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Collection: Risque, Nancy: Files (Cabinet
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Folder Title: Long Term Grains Agreement/Wheat
Sales to the Soviet Union

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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name Risque, Nancy (Cabinet Secretary): Files

Withdrawer

DLB 3/7/2012

File Folder LONG TERM GRAINS AGREEMENT/WHEAT SALES TO SOVIET UNION

FOIA

S11-463-3

Box Number 18382

SYSTEMATIC

149

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
132871	MEMO	EPC TO THE PRESIDENT, RE: WHEAT SALES TO THE SOVIET UNION	2	10/29/1987	B1
132872	MEMO	NANCY RISQUE TO THE PRESIDENT, RE: WHEAT SALES TO THE SOVIET UNION	1	11/3/1987	B1
132873	MEMO	DUPLICATE OF #132871	2	10/29/1987	B1
132874	PAPER	US-USSR LONG TERM AGREEMENT	3	2/3/1988	B1
132875	MEMO	NANCY RISQUE TO THE PRESIDENT, RE: A NEW LONG-TERM GRAINS AGREEMENT WITH THE SOVIET UNION	1	2/17/1988	B1
132876	MEMO	EPC TO THE PRESIDENT, RE: A NEW LONG-TERM GRAINS AGREEMENT WITH THE SOVIET UNION	2	2/11/1988	B1
132877	MEMO	JAMES BAKER TO THE EPC, RE: PRESIDENTIAL POLICY DIRECTIVE	1	3/2/1988	B1

The above documents were not referred for declassification review at time of processing

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THE WHITE HOUSE

WASHINGTON

October 29, 1987

MEMORANDUM FOR JAMES A. BAKER, III

FROM: EUGENE J. McALLISTER *EM*

SUBJECT: Wheat Sales to the Soviet Union

A decision memorandum for the President is attached for your review and signature. All the concerned EPC agencies have agreed on the recommendation (I did not consult with Labor or Transportation).

The decision essentially is to extend last year's use of the EEP program to subsidize wheat sales to the Soviet Union. My inclination would be to err on the side of safety in forwarding this to the President for his review.

I suspect we will get resistance from Ken Cribb or Gary Bauer and will probably have to revise the decision page to incorporate their objections. I have tried unsuccessfully over the past two days to get them to decide their positions. We can circulate the paper for West Wing clearance with or without your signature, whichever you prefer.

This issue is time sensitive -- Secretary Lyng wants to begin negotiations quickly.

cc: Nancy J. Risque
M. Peter McPherson

db 3/6/12

CONFIDENTIAL ATTACHMENT

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132871	MEMO EPC TO THE PRESIDENT, RE: WHEAT SALES TO THE SOVIET UNION	2	10/29/1987	B1

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132872	MEMO	1	11/3/1987	B1
	NANCY RISQUE TO THE PRESIDENT, RE: WHEAT SALES TO THE SOVIET UNION			

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132873	MEMO DUPLICATE OF #132871	2	10/29/1987	B1

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THE WHITE HOUSE
WASHINGTON

CLOSE

February 3, 1988

MEMORANDUM FOR SENATOR BAKER

FROM: NANCY J. RISO *Nancy J. Riso*

SUBJECT: EPC Meeting on Mexico and U.S.-U.S.S.R. Long-Term
Grain Agreement

Mexico

Friday's EPC will focus on three initiatives in the trade area building on the successful bilateral framework agreement signed in August 1987.

The three initiatives follow:

1. Offer to increase Mexico's benefits under the Generalized System of Preferences (GSP) in return for increased Mexican patent protection for pharmaceuticals, chemicals and biotechnology.
2. Offer to negotiate additional increases in U.S. steel quotas for Mexico in return for Mexican tariff reductions in steel, chemicals, and processed agricultural goods.
3. Offer U.S. tariff reductions in return for binding Mexican tariff reductions made as part of World Bank Structural Adjustment loans. (This offer is contingent on a trade bill giving the President tariff negotiating authority.)

The Council will consider pushing for liberalization of Mexico's investment regime and retention of U.S. tariff provisions 806/807 that favor border trade.

Long-Term Grain Agreement

The Council will consider whether, and under what conditions, to renew the U.S.-U.S.S.R. Long Term Grain Agreement that expires on September 30, 1988.

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132874	PAPER US-USSR LONG TERM AGREEMENT	3	2/3/1988	B1

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APPENDIX

**Agreement Between
The Government of the United States of America and
The Government of the Union of Soviet Socialist Republics
on the Supply of Grain**

The Government of the United States of America ("USA") and the Government of the Union of Soviet Socialist Republics ("USSR"),

Recalling the "Basic Principles of Relations between the United States of America and the Union of Soviet Socialist Republics" of May 29, 1972 and other relevant agreements between them;

Desiring to strengthen long-term cooperation between the two countries on the basis of mutual benefit and equality;

Mindful of the importance which the production of food, particularly grain, has for the peoples of both countries;

Recognizing the need to stabilize trade in grain between the two countries; and

Affirming their conviction that cooperation in the field of trade will contribute to overall improvement of relations between the two countries;

Have agreed as follows:

Article I

The Government of the USA and the Government of the USSR hereby enter into an agreement for the purchase and sale of wheat and corn for supply to the USSR. To this end, during the period that this Agreement is in force, except as otherwise agreed by the Parties, the Soviet foreign trade organizations shall purchase from private commercial sources, for shipment in each twelve-month period beginning October 1, 1983, nine million metric tons of wheat and corn grown in the USA; in doing so, the Soviet foreign trade organizations, if interested, may purchase, on account of the said quantity, soybeans and/or soybean meal produced in the USA, in the proportion of one ton of soybeans and/or soybean meal for two tons of grain. In any case, the minimum annual quantities of wheat and corn shall be no less than four million metric tons each.

The Soviet foreign trade organizations may increase the nine million metric ton quantity mentioned above without consultations by as much as three million metric tons of wheat and/or corn for shipment in each twelve-month period beginning October 1, 1983.

The Government of the USA shall employ its good offices to facilitate and encourage such sales by private commercial sources. Purchases/sales of commodities under this Agreement will be made at the market price prevailing for these products at the time of purchase/sale and in accordance with normal commercial terms.

Article II

During the term of this Agreement, except as otherwise agreed by the Parties, the Government of the USA shall not exercise any discretionary authority available to it under United States law to control exports of commodities purchased for supply to the USSR in accordance with Article I.

Article III

In carrying out their obligations under this Agreement, the Soviet foreign trade organizations shall endeavor to space their purchases in the USA and shipments to the USSR as evenly as possible over each twelve-month period.

Article IV

The Government of the USSR shall assure that, except as the Parties may otherwise agree, all commodities grown in the USA and purchased by Soviet foreign trade organizations under this Agreement shall be supplied for consumption in the USSR.

Article V

Whenever the Government of the USSR wishes the Soviet foreign trade organizations to be able to purchase more wheat or corn grown in the USA than the amounts specified in Article I, it shall notify the Government of the USA.

Whenever the Government of the USA wishes private commercial sources to be able to sell to the USSR more wheat or corn grown in the USA than the amounts specified in Article I, it shall notify the Government of the USSR.

In both instances, the Parties will consult as soon as possible in order to reach agreement on possible quantities of grain to be supplied to the USSR prior to purchase/sale or conclusion of contracts for the purchase/sale of grain in amounts above those specified in Article I.

Article VI

The Government of the USA is prepared to use its good offices, as appropriate and within the laws in force in the USA, to be of assistance on questions of the appropriate quality of the grain to be supplied from the USA to the USSR.

Article VII

It is understood that the shipment of commodities from the USA to the USSR under this Agreement shall be in accord with the provisions of the American-Soviet Agreement on Maritime Matters which is in force during the period of shipments hereunder.

Article VIII

The Parties shall hold consultations concerning the implementation of this Agreement and related matters at intervals of six months, and at any other time at the request of either Party.

Article IX

This Agreement shall enter into force on execution and shall remain in force until September 30, 1986, unless extended by the Parties for a mutually agreed period.

DONE at Moscow this twenty-fifth day of August, 1983, in duplicate, each in the English and Russian languages, both texts being equally authentic.

STATUS OF U.S. SALES TO THE USSR UNDER CURRENT LTA
 REPORTED AS OF 1/14/88
 (1,000 Metric Tons)

AGREEMENT YEAR (Oct/Sep)	ACTUAL SHIPMENTS				TOTAL SALES	SHIPMENTS TO DATE
	<u>83/84</u>	<u>84/85</u>	<u>85/86</u>	<u>86/87</u>		<u>87/88</u>
Wheat	7,593	2,887	153	4,081	4,812	944
Corn	6,476	15,750	6,808	4,102	1,764	1,666
TOTAL - Grains	14,069	18,637	6,961	8,183	6,576	2,610
Soybeans	416	-	1,519	68	800	212
Soybean Cake & Meal	-	-	-	-	1,303	291
AGREEMENT MINIMUM	9,000	9,000	9,000	9,000	9,000	

Source: USDA/FAS - U.S. Export Sales

2. Long-Term Grain Agreement

2-4-88

The TPRG is unanimously recommending that the United States attempt to negotiate a new Long-Term Grain Agreement with the Soviet Union. The current agreement expires on September 30, 1988.

When the TPRG met to review this issue, it expressed a preference for a new agreement, rather than extending the current agreement. The TPRG agreed to defer on several other questions until the negotiations begin. These issues are:

- o length of the agreement;
- o products covered by the agreement;
- o role of nonagricultural issues, such as shipping or trade matter, in the agreement; and
- o price provisions in the agreement.

I am not sure how we can make a recommendation to the President without saying something about price. The present agreement is that sales will be made at "prevailing market prices". This could mean U.S. prices or world prices (which the U.S. can reach through the EEP). I think the Soviets will demand greater specificity this time.

If we are not prepared to use the EEP, then we shouldn't indicate a willingness to begin negotiations.

Perhaps the best way for the Council to handle this is to direct our negotiators to go out and stick to U.S. prices until the last item in the negotiations. This would strengthen our negotiators and perhaps give us a better feel for how much of the sales should be covered by the EEP or the occasions for which the EEP (or similar subsidy mechanism) would have to be used.

Intellectually, it would seem difficult to push for elimination of all agricultural subsidies in the GATT, while explicitly writing into the LTA an export subsidy.

Alan Holmer will make the presentation.

cc: Nancy J. Risque
M. Peter McPherson

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132875 MEMO

1 2/17/1988 B1

NANCY RISQUE TO THE PRESIDENT, RE: A NEW
LONG-TERM GRAINS AGREEMENT WITH THE
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