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Mexico, Long Term Grain Agreement with the Soviet Union

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WITHDRAWAL SHEET

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Collection Name SPRINKEL, BERYL: FILES

Withdrawer

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File Folder 02/05/1988 (9:15 A.M.) ECONOMIC POLICY COUNCIL
MEETING RE: MEXICO & LONG-TERM GRAIN
AGREEMENT WITH SOVIET UNION

FOIA
S589

Box Number 17748

SYSTEMATIC
535

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
163350	MEMO	DUPLICATE OF #77865; TRADE POLICY REVIEW GROUP TO THE EPC RE: U.S.-MEXICO TRADE RELATIONS	11	2/3/198	B1
163351	PAPER	DUPLICATE OF #77866; U.S.-USSR LONG TERM AGREEMENT	3	ND	B1

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

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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Action: E. Grimal & D. Sumner
 cc: BWS
 MLM
 TGM

CONFIDENTIAL ATTACHMENT

THE WHITE HOUSE
 WASHINGTON

UNCLASSIFIED (BY) REMOVAL
 OF CLASSIFIED PORTIONS
 dlm 1/8/14

CABINET AFFAIRS STAFFING MEMORANDUM

Date: Feb. 3, 1988 Number: 490,726 Due By: -----

Subject: Economic Policy Council Meeting -- Friday, February 5, 1988
 Roosevelt Room -- 9:15 a.m.

	Action	FYI		Action	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Justice	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Powell	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cribb	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	Bauer	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>	Dawson (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Chief of Staff	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Executive Secretary for:		
_____			DPC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CIA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	EPC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	AID	<input checked="" type="checkbox"/>	<input type="checkbox"/>
NASA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The Economic Policy Council will meet on Friday, February 5, 1988, at 9:15 a.m. in the Roosevelt Room. The agenda and background materials are attached for your review.

RETURN TO:

Nancy J. Risque
 Cabinet Secretary
 456-2823
 (Ground Floor, West Wing)

Associate Director
 Office of Cabinet Affairs
 456-2800
 (Room 235, OEOB)

THE WHITE HOUSE

WASHINGTON

February 3, 1988

MEMORANDUM FOR THE ECONOMIC POLICY COUNCIL

FROM:

EUGENE J. McALLISTER *EM*

SUBJECT:

Agenda and Papers for the February 5 Meeting

The agenda and papers for the February 5 meeting of the Economic Policy Council are attached. The meeting is scheduled for 9:15 a.m. in the Roosevelt Room.

The first agenda item will be Mexico. In the State of the Union, the President highlighted trade as one of the top items on his agenda for his talks with President de la Madrid, scheduled for February 13. The Council will consider several options for trade initiatives within the existing framework agreement. The TPRG has prepared the attached paper outlining these options.

The second agenda item will be the Long-Term Grain Agreement. The current 5-year U.S.-U.S.S.R. agreement expires September 30, 1988. The Council will discuss the possible renewal of the agreement. A paper prepared by the TPRG is attached.

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ENCLOSURE(S)

dlb 1/6/14

CONFIDENTIAL ATTACHMENTS

ECONOMIC POLICY COUNCIL

February 5, 1988

9:15 a.m.

The Roosevelt Room

AGENDA

1. Mexico
2. Long Term Grain Agreement with the Soviet Union

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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, 1988, 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

Talking Points for Beryl Sprinkel
EPC Meeting on U.S. Long-Term
Agreement for Agricultural Exports

Friday, February 5, 1988

Background

- o The U.S. and Soviet Union have now had two long-term agreements to facilitate sales of wheat, corn, and soybeans by private U.S. exporters to the Soviet Union. The current agreement expires in September 1988. The TPRG recommends that a new long-term agreement be negotiated.
- o The long-term agreement is of at most marginal value to the U.S. industries but is believed to have facilitated trade.
 - The agreement implies explicit actions by the two governments if less than the agreed upon minimums, or more than the agreed upon maximums, are to be exported. For example, the U.S. embargo in 1979 applied only to exports above the minimum.
 - As problems in the last two years have shown, the agreement will not insure that the Soviets will buy from U.S. sources at a higher price than is available elsewhere. Nor are U.S. firms bound to sell to the Soviets at lower prices than they could receive from other buyers.

Position

- o Not oppose a new LTA.
 - There is not an economic reason to oppose a long-term agreement that is strongly favored by private interests and that seems to have little impact--positive or negative--on our national interests.
 - However, we do want to be sure that the LTA does not interfere with our GATT free trade proposal. Any potential conflict should be decided in favor of the GATT.
- o Specific issues in the agreement should be left to the negotiators.
 - It should be emphasized that the U.S. Government is not the one selling grain, and specifics of price should be left to the export firms.
 - The inclusion of other products will probably be left to other potential agreements but may be raised in this negotiation if U.S. firms would find it helpful.

EPC Meeting: Mexico Trade Relations (February 5, 1988)

- o What the U.S. wants:
 - Continuing momentum on "special trade relationship."
 - Bound tariff reductions in Mexican steel, chemicals, paper, canned fruit, raisin, chocolate confectionary.
 - Improvements in Mexican patent law: product patent for pharmaceuticals, chemicals & alloys; process patent for biotechnology.
 - Small improvements (also feasible to Mexico) in foreign investment regulations: Larger threshold for 100% foreign-owned companies; standstill on use of export performance requirements; lowering of 55 % tax on dividends.
- o What the U.S. could offer:
 - U.S. bound tariff reductions for Mexico-related products.
 - GSP extensions: waiver of competitive need limits; redesignation of product eligibility (through annual review process or specially by President).
 - Additional increases in U.S. steel quotas for Mexican steel.
 - Negotiate U.S.-Mexico Auto Pact.
 - Continuation, affirmation of 806.3/807 program.
 - Kind words:
 - a) Note de la Madrid progress in trade liberalizing.
 - b) Draw attention to Framework Understanding.
 - c) Note benefits to Mexico from removal of 4 Asian NIC's from GSP.
 - d) Reaffirm opposition to protectionist trade bill and oil import fee.
- o Recommendations:
 - Accept 1: Use bilateral framework for incremental progress in foreign investment policy, intellectual property rights, market access.
 - Reject: GSP for patent protection.
 - Reject: Steel quotas for bound tariff reductions.
 - Accept: U.S. bound tariff reductions for Mexico bound reductions.
 - Reject: U.S.-Mexico Auto Pact.
 - Accept 3: Coordinate Feb.13 meeting of two Presidents and Feb. 22-23 Framework consultations to seek progress in foreign investment.
 - Accept 4: Reaffirm Administration support of 806.3/807 provisions of U.S. tariff.
- o Bottom line: Tariffs, 806.3/807, and words for investment, tariffs, and IPR.