The original documents are located in Box 11, folder "Economy - Trade Meat Imports (1)" of the Philip Buchen Files at the Gerald R. Ford Presidential Library.

DEPARTMENT OF AGRICULTURE

Office of the Secretary

[7 C.F.R. Part 16]

Limitation on Imports of Meat

Proposed Regulations With Respect to
Meat Processed in Foreign-Trade Zones

Public Law 88-482, approved August 22, 1964, 19 U.S.C. 1202 note (hereinafter referred to as the Act), provides for limiting the quantity of fresh, chilled, or frozen cattle meat (TSUS 106.10) and fresh, chilled, or frozen meat of goats and sheep, except lamb (TSUS 106.20), which may be imported into the United States in any calendar year. Such limitations are to be imposed when it is estimated by the Secretary of Agriculture that imports of such articles, in the absence of limitations during such calendar year, would equal or exceed 110 percent of the estimated quantity of such articles prescribed by Section 2(a) of the Act.

Quantative limitations on the importation of meat classified under items 106.10 and 106.20 of the Tariff Schedules of the United States (TSUS) have not been imposed to date in calendar year 1976 because the estimates of imports of meat required to be made under the Act have not exceeded 1,233.0 million pounds, 110 per centum of the adjusted base quantity determined by the Secretary pursuant to the Act. In making such estimates for the first, second, and third quarters of 1976 the Secretary relied upon the fact that trade agreements ensuring that meat imports would not exceed 110 per centum of the adjusted base quantity would remain in effect during 1976. These agreements limit the quantity of meat classifiable under TSUS 106.10 and 106.20 which may be imported into the United States

However, information available to the United States Department of Agriculture shows that in circumvention of the Act boned frozen meat shipped from countries signatory to the trade agreements is being processed in Foreign-Trade Zones of the United States to change its form. Thus at the time of its entry into the customs territory of the United States it is no longer the type of meat described in TSUS item 106.10 despite the fact that it has merely been ground, shredded, flaked or chunked and repackaged in 60 pound bags before being entered.

This meat processing operation permits greater quantities of fresh, chilled or frozen beef and veal to enter the commerce of the United States than was intended by the Meat Import Law and the trade agreements. Through July 31 approximately 21.3 million pounds of foreign beef have entered warehouses for processing in the Foreign-Trade Zone at Mayaguez, Puerto Rico. Reports from trade sources indicate another 10 million pounds is in the processing stages at Mayaguez and that 26 million pounds of meat has been contracted for delivery at Mayaguez through the end of September. Including current contracts the total quantity of boneless beef estimated to be imported through the one existing processing plant in the Foreign-Trade Zone in Mayaguez in 1976 will be about 60 million pounds. A second plant is expected to become operational within the next few weeks. As a result, imports of meat this year through the Foreign-Trade Zone at Mayaguez could reach at least 70 million pounds.

Such meat is being delivered into the Foreign-Trade Zone at prices as much as one-third less than prices for comparable manufacturing type meat entering the customs territory of the United States directly from

supplying countries. Moreover, application has been made to the Foreign-Trade Zones Board to establish two special zone sites for processing meat in Metairie, Louisiana, and New Orleans, Louisiana. The application states the plants intend to process some 32 to 35 million pounds of such meat per year.

The Secretary of Agriculture is authorized under section 2(e) of the Act to issue such regulations as he determines to be necessary to prevent circumvention of the purposes of the Act. Notice is hereby given that the Secretary of Agriculture is considering the issuance of a regulation pursuant to this authority in order to prevent circumvention of the purposes of the Act through the processing of meat in the Foreign-Trade Zones. Under this regulation, in the administration of the Act and the trade agreements, any meat which is processed in a Foreign-Trade Zone from foreign meat which, if it were entered into the customs territory of the United States in the form in which it was brought into the Foreign-Trade Zone, would be classifiable as TSUS item 106.10, shall be treated for the purposes of the Act and the trade agreements as being classifiable under TSUS item 106.10 when entered, or withdrawn from warehouse, into the customs territory of the United States.

It is proposed that, if this regulation is placed in effect, the provisions thereof will be made applicable to any meat brought into a Foreign-Trade Zone subsequent to (date of publication of this document in the Federal Register).

pursuant to section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854), as being classifiable under TSUS item 106.10 when entered, or withdrawn from warehouse, into the customs territory of the United States. This section shall be applicable to any foreign meat brought into a Foreign-Trade Zone subsequent to (date of publication of this document in the Federal Register).

(Sec. 2, Pub. L. 88-482 (19 U.S.C. 1202 note))

Issued at Washington, D. C. this _____ date of _____, 1976.

Earl L. Butz

Secretary of Agriculture

DEPARTMENT OF AGRICULTURE

Office of the Secretary

[7 C.F.R. Part 16]

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It is proposed that, if this regulation is placed in effect, the provisions thereof will be made applicable to any meat brought into a Foreign-Trade Zone subsequent to (date of publication of this document in the Federal Register).

All persons who desire to submit written data, views or arguments for consideration in connection with this proposal should file the same in duplicate, not later than (date 30 days after publication of this document) with the Administrator, Foreign Agricultural Service, USDA, Room 5073, South Agriculture Building, 14th and Independence, Washington, D. C. 20250. All material received will be available for public inspection in Room 6621, South Agriculture Building, 14th and Independence, Washington, D. C., during the official hours of business (8:30 a.m. to 5:00 p.m., Monday through Friday). All material received on or before (date / 30 days after publication of this document in the Federal Register) will be considered.

It is proposed that 7 CFR, Subtitle A-Office of the Secretary of Agriculture, Part 16, be amended by adding a new Subpart "Meat Import Law Regulations," as follows:

Subpart - Meat Import Law Regulations

§ 16.20 Meat Processed in Foreign-Trade Zones

Any meat which is processed in a Foreign-Trade Zone from foreign meat, which if it were entered into the customs territory of the United States in the form in which it was brought into the Foreign-Trade Zone would be classifiable as TSUS item 106.10, shall be treated for the purposes of Meat Import Law, P.L. 88-482 (19 U.S.C. 1202 note), and the trade agreements entered into by the United States with the supplying countries of such meat

pursuant to section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854), as being classifiable under TSUS item 106.10 when entered, or withdrawn from warehouse, into the customs territory of the United States. This section shall be applicable to any foreign meat brought into a Foreign-Trade Zone subsequent to (date of publication of this document in the Federal Register).

(Sec. 2, Pub. L. 88-482 (19 U.S.C. 1202 note))

Issued at Washington, D. C. this _____ date of _____,1976.

Earl L. Butz

Secretary of Agriculture

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1. Executive Order 11539, June 30, 1970, 35 F.R. 10733, 3 CFR, 1966–70 Comp., p. 937

Delegations of Authority To Negotiate Agreements and Issue Regulations Limiting Imports of Certain Meats

By virtue of the authority vested in me by section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854), and section 301 of title 3 of the United States Code, and as President of the United States, it is ordered as follows:

Section 1. The Secretary of State, with the concurrence of the Secretary of Agriculture and the Special Representative for Trade Negotiations, is authorized to negotiate bilateral agreements with representatives of governments of foreign countries limiting the export from the respective countries and the importation into the United States of fresh, chilled, or frozen cattle meat (item 106.10 of the Tariff Schedules of the United States) and fresh, chilled, or frozen meat of goats and sheep, except lambs (item 106.20 of the Tariff Schedules of the United States) which are the products of such countries.

Sec. 2. The Secretary of Agriculture, with the concurrence of the Secretary of State and the Special Representative for Trade Negotiations, is authorized to issue regulations governing the entry or withdrawal from warehouse for consumption in the United States of any such meats to carry out any such agreement.

Sec. 3. The Commissioner of Customs shall take such actions and supply such information to the Secretary of Agriculture with respect to entry or withdrawal from warehouse fo consumprtion in the United States of such meats as the Secretary of Agriculture, with the concurrence of the Secretary of State and the Special Representative for Trade Negotiations, may request to carry out any such agreements or regulations.

Sec. 4. Heads of departments and heads of agencies are hereby authorized to redelegate within their respective departments or agencies the functions herein assigned to them, except that the function of negotiating agreements delegated to the Secretary of State by section 1 and the function of issuing regulations delegated to the Secretary of Agriculture by section 2 of this order may be redelegated only to officials required to be appointed by and with the advice and consent of the Senate, as provided by 3 U.S.C. 301.

The Foreign Trade Zone Board, as created and empowered by 19 U.S.C. §81a et seq., is authorized to exclude from a foreign trade zone any process of treatment which it judges to be detrimental to the public interest. 19 U.S.C. §81o(c) provides:

> The Board may at any time order the exclusion from the zone of any goods or process of treatment that in its judgment is detrimental to the public interest, health, or safety.

Because this provision does not call for decision on the record after an agency hearing, the Administrative Procedure Act does not govern the Board's exercise of the power of exclusion of goods and processes. Cf. 5 U.S.C. §554. Nor does either the Foreign Trade Zone Act or the regulations promulgated under it impose any procedural requirements upon the Board's adjudication. The Board's regulation 807, 15 CFR §400.807, provides that upon a report that the public interest, health, or safety is jeopardized by the presence of goods or processes in a zone,

> the Board shall cause such investigation to be made as it may deem necessary. The Board may order the exclusion from the zone of any goods or process of treatment that in its judgment is detrimental to the public interest, health, or safety.

On at least two occasions the Board has exercised this power to promote the public interest in a manner unrelated to public health or safety: at the behest of Treasury, to exclude the processing of gold and silver from trade zones, and at the suggestion of State, to exclude products of Czechoslovak origin. Each action was based on interagency recommendations, and neither was challenged.

STATUTES RELATING TO IMPORT AND EXPORT CONTROLS

Agricultural Act of 1956—SEC. 204. The President may, whenever he determines such action appropriate, negotiate with representatives of foreign governments in an effort to obtain agreements limiting the export from such countries and the importation into the United States of any agricultural commodity or product manufactured therefrom or textiles or textile products, and the President is authorized to issue regulations governing the entry or withdrawal from warehouse of any such commodity, product, textiles, or textile products to carry out any such agreement. In addition, if a multilateral agreement has been or shall be concluded under the authority of this section among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded, the President may also issue, in order to carry out such an agreement, regulations governing the entry or withdrawal from warehouse of the same articles which are the products of countries not parties to the agreement.[2] Nothing herein shall affect the authority provided under section 22 of the Agricultural Adjustment Act (of 1933) as amended. (7 U.S.C. 1854.)

Agricultural Adjustment Act of 1933—SEC. 22.[3] (a) Whenever the Secretary of Agriculture has reason to believe that any article or articles are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any program or operation undertaken under this title or the Soil Conservation and Domestic Allotment Act, as amended, or section 32, Public Law Numbered 320, Seventy-fourth Congress, approved August 24, 1935, as amended, or any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken, he shall so advise the President, and, if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the United States Tariff Commission, which shall give precedence to investigations under this section to determine such facts. Such investigation shall be made after due notice and opportunity for hearing to interested parties, and shall be conducted subject to such regulations as the President shall specify. (7 U.S.C. 624(a).)

(b) If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence of such facts, he shall by proclamation impose such

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[2] This sentence added by the Act of June 19, 1962, 76 Stat. 104.

[3] See also section 202(a) of the Agricultural Act of 1956 (p. 208).

Section 22 was added by the Act of August 24, 1935 (49 Stat. 773). As originally enacted, action under this section could be taken only with respect to articles the importation of which was found to be adversely affecting programs or operations under the Agricultural Adjustment Act of 1933. Section 22 has been amended several times and was revised in its entirety by section 3 of the Agricultural Act of 1948 (62 Stat. 1247) and again by section 3 of the Act of June 28, 1950 (64 Stat. 261). Regulations governing investigations under this section are set forth in Executive Order 7233, dated November 23, 1935, and in 19 CFR 201, 204.

fees not in excess of 50 per centum ad valorem or such quantitative limitations on any article or articles which may be entered, or withdrawn from warehouse, for consumption as he finds and declares shown by such investigation to be necessary in order that the entry of such article or articles will not render or tend to render ineffective, or materially interfere with, any program or operation referred to in subsection (a) of this section, or reduce substantially the amount of any product processed in the United States from any such agricultural commodity or product thereof with respect to which any such program or operation is being undertaken: *Provided*, That no proclamation under this section shall impose any limitation on the total quantity of any article or articles which may be entered, or withdrawn from warehouse, for consumption which reduces such permissible total quantity to proportionately less than 50 per centum of the total quantity of such article or articles which was entered, or withdrawn from warehouse, for consumption during a representative period as determined by the President: *And provided further*, That in designating any article or articles, the President may describe them by physical qualities, value, use, or upon such other bases as he shall determine.

In any case where the Secretary of Agriculture determines and reports to the President with regard to any article or articles that a condition exists requiring emergency treatment, the President may take immediate action under this section without awaiting the recommendations of the Tariff Commission, such action to continue in effect pending the report and recommendations of the Tariff Commission and action thereon by the President.[4] (7 U.S.C. 624(b).)

(c) The fees and limitations imposed by the President by proclamation under this section and any revocation, suspension, or modification thereof, shall become effective on such date as shall be therein specified, and such fees shall be treated for administrative purposes and for the purposes of section 32 of Public Law Numbered 320, Seventy-fourth Congress, approved August 24, 1935, as amended, as duties imposed by the Tariff Act of 1930, but such fees shall not be considered as duties for the purpose of granting any preferential concession under any international obligation of the United States. (7 U.S.C. 624(c).)

(d) After investigation, report, finding, and declaration in the manner provided in the case of a proclamation issued pursuant to subsection (b) of this section, any proclamation or provision of such proclamation may be suspended or terminated by the President whenever he finds and proclaims that the circumstances requiring the proclamation or provision thereof no longer exist or may be modified by the President whenever he finds and proclaims that changed circumstances require such modification to carry out the purposes of this section. (7 U.S.C. 624(d).)

(e) Any decision of the President as to facts under this section shall be final. (7 U.S.C. 624(e).)

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[4] Paragraph added by section 104 of the Trade Agreements Extension Act of 1953, 67 Stat. 472.

(f)[5] No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section. (7 U.S.C. 624(f).)

LIMITATION ON MEAT IMPORTS

PUBLIC LAW 88-482[6]

AUGUST 22, 1964

AN ACT

To provide for the free importation of certain wild animals, and to provide for the imposition of quotas on certain meat and meat products.

SECTION 1. (Amendments to Title I of the Tariff Act of 1930.)

SEC. 2. (a) It is the policy of the Congress that the aggregate quantity of the articles specified in items 106.10 (relating to fresh, chilled, or frozen cattle meat) and 106.20 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs)) of the Tariff Schedules of the United States which may be imported into the United States in any calendar year beginning after December 31, 1964, should not exceed 725,400,000 pounds; except that this quantity shall be increased or decreased for any calendar year by the same percentage that estimated average annual domestic commercial production of these articles in that calendar year and the two preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of these articles during the years 1959 through 1963, inclusive.

(b) The Secretary of Agriculture, for each calendar year after 1964, shall estimate and publish—

(1) before the beginning of such calendar year, the aggregate quantity prescribed for such calendar year by subsection (a), and

(2) before the first day of each calendar quarter in such calendar year, the aggregate quantity of the articles described in subsection (a) which (but for this section) would be imported in such calendar year.

In applying paragraph (2) for the second or any succeeding calendar quarter in any calendar year, actual imports for the preceding calendar quarter or quarters in such calendar year shall be taken into account to the extent data is available.

(c)(1) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b)(2) equals or exceeds 110 percent of the aggregate quantity estimated by him pursuant to subsection (b)(1), and if there is no limitation in effect under this section with respect to such calendar

[5] The provisions of this subsection (f) were substituted for earlier provisions by section 8(b) of the Trade Agreements Extension Act of 1951, approved June 16, 1951, 65 Stat. 72, 75.

[6] 78 Stat. 594, 19 U.S.C. 1202 note.

year, the President shall by proclamation limit the total quantity of the articles described in subsection (a) which may be entered, or withdrawn from warehouse, for consumption, during such calendar year, to the aggregate quantity estimated for such calendar year by the Secretary of Agriculture pursuant to subsection (b)(1).

(2) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b)(2) does not equal or exceed 110 percent of the aggregate quantity estimated by him pursuant to subsection (b)(1), and if a limitation is in effect under this section with respect to such calendar year, such limitation shall cease to apply as of the first day of such calendar quarter; except that any limitation which has been in effect for the third calendar quarter of any calendar year shall continue in effect for the fourth calendar quarter of such year unless the proclamation is suspended or the total quantity is increased pursuant to subsection (d).

(3) The Secretary of Agriculture shall allocate the total quantity proclaimed under paragraph (1), and any increase in such quantity pursuant to subsection (d), among supplying countries on the basis of the shares such countries supplied to the United States market during a representative period of the articles described in subsection (a), except that due account may be given to special factors which have affected or may affect the trade in such articles. The Secretary of Agriculture shall certify such allocations to the Secretary of the Treasury.

(d) The President may suspend any proclamation made under subsection (c), or increase the total quantity proclaimed under such subsection, if he determines and proclaims that—

(1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the Nation of the economic well-being of the domestic livestock industry;

(2) the supply of articles of the kind described in subsection (a) will be inadequate to meet domestic demand at reasonable prices; or

(3) trade agreements entered into after the date of the enactment of this Act ensure that the policy set forth in subsection (a) will be carried out.

Any such suspension shall be for such period, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection.

(e) The Secretary of Agriculture shall issue such regulations as he determines to be necessary to prevent circumvention of the purposes of this section.

(f) All determinations by the President and the Secretary of Agriculture under this section shall be final.

Economic Policy

THE WHITE HOUSE

WASHINGTON

December 30, 1975

MEMORANDUM FOR J. MICHAEL DUNN
✓PHILIP BUCHEN
JOHN O. MARSH
BRENT SCOWCROFT
JIM CANNON
JAMES T. LYNN

FROM: L. WILLIAM SEIDMAN

SUBJECT: Termination of Restrictions on Importation of Beef and Veal from Canada

I would appreciate your comments and recommendations on the attached materials prepared by the Special Representative for Trade Negotiations no later than c.o.b. Tuesday, December 30, 1975.

NO OBJECTION. -- KEN LAZARUS 12/30/75

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

MEMORANDUM

TO : L. William Seidman

FROM : Frederick B. Dent

SUBJECT: Memorandum and Presidential Proclamation on Canadian Meat

The attached memorandum to the President and draft Presidential Proclamation results from inter-agency discussions and consultation with the Canadians on meat.

Under the agreed plan, simultaneous announcements will be made in Washington and Ottawa on the lifting of the U.S. and Canadian import restrictions on beef and veal.

Agreement was reached with the Canadians to take action necessary to remove these restrictions by January 1, 1976. Accordingly the attached proclamation should be signed no later than December 31, 1975.

My action officer on this issue is John Greenwald (395-3432).

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

MEMORANDUM

TO: L. William Seidman

FROM: Frederick B. Dent

SUBJECT: Memorandum and President Proclamation on Canadian Meat

Pursuant to section 2(f) of Executive Order 11846 of March 27, 1975, the Special Representative for Trade Negotiations was given responsibility for the preparation and submission to the President of any proclamation which relates wholly or primarily to the trade agreements program.

The attached proclamation falls within the scope of section 2(f) of Executive Order 11846. It has been approved by the Department of State, the Department of Agriculture, and the Bureau of Customs of the Department of the Treasury, and has been reviewed and approved by attorneys in the Department of Justice who customarily review proclamations to be submitted to the President.

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: Ambassador Frederick B. Dent

SUBJECT: Termination of Restrictions on Importation of Beef and Veal from Canada

On November 20, 1975 you issued a proclamation temporarily limiting the importation of Canadian livestock and meat. This action was taken in response to Canada's imposition of unjustifiable restrictions on cattle and beef and veal imports from the United States.

In August 1975, you lifted U.S. restrictions on the importation of Canadian livestock and pork simultaneously with the removal by Canada of limitations on the import of cattle from the United States. Temporary U.S. limitations on Canadian beef and veal remained in force, as did Canadian restrictions on imports of U.S. beef and veal.

On December 19, the Canadian Minister of Agriculture, Eugene Whelan, and other Canadian officials met in Washington with Secretary Butz and other officials of the Departments of Agriculture and State and the Office of the Special Trade Representative. They reached agreement in principle that each government should remove its restrictions on imports of beef and veal from the other country, effective January 1, 1976. In the attached aide-memoire the Canadians have since confirmed their intention (contingent on reciprocal action by the United States) to issue a license to permit unlimited imports of beef and veal from the United States into Canada during 1976.

The attached proclamation would terminate the restrictions maintained by the United States on imports of beef and veal from Canada. If you approve, this proclamation should be signed no later than December 31, 1975. After your approval, the actions removing the restrictions would be announced simultaneously in Washington and Ottawa.

Canadian Embassy Ambassade du Canada

A I D E M E M O I R E

The Canadian Embassy refers to discussions between the U.S. Secretary of Agriculture, The Honorable Earl Butz and the Canadian Minister of Agriculture, The Honourable Eugene Whelan and their respective officials in Washington, D. C. on December 19, 1975 on reciprocal arrangements for the restoration of bilateral open border trade in beef and veal. With respect to existing quotas on beef and veal, the Embassy is authorized to confirm that Canadian authorities are proceeding with the necessary steps to remove the Canadian import quota effective midnight December 31, 1975, on the understanding that the United States quota will similarly be removed at that time.

With respect to trade in beef and veal in 1976, the Government of Canada wishes to confirm its understanding that:

1. Canada will give United States authorities an estimate of anticipated Canadian beef and veal exports to the United States for 1976;

2. The United States authorities will give Canada an estimate of anticipated United States beef and veal exports to Canada for 1976;

3. Canada will leave beef and veal on the import control list but under open general licence in respect of shipments from the United States; and

4. In the event of either country's beef and veal exports threatening to exceed respective national export estimates, consultations may be held.

Washington, D. C.

December 23, 1975

TERMINATION OF TEMPORARY QUANTITATIVE LIMITATION ON THE IMPORTATION INTO THE UNITED STATES OF CERTAIN BEEF AND VEAL FROM CANADA

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, Proclamation No. 4335 of November 20, 1974, issued pursuant to Section 252(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1882(a)) in response to unjustifiable restrictions imposed by Canada on meat imports from the United States, limited imports into the United States of certain cattle, beef, veal, swine and pork from Canada, and whereas that Proclamation inserted item 945.03 into subpart B of part 2 of the Appendix to the Tariff Schedules of the United States (TSUS), and

WHEREAS, Canada has now lifted those unjustifiable restrictions on meat imports from the United States, and

WHEREAS, Section 255(b) of the Trade Expansion Act of 1962 (19 U.S.C. 1885(b)) authorizes the President to terminate in whole or in part any proclamation made pursuant to Section 252 of the Trade Expansion Act of 1962 (19 U.S.C. 1882(a)), and

WHEREAS, Proclamation No. 4382 of August 5, 1975 terminated those parts of Proclamation No. 4335 pertaining to the importation of cattle, swine and pork from Canada, and

WHEREAS, I deem it necessary and appropriate to terminate the remaining restrictions proclaimed in Proclamation No. 4335, specifically those imposing temporary quantitative limitations on the importation into the United States of certain beef and veal from Canada, in order to encourage trade between the

United States and Canada,

NOW, THEREFORE, I, GERALD R. FORD, President of the United States of America, acting under authority vested in me by the Constitution and statutes, including Section 255(b) of the Trade Expansion Act of 1962 (19 U.S.C. 1885(b)) do hereby proclaim that:

1) Proclamation No. 4335 is terminated.

2) Subpart B of part 2 of the Appendix to the TSUS is amended as follows:

(a) By deleting the superior heading immediately preceding item 945.03.

(b) By deleting item 945.03.

3) This Proclamation is effective with respect to articles entered, or withdrawn from warehouse, for consumption after 12:01 a.m. EST, January 1, 1976.

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

GERALD R. FORD

# # # # # #

Draft Press Release

President Ford has signed a Proclamation, effective January , removing quantitative limitations on the the importation of beef and veal from Canada. Simultaneously, the government of Canada has removed its limitations on similar imports from the United States. The Presidential Proclamation removes the remaining restrictions imposed on November 20, 1974, in response to restrictive Canadian actions taken the preceding August. Under the restrictions just lifted, annual imports of beef and veal from Canada had been limited to 17,000,000 pounds.

The American and Canadian actions remove outstanding restrictions on trade in meat between the United States and Canada. Other restrictions imposed in 1974 on trade in livestock and pork were lifted reciprocally in August of this year.

Thursday 8/12/76

Meeting
8/13/76
9 a.m.

5:20 We have scheduled the meeting on foreign trade zones meat import problem for 9 a.m. tomorrow (Friday 8/13) in the Situation Room.

The following people will be coming:

Agriculture: Rosina Bullington
Richard Bell

State: Monroe Leigh
Gerald Rosen
Paul Taylor

STR: Shirley Coffield 3432
Jim Starkey

Treasury: David Macdonald

Commerce: J. T. Smith
Homer Moyer

White House: Edward Schmults ?
Roger Porter

cc: Mr. Schmults

THE WHITE HOUSE

WASHINGTON

August 10, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN

SUBJECT: Meat Import Situation

Status of the Voluntary Restraint Negotiations

Last December you decided to seek voluntary restraints on meat imports in 1976 below the 1,233 million pound trigger level for quotas mandated by the 1964 Meat Import Act. The State Department has completed negotiations for a voluntary restraint program with all participants except Costa Rica. These agreements represent 95.4 percent of meat imports subject to the voluntary restraint program. The Costa Ricans notified the State Department last week of their intention to accept the agreement.

Imports of meats subject to the Meat Import Law totalled 676.4 million pounds during the first six months of this year, approximately 55 percent of estimated 1976 imports under the voluntary restraint program. The rate of imports will decline during the remainder of 1976.

Imports from Canada, which does not participate in the meat import restraint program, have been larger than expected during the first six months, partly because of the displacement of Canadian beef by cheaper Australian and New Zealand imports in the Canadian market. Canadian traders then exported Canadian beef to the more attractively priced U.S. market. This pressure has been largely reduced by the agreement of Australia and New Zealand to establish minimum export prices for shipments to Canada at no more than 6 cents per pound below comparable U.S. prices on the date the sale is made.

Foreign Trade Zone Operations

Since October 1975 a subsidiary of an American firm has been processing frozen Australian meat in the Mayaguez, Puerto Rico Foreign Trade Zone (FTZ) for importation into the United States

THE WHITE HOUSE

WASHINGTON

STR

July 23, 1976

MEMORANDUM FOR PHILIP BUCHEN

FROM: L. WILLIAM SEIDMAN

SUBJECT: Foreign-Trade Zones Meat Import Problem

This year shipments of meat for processing in the Foreign Trade Zone in Mayaguez, Puerto Rico have introduced an element of circumvention into the meat import program. Through June 17 approximately 13 million pounds of imported beef, which would have been subject to the Meat Import Law, were processed at Mayaguez in a manner to transform it into a tariff category not subject to the Meat Import Law.

Several alternative measures are under consideration to prevent continuation of this circumvention. One alternative, proposed by USDA is for USDA to amend the regulations classifying meat moving through Foreign Trade Zones. A copy of their proposed regulations are attached.

They must have the concurrence of the Department of State and the Office of the Special Representative for Trade Negotiations before they can issue any regulations. USDA informs us that they feel their proposed regulations are legal. State has informed us that they feel the proposed regulations are illegal.

I would appreciate you very much having the Counsel's Office provide us with an opinion regarding the legality of the proposed regulations. These attached paper was provided my office by James D. Keast, General Council, Department of Agriculture.

This is an extremely sensitive issue and I would appreciate it receiving immediate attention.

Attachment

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

July 23, 1976

TO: Roger Porter
Executive Secretary of the
Economic Policy Board
The White House

FROM: James D. Keast
General Counsel
Department of Agriculture

SUBJECT: Regulations Classifying Meat Moving Through
Foreign Trade Zones

Per our telephone conversation, the proposed regulations are attached. My telephone number is 447-3351.

(Attachment)

TITLE 7 - AGRICULTURE

SUBTITLE A - OFFICE OF THE SECRETARY OF AGRICULTURE
(AMDT. 4)

PART 16 - LIMITATION ON IMPORTS OF MEAT

SUBPART - SECTION 204 IMPORT REGULATIONS

Meat Processed in Foreign-Trade Zones

The regulations set forth in this subpart are amended to provide that meat, which is processed in a Foreign-Trade Zone from meat which would have been classified under item 106.10 of the Tariff Schedules of the United States (TSUS) at the time it is imported into a Foreign-Trade Zone, shall be treated as being classifiable under TSUS 106.10 at the time of its entry or withdrawal from warehouse, for consumption in the United States, for the purposes of establishing, by U.S. Customs statistics, the quantity of such meat entered, or withdrawn from warehouse, for consumption in the United States under the bilateral agreements negotiated by the United States with the supplying countries of such meat pursuant to Section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854). Permitting the entry of such meat, so processed in a United States Foreign-Trade Zone, and entered, or withdrawn from warehouse, for consumption in the United States, as being classifiable under TSUS items other than 106.10, contravenes the purpose of such agreements. It is necessary, therefore, to take the action provided for herein in order to carry out such bilateral agreements.

This regulation is issued with the concurrence of the Secretary

of State and the Special Representative for Trade Negotiations in accordance with Executive Order 11539 of June 30, 1970 (35 F.R. 10733). The Commissioner of Customs has been requested to take necessary action to implement this regulation.

It is essential that the action taken herewith, to implement agreements entered into under the foreign affairs function of the United States, be made effective as soon as possible. It is hereby found and determined that compliance with the notice and effective date provision of 5 U.S.C. 553 is impracticable and contrary to the public interest and that the amendment shall become effective as set forth below.

The subpart, Section 204 Import Regulations of Part 16, Subtitle A of Title 7 (40 F.R. 31227), is amended as follows:

1. Section 16.5, Meat Processed in Foreign-Trade Zones, is added which reads as follows:

§ 16.5 Meat Processed in Foreign-Trade Zones

Any meat which is processed in a Foreign-Trade Zone from meat which would have been classified as TSUS item 106.10 at the time it was imported into the Foreign-Trade Zone shall be treated as being classifiable under TSUS item 106.10 when entered, or withdrawn from warehouse, into the customs territory of the United States for the purpose of establishing, by U.S. Customs statistics, the quantity of such meat entered, or withdrawn from warehouse, for consumption in the United States under the bilateral agreements negotiated by the United States with the supplying countries of such meat, pursuant to

Section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854).

Effective date: The regulation contained in this amendment shall become effective (date of publication in Federal Register). (Sec. 204, Pub. L. 540, 84th Cong., 70 Stat. 200, as amended (7 U.S.C. 1854); E.O. 11539, 35 F.R. 10733)

Issued at Washington, D.C. this _____ date of _____, 1976.

Secretary of Agriculture

Friday 7/23/76

Meeting
7/24/76
10:30 a.m.

5:55 We have scheduled the meeting at 10:30 a.m. Saturday 7/24 ----

Subject: Foreign Trade Zones Meat Import Problem

Agriculture:	James Keast, General Counsel	447-3351
State:	Monroe Leigh Jules Katz, Dep. Asst. Secy. for Economic Matters Jerry Rosen	632-9598
STR:	Alan Wolf	5116
Treasury:	David Macdonald	964-2033
Commerce:	J. T. Smith, General Counsel	377-4772
~~Secy. of the Board:~~	~~John Dapont~~ Mr. Smith talked with Dapont and Dapont will not be coming.	
White House:	Roger Porter Ed Schmults ? Bobbie Kilberg	6537

cc: Mr. Schmults
Bobbie Kilberg

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Champion International Corp. and Evans Products Co. And profits at PPG Industries Inc. were up by a handsome 138%. The glass and container industry made a strong comeback, particularly Corning Glass Works, where earnings rose by 331%.

Mixed returns. But Caterpillar Tractor Co., whose profits had held up splendidly throughout 1975 in the wake of strong demand for agricultural equipment, had a 4% earnings drop for the quarter. The company put the blame on a lagging construction pace as well as on an early spring campaign that shifted traditional second-quarter sales into the first quarter. It was a disappointing quarter, too, for Wall Street brokerage houses, which were experiencing slower market-trading volume. As a result, profits were off by 34% at Merrill Lynch & Co.

The nation's big grocery chains showed a mixed profits pattern. Earnings jumped by 23% at Kroger Co., but Safeway Stores Inc. was hard-hit by price discounting in its major market areas, and profits slumped by 26%.

Earnings for the banking industry showed a similar see-saw effect. Operating profits nosedived at many of the big New York money-center banks and at their Eastern regional neighbors in the wake of narrower interest spreads, sluggish business loan demand, and continuing real estate loan problems. Chase Manhattan Corp. recorded a 45% slump, while profits were down more than 50% at First Pennsylvania, 65% at Maryland National, and 70% at Marine Midland. But the nation's two largest banks came in with impressive gains for the quarter, thanks to improved overseas profits and a nice contribution from nonbanking areas such as consumer loans and financial services. Earnings were up 12% at both Citicorp and BankAmerica.

The pattern also was mixed in the Midwest. First Chicago Corp. had an 11% decline, while Continental Illinois Corp. posted a 7% gain. But the most impressive boost came at Wachovia Corp., where operating earnings from continuing operations grew by 15%. The bank holding company spun off its big consumer finance subsidiary on July 1, but when the modest earnings of that operation plus substantial quarterly securities gains are added to the results, Wachovia's net income showed a 29% boost. ■

How some of the nation's banks fared on profits

	Net operating income		Net income	
	2nd qtr. 1976 Millions of dollars	Percent change vs. 1975	2nd qtr. 1976 Millions of dollars	Percent change vs. 1975
BanCal Tri-State	$ 0.6	−65%	$ 0.5	−66%
Bankers Trust N.Y.	13.5	−19	13.3	−19
Charter N.Y.	10.1	−15	10.1	−15
Chase Manhattan	30.1	−45	30.8	−59
Chemical N.Y.	21.8	−21	21.9	−19
Citizens & Southern	3.9	− 7	4.1	− 5
CleveTrust	10.2	− 1	10.1	− 1
Continental Illinois	33.1	+ 7	33.1	+20
First Banc Group of Ohio	4.8	+ 9	4.8	+ 9
First Chicago	25.7	−11	26.6	− 9
First International Bancshares	13.4	+ 3	13.4	+ 3
First National Boston	10.0	−13	10.2	−10
First Pennsylvania	5.3	−51	6.0	−46
Harris Bankcorp	7.0	+ 3	7.1	+ 5
Manufacturers Hanover	34.3	− 4	34.2	+ 5
Marine Midland	3.1	−70	3.6	−64
Maryland National	1.9	−65	1.9	−63
Mellon National	15.2	− 9	15.1	− 7
Morgan (J.P.)	45.1	+ 3	45.0	+ 6
NCNB	4.9	− 5	4.8	− 5
National Detroit	12.2	+ 6	11.4	0
Nortrust	6.1	− 5	6.2	+ 1
Philadelphia National	6.5	− 2	6.0	− 3
Pittsburgh National	7.8	+ 5	7.5	+ 6
Rainier Bancorporation	5.2	+16	5.2	+15
Seafirst	8.5	+ 2	8.5	+ 3
Security Pacific	17.4	+ 1	17.4	0
Texas Commerce Bancshares	9.8	+11	9.8	+11
Valley National Bank of Arizona	4.3	− 4	4.3	− 4
Wachovia	9.0	+15	12.1	+29
Wells Fargo	15.0	+12	17.3	+29
Western Bancorporation	21.6	+ 7	21.3	+ 6

Data: Investors Management Sciences

AGRICULTURE

U. S. cattlemen have a beef over quotas

The American National Cattlemen's Assn. (ANCA) has locked horns with the federal government over what the ranchers charge is a blatant attempt by foreign beef producers to circumvent meat import quotas. If the issue is not settled next week, ANCA says it will sue Agriculture Secretary Earl L. Butz.

The cattlemen's beef centers on Commonwealth Processing Corp., situated in a free-trade zone in Mayaguez, Puerto Rico. Commonwealth imports frozen beef from Australia and New Zealand, chops it into stew meat, then sells it to process-food companies and fast-food operations in the U. S.

What riles U. S. cattlemen is that the processed meat is not being counted under the import quota that is negotiated with the beef-producing countries by the State Dept. Since they are getting prices some 20% lower than a year ago, American meat producers think they have a major gripe. "It is a direct supervention of the law," fumes ANCA President Wray Finney, a Fort Cobb (Okla.) rancher.

Because the meat is processed in a free-trade zone, the importer can pay duty either on the raw material as it enters the trade zone or on the finished product, whichever is lower. In this case, the processor is paying a tax of 3¢ per lb. on the beef as it arrives in Puerto Rico. Meanwhile, the duty on processed beef shipped directly into the U. S. is about 6.5¢ per lb.

"Obviously we fouled up, and it is glaringly emphasized by today's cattle prices," admits Agriculture Under Secretary John A. Knebel. Finney also claims that although the beef brought in from Puerto Rico has not yet affected consumer prices, it is starting to lower prices for the cowman.

The loophole. According to the meat import law of 1964, the quota applies only to fresh, frozen, and chilled meat. Cooked, canned, and cured meats are not counted under the quota, and the Treasury Dept., which administers quotas, is allowing the diced beef to enter the U. S. under that category.

Finney contends that this is the basic trouble: The meat coming through Puerto Rico, he says, should be counted as frozen meat, which is what ANCA's suit against Secretary Butz aims at forcing the government to do.

Butz happens to be on the side of the ranchers. Earlier this month he formally petitioned Commerce Secretary Elliot L. Richardson, who acts as chair-

~~CONFIDENTIAL/WITH ATTACHMENT~~

THE WHITE HOUSE

WASHINGTON

August 20, 1976

MEMORANDUM FOR: BRENT SCOWCROFT
JIM CANNON
BILL SEIDMAN

FROM: PHIL BUCHEN P.

SUBJECT: Australian Meat Processed in Puerto Rican Foreign-Trade Zones

BACKGROUND

Australia has entered into an agreement with the United States to limit its meat exports to the U.S. for the calendar year 1976 (Tab A). Among the provisions of the agreement is the following which appears at the bottom of page 2 and the top of page 3:

> "It is understood that U. S. Customs statistics of entries, or withdrawals from warehouse, for consumption will be used for purposes of this agreement."

The effect of this provision is that meat coming from Australia which is processed within the foreign-trade zone at Mayaguez, Puerto Rico, is not to be counted against the limits imposed by the agreement upon Australia.

On the basis of a letter from Secretary Butz to Secretary Richardson on July 13, 1976 (Tab B), the Foreign-Trade Zones Board is initiating an investigation pursuant to the notice which also appears at Tab B.

Subsequent to the issuance of such notice, the parties affected brought suit in the United States District Court at Roanoke, Virginia, against the Foreign Trade Zones Board and obtained a temporary restraining order against having the Board proceed with the investigation. The first hearing in this case will be held Monday, August 23, at which the government will try to have the case dismissed or, in the alternative, to have the TRO lifted so that the Board can proceed on Tuesday, August 24, with its investigative hearing. Even if the court agrees with the argument that the Board may proceed

with its investigation (on the theory that the investigation per se is not detrimental to the plaintiffs), the Court may require a delay in the Board's hearing to give the parties more time to prepare for it. In any event, a determination by the Board to limit or exclude processing of foreign meat in the foreign-trade zone will allow the plaintiffs to argue that the effect of such ruling should be deferred pending a judicial determination that the finding is valid and meets due process requirements.

In the meantime, the Secretary of Agriculture has acted under the Meat Import Act (Tab C) to propose regulations which are designed to prevent circumvention of the Act by Australia through use of the foreign-trade zone to export meat for the U. S. market (Tab D). This regulation would not be effective until thirty days after date of public notice, which would be September 16, 1976. It is possible that the parties affected may, prior to the effective date, challenge the proposed regulation in a court, either by enlarging the present action in the Roanoke Court or by a separate action.

PENDING ISSUES

At a meeting held this morning with representatives of State, Agriculture, Commerce, STR, NSC and the Domestic Council, it was concluded that the government should proceed to lift the TRO issued by the Roanoke Court and that the Foreign-Trade Zones Board should proceed with its hearing as soon as possible. In the event the Foreign-Trade Zones Board is delayed in its hearing or a ruling on its part is enjoined from taking effect, then the question arises as to the desirability of going forward with the proposed regulations at Tab D.

State and STR are very much concerned that putting these proposed regulations in effect would constitute a violation of the agreement with Australia at Tab A. This possible violation could occur in two ways:

1. If inclusion of the meat from Australia which is processed in the Mayaguez foreign trade zone raises estimated total imports for the last quarter of 1976 above the level that triggers the imposition of meat import quotas for all exporters of meat to the United States under Section 2(c) of the Meat Import Act (Tab C), the agreement with Australia will be violated. So will similar agreements with other countries, as well as our obligations under GATT, unless the President, after issuing the required proclamation,

immediately suspends its effect as he is permitted to do under Section 2(d) of the Meat Import Act.

2. If the import quotas are not triggered but the regulation merely affects Australia because of inclusion under its trade agreement of meat entering the United States through Mayaguez, then it will be a violation of the trade agreement with Australia but not of our obligations to other countries.

The consequences of either of these violations are to be further explored by State, STR and Agriculture as soon as the results of the Court hearing on August 23 are known. The ideal solution would be to get Australia to agree to a modification of its trade agreement, but an earlier attempt to secure such a modification resulted in failure.

After the foregoing was prepared, I received a copy of a letter from Ambassador Dent dated August 20, 1976, see Tab E.

Attachments

cc: Bobbie Kilberg

A

Excellency:

I have the honor to refer to discussions between representatives of our two governments relating to the importation into the United States for consumption of fresh, chilled, or frozen cattle meat (Item 106.10 of the Tariff Schedules of the United States) and fresh, chilled or frozen meat of goats and sheep, except lambs (Item 106.20 of the Tariff Schedules of the United States) during the calendar year 1976 and to the agreements between the United States and other countries, constituting the 1975 restraint program, concerning shipments of such meats to the United States. With the understanding that similar agreements also will be concluded for the calendar year 1976 with governments of other countries that participated in the 1975 restraint program and which continue to export substantial quantities of meat to the United States, I have the honor to propose the following agreement between our two governments:

1. On the basis of the foregoing, and subject to paragraph 4, the permissible total quantity of imports of such meats into the United States during the calendar year 1976 from countries participating in the restraint program shall be 1155.0 million pounds, and the Government

His Excellency

Nicholas F. Parkinson,

Ambassador of Australia.

of Australia and the Government of the United States of America shall respectively undertake responsibilities as set forth below for regulating exports to, and imports into, the United States.

2. The Government of Australia shall limit the quantity of such meats exported from Australia as direct shipments on a through bill of lading to the United States in such a manner that the quantity entered, or withdrawn from warehouse, for consumption during the calendar year 1976 does not exceed 632.2 million pounds, or such higher figure as may result from adjustments pursuant to paragraph 4.

3. The Government of the United States of America may limit to 632.2 million pounds the quantity of imports of such meats of Australian origin, whether by direct or indirect shipments, through issuance of regulations governing the entry, or withdrawal from warehouse, for consumption in the United States, provided that, with respect to imports which are direct shipments from Australia: (a) such regulations shall not be employed to govern the timing within calendar year 1976 of entry or withdrawal from warehouse for consumption of such meat from Australia; and (b) such regulations shall be issued after consultation with the Government of Australia pursuant to paragraph 5 and only in circumstances where it is evident that the quantity of such meat likely to be presented for entry or withdrawal from warehouse for consumption in the calendar year 1976 will exceed the quantity specified in paragraph 2. It is understood that U.S. Customs statistics of entries, or

withdrawals from warehouse, for consumption will be used for purposes of this agreement. Such statistics shall not include meats which have been refused entry because of failure to meet appropriate standards prescribed pursuant to the Federal Meat Inspection Act, as amended, and such meats will not be regarded as part of the quantity described in paragraph 2. It may be covered pursuant to para 4.

4. The Government of the United States of America may increase the permissible total quantity of imports of such meats into the United States during the calendar year 1976 from countries participating in the restraint program or may allocate any estimated shortfall in a share of the restraint program quantity or in the initial estimates of imports from countries not participating in the restraint program. Thereupon, if no shortfall is estimated for Australia, such increase or estimated shortfall shall be allocated to Australia in the proportion that 632.2 million pounds bears to the total initial shares from all countries participating in the restraint program which are estimated to have no shortfall for the calendar year 1976. The foregoing allocation procedure shall not apply to any increase in the estimate of imports from countries not participating in the 1976 restraint program.

5. The Government of Australia and the Government of the United States of America shall consult promptly upon the request of either government regarding any matter involving the application, interpretation or implementation of this agreement, and regarding any increase in the total quantity of imports from Australia permissible under the restraint program including allocation of any shortfall.

In particular, consultations regarding these matters and the market situation shall be held at least before the beginning of each quarter.

6. In the event that quotas on imports of such meats should become necessary, the representative period used by the Government of the United States of America for calculation of the quota for Australia shall not include the period between October 1, 1968 and June 30, 1972 or the calendar years 1975 and 1976, except by the agreement of the Government of Australia.

7. (a) To enable both Governments to follow progress under this agreement, the Government of the United States of America shall provide to the Government of Australia as soon as possible after the end of each week Customs statistical information concerning imports of such meats from all supplying countries.

(b) As soon as possible after the end of each month the Government of Australia shall provide to the Government of the United States of America details of scheduled arrivals to December 31, 1976, ship by ship and port by port, based on actual loadings in Australia.

(c) In addition, in order to assist the Government of Australia to limit its exports pursuant to paragraph 2, the Government of the United States will provide detailed Customs statistics by ship and port of entry for meat imported from Australia as direct shipments on a through bill of lading into the United States for entry or withdrawal from warehouse for consumption, for January, February and March 1976, and such other periods as may be necessary.

I have the honor to propose that, if the foregoing is acceptable to the Government of Australia, this note and Your Excellency's confirmatory reply constitute an agreement between our two Governments which shall enter into force on the date of your reply.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State:

B

FOREIGN-TRADE ZONES BOARD

[Docket No. 6-76]

FOREIGN-TRADE ZONE NO. 7, MAYAGUEZ, PUERTO RICO

Investigation Pursuant to 15 CFR Sections 400.307 and 400.1302 to Determine Whether Certain Meat Processing Operations Are Detrimental to the Public Interest

Pursuant to its authority under 19 U.S.C. 81o(c), and 15 CFR 400.307 and 400.1302, the Foreign-Trade Zones Board (the Board) has ordered that an investigation be made by the Board's Committee of Alternates to determine whether the processing of foreign meat covered by TSUS 106.10 within Foreign Trade Zone No. 7, at Mayaguez, Puerto Rico is detrimental to the public interest. This proceeding is initiated at the request of the Secretary of Agriculture who, on July 13, 1976, wrote the Chairman of the Board requesting exclusion of certain meat processing activities in Foreign-Trade Zone No. 7 at Mayaguez, Puerto Rico on the grounds that these activities are detrimental to the public interest. A copy of the Secretary of Agriculture's request is appended to this notice. Accordingly, the Board invites the Bunker Hill Packing Corporation of Bedford, Virginia (Bunker Hill); the Commonwealth Processing Corporation of Mayaguez, Puerto Rico (Commonwealth); El Ganadero, Inc., of San Juan, Puerto Rico (El Ganadero); and the Puerto Rico Industrial Development Co., an agency of the Commonwealth of Puerto Rico (Development), to show cause within 15 days of publication of this notice (August 13, 1976) why the Board should not limit or exclude the processing of foreign meat covered by TSUS 106.10 in Foreign Trade Zone No. 7 for import into the customs territory of the United States.

If requested by Bunker Hill, Commonwealth, El Ganadero, or Development within 7 days of the date of publication of this notice (August 5, 1976), the Board's Committee of Alternates will convene a hearing with regard to this matter. This hearing shall be held no later than 15 days from the date of publication of this notice (August 13, 1976). It is the intention of the Board to reach a decision in this matter no later than 30 days from the date of publication of this notice, (August 20, 1976).

Dated: July 27, 1976.

JOHN J. DA PONTE, Jr.,
Executive Secretary, Foreign-Trade Zones Board, by Direction of the Foreign Trade-Zones Board.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., July 13, 1976.

HON. ELLIOTT L. RICHARDSON,
Chairman, Foreign-Trade Zones Board, U.S. Department of Commerce, Washington, D.C.

DEAR MR. CHAIRMAN: A meat processing plant has been operating in the Foreign-Trade Zone at Mayaguez, Puerto Rico since October 1975. We have recently learned that this processing plant has been expanded and also that the Puerto Rican Development Corporation has approved an application to renovate and put into operation a second meat processing plant in the Foreign-Trade Zone at Mayaguez.

The Department of Agriculture is opposed to the operation of these facilities on the grounds that the processing of meat therein is detrimental to the public interest since it permits the entry of such meat into the customs territory of the United States in circumvention of the limitations provided for in P.L. 88-482 (The Meat Import Law) and the program of voluntary restraints being negotiated under Section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854), by the Department of State with principal supplying countries of fresh, chilled or frozen beef and veal.

The operations of the existing plant consist of processing meat from Australia and New Zealand 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 type of meat described in item 106.10 of the Tariff Schedules of the United States (TSUS), which is the meat subject to the provisions of the Meat Import Law and the voluntary restraint agreements. Similar processing of meat from supplying countries is expected to occur in the second plant.

Under the Meat Import Law import quotas are required to be imposed on meat described in TSUS 106.10 when the estimates of imports of such meat during such year equal or exceed 110 percent of an adjusted base quantity determined in accordance with a formula prescribed therein. To preclude the triggering of quotas this year under the Meat Import Law, the Department of State is negotiating voluntary restraint agreements under the authority of Section 204 of the Agricultural Act of 1956, with principal supplying countries whereby they agree to limit their exports of such meat into the United States. The advantage of voluntary restraints over unilaterally imposed quotas is that they are consistent with our obligations under the General Agreement on Tariffs and Trade (GATT) and are less likely to result in retaliatory measures being taken against U.S. exports.

Limitations on the importation of such meat are needed to assist in the recovery of the domestic livestock industry which for the past two and one-half years has suffered from low returns to producers and rising costs. Other major world markets continue to be restricted and potentially excessive supplies of meat from major exporting countries could further reduce the returns to U.S. beef producers.

While it is true that plants in foreign countries which have obtained United States approval for processing meat to be imported into the United States could perform some of these same operations, it is, in fact, not being done to any large extent. In 1975, imports of fresh, chilled, or frozen processed beef and veal totaled only 3.4 million pounds. In the first 5 months of 1976 imports were 4.5 million pounds.

Unless the meat which is processed in the Foreign-Trade Zone is to be exported abroad, there is no reason for it to be processed in the zone rather than in the customs territory of the United States, except to have it considered upon its entry into the customs territory of the United States as meat not covered by voluntary restraint agreements or the Meat Import Law. The use of the Foreign-Trade Zone solely to circumvent a statute or agreement providing for import limitations is not in the public interest.

We urge that the Foreign-Trade Zones Board exclude this operation from the

Foreign-Trade Zone at Mayaguez, Pue
Rico and request that an investigation
this matter be conducted immediately.

Sincerely,

EARL L. BUTZ,
Secretary

[FR Doc.76-22129 Filed 7-27-76;3:13 pm

C

204 - E.O. 11539

(f)[5] No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section. (7 U.S.C. 624(f).)

LIMITATION ON MEAT IMPORTS

PUBLIC LAW 88-482[6]

AUGUST 22, 1964

AN ACT

To provide for the free importation of certain wild animals, and to provide for the imposition of quotas on certain meat and meat products.

SECTION 1. (Amendments to Title I of the Tariff Act of 1930.)

SEC. 2. (a) It is the policy of the Congress that the aggregate quantity of the articles specified in items 106.10 (relating to fresh, chilled, or frozen cattle meat) and 106.20 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs)) of the Tariff Schedules of the United States which may be imported into the United States in any calendar year beginning after December 31, 1964, should not exceed 725,400,000 pounds; except that this quantity shall be increased or decreased for any calendar year by the same percentage that estimated average annual domestic commercial production of these articles in that calendar year and the two preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of these articles during the years 1959 through 1963, inclusive.

(b) The Secretary of Agriculture, for each calendar year after 1964, shall estimate and publish—

(1) before the beginning of such calendar year, the aggregate quantity prescribed for such calendar year by subsection (a), and

(2) before the first day of each calendar quarter in such calendar year, the aggregate quantity of the articles described in subsection (a) which (but for this section) would be imported in such calendar year.

In applying paragraph (2) for the second or any succeeding calendar quarter in any calendar year, actual imports for the preceding calendar quarter or quarters in such calendar year shall be taken into account to the extent data is available.

(c)(1) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b)(2) equals or exceeds 110 percent of the aggregate quantity estimated by him pursuant to subsection (b)(1), and if there is no limitation in effect under this section with respect to such calendar year, the President shall by proclamation limit the total quantity of the articles described in subsection (a) which may be entered, or withdrawn from warehouse, for consumption, during such calendar year, to the aggregate quantity estimated for such calendar year by the Secretary of Agriculture pursuant to subsection (b)(1).

(2) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b)(2) does not equal or exceed 110 percent of the aggregate quantity estimated by him pursuant to subsection (b)(1), and if a limitation is in effect under this section with respect to such calendar year, such limitation shall cease to apply as of the first day of such calendar quarter; except that any limitation which has been in effect for the third calendar quarter of any calendar year shall continue in effect for the fourth calendar quarter of such year unless the proclamation is suspended or the total quantity is increased pursuant to subsection (d).

(3) The Secretary of Agriculture shall allocate the total quantity proclaimed under paragraph (1), and any increase in such quantity pursuant to subsection (d), among supplying countries on the basis of the shares such countries supplied to the United States market during a representative period of the articles described in subsection (a), except that due account may be given to special factors which have affected or may affect the trade in such articles. The Secretary of Agriculture shall certify such allocations to the Secretary of the Treasury.

(d) The President may suspend any proclamation made under subsection (c), or increase the total quantity proclaimed under such subsection, if he determines and proclaims that—

(1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the Nation of the economic well-being of the domestic livestock industry;

(2) the supply of articles of the kind described in subsection (a) will be inadequate to meet domestic demand at reasonable prices; or

(3) trade agreements entered into after the date of the enactment of this Act ensure that the policy set forth in subsection (a) will be carried out.

Any such suspension shall be for such period, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection.

(e) The Secretary of Agriculture shall issue such regulations as he determines to be necessary to prevent circumvention of the purposes of this section.

(f) All determinations by the President and the Secretary of Agriculture under this section shall be final.

[5] The provisions of this subsection (f) were substituted for earlier provisions by section 8(b) of the Trade Agreements Extension Act of 1951, approved June 16, 1951, 65 Stat. 72, 75.

[6] 78 Stat. 594, 19 U.S.C. 1202 note.

D

D

DEPARTMENT OF AGRICULTURE

Office of the Secretary

[7 C.F.R. Part 16]

Limitation on Imports of Meat

Proposed Regulations With Respect to
Meat Processed in Foreign-Trade Zones

Public Law 88-482, approved August 22, 1964, 19 U.S.C. 1202 note (hereinafter referred to as the Act), provides for limiting the quantity of fresh, chilled, or frozen cattle meat (TSUS 106.10) and fresh, chilled, or frozen meat of goats and sheep, except lamb (TSUS 106.20), which may be imported into the United States in any calendar year. Such limitations are to be imposed when it is estimated by the Secretary of Agriculture that imports of such articles, in the absence of limitations during such calendar year, would equal or exceed 110 percent of the estimated quantity of such articles prescribed by Section 2(a) of the Act.

Quantative limitations on the importation of meat classified under items 106.10 and 106.20 of the Tariff Schedules of the United States (TSUS) have not been imposed to date in calendar year 1976 because the estimates of imports of meat required to be made under the Act have not exceeded 1,233.0 million pounds, 110 per centum of the adjusted base quantity determined by the Secretary pursuant to the Act. In making such estimates for the first, second, and third quarters of 1976 the Secretary relied upon the fact that trade agreements ensuring that meat imports would not exceed 110 per centum of the adjusted base quantity would remain in effect during 1976. These agreements limit the quantity of meat classifiable under TSUS 106.10 and 106.20 which may be imported into the United States.

However, information available to the United States Department of Agriculture shows that in circumvention of the Act boned frozen meat shipped from countries signatory to the trade agreements is being processed in Foreign-Trade Zones of the United States to change its form. Thus at the time of its entry into the customs territory of the United States it is no longer the type of meat described in TSUS item 106.10 despite the fact that it has merely been ground, shredded, flaked or chunked and repackaged in 60 pound bags before being entered.

This meat processing operation permits greater quantities of fresh, chilled or frozen beef and veal to enter the commerce of the United States than was intended by the Meat Import Law and the trade agreements. Through July 31 approximately 21.3 million pounds of foreign beef have entered warehouses for processing in the Foreign-Trade Zone at Mayaguez, Puerto Rico. Reports from trade sources indicate another 10 million pounds is in the processing stages at Mayaguez and that 26 million pounds of meat has been contracted for delivery at Mayaguez through the end of September. Including current contracts the total quantity of boneless beef estimated to be imported through the one existing processing plant in the Foreign-Trade Zone in Mayaguez in 1976 will be about 60 million pounds. A second plant is expected to become operational within the next few weeks. As a result, imports of meat this year through the Foreign-Trade Zone at Mayaguez could reach at least 70 million pounds.

Such meat is being delivered into the Foreign-Trade Zone at prices as much as one-third less than prices for comparable manufacturing type meat entering the customs territory of the United States directly from

supplying countries. Moreover, application has been made to the Foreign-Trade Zones Board to establish two special zone sites for processing meat in Metairie, Louisiana, and New Orleans, Louisiana. The application states the plants intend to process some 32 to 35 million pounds of such meat per year.

The Secretary of Agriculture is authorized under section 2(e) of the Act to issue such regulations as he determines to be necessary to prevent circumvention of the purposes of the Act. Notice is hereby given that the Secretary of Agriculture is considering the issuance of a regulation pursuant to this authority in order to prevent circumvention of the purposes of the Act through the processing of meat in the Foreign-Trade Zones. Under this regulation, in the administration of the Act and the trade agreements, any meat which is processed in a Foreign-Trade Zone from foreign meat which, if it were entered into the customs territory of the United States in the form in which it was brought into the Foreign-Trade Zone, would be classifiable as TSUS item 106.10, shall be treated for the purposes of the Act and the trade agreements as being classifiable under TSUS item 106.10 when entered, or withdrawn from warehouse, into the customs territory of the United States.

It is proposed that, if this regulation is placed in effect, the provisions thereof will be made applicable to any meat brought into a Foreign-Trade Zone subsequent to (date of publication of this document in the Federal Register).

All persons who desire to submit written data, views or arguments for consideration in connection with this proposal should file the same in duplicate, not later than (date 30 days after publication of this document) with the Administrator, Foreign Agricultural Service, USDA, Room 5073, South Agriculture Building, 14th and Independence, Washington, D. C. 20250. All material received will be available for public inspection in Room 6621, South Agriculture Building, 14th and Independence, Washington, D. C., during the official hours of business (8:30 a.m. to 5:00 p.m., Monday through Friday). All material received on or before (date 30 days after publication of this document in the Federal Register) will be considered.

It is proposed that 7 CFR, Subtitle A-Office of the Secretary of Agriculture, Part 16, be amended by adding a new Subpart "Meat Import Law Regulations," as follows:

Subpart - Meat Import Law Regulations

§ 16.20 Meat Processed in Foreign-Trade Zones

Any meat which is processed in a Foreign-Trade Zone from foreign meat, which if it were entered into the customs territory of the United States in the form in which it was brought into the Foreign-Trade Zone would be classifiable as TSUS item 106.10, shall be treated for the purposes of Meat Import Law, P.L. 88-482 (19 U.S.C. 1202 note), and the trade agreements entered into by the United States with the supplying countries of such meat

pursuant to section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854), as being classifiable under TSUS item 106.10 when entered, or withdrawn from warehouse, into the customs territory of the United States. This section shall be applicable to any foreign meat brought into a Foreign-Trade Zone subsequent to (date of publication of this document in the Federal Register).

(Sec. 2, Pub. L. 88-482 (19 U.S.C. 1202 note))

Issued at Washington, D. C. this _____ date of _____, 1976.

Earl L. Butz

Secretary of Agriculture

E

~~CONFIDENTIAL~~

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

August 20, 1976

Honorable Earl L. Butz
The Secretary of Agriculture
Washington, D. C. 20250

Dear Earl:

As you know, the Special Representative for Trade Negotiations has a major responsibility in the negotiation and implementation of voluntary restraint agreements pursuant to Section 204 of the Agricultural Adjustment Act of 1956 as amended. We are deeply concerned about the circumvention of the Meat Import Program caused by the free trade zone in Mayaguez Puerto Rico and are supportive of reasonable, legitimate actions which our government can and should take to close the loophole that exists, while at the same time fulfilling our international obligations.

In that regard, this Office has supported the request of the Department of Agriculture that the Foreign Trade Zone Board undertake an investigation of the meat processing facilities operated in Mayaguez Puerto Rico. We hope that this procedure might result in a solution to the problem. We believe that procedure is the appropriate one.

We have serious reservations about the use of Public Law 88-482 (the Meat Import Act), as a means to solve this problem.

The Section 2(e) proposed regulations which have been published by the Department of Agriculture pursuant to the Meat Import Act may result in the violation of the international obligations of the U. S. Those regulations, as we understand them, would treat meat entered for processing in a foreign trade zone as if it were entered into the Customs territory of the United States in the same form that it was brought into the foreign trade zone for the purposes of counting such meat against the statutory quota in the Meat Import Act and against the voluntary agreements ceilings which have been negotiated pursuant to Section 204 of the Agricultural Act.

~~CONFIDENTIAL~~

We agree that Section 2(e) can be used by the Secretary of Agriculture to issue regulations necessary to prevent circumvention of the purposes of the Meat Import Act, and, therefore, can be used to require the counting of meat entering the zone against the "trigger" in the Meat Import Act. We strongly believe, however, that counting this meat against the voluntary restraint agreements negotiated under Section 204 is contrary to the purposes and language of Section 204 and is in violation of our international obligations.

The regulations, as now formulated, issued under the Meat Import Act, directly affect and refer to those voluntary restraint agreements negotiated pursuant to Section 204 of the Agricultural Act. As you know, Executive Order 11539 requires that regulations to carry out the agreements negotiated under Section 204 be concurred in by the STR and the Secretary of State. We believe there is a high probability of litigation on these regulations if they are implemented in their present form.

We are also concerned that these regulations, issued under the Meat Import Act, would put us in violation of an international agreement negotiated pursuant to Section 204 statutory authority. It is questionable that such regulations could supersede international agreements negotiated pursuant to statutory authority.

As you know, the agreement negotiated with the Government of Australia only covers meat (106.10 and 106.20) that is entered for consumption at a classification stated in the agreement. The meat originating in Australia which is processed in Mayaguez enters the United States for consumption under TSUS 107, a classification not covered by the agreement (nor covered by Section 204 or the Meat Import Act). Additionally, the United States, both in a meeting attended by USDA officials and in a letter from Department of State Assistant Secretary Katz, affirmed to the Australians that meat admitted to the zone and processed there would not be counted against their restraint ceiling.

It is quite possible that the Australian Government may conclude that the United States had breached the voluntary agreement by counting the meat leaving Mayaguez for the United States against the Australian quota, in direct contradiction to the language of the agreement signed by Australia and the United States. In the event that this agreement is considered no longer in effect by Australia, they could rightfully consider any restriction on their meat being imported into the United States as a quantitative limitation directly in violation of the General Agreement on Tariffs and Trade (GATT) and could act accordingly.

Likewise, should the Meat Import Act trigger be tripped by counting the meat in question the United States would immediately be in violation of the GATT. We are, therefore, deeply concerned that any such regulations which could have these major effects be given careful consideration before being adopted and that any regulations issued be implemented under clear legal authority both domestically and internationally.

Of equally serious concern is the effect of our violation of the agreement with Australia on the Multilateral Trade Negotiations (MTN) and particularly on the ability of the U. S. to break the impasse which has paralyzed negotiations on Agricultural Trade, a major goal of U. S. participation in MTN.

Australia, in particular, is one of the most important supporters the U. S. has for liberalization of world agricultural trade and has demonstrated its willingness to be helpful in the meat sector. Violating the agreement with Australia not only threatens the positive results of that support, but also increases the risk that other countries with which we have agreements will question the good faith of U. S. as regards both these agreements and the U. S. commitment to liberalized agricultural trade in the MTN.

While we recognize that a problem has resulted from the foreign trade zone loophole we believe it should be solved by the use of recognized domestic statutory authority governing foreign trade zones and not by legislation of questionable authority, given the particular facts of this problem, which could lead to a violation of U. S. international obligations.

Sincerely,

Frederick B. Dent

cc: Honorable Philip W. Buchen
Counsel to the President
The White House

Result of Conv.

① Judge – schedule TRO thru 8/31 – to prevent customs [illegible]
– use discovery & [illegible] committee [illegible] partially
matters in interest see Butz as [illegible] judge [illegible]
[illegible] in case – [illegible] of
Do – Wash. D.C. rep of Amer. Cattlemen Assoc. —
– asked Butz to answer complaint in 7 days –
– [illegible] from attorney as an Alternate Board
member –
– judge is 75 yrs old – aware he is wrong on [illegible]
He should have done to propose –
– "ordered" Govt to respond by noon on 28th to P's proposal

② P's proposal – grandfathered in at max capacity – [6 M lbs/month]
– [illegible] just approved –
→ $2.4M → [illegible] 4M – [illegible] 6M –
→ $1M+ → [illegible]

③ Aust. Meat Board is inquiring —

④

TERMS OF SETTLEMENT

1. Commonwealth and El Ganadero are permitted to continue meat processing operations at the level of 6 million pounds per month and 4.2 million pounds per month, respectively, through the end of calendar year 1976. (Alternatively: permitted to process all meat now in transit to them and/or for which they had firm contracts as of August 10, 1976.)

2. The Department of Agriculture will withdraw its letter of complaint to the Foreign-Trade Zones Board, and the Board will therefore cancel its scheduled hearing.

3. The Department of Agriculture will amend its proposed regulation to make the effective date of the regulation January 1, 1977.

4. Plaintiffs will withdraw the pending lawsuit until the Department of Agriculture's proposed regulation is published in final form.

$24,000

Buchen's copy

THE WHITE HOUSE

WASHINGTON

August 20, 1976

MEMORANDUM FOR: BRENT SCOWCROFT
JIM CANNON
BILL SEIDMAN

FROM: PHIL BUCHEN P.

SUBJECT: Australian Meat Processed in Puerto Rican Foreign-Trade Zones

BACKGROUND

Australia has entered into an agreement with the United States to limit its meat exports to the U.S. for the calendar year 1976 (Tab A). Among the provisions of the agreement is the following which appears at the bottom of page 2 and the top of page 3:

> "It is understood that U. S. Customs statistics of entries, or withdrawals from warehouse, for consumption will be used for purposes of this agreement."

The effect of this provision is that meat coming from Australia which is processed within the foreign-trade zone at Mayaguez, Puerto Rico, is not to be counted against the limits imposed by the agreement upon Australia.

On the basis of a letter from Secretary Butz to Secretary Richardson on July 13, 1976 (Tab B), the Foreign-Trade Zones Board is initiating an investigation pursuant to the notice which also appears at Tab B.

Subsequent to the issuance of such notice, the parties affected brought suit in the United States District Court at Roanoke, Virginia, against the Foreign Trade Zones Board and obtained a temporary restraining order against having the Board proceed with the investigation. The first hearing in this case will be held Monday, August 23, at which the government will try to have the case dismissed or, in the alternative, to have the TRO lifted so that the Board can proceed on Tuesday, August 24, with its investigative hearing. Even if the court agrees with the argument that the Board may proceed

with its investigation (on the theory that the investigation per se is not detrimental to the plaintiffs), the Court may require a delay in the Board's hearing to give the parties more time to prepare for it. In any event, a determination by the Board to limit or exclude processing of foreign meat in the foreign-trade zone will allow the plaintiffs to argue that the effect of such ruling should be deferred pending a judicial determination that the finding is valid and meets due process requirements.

In the meantime, the Secretary of Agriculture has acted under the Meat Import Act (Tab C) to propose regulations which are designed to prevent circumvention of the Act by Australia through use of the foreign-trade zone to export meat for the U. S. market (Tab D). This regulation would not be effective until thirty days after date of public notice, which would be September 16, 1976. It is possible that the parties affected may, prior to the effective date, challenge the proposed regulation in a court, either by enlarging the present action in the Roanoke Court or by a separate action.

PENDING ISSUES

At a meeting held this morning with representatives of State, Agriculture, Commerce, STR, NSC and the Domestic Council, it was concluded that the government should proceed to lift the TRO issued by the Roanoke Court and that the Foreign-Trade Zones Board should proceed with its hearing as soon as possible. In the event the Foreign-Trade Zones Board is delayed in its hearing or a ruling on its part is enjoined from taking effect, then the question arises as to the desirability of going forward with the proposed regulations at Tab D.

State and STR are very much concerned that putting these proposed regulations in effect would constitute a violation of the agreement with Australia at Tab A. This possible violation could occur in two ways:

1. If inclusion of the meat from Australia which is processed in the Mayaguez foreign trade zone raises estimated total imports for the last quarter of 1976 above the level that triggers the imposition of meat import quotas for all exporters of meat to the United States under Section 2(c) of the Meat Import Act (Tab C), the agreement with Australia will be violated. So will similar agreements with other countries, as well as our obligations under GATT, unless the President, after issuing the required proclamation,

immediately suspends its effect as he is permitted to do under Section 2(d) of the Meat Import Act.

2. If the import quotas are not triggered but the regulation merely affects Australia because of inclusion under its trade agreement of meat entering the United States through Mayaguez, then it will be a violation of the trade agreement with Australia but not of our obligations to other countries.

The consequences of either of these violations are to be further explored by State, STR and Agriculture as soon as the results of the Court hearing on August 23 are known. The ideal solution would be to get Australia to agree to a modification of its trade agreement, but an earlier attempt to secure such a modification resulted in failure.

After the foregoing was prepared, I received a copy of a letter from Ambassador Dent dated August 20, 1976, see Tab E.

Attachments

cc: Bobbie Kilberg

A

Excellency:

I have the honor to refer to discussions between representatives of our two governments relating to the importation into the United States for consumption of fresh, chilled, or frozen cattle meat (Item 106.10 of the Tariff Schedules of the United States) and fresh, chilled or frozen meat of goats and sheep, except lambs (Item 106.20 of the Tariff Schedules of the United States) during the calendar year 1976 and to the agreements between the United States and other countries, constituting the 1975 restraint program, concerning shipments of such meats to the United States. With the understanding that similar agreements also will be concluded for the calendar year 1976 with governments of other countries that participated in the 1975 restraint program and which continue to export substantial quantities of meat to the United States, I have the honor to propose the following agreement between our two governments:

1. On the basis of the foregoing, and subject to paragraph 4, the permissible total quantity of imports of such meats into the United States during the calendar year 1976 from countries participating in the restraint program shall be 1155.0 million pounds, and the Government

His Excellency

Nicholas F. Parkinson,

Ambassador of Australia.

of Australia and the Government of the United States of America shall respectively undertake responsibilities as set forth below for regulating exports to, and imports into, the United States.

2. The Government of Australia shall limit the quantity of such meats exported from Australia as direct shipments on a through bill of lading to the United States in such a manner that the quantity entered, or withdrawn from warehouse, for consumption during the calendar year 1976 does not exceed 632.2 million pounds, or such higher figure as may result from adjustments pursuant to paragraph 4.

3. The Government of the United States of America may limit to 632.2 million pounds the quantity of imports of such meats of Australian origin, whether by direct or indirect shipments, through issuance of regulations governing the entry, or withdrawal from warehouse, for consumption in the United States, provided that, with respect to imports which are direct shipments from Australia: (a) such regulations shall not be employed to govern the timing within calendar year 1976 of entry or withdrawal from warehouse for consumption of such meat from Australia; and (b) such regulations shall be issued after consultation with the Government of Australia pursuant to paragraph 5 and only in circumstances where it is evident that the quantity of such meat likely to be presented for entry or withdrawal from warehouse for consumption in the calendar year 1976 will exceed the quantity specified in paragraph 2. It is understood that U.S. Customs statistics of entries, or

withdrawals from warehouse, for consumption will be used for purposes of this agreement. Such statistics shall not include meats which have been refused entry because of failure to meet appropriate standards prescribed pursuant to the Federal Meat Inspection Act, as amended, and such meats will not be regarded as part of the quantity described in paragraph 2.

4. The Government of the United States of America may increase the permissible total quantity of imports of such meats into the United States during the calendar year 1976 from countries participating in the restraint program or may allocate any estimated shortfall in a share of the restraint program quantity or in the initial estimates of imports from countries not participating in the restraint program. Thereupon, if no shortfall is estimated for Australia, such increase or estimated shortfall shall be allocated to Australia in the proportion that 632.2 million pounds bears to the total initial shares from all countries participating in the restraint program which are estimated to have no shortfall for the calendar year 1976. The foregoing allocation procedure shall not apply to any increase in the estimate of imports from countries not participating in the 1976 restraint program.

5. The Government of Australia and the Government of the United States of America shall consult promptly upon the request of either government regarding any matter involving the application, interpretation or implementation of this agreement, and regarding any increase in the total quantity of imports from Australia permissible under the restraint program including allocation of any shortfall.

In particular, consultations regarding these matters and the market situation shall be held at least before the beginning of each quarter.

6. In the event that quotas on imports of such meats should become necessary, the representative period used by the Government of the United States of America for calculation of the quota for Australia shall not include the period between October 1, 1968 and June 30, 1972 or the calendar years 1975 and 1976, except by the agreement of the Government of Australia.

7. (a) To enable both Governments to follow progress under this agreement, the Government of the United States of America shall provide to the Government of Australia as soon as possible after the end of each week Customs statistical information concerning imports of such meats from all supplying countries.

(b) As soon as possible after the end of each month the Government of Australia shall provide to the Government of the United States of America details of scheduled arrivals to December 31, 1976, ship by ship and port by port, based on actual loadings in Australia.

(c) In addition, in order to assist the Government of Australia to limit its exports pursuant to paragraph 2, the Government of the United States will provide detailed Customs statistics by ship and port of entry for meat imported from Australia as direct shipments on a through bill of lading into the United States for entry or withdrawal from warehouse for consumption, for January, February and March 1976, and such other periods as may be necessary.

I have the honor to propose that, if the foregoing is acceptable to the Government of Australia, this note and Your Excellency's confirmatory reply constitute an agreement between our two Governments which shall enter into force on the date of your reply.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State:

B

FOREIGN-TRADE ZONES BOARD

[Docket No. 6-76]

FOREIGN-TRADE ZONE NO. 7, MAYAGUEZ, PUERTO RICO

Investigation Pursuant to 15 CFR Sections 400.307 and 400.1302 to Determine Whether Certain Meat Processing Operations Are Detrimental to the Public Interest

Pursuant to its authority under 19 U.S.C. 81o(c), and 15 CFR 400.307 and 400.1302, the Foreign-Trade Zones Board (the Board) has ordered that an investigation be made by the Board's Committee of Alternates to determine whether the processing of foreign meat covered by TSUS 106.10 within Foreign Trade Zone No. 7, at Mayaguez, Puerto Rico is detrimental to the public interest. This proceeding is initiated at the request of the Secretary of Agriculture who, on July 13, 1976, wrote the Chairman of the Board requesting exclusion of certain meat processing activities in Foreign-Trade Zone No. 7 at Mayaguez, Puerto Rico on the grounds that these activities are detrimental to the public interest. A copy of the Secretary of Agriculture's request is appended to this notice. Accordingly, the Board invites the Bunker Hill Packing Corporation of Bedford, Virginia (Bunker Hill); the Commonwealth Processing Corporation of Mayaguez, Puerto Rico (Commonwealth); El Ganadero, Inc., of San Juan, Puerto Rico (El Ganadero); and the Puerto Rico Industrial Development Co., an agency of the Commonwealth of Puerto Rico (Development), to show cause within 15 days of publication of this notice (August 13, 1976) why the Board should not limit or exclude the processing of foreign meat covered by TSUS 106.10 in Foreign Trade Zone No. 7 for import into the customs territory of the United States.

If requested by Bunker Hill, Commonwealth, El Ganadero, or Development within 7 days of the date of publication of this notice (August 5, 1976), the Board's Committee of Alternates will convene a hearing with regard to this matter. This hearing shall be held no later than 15 days from the date of publication of this notice (August 13, 1976). It is the intention of the Board to reach a decision in this matter no later than 30 days from the date of publication of this notice, (August 30, 1976).

Dated: July 27, 1976.

JOHN J. DA PONTE, Jr.,
Executive Secretary, Foreign-Trade Zones Board, by Direction of the Foreign Trade-Zones Board.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., July 13, 1976.

HON. ELLIOTT L. RICHARDSON,
Chairman, Foreign-Trade Zones Board, U.S. Department of Commerce, Washington, D.C.

DEAR MR. CHAIRMAN: A meat processing plant has been operating in the Foreign-Trade Zone at Mayaguez, Puerto Rico since October 1975. We have recently learned that this processing plant has been expanded and also that the Puerto Rican Development Corporation has approved an application to renovate and put into operation a second meat processing plant in the Foreign-Trade Zone at Mayaguez.

The Department of Agriculture is opposed to the operation of these facilities on the grounds that the processing of meat therein is detrimental to the public interest since it permits the entry of such meat into the customs territory of the United States in circumvention of the limitations provided for in P.L. 88-482 (The Meat Import Law) and the program of voluntary restraints being negotiated under Section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854), by the Department of State with principal supplying countries of fresh, chilled or frozen beef and veal.

The operations of the existing plant consist of processing meat from Australia and New Zealand 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 type of meat described in Item 106.10 of the Tariff Schedules of the United States (TSUS), which is the meat subject to the provisions of the Meat Import Law and the voluntary restraint agreements. Similar processing of meat from supplying countries is expected to occur in the second plant.

Under the Meat Import Law import quotas are required to be imposed on meat described in TSUS 106.10 when the estimates of imports of such meat during such year equal or exceed 110 percent of an adjusted base quantity determined in accordance with a formula prescribed therein. To preclude the triggering of quotas this year under the Meat Import Law, the Department of State is negotiating voluntary restraint agreements under the authority of Section 204 of the Agricultural Act of 1956, with principal supplying countries whereby they agree to limit their exports of such meat into the United tSates. The advantage of voluntary restraints over unilaterally imposed quotas is that they are consistent with our obligations under the General Agreement on Tariffs and Trade (GATT) and are less likely to result in retaliatory measures being taken against U.S. exports.

Limitations on the importation of such meat are needed to assist in the recovery of the domestic livestock industry which for the past two and one-half years has suffered from low returns to producers and rising costs. Other major world markets continue to be restricted and potentially excessive supplies of meat from major exporting countries could further reduce the returns to U.S. beef producers.

While it is true that plants in foreign countries which have obtained United States approval for processing meat to be imported into the United States could perform some of these same operations, it is, in fact, not being done to any large extent. In 1975, imports of fresh, chilled, or frozen processed beef and veal totaled only 3.4 million pounds. In the first 5 months of 1976 imports were 4.5 million pounds.

Unless the meat which is processed in the Foreign-Trade Zone is to be exported abroad, there is no reason for it to be processed in the zone rather than in the customs territory of the United States, except to have it considered upon its entry into the customs territory of the United States as meat not covered by voluntary restraint agreements or the Meat Import Law. The use of the Foreign-Trade Zone solely to circumvent a statute or agreement providing for import limitations is not in the public interest.

We urge that the Foreign-Trade Zones Board exclude this operation from the

FEDERAL

NOTICES

Foreign-Trade Zone at Mayaguez, Puerto Rico and request that an investigation in this matter be conducted immediately.

Sincerely,

EARL L. BUTZ,
Secretary

[FR Doc.76-22129 Filed 7-27-76;3:18 pm]

C

204 - E.O. 11539

(f)[5] No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section. (7 U.S.C. 624(f).)

LIMITATION ON MEAT IMPORTS

PUBLIC LAW 88-482[6]

AUGUST 22, 1964

AN ACT

To provide for the free importation of certain wild animals, and to provide for the imposition of quotas on certain meat and meat products.

SECTION 1. (Amendments to Title I of the Tariff Act of 1930.)

SEC. 2. (a) It is the policy of the Congress that the aggregate quantity of the articles specified in items 106.10 (relating to fresh, chilled, or frozen cattle meat) and 106.20 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs)) of the Tariff Schedules of the United States which may be imported into the United States in any calendar year beginning after December 31, 1964, should not exceed 725,400,000 pounds; except that this quantity shall be increased or decreased for any calendar year by the same percentage that estimated average annual domestic commercial production of these articles in that calendar year and the two preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of these articles during the years 1959 through 1963, inclusive.

(b) The Secretary of Agriculture, for each calendar year after 1964, shall estimate and publish—

(1) before the beginning of such calendar year, the aggregate quantity prescribed for such calendar year by subsection (a), and

(2) before the first day of each calendar quarter in such calendar year, the aggregate quantity of the articles described in subsection (a) which (but for this section) would be imported in such calendar year.

In applying paragraph (2) for the second or any succeeding calendar quarter in any calendar year, actual imports for the preceding calendar quarter or quarters in such calendar year shall be taken into account to the extent data is available.

(c)(1) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b)(2) equals or exceeds 110 percent of the aggregate quantity estimated by him pursuant to subsection (b)(1), and if there is no limitation in effect under this section with respect to such calendar year, the President shall by proclamation limit the total quantity of the articles described in subsection (a) which may be entered, or withdrawn from warehouse, for consumption, during such calendar year, to the aggregate quantity estimated for such calendar year by the Secretary of Agriculture pursuant to subsection (b)(1).

(2) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b)(2) does not equal or exceed 110 percent of the aggregate quantity estimated by him pursuant to subsection (b)(1), and if a limitation is in effect under this section with respect to such calendar year, such limitation shall cease to apply as of the first day of such calendar quarter; except that any limitation which has been in effect for the third calendar quarter of any calendar year shall continue in effect for the fourth calendar quarter of such year unless the proclamation is suspended or the total quantity is increased pursuant to subsection (d).

(3) The Secretary of Agriculture shall allocate the total quantity proclaimed under paragraph (1), and any increase in such quantity pursuant to subsection (d), among supplying countries on the basis of the shares such countries supplied to the United States market during a representative period of the articles described in subsection (a), except that due account may be given to special factors which have affected or may affect the trade in such articles. The Secretary of Agriculture shall certify such allocations to the Secretary of the Treasury.

(d) The President may suspend any proclamation made under subsection (c), or increase the total quantity proclaimed under such subsection, if he determines and proclaims that—

(1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the Nation of the economic well-being of the domestic livestock industry;

(2) the supply of articles of the kind described in subsection (a) will be inadequate to meet domestic demand at reasonable prices; or

(3) trade agreements entered into after the date of the enactment of this Act ensure that the policy set forth in subsection (a) will be carried out.

Any such suspension shall be for such period, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection.

(e) The Secretary of Agriculture shall issue such regulations as he determines to be necessary to prevent circumvention of the purposes of this section.

(f) All determinations by the President and the Secretary of Agriculture under this section shall be final.

[5] The provisions of this subsection (f) were substituted for earlier provisions by section 3(b) of the Trade Agreements Extension Act of 1951, approved June 16, 1951, 65 Stat. 72, 75.

[6] 78 Stat. 594, 19 U.S.C. 1202 note.

D

D.

DEPARTMENT OF AGRICULTURE

Office of the Secretary

[7 C.F.R. Part 16]

Limitation on Imports of Meat

Proposed Regulations With Respect to
Meat Processed in Foreign-Trade Zones

Public Law 88-482, approved August 22, 1964, 19 U.S.C. 1202 note (hereinafter referred to as the Act), provides for limiting the quantity of fresh, chilled, or frozen cattle meat (TSUS 106.10) and fresh, chilled, or frozen meat of goats and sheep, except lamb (TSUS 106.20), which may be imported into the United States in any calendar year. Such limitations are to be imposed when it is estimated by the Secretary of Agriculture that imports of such articles, in the absence of limitations during such calendar year, would equal or exceed 110 percent of the estimated quantity of such articles prescribed by Section 2(a) of the Act.

Quantative limitations on the importation of meat classified under items 106.10 and 106.20 of the Tariff Schedules of the United States (TSUS) have not been imposed to date in calendar year 1976 because the estimates of imports of meat required to be made under the Act have not exceeded 1,233.0 million pounds, 110 per centum of the adjusted base quantity determined by the Secretary pursuant to the Act. In making such estimates for the first, second, and third quarters of 1976 the Secretary relied upon the fact that trade agreements ensuring that meat imports would not exceed 110 per centum of the adjusted base quantity would remain in effect during 1976. These agreements limit the quantity of meat classifiable under TSUS 106.10 and 106.20 which may be imported into the United States.

However, information available to the United States Department of Agriculture shows that in circumvention of the Act boned frozen meat shipped from countries signatory to the trade agreements is being processed in Foreign-Trade Zones of the United States to change its form. Thus at the time of its entry into the customs territory of the United States it is no longer the type of meat described in TSUS item 106.10 despite the fact that it has merely been ground, shredded, flaked or chunked and repackaged in 60 pound bags before being entered.

This meat processing operation permits greater quantities of fresh, chilled or frozen beef and veal to enter the commerce of the United States than was intended by the Meat Import Law and the trade agreements. Through July 31 approximately 21.3 million pounds of foreign beef have entered warehouses for processing in the Foreign-Trade Zone at Mayaguez, Puerto Rico. Reports from trade sources indicate another 10 million pounds is in the processing stages at Mayaguez and that 26 million pounds of meat has been contracted for delivery at Mayaguez through the end of September. Including current contracts the total quantity of boneless beef estimated to be imported through the one existing processing plant in the Foreign-Trade Zone in Mayaguez in 1976 will be about 60 million pounds. A second plant is expected to become operational within the next few weeks. As a result, imports of meat this year through the Foreign-Trade Zone at Mayaguez could reach at least 70 million pounds.

Such meat is being delivered into the Foreign-Trade Zone at prices as much as one-third less than prices for comparable manufacturing type meat entering the customs territory of the United States directly from

supplying countries. Moreover, application has been made to the Foreign-Trade Zones Board to establish two special zone sites for processing meat in Metairie, Louisiana, and New Orleans, Louisiana. The application states the plants intend to process some 32 to 35 million pounds of such meat per year.

The Secretary of Agriculture is authorized under section 2(e) of the Act to issue such regulations as he determines to be necessary to prevent circumvention of the purposes of the Act. Notice is hereby given that the Secretary of Agriculture is considering the issuance of a regulation pursuant to this authority in order to prevent circumvention of the purposes of the Act through the processing of meat in the Foreign-Trade Zones. Under this regulation, in the administration of the Act and the trade agreements, any meat which is processed in a Foreign-Trade Zone from foreign meat which, if it were entered into the customs territory of the United States in the form in which it was brought into the Foreign-Trade Zone, would be classifiable as TSUS item 106.10, shall be treated for the purposes of the Act and the trade agreements as being classifiable under TSUS item 106.10 when entered, or withdrawn from warehouse, into the customs territory of the United States.

It is proposed that, if this regulation is placed in effect, the provisions thereof will be made applicable to any meat brought into a Foreign-Trade Zone subsequent to (date of publication of this document in the Federal Register).

All persons who desire to submit written data, views or arguments for consideration in connection with this proposal should file the same in duplicate, not later than (date 30 days after publication of this document) with the Administrator, Foreign Agricultural Service, USDA, Room 5073, South Agriculture Building, 14th and Independence, Washington, D. C. 20250. All material received will be available for public inspection in Room 6621, South Agriculture Building, 14th and Independence, Washington, D. C., during the official hours of business (8:30 a.m. to 5:00 p.m., Monday through Friday). All material received on or before (date / 30 days after publication of this document in the Federal Register) will be considered.

It is proposed that 7 CFR, Subtitle A-Office of the Secretary of Agriculture, Part 16, be amended by adding a new Subpart "Meat Import Law Regulations," as follows:

Subpart - Meat Import Law Regulations

§ 16.20 Meat Processed in Foreign-Trade Zones

Any meat which is processed in a Foreign-Trade Zone from foreign meat which if it were entered into the customs territory of the United States in the form in which it was brought into the Foreign-Trade Zone would be classifiable as TSUS item 106.10, shall be treated for the purposes of Meat Import Law, P.L. 88-482 (19 U.S.C. 1202 note), and the trade agreements entered into by the United States with the supplying countries of such meat

pursuant to section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854), as being classifiable under TSUS item 106.10 when entered, or withdrawn from warehouse, into the customs territory of the United States. This section shall be applicable to any foreign meat brought into a Foreign-Trade Zone subsequent to (date of publication of this document in the Federal Register).

(Sec. 2, Pub. L. 88-482 (19 U.S.C. 1202 note))

Issued at Washington, D. C. this _____ date of _____, 1976.

Earl L. Butz

Secretary of Agriculture

E

~~CONFIDENTIAL~~

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

August 20, 1976

Honorable Earl L. Butz
The Secretary of Agriculture
Washington, D. C. 20250

Dear Earl;

As you know, the Special Representative for Trade Negotiations has a major responsibility in the negotiation and implementation of voluntary restraint agreements pursuant to Section 204 of the Agricultural Adjustment Act of 1956 as amended. We are deeply concerned about the circumvention of the Meat Import Program caused by the free trade zone in Mayaguez Puerto Rico and are supportive of reasonable, legitimate actions which our government can and should take to close the loophole that exists, while at the same time fulfilling our international obligations.

In that regard, this Office has supported the request of the Department of Agriculture that the Foreign Trade Zone Board undertake an investigation of the meat processing facilities operated in Mayaguez Puerto Rico. We hope that this procedure might result in a solution to the problem. We believe that procedure is the appropriate one.

We have serious reservations about the use of Public Law 88-482 (the Meat Import Act), as a means to solve this problem.

The Section 2(e) proposed regulations which have been published by the Department of Agriculture pursuant to the Meat Import Act may result in the violation of the international obligations of the U. S. Those regulations, as we understand them, would treat meat entered for processing in a foreign trade zone as if it were entered into the Customs territory of the United States in the same form that it was brought into the foreign trade zone for the purposes of counting such meat against the statutory quota in the Meat Import Act and against the voluntary agreements ceilings which have been negotiated pursuant to Section 204 of the Agricultural Act.

We agree that Section 2(e) can be used by the Secretary of Agriculture to issue regulations necessary to prevent circumvention of the purposes of the Meat Import Act, and, therefore, can be used to require the counting of meat entering the zone against the "trigger" in the Meat Import Act. We strongly believe, however, that counting this meat against the voluntary restraint agreements negotiated under Section 204 is contrary to the purposes and language of Section 204 and is in violation of our international obligations.

The regulations, as now formulated, issued under the Meat Import Act, directly affect and refer to those voluntary restraint agreements negotiated pursuant to Section 204 of the Agricultural Act. As you know, Executive Order 11539 requires that regulations to carry out the agreements negotiated under Section 204 be concurred in by the STR and the Secretary of State. We believe there is a high probability of litigation on these regulations if they are implemented in their present form.

We are also concerned that these regulations, issued under the Meat Import Act, would put us in violation of an international agreement negotiated pursuant to Section 204 statutory authority. It is questionable that such regulations could supersede international agreements negotiated pursuant to statutory authority.

As you know, the agreement negotiated with the Government of Australia only covers meat (106.10 and 106.20) that is entered for consumption at a classification stated in the agreement. The meat originating in Australia which is processed in Mayaguez enters the United States for consumption under TSUS 107, a classification not covered by the agreement (nor covered by Section 204 or the Meat Import Act). Additionally, the United States, both in a meeting attended by USDA officials and in a letter from Department of State Assistant Secretary Katz, affirmed to the Australians that meat admitted to the zone and processed there would not be counted against their restraint ceiling.

It is quite possible that the Australian Government may conclude that the United States had breached the voluntary agreement by counting the meat leaving Mayaguez for the United States against the Australian quota, in direct contradiction to the language of the agreement signed by Australia and the United States. In the event that this agreement is considered no longer in effect by Australia, they could rightfully consider any restriction on their meat being imported into the United States as a quantitative limitation directly in violation of the General Agreement on Tariffs and Trade (GATT) and could act accordingly.

Likewise, should the Meat Import Act trigger be tripped by counting the meat in question the United States would immediately be in violation of the GATT. We are, therefore, deeply concerned that any such regulations which could have these major effects be given careful consideration before being adopted and that any regulations issued be implemented under clear legal authority both domestically and internationally.

Of equally serious concern is the effect of our violation of the agreement with Australia on the Multilateral Trade Negotiations (MTN) and particularly on the ability of the U. S. to break the impasse which has paralyzed negotiations on Agricultural Trade, a major goal of U. S. participation in MTN.

Australia, in particular, is one of the most important supporters the U. S. has for liberalization of world agricultural trade and has demonstrated its willingness to be helpful in the meat sector. Violating the agreement with Australia not only threatens the positive results of that support, but also increases the risk that other countries with which we have agreements will question the good faith of U. S. as regards both these agreements and the U. S. commitment to liberalized agricultural trade in the MTN.

While we recognize that a problem has resulted from the foreign trade zone loophole, we believe it should be solved by the use of recognized domestic statutory authority governing foreign trade zones and not by legislation of questionable authority, given the particular facts of this problem, which could lead to a violation of U. S. international obligations.

Sincerely,

Frederick B. Dent

cc: Honorable Philip W. Buchen
Counsel to the President
The White House

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JAG

cc: OFP

OFFICE OF
THE MINISTER (COMMERCIAL)
1601 MASSACHUSETTS AVE.
WASHINGTON, D. C. 20036

EMBASSY OF AUSTRALIA

IN REPLY QUOTE: 1/1/5

20th August 1976

The Honorable Joseph A. Greenwald
Assistant Secretary
Bureau of Economic & Business Affairs
Department of State
Room 6828
WASHINGTON, D.C. 20502

Dear Mr. Greenwald,

I am informed that in due course the Australian Government will be communicating formally to the United States Government its views on the proposed regulation on meat imports through Foreign Trade Zones which was published in the Federal Register of 17th August 1976.

Meanwhile, I think that I should briefly confirm two points to which I alluded during our discussion in your office on 16th August.

As I indicated then, we would regard implementation of the proposed regulation as a breach of our Agreement on meat, which was signed for the United States on 25th June, and for Australia on 28th June 1976. Our understanding, that meat processed in foreign trade zones was not covered by the Agreement, was confirmed in writing to me by your officials as far back as June of this year; and more recently that such meat is not included in the Customs statistics which, on United States insistence, were accepted as the means of measuring entries for consumption and withdrawals from warehouse in 1976.

I also stress again that implementation of the proposal would be disruptive to the United States import trade generally and to Australia's trade in meat with the United States. By that time Australia's arrangements for the 1976 shipping year, made to meet your request for export restraints, would be in the final stage of implementation.

I am also sending a copy of this letter to the Department of Agriculture and STR.

Yours sincerely,

John T. Smith

JOHN T. SMITH
Minister (Commercial)