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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

DF

December 12, 1980

MEMORANDUM FOR: The President
The White House

Commodity markets have plunged over reports from "official sources" that an agricultural trade embargo on products destined for the USSR and Eastern Europe is included in a tentative list of actions to be taken should the USSR invade Poland. Some of the recent decline in farm commodity prices clearly has been the consequence of rapidly rising interest rates, but most of the drop in cash and 1981 futures contract prices must be due to "embargo" reports.

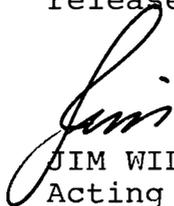
Although this Department was not consulted about the list of "tentative actions" nor asked to assess the potential impact of restraints on trade in agricultural products, I have asked that such an analysis be performed.

We are developing estimates of the changes in trade patterns under alternative scenarios: A total embargo on grain shipments only; a total embargo on grain and all other agricultural product shipments; and an embargo on all trade, agricultural and nonagricultural. For each of these three scenarios, we are developing estimates of the change in imports by the Soviet Union and each Eastern European nation under specific assumptions about cooperation by the other major exporters. We begin by assuming an embargo imposed by the United States only (minimum cooperation), and then assume our action were joined first by the European Community, and then, in order, Australia, New Zealand, Canada, Argentina, Brazil and, finally, all free world exporters of agricultural products (maximum cooperation).

The trade estimates that flow from these assumptions are then analyzed to develop judgments about their impact on the United States (commodity prices, farm income, balance of trade, food prices, etc.), and on the USSR and the EE countries. A more general assessment of the impact on the other exporters will also be included.

The final step in the process is to identify the actions that could and should be taken in an attempt to offset the potential adverse impact on commodity prices and farm income. Several new legal authorities have been approved in 1980 that can be used should it become necessary to take actions in response to events in Poland.

We hope to have these detailed analyses ready by Tuesday. In the meantime, in an attempt to reduce panic in the commodity markets, the attached statement will be released before the markets open on Monday.



JIM WILLIAMS
Acting Secretary

Attachment

*I have discussed this with both
Sec. Bergland and Lynn Duff.*

WASHINGTON

DATE: 12 DEC 80

FOR ACTION: LLOYD CUTLER

STU EIZENSTAT

JACK WATSON

TIM MCINTYRE

Schulze concurs 12/16

Hold for Schirmer memo (later today) (12-15)

INFO ONLY: THE VICE PRESIDENT

ZBIS BRZEZINSKI

concur 12/15

SUBJECT: SECRETARY DUNCAN MEMO RE REIMPOSITION OF THE MANDATORY OIL IMPORT PROGRAM (MOIP) LICENSE FEES

*Hold - EPG
during
@hjk
memo*

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (455-7052) +
+ BY: 1200 PM MONDAY 12 DEC 80 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:



Department of the Treasury
Washington, D.C. 20220

MEMORANDUM

Date: December 18, 1980

To: Rick Hutcheson
Staff Secretary

From: Randall K.C. Kau 

Subject: Memorandum to the President from Secretary Duncan
dated December 12, 1980

At the EPG meeting attended this morning by Stuart Eizenstat, Jim McIntyre, Charlie Schultze, Secretary Miller, Ambassador Owen, and Secretary Duncan, all the participants agreed with Secretary Duncan's recommendation set forth in his memorandum to the President dated December 12, 1980 to continue the suspension of the license fees imposed under the mandatory oil import program.



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