

The original documents are located in Box 5, folder “European Community Subsidized Cheese Transshipments” of the Richard B. Cheney Files at the Gerald R. Ford Presidential Library.

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FROM: The White House
TO: DONALD Rumsfeld
(VAIL)
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SPECIAL INSTRUCTIONS:



THE WHITE HOUSE

WASHINGTON

December 31, 1974

MR. PRESIDENT:

The attached has been staffed and the following concur in the recommendation -- Buchen, Cole, Friedersdorf, Seidman, and Scowcroft.

CIEP has requested that action be taken on the attached as soon as possible.

R. Cheney



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

December 23, 1974

MEMORANDUM FOR THE PRESIDENT

FROM

W. D. EBERLE *W. D. Eberle*

SUBJECT: EC Subsidized Cheese Transshipments

I request your authorization to have concluded an agreement with the European Community to embargo under Section 204 of the Agriculture Act of 1956, as amended, subsidized EC cheese transshipped to the United States through third countries, through Puerto Rico, the Virgin Islands, or through other United States possessions and territories.

In July of 1974, we and the Community averted a trade confrontation when the Community suspended its subsidies on cheese destined for the United States, thus enabling Treasury to defer its countervailing duty investigation. Recently, however, this arrangement has become threatened by entry into the United States of EC-origin subsidized cheese through Canada and, apparently by oversight on the part of the EC, through Puerto Rico, which is part of our customs territory. The Community has, however, exhausted the range of unilateral actions available to it to ensure that leaks of subsidized cheese from third countries, Puerto Rico, the Virgin Islands, or other United States possessions and territories are plugged.

Therefore, with the objectives of preserving the basic July arrangement, continuing to avert a countervailing duty confrontation, and at the same time putting a definite stop to transshipments of EC-origin subsidized cheese, we recently proposed a Section 204 agreement wherein the Community would permit us to embargo all such cheese from third countries. The Commission has accepted the proposal and has agreed to an exchange of letters constituting the agreement. Section 204 of the Agriculture Act of 1956, as amended, provides that the President may, whenever he determines such action appropriate, negotiate to obtain agreements limiting exports and importation into the United States of any agricultural commodity or product manufactured therefrom.



TAB A

DRAFT LETTER FROM AMBASSADOR GREENWALD

Mr. Theodorus Hijzen
Deputy Director General
for External Relations
Commission of the European
Economic Communities
Brussels

Dear Mr. Hijzen:

Thank you for your letter of December , 1974 concerning the importation into the U. S. of certain cheeses originating in member states of the European Community, which have been previously imported into (1) Puerto Rico, the Virgin Islands and other U. S. possessions and territories, and (2) third countries.

We greatly appreciate the steps taken thus far by the Commission on behalf of the European Community to implement the July 12 suspension of restitution payments on dairy product exports to the United States Zone, but as we have informed you significant quantities of such products having benefitted from restitution payments, continue to enter the U. S. through third countries or the other areas described above. We therefore accept your letter of December , 1974 which states that the U. S. may take steps, in accordance with your intention to prevent such shipments, to stop the entry into the United States of "certain EC origin cheeses" to which such restitution payments are applicable.



The exchange of letters is attached at Tabs A and B. We will also request a second letter from EC confirming its agreement with the contents of our letter (Tab B). If you grant this authorization, the Department of Agriculture will, following formal exchange of the letters, prepare an executive order for your signature and the notification to Congress required by the new Trade Bill.

Recommendation:

That you authorize the Executive Branch to negotiate with the European Community under Section 204 of the Agriculture Act of 1956, as amended, regarding the transshipment into the U. S. of subsidized cheese.

Approve _____

Disapprove _____



You are advised that your letter and this response are considered to constitute the legal basis for the application, under Section 204 of the Agriculture Act of 1956, by the U.S. of a prohibition against the importation into the United States or Puerto Rico of "certain EC origin cheeses" upon which restitution payments have been made for export to Puerto Rico, the Virgin Islands, other U.S. possessions and territories, or any country other than the United States.

The three limitations enumerated in your letter are acceptable to the United States.

Sincerely yours,



TAB B

DRAFT LETTER TO AMBASSADOR GREENWALD FROM DEPUTY
DIRECTOR GENERAL FOR EXTERNAL RELATIONS COMMISSION
OF THE EUROPEAN ECONOMIC COMMUNITIES

Dear Mr. Ambassador:

Following the suspension by the EC on July 12, 1974, of restitution payments on the export of dairy products to the United States' Zone, you brought to our attention that certain cheeses are being imported from the European Community into the continental U.S. after having been previously imported into (1) Puerto Rico, the Virgin Islands or other U.S. possessions and territories, and (2) third countries. These shipments, of course, received the EC export restitution payment in effect for exports to third countries. As you know, the intent of the EC Common Agricultural Policy rules is that the restitution payments are made in order to make it possible to sell the dairy products in the country of destination. Trans-shipments from one zone to another are clearly not intended by these rules. The Commission has taken certain steps to prevent these shipments which may appear to you insufficient to solve the problem mentioned above. Therefore you may take such additional measures, other than countervailing duties, as may legally be possible to prevent shipments of certain cheeses to which restitution payments are applicable provided that:



(1) This letter shall not be invoked to prevent the shipment or transshipment of dairy products as to which no restitution payments are applicable.

(2) This letter shall not be invoked to prevent direct shipments from the EC countries directly to Zone E (continental U. S.).

(3) This letter may be withdrawn by us at any time on 20 day's notice.

Our published regulations indicate which dairy products are benefitting from these payments at any given time.

Please advise us whether you consider this a suitable basis for solving our present difficulties.

Sincerely yours,

