

The original documents are located in Box 11, folder “Economy - Trade Meat Imports (2)” of the Philip Buchen Files at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald R. Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

FOREIGN-TRADE ZONES BOARD

UNITED STATES DEPARTMENT OF COMMERCE

WASHINGTON, D.C.

In Re: Foreign-Trade Zone No. 7,
 Mayaguez, Puerto Rico;
 Investigation pursuant to
 15 CFR §400.807 & §400.1302
 to determine whether certain
 meat processing operations
 are detrimental to the
 public interest.

:
 :
 :
 :
 :
 :
 :
 :
 :
 :

Docket No. 6-76

TO: EARL L. BUTZ
 Secretary,
 and your agents having relevant information
 United States Department of Agriculture,
 Washington, D. C.

REQUEST FOR TESTIMONY AND DOCUMENTS

YOU ARE HEREBY REQUESTED by the undersigned representative
 of a party to this proceeding to appear in Room 4833 of the
 main building, United States Department of Commerce, 14th
 Street and Constitution Avenue, N.W., Washington, D. C., at
 10 A.M. on August 24, 1976, and there to give testimony concerning
 the following matters:



A. All events and materials contributing to your determination to send the letter of July 13, 1976 addressed to Elliot L. Richardson, a copy of which is attached hereto and which is hereinafter referred to as "the July 13 letter"; which events and materials shall include, but not be limited to:

1. All consideration by you, your superiors, or your subordinates of:
 - (a) complaints and desires of representatives of the beef production and processing industries in the United States;
 - (b) the application for a grant of authority to establish special trade zones at New Orleans and Metairie, Louisiana;
 - (c) the impact of the action requested in the July 13 letter on the Commonwealth of Puerto Rico and its citizens;
 - (d) the impact of that action on Commonwealth Processing Corporation;
 - (e) the impact of that action on El Ganadero, Inc. and its employees;
 - (f) the impact of that action on the stability of contracts entered into between the Puerto Rico Industrial



Development Company ("PRIDCO") and businesses operating within Foreign-Trade Zone No. 7 at Mayaguez, Puerto Rico;

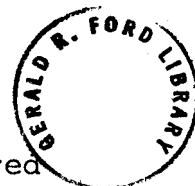
- (g) the impact of that action on economic development within Foreign-Trade Zone No. 7;
 - (h) the impact of that action on the price of meat in United States markets;
 - (i) the impact of that action on prices paid for meat by American consumers in the United States;
 - (j) the effect on the domestic meat production and processing industries during the period 1970 - date of the entry into the United States customs territory of meat processed within Foreign-Trade Zone No. 7;
 - (k) the future effect on the domestic meat production and processing industries of actions which would limit or exclude the entry into the United States customs territory of meat processed within Foreign-Trade Zone No. 7.
2. All contacts with representatives of:
- (a) the domestic meat production and processing industries in the United States;



- (b) the Commonwealth of Puerto Rico;
- (c) Commonwealth Processing Corporation;
- (e) Bunker Hill Packing Corporation of Bedford, Virginia;
- (f) El Ganadero, Inc.;
- (g) PRIDCO;
- (h) consumer interests in the United States;
- (i) the Foreign-Trade Zones Board or its staff;
- (j) the United States Department of Treasury and the United States Customs Service;
- (k) the United States Department of State;
- (l) the Port or City of New Orleans.

3. All statistics concerning:

- (a) the economics of the domestic meat production and processing industries since 1930;
- (b) imports of processed and unprocessed meat into the customs territory of United States from foreign countries during the period 1970 - date;
- (c) exports of processed and unprocessed met from the customs territory of the United States to foreign countries during the period 1970 - date;
- (d) imports into the customs territory of the United States of live and slaughtered



- beef cattle from the countries of Canada and Mexico, during the period 1970 - date;
- (e) operations within Foreign-Trade Zone No. 7 during the period 1961 - date;
 - (f) operations of Commonwealth Processing Corporation during the period 1970 - date;
 - (g) operations of El Ganadero, Inc. during the period 1975 - date;
 - (h) import of foreign meat to Foreign-Trade Zone No. 7 during the period 1970 - date;
 - (i) shipment of meat processed within Foreign-Trade Zone No. 7 into the customs territory of the United States during the period 1970 - date;
 - (j) the effect on the United States domestic meat production and processing industries during the period 1970 - date of the entry into the United States customs territory of meat processed within Foreign-Trade Zone No. 7;
 - (k) effect on the domestic meat production and processing industries in the future of the limitation or exclusion of meat processing within Foreign-Trade Zone No. 7;



- (l) the importation into the customs territory of the United States of beef of all descriptions, both live and slaughtered, from the countries of Canada and Mexico, during the period 1970 - date;
 - (m) the exportation from the customs territory of the United States of beef falling within any classification of TSUS, Schedule 1, Part 2, during the period 1970 - date;
 - (n) all possible causes of the recession referred to in the July 13 letter.
- 4. All statistics, opinions and considerations on which were based the statements in the July 13 letter, as contained in ¶¶2-7 of that document.
 - 5. All statistics, materials, opinions and considerations which relate to any belief held by you, your superiors, or the United States Department of Agriculture that the Foreign-Trade Zones Board must act on the matters stated in the July 13 letter on or before August 30, 1976.
 - 6. Any consultation concerning the political results of sending the July 13 letter and attempting to limit or to exclude the meat



processing operations currently conducted or planned in Foreign-Trade Zone No. 7.

7. All materials, conferences, statistics and information relating to your publication of a proposed regulation concerning the importation of meat into the United States, in the Federal Register of August 17, 1976.

B. All statistics, materials, opinions and considerations which you or the United States Department of Agriculture consulted, rejected, or relied upon in defining the "public interest" referred to in the July 13 letter and the submission of the United States Department of Agriculture to the Foreign-Trade Zones Board dated August 6, 1976.

C. All statistics, materials, opinions and considerations which you or the United States Department of Agriculture consulted, rejected or relied upon in preparing the July 13 letter, concerning the following matters:

1. The power or authority of the United States Department of Agriculture to avert adverse affects on the United States domestic meat production and processing industries which were described in the July 13 letter.

2. The power or authority of the United States Department of Agriculture to determine



"public interest" as that term is set forth in §15(c) of the Federal Trade Zones Act, 19 U.S.C. 810(c).

3. The power or authority of the United States Department of Agriculture to take any action concerning:

- (a) entry into the United States customs territory of meat processed in foreign trade zones;
- (b) meat processing operations in foreign trade zones;
- (c) the entry of meat into foreign trade zones from foreign countries;
- (d) implementation of the Meat Import Act.

D. All statistics, materials, opinions and considerations concerning the monitoring, inspection or approval of meat processing operations in foreign trade zones, and in Foreign-Trade Zone No. 7 particularly.

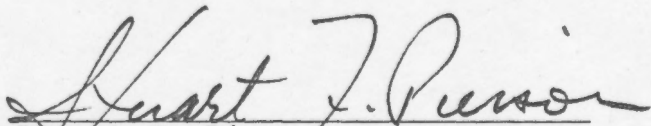
E. All other information relating in any manner to the assertion by the United States Department of Agriculture that meat processing operations in Foreign-Trade Zone No. 7 should be "limited" or "excluded" under the Foreign-Trade Zones Act.

AND YOU ARE FURTHER REQUESTED to bring with you the following documents:



- A. All documents, materials or other tangible objects relating in any manner to the testimony described above.
- B. Copies of all letters, memoranda or correspondence from representatives of the United States cattle industry and United States Representatives to you, your superiors or your superordinates concerning the subjects described above.

AND YOU ARE FURTHER REQUESTED to advise the undersigned on or before 12 o'clock P.M., August 20, 1976 (a) whether you will comply with this request, and (b) if not, whether you will designate any other responsible representative of your agency to undertake such compliance.



Stuart F. Pierson
Verner, Liipfert, Bernhard,
McPherson and Alexander
Suite 1100
1660 L Street, N.W.
Washington, D.C. 20036
(202) 452-7444

Counsel for the Puerto Rico
Industrial Development Company

This request was delivered by Deborah L. Dale, by hand, at 3:40pm on August 18, 1976.



cc: Foreign -Trade Zones Board

MEMORANDUM
OF CALL

TO: _____

2601

YOU WERE CALLED BY— YOU WERE VISITED BY—

OF (Organization) _____

361 EOB

PLEASE CALL → PHONE NO. CODE/EXT. _____

WILL CALL AGAIN IS WAITING TO SEE YOU

RETURNED YOUR CALL WISHES AN APPOINTMENT

MESSAGE _____

Bob Hermats
x 3393



Re Mayaguez paper
referred to Scowcroft

RECEIVED BY _____ DATE _____ TIME _____

MEMORANDUM
OF CALL

To: _____

YOU WERE CALLED BY— YOU WERE VISITED BY—

OF (Organization) _____

*Meat proclamation
has been*

PLEASE CALL →

PHONE NO.
CODE/EXT. _____

Signed

WILL CALL AGAIN

IS WAITING TO SEE YOU

RETURNED YOUR CALL

WISHES AN APPOINTMENT

MESSAGE _____



RECEIVED BY _____

DATE _____

TIME _____

THE WHITE HOUSE
WASHINGTON

INFORMATION

September 1, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: PHILIP W. BUCHEN

SUBJECT: Australian Meat Processed in the Puerto Rican Foreign Trade Zone on the Island of Mayaguez

BACKGROUND

Australia entered into an agreement with the United States to limit its meat exports to the United States for the calendar year 1976. The agreement was so worded that meat coming from Australia which was processed within the foreign trade zone of Puerto Rico could not be counted against the limits imposed by the Australian agreement even though the processed meat went into U. S. markets.

To overcome the consequences of the indirect imports into the U. S., the Administration requested the Foreign Trade Zones Board within the Department of Commerce to initiate a hearing which at its conclusion could have resulted in a prohibition or limitation on use of the Foreign Trade Zone Board for the purpose of processing meat. However, pending the notice of hearing, the affected parties went into Federal Court in Roanoke, Virginia to secure a temporary restraining order against having the Board proceed.

Subsequently, the Department of Agriculture proposed regulations under the Meat Import Act which would have the effect of requiring all indirect imports of Australian meat to be counted against both the statutory maximum quotas under the Meat Import Act and the voluntary quotas under trade agreements such as that with Australia.



With the publication of these proposed regulations, the concerned parties amended their complaint in the Roanoke case to seek injunctive relief also against the proposed Agriculture order. At a hearing of the Court on August 23, the Judge deferred making any further ruling until September 14 and urged the private parties and the government to try in the meantime to work out a settlement.

CURRENT DEVELOPMENTS

In the face of the delay imposed by the Court, the Department of Agriculture and the Department of State began negotiations anew with Australia to secure an amendment to its trade agreement. This amendment would have the effect of requiring that meat exported in the future by Australia into the Puerto Rican Trade Zone and then into the U.S. be counted against its present export limits under the trade agreement. Australia has indicated its willingness to accept such an amendment, but it is still arguing that the contents of 1 shipment already made to Mayaguez that arrived August 16 and two others scheduled to arrive respectively on September 15 and October 15 should not be counted.

Agriculture believes that an agreement is possible that will not exempt the third of such shipments, and representatives of the U.S. Cattlemen Industry have been so advised. These representatives did consult with Speaker Albert today to seek his assistance, and this visit resulted in the Speaker's call to you. Secretary Butz is meeting with the Cattlemen representatives tomorrow afternoon (September 2, 1976), and he hopes to get their concurrence in an agreement which would require counting all meat imported through Mayaguez starting with the shipment due to arrive October 15.

I will keep you advised of further developments.



THE WHITE HOUSE
WASHINGTON

September 2, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: PHIL BUCHEN
FROM: JIM CONNOR *JCB*
SUBJECT: Australian Meat Processed in the
Puerto Rican Foreign Trade Zone
on the Island of Mayaguez

The President reviewed your memorandum of September 1 on the above subject and made the following notation:

"October 15th shipment must be counted.

Suggest someone brief Speaker Albert"

Please follow-up with appropriate action.

cc: Dick Cheney
Brent Scowcroft



THE WHITE HOUSE

WASHINGTON

September 15, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

BILL SEIDMAN

FROM:

JIM CONNOR JEC

The President recently asked the following question:

"Where do we stand on meat imports
and the Puerto Rican case?"

We understand that you are working on this matter. Please
prepare an appropriate response for the President.

cc: Dick Cheney
Phil Buchen ✓



THE WHITE HOUSE
WASHINGTON

September 16, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

PHIL BUCHEN

FROM:

JIM CONNOR *JEC*

SUBJECT:

Australian Meat Processed in
the Puerto Rican Foreign Trade
Zone on the Island of Mayaguez

The President reviewed your memorandum of September 17
on the above subject and made the following notations:

"Very discouraging.

Legislation - can't it be done?

If no action why don't we lower the import quota
and the trigger point? "

Please follow-up with appropriate action,

cc: Dick Cheney
Bill Seidman



ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

September 17, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: PHILIP W. BUCHEN *P.*

SUBJECT: Australian Meat Processed in the Puerto Rican Foreign Trade Zone on the Island of Mayaguez

BACKGROUND

On September 1, I sent you the memorandum which appears at TAB A.

CURRENT SITUATION

James D. Keast, General Counsel, Department of Agriculture, has supplied me with an updated report on the situation which appears at TAB B.

The substance of this report is that all our efforts to deal with the situation through action by the Foreign Trade Zone Board, through regulations by the Department of Agriculture and through negotiations with Australia have been frustrated. These efforts are all tied up in court litigation, and it will be impossible to get the court action resolved in time to correct the situation for the few months remaining in this calendar year. However, the Department of Agriculture will make a final effort to get corrective legislation which will avoid a recurrence of this situation in the future.

Attachments

cc: Richard Cheney
William Seidman



THE WHITE HOUSE

WASHINGTON

INFORMATION

September 1, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: PHILIP W. BUCHEN

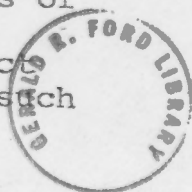
SUBJECT: Australian Meat Processed in the Puerto Rican Foreign Trade Zone on the Island of Mayaguez

BACKGROUND

Australia entered into an agreement with the United States to limit its meat exports to the United States for the calendar year 1976. The agreement was so worded that meat coming from Australia which was processed within the foreign trade zone of Puerto Rico could not be counted against the limits imposed by the Australian agreement even though the processed meat went into U. S. markets.

To overcome the consequences of the indirect imports into the U. S., the Administration requested the Foreign Trade Zones Board within the Department of Commerce to initiate a hearing which at its conclusion could have resulted in a prohibition or limitation on use of the Foreign Trade Zone Board for the purpose of processing meat. However, pending the notice of hearing, the affected parties went into Federal Court in Roanoke, Virginia to secure a temporary restraining order against having the Board proceed.

Subsequently, the Department of Agriculture proposed regulations under the Meat Import Act which would have the effect of requiring all indirect imports of Australian meat to be counted against both the statutory maximum quotas under the Meat Import Act and the voluntary quotas under trade agreements such as that with Australia.



With the publication of these proposed regulations, the concerned parties amended their complaint in the Roanoke case to seek injunctive relief also against the proposed Agriculture order. At a hearing of the Court on August 23, the Judge deferred making any further ruling until September 14 and urged the private parties and the government to try in the meantime to work out a settlement.

CURRENT DEVELOPMENTS

In the face of the delay imposed by the Court, the Department of Agriculture and the Department of State began negotiations anew with Australia to secure an amendment to its trade agreement. This amendment would have the effect of requiring that meat exported in the future by Australia into the Puerto Rican Trade Zone and then into the U.S. be counted against its present export limits under the trade agreement. Australia has indicated its willingness to accept such an amendment, but it is still arguing that the contents of 1 shipment already made to Mayaguez that arrived August 16 and two others scheduled to arrive respectively on September 15 and October 15 should not be counted.

Agriculture believes that an agreement is possible that will not exempt the third of such shipments, and representatives of the U.S. Cattlemen Industry have been so advised. These representatives did consult with Speaker Albert today to seek his assistance, and this visit resulted in the Speaker's call to you. Secretary Butz is meeting with the Cattlemen representatives tomorrow afternoon (September 2, 1976), and he hopes to get their concurrence in an agreement which would require counting all meat imported through Mayaguez starting with the shipment due to arrive October 15.

I will keep you advised of further developments.

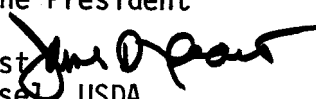
cc: Jack Marsh
Bill Seidman



DEPARTMENT OF AGRICULTURE
OFFICE OF THE GENERAL COUNSEL
WASHINGTON, D.C. 20250

September 16, 1976

TO: Philip Buchen
Counsel to the President

FROM: James D. Keast 
General Counsel, USDA

Per your telephone request, this is an update on the matter involving processing of meat through Mayaguez, Puerto Rico. By way of review, the Secretary of Agriculture on July 13, 1976, wrote Secretary Elliot Richardson and asked that the Foreign Trade Zone Board (FTZB) be convened to consider excluding meat being processed in the Foreign Trade Zone (FTZ) at Mayaguez, Puerto Rico. Commonwealth Processing Corp., a licensee in the FTZ, filed suit in the Federal District Court, Roanoke, Virginia, asking the Court for a temporary restraining order (TRO) enjoining the FTZB hearing. The Court issued the TRO. The FTZ permittee, Puerto Rico Industrial Development Co., and El Ganadero, Inc., another licensee, moved to intervene and enjoin the implementation of the Secretary of Agriculture's August 17 proposed regulations, under which meat being processed in the FTZ would be counted against the voluntary restraint agreements -- an action primarily directed at Australia. The Court granted the motion to intervene and extended the TRO on the FTZB hearing. In addition, the Court ordered the taking of depositions to include Secretary Earl L. Butz, Assistant Secretary Richard E. Bell, a designee of Secretary William E. Simon, and a designee of Secretary Henry A. Kissinger (State Department having been joined as a defendant).

With agreement of the plaintiffs, the depositions, Court hearings and the FTZB hearings have been continued. Attempts have been made to renegotiate the voluntary restraint agreement with Australia to include provisions relative to the FTZB problem which would be satisfactory to USDA. Senator Carl Curtis, among several legislators, has introduced legislation which would count meat processed in FTZs against voluntary restraint agreements and under the Meat Import Act.

Satisfactory renegotiation of the voluntary restraint agreement with Australia has not come about. On September 15, at a meeting between representatives of the State Department, Justice and Agriculture, we reviewed various options, keeping in mind scheduled depositions of Cabinet and sub-Cabinet Officers commencing Monday, September 20. The options considered were:



- (1) Accept the Australian proposal.
- (2) Rely on legislation.
- (3) Imposing quotas under the Meat Import Act, as of October 1, assuming the trigger level would be reached.

Consultation with Senator Curtis' office indicated a high probability of satisfactory legislation. We had incomplete information on whether the estimates of meat being imported for the balance of the calendar year would reach the trigger level under the Meat Import Act, though it appeared quite close.

The lawsuit in Roanoke had all prospects of being drawn out through the end of the year, during which time the licensees in the FTZ would continue to process meat outside of the restraint agreement. Even if the FTZB was permitted to hold a hearing, the result would likely be to permit processing of meat under contract and would not satisfy our desired objectives. All these factors resulted in our conclusion that continued litigation would not provide the desired results. Therefore, on September 15, we took the following action:

- (1) Assistant Secretary Bell wrote Secretary Richardson withdrawing the request for the FTZB hearing.
- (2) USDA filed a notice for publication in the Federal Register, withdrawing its August 17 proposed regulations.
- (3) Filed a motion with the Court to dismiss the lawsuit on the basis it is now moot.

It was decided to:

- (1) Rely on legislation to prevent the processing of meat through Mayaguez.
- (2) Continue to monitor and review estimates of imports and be prepared to impose quotas under the Meat Import Act, if the estimates indicate such action is required.

Secretary Butz and Assistant Secretary Bell participated in these decisions and concur.

Dear Mr. Chairman:

I write to comment on a proposal to amend P.L. 88-482 to deal with meat processed in foreign trade zones and subsequently entered into the customs territory of the United States.

At the direction of the President, the Department of State has negotiated voluntary restraint agreements with the governments of eleven major meat exporting countries. These agreements have the effect of limiting the quantity of meat in tariff categories 106.10 and 106.20 which enters the customs territory of the United States for consumption. During 1976 a significant quantity of meat which would otherwise have been subject to the voluntary restraint agreements has been processed in a foreign trade zone and thereby transformed prior to entry into the customs territory of the United States into a tariff classification not covered by the agreements. This practice, permissible under the Foreign Trade Zones Act, has resulted in an evasion of the voluntary restraint program that the Department of State considers contrary to the public interest as expressed in the Meat Import Act, P.L. 88-482.

Accordingly, we and other agencies have sought means to resolve the apparent conflict between the provisions of the Meat Import Act and the Foreign Trade Zones Act. The efforts of the Administration to this end have been frustrated by the prospect of prolonged litigation. Largely as a result of confusion stemming from the legal status of administrative approaches to problems raised by meat processing in foreign trade zones, it has also not been possible to resolve the problem by negotiations to the voluntary restraint agreements.

The Honorable
Russell B. Long, Chairman
Committee on Finance,
United States Senate.



Recognizing that the available administrative and diplomatic means for treating this problem have been exhausted, the Department of State would have no objection to appropriate legislation to deal with it. It would be necessary that such legislation be drafted in a manner that would not place the United States in violation of existing restraint agreements negotiated and concluded in good faith by the governments of eleven foreign countries.

We believe that proper language could be found to deal effectively with the problem under review in a manner consistent with the international obligations of the United States. The Department of State is prepared to work urgently with the committee's staff to draft appropriate legislation.

Sincerely,

Julius L. Katz
Assistant Secretary, Designate
for Economic and Business Affairs

Drafted: EB/OPF/PPD:PDTaylor:js
9/20/76 Ext. 23036

Cleared: EB/AWatson
L/EB:Grosen



Meat imports

Monday 9/20/76

Meeting
9/20/76
11:30 a.m.

10:50 Jane advises that you plan to attend the meeting on the meat situation.

It will be held at 11:30 a.m. today (Monday 9/20) in Bill Seidman's office.



THE WHITE HOUSE
WASHINGTON

October 6, 1976

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

FROM: ROGER B. PORTER *RBP*
SUBJECT: Meat Imports

Attached is an options paper for the President regarding meat imports.

I would appreciate having your comments and recommendations by close of business today, Wednesday, October 6. (Phone: 456-6420)

Thank you very much.

4537

Attachment

*Called Porter on 10/7/76
and recommended Option 1
if answer to President's
appeal would be structured
favorably in advance
with the Australians.
P.*



MEAT IMPORT OPTIONS

I. PROBLEM

Under the Meat Import Law quotas are triggered this year if the estimate of the level of imports exceeds 1,233 million pounds. The U.S. has sought to avoid imposition of quotas as this would place the USG in violation of international agreements and its GATT obligations. To ensure that imports do not reach the trigger level, the USG has negotiated voluntary export restraint agreements (VRAs) with 11 supplying countries. Canada has been excepted from the VRA program because of the traditional open border on US/Canadian beef trade.

The Secretary's fourth quarterly estimate which was due October 1 has not been announced yet due to uncertain information and the outcome of efforts to plug the loophole in this year's program caused by meat processing operations in the Foreign Trade Zones and U.S. trust territories. The Department of Agriculture which has the responsibility for making the estimate of meat imports under the Law feels strongly that a credible estimate below the trigger level (i.e. 1,233 million pounds) can no longer be made because of increased imports from Canada unless the State Department can obtain assurances from foreign supplier countries so that U.S. imports from them will not be such that the 1976 trigger level will be reached. The Department of State differs with the interpretation of factors affecting imports from Canada, Mexico and certain Caribbean countries and, therefore, believes an estimate below the trigger level is plausible. The following Policy options are available for consideration.



Option I: Diplomatic Option and Administration Initiatives:

This option involves diplomatic approaches to Australia and other supplying countries to obtain assurances (written amendment) that total imports will not exceed the trigger level and that no more meat will be shipped in circumvention of the VRA program of 1976. ^{1/}

Pros -

- (1) Avoids imposition of quotas.
- (2) Avoids action inconsistent with GATT obligations.
- (3) Avoids the possibility of retaliation, especially by Canada.

Cons -

- (1) Further delays Secretary of Agriculture's fourth quarterly estimate on meat imports.
- (2) May not be acceptable to livestock industry.
- (3) It may be difficult to obtain cooperation of supplying countries.
- (4) Would require VRAs to be amended, particularly with Australia.

Option II: Impose quotas; issue regulations to prevent circumvention.

- a) At 1,233 million pounds.

Pros -

- (1) Would have maximum support of domestic livestock industry.
- (2) Does not require negotiations with any foreign government.
- (3) Would meet requirements of the Meat Import Law.

Cons -

- (1) Would violate VRAs, particularly the VRA with Mexico.

1/ Details of this Option are contained in Attachment A.



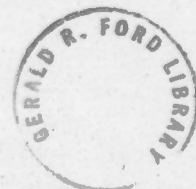
- (2) Regulations to deal with Foreign Trade Zones might be delayed or overturned in court.
 - (3) Would place U.S. in violation of the GATT obligations and could result in possible requirements for compensation or retaliation by foreign governments.
 - (4) Would prejudice our trade liberalization objectives in the MTN.
- b) Above 1,233 million pounds.

Pros -

- (1) Would minimize damage to exporting country interests; specifically would permit countries to ship their restraint quantities.
- (2) Does not require cooperation of any foreign government.

Cons -

- (1) Would be vigorously opposed by the cattlemen.
- (2) All cons in Option II above, except Con 1.



Option I: Diplomatic and Domestic Initiatives Option

The President would:

- (1) Personally contact Prime Minister Fraser
 - (a) to explain the political difficulties engendered by the processing of imported Australian meat at Mayaguez and
 - (b) to ask the Government of Australia to refrain from further shipments to Mayaguez this year, and to limit direct shipments to the U.S. so that exports will be 11 million pounds below the agreed restraint level. (I.e., Australia would accept a reduction in exports from 632.2 to 621.2 million pounds to allow for the 11 million pounds of Australian meat which arrived recently at Mayaguez.)
- (2) Direct the State Department to 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.
- (3) Direct that negotiations begin on November 15 for the 1977 meat import program, and instruct that assurances be sought from all exporting countries that the FTZ loophole will not be used.
- (4) Announce that he will introduce in the next session of the Congress an amendment to the Meat Import Act (along the lines of the Curtis Amendment, which passed the Senate



few days ago but failed in the House) to permanently close the FTZ loophole.

(5) Direct the Special Trade Representative to actively and aggressively continue efforts to reduce barriers to U.S. beef exports (a) in the multilateral trade negotiations, and (b) in bilateral contacts with major importing nations.

(6) Direct the Department of Agriculture to expand its beef export market development programs, in cooperation with the U.S. Meat Export Federation.

(7) Direct the Secretary of Agriculture to place special emphasis during the next several months on the use of beef in school lunch and other food distribution programs.

(8) Direct the Secretary of Defense to carefully explore possibilities for larger U.S. beef purchases for military needs at home and abroad.

(9) Direct the Secretary of Agriculture to re-evaluate the financing capabilities of the Farmers Home Administration to make sure that it can respond to the needs of cattlemen who are unable to obtain commercial financing.

(10) Direct Presidential Consumer Affairs Advisor Virginia Knauer to mobilize efforts of the Administration to inform the American public of the availability of beef at attractive prices now and well into the future.

(11) Establish a Beef Industry Task Force chaired by the Secretary of Agriculture, and including as members L. William Seidman, Assistant to the President for Economic Affairs;



John Marsh, Counselor to the President; Julius Katz, Assistant Secretary of State for Economic and Business Affairs; Clayton Yeutter, Deputy STR; Virginia Knauer, Consumer Affairs Advisor, that will meet immediately with leaders of the cattle industry to explain these initiatives and ask for any further suggestions as to how the Administration might help in responding to their severe economic problems.

(12) Direct the Secretary of Agriculture to brief the media on the initiatives that are taken. Briefings would be held in Washington, D.C. and other appropriate locations.



BACKGROUND PAPER

TABLE OF CONTENTS

	<u>Page</u>
1. U.S. Livestock Situation	2
2. Difficulties with 1976 Program	3
3. Fourth Quarterly Estimate	4



Background

The Department of Agriculture has responsibility under the Meat Import Law to make quarterly estimates of the quantity of meat (fresh, chilled or frozen beef, veal, mutton and goat meat) which will be imported into the United States in any given calendar year.

The Law requires the President to restrict imports of meat to an adjusted base level if the Secretary of Agriculture estimates that annual imports of such meat equal or exceed 110 percent of the adjusted base in any of his four quarterly estimates.

To date in calendar year 1976 the first three estimates made under the Act have not exceeded 1,233.0 million pounds, 110 percent of the 1976 adjusted base. The Secretary's previous estimates were based upon voluntary restraint agreements negotiated by the Department of State with principal supplying countries limiting their imports to 1,155 million pounds. Imports from countries not participating in the voluntary restraint program--Canada, the United Kingdom, Ireland, and Belize--were estimated at 69 million pounds, bringing the total estimated imports for the year to 1,223 million pounds--10 million below the 1976 trigger quantity.

The Secretary's fourth quarterly estimate which was due October 1 has not been announced yet due to uncertain information and the outcome of efforts to plug the loophole in this year's program caused by meat processing operations in the Foreign Trade Zones and U.S. trust territories.

Meat Import Options

1. U.S. Livestock Situation

At the end of 1974, several circumstances encouraged a return to a restraint program after 2-1/2 years of suspended quotas. Declining beef prices moderated consumer discontent while causing serious economic distress in the cattle industry. Given higher feed prices caused by short 1974 crops, there was concern that cow herd liquidation would lead to an insufficient base for increasing beef supplies when demand conditions warranted. At the same time, 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 from meat exporting countries. This concern was heightened by record cattle inventories in major supplying countries, particularly Australia and New Zealand. These circumstances continued throughout 1975.

In 1975 record slaughter levels in the U.S. were enough to reduce the 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 operators 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

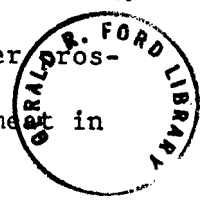


Limitations on the importation of meat are considered necessary to assist in the economic recovery of the livestock industry.

2. Difficulties with 1976 Program

Earlier this year the Department of State completed a program of voluntary agreements with principal supplying countries to limit imports to 1,155 million pounds. However, this program has come under criticism with regard to the processing of beef in Foreign-Trade Zones. Boned frozen meat shipped from countries signatory to the restraint agreements is being processed in the Foreign-Trade Zone at Mayaguez, Puerto Rico, and in U.S. trust territories to change its form so that at the time of its entry into the customs territory of the United States it is no longer the fresh, chilled, or frozen beef in TSUS item 106.10 despite the fact that it has only been shredded, chopped, or otherwise superficially processed. Through September 18, approximately 37 million pounds of such beef has entered the Foreign Trade Zone for processing (31 million from Australia and 6 million from New Zealand). Imports of meat this year through the Foreign-Trade Zone at Mayaguez are expected to reach 55 million pounds.

We have made several efforts to resolve the problem of Mayaguez meat but without satisfactory results. A proposed Foreign-Trade Zone Board investigation and a proposed USDA regulation were both challenged in court and ultimately withdrawn by the government when it appeared that as a result of litigation, neither could produce an expeditious solution. The Australians agreed to amend their restraint agreement to cover prospective shipments to Mayaguez, but would not agree to cover all meat in



transit to the zone. Finally, an attempt to have Congress amend the Meat Import Law was defeated at the close of the last session.

3. The Fourth Quarterly Estimate

The chief areas of doubt concerning the estimate of total U.S. imports are imports from Canada (which are not subject to a restraint agreement) and the degree of shortfall in imports from Mexico. Because of uncertainty about imports from these countries, the estimate in the Department of State's opinion could be as low as 1,227 million pounds (6 million pounds below the quota trigger). Agriculture, however, which has the responsibility for making the estimate, is estimating that imports will reach 1,250 million pounds (17 million pounds over the quota trigger) if no further diplomatic action is taken to limit imports.



NATIONAL SECURITY COUNCIL

copy in drawer

INFORMATION
October 8, 1976

MEMORANDUM FOR: BRENT SCOWCROFT

FROM: ROBERT HORMATS

SUBJECT: Meat Import Quotas

Attached (Tab A) is a new option for dealing with the meat import situation which Chuck Robinson has proposed. The new option has the obvious advantage of not requiring that the President impose import quotas at the present time.

I have given Porter a copy of the attachment and he will be sending a more extensive package out to the Presidential party.

We understand Secretary Kissinger may be calling you to urge acceptance of this option.

Treasury supports this option as a last effort to avoid quotas. Fred Dent believes that a personal call from the President to Fraser might still succeed in turning the Australians around. Further, he questions whether the other meat exporting countries would go along with a 2% reduction in their voluntary restraint level; and he points out that if they do not, the USG will be 18 days late in announcing the meat import figures (which were supposed to be announced on October 1), moving this announcement too close to the election.

Agriculture believes that the other exporting countries will not go along with a reduction in their voluntary restraint levels and points out that it would likely be sued if it held off 10 more days in announcing the meat import figures.



MEAT IMPORT QUOTAS: DIPLOMATIC OPTIONS

The Australians have informed us that they would be willing to reduce their meat exports to the United States only if this reduction were applied to other exporting countries. We initially rejected proposing this sort of across-the-board reduction as it would take time to negotiate and probably would be resisted by those countries which have not yet shipped up to their restraint levels. These countries would contend that our meat import problem was the result of Australian actions and open-marketing arrangements between the United States and Canada. Nonetheless, we believe this option should now be given serious consideration if our only alternative is a system of mandatory quotas.

In announcing this diplomatic initiative, the President could state that, if within 10 days we are not successful in concluding agreements with the exporting countries for a 2% reduction in their 1976 restraint levels, he will impose import quotas. He could also take the opportunity to announce that we have succeeded in closing the Mayaguez loophole; the Australian Government has not permitted the shipment of any meat to Mayaguez since September 10 and will permit no further shipments to Mayaguez during the 1976 calendar year. No other country is shipping meat through Mayaguez at this time. The President could also announce that we will undertake immediate consultations about the meat problem with the Canadian Government in accord with previous understandings.

October 8, 1976



Friday 10/15/76

*meat
import*

5:15 Mark Feldman called to say he has checked and found that, to the best of his knowledge, no paper actually has been prepared for the NSC. Mr. Deal is aware of the problem and has been consulted on it.

Mr. Feldman is going to check on it.



THE WHITE HOUSE

WASHINGTON

November 19, 1976

MEMORANDUM FOR: WILLIAM SEIDMAN
FROM: PHIL BUCHEN *P*
SUBJECT: Meat Import Options
for 1977

The Counsel's Office supports
the general consensus of the
EPB Executive Committee in favor
of Option 2.



THE WHITE HOUSE
WASHINGTON

November 19, 1976

MEMO FOR: PHIL BUCHEN
FROM: BOBBIE KILBERG *BK*
SUBJECT: Meat Import Options for 1977

Suggested response:

Counsel's Office supports the general consensus of the EPB Executive Committee in favor of Option 2.



THE WHITE HOUSE

WASHINGTON

November 18, 1976

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

FROM: L. WILLIAM SEIDMAN *LWS*
SUBJECT: Meat Import Options for 1977

The Economic Policy Board Executive Committee has recently considered the issue of the Meat Import Program for 1977. A memorandum on this issue is attached.

At the most recent EPB Executive Committee meeting on this issue there was a general consensus, on the basis of an earlier draft of this paper, that we should seek to negotiate voluntary restraints at or near the 1977 trigger level of 1,282 million pounds (Option 2). However, agency positions are not recorded on the attached memorandum because we are awaiting their formal recommendations after reviewing this draft of the paper.

There is general agreement that it is desirable to have a meat import program in place at the beginning of 1977 and thus we are attempting to expedite consideration of this issue.

I would appreciate very much your comments and recommendations on this memorandum no later than c.o.b. Friday, November 19, 1976.

Attachment



THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN

SUBJECT: Meat Import Options for 1977

The Meat Import Act of 1964 requires the President to restrict imports to an adjusted base quantity if the Secretary of Agriculture estimates that, in the absence of restraints, imports of fresh, chilled, or frozen beef, veal, mutton, and goat meat will equal or exceed the trigger level (110 percent of the adjusted base quantity). The adjusted base quantity, calculated annually, would keep imports at the same percentage of production as during the 1959-63 base period. For 1977, the USDA has estimated that imports in the absence of restraints would total between 1,580 and 1,630 million pounds, about 300-350 million pounds above the 1977 trigger level of 1,281.9 million pounds (Tab A). The law does, however, provide that the President may suspend quotas or increase the quantity of meat imports under certain conditions such as overriding economic or national security interests. This memorandum seeks your decision with respect to the meat import program for 1977.

Application of the Law in Recent Years

In past years, various policy alternatives have been used to avoid the imposition of quotas:

- In 1969, the first half of 1970, 1975, and the first three quarters of 1976, voluntary agreements were reached with major supplying countries to restrain imports below the trigger level, so that it was not necessary for the President to impose quotas.
- In the second half of 1970, all of 1971, and the first half of 1972, the President suspended quotas, under powers granted to him in the Meat Import Act, with voluntary restraints above the trigger level.



-- In the second half of 1972 and all of 1973 and 1974, the President suspended quotas with no restraints on imports.

For the first time in the 12-year history of the Meat Import Act formal quotas were imposed by Presidential Proclamation on October 9, 1976, after the Department of Agriculture estimated that 1976 meat imports would exceed the trigger level by 17 million pounds despite the voluntary restraint program. Excess imports resulted from larger than estimated imports from Canada. We have traditionally not restricted trade in beef with Canada and, therefore, we did not have a voluntary restraint agreement with Canada.

Impact of Imports on Beef Consumers and Producers

Retail beef prices in 1976 averaged approximately \$1.39 per pound. USDA has recently estimated that retail beef prices in 1977 will average approximately \$1.50 per pound assuming that imports do not exceed the trigger level of 1,282 million pounds. At the trigger level, beef available for U.S. consumption in 1977 is estimated at 121 pounds per person. If imports are unrestricted, the per capita beef supply would increase about 2.1 to 2.4 pounds reducing retail beef prices an estimated 1.5 to 3 percent. This would result in consumer savings in the range of \$520-\$1,040 million. Producers would lose an almost equal amount in total receipts from cattle sales.

The outlook for the second half of the year will be strongly affected by producer returns in the first half of the year, pasture conditions, and the U.S. feedgrain situation for 1977. These conditions suggest that any 1977 import program may require revision as the year progresses.

Policy Considerations

A quota system in 1977 raises several trade and foreign policy questions. First, to be consistent with the non-discrimination provisions of GATT and the Meat Import Act, country quotas must be based on trade during a representative historical period. Under this criterion the quota for Canada would be proportionally smaller than this year's quota for "other" countries, which includes Canadian imports. Such a reduced quota would invite retaliation by Canada against exports of meat and perhaps livestock from the U.S. Second, indication of our intent to employ quotas again in 1977 would



even if the nondiscrimination test were met, almost assure GATT proceedings against our present quotas and could stimulate retaliation by other countries against U.S. exports that might not occur if our present quotas were seen as a temporary measure. The GATT retaliation could cover up to \$1 billion in U.S. exports or could be directed to reduce U.S. exports by an estimated \$150-\$200 million. Australia and New Zealand would likely retaliate against imports of U.S. industrial products. Finally, the continuation of meat quotas in 1977 could (1) be interpreted as a clear departure from our negotiating posture which has favored greater trade liberalization, and (2) reduce the prospect for substantial liberalization of trade in agriculture commodities. We have in the past opposed such quotas and have obtained a specific GATT waiver for our Section 22 quotas.

Negotiation of another voluntary restraint program in 1977 is likely to be very difficult in view of the problems experienced in the program this year. While recognizing these difficulties, the Department of State believes that voluntary restraint agreements might be negotiated successfully with foreign governments, especially if it could again be demonstrated that participants would enjoy greater access to the U.S. market under voluntary restraint agreements than they would under formal quotas.

Foreign Trade Zone Problem

The 1976 voluntary restraint program came under criticism with regard to the processing of beef in the Foreign-Trade Zone at Mayaguez, Puerto Rico. Quantities of meat imports under any of the restraint options for 1977 will be reduced in overall magnitude by a quantity equal to the amount of such products which will enter through Foreign-Trade Zones in 1977. Therefore, these imports are not an issue in the choice of restraint options.

Options

The EPB Executive Committee has reviewed this issue. Four policy options are outlined for your consideration.

Option 1: Impose import quotas at or near the 1977 trigger level of 1,282 million pounds.

Options 1 and 2 would both permit U.S. meat imports to increase by 49 million pounds over 1976 imports.



Advantages:

- Quotas would have maximum support of the domestic livestock industry.
- Quotas would protect the domestic livestock industry consistent with the Meat Import Act.

Disadvantages:

- Quotas would place the U.S. in violation of its GATT obligations and could result in requirements for compensation or retaliation by major supplying countries.
- Quotas run counter to our trade liberalization objectives in the MTN.
- Imports at or near the trigger level would result in lower supplies of meat and higher consumer prices than under a less restrictive policy.

Option 2: Negotiate voluntary restraints at or near the 1977 trigger level of 1,282 million pounds.

If you decide to seek voluntary restraints, supplying countries will be asked to send representatives to Washington about December 1 with the understanding that voluntary restraint negotiations must be completed by about December 15.

Advantages:

- Voluntary restraints at or near the 1977 trigger level would provide protection for the domestic livestock industry consistent with the Meat Import Act.
- A voluntary restraint program avoids the problems in the MTN and the GATT which would result from quotas.
- The domestic livestock industry would not oppose this approach.



Disadvantages:

- Voluntary restraints may be difficult to negotiate for 1977 because of problems with the 1976 program.
- Imports at or near the trigger level would result in lower supplies of meat and higher consumer prices than a less restrictive policy.

Option 3: Negotiate voluntary restraints above the 1977 trigger level of 1,282 million pounds.

Advantages:

- Negotiations will be easier than under Option 2.
- This option will result in lower beef prices for consumers than a more restrictive policy.
- A voluntary restraint program avoids the problems in the MTN and the GATT which would result from quotas.

Disadvantages:

- U.S. livestock producers would strongly oppose imports above the trigger level which would reduce cattle prices more than a more restrictive policy.
- Imports above the trigger level would be inconsistent with the intent of the Meat Import Act.

Option 4: Suspend quotas with no restraints on imports.

Advantages:

- An open market because of larger supplies from greater imports provides the lowest consumer prices.
- An open market is consistent with our trade liberalization objectives in the MTN.

Disadvantages:

- An open market is counter to the intent of the Meat Import Act in that it does not protect the U.S. livestock industry under the conditions in which the Act calls for protection.



- An open market would result in the lowest producer returns.
- An open market is strongly opposed by the U.S. livestock producers.

Decision

Option 1: _____ Impose import quotas at or near the 1977 trigger level of 1,282 million pounds.

Supported by:

Option 2: _____ Negotiate voluntary restraints at or near the 1977 trigger level of 1,282 million pounds.

Supported by:

Option 3: _____ Negotiate voluntary restraints above the 1977 trigger level of 1,282 million pounds.

Supported by:

Option 4: _____ Suspend quotas with no restraints on imports.

Supported by:



IMPORTS OF MEATS SUBJECT TO P.L. 88-482
(Million pounds, product weight)

<u>Country of Origin</u>	<u>Actual Imports</u> <u>1975</u>	<u>Quota Allocations</u> <u>1976</u>	<u>Estimated Imports of Absence</u> <u>Restraints</u> <u>1977</u>
Australia	679.4	632.2	850-880
New Zealand	275.4	259.8	360
Mexico	29.8	52.0	40-60
Canada	21.2	81.9	85
Ireland	6.8	4.1	0
United Kingdom	0.8	0.0	0
Caribbean Area	195.6	203.0	245
Total	1,208.9	1,233.0	1,580-1,630

Date: November 4, 1976