

News from Senator

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FOR IMMEDIATE RELEASE  
TUESDAY, MAY 29, 1979

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## FARM STATE SENATORS QUESTION VALUE OF U.S. PARTICIPATION IN MTN CODES

WASHINGTON-- A bipartisan group of Senators representing some of America's largest farm states have written a letter to Ambassador Robert S. Strauss questioning U.S. participation in the subsidies/countervailing duty code recently concluded in the Multilateral Trade Negotiations (MTN). The fourteen Senators, led by Bob Dole (R.-Kansas), are especially critical of the European Common Market, which heavily subsidizes agricultural products.

"As Senators from states with major agricultural interests, we are very concerned that our government has been waiving countervailing duties on key agricultural imports from the E.E.C. without receiving any indication in return that the E.E.C. intends to reciprocate. We would also like to know whether or not the the E.E.C. is willing to accept greater discipline and restraints in the use of export subsidies-- and would like to be assured by our own executive branch that they will vigorously enforce this," said Dole.

Dole pointed out that he and other Senators have been concerned that no action has been taken on a complaint against the E.E.C. concerning wheat sales.

"The complaint was filed under section 302 of the Trade Act of 1974 and our farmers and exporters have a right to demand prompt action," Dole said.

Dole and the other Senators are also fearful that the U.S. might be subject to agricultural "dumping" because the negotiators have agreed to adopt an "injury test" to determine the impact of imports.

The letter was signed by Dole, Senator Jesse Helms (R.N.C.), Senator George McGovern (D.-S.D.), Senator Ed Zorinsky (D.-Neb.), Senator Milton Young (R.-N.D.), Senator David Durenberger (R.-Minn.), Senator John Heinz (R.-PA), Senator Bill Roth (R.-Del.), Senator Malcolm Wallop (R.-Wyo.), Senator David L. Boren (D.-Okla.), Senator John Melcher (D.-Mont.), Senator Roger Jepsen (R.-Iowa), Senator Rudy Boschwitz (R.-Minn.)

(MORE)

and Senator S.I. Hayakawa (R.-CA).

The following is the text of the letter:

Dear Mr. Ambassador:

As Senators from states with major agricultural interests, we must express to you our serious concern regarding recent developments in subsidized agricultural exports from the European Community. These recurring practices, and in at least one case, the Executive's apparent disinclination to take timely action to resolve the problem, leave us in doubt as to the benefits, if any, which the U.S. agricultural sector will glean from U.S. participation in the subsidies/countervailing duty code recently concluded in the Multilateral Trade Negotiations.

The code, in our view, embodies a negotiated trade-off. We agreed to adopt an injury test in our countervailing duty law, while the Europeans, with others, agreed to exert discipline in the use of subsidies to support their agricultural exports.

The wisdom of the trade-off must be called into question in light of some recent developments. Only a few months ago, we were confronted by imports of massively subsidized sugar from the E.C. In the last few weeks, we have had to take expeditious action to deter imports of chilled beef from the E.C., which were benefitting from Community export subsidies. Because we currently do not have an injury test in our countervailing duty law, there are few obstacles to quick action against such imports. If we adopt the code requirements, the injury test will add a factor which, in many cases, may restrict our ability to act altogether.

We would note that, though not obligated internationally, we have been waiving countervailing duties on key agricultural imports from the E.C. as a demonstration of our desire to conclude an agreement. In fact, as a gesture of good faith and in response to specific E.C. requests, we recently extended these waivers.

On the other side of the ledger, we find no comparable good faith gestures nor any indication of the European commitment to abide by the spirit and intent of the code regarding agricultural export subsidies. On the contrary, recent developments are discouraging. The sugar and beef examples have already been mentioned. In addition, subsidized wheat sales by the E.C. may be responsible for a \$700 million decline in value of U.S. wheat exports in the current sales season. This problem has been presented to your office in the form of a section 301 complaint. Although the subsidized wheat sales appear to continue, your office has taken no official action to resolve the issue since the hearing held in February.

Your letter of March 26 to E.C. Vice President Gundelach exacerbates our concerns that the Executive's reticence to act against foreign agricultural export subsidies will be reinforced by provisions of the subsidies code. The E.C. has portrayed the new international codes as legitimizing its Common Agricultural of March 26, you agree in effect with that view by stating, "The United States . . . in no way intends to undermine the CAP." Beyond this, your letter creates doubts that the code will prevent further displacement of our agricultural exports by growing subsidized competition from the E.C.

These recent developments raise some fundamental questions which must be answered. Under the code, will we be able to take action against European subsidized exports to third markets which undercut our export prices, even though our volume share of the world market may not be reduced? The code prohibits "material" price undercutting through subsidies; will the Europeans be free to drive down prices by small but decisive increments? Other questions we have may be answered in your statement of administrative action regarding enforcement of the subsidies code. We would like to review the draft statement as soon as possible before the MIN package, including the statement, is finally submitted for Congressional approval.

The developments we have noted also leave us with some serious doubts regarding the intentions of our co-signatories to abide by the spirit and intent of the code. Positive actions should be taken, as we did by waiving countervailing duties, which indicate the E.C.'s willingness to exert greater discipline in the use of export subsidies. We would also like to be assured that the Executive will vigorously enforce this discipline at the international level. In this context, resolution of the wheat issue would be a good beginning.

We look forward to your response to the questions and concerns raised in this letter.