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Informational Report of the Committee on International Economic Organizations

Michael S. Shaw

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MICHAEL S. SHAW, *Chairman**

Congress and the International Financial Institutions

The last few months have seen relatively little congressional activity with regard to the international financial institutions. It was one of those frequent periods when congressional participation was more admonitory than legislative—though there may be a good deal of legislation later in calendar 1976.

The international agenda has been filled with a number of major economic conferences—many of which have taken place outside the confines of existing international bodies. October saw a second but still preliminary meeting among consumer (read industrialized) countries. The initial dialogue between producer and consumer nations finally took place in December at the Conference on International Economic Cooperation in Paris. In mid-November, the big six of the market-oriented industrial world (Japan, West Germany, France, Great Britain, Italy and the United States) met at Rambouillet, France. And finally, in early January, the Interim Committee of the International Monetary Fund (IMF) and the Development Committee (a joint body of the World Bank and the IMF) met in Jamaica.

Although the range of issues discussed at these various meetings is truly staggering, there was very little need for preparatory legislation. The focus of the CIEC has been on increasing the level and the stability of the flow of funds to the developing world by changing the current rules of the international game. There has been pressure for trade concessions (some of which were actually contained in the Trade Act of 1974), commodity agreements, eased access to international credit, increased flows of capital and technology and a rise in direct foreign

*A member of the firm of Foss, Schuman & Drake, Chicago, Illinois.

assistance. Virtually any step in any of these separate directions by the United States will require congressional approval or enabling legislation. But as yet nothing concrete has emerged from the CIEC deliberations.

In many ways, Rambouillet was a startling performance. By stepping outside the confines of the Organization for Economic Co-operation and Development (OECD) and the European Economic Community (EEC), Rambouillet both limited the participants and expanded the scope of discussion. The conference considered co-ordination of domestic fiscal and monetary policies, the question of the oil cartel and a future regime for exchange rates. In fact, a meeting of French and American minds at Rambouillet on the issue of exchange rates did much to pave the way for the Interim Committee meeting in Jamaica.

In anticipation of the Jamaica meeting, the United States Joint Economic Committee (JEC) issued a report on the proposed disposition of a portion of the IMF's gold. The report generally supported the position (eventually adopted by the Interim Committee) that part of the gold be sold at world prices with the funds deposited in an investment trust for low income countries. Previously, the JEC (in conjunction with the Subcommittee on International Trade, Investment, and Monetary Policy of the House Committee on Banking, Currency and Housing) had published a report generally favoring the managed float in preference to a return to fixed exchange rates.

The recommendations of the JEC's report with regard to floating exchange rates and the future role of gold met with widespread support both within the Committee and the Congress. However, the proposed disposition of the IMF gold has touched off something of a Congressional debate. A majority of the Subcommittee on International Economics of the JEC favored selling more gold rather than restoring a portion to the donor countries. Any excess of sale over official price would be destined for the developing countries. A minority of the Committee, however, felt that the question of greater foreign assistance should be separated from the question of the future role of gold. Reflecting the growing assertiveness of Congress in international affairs, this minority argued that any new foreign aid measures should go through the normal authorization-appropriations process.

The actual meeting of the Interim Committee went very much as expected. Managed floating was to be enshrined in a new Article IV. Gold was to be eliminated from its formal, official role and proceeds from the sale of one-sixth of the Fund's gold were to be deposited in a trust fund for developing countries. In further recognition of the balance of payments straits of many developing nations, the Fund eased access of member countries to IMF loans.

The work of the Development Committee was more in the nature of recommendations than final agreements. After noting with approval the provisions made by the Interim Committee to aid the low income countries, the Development Committee urged an increase in the capital of the World Bank and the International Finance Corporation (IFC). They also strongly advocated an enlargement of the fifth replenishment for the International Development Association.

All of these proposed increases in World Bank and related institutions' funds would require congressional action. At present, talks over the fifth replenishment of the IDA have not yet been concluded. Although 1.5 billion in IDA funds have already been authorized (P.L. 93-373 August 1974), they have not yet been appropriated by the Congress.

Discussions over an increase in capital for the World Bank also have not reached any final agreement. In addition, the Congress has not yet appropriated some 123 million for a contribution to World Bank capital stock that was authorized in 1970.

The IFC is of particular interest to the present Administration. Designed to help private firms in the developing world, the IFC fits in well with the private enterprise orientation of President Ford and Secretary Simon. In his address to the seventh special session of the United National General Assembly (delivered by Ambassador Moynihan), Secretary Kissinger proposed a major expansion of the IFC. Current negotiations suggest that there could be a capital increase of around $480 million with a United States share of about $100 million. The required authorizing legislation may be sent to the Congress some time in 1976.

Currently before the Congress is an administration proposal for a 5.3 billion dollar increase in the capital of the Inter-American Development Bank. The proposed United States share would be $1.650 billion of which only 120 million would actually be paid in—the rest being callable. In addition, there would be a 600 million contribution to the Fund for Special Operations (FSO), the IDB's soft loan window. The new proposal also would admit twelve non-regional members (ten European countries, Japan and Israel). Although increased contributions by Latin countries and the advent of non-regional members will reduce the United States voting share to 35 percent, the United States will still retain a veto over FSO activities.

The same proposal contains a provision for United States membership in the African Development Fund (the soft loan window of the African Development Bank). Citing the presence of present non-regional members of the African Development Fund (AfDF) and the promise of non-regional members for IDB, the Administration suggested a modest contribution of $15 million to the Fund to be spread out over three fiscal years. The House has already passed a $25 million authorization and is awaiting Senate action.

The Congress must also act on previously authorized capital contributions for the Asian Development Bank. The bulk of the appropriations needed are for callable rather than paid in capital.

The recent congressional deliberations on aid to Angola have highlighted the increased congressional involvement in foreign policy-making. But their steady attention to less spectacular but equally important activities of the international financial institutions are also instructive. Angola was virtually thrust upon the Congress, while involvement with gold sales, increases in callable capital and the expansion of multilateral foreign assistance require a demanding mix of oversight and initiative. In many ways, the response to the international financial institutions provides a sensitive index of congressional vigor in foreign affairs.

John Stark
Washington, D.C.

Organization for Economic Cooperation and Development (OECD)

Negotiations are continuing within OECD member countries for the establishment of the OECD Guidelines for Multinational Enterprises, the Declaration on National Treatment of Foreign Investment and the Declaration on Official Incentives and Disincentives for Direct Investment. The most recent draft was made public at the end of December and reflects the very serious negotiations and efforts by the State and Justice Department representatives within the OECD working groups.

The Guidelines as now drafted expressly state that they are voluntary and not mandatory. Nevertheless, the draft encourages furtherance of the aims of the Guidelines "by co-operation among the OECD countries where the headquarters of most of the multinational enterprises are established and which are the location of a substantial part of their operations." Hence, while there is a disclaimer that the Guidelines will constitute new law, implicit in the Guidelines is the assumption that member countries will act through national policy or legislation to implement the Guidelines' stated goals.

The Guidelines as now drafted provide for their simultaneous promulgation with the Declarations on National Treatment of Foreign Investment and the Declaration on Official Incentives and Disincentives for Direct Investment. The National Treatment Declaration provides generally that member countries shall not discriminate between companies owned or controlled by their own nationals and those owned or controlled by foreign nationals. The Incentives and

Disincentives Declaration provides that member countries, when taking measures specifically designed to provide incentives or disincentives for foreign direct investment, will take into account the intent and impact of these measures and avoid measures, which have a significantly harmful impact upon other member countries' economies.

General Policies of the Guidelines have been modified to include prohibitions against bribing governmental officials, or solicitation of bribes by those officials. Also prohibited are extralegal political contributions and "any improper involvement in local political activities."

The Guidelines provisions concerning disclosure of information are somewhat reduced in scope from prior drafts, but are still of potentially substantial impact. In the current version, enterprises would publish annually "financial accounts and other pertinent information relating to their operations as a whole," which would include data concerning the structure and ownership interests of the enterprise, research and development expenditures, and "the policies followed in respect to intra-group pricing." The enterprise would also publish data, broken down by "the geographical areas where a significant share of their operations are carried out" and by "major lines of business," relating to "sales and operating results" and "significant new capital investment." The prior draft had required country-by-country breakdowns of data; hence, the requirement of data on a "geographical area" represents a reduction of the enterprises' reporting burden.

The Restrictive Practices and Competition section remains substantially unchanged from the previous draft. It still contains the general proscriptions as reported in the October, 1975, newsletter, but appears to be broadened in that the rules relating to discriminatory pricing, acquisitions, abuse of dominant position, refusals to deal, limitations upon distributors and licensees, participation in or co-operation with restrictive agreements or cartels, and the obligation to consult and cooperate with host country governments with respect to competition investigations are now expressly stated to be obligations imposed "in addition to conforming to official competition rules and policies of the countries in which they operate."

With respect to "Financing and Trade," the draft would require enterprises "in managing their financial and commercial activities, including the setting of prices for the transfers of goods and services within the enterprise" to take into consideration the host countries' "established objectives regarding balance of payments and credit policies." The Taxation section would require enterprises to refrain from using "artificial transfer pricing" in a manner "contrary to national laws."

The section on Employment and Industrial Relations continues to provide that enterprises recognize the right of their employees to be represented and to bargain collectively. The draft now includes alternative proposals with respect to the obligation of enterprises to furnish information to employees' representatives. One version would oblige enterprises to furnish "such information . . . as may be necessary to enable the employees . . . to develop effective collective agreements and to obtain a true and fair view of the performance and development of the entity (or, where appropriate, the enterprise)." Another version would require enterprises to "observe standards of employment and industrial relations at least not less favorable than those observed by good [as opposed to "comparable"] employers in the host country."

The Science and Technology section provides *inter alia*, that enterprises should grant licenses or transfer technology "on reasonable terms and conditions within an adequate market area." It continues to include provisions which require licensing practices which "contribute to the development of national scientific and technological capacities" and the "rapid diffusion of technologies."

The OECD Committee on Multinational Enterprises is scheduled to complete its work in April or May, 1976, and submit a final draft of the Guidelines and Declarations to the Council of Ministers at that time. It appears to be the feeling among the negotiators that differences among them will be resolved, and that perhaps by the end of 1976, the Guidelines will become a reality.

Daniel J. Plaine
Washington, D.C.

U.N. Commission on International Trade Law (UNCITRAL)

It was reported in this space last July that UNCITRAL, during its eighth session, considered draft conventions on international shipping, international arbitration, and international sale of goods. While those projects are the farthest advanced, it should be noted that the following subjects also received attention:

- International payments, including (a) a draft uniform law on international bills of exchange and international promissory notes, (b) uniform rules applicable to international checks, (c) uniform customs and practice for documentary credits (bankers' commercial credits), (d) bank guarantees and (e) security interest in goods;
- Civil liability of producers for damage caused by their products involved in international sale or distribution;

- Training and assistance in international trade law;
- Multinational enterprises.

The latter area is one of growing interest in the United States and throughout the international community. In response to a 1972 resolution of the General Assembly, a questionnaire concerning multinational enterprises was sent to governments and international organizations (U.N. document A/CN.9/90). That led to a recent report of the Secretary-General containing an analysis, based on responses to the questionnaire, of legal problems relating to multinational enterprises and a description of existing national legislation affecting such enterprises (A/CN.9/104). The Economic and Social Council also has interested itself in this area, and in December, 1974, it created the Commission on Transnational Corporations, with an Information and Research Centre on Transnational Corporations to provide assistance to the new commission.

During its eighth session last April, a debate developed within UNCITRAL as to whether it should proceed to identify legal questions appropriate for its consideration or should defer action until the new Commission on Transnational Corporations had an opportunity to identify such issues. The latter view prevailed, but it is interesting to note that the new Commission is to be informed of the following view of "many representatives" of UNCITRAL:

> . . . work could usefully be carried out by UNCITRAL on the development of model rules which States could embody in their national legislation with a view to exercising a greater degree of control over the activities of multinational enterprises and on the development of an information system, including standardized accounting procedures and statistical systems for specific data reporting.

The work undertaken by UNCITRAL during its eighth session gives some indication of the importance to commercial and other private interests in the United States of the unification of laws process going forward, albeit rather slowly, in a number of forums throughout the world. In addition, various commissions of the Hague Conference on Private International Law presently are developing draft conventions on conflicts of laws in respect to marriage, matrimonial property and agency in international transactions; these may be examined at a diplomatic conference in 1976. The International Institute for the Unification of Private Law (UNIDROIT) at Rome is considering, among other matters, a convention of hotelkeepers' liability. The OAS Conference on Private Law adopted six conventions during its meeting in Panama last January, covering such areas as letters rogatory, powers of attorney to be used abroad, and conflicts of laws concerning checks. Five of the six conventions were signed and adopted by thirteen American states, and one (on arbitration) was adopted by twelve states (the United States signed none but has referred them to interested groups for comment). The Council of Europe is developing a substantive convention on products liability which will affect United States manufacturers doing business in Europe. Finally, three private law conventions are now in force in the United States:

• The U.N. Convention of 1959 on the Recognition and Enforcement of Arbitral Awards;

• The Hague Convention of 1964 on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters;

• The Hague Convention of 1968 on the Taking of Evidence Abroad in Civil or Commercial Matters.

In light of the magnitude, scope and developing importance of private law activity in the international arena, the attention this process receives from private and commercial interests in the United States appears relatively meagre. Perhaps some investigation of the need for greater attention is in order.

Allen Tupper Brown
Washington, D.C.

World Food Organizations Report

I. International Wheat Council

The International Wheat Council conducted its 75th session in London, December 1-4, 1975. The IWC concluded that there was no prospect for completion of a new agreement with substantive economic provisions, such as the establishment of an international grain reserve, coming into force by June 30, 1975, when the current 1971 agreement, as extended by a protocol, expires.

Instead, the IWC agreed to reconvene in February, 1976 to discuss a further extension of the current agreement. At that meeting the IWC will also explore a wide range of provisions that could be included in a new agreement; the Secretariat of the IWC is preparing an option paper which will serve as the initial list of alternatives.

II. AID Implementation of World Food Conference Recommendations

In testimony before the Senate Subcommittee on Agricultural Policy in November 1975, Deputy AID Administrator John E. Murphy announced that, in response to the recommendations of the World Food Conference in Rome in November, 1974, AID had made "decisive shifts" in AID development programs in order to increase assistance to "the small farmers and landless laborers—the rural poor."

In addition, following up on the Rome World Food Conference, AID has increased its efforts to combat malnutrition by funding national nutrition surveys in some 20 nations during the next few years, and by establishing programs to combat Vitamin A blindness and iron deficiency anemia.

Council for Mutual Economic Assistance

The Council for Mutual Economic Assistance ("CMEA," "the Council"), founded in 1949, is an international economic organization whose present membership includes Bulgaria, Czechoslovakia, Cuba, East Germany, Hungary, Mongolia, Poland, Romania and the U.S.S.R. The membership of CMEA is determined by both political and economic factors. All of its members belong to the Communist Bloc, but not all communist nations belong to CMEA. Yugoslavia, North Korea, and North Viet-Nam cooperate with CMEA and participate in some activities but as nonmembers. Albania, one of the original members, ceased to participate in Council activities in 1961, reflecting its ideological alliance with Communist China, which was never a member. Geographically, CMEA would be an Eastern European common market but for the membership of one Asian and one Latin American member. The political and geographic orientation of CMEA determines the probable direction of expansion of the foreign trade of its smaller members.

The CMEA was formed to promote "socialist economic integration" and to further the "international socialist division of labor." The Comprehensive Program developed at the 25th Session of the CMEA held in Bucharest in 1971 places primary emphasis on further expansion of the mutual trade of CMEA members. Development of economic, scientific and technological ties with nonmembers will also be encouraged, but the priorities are clear: (1) cooperation with socialist nonmembers; (2) cooperation with less developed countries; and (3) cooperation with developed capitalist countries.

The level of mutual trade among CMEA members increased more than ten times from 1950 to 1973. By 1972, the share of mutual trade of the CMEA member countries accounted for 62.6 percent of their total foreign trade turnover, and the share of manufactured goods in mutual trade is growing.

Mutual trade is conducted on the basis of longterm trade agreements among CMEA member nations concluded after coordination of their national plans. Much attention has been devoted to internal problems such as achievement of objective pricing in the absence of market forces, mutual convertibility of CMEA currencies and convertibility of their currencies into the collective currency (the transferable ruble), extension of credits by the International Bank for Economic Cooperation for joint projects, equalization of the levels of development of CMEA members and technological and legal standardization within CMEA. Technical standardization includes elaboration of standard technical norms for categories of manufactured goods, standard technical documents and uniform design documents, and a uniform system of tolerances and measurements.

Standardization of the terms of mutual trade and establishment of uniform technical norms and documentation will facilitate expansion of trade among CMEA members but may impede development of trade with nonmembers. Also, some Western observers contend that expansion of trade between CMEA and Western nations may aggravate CMEA's internal difficulties in the areas of pricing, convertibility, and equalization of the levels of economic development of member nations.

In spite of policy priorities, old and new obstacles and possible disincentives, trade between CMEA and the developed Western nations has risen threefold from 1960 to 1972, with Western European countries accounting for 80 percent of the trade turnover. CMEA sources explain this as evidence of CMEA participation in the "international European division of labor," but trade with the United States also more than doubled between 1970 and 1972; and prospects for development of trade with such non-European partners as Canada and Japan are described as good. By way of contrast, CMEA trade with the developing countries increased seventeen times from 1950 to 1972, and the number of CMEA foreign assistance projects and the level of credit extended to those countries has increased dramatically. Expansion of trade with certain nonmember communist nations has increased even more: the 1972 level of trade with North Viet-Nam was more than twenty-one times the 1955 level; trade with North Korea increased five times from 1950 to 1972 and trade with Yugoslavia increased four times from 1960 to 1972.

Figures on trade expansion are from CMEA sources, which may be unreliable, and the base years vary; so these comparisons are somewhat misleading. Nevertheless, the policy emphasis is clear, and the reasons for it are economic as well as political. The transferable ruble, CMEA's internal currency, can be used in trade with other communist nations and in extension of credits to developing nations; but trade with the West requires expenditure of hard currency, which is in short supply throughout the Eastern Bloc and in particular in less developed member nations of CMEA.

Foreign trade between CMEA and nonmembers is customarily conducted within the framework of long-term agreements on economic, industrial, scientific and technological cooperation between the Council and the government of the nonmember nation. Such an agreement was signed by the CMEA and Finland on May 13, 1973. Article 3 of this Agreement, which is for an indefinite term, provides for the establishment of a joint commission which will make recommendations to the governments of Finland and CMEA member nations concerning possible areas of economic, scientific and technical cooperation. If accepted, these recommendations would be the subject of narrower bilateral or multilateral agreements between governments, organizations or institutions of Finland and CMEA member nations. There is provision for denunciation of the Agreement by either party on six months' notice, but cooperation under Article 3 agreements would continue unless a participating country in those agreements wished to discontinue that cooperation as well, and denunciation of the Agreement would not affect the validity of contracts concluded under Article 3.

Unlike the cooperation agreements between the U.S.S.R. and Western nations and the agreements upon which mutual trade between CMEA members is based, the CMEA-Finland treaty makes no reference to the expected volume and composition of mutual trade. Presumably the bilateral or multilateral agreements mentioned in Article 3 would attain that degree of specificity. Bilateral long-term agreements on mutual trade within CMEA establish quantitative and value quotas for commodities which are actually binding upon the signatories, since those agreements are coordinated with the national economic plans of CMEA members.

CMEA source materials indicate that ten-year cooperation agreements have been signed between CMEA members and Western European nations without benefit of a broader agreement such as that between CMEA and Finland. Agreements have also been signed between organizations of various CMEA nations and Western firms on production cooperation, joint construction of enterprises and joint ventures in third countries.

George G. Lorinczi
Washington, D.C.

Export-Import Bank of the United States

Exim's financial condition was characterized as "weakened" in a report of the Comptroller General issued October 17, 1975. The GAO pointed to the large recent growth of outstanding balances on loans and guarantees (doubling to $13.1 billion in six years) with relatively slight increases in reserves from retained income ($1.6 billion on June 30, 1975). The report also noted falling Exim net income (down $30 million in 1975 to $80 million), because Exim's cost of new money exceeded the 6 percent interest rate in effect until early in 1975.

In reply Eximbank asserted that the GAO report was "misleading" because its condition is financially sound. It noted that against capital and reserves of $2.6 billion, it holds obligations overdue by 90 days or more of only $113 million.

Exim also noted that it has now markedly increased its lending rates (now 8¼ to 9½ percent, with exceptions), that it has replaced its short-term borrowings from the Treasury, with the attendant fluctuating rates, with a three-year credit from the Federal Financing Bank, and that it increased its reserves by $60 million in 1975, in part by reducing its dividend to the Treasury to $20 million. The effect of the lower rates at which it now borrows in turn has increased its earnings in the first quarter of FY 1976 by 20 percent.

It would appear that Exim's responses and recent actions meet the Comptroller General's principal points, although the maintenance of the 6 percent rate in 1973-4 quite obviously has affected Exim's earnings adversely and will probably continue to do so although at a decreasing rate.

Exim is endeavoring, when it can, to increase the rates on 6 percent loans, such as when the borrower seeks time extensions or defaults on a convenant in the credit agreement. Most of its new loans are being made on the 8¼ to 9½ percent schedule previously reported. As anticipated, these rates have been reduced occasionally in order to meet foreign governmental financing competition; where requested, Eximbank obtains the competitive quotes by direct inquiry to the foreign government agency concerned.

Exim has changed its discount loan programs under which it discounts commercial bank loans to finance exports. The new rules peg Exim's rate at one percent below the commercial bank rate (but not less than 8 percent), and limit the discount program to fixed-rate obligations. Exim also charges a one-time, front-end commitment fee of one-quarter of one percent.

Stephen B. Ives, Jr.
Washington, D.C.

Council on International Economic Policy

The Council on International Economic Policy is a Cabinet-level entity within the Executive Office of the President responsible for coordinating the development of international economic policy. This report discusses some of the recent issues in which CIEP has been involved.

Study on Facilitating Developing Country Access to U.S. Private Capital Markets

CIEP is directing an interagency study focusing on means of improving developing countries' access to United States private capital markets.

The study concentrates on the need for United States Government guarantees to facilitate less developed country borrowing. It attempts to identify and evaluate options for future United States policy with respect to such guarantees. The options will be developed and measured against the following criteria:

(1) The developmental potential of such guarantees for LDC's; (2) the foreign policy implications; (3) the possible United States capital market impediments which must be overcome to gain access; (4) the impact of guarantees on domestic and other foreign borrower access to United States private capital markets; (5) the likely consequences of a guarantee program for reducing or increasing USG budget outlays; (6) the methods needed to coordinate guarantees on LDC loans and limit United States risk exposure; (7) the pros and cons of bilateral v. multilateral guarantee programs; (8) the possible alternatives to USG guarantees; and (9) the possible need for new legislation. The study will also consider other means of facilitating developing country access to private capital markets. These include, *inter alia*, interest subsidies and/or United States Government technical assistance, as well as the use of new or expanded international mechanisms, *e.g.*, the establishment of a bond market facility within the International Finance Corporation.

Foreign Boycotts

In November, the President announced a series of actions designed to counteract discrimination against Americans that might arise from foreign boycott practices. A directive was issued to departments and agencies forbidding the selection of personnel for overseas assignments which take into account exclusionary policies of a host country based on race, color, religion, national origin, sex, or age. The State Department was directed to take appropriate action through diplomatic channels to attempt to gain entry for individuals whose visas are rejected based on exclusionary policies. Second, the President instructed the Secretary of Labor to amend his Memorandum concerning the obligation of federal contractors and subcontractors to refrain from discrimination when hiring for work to be performed in a foreign country or within the United States pursuant to a contract with a foreign government or company.

Third, the Administration will propose legislation to Congress to prohibit businesses from using economic means to coerce discrimination against United States citizens. Fourth, the President directed the Secretary of Commerce to amend regulations pursuant to the Export Administration Act to prohibit United States exporters from complying with boycott requests that would cause discrimination against United States citizens or firms. The Commerce Department subsequently announced that it would not circulate any future trade opportunities containing boycott language. Fifth, President Ford stated that the Administration will not tolerate discriminatory commercial banking practices. Last, the Administration announced it will support legislation to amend the Equal Credit Opportunity Act to include a prohibition against any creditor discriminating against credit applicants.

The President commended the United States investment banking industry for resisting the pressure of certain foreign investment bankers to force the exclusion from financing syndicates of various investment banking firms on a discriminatory basis. He also noted that the Department of Justice has advised him that the refusal of an American firm to deal with another American firm in order to comply with a restrictive trade practice by a foreign country raises serious questions under the United States antitrust laws.

Sugar Policy Review

With the expiration of the 40-year old Sugar Act on December 31, 1974, the President was required by law to impose a quota on sugar imports or allow tariffs on imported sugar to triple.

On November 18, 1974, during a period when sugar prices were at their historical peaks, President Ford established a seven million ton annual global quota which precluded the tariff rates from tripling. This action signalled a shift in United States policy from a preferential market toward an open market for sugar. The new policy was designed to insure the continued flow of sugar into this country from abroad, and encourage increased domestic production.

After over a year under the new policy and with the many new developments in international sugar trade, it is appropriate to reexamine United States sugar policy to determine whether any changes are desirable at this time. CIEP has undertaken such a review which, among other things, will examine the following questions:

1. How dependent should the United States be on foreign sources for sugar?
2. What role other sweeteners, such as high fructose corn syrup, play in United States sugar policy and international sugar trade?
3. Should the United States move closer toward a free market in sugar by eliminating the tariff and the quota?
4. Should the United States join the new International Sugar Agreement which will be renegotiated beginning in September 1976?
5. What positions should the United States take in the multilateral trade negotiations concerning sugar?

Grain Export Policy

The United States is committed to a policy of full agricultural production and the maintenance of open markets. A policy of full production maximizes both the efficient use of our agricultural resources and our capacity to meet domestic and foreign food needs.

There are two general types of arrangements on sales of United States grain to foreign countries. First, the long-term grain agreement recently concluded with the Soviet Union requires the Soviets to purchase 6 million tons of grain annually for the next five years and permits them to purchase an additional 2 million tons of grain annually without consultation with the United States Government. The agreement was negotiated to deal with an exceptional problem, namely, the erratic and greatly varying purchases of the Soviet state trading company undertaken without advance notification. Soviet grain purchases severely disrupted the United States market in the past, causing uncertainty for farmers, domestic consumers, and other foreign buyers. It was for this reason that we sought a long-term agreement with the U.S.S.R. No other buyers have caused such disruption to international markets as have the Soviets. There is, therefore, no need to conclude similar long-term agreements with other foreign purchasers.

Under the terms of the United States/U.S.S.R. grain agreement, the Soviet annual purchase commitment is well within the supply capability of the United States. Several important benefits accrue to United States farmers and consumers. Consistent annual grain deliveries to the U.S.S.R. will result in greater stability of United States grain supply for domestic use and exports, enabling the United States to continue as a reliable supplier of its regular customers. Farmers will be able to plant with the knowledge of an assured Soviet market rather than face the uncertainty of wide fluctuations in Soviet demand.

Secondly, the United States has undertaken informal understandings on grain with Japan and Poland. These understandings are fundamentally different from the Soviet agreement in that they are not binding on the United States or the foreign purchasers. These are "best endeavor" understandings in which the importing country expresses its purchase intentions and the United States indicates that under normal conditions the grain should be available.

Commodity Policy Coordinating Committee

A Commodity Policy Coordinating Committee, composed of the Departments of State and Treasury, the Council of Economic Advisors, the National Security Council and CIEP, was recently established to monitor commodity developments. Other interested agencies will participate in its work, as appropriate. The CPCC will help develop the United States position with respect to individual commodity agreements being negotiated internationally, such as coffee, cocoa, sugar and tin. In addition to determining the extent of United States involvement in individual commodity agreements, the Committee will review the long-term aspects of overall United States commodity policy. The Administration has previously announced its intent to take a case-by-case approach to commodity issues, and the Committee is developing an overall framework for this approach.

David A. Hartquist
Washington, D.C.