

[8/8/78-Not Submitted] [CF, O/A 548]

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: [8/8/78-Not Submitted] [CF, O/A 548]; Container 88

To See Complete Finding Aid:

http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf

THE WHITE HOUSE
WASHINGTON

HOLD —

Withdrawn by

David R 8/4 pm

will be revised
on 8/8 10 a 11

*Bill - put on
Pres's desk
today*

DATE: 08 AUG 78

FOR ACTION: FRANK MOORE (LES FRANCIS)

JERRY RAFSHOON

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

JODY POWELL

JACK WATSON *on in*

ANNE WEXLER

ZBIG BRZEZINSKI

JIM MCINTYRE

CHARLIE SCHULTZE

SUBJECT: EIZENSTAT MEMO RE MEAT IMPORT LEGISLATION

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED: CALL BY COB TODAY IF YOU WISH TO ADD A COMMENT

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

PLEASE NOTE OTHER COMMENTS BELOW:

*Noting that the bill is on the
Hutch*

MEMORANDUM

NATIONAL SECURITY COUNCIL

4833

August 8, 1978

MEMORANDUM FOR: RICK HUTCHESON
FROM: CHRISTINE DODSON *Christine Dodson*
SUBJECT: Meat Import Policy

✓ NSC concurs with the Domestic Policy staff in its recommendation that we oppose adoption of a countercyclical adjuster decision this session of Congress.

✓ NSC also concurs with CEA and other agencies that no action should be taken that would dilute the President's authority to suspend meat quotas.

7 { We have just been informed that the sub-committee of the House Ways and Means Committee has adopted a countercyclical adjuster that corresponds to the USDA formula. The sub-committee has also voted to restrict the President's authority to suspend meat import quotas.

WASHINGTON

11/2
SL
Fuj
Runka

DATE: 08 AUG 78

FOR ACTION: FRANK MOORE (LES FRANCIS)

JERRY RAFSHOON

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

JODY POWELL

JACK WATSON

ANNE WEXLER

ZBIG BRZEZINSKI

JIM MCINTYRE

CHARLIE SCHULTZE

SUBJECT: EIZENSTAT MEMO RE MEAT IMPORT LEGISLATION

Mccl

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED: CALL BY COB TODAY IF YOU WISH TO ADD A COMMENT

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

PLEASE NOTE OTHER COMMENTS BELOW:

Dan Tate: 1. *Support* countercyclical adjuster with STR formula. *hold on memo*

2. Support quote suspension guideline. Rational: There is tremendous pressure for adoption of the Bentsen Bill and the late session rush could result in our getting the Bentsen proposal tied to a bullet-proof bill. This is a defensive strategy and, were the circumstances different, we would recommend deferral of decisions to next year.

THE WHITE HOUSE
WASHINGTON

Mr. President:

Jack concurs with Stu.

Congressional Liaison concurs with the USDA recommendation to support the quota suspension guideline. Their rationale for this is the tremendous pressure for adoption of the Bensten Bill and the late session rush that could result in getting the Bensten proposal tied to a safe bill. This is a defensive strategy and, were the circumstances different, they would recommend deferral of decisions until next year.

Rick/Bill

THE WHITE HOUSE

WASHINGTON

August 7, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
LYNN DAFT

SUBJECT: Meat Import Legislation

You will recall that during your July 28th meeting with representatives of the cattle industry, the topic of a countercyclical formula amendment to the Meat Import Act of 1964 was discussed. You indicated that you did not object to the concept of a countercyclical formula but that you did object to the several features of the Bentsen Bill that would have further restricted trade. You also indicated that you would oppose any attempt to restrict Presidential discretion in the suspension of quotas, another objectionable feature of the Bentsen Bill.

As you know, the Bentsen Bill has already passed the Senate and is awaiting House action. Livestock producer interests have continued to press for consideration of amendments to the Meat Import Act. The Trade Subcommittee of the Committee on Ways and Means plans to begin mark-up this week, perhaps as early as Tuesday. Chairman Vanik has asked for guidance in what changes in the Meat Import Act, if any, would be acceptable to the Administration.

The Trade Subcommittee will be considering several options, including the Bentsen Bill. Other options were prepared by staff, including one prepared by USDA staff at the Subcommittee's request. The Administration may be able to influence this legislation along constructive lines. To do so, we need your decision on the two issues that will receive closest attention: (1) adoption of a countercyclical adjuster and (2) limitations on Presidential authority to suspend meat import quotas. Other issues on which you were consulted earlier (extension of the quota to cover processed meat, labeling imported meat, extension of the quota to live cattle imports, and quarterly or semi-annual limits on imports) do not have strong support and are not expected to receive serious consideration.

Countercyclical Adjuster

Under the current meat import law, the quota for fresh, chilled, and frozen beef, veal, mutton (excluding lambs), and goat meat is established by a statutory formula. This formula relates the quantity of imports at about 7 percent of domestic production. As was intended, the formula has permitted imports to increase gradually along with domestic production.

Although these quotas have increased with the long-term growth in domestic production, they also follow the fluctuations in the U.S. cattle cycle. The result is that import quotas are highest when domestic production is high and prices are low, and quotas are lowest when domestic production is low and prices are high. This law, however, gives authority for suspension of the quotas when circumstances not accounted for by the formula warrant. Presidents may also negotiate with the major exporting countries for additional shipments of meat (and have in 1972, 1973, 1974, and now 1978). These steps are often unpopular among cattlemen, yet the current law provides no other means for increasing meat imports when domestic production is low.

This procedure in the current law could be changed by including a countercyclical adjuster. This would increase imports when domestic supplies are limited (without compelling the President to suspend the quota) and would reduce, but not curtail, imports when domestic supplies are abundant and prices low. Many such adjusters previously suggested and currently being considered (such as in the Bentsen Bill) are objectionable because: (1) they are more restrictive than the current law over a full cattle cycle, (2) they do not respond rapidly enough to changes in the supply situation, and (3) they often reduce access to the U.S. market below levels acceptable to exporting nations, forcing them to internally absorb the large supplies.

Both the Department of Agriculture and the Office of the Special Trade Representative have developed formulae that seek to minimize these problems, and might be acceptable to the diverse interests involved. Both formulae would: (1) adjust meat imports promptly in response to domestic conditions, (2) maintain imports over the next ten years (approximately the next cattle cycle) at levels that could be expected under the current law, assuming the quota would be suspended in the three years of lowest domestic production, (3) provide for import levels at or above those expected under quota suspension in years when domestic supplies are expected to be limited (thus precluding the need for Presidential

suspension of quotas), and (4) assure exporting countries a minimum level of access. The formula devised by STR produces somewhat less variability in the level of imports than does the USDA formula. In fact, it would appear that the USDA formula probably overstates the quantity of imports that could actually be brought into the United States during periods of low production. Estimated imports under these proposals are compared to those under current law and the Bentsen Bill in Table I.

The major pro/con arguments regarding support of a countercyclical adjuster are as follows:

PRO

- o From the standpoint of the domestic livestock industry, it would provide a pattern of market protection that corresponds more closely with the cattle cycle. It would, therefore, be well received by producer interests.
- o Adoption of a countercyclical formula would probably reduce the need for suspending quotas and, therefore, would reduce Presidential exposure to the political consequences of such actions.

CON

- o Adoption of a countercyclical formula transfers much of the burden of adjustment made necessary by the domestic livestock cycle to the major exporting nations (Australia, New Zealand, and Argentina). This is contrary to the position we have advanced in the MTN that exporters should not have to carry a disproportionate share of the burden of adjustment to variations in production. In this regard, Australia has registered its strong objection to the application of a countercyclical formula by the U.S. and has indicated that it would reconsider its announced offer of a 40 percent reduction in industrial tariffs in the MTN should such a formula be adopted.
- o Nearly all the instability in our livestock market is caused by variations in domestic production. As a result, changes in the pattern of imports will have very little impact on domestic cattle prices.

- o The General Counsel of the USDA reports that a countercyclical adjuster would be in violation of the General Agreement on Trade and Tariffs (GATT). Adoption of such an adjuster would therefore expose us to the sanctions of our trading partners.
- o There is no reason to take precipitous action. To the contrary, economic conditions in the livestock industry are now much improved and will likely continue to be attractive for the next 3 or 4 years. And, since supplies will be limited in the near future, most of the proposed adjusters would not have a constraining effect before 1981.
- o Finally, current law significantly restricts the quantity of imports below free trade levels, thus providing a significant and continuing level of protection against imports.

AGENCY RECOMMENDATIONS

The Department of Agriculture supports adoption this year of a countercyclical formula along the lines it has developed. The Council of Economic Advisors and Esther Peterson are opposed to any change in the present law. The Department of State, Treasury, the Council on Wage and Price Stability, the National Security Council, and the Office of Special Trade Representative have all raised concerns over adoption of a countercyclical adjuster. Most of the agencies argue that further evaluation of the options is required. STR could support a countercyclical adjuster if foreign suppliers were assured that their access to the U.S. market would not be reduced below present levels. The Domestic Policy Staff recommends that we oppose adoption of a countercyclical adjuster during this session of Congress, pending completion of the MTN and further evaluation of the options. DPS believes that a countercyclical formula is politically attractive and should develop one for introduction next year.

DECISION

_____ Support countercyclical adjuster

_____ USDA formula

or

_____ STR formula (Congressional Liaison)

_____ Oppose countercyclical adjuster (CEA, Esther Peterson)

_____ Defer consideration (State, Treasury, COWPS, NSC, STR, DPS and OMB)

PRESIDENTIAL AUTHORITY TO SUSPEND QUOTAS

Under the present law, if the Secretary of Agriculture estimates that meat subject to quota entering the country during a calendar year will exceed 110 percent of the year's quota, you must by proclamation limit imports to the quota level. You may then suspend the quota if certain general conditions are met.

Domestic cattle producers feel that the circumstances surrounding suspension of the quota are too uncertain. Thus, they were instrumental in having included in the Bentsen proposal a measure that would have limited your authority to suspend quotas to periods of national emergency or disaster. Following your decision to increase meat imports this year, they have pressed for this limitation more strongly than any other change. In hearings on meat import legislation held in May by the Trade Subcommittee, Ways and Means Committee, Administration witnesses strongly oppose such a restriction.

Although the countercyclical formula discussed above would raise allowable imports above estimates under quota suspension during the 3 years of lowest domestic production, it would not be prudent to unduly restrict the President's authority to suspend the quotas, forcing complete reliance on a mechanical formula.

The Department of Agriculture has suggested that it might be desirable, however, to clarify, either in the law or in policy guidelines, the conditions under which the quota will be suspended. This could be done by establishing a formula that would react to changes in either supply or demand resulting in significant increases in both retail prices and the farm price of cattle.

The Department of Agriculture has devised a ratio that relates the farm price of cattle to the retail price of beef and veal. The ratio, by quarter, appears in Table 2 for the period 1967-1978. Under their proposal, the law or guideline would allow the quota to be suspended, or some specific additional amount of meat to enter the U.S., if the ratio between the two indexes for two consecutive quarters exceeds, say, 1.05; that suspension would be cancelled in the next calendar year following two quarters in which the ratio falls below 1.05. Using this ratio as the trigger, the quota could have been suspended in 1970, 1972, 1973, and 1974, but would have been reimposed in 1975. (There is not enough information yet for this year to know how this formula would have worked in 1978.)

A quota suspension guideline of this sort could be used under the current law or with a countercyclical formula, although the compulsion to suspend the quota is not as great under a countercyclical formula, since the quota has been sharply increased by the formula in times of tight domestic supply.

AGENCY RECOMMENDATIONS

Commenting agencies have raised numerous, and in our judgment telling, criticisms of the proposed guideline. With the exception of the Department of Agriculture, most of your advisors oppose any action that would dilute your present authority to suspend quotas, including adoption of a quota suspension guideline. CEA, Esther Peterson, State, STR, and DPS oppose any change in the present authority.

DECISION

- _____ Support quota suspension guideline (USDA)
- _____ Oppose (CEA, Esther Peterson, State, STR, DPS, OMB)

TABLE I.

Meat Imports into the United States, Current Law Quantities and Alternative formulas

Year	Current Law				Alternative Countercyclical formulas										
	Base Quota	Trigger Level Q + 10%	Actual Imports		5 yr/3 yr ratio: Revised '64 Act: (STR) (1)	5 yr/2 yr Ratio: (USDA) (2)	10 yr/2 yr Ratio: (Bentsen) (3)	5 yr/2 yr Ratio: (present law) (4)							
	Mil.lb.	Mil.lb.	Pct.	Mil.lb.	Pct.	Mil.lb.	Pct.	Mil.lb.	Pct.	Mil.lb.	Pct.	Mil.lb.	Pct.	Mil.lb.	Pct.
1969.....	988	1087	6.8	1084	6.8	1264	7.9	1257	7.9	1033	6.5	1135	7.1		
1970.....	999	1099	6.8	1171	6.5	1195	7.4	1277	7.8	1094	6.7	1143	7.0		
1971.....	1025	1128	6.9	1133	7.2	1269	7.6	1306	7.9	1195	7.3	1184	7.2		
1972.....	1042	1147	6.9	1356	6.8	1264	7.6	1314	7.8	1227	7.4	1193	7.1		
1973.....	1047	1152	7.3	1356	8.6	1289	8.2	1301	8.3	1267	7.4	1198	7.6		
1974.....	1028	1131	6.6	1079	6.3	1259	7.4	1221	7.1	1165	6.8	1085	6.3		
1975.....	1074	1182	6.5	1209	6.6	1202	6.6	1084	6.0	957	5.3	981	5.4		
1976.....	1121	1233	6.3	1232	6.3	1219	6.2	1093	5.6	888	4.6	962	4.9		
1977.....	1165	1282	6.8	1250	6.6	1274	6.8	1317	7.0	772	4.1	1167	6.2		
1978.....	1184	1302	7.2	1492	8.3	1448	8.0	1506	8.3	1010	5.6	1354	7.5		
Total....	10675	11742	6.8	13213	7.7	12683	7.3	12677	7.1	10608	6.2	11402	6.6		
1979.....	1107	1236	7.4			1553	9.3	1677	10.1	1379	8.3	1508	9.1		
1980.....	1060	1176	7.2			1530	9.4	1739	11.0	1529	9.4	1564	9.6		
1981.....	1039	1140	6.9			1508	9.1	1602	10.0	1493	9.0	1447	8.8		
1982.....	1060	1152	6.7			1397	8.1	1384	8.1	1452	8.5	1244	7.2		
1983.....	1086	1195	6.6			1395	7.7	1289	7.1	1469	8.1	1159	6.4		
1984.....	1113	1252	6.6			1336	7.0	1280	6.7	1402	7.4	1152	6.1		
1985.....	1157	1325	6.5			1341	6.6	1208	5.9	1271	6.2	1086	5.3		
1986.....	1225	1404	6.5			1342	6.2	1202	5.6	1039	4.8	1081	5.0		
1987.....	1225	1451	6.9			1371	6.5	1323	6.3	1045	4.5	1190	5.7		
1988.....	1273	1388	7.9			1467	8.3	1621	9.2	1222	6.9	1458	8.3		
Total....	11563	12719	6.9			14159	7.7	14325	7.6	13301	7.3	12889	7.2		

1. Average Annual Imports 1968-1977 $\times \frac{3 \text{ yr Moving Average Domestic Beef Production}}{10 \text{ yr Average (1968-1977) Dom. Beef Production}}$ $\times \frac{5 \text{ yr Moving Average Cow Beef Production}}{3 \text{ yr Moving Average Cow Beef Production}}$
2. Average Annual Imports 1968-1977 $\times \frac{3 \text{ yr Moving Average Domestic Beef Production}}{10 \text{ yr Average (1968-1977) Dom. Beef Production}}$ $\times \frac{5 \text{ yr Moving Average Cow Beef Production}}{2 \text{ yr Moving Average Cow Beef Production}}$
3. 1964 Law $\times \frac{10 \text{ Yr Moving Average Cow Beef Production}}{2 \text{ Yr Moving Average Cow Beef Production}}$
4. 1964 Law $\times \frac{5 \text{ yr Moving Average Cow Beef Production}}{2 \text{ yr Moving Average Cow Beef Production}}$

Table 2.--Beef and Veal Index, Farm Price of Cattle Index, and Ratio, by Quarter
1967 = 1.00

Year	Beef and Veal Price Index				Farm Price of Cattle Index				Ratio			
	1	2	3	4	1	2	3	4	1	2	3	4
1967	.99	.98	1.01	1.02	.97	1.00	1.04	.98	.98	1.02	1.03	.96
1968	1.03	1.03	1.05	1.05	1.02	1.06	1.07	1.04	.80	1.03	1.02	.99
1969	1.07	1.14	1.20	1.16	1.10	1.27	1.21	1.13	1.03	1.11	1.01	.97
1970	1.18	1.20	1.21	1.19	1.24	1.27	1.23	1.14	1.06	1.06	1.02	.96
1971	1.20	1.25	1.27	1.27	1.25	1.31	1.30	1.34	1.04	1.05	1.02	1.05
1972	1.35	1.35	1.39	1.37	1.45	1.49	1.53	1.53	1.08	1.10	1.10	1.11
1973	1.52	1.63	1.72	1.68	1.83	1.95	2.14	1.79	1.21	1.20	1.24	1.07
1974	1.76	1.67	1.68	1.64	1.92	1.63	1.57	1.29	1.09	.98	.94	.79
1975	1.56	1.66	1.82	1.76	1.23	1.55	1.52	1.48	.79	.93	.84	.84
1976	1.69	1.65	1.64	1.60	1.50	1.67	1.48	1.43	.89	1.01	.90	.90
1977	1.61	1.63	1.64	1.66	1.48	1.58	1.56	1.57	.97	.96	.95	.95
1978	1.75				1.81				1.03			

DATE: 08 AUG 78

FOR ACTION: FRANK MOORE (LES FRANCIS)

1978 AUG 8 AM 11 32

JERRY RAFSHOON

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

JODY POWELL

JACK WATSON

ANNE WEXLER

ZBIG BRZEZINSKI

JIM MCINTYRE

CHARLIE SCHULTZE

SUBJECT: EIZENSTAT MEMO RE MEAT IMPORT LEGISLATION

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED: CALL BY COB TODAY IF YOU WISH TO ADD A COMMENT

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

PLEASE NOTE OTHER COMMENTS BELOW:

*we support the
deferral option
supported by D PS.
gpc*