be computed as prescribed in that section (hereinafter referred to as adjusted base quantity).

Section 2(b) of the Act provides that the Secretary of Agriculture for each calendar year after 1964 shall estimate and publish the adjusted base quantity for such calendar year and shall estimate and publish quarterly the aggregate quantity of meat which in the absence of the limitations under the Act would be imported during such calendar year (hereinafter referred to as potential aggregate imports).

The Secretary of Agriculture, pursuant to section 2(a) and (b) of the Act estimated on December 31, 1975 (41 F.R. 1095) the adjusted base quantity of meat for the calendar year 1976 to be 1,120.9 million pounds and has estimated (in the 1976 fourth quarterly estimate) the potential aggregate imports of meat for 1976 to be 1,250 million pounds.

The potential aggregate imports of meat for the calendar year 1976, as estimated by the Secretary of Agriculture, exceeds 110 percent of the adjusted base quantity of meat for the calendar year 1976 estimated by the Secretary of Agriculture and no limitation under the Act is in effect with respect to the calendar year 1976.

Section 2(c)(1) of the Act requires the President in such circumstances to limit by proclamation the total quantity of meat which may be entered,