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Last Updated: 11/12/2024

WHITE HOUSE
OFFICE OF RECORDS MANAGEMENT
WORKSHEET

☐ X-MEDIA
☐ H-INTERNAL

Name of Document: BRIEFING PAPERS
FOR PRESIDENT'S
SCHEDULED
APPOINTMENTS FOR

FEB 16 84

Subject Codes:

1) Subject: Telephone Interview with Bob
Case of the Waterlos, Iowa, Courier
newspaper

P R 0 0 7 - 0 1

P R 0 0 7 - 0 2

P R 0 1 6 -

T A -

S P 8 5 1 -

S P 8 5 2 -

R M -

F G 0 1 0 - 0 2

A G -

2) Meeting with the Emergency Committee
for American Trade (ECAT) to discuss
international trade.

B E 0 0 3 - 0 6

C M 0 0 3 - 0 2

C M 0 0 3 - 0 1

T A 0 0 3 -

C M 0 1 1 -

3) Meeting to discuss three upcoming speeches:
A) American Legion Auxiliary
B) League of Cities
C) Evangelicals

S T 0 0 2 -

P R 0 0 5 -

F G 3 4 2 - 0 3

P R 0 1 1 -

M E 0 0 2 -

4) Meeting with the Cabinet Council on Food
and Agriculture regarding agricultural
conditions and a plan for assessing
farm programs.

ROUTE TO:		ACTION		DISPOSITION		
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
RMHENL		RSZ			C	

Referral Note:

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Subject Codes:

P R 0 0 7 - 0 1

9) Subject: Meeting with the new bureau chiefs
of Associated Press and United Press
International, ~~David WEISSLER~~
~~and Ronald E. COHEN~~
Charles Lewis (AP) and
David WEISSLER (UPI)

10) Meeting with Robert E. DOLAN, National
Chairman of Young Americans for Freedom,
for a photograph for the magazine,
New Guard.

11) Meeting with Mrs ELISE R. W. du Pont,
Assistant Administrator of the Agency
for International Development.

ROUTE TO:		ACTION		DISPOSITION		
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
RMHENL		RSZ			C	

Referral Note:

Page 4 of 4

ID #

287716

WHITE HOUSE OFFICE OF RECORDS MANAGEMENT WORKSHEET

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Name of Document: BRIEFING PAPERS
FOR PRESIDENT'S
SCHEDULED
APPOINTMENTS FOR

FEB 16 84

Subject Codes:

P R 0 0 7 - 0 1

12) Subject: Video taping session for ?

A) message for the 25th convention
of the Automotive Service Industry
Association.

B) message for the National Convention
for Hospital Trustees at the Eisenhower
Medical Center.

13) Audio taping session for a message
for the Radio Information for the
Blind.

ROUTE TO:		ACTION		DISPOSITION		
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
RMHENL		RSZ			C	

Referral Note:

THE SCHEDULE OF PRESIDENT RONALD REAGAN

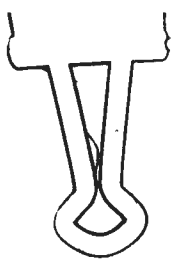


Thursday, February 16, 1984

9:00 am (30 min)	<u>Staff Time</u> (Baker/Meese/Deaver)	Oval Office
9:30 am (15 min)	<u>National Security Briefing</u> (McFarlane)	Oval Office
9:45 am (15 min)	<u>Senior Staff Time</u>	Oval Office
10:00 am (90 min)	<u>Personal Staff Time</u>	Oval Office
11:30 am (15 min)	<u>Telephone Interview with Waterloo Courier</u> (Speakes) (TAB A)	Oval Office
11:45 am (15 min)	<u>Drop by Briefing for Emergency Committee</u> <u>for American Trade, ECAT (Whittlesey)</u>	450 EOB
12:00 m (60 min)	<u>Lunch with the Vice President</u> (TAB B) (remarks distributed separately)	Oval Office
1:00 pm (30 min)	<u>Speech Preparation Meeting</u> (Darman) (TAB C)	Oval Office
1:30 pm (30 min)	<u>Personal Staff Time</u>	Oval Office
2:00 pm (60 min)	<u>Cabinet Councils on Commerce and</u> <u>Trade and Food and Agriculture (Fuller)</u> (TAB D)	Cabinet Room
3:00 pm (60 min)	<u>Personal Staff Time</u>	Oval Office
4:00 pm (30 min)	<u>Personnel Time</u> (Herrington)	Oval Office
4:30 pm (30 min)	<u>Administrative Time</u> 1. Simon Wiesenthal (Whittlesey) 2. Muscle Training Illustrated Magazine Award (SITTMANN) 3. John Fogarty of Nat'l Press Club (Speakes) 4. Photo with AP and UPI Bureau Chiefs (Speakes) 5. Photo with Editors of New Guard (Tutwiler) 6. Photo with Elise Du Pont (Tutwiler)	Oval Office (TAB E)
5:00 pm (15 min)	<u>Taping Session (Elliott/Duval)</u> 1. National Conference for Hospital Trustees at Annenberg Center 2. Radio Information Center for the Blind 3. Automotive Industry Association Message	Diplomatic Reception Room (TAB F) (draft remarks distributed separately)

Ed
PRAM

ber



Thursday, February 16, 1984

9:54 OVAL

9:00 am (30 min)	<u>Staff Time</u> (Baker/Meese/Deaver)	Oval Office
9:30 am - 10:07 (15 min)	<u>National Security Briefing</u> (McFarlane)	Sit. Room Oval Office
9:45 am (15 min)	<u>Senior Staff Time</u>	Oval Office
10:00 am (90 min)	<u>Personal Staff Time</u>	Oval Office
11:30 am (15 min)	Cancelled Telephone Interview with Waterloo Courier (Speakes) (TAB A)	Oval Office
11:45 am (15 min)	^{Ed JBAT} <u>Drop by Briefing for Emergency Committee</u> <u>for American Trade, ECAT (Whittlesey)</u> (TAB B)	450 EOB
12:00 m (60 min)	<u>Lunch with the Vice President</u> , Shultz, McFarlane	Oval Office
1:00 pm (30 min)	<u>Speech Preparation Meeting</u> (Darman) (TAB C)	Oval Office
1:30 pm (30 min)	<u>Personal Staff Time</u>	Oval Office
2:00 pm (60 min)	Cabinet Councils on Commerce and ^{2:01-3:00} <u>Trade and Food and Agriculture (Fuller)</u> (TAB D)	Cabinet Room
3:00 pm (60 min)	<u>Personal Staff Time</u>	Oval Office
4:00 pm (30 min)	<u>Personnel Time</u> ^{4:00 - 4:14} (Herrington) ^{Becky Dunlop, Em}	Oval Office
4:30 pm (30 min)	<u>Administrative Time</u> ^{4:} 1. Simon Wiesenthal (Whittlesey) - wires 2. Muscle Training Illustrated Magazine Award (SITTMANN) - 3. John Fogarty of Nat'l Press Club (Speakes) - 4. Photo with AP and UPI Bureau Chiefs (Speakes) - 5. Photo with Editors of New Guard (Tutwiler) - 6. Photo with Elise Du Pont (Tutwiler) - 7. LESLIE DUTTON, 8 Tom McCon	Oval Office (TAB E)
5:00 pm (15 min)	<u>Taping Session (Elliott/Duval)</u> 1. National Conference for Hospital Trustees at Annenberg Center 2. Radio Information Center for the Blind 3. Automotive Industry Association Message	Diplomatic Reception Room (TAB F)

5:22 - RESIDENCE



Thursday, February 16, 1984

9:00 am (30 min)	<u>Staff Time</u> (Baker/Meese/Deaver)	Oval Office
9:30 am (15 min)	<u>National Security Briefing</u> (McFarlane)	<i>lit. room</i> Oval Office
9:45 am (15 min)	<u>Senior Staff Time</u>	Oval Office
10:00 am <i>-1007</i> (90 min)	<u>Personal Staff Time</u>	Oval Office
11:30 am (15 min)	<i>cancelled</i> <u>Telephone Interview with Waterloo Courier</u> (Speakes) (TAB A)	Oval Office
11:45 am (15 min)	✓ <u>Drop by Briefing for Emergency Committee for American Trade, ECAT (Whittlesey)</u> (TAB B)	450 EOB
12:00 m (60 min)	<u>Lunch with the Vice President</u> <i>Shirley McDonald</i>	Oval Office
1:00 pm (30 min)	<u>Speech Preparation Meeting</u> (Darman) (TAB C)	Oval Office
1:30 pm (30 min)	<u>Personal Staff Time</u>	Oval Office
2:00 pm (60 min)	Cabinet Councils on Commerce and Trade and Food and Agriculture (Fuller) (TAB D)	<i>Chung & Day</i> Cabinet Room
3:00 pm (60 min)	<u>Personal Staff Time</u>	Oval Office
4:00 pm (30 min)	<u>Personnel Time</u> (Herrington)	Oval Office
4:30 pm (30 min)	<u>Administrative Time</u> ✓ 1. Simon Wiesenthal (Whittlesey) 2. Muscle Training Illustrated Magazine Award (SITTMANN) ✓ 3. John Fogarty of Nat'l Press Club (Speakes) ✓ 4. Photo with AP and UPI Bureau Chiefs (Speakes) ✓ 5. Photo with Editors of New Guard (Tutwiler) ✓ 6. Photo with Elise Du Pont (Tutwiler) <i>Elise DuPont</i>	Oval Office (TAB E)
5:00 pm (15 min)	✓ <u>Taping Session (Elliott/Duval)</u> 1. National Conference for Hospital Trustees at Annenberg Center 2. Radio Information Center for the Blind 3. Automotive Industry Association Message	Diplomatic Reception Room (TAB F)

THE WHITE HOUSE

WASHINGTON

TELEPHONE CALL TO BOB CASE, WATERLOO COURIER

DATE: February 16, 1984

TIME: 11:30 a.m.

LOCATION: Oval Office

FROM: Larry Speakes

I. PURPOSE

To discuss the reasons for going to Iowa, the Administration's programs and the themes of the 1984 campaign.

II. BACKGROUND

Bob Case has had an active request for an interview with the President since the beginning of the Administration. He is a conservative Republican and one of the most senior political writers in Iowa. He has been granted interviews with each of the sitting Presidents.

His interview has been recommended by his Iowa Congressman, Cooper Evans, and Lyn Nofziger. Also Senator Charles Grassley and Congressman Bob Michel have written on his behalf.

Case served as Administrative Assistant to Congressman H. R. Gross of Iowa for 18 years.

III. PARTICIPANTS

The President
Bob Case (by telephone: 515-282-9052)
Larry Speakes

IV. PRESS PLAN

None

V. SEQUENCE OF EVENTS

After pleasantries, the telephone interview will begin.

Attachment: Talking Points being prepared by Mike Baroody

February 15, 1984

NOTES FOR PHONE INTERVIEW WITH IOWA'S WATERLOO COURIER

Bob Case of the Courier wants RR's responses on a number of issues being raised in Iowa campaigning.

o Defense spending

- Won't spend one penny more than we think is necessary to ensure adequate defense. Won't spend a penny less, either.
- Budget request for FY85 pared \$16 billion by us from our own earlier budget proposals.

o Why did RR not go to Andropov funeral?

- Well represented by VP Bush, who told new Soviet leadership of our desire for dialogue. Bush got encouraging response from Chernenko.
- Was important to go ahead with scheduled meetings with Hussein, Mubarak on Lebanon, Middle East peace.

o Is the world more dangerous than four years ago?

- Safer now than during drift of Carter-Mondale years when:
 - o weapons programs were cancelled (B-1);
 - o SALT II treaty was rejected by Senate then controlled by Carter's own party; and
 - o hostage crisis made world question America's strength of will.

Rec'd: S S
1984 FEB 15 PM 2:50

THE WHITE HOUSE
WASHINGTON

February 15, 1984

MEETING WITH EMERGENCY COMMITTEE FOR AMERICAN TRADE

DATE February 16, 1984
LOCATION 450 OEOB
TIME 11:45 a.m.

FROM: FAITH WHITTLESEY *FHW*

I. PURPOSE

To discuss your views on international trade with members of the Emergency Committee for American Trade (ECAT).

II. BACKGROUND

ECAT was formed in 1967 to oppose legislative proposals to impose quotas on imports into the United States. The founding businessmen feared that a combination of trade restrictions and retaliation could destroy the expansion of trade and investment and damage other areas of international cooperation.

Advocates of the free market system, ECAT's members represent all sectors of the American economy. Their combined exports run into the tens of billions of dollars, and their combined employment is millions of workers.

The Committee has supported the Administration's free-trade proposals including the Caribbean Basin Initiative and Export Trading Company Act, and has opposed protectionist measures such as the domestic content bill.

This meeting is part of ECAT's annual meeting in Washington.

III. PARTICIPANTS

95 CEOs and senior executives (list attached).

IV. PRESS PLAN

No press coverage.

V. SEQUENCE OF EVENTS

11:45 THE PRESIDENT arrives, is announced off-stage, and proceeds on stage

11:46 THE PRESIDENT is greeted by Faith Whittlesey and is introduced to Mr. Edmund T. Pratt, Chairman of the Board and Chief Executive Officer of Pfizer Inc., and Chairman of the Emergency Committee for American Trade

11:47 THE PRESIDENT proceeds to podium, makes remarks, departs

Received S S

1984 FEB 15 PM 3:49

- o Don't hunger and fairness issues show Administration insensitivity not only to needs of poor but to compassionate instincts of American middle class?
 - This Administration committed to about \$50 billion on food and nutrition programs so far; proposes to spend almost \$18 billion more next year.
 - food stamps, free school lunches, for example, benefitted more needy than ever last year.
 - Government must help those who have no where else to turn for help -- and do it efficiently out of fairness to taxpayers who pay for the help.
 - That's what Americans want; that's what they're getting from this Administration.
- o Deficits
 - Only way to get them down is bipartisan cooperation. RR asked for it in SOTU; still hoping to get it from Hill Democrats.
- o Charge made that RR is "trigger happy;" uses military to solve problems that should be solved diplomatically.
 - No reason to doubt U.S. willingness to negotiate.
 - Willing to talk on arms control, Southern Africa, elsewhere.
 - Just met with Hussein, Mubarak as part of continuing effort to bring peace to Middle East.
- o Iowa caucuses -- RR's travel to state on caucus day.
 - Looking forward to it. Will see some old friends.
 - Republicans have caucus process that day, too. Are using occasion for party-building which RR wants to recognize and support.

Received
1984 FEB 15 PM 2:50

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THE WHITE HOUSE

WASHINGTON

MEETING WITH THE PRESIDENT

SUBJECT: SPEECH PREPARATION

Thursday, February 16, 1984
1:00 p.m. (30 minutes)
The Oval Office

FROM: RICHARD G. DARMAN *R.G.D.*

I. PURPOSE

This meeting is to discuss 3 upcoming speeches -- to:

- American Legion Auxiliary on 3/1 or 3/2;
- League of Cities on 3/5; and
- Evangelicals on 3/6.

II. PARTICIPANTS

The President
Edwin Meese III
James A. Baker III
Richard G. Darman
Michael A. McManus
Bently Elliott
Anthony Dolan
Allan Myer
Peter Robinson

III. AGENDA

Draft outlines for the 3 speeches are attached. They -- and your reactions to them -- will be the focus of discussion.

Received SS
1984 FEB 13 PM 3:53

(Dolan)
February 13, 1984
4:00 p.m.

OUTLINE FOR AMERICAN LEGION AUXILIARY ADDRESS

3/1 or 3/2

I. Opening, Recognition of individuals -- RR's praise for Legion's and Auxiliary's work.

II. America is changing -- Respect again for traditional values also traditional organizations like the Legion. A little bit of Legion history and personal recollections of its work (Dixon, film industry etc).

III. Special Interest Politics

A. Some said speech should focus only on women's values.

B. Demeaning way to talk about 53% of the population -- tired of people who think politics means appealing to barren self interest, those who try to break Americans into hyphenated groups, casting rich against poor, one group against another.

C. Women want what we all want: a strong economy, safe neighborhoods, strong family and social organizations and peace abroad.

IV. Economy

A. Our first priority, the mess we inherited.

B. We wasted no time, economic recovery program.

C. Direct benefits to American households, dollars and cents.

V. Safe Neighborhoods

A. Even while contending with bad economy and international crisis we moved strongly in the crime area.

B. Drugs

VI. Sense of Community

A. Family issues, economic disincentives against family living.

B. Family values disturbed by Federal intrusions.

VII. Peace, because we are prepared.

A. Period of self delusion when military was permitted to decay. History has shown this is a dangerous prelude to crisis and war.

B. We've restored America's military resources.

C. Even more, we've restored America's moral leadership in the world. Our foreign policy is coherent and we look forward to work with new Soviet leadership.

VIII. Conclusion -- America so many have sacrificed for is being restored. Great days ahead.

Received SS
1984 FEB 13 PM 2: 22

(Myer)
February 13, 1984
2:00 p.m.

SPEECH OUTLINE

NATIONAL LEAGUE OF CITIES CONFERENCE March 5, 1984

I. Opening Remarks: Acknowledgements and topical humor.

II. Finding lasting solutions means getting at the real problems. In recent decades, we lost sight of the real problems. As a result, we paid a steep price for good intentions, badly misdirected.

A. Throwing federal dollars at problems doesn't treat the ills facing urban America.

(1) Years of federal programs costing billions of dollars have failed.

(2) Federal tax burden drained the private sector of money, energy and spirit. You can't get back when you are on your back.

B. Centralization handcuffed cities. As cities lost control of essential aspects of city life -- schools, infrastructure and social services -- solutions became unattainable. *M.H.*

C. Quality of life declined because we forgot what quality of life means -- material well-being plus embracing the basic values and traditions that made America great.

D. America drifted away from principles that kept America on sound footing for most of our history: sense of responsibility, initiative, ingenuity, grassroots understanding of needs. In fact, the thing that past policies did best was to stifle these principles.

III. The basis of our urban policy is now in place. It is a policy for the long haul. We are determined to tackle the full range of problems and the root causes of urban decline. And we know that there is a long way to go. The components of our urban policy:

A. ECONOMIC RECOVERY. The starting point is economic recovery. Description of what today's inflation, interest rates, lowered taxes, indexing, productivity, growth in employment, and increases in real wages mean for cities.

B. DECENTRALIZATION. Return power to the level of government closer to the people; sort out who does what best

and then stick to it; remove regulatory burdens; maintain balance in federalism. Discussion of pertinent legislative initiatives: block grants, Service Transportation Act, general revenue sharing. Success stories for illustration.

C. PUBLIC-PRIVATE PARTNERSHIP. Encourage private sector to use its resources; revenue sharing; keep spending and tax juggernaut under control. Discussion of pertinent legislative initiatives: Job Training Partnership Act, Youth Employment Opportunity Wage, Enterprise Zone legislation. Private sector initiatives. Difference between CETA and JTPA. What this partnership means for minorities. Success stories for illustration.

C. SOCIAL. Back to basic values (faith, neighborhood, voluntarism, etc.); war on crime; focus on education. Discussion of pertinent legislative proposals to include Comprehensive Crime Control Act and education bills. What it means for urban America.

IV. Conclusion: Growing confidence is well-placed. But the road to urban recovery is long and sometimes very painful. Many problems remain. But we are on the road back. The key to rebuilding is to remember how we built the cities in the first place (Washington didn't do it.).

A. If we work together, much will be accomplished.

B. Encourage mayors to exchange innovative ideas. Work shop approach used by NLC is a terrific idea and should be expanded. Get the new ideas that work out so all can benefit.

C. Encourage NLC to support and work for our legislation.

Received SS

1984 FEB 13 PM 4:00

National Association of Evangelicals: 6 March 1984

OUTLINE

- I. Opening remarks, recognizing appropriate persons and thanking the National Association of Evangelicals for its good work
- II. America's religious heritage
 - A. The deep religious convictions of the Founding Fathers
 - B. The Declaration of Independence states that men have rights that come from the Creator
 - C. For decades, America a religious country, thanking God in peacetime and turning to him in crises
- III. But in recent years, we seemed to lose our religious and moral bearings
 - A. Breakdown of family, use of drugs, rise of promiscuity and abortion
 - B. In some way, even the chaos in our economy and the weakness in our foreign policy stemmed from a decline in the sense of justice, self-discipline, and duty in our public life
- IV. Today we've regained a sense of responsibility, and, under God, we're putting an end to America's decline
 - A. We've improved the economy, boosted our defenses in the name of freedom, given our foreign policy new firmness and direction
 - B. But far more important, we're turning back to God in a great spiritual awakening. Cite figures on rising church attendance, growing audiences for religious books and broadcasters, and Gallup polls on religious attitudes
 - C. Americans have begun to re-assert age-old religious values across our society and in Government. To those who object, we answer, the Constitution was intended to prevent Government from interfering with religion, not to keep religion out of our national life
- V. But we still have far to go. Here at home we must:
 - A. Return God to the schoolroom

By my people

- B. Work to end abortion
- C. Improve education in fundamental values. Mention tuition tax credits, since most private schools are religious

VI. In foreign policy, we must:

- A. Go on telling the truth about totalitarian powers, including the Soviet Union
- B. Make certain our own country is strong so we can go on holding out the hope of freedom for all the world

VII. An American Renaissance


- A. During the European Renaissance, people in every walk of life reaching upward to God -- a great burst of creativity
- B. We're on the verge of just such a burst of energy -- a time when Americans will reach to their maker in our universities, through technology, in Government. We'll be blessed with prosperity. We'll be a force for peace. But most important, we'll be doing God's work on Earth

THE WHITE HOUSE

WASHINGTON

February 15, 1984

MEETING WITH THE CABINET COUNCILS ON
FOOD AND AGRICULTURE AND
COMMERCE AND TRADE

DATE: February 16, 1984
TIME: 2:00 PM (60 minutes)
LOCATION: Cabinet Room
FROM: CRAIG L. FULLER 

I PURPOSE

The Cabinet Council on Food and Agriculture will review with you the conditions in the agricultural sector as well as its plans for a comprehensive assessment of United States' farm programs. The Cabinet Council on Commerce and Trade will review three issues with you: the international trade problems of the United States' poultry and egg industry, the Wine Equity Act of 1983, and recent developments concerning the export of Alaskan oil.

II BACKGROUND

Cabinet Council on Food and Agriculture (20 minutes):

On January 5, 1984, you announced to a group of farm leaders in the Roosevelt Room that the Cabinet Council on Food and Agriculture will be charged to perform a comprehensive assessment of the nation's food and agriculture policies. You indicated that the purpose of the review is to better prepare the Administration to participate in the debate on the future of all Federal farm programs.

Secretary Block will review the history of farm sector conditions and programs during your Administration as a prelude to discussing the policy outlook through 1985. The Secretary will also discuss the responsibilities of the Cabinet Council working group to review all food and agriculture programs.

Cabinet Council on Commerce and Trade (40 minutes):

The United States' poultry and egg industry alleges that it has been injured by subsidized exports from the EEC and Brazil. The industry has filed a Section 301

petition under the Trade Act of 1974 to initiate negotiations over the problem. The industry requests your assistance to consider measures to correct the existing trade problem.

The Wine Equity Act of 1983 will also be discussed with you. This Act, if passed, would effectively require you to impose barriers on foreign wine imports. Although the probable result of the bill would be to increase impediments to U. S. wine imports, the legislation would also attempt to harmonize trade barriers between the U. S. and wine producing trading partners.

The last item on the agenda is a review of recent developments concerning the export of Alaskan oil. You heard this issue with the Cabinet Council on October 20, 1983. Since then, Senator Murkowski has offered an amendment to S. 979, the "Export Administration Act Amendment of 1983", to permit the export of as much as 200,000 barrels per day of Alaskan crude oil. The Administration has consistently opposed such exports.

III PARTICIPANTS

Members of the Cabinet Councils on Food and Agriculture and Commerce and Trade. Members of the White House senior staff will also be present.

IV PRESS PLAN

None

V SEQUENCE

Secretary Block will start the discussion and Deputy Secretary Lyng will supplement his presentation on farm sector conditions (20 minutes). Secretary Baldrige will initiate the discussion over the three commerce and trade issues during the remainder of the hour. Ambassador Brock will make the presentation on the Wine Equity Act (15 minutes). Secretary Block will discuss the trade problems of the U.S. poultry and egg industry (15 minutes). Finally, Secretary Hodel will discuss the Murkowski Amendment to allow limited exports of Alaskan crude oil (10 minutes).

THE WHITE HOUSE
WASHINGTON

January 19, 1984

MEMORANDUM FOR THE CABINET COUNCIL ON FOOD AND AGRICULTURE

FROM: JOHN R. BLOCK, CHAIRMAN PRO TEMPORE

SUBJECT: Farm Sector Conditions and Program Review

Overview

The payment-in-kind (PIK) program and the drought have reduced excessive supplies; and as a result, farm income will be increasing through 1984. We now have an opportunity to evaluate current farm policies and prepare for market-oriented programs to be implemented with the 1985 Farm Bill. However, accomplishing this objective will require a well-coordinated effort throughout the Administration. That coordinated effort must begin with an appreciation of the forces which have shaped agriculture in recent years.

Abundance and Economic Stagnation Yield Surpluses and Increasing Government Costs

Following the 1980 drought, U.S. farmers responded by planting much of their acreage. The weather cooperated and we had successive record harvests in 1981 and 1982. In just 10 years, production had jumped more than a third. Total acreage planted to major crops increased in the 1970s as demand for U.S. farm products rose and exports surged. Crop yields also increased and helped boost production.

Record production was not matched by similar increases in demand. The recession weakened domestic demand for agricultural products, particularly livestock products and raw materials. Three years of generally good weather worldwide reduced export demand for U.S. agricultural products, and strong competition from other suppliers hurt the U.S. export share as the total export market shrank. Global recession weakened income growth and demand. A dramatic slowing of capital and credit flows, together with the worldwide economic recession, left many nations in precarious cashflow and foreign exchange positions. Sharply higher interest rates not only slowed investment and demand but also increased the costs of holding commodity inventories above working needs. The higher value of the U.S. dollar made our agricultural products much more costly to foreign buyers.

With foreign demand falling, we found ourselves in late 1982 with burdensome stocks of grains, oilseeds and cotton relative to

current and near-term prospective demand. Prices of these commodities were low, and in real terms farm income was dropping. Low prices and incomes caught many farmers in a severe cashflow bind, especially those who were heavily leveraged. The number of debt repayment delinquencies, bankruptcies, and foreclosures rose sharply. The demand for land slackened, leading in 1982 to the first decline in land values in more than twenty years. Declining land values reduced the equity position of farmers, thus reducing their ability to continue to borrow. Farmers' purchases of goods and services from the nonfarm sector declined, leading to financial difficulties for farm suppliers, rural merchants and businesses, and rural governments.

This was not the economic environment envisioned when the 1981 Farm Bill was developed. Thus, the commodity programs mandated by the 1981 Farm Bill quickly became part of the problem. Target prices for the major program commodities escalated between 4 to 5 percent per year while production costs stabilized or declined. The resulting spread between sagging market prices and the escalating targets was not only increasing the incentives to produce but also increasing budget exposure dramatically.

The problems were not confined to the grains sector. Surpluses and budget problems were plaguing the dairy industry; yet producers and their leaders continued to resist changes in the basic dairy program. With the basic dairy support price well above market clearing levels, declining feed costs, coupled with continued improvements in output per cow, were further aggravating the problem of surplus milk supplies. The Federal Government was required to purchase more and more dairy products to support the excessive dairy price support levels with annual costs in excess of \$2 billion.

As a result of all this, total budget outlays by the Commodity Credit Corporation (CCC) soared. Net CCC outlays, which had totaled \$4 billion in FY 81, reached nearly \$12 billion in FY 82. Indications were that FY 83 outlays could exceed \$20 billion. If actions were not taken soon to reduce the building surpluses, the prospects suggested budget outlays of \$10 to \$13 billion per year for the 1984-86 period.

The Payment-In-Kind (PIK) Program - Realization of Objectives

The first challenge was to take action to sharply reduce potential production and burdensome stocks, increase commodity prices and farm income, and reduce budget outlays, while preserving the natural resources that agriculture depends on for future years. On January 11, 1983, the President announced the largest acreage adjustment program in history. The PIK program has not been without its critics. However, an objective assessment must be based on the program's ability to achieve its goals. The record speaks for itself.

	<u>U.S. Ending Stocks</u>		<u>Farm Prices</u> ¹	
	1982/83	Projected 1983/84	Dec. 1982	Dec. 1983
Corn (mil. bushels)	3,140	595	\$2.26	\$3.14
Wheat "	1,509	1,441	\$3.51	\$3.46
Soybeans "	387	185	\$5.46	\$7.61
Cotton (mil. bales)	7.9	3.6	57.3¢	67.3¢
Rice (mil. cwt.)	71.5	36.9	\$8.06	\$8.67

1/ Farm prices are \$ per bushel for wheat, corn and soybeans; cents per pound for cotton and \$ per hundredweight for rice.

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u> (Projected)
Net Farm Income (bil. \$)	30	22	22-24	29-34
Acreage in Conservation Use (mil. acres)	-	11	77	18-22
CCC Budget Outlays (bil. \$)	4.0	11.6	18.8 ¹	6.7

1/ This estimate does not include the book value of commodities distributed under the PIK program, which was approximately \$9 billion. The outlays on these commodities were made in prior years. The loss to the Treasury is reduced potential receipts if the commodities could have been sold into the market.

While adverse weather enhanced the effectiveness of the PIK program in achieving its objectives over a shorter time frame, this does not detract from the basic success of the program. With the exception of wheat, the program has contributed to significant reductions in carryover stocks, increased prices and incomes, record acreages under conservation use, and sharply lower CCC budget outlays. And with wheat it kept the surplus from growing over 2 billion bushels.

The cost of the PIK program probably has received greater attention than any of the administrative or legal issues arising from the implementation of the program. However, the issue of costs must be dealt with in the context of the supply-demand imbalance that existed at the time of the decision to implement the PIK program.

By late 1982 it was clear that without a massive acreage reduction program, the Government was going to be taking ownership of record large quantities of commodities for which loans had already been made to farmers. Market prices were not expected to be strong enough to prevent this from happening. Moreover, the chances of market prices rising high enough to allow the Government to legally sell the commodities back on the market or to trigger release of the farmer-owned reserve were slim to none -- barring some unforeseen surge in world demand or poor weather. Thus, all the carrying costs of these record surpluses, such as storage and interest, would have been borne by the Government for a very long period of time. For example, the carrying costs per bushel of corn for just three years approached about \$1.50 per bushel--about one-half of the market value. The PIK program resulted in savings of \$3 billion in carrying costs to CCC through FY 1986.

More importantly, the PIK program -- with the help of the drought -- has brought a turnaround in farm prices and the farm economy. Since the implementation of PIK, farm prices for corn have increased nearly 40 percent, cotton prices are up nearly 20 percent, and rice prices have increased around 8 percent. Wheat prices are averaging near to slightly below year earlier levels. Over the FY 83-86 period, income support (deficiency) payments are expected to be reduced by over \$3.5 billion as a result of higher market prices generated by the PIK program. Moreover, over \$3 billion more will be saved by lower disaster and diversion payments.

The PIK program, after adding PIK acquisition costs, is expected to reduce total Government outlays for commodity programs by about \$9 billion in the period FY 1983 through FY 1986.

However, the PIK program was not without costs. The Government has given up assets (commodities) with a book value of about \$9 billion that sometime in the future might have been sold back on the market with attendant reductions in Treasury borrowing. No one knows when this could have occurred legally or politically (farmers do not appreciate the Government selling commodities back on the market and depressing their prices) without a substantial reduction in production. Even if the stocks were sold, such massive sales would have depressed market prices and ultimately increased the cost of farm programs.

A related issue is the large dollar value of commodities received by individual producers. But the issue should not be whether these producers were entitled to such large payments. They were compensated in commodities for reducing acres in the same manner as every other producer -- large or small. It may be more appropriate to ask whether it is possible to have effective acreage adjustment programs without making large payments to individual farm units. Perhaps the increasing concentration of agriculture production has eroded the effectiveness of any acreage adjustment programs.

PIK was a temporary adjustment mechanism which did nothing to fundamentally change the factors that led to the large surpluses. The second challenge was to adjust the Government program incentives that were encouraging more production than the marketplace needed. It would be necessary to stop the escalation in target prices and to lower price support levels if agricultural production was to be responsive to market conditions. With respect to the dairy price support, it was clear that it was critical to reduce the incentives for producing milk by lowering price supports.

While we were able to exercise our authority to reduce feed grains and wheat loan levels, we were not successful in getting Congress to freeze target prices. All of our legislative efforts to move the issue to a vote in the Congress were blocked by a minority in the Senate. Nevertheless, target price freeze legislation was the subject of extensive debate and discussion, and it served to focus public attention on the need to make adjustments in farm price support programs.

With respect to dairy legislation, we did not achieve everything for which we had hoped. However, the new dairy legislation will provide the first reduction in dairy price supports since 1962 and will lay the foundation for the type of flexibility that is essential in keeping farm programs in line with market developments. The dairy diversion program will be difficult to administer, but at the end of the 15-month period we will have price supports as much as \$1.50 per hundredweight lower than a year earlier.

A Look to 1984-85 Economic Conditions in the Farm Sector

It seems that 1984 will be a year of further adjustments. Stronger crop prices and more modest programs with less participation most likely will lead to substantially larger seedings in 1984. Most of the acreage removed from production in 1983 will be back in production this year. Corn and cotton acreage could go up 40 percent while seedings of wheat and soybeans could rise 10 to 15 percent. Production, of course, will be influenced by weather conditions in the months ahead. With generally fair conditions, crop production will surge and likely exceed the expected slow increase in use. Foreign output likely also will rise again in response to last year's higher prices.

With the exception of wheat, carryover stocks will be pulled down sharply by the time 1984 harvests begin. Corn and soybean stocks could approach pipeline levels by next fall. So it is desirable for crop production to increase enough in 1984 to allow modest stock building of corn and soybeans.

Prospects are poor for grains in domestic and foreign use in 1984. Economies in most countries will be recovering moderately, and this should help bolster demand for U.S. farm products.

However, the dollar remains strong, and the major problems facing many developing countries will not disappear. Thus, we can expect only moderate growth in the value of U.S. exports. Export volume in 1983/84 is expected to be lower.

Domestic demand should pick up along with the increase in business activity and the decline in unemployment. This should help the demand for food and fiber. However, meat supplies will remain large in early 1984, and there will be little incentive for livestock feeders to increase production, although poultry production will probably expand. This should result in a steady but limited increase in livestock prices through much of 1984.

With lackluster demand, any large increase in crop production this year likely will be reflected in sharp increases in carry-over stocks and declining farm prices in late summer and early fall. Ideal weather likely would boost stocks to burdensome levels.

While consumers may continue to enjoy only moderate increases in food prices, farmers will be faced with lower farm incomes in 1985 unless a combination of weather problems here and abroad or faster increases in general economic activity come to the rescue by the middle of next year.

Policy Outlook Through 1985

It is likely that U.S. agricultural programs through 1985 will be determined by the provisions of the 1981 Agriculture and Food Act and the 1982 Omnibus Budget Reconciliation Act. This legislation establishes minimum target prices for:

	<u>1983</u>	<u>1984</u>	<u>1985</u>
Corn (\$/bu)	2.86	3.03	3.18
Wheat (\$/bu)	4.30	4.45	4.65
Cotton (\$/lb)	.76	.81	.86
Rice (\$/cwt)	11.40	11.90	12.40

This legislation allows the Secretary to establish higher target prices based on changes in per acre production costs.

The minimum established loan rates and dairy support price are:

	<u>1983</u>	<u>1984</u>	<u>1985</u>
Corn (\$/bu)	2.65	2.55	2.30
Wheat (\$/bu)	3.65	3.30	3.30
Cotton (\$/lb)	.55	.55	.55
Rice (\$/cwt)	8.14	8.00	8.00
Soybeans (\$/bu)	5.02	5.02	5.02
Dairy (\$/cwt)	13.10/12.60	12.60	12.60/12.10/11.60

Current law limits the Secretary's flexibility to adjust farm programs to the current economic environment. For example, we have made great strides in reducing the rate of inflation and the rate of increase in costs of farm inputs. As a result, the legislated increases in commodity target prices have greatly exceeded the rate of increase in production costs for nearly all commodities since 1981. Yet, without a change in the law, the target prices for most agricultural commodities will continue to escalate. We will continue to seek new legislation in the coming year that would reduce the rate of increase in target prices. We believe this is necessary, because without such a change we are faced with an annual potential budget exposure of over \$10 billion for farm commodity programs beyond fiscal 1984.

Planning for the Future of Food and Agriculture Programs

Authority for most Federal agriculture and related programs expires at the end of the 1985 crop year. Without enactment of new legislation, the Secretary of Agriculture will have to implement the rigid and obsolete farm legislation of the past, something that the Administration and virtually all interest groups will want to avoid. In addition to the expiration of farm legislation, the economic difficulties of the farm community and the large budget outlays for agriculture programs over the last two years have attracted unparalleled public scrutiny of agricultural policies and programs. This scrutiny will increase as Congress begins to consider new farm legislation in 1984 and 1985.

On January 5, 1984, the President announced to a group of farm leaders that he was charging the Cabinet Council on Food and Agriculture to conduct a comprehensive review and assessment of current food and agriculture programs. The President indicated that the purpose of this endeavor is to better prepare the Administration to participate in the debate on the future of Federal farm programs. The President emphasized that his Administration would be seeking information and ideas from people inside and outside of government during this comprehensive review and assessment.

In order to carry out the President's directive and to maintain the Administration's leadership role in the debate on farm programs, a Cabinet Council on Food and Agriculture working group has been established to:

- o review and assess current food and farm programs;
- o initiate a dialogue on the future course of food and agriculture policy with interested parties outside the Administration;
- o devise a list of food and agriculture policy options;

- o make recommendations to the Cabinet Council regarding the components of the Administration's 1985 Farm Bill.

The working group is called the Working Group on Future Food and Agriculture Policy and consists of representatives at the assistant secretary level or above from the Departments of Agriculture, State, Treasury, and Commerce, the Office of the U.S. Trade Representative, the Office of Management and Budget, the Council of Economic Advisors, and the White House Office of Policy Development. The Deputy Secretary of Agriculture will serve as the chairman of the Working Group. The Executive Secretary of the Cabinet Council will serve as the executive director of the Working Group.

Poultry Export Proposal

Proposal Summary

USDA proposes to give U.S. poultry exporters sufficient quantities of CCC surplus non-fat dry milk (NDM) for export to enable them to sell 50,000 MT of whole broilers in the Middle East/North Africa region over a 12 month period. The NDM will be exported at world market prices and the proceeds from these sales will allow U.S. poultry exporters to compete against subsidized competition from the EC and Brazil.

U.S. exporters of whole broilers are now facing a \$700-850 per metric ton price disadvantage in several key Middle East and North African markets compared to subsidized sales being made by the European Community and Brazil. ^{1/} U.S. whole broiler exports to the Middle East and North Africa fell from a record 87,000 MT in 1981 to only 750 MT in 1983. The forecast for 1984 is just as dismal.

This action will have very little real economic impact on either the U.S. poultry industry or the EC. It will, however, have a significant psychological impact on the EC and a very favorable political impact with the U.S. poultry industry.

Proposal

In lieu of a direct cash subsidy, surplus CCC stocks of non-fat dry milk could be used to compensate U.S. poultry exporters for the price differential they face in the Middle East. Specific quantities of NDM for export only could be given to poultry exporters based on the quantity of whole broilers exported to countries in the Middle East. The exact quantity of NDM made available would be determined on a bid basis with the exporter basing his bid on world market prices for NDM and the differential between U.S. and subsidized foreign poultry export prices in the Middle East. For example, a poultry exporter facing a \$750 price disadvantage might ask for one ton of NDM (for export) for each 1.0 MT of poultry exported based on the current world NDM price of \$750/mt. The exact quantity of NDM needed will be determined on a bid basis.

^{1/} See Attachment 1 for comparison of U.S. and Brazilian prices.

The proceeds from the dairy export sales would be used to compensate the poultry exporter for the current differential he faces on whole broilers in the Middle East.

Restrictions would be placed both on the export destination of the NDM and the whole broilers. In both cases, the destination would be limited to non-communist countries in the Middle East/North Africa region. Poultry sales would be limited to the Middle East because this is where we are facing the most serious problems with subsidized competition from Brazil and the European Community. Dairy sales would be limited to the Middle East to minimize the impact on non-subsidizing supplying countries, i.e. New Zealand. Imported dairy products in this region are supplied principally by EC member countries. To sell 50,000 MT of whole broilers in the Middle East at competitive prices (to meet subsidized competition) may require approximately 50,000 MT of NDM.

Background

The Middle East and North Africa region is the largest market for whole broilers in the world and has traditionally been the largest market for U.S. whole broiler exports. Imports of frozen broilers in 1984 are projected at 800,000 MT. Saudi Arabia (245), Iraq (50), Iran (120), Kuwait (50) and Egypt (75) are the principal markets for whole broilers in the Middle East. Figures in parentheses are FAS estimates of 1984 imports in thousands of metric tons.

Impact on World Dairy Markets

The impact of exporting 50,000 MT of NDM on world markets would be minimal in most marketing years with this quantity accounting for approximately 5 percent of world exports. The current world market for most dairy products, however, is quite weak. Burdensome stocks of NDM and butter in the European Community and in the U.S. plus lagging consumer demand worldwide have depressed world prices from the relatively favorable levels of 1981. The following table shows market price levels f.o.b. most European ports, along with the GATT minimum levels:

	<u>1981 Price</u>	<u>Current Price</u> Dollars/MT	<u>GATT Minimum</u>
NDM	1,050-1,100	750	600

United Nations trade data show that approximately 2.3 million MT of dry milk and cream were imported on a world basis in 1981 (most recent data available) with approximately 330 thousand mt or 14 percent going to the Middle East and North Africa.

The European Community is the principal supplier to the Middle East/North African markets. Restricting NDM exports to the Middle East and North Africa should minimize the disruption to other world markets supplied by New Zealand, but could still have a negative impact on dairy prices, possibly pushing NDM prices to the GATT minimum.

Impact on Domestic Poultry Market

Fifty thousand tons of whole broilers would amount to approximately .8 percent of total U.S. broiler production. ERS analysts estimate the broiler industry can normally accommodate a production growth rate of 4 percent over a one year period without difficulty. Industry sources have advised that U.S. production facilities could easily gear up to produce broilers to meet Arabic specifications if sales are forthcoming. The production of 50,000 MT of whole broilers for export over a one-year period would have little or no impact on domestic broiler prices or domestic availabilities. They would help to recapture a significant portion of the Middle East broiler market lost since 1981.

Method

USDA would issue invitations to bid on a bi-monthly basis to private traders for specific quantities of NDM (delivered FAS U.S. port) for export use only. Bids would be based on the quantity of NDM required to compensate U.S. whole broiler exporters for the price differential (approx. \$700 - 850/MT) they now face in the Middle East. USDA would review these bids and accept the lowest bids needed to export 10,000 MT of poultry during a two month period. Sales of both whole broilers and dairy products under this program would be restricted to the Middle East/North Africa region. Proof of export would be required for both the poultry and dairy sales.

Pros

- * Enable U.S. poultry exporters to recapture part of loss to subsidized competition in the Middle East.
- * Further demonstrate to agricultural constituency that Administration is committed to fighting harmful trade practices.
- * Continue to keep EC off balance about U.S. intentions.
- * Reduce stocks of surplus dairy products, and result in savings in storage and interest charges.
- * Would require no new budgetary outlays by USG.

Cons

- * New Zealand and possibly Canada will react unfavorably to sale of NDM and argue indirect damage to their dairy industries.
- * Could be a spillover effect on other US-EC bilateral issues.
- * Could stimulate others to seek similar arrangements using dairy products.

Additional Comments

This proposal would have very little real economic impact on either the U.S. broiler industry or the EC. It would, however, have a significant psychological impact on the EC and a very favorable political impact with the U.S. poultry industry. Sales of 50,000 tons of whole broilers over a 12 month period would mean an additional \$85 million in foreign exchange earnings for the U.S. This is approximately the value of lost sales to the Middle East from 1981 to 1982.

This proposal requires no new costs to the Government. The estimated 50,000 MT of surplus NDM needed for this proposal are now in government stocks. Storage alone of this quantity of NDM costs almost \$1 million annually. However, there would be an accounting loss to the CCC.

Comparison of U.S., French and Brazilian Export Prices
for Whole Broilers, C&F Middle East Port

U.S. wholesale price (Jan. 1984) (.60/lb.) <u>1/</u>	\$1,325/mt
Arabic pack and labelling (\$.08/lb.)	176/mt
Port handling charges (receiving, warehousing, loading)	40/mt
Freight to Middle East port	160/mt
U.S. C&F (free out) price	<u>\$1,700/mt</u>
Current C&F Middle East Quotes <u>2/</u>	\$850-1000/mt
Total Subsidy Required	\$700-850/mt

1/ The current U.S. 12-city average wholesale price is \$.60/lb. or approximately \$1,325/mt. The Economic Research Service forecasts strong domestic wholesale prices through the year as declining red meat supplies (compared to 1983) help hold broiler prices up, even with higher broiler output.

2/ Middle East quotes based on recent Egyptian public tenders and trade reports.

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

January 20, 1984

MEMORANDUM TO THE PRESIDENT

FROM: WILLIAM E. BROCK

SUBJECT: Agenda for the Next CCCT Meeting

Two items are on the agenda for the next meeting of the CCCT: The Wine Equity Act of 1983 and Export Subsidies on Poultry and Eggs. Both have been considered by the Trade Policy Committee and I'd like to review for you the disposition of each issue.

The Wine Equity Act

When the Congress reconvenes, it is likely to consider the Wine Equity Act which has 341 co-sponsors in the House and 51 in the Senate. USTR testified against this legislation on behalf of the Administration in November. The TPC unanimously recommends that the Administration maintain its strong opposition to this legislation.

If enacted, you would be required to direct me to negotiate harmonization of U.S. tariff and non-tariff barriers on wine with other nations that export wine. If unsuccessful within 180 days, you would be required to impose import restrictions on wine that are substantially equivalent to those imposed on U.S. wine exports.

There are a number of arguments against this legislation. First, the Administration has consistently opposed legislation mandating bilateral or sectoral reciprocity such as that envisaged by this bill. Second, the bill is protectionist. Although its stated purpose is to expand U.S. wine exports, it would likely result in the restriction of wine imports. About 85 percent of U.S. wine imports come from the European Community (EC). It would be politically impossible for the EC to respond favorably to a U.S. demand for unilateral EC trade concessions as called for by this bill. If the U.S. were then to unilaterally raise its duties on wine, the largest EC agricultural export to the U.S., the EC could invoke its GATT rights and retaliate against U.S. exports.

Third, it would cause us to be in violation of GATT Article I which states that the same tariff level must be imposed on imports from all other member countries. Fourth, it would probably result in unraveling the recently concluded U.S.-EC regulatory accord, thereby closing the EC market to now established U.S. wines. Fifth, it would cause higher prices for U.S. wine consumers and reduce consumer choice in the marketplace.

In cases where the U.S. wine industry has legitimate problems in gaining entry to foreign markets, we have been working to assist them. The recent regulatory accord negotiated between the U.S. and EC is one example. As another, we have asked the Japanese Government to consider unilaterally reducing their duty on wine. Also, if USTR were authorized by the Congress to negotiate tariff reductions, a power we do not now have, we would include lowering tariffs on wine as a negotiating objective. If in reality the U.S. wine industry is concerned about its increasingly uncompetitive position in the domestic market, as compared to foreign wines, this legislation is not an appropriate way to address such concerns.

Export Subsidies on Poultry and Eggs

On July 18, Senator Mattingly and 70 of his Senate colleagues sent you a letter requesting export subsidies for U.S. poultry and eggs as a means to counteract unfair EC and Brazilian subsidies and to regain overseas markets for U.S. exporters. In response to Senator Mattingly's request, USDA proposed that we give Egypt and Iraq sufficient quantities of surplus U.S. dairy stocks to make it attractive for them to buy poultry commercially from the United States.

In presenting the proposal to the TPC on October 25, USDA Deputy Secretary Lyng noted that it was time to consider another subsidized sale in order to refocus the European Community's attention on the need to discipline export subsidies on agricultural products. He felt the modest sale of 50,000 tons of poultry would be beneficial to the bilateral discussions on subsidies and would be welcomed by the U.S. poultry industry whose sales to the Middle East market had fallen from 80,000 tons to 0 in the past 2 years.

The USDA proposal was not approved by the TPC. The representative from the Council of Economic Advisers felt that poultry was an inappropriate commodity to subsidize. Sales to Egypt and Iraq would leave the EC relatively unscathed because Brazil is the dominant supplier. The export of non-fat dry milk would

hurt the Dutch, who have supported our efforts to avert restrictions on our exports of grain substitutes into the EC. If we took dairy markets away from them, we might lose their support.

OMB Director Stockman felt the proposal was too costly. He argued that we would be giving away non-fat dry milk with a value of \$100 million to create a \$30 million subsidy for Egypt which is already receiving \$2 billion in U.S. aid. If implemented, the proposal would result in a 1 percent increase in U.S. chicken prices.

The purpose of the next CCCT meeting is to revisit Senator Mattingly's proposal. Unfortunately, because of recent increases in U.S. poultry prices and a decline in the world price of non-fat dry milk, we would have to give away a larger quantity of non-fat dry milk to complete this transaction.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE CABINET COUNCIL ON COMMERCE AND TRADE

FROM: SECRETARY OF ENERGY *Don Hodel*

SUBJECT: REVISITATION OF ADMINISTRATION POSITION ON WHETHER
TO PERMIT LIMITED EXPORTS OF ALASKAN CRUDE OIL

Background:

We have been asked by the Office of Cabinet Affairs to bring you up-to-date on a proposed amendment to the Export Administration Act (to be offered by Senators Frank Murkowski and Ted Stevens) which would permit limited exports of Alaskan crude oil. Both the Cabinet Council on Commerce and Trade and the Cabinet Council on Natural Resources and Environment have discussed this issue in past meetings.

Action Forcing Event:

The Export Administration Act expires February 29, 1984, and the Murkowski-Stevens amendment is expected to come up for Congressional consideration after the current recess.

Summary of Amendment:

The amendment to be proposed by Senators Murkowski and Stevens:

- 1) Permits the export of 200,000 barrels a day of Alaskan crude oil.
- 2) Requires you to make and publish findings that any Alaskan crude oil to be exported outside the U.S. be transported in U.S. built and documented vessels, and that such vessels be maintained and repaired in U.S. shipyards; and that crude oil export contracts be subject to later termination upon a finding that U.S. crude oil supplies are interrupted, threatened or diminished.
- 3) Requires a Presidential finding that export will: a) not impair the ability of the maritime industry to transport amounts of crude oil necessary to meet national security or military needs; b) provide substantial increases in federal revenues; c) be made only to countries which have made substantial progress in removing trade barriers to U.S. imports; d) encourage domestic oil exploration and development; and, e) enhance the U.S. international trading position.

The proposal also would delete Presidential finding requirements in current law that export will result in lower acquisition costs for refiners and reduce consumer costs.

Status:

The Alaskan delegation strongly supports Senator Murkowski's proposal. Although certain provisions of the amendment attempt to defuse maritime industry opposition, indications are that maritime unions remain opposed.

From the perspective of national energy policy, limited export of Alaskan crude oil would enhance the energy security of the United States by increasing domestic oil production and promoting efficient oil transportation and domestic refining. It also would increase the stability of supplies for our allies in the Far East, and the flexibility of the world oil market to adjust to unexpected supply disruptions. Although the U.S. energy security would not be diminished by permitting exports, the provision in Senator Murkowski's amendment to permit termination of contracts in the event of an oil supply disruption would resolve energy security questions that have been raised in the past by opponents of those exports.

Should the Administration decide to review and revise its prior decision before supporting the proposed Murkowski-Stevens amendment, technical flaws would need to be resolved to ensure its effectiveness.

WINE EQUITY ACT

Issue

Should the Administration support the Wine Equity Act of 1983.

Recommendation

The Wine Equity Act was reviewed by the Trade Policy Review Group (TPRG) and there was unanimous agreement among the agencies represented for opposition.

Description of Act

The Wine Equity Act of 1983 (H.R. 3795/S.2182) would mandate the President to direct the USTR to negotiate harmonization of U.S. tariff and non-tariff barriers on wine with other nations that export wine. USTR would have 180 days to negotiate foreign barriers to U.S. wine equal to those in the United States against foreign wines. If this were not achieved, the President would be required to impose tariffs and non-tariff barriers on wine imported into the U.S. equal or substantially equivalent to those imposed by the country of origin. (The U.S. tariff on still wines is 37.5 cents per gallon compared to 67-80 cents per gallon for the European Community using 1981 exchange rates. At present exchange rates, the EC duty is 33-51 cents per gallon.)

Congressional Action

H.R. 3795 was introduced on August 4, 1983 and has 338 cosponsors. The companion bill was introduced on November 18 in the Senate with 50 cosponsors. Sponsorship in the house is two to one Democratic, with over 100 Republican cosponsors. Sponsorship of the Senate bill is bipartisan with 29 Republicans and 21 Democrats.

Hearings were held on H.R. 3795 on November 15, 1983 by the Subcommittee on Trade of the House Committee on Ways and Means. USTR (representing the views of OMB and the Departments of State, Treasury, Agriculture, Commerce and Labor) testified against the legislation, which was supported by the domestic wine and grape industry but opposed by the National Association of Beverage Importers.

During the hearing, Chairman Gibbons asked that the Administration work with the sponsors of the legislation to make the bill acceptable.

The Domestic Wine Industry

After having doubled over the past decade, growth in the U.S. market for ordinary and quality table wines is slowing. In 1982, the domestic market expanded by 2.6 percent following annual growth rates of 7 to 15 percent over the past ten years. This is having

an adverse effect on the domestic wine industry while imported wines continue to capture a large and growing share of the U.S. market. Inventories of domestic wines increased substantially the past two years and growers' prices sharply declined. The 1982 average grower price of grapes crushed for wine dropped almost 25 percent from the previous year and prices declined further in 1983. Additionally, fewer Thompson seedless grapes are being purchased by wineries, resulting in more being forced onto an already oversupplied raisin market. While suffering through a severe economic period, the domestic industry does not want to lose more of the domestic market to imports, especially those from Europe.

Close to one-third of the growth in the U.S. market over the past decade has been filled by imported wines. The market share for imports rose from 19 percent in the early 1970's to a high of 26.5 percent in 1982. According to USDA's Wine Subsidy Task Force, the slowing rate of expansion in the U.S. market has not significantly affected imports. In 1982, the import volume rose by 7 percent and in the first seven months of 1983, imports were up 12 percent. Italian wines accounted for 85 percent of the growth in U.S. imports. Italy's import share has risen from less than 25 percent in 1975 to more than 60 percent in 1982. France is the second largest supplier but France's share of the import market has remained at 17 percent. The following table provides some trade data:

1982 U.S. Wine Imports

<u>Source</u>	<u>Champagne and Sparkling Wines (TSUS 167.10)</u>	<u>Still Wines (TSUS 167.30)</u>
	-----millions of U.S.	dollars-----
World	130	585
EC	117	529
France	66	189
Italy	46	239
Germany	3	99

Reduction of Barriers to Trade in Wine

For a number of years, the U.S. wine industry has been requesting the USG to negotiate the reduction of barriers to U.S. wine exports. The severity of the domestic situation has caused the industry to reiterate their concerns and support legislation such as the Wine Equity Act, and to initiate countervailing duty and antidumping proceedings against French and Italian wine imports.

During the past few years, the USG has made a number of efforts to identify and reduce foreign barriers to U.S. alcoholic beverage exports, as is already required by Section 854 of the Trade Agreements Act of 1979. In December 1981, the President submitted

EC Member State	U.S. Exports (Schedule B)	U.S. Imports (NIMEXE)	Difference
	<u>Value (\$ thousands)</u>		

Belgium/ Luxembourg			
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a comprehensive report to the Congress identifying foreign barriers to U.S. wine exports as well as foreign market potential for these exports. The report generally concluded that in many cases a reduction of foreign obstacles could lead to an increase in U.S. exports of alcoholic beverages. It also concluded that increased industry marketing efforts are necessary to increase foreign sales.

Recent USG efforts to increase foreign market access for U.S. wine exports have been hampered by the lack of tariff negotiating authority. Nonetheless, USG offices have actively pursued our legislative mandate. Japan has been requested to reduce its high tariff on U.S. wines (55 percent ad valorem) and to simplify its two-tiered internal wine tax system, as well as to provide concessions on other alcoholic beverages. Ambassadors Brock and Smith have personally raised this issue at the highest levels of the Japanese Government in the context of overall discussions to improve Japanese market access for U.S. products. A small step was taken in September, 1983, when Japan agreed to accept U.S. certificates of conformity to Japanese wine product standards.

With regard to the EC, in July 1983, the Administration finalized an important accord with them on regulatory barriers to wine trade. The accord substantially harmonizes the technical aspects of U.S. and EC wine making practices, thereby ensuring U.S. wines access to the EC market. Prior to this accord, the EC provided a temporary derogation from its regulatory requirements for U.S. wines pending the outcome of bilateral discussions. During this time, several U.S. wine producers were successful in establishing markets for their products in EC countries, particularly the United Kingdom. In addition, it is anticipated that the EC will shortly agree to cease imposing countervailing charges on imports of wine from the United States.

Administration Position

The Administration has opposed this legislation for the following reasons:

The bill's stated purpose is to expand U.S. wine exports, but its likely effect will be the restriction of U.S. wine imports. H.R. 3795 will not help the USG make progress in reducing foreign barriers. From past consultations with the industry, it has been determined that the best potential foreign markets for U.S. wines are Japan, Canada, and the non-wine producing countries of the EC. Retaliatory action under Section 4(b) of H.R. 3795 would have little or no impact on Japan and Canada since they export virtually no wine to the United States. Such action provides them no incentive to improve market access for U.S. wines. In the case of the EC, which accounts for about 85 percent of U.S. wine imports, the bill sets conditions that would be politically difficult, if not impossible, for the EC to meet. The EC would be unlikely to respond favorably to a U.S. demand for unilateral EC trade concessions, which are called for by H.R. 3795, since

we do not have authority to negotiate on tariffs. Consequently, we would be required by law to retaliate against the EC.

Increasing U.S. barriers to wine imports has a number of implications. First, as the result of past trade negotiations, the United States has agreed to maintain its current tariff levels for wine in return for reciprocal concessions of benefit to other products the U.S. exports. These commitments were made long before the U.S. wine industry had matured to its present stage. The first U.S. duty concession on wine goes back to a 1936 agreement with France. If the United States were to unilaterally raise its duties for wine, the largest EC agricultural export to the United States, the EC could invoke its GATT rights and retaliate against U.S. exports of other products, such as corn gluten feed and soybeans. Administration officials have already linked wine and corn gluten feed in discussions with the EC. Second, Section 4(b) of H.R. 3795 requires the President to impose different tariff and non-tariff barriers on wine imports from different sources, which is a violation of U.S. obligations under GATT Article I. Third, retaliatory action against the EC under H.R. 3795 could unravel the recently concluded regulatory accord, thereby closing the EC market to now established U.S. wine products. Fourth, an increase in U.S. import barriers would result in higher prices for U.S. wine consumers and would reduce consumer choice in the marketplace. Fifth, it would be very difficult for the Customs Service to administer a system that applies different barriers to imports from various sources.

The Administration has consistently opposed legislation mandating bilateral or sectoral reciprocity such as that envisaged by this bill. If the principle of sectoral reciprocity were to become a guiding principle in international trade and trading nations aimed at balancing benefits on a sectoral basis, the result would be to restrict trade, rather than expand it, particularly if importing countries adopted differential treatment depending on the source of imports.

During the hearings on the bill, USTR officials noted that the United States has traditionally followed a policy of overall reciprocity in negotiating reductions to barriers to international trade and therefore supports in principle H.R. 1571, the Reciprocal Trade and Investment Act of 1983. This is a general reciprocity bill, which includes a provision granting the Executive Branch tariff negotiating authority. If H.R. 1571 were passed by the Congress, the Administration could use part of this authority to try to liberalize foreign barriers to U.S. alcoholic beverage exports.