CHAPTER III

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AGRICULTURAL TRADE

As President Johnson winds up his term of office, his Administration continues to press hard at developing markets abroad 1/ and urging the liberalization of trade. However, one of the major

1/ With regard to market development, see the following articles in the Department of Agriculture's Foreign Agriculture:

"Europe Likes U. S. Processed Foods," Oct. 18, 1968, pp. 12-13.

"GPW to Aid Wheat Promotion in El Salvador," Oct. 28, 1968, p. 13.

"U. S. Wheat for Thai," Oct. 28, 1968, p. 13.

"U. S. Foods Debut in Norway's IRMA," Nov. 4, 1968, p. 12.

"U. S. Food Industry Woos Europe's Tastes at Paris," Nov. 11, 1968, p. 11.

"Middle East's Buyers Meet U. S. Foods at Beirut," Nov. 11, 1968, p. 11.

"FAS and Grape Group," Nov. 11, 1968, p. 10.

"U. S. Soybean Growers Gear for Export Market Push," Nov. 18, 1968, p. 10.

"Cotton Promotion Swings Through Canada This Year," Nov. 18, 1968, p. 11.

"Trade Teams, Coming and Going, Discuss U. S. Grains," Nov. 18, 1968, p. 12.

"Second Record Cattle Sale to Chile," Nov. 25, 1968, p. 10.

"U. S. Prize for Top Ecuadorian Bull," Nov. 25, 1968, p. 10.

"U. S. Beef in Japan," Nov. 25, 1968, p. 10.

problems still remaining is the increasing trend toward protectionism

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Footnote 1/ contined from previous page.

"Caribbean Area Warmly Greets Triple-Header U. S. Food Show," Nov. 25, 1968, p. 11.

"Camera Roams U. S. Exhibit at Paris Food Show," Nov. 25, 1968, p. 11.

"First Rent-A-Train Speeds Grain to Export Markets," Nov. 25, 1968, p. 12.

"Poultry "E" Awards for Innovation Leading to Increased Sales Abroad," Nov. 25, 1968, p. 13.

"Good Food From USA at Schade In First Frankfurt Area Promotion," Dec. 9, 1968, p. 13.

"U. S. Sends Steak Dinner to Portugal," Jan. 6, 1969, p. 10.

"Southwest in London," Jan. 6, 1969, p. 13.

"Echoes From 1968 U. S. Trade Fairs," Jan. 6, 1969, p. 13.

"Announcing 1969 U. S. Trade Fairs for Agriculture," Jan. 6, 1969, pp. 11-12.

"Soybean-Feedgrain Team Visiting Europe," Nov. 18, 1968, p. 10.

"Tobacco Team Visits Oceania, Asia," Dec. 2, 1968, p. 8.

"Building U. S. Cotton Market by Trade Team Visits," Dec. 2, 1968.

"USSR Beef Team Views U. S. Methods," Jan. 6, 1969, p. 10.

Also see: "U. S. Exports Top Quality Beef to Japan," Biweekly Report--FAS. Memorandum from the Assistant Secretary for International Affairs to the Secretary, Jan. 10, 1969, p. 4, and "U. S. Foods and Commodities Favorably Received at Thailand International Trade Fair" and "U. S. Food Exhibit Opens in HORECAUA, Amsterdam, Jan. 6, 1969, Ibid, p. 5.

in world agricultural trade. Secretary Freeman at his Press Conference January 7, 1969, said that in "terms of really free trade principles around the world," he thought there had been failure. He attributed this failure largely to the highly protective and inward-looking system of the European Economic Community. 1/

The United States has warned the members of the EEC repeatedly in various international forums and individually, that the Community's Common Agricultural Policy (CAP) would result in the encouragement of self-sufficiency within the Community and eventually in the accumulation of surpluses which would threaten world agricultural trade. It also warned that a CAP based on the variable levy system, could lead to trade wars and over-protectionism in world agriculture.

1/ Office of the Secretary of Agriculture, "Secretary Freeman Reports on 'Agriculture in Transition,'" Press Release, Wash., D. C., Jan. 7, 1969, pp. 22-24.

For recent articles on the EEC, see the following issues of Foreign Agriculture:

G. Robert Butell, "EC Commission Prepares Plan to Revamp Agriculture," Dec. 2, 1968, p. 5.

M. Ann Miller, "The European Economic Community's Widening Preference Network," Dec. 2, 1968, pp. 2-5.

"Climb in Farm-Support Expenses Causes Concern in EEC," Dec. 9, 1968, p. 8.

Secretary Freeman in a memorandum to President Johnson 1/ stated that today, the CAP is coming apart because of over production and the huge costs involved, and because the world will not accept the export dumping which the Community would like to engage in to solve its surplus problems. Even worse, the views of protectionism has spread to other areas. For example, the British have adopted a grain levy system, there has been pressure on Canada to make increasing use of the variable-levy-type proective system--the added value for duty program--, and Japan has refused to consider real liberalization of their remaining import quotas. Finally, there is the rising cry for protectionism in the United States.

However, with regard to the EEC the Secretary saw some reason for encouragement. When he attended the Ministerial meeting of the Organization for Economic Cooperation and Development (OECD) in Paris, in December 1968, he discovered that "there was a willingness at least to acknowledge a problem." The Europeans, and especially the French, reluctantly were acknowledging that there was a need for adjustments. The communique issued after the OECD meeting was surprisingly strong. It stressed the need for production restraints of all surplus producing countries, calling attention to the weakness of price support programs,

1/ Orville L. Freeman to the President, Dec. 4, 1968. In: Orville L. Freeman, Chronological Correspondence File, Lyndon Baines Johnson Library.

especially at high levels, which without controls induce excess production, and stressing price support objectives (long-range and structural in nature) in agriculture. 1/

U. S. Efforts to Reduce World Trade Restrictions.

Meanwhile, the United States continues to hammer away at trade restrictions throughout the world.

EC-U. S. Bilateral Trade Talks. December 5-6, 1968, EC-U. S. bilateral trade talks were held in Washington. This meeting was a follow-up of earlier bilateral meetings in Brussels where a wide range of trade problems affecting trade on both sides were discussed.

Increased Efforts to Eliminate Quantitative Trade Restrictions. A program is under way to accelerate the removal of quantitative trade restrictions which are illegal under GATT through bilateral consultations with the countries concerned. Such efforts result from the lack of progress in multilateral negotiations in the Twenty-Fifth Session of GATT November 12-29, 1968.

A Task Force consisting of Commerce and the Department of Agriculture representatives is to designate a list of countries to be singled out for Phase I of this program from the developed countries whose illegal quantitative restrictions are of most concern to the United States. Both industrial and agricultural commodities are being considered.

1/ Orville L. Freeman to the President, Dec. 4, 1968. In: Orville L. Freeman, Chronological Correspondence File, Lyndon Baines Johnson Library.

U. S.-Japan Bilateral Consultations on Import Restrictions. U. S. trade officials met with their Japanese counterparts in Tokyo December 27-28, 1968, to discuss the liberalization of certain of the approximately 120 items on which the Japanese maintain illegal quantitative restrictions (QRs). In the agricultural field, we are seeking liberalization or a reasonable timetable for liberalization on ten items or sub-items, including beef, fresh oranges and grapefruit, fruit juices, and beans and peas.

While the Japanese made some offers to liberalize or ease restrictions on certain industrial items, no offer was made in regard to the top priority agricultural items. They emphasized their present agricultural crisis, brought about by the overproduction of rice, and stated they could not liberalize any agricultural items on our request list at this time.

U. S. Export Subsidies.

As the result of the protectionism abroad, the United States, has been forced to step up its farm subsidies. In addition to countervailing duties on canned tomatoes and restrictions on dairy products, discussed earlier, the United States has subsidies for poultry and lard exports, and duties on woolen articles.

Poultry. In 1962 the EEC, using the high variable levy system, began to integrate the market for certain agricultural commodities such as poultry. As their production expanded, imports into the community were reduced. This led to the "Chicken war" and the GATT Contracting Parties agreeing that the United States could adjust its tariffs upward to compensate for the trade loss of $26 million.

Subsequently and at present, the EEC countries are producing more poultry (as well as grain and other products) than they need and are using export subsidies to ship to third markets. This has aroused the concern not only of the United States but of many other agricultural exporting countries.

On September 22, 1965, the United States announced export payments on poultry to Switzerland. In April 1968, finding itself virtually shut out of the European Poultry market, the United States reactivated its Export Payment Program to Switzerland.

Lard. The United States' traditional share of the United Kingdom's import market--which takes more than half the world's lard exports--has dropped from 70 to 80 percent to between 30 and 40 percent. Individual country subsidies were begun in 1964 by France and the Netherlands. Subsidies of the EEC, which began in 1967, have increased three times since. Despite U. S. protests that such action was contrary to the principle of international trade, the European subsidized exports have continued.

In the light of this situation, Secretary Freeman on December 10, 1968, in accordance with Section 32, of PL 360, announced a new program of cash payments to exporters of American lard. 1/

U. S. Import Restraints.

The Johnson Administration has not taken any action to stem the imports of textile. But it has acted to get foreign exporters to voluntarily restrict their 1969 beef shipments to the United States and had taken additional action in dairy imports.

Dairy Products. As noted earlier, the loopholes in the importation of dairy products continue. The EEC has been exporting subsidized dairy products from their large surplus into the United States at half the price it cost U. S. dairy farmers to produce. 2/

On January 6, 1969, President Johnson issued Proclamation 3884. 3/ Now the only cow's milk dairy products which are outside of import controls are expensive cheeses. The Department of Agriculture estimates that 1969 imports of all dairy products will amount to 1.3 billion pounds (milk equivalent) as compared with 2.9 billion pounds in 1967.

1/ "U. S. Lard Export Payment Program," Foreign Agriculture, U. S. Department of Agriculture, Dec. 30, 1968, p. 10.

2/ Office of the Secretary of Agriculture, "Secretary Freeman Reports on 'Agriculture in Transition,'" Press Release, Wash., D. C., Jan. 7, 1969, pp. 22-24.

3/ Weekly Compilation of Presidential Documents, vol. 5, Jan. 13, 1969, pp. 26-29.

Meat Imports. As in the last quarter of 1968, Australia, New Zealand and Canada have agreed not to send in more than 1,035 million pounds of meat in 1969--some 50 million pounds under the amount which would require the imposition of quotas under the Import Meat Act of 1964.

Import Quota and Tariff Legislation Before Congress.

Although as noted earlier, the Administration managed to turn away the big protectionist drive in the last Congress, bills designed to cut back agricultural imports dominate the farm-related legislation now before the House. Around 115 proposals to fix import quotas, raise tariffs or both on steel, textiles, oil, meat, dairy products, strawberries, honey and many other products already have been introduced and will be reviewed by the 91st Congress.