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JAPANESE IMPORT BARRIERS TO U.S. AGRICULTURAL EXPORTS

AND

THE COMMON AGRICULTURAL POLICY OF THE EUROPEAN COMMUNITY AND IMPLICATIONS FOR U.S. AGRICULTURAL TRADE

STUDIES

PREPARED FOR THE USE OF THE

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LETTERS OF TRANSMITTAL

SEPTEMBER 29, 1986.

Hon. DAVID R. OBEY,
Chairman, Joint Economic Committee,
Congress of the United States, Washington, DC.

DEAR MR. CHAIRMAN: I am pleased to transmit two studies on present agricultural trade challenges facing the United States. The first, "Japanese Import Barriers to U.S. Agricultural Imports," is authored by Ms. Donna U. Vogt, Analyst, Environment and Natural Resources Policy Division of the Congressional Research Service. It explains how Japan's system of import barriers restricts U.S. agricultural exports to that country.

The second study, "The Common Agricultural Policy of the European Community and Implications for U.S. Agricultural Trade," is coauthored by Donna U. Vogt and Jasper Womach, Specialist, Environment and Natural Resources Policy Division of the Congressional Research Service. It focuses on obstacles to American agricultural exports resulting from the Community's Common Agricultural Policy.

Sincerely,

JAMES ABDNOR,
Vice Chairman, Joint Economic Committee.

SEPTEMBER 24, 1986.

Hon. JAMES ABDNOR,
Vice Chairman, Joint Economic Committee,
Congress of the United States, Washington, DC.

DEAR MR. VICE CHAIRMAN: Congress is now engaged in a review of this Nation's trade policies and trading relationships. Farmers in the United States who rely heavily on export markets as the outlet of their production have suffered for several years from low prices and declining sales. At your request, the Congressional Research Service has prepared two reports that explain and examine the agricultural trade policy problems between the United States and both Japan and the European Community. The two studies here transmitted are: "Japanese Import Barriers to U.S. Agricultural Exports," by Donna U. Vogt, Analyst in Agricultural Policy and "The Common Agricultural Policy of the European Community and Implications for U.S. Agricultural Trade," by Donna U. Vogt and Jasper Womach, Specialist in Agricultural Policy. Both authors work in the Environment and Natural Resources Policy Division and acknowledge the excellent guidance provided in the project by John Starrels from the staff of the Joint Economic Committee.

I hope that the attached reports will be helpful to the Committee and the Congress in the current deliberations over agricultural trade policy problems.

Sincerely,

JOSEPH ROSS,
Director, Congressional Research Service, Library of Congress.

FOREWORD

By Senator James Abdnor

The two papers presented here describe and discuss the policies and the conflicts between the United States and both Japan and the European Community over agricultural trade issues. Many conflicts have arisen because declining U.S. sales of agricultural exports in world markets have caused a slump in U.S. farm incomes, in part because of a world oversupply of agricultural commodities. Yet, production of food and agricultural commodities will continue because it is considered by all countries including the United States, the European Community, and Japan to be a major component of economic and social policy as well as national security. Most countries' agricultural policies attempt to ensure a stable supply of food for their populations as well as provide farmers with incomes comparable to those made in industry. Hence, many nations construct domestic agricultural policies in a manner that insulate farmers from factors that could promote adjustment to a changing world trading environment. As a result, little consideration is given to the spill over effects of these domestic agricultural policies on agricultural trade relations.

As countries protect their agricultural sectors, they cut off access to their markets for imports. Both Japan and the European Community have relied to varying degrees on border measures to protect their farmers from competition from imported agricultural products. This report lists many of the border measures facing U.S. agricultural exports.

Conflicts between exporting countries arise from marketing practices of one country which hinder or diminish markets for another. Often these marketing practices, such as export subsidies, are considered "unfair trading practices" by the exporting nations that lose markets. In recent years, tensions have escalated among agricultural exporters over the extensive use by the European Community of export subsidies that have taken U.S. and other countries' markets in third countries. This report reviews some of the recent trade conflicts between the United States and the European Community over export subsidies.

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JAPANESE IMPORT BARRIERS TO U.S. AGRICULTURAL EXPORTS

By Donna U. Vogt *

Overview

This report discusses a variety of Japanese import barriers to United States agricultural commodities. The United States Government wants to negotiate a lowering of these barriers in order to help balance the overall trade deficit with Japan (which reached $49.7 billion in 1985). If these barriers were completely removed, it has been estimated that in the short term agricultural sales to Japan would increase by $1 billion.[1] U.S. officials hope that in the longer term, with economic growth, there will be even larger purchases of U.S. agricultural products. An immediate $1 billion gain would not even cover the $1.3 billion decline between 1984 and 1985 in United States agricultural shipments to Japan (a drop from $6.7 billion to $5.4 billion). However, an additional $1 billion in agricultural imports by Japan would have reduced the trade imbalance between the two nations by 2 percent. Unfortunately, additional sales of $1 billion in U.S. agricultural commodities would have very little influence on the 39.5 percent drop in total value of U.S. agricultural exports since 1981 (a decline from $43.8 billion in fiscal year 1981 to $26.5 billion forecast for fiscal year 1986).

This report explains some of the reasons why United States agricultural exports have a difficult time competing in Japanese markets. Import barriers, such as high tariffs and quotas, limit market access for U.S. agricultural imports. Sales of United States agricultural exports to Japan also face a slow rate of growth in aggregate domestic economic demand. Besides Japanese import and domestic policies, United States commodities face increasingly stiff competition from other exporting countries.

Japanese import barriers reflect at least two policy objectives: national food security policies, and domestic economic welfare policies. Food security policies are based on the fear stemming from post World War II shortages of food supplies. The Japanese Government determines the national economic welfare policies and adjusts its trade to be consistent with these objectives. In setting cri-

* Analyst, Environment and Natural Resources Policy Division, Congressional Research Service, Library of Congress. I want to thank Dave Miller and Richard Blabey of the Foreign Agricultural Service, William Coyle and Lois Caplan of the Economic Research Service, U.S. Department of Agriculture, and Ellen Terpstra of the Office of the U.S. Trade Representative for their assistance and critical review of this study. This report updates and revises CRS Report No. 85-153 ENR of July 1985

[1] United States/Japan Economic Agenda. Issues in United States-Japan Agricultural Trade. Roundtable on United States-Japan Agricultural Trade by Richard Sorich. Co-sponsored by Carnegie Council on Ethics and International Affairs and George Washington University. Washington, DC 1986

teria, by which to establish import goals, the government determines how many domestic jobs will be affected by imports.

The process of lowering Japanese trade barriers to United States agricultural exports has been slow. Prior to any meaningful liberalization, the Japanese must decide that opening their borders would be in their own self interest. Their national interest, however, increasingly involves Japan's overall trade policy toward the United States.

Introduction

Japan imports 20 times more in value of United States agricultural products than it exports to the United States. Most United States products shipped to Japan are bulk commodities rather than processed or semiprocessed products. A system of trade barriers currently limits sales of some food grains such as rice, wheat, and barley as well as the sales of the higher value, processed agricultural products. These barriers exist as protection against foreign competition for Japanese farmers, the purpose being to maintain the income of farmers on a par with urban income levels and to sustain the current level of food self-sufficiency. Japanese farmers who hold sizable political power have resisted lowering these barriers.

United States officials want to see a reduction in agricultural trade barriers in order to reduce the imbalance in bilateral trade (United States' total trade deficit with Japan in 1985 was $49.7 billion) and to increase market access for United States agricultural exports. In addition, United States officials see many of these trade barriers as a violation of Japan's multilateral obligations to increase market access for agricultural products including those from the United States. Through bilateral and multilateral discussions and negotiations, United States officials have successfully pressured Japan to lower or eliminate specific barriers, but other barriers remain. This report discusses those remaining barriers, presents a brief history of the Administration's response to Japanese import barriers, and provides possible congressional options to liberalize Japanese import barriers.

United States and Japanese Agriculture

Japan and the United States have different agricultural sectors and policy goals. Japan, with limited agricultural resources, depends heavily on agricultural imports. However, food shortages and hunger during and after World War II led Japanese policymakers to strive for a high degree of self-sufficiency in basic food stuffs by encouraging domestic production of stable foods, particularly rice. Japanese agricultural policies are designed to promote food self-sufficiency, to maintain a viable and healthy farm sector, and to continue to import foods that cannot be efficiently produced domestically. The Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) estimates future per capita consumption and demand for food stuffs, and the production and import levels that will be needed to fill this demand. Japanese agricultural import policies reflect both the careful supply and demand calculations of the

MAFF, and allow the protection of domestic markets from import competition.

On the other hand, the United States with abundant resources to allocate to agricultural production has the capacity to produce food far in excess of domestic demand. Although the United States is one of the world's largest importers of agricultural goods, its policies and programs are primarily oriented toward supplementing when necessary the income of U.S. farmers, in return for voluntary supply controls, and promoting the export of its excess production.

Differences in these sectors and policy orientations are reflected in the agricultural trade between the two countries. In 1985, Japan imported $5.4 billion of United States agricultural exports, and in return exported only $244 million worth of farm commodities to the United States. Major United States agricultural exports to Japan are corn, soybeans, wheat, and livestock products. Japan's agricultural exports to the United States are minced seafood preparations, canned oranges, beer, and ale.

While Japan is a leading customer for United States agricultural commodities, Japan's basic orientation, nonetheless, is toward self-sufficiency in the production of basic foods, such as rice and food-quality soybeans. The Japanese MAFF states that self-sufficency declined from 90 percent in 1960 to 72 percent in 1980.[2] Japanese policy is to maintain this current level of self-sufficiency through strong domestic support programs and protective import barriers. While most Japanese agricultural production is highly inefficient, domestic programs have allowed farm income to maintain parity with urban income. The typical Japanese farm is about 1.2 hectares (3 acres). Only 14 percent of all farms in 1984 were full-time operations and off-farm income accounted for 85 percent of farm household income. The inefficient Japanese farm sector and protectionist import policy often cause consumer food prices to be high, and in some cases, to be higher than world prices; as a consequence, Japanese consumers spent in 1983 about 25.2 percent of disposable income on food as compared with 15.6 percent in the United States.[3]

United States officials perceive Japan as operating behind a wall of protectionist barriers against all agricultural imports that are considered unnecessary or that compete with domestic products. United States officials believe these barriers are inconsistent with Japan's obligations under the international trading rules of the General Agreement on Tariffs and Trade (GATT).[4] These barriers are particularly offensive to U.S. exporters, given the fairly liberal U.S. import policy not only regarding agricultural products but manufactured goods as well. Clearly, the United States is interested in liberalizing the Japanese import regime, but, given Japanese domestic policy considerations, faces a great deal of resistance to such a change.

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[2] Balaam, David N Self-Sufficiency in Japanese Agriculture: Telescoping and Reconciling the Food-Security-Efficiency Dilemma. Policy Studies Review, v 4, no 2, November 1984 p 281

[3] American Embassy, Tokyo Agricultural Affairs Office. Japan. Agricultural Statistics. June 1985

[4] Telephone conversation with Ellen Terpstra, Office of the U S Trade Representative, May 5, 1986

There are a number of staunch opponents to trade liberalization within Japan. The strength of the ruling political party, the Liberal Democratic Party (LDP), comes from rural districts whose boundaries were defined after World War II. There have been few changes in voting districts even with urban migration, leaving the rural areas with a disproportionate amount of political power in the country's parliament. Farm programs that improve the welfare of rural people are very popular, as are measures that restrict competing imports. These policies often have support among urban residents who still have memories of food shortages as well as close family ties with rural areas and identify with rural issues.[5] In addition, Japanese taxpayers and consumers appear willing to support an inefficient agricultural sector to provide adequate amounts of food, especially during times of emergency. Changing agricultural policies in Japan is a difficult political task for any Japanese governing party, given the degree of resistance to change. According to U.S. trade negotiators, there is a well organized bureaucracy within local and national agricultural cooperatives that lobbies very effectively against change. In fact, the number of such bureaucrats is believed to equal or exceed the number of full-time farmers.[6]

A liberalizing trend can be seen in the Japanese agricultural sector, but progress has been slow and incremental. Agricultural production diversification programs are changing to reflect some non-agricultural interests of consumers who have become dissatisfied with government expenditures and high food costs. Japan has encouraged the establishment of larger-sized, full-time farmers while discouraging smaller, part-time producers. Also, more Japanese officials are willing to rely on imports to meet demand for land extensive commmodities not supplied through domestic production.[7]

I. Trade Between the United States and Japan

In the last three years, Japan has imported annually more than $5 billion worth of United States agricultural products, making it the top-ranked, United States agricultural export market. The bulk of these exports are grains and oilseeds (see table 1). In 1985, the United States imported only $244 million of agricultural commodites from Japan (see table 2). In 1985, United States agricultural exports to Japan actually made up over 25 percent of total United States commodity exports. This percentage could be larger, United States officials argue, if it were not for the Japanese wall of import barriers against some agricultural imports, including those from the United States.

In 1985, the United States share of Japan's imports of agricultural products decreased for 17 products including large losses in pork, live animals, and corn. The U.S. share of imports increased for 8

[5] U.S Department of Agriculture Economic Research Service. United States-Japan Agriculture Trade Issues in perspective. East Asia World Agriculture Regional Supplement Review of 1982 and Outlook for 1983. Supplement Z to WAS-31, by William Coyle

[6] Conversations with Ellen Terpstra, Office of the U.S Trade Representative.

[7] For further discussion of changing trends in Japanese agriculture policy, see Balaam, David N Self-Sufficiency in Japanese Agriculture· Telescoping and Reconciling the Food Security-Efficiency Dilemma. Policy Studies Review, v 4, no 2, November 1984. p 281-291

products with sharp gains reported for fruit juices, beef and veal, and tobacco. Table 2 shows the strength of the U.S. share in twelve commodity categories. There was a slowdown of 1985 United States exports to Japan, particularly in corn, barley, and soybeans, because of greater competition from China and South America.

TABLE 1.—MAJOR UNITED STATES AGRICULTURAL AND FOREST EXPORTS TO JAPAN, 1983–1985

[In thousands of dollars]

	1983	1984	1985
Grain and feed products			
Wheat	589,339	534,500	468,997
Corn	1,753,335	1,990,200	1,292,583
Sorghum	84,137	269,095	240,861
Other	203,039	241,521	189,394
Total	2,629,850	3,035,316	2,191,835
Oilseeds and products			
Soybeans	1,209,373	1,171,680	936,943
Other	83,965	74,316	72,515
Total	1,293,338	1,245,996	1,009,458
Cotton and linters	503,988	610,224	372,581
Tobacco	338,480	285,979	307,387
Fruits, nuts, vegetables, and products			
Fresh citrus fruit	185,824	194,963	202,616
Fresh frozen noncitrus fruit	30,915	34,798	37,986
Canned and dried fruit	51,335	41,524	44,100
Fruit juices	17,226	22,589	31,196
Fresh and frozen vegetables	70,919	84,646	68,285
Canned and dehydrated vegetables	43,446	44,519	44,049
Tree nuts	48,516	53,960	50,755
Other	33,209	23,759	26,272
Total	481,389	500,758	505,259
Livestock, dairy, poultry, and products			
Live animals	10,109	9,561	6,461
Beef and veal	326,899	381,714	408,033
Pork	114,744	64,721	38,751
Poultry and products	104,831	83,621	74,630
Animal fats	25,694	19,883	17,813
Hides and skins	238,891	324,975	297,810
Other	77,300	97,075	75,527
Total	898,468	981,550	919,025
Other	95,295	96,623	93,822
Total, agriculture	6,240,810	6,756,446	5,394,367
Forest products			
Softwood logs	688,565	631,416	674,075
Softwood lumber	183,053	162,253	170,720
Wood chips	156,945	156,618	160,616
Other	50,964	70,823	63,255
Total	1,079,527	1,021,110	1,068,666
Total, agricultural and forest products	7,320,335	7,777,572	6,463,033

Source U S Census Bureau

TABLE 2.—JAPAN'S IMPORTS OF PRINCIPAL AGRICULTURAL COMMODITIES AND THE UNITED STATES SHARE

Commodity	Volume (1 000 tons)		U S share (percent)	
	1984	1985	1984	1985
Corn	14 170	14,225	97	77
Sorghum	4 478	4,793	42	54
Barley	1 567	1 661	26	8
Soybeans	4 515	4 910	93	88
Raw cotton	708	681	53	41
Wheat	5 978	5 510	57	59
Sugar	1,836	1 916	(1)	(1)
Coffee beans	223	231	(1)	(1)
Pork	196	190	12	6
Beef	146	151	29	31
Poultry meat	107	105	50	46
Whole cattle hides	219	204	86	88
Tobacco	75	61	61	64
Citrus fruit	370	346	97	96
Bananas	682	680	(1)	(1)
Total agricultural imports (millions)	$18,206	$15,364	42	40

[1] None or negligible

Source Japan s Ministry of Finance Japan Exports and Imports Commodity by Country 1984 and 1985 December issues As found in USDA ERS East Asia Outlook and Situation Report RS 86 2 May 1986

From the United States perspective, the agricultural trade balance is a positive part of the total United States-Japanese trade picture. In 1985 trade with Japan, the United States exported $22.19 billion worth of total goods, while importing $72.38 billion.[8] These imports created a record trade deficit with Japan of $49.5 billion.[9] This continuing overall trade deficit builds pressure for Japanese liberalization of import restrictions, including lowering those barriers affecting agriculture.

Over the past few years, there have been a number of multilateral and bilateral discussions between the United States and Japan on the issue of trade liberalization. The United States Government objective is to obtain increased access to Japanese markets through a reduction in both tariff and nontariff barriers. As former United States Trade Representative, Ambassador Brock stated in the acceptance speech of the Beef and Citrus Understanding on August 14, 1984: "We allow Japan practically unlimited access to the American market and believe they should give us the same opportunity to sell to their consumers." (Appendix 1, page 25)

According to the Office of the U.S. Trade Representative, the United States has tried not only to open Japanese markets to United States farm products (obviously our main interest), but also to many other products in which the United States may have an indirect interest. For example, when the old quota understanding on beef and citrus products expired on March 31, 1984, the United States negotiators, with the support of United States beef exporters, tried to get the Japanese to agree to eliminate quotas on all beef. The United States asked Australia to join in the negotiations

[8] U S Department of Commerce As given in telephone conversation with David Gossack, Office of U S Trade Representative, May 5, 1986

[9] U S Department of Agriculture Economic Research Service East Asia Outlook and Situation Report RS-86-2, May 1986

for the removal of all beef import quotas. The Australians refused, thinking they would gain more access for their grass-fed beef if they negotiated separately. According to other United States officials, the Japanese only wanted the United States to negotiate on high-quality, corn-feed beef and not on the total or global meat quota. In addition, the United States negotiated on orange juice quotas in which the United States has an indirect interest. These quota reductions benefitted Brazil exporters more than United States exporters.[10]

Since negotiations on specific commodities are time-consuming and difficult, the recent United States negotiating agenda has focused on reducing Japanese barriers to imports of United States products where the barriers, either tariffs or quotas, seem particularly prejudicial to United States exports. For instance, products such as prepared and preserved meats, peanuts, dried beans, and fruit juices have low quota levels, and U.S negotiators have asked for substantial increases in their levels at recent meetings. Appendix 2 contains a summary of nine rounds of bilateral negotiations on import barriers beween the United States and Japan over the last four years. In each round, tariffs were reduced on specific categories, or other opening measures followed. Overall, these time-consuming negotiations have resulted in access to Japanese markets for specific United States commodities, but the value of the increased trade has not been large.

Besides negotiations, changes in exchange rates have increased significiantly the instability confronting all traded goods including agriculture. A high dollar relative to the yen makes U.S. agricultural products very expensive. In September 1985, the finance ministers from Japan, the United States, France, West Germany, and Britain agreed in New York City to implement policies that would lower the value of the U.S. dollar, particularly against the yen and the deutschmark. Since then, the dollar has weakened from over 230 yen to 167 yen per dollar by April 1986 and has stayed in this range. Contributing to this exchange movement was the Japanese Government's raising of short-term interest rates in October and January. In the spring of 1986, the Bank of Japan reduced the official discount rate 1 percent. At the same time, the Japanese Government stepped up public works spending designed to reflate the yen.[11] Most of these fiscal measures stem from the Japanese awareness that trade is a two-way street. According to a well-known columnist, Robert J. Samuelson, "Japan may want to discontinue economic practices and institutions that protect weak industries (including farming) and grow faster through rising domestic demand and importing more." He continues, "Importing more would be in Japan's own interest." [12]

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[10] Conversation with Ellen Terpstra, Office of U S Trade Representative, June 18, 1985
[11] U S Department of Agriculture, East Asia, op cit , May 1986
[12] Samuelson, Robert J Japan's Comeuppance Washington Post, Apr 30, 1986 p G1 and G2

II. Japanese Agricultural Import Barriers

Tariffs

A tariff is a tax or duty levied on a commodity when it crosses a national boundary. Japan employs a variety of tariffs to keep prices of imported goods high, thereby reducing the level of domestic competition. These include both an ad valorem duty, a fixed percentage of the value of the commodity, and a specific duty, a fixed sum per unit of commodity. Japan imposes tariffs for revenue purposes. It also assesses these tariffs on a C.I.F. basis. (C.I.F. means that the seller's price includes cost, insurance, and freight to the named destination point.) In contracts, the United States assesses its tariffs on the F.O.B. basis (free on board), which excludes shipping and insurance. Using C.I.F. prices as the basis for the tariff means that imports into Japan are even more expensive then they would be if assessed at the lower F.O.B. rate.

Japanese tariffs on bulk agricultural commodities are fairly low, but range up to 40 percent on such imported items as oranges, jams, and jellies. Over time, the United States Government has negotiated with the Japanese, in both bilateral and multilateral contexts, for the reduction of many of these tariffs. In 1979 at the end of the Tokyo Round of multilateral trade negotiations (MTN) under GATT, Japan agreed to tariff concessions on United States agricultural exports amounting to $1.161 billion dollars (1976 trade value). The most important of these Japanese concessions was a binding of the zero duty on soybeans, insuring no tariff rise on imports for the future. In return, the United States gave no specific tariff concessions to Japan, but Japan benefitted from United States tariff concessions to other countries affecting $26 million worth of imports from Japan.[13] The Japanese reduction in tariff rates for agricultural goods is to be implemented gradually, and has been, in stages over an eight-year period, 1979 to 1987.

Since completion of the Tokyo Round, the Reagan Administration has held numerous consultations with the Japanese to pressure them to eliminate or reduce their tariffs barriers to agricultural products. In return, among other liberalizing actions, Japan has reduced tariffs on a number of categories. Appendix 2 describes the results of nine of these actions. In March 1986, Administration officials requested the Japanese consider reducing tariffs on 39 agricultural items, listed in appendix 3. On many of these items, the United States is not the dominant supplier. Still, U.S. exporters see the potential for increasing their market share of these items. Periodically, the Japanese respond to pressure and announce tariff reductions effective April first of the following year.

In December 1985, the Japanese Government announced that its seventh package of tariff reductions would become effective January 1986, thus accelerating the market access for a number of commodities. Prior to these opening measures, the Japanese Govern-

[13] U.S. Department of Agriculture Foreign Agriculture Service Report on Agricultural Concessions in the Multilateral Trade Negotiations FAS-M-301, June 1981 For an explanation of the GATT, see U S Library of Congress Congressional Research Service Agriculture in the GATT CRS Report No 86-98 ENR, by Charles Hanrahan, Penny Cate, and Donna Vogt Washington, 1986

ment had relaxed tariffs in categories of products aimed primarily at less developed countries (LDC's), and particularly affecting products from Southeast Asian suppliers. This package of reductions became effective on April 1, 1985. Although this tariff reduction package was aimed at easing import access for products from LDC's, tariff reductions on bone-in chicken legs, prepared pears, wine, fresh grapefruit, papaya, and avocado, and selected wood products will also benefit U.S. exports of these products.[14]

TABLE 3.—MAJOR UNITED STATES AGRICULTURAL AND FOREST PRODUCT IMPORTS FROM JAPAN, 1983–85

[In thousands of dollars]

	Calendar year—		
	1983	1984	1985
Grain and feed products			
Edible preparations	34,268	67,812	80,359
Cake and baked products	7,939	9,603	10,809
Macaroni	4,464	4,531	5,712
Other	3,259	3,406	3,336
Total	49,930	85,352	100,216
Oilseeds and products			
Sesame oil	5,013	5,083	5,996
Other	1,494	2,021	1,546
Total	6,507	7,104	7,542
Tobacco	1,598	1,051	719
Fruits nuts, vegetables, and products			
Fresh citrus fruit	1,067	1,097	1,636
Canned oranges	21,143	21,090	18,790
Soups and products	4,335	3,808	5,181
Soy sauce	4,097	4,608	5,145
Bean cake	2,478	2,721	3,261
Prepared and preserved vegetables	2,796	5,601	3,135
Dried mushrooms	9,645	9,690	8,727
Beer and ale	8,911	12,090	13,348
Rice wine or sake	3,953	4,534	5,650
Other	20,703	27,878	35,245
Total	79,128	93,117	100,118
Livestock and products			
Live horses	5,271	2,317	1,876
Fur skins	3,457	2,706	3,360
Gelatin	2,081	1,453	1,326
Other	3,020	3,317	5,555
Total	13,829	9,793	12,117
Other	17,583	19,788	23,740
Total, agriculture	168,575	216,205	244,452
Forest products			
Hardwood Plywood	41,734	25,504	35,968
Other	11,067	6,977	14,651
Total	52,801	32,481	50,619
Total, agriculture and forest products	221,376	248,686	295,071

Source U S Census Bureau May 1986

[14] Agricultural Voluntary Field Reports from Japan. Report No JA5002, Jan. 9, 1985. GOJ Announcement of LDC Package

In fact, in the June 1985 tariff reduction package, the United States agricultural trade that was affected by this tariff reduction amounted in 1984 to $34 million, or 5 percent of total United States agricultural exports to Japan in 1984. United States officials were disappointed that the Japanese did not reduce tariffs on chocolate confectionaries or grapefruit, and that the reduction in the wine duty will not take effect until April 1, 1987. In the latest tariff request list, United States agricultural exports affected would be much greater, with the 1985 trade amounting to $494 million, if all requested tariff reductions were adopted by the Japanese.

Of particular concern to the Administration are the Japanese tariffs, excise taxes, and other regulations on imported wines. In the U.S. view, these border restrictions violate the rules of GATT by acting more as a barrier to imports. For example, the Japanese charge the highest rate of duty on lower priced imported bottled wines that directly compete with the bulk of Japanese produced wines. Imports of medium and higher priced wines have the highest rates of excise taxes. Besides these additional taxes, domestic labeling requirements are lax, making it difficult for U.S. exporters to build brand name recognition. Labeling, health standards, and slow licensing procedures for supermarkets to carry imports have all been negotiated with the Japanese. Some relaxation of the tariffs and taxes has been the result of bilateral talks, but U.S. exporters continue to press for further cuts in these border measures.[15] United States exporters would prefer reduced tariffs because they perceive an unmet demand for many of these products in Japan.[16]

Quotas and Quantitative Restrictions

In June 1955, when Japan acceded to the GATT, all of its agricultural imports were quantitatively restricted through quotas. Japan justified this policy for balance-of-payments reasons. This justification is acceptable under GATT rules if a country agrees to consult with its trading partners and the International Monetary Fund (IMF), and change its policies to comply with the IMF's recommendations. As Japan's economy grew, quota restrictions were progressively lifted. In 1963, Japan ceased using the balance-of-payments justification for maintaining its system of quotas. The date is significant because after 1963 the remaining quantitative restrictions or quotas on agricultural imports became "residual restrictions," a category of barriers that is not consistent with the trade rules of the GATT.

[15] Conversation with Ellen Terpstra, Office of the U S. Trade Representative, May 5, 1986.

[16] Conversation with William Coyle, International Economics Division, Economics Research Service, U S Department of Agriculture, Jan. 28, 1985. See also U.S. Department of Agriculture Economic Research Service. United States-Japan Agricultural Trade Issues in Perspective. East Asia World Agricutlure Regional Supplement. Review of 1982 and Outlook for 1983. Supplement 2 to WAS-31, by William Coyle.

Since 1963 to the present time, the United States Government has been negotiating with Japan both in the GATT and on a bilateral basis to clarify these "residual restrictions," quotas, tariff quotas (imports above the quota are subject to higher tariffs), import licensing policies, and any quantitative restriction preventing or inhibiting imports from entering Japan's domestic market (see appendix 2 for summary of negotiations). At times these restrictions have been difficult to identify and have been administered in an arbitrary manner. The lack of transparency in quota establishment and lack of consistency in administration has been adversely affecting U.S. exports. For example, most of the residual quotas are administered through the category of "miscellaneous import quota." Licenses to import corned beef, prepared and preserved meats, and fruit juices are difficult to obtain because they are only made available to traditional importers of these products. Meats and fruit juices are two product areas where USDA officials feel there is a growing import market demand.

Japan is a signatory of the GATT licensing code which requires that countries publish the amount of an import quota before it is imposed. United States officials claim that Japan has often not lived up to its obligation as a signatory of this code.[17]

Several private United States-Japan trade groups have submitted to the Japanese and United States Governments' suggestions of products whose import quotas could be removed without detrimental effect on Japanese farm policy. Appendix 4 gives one such group's suggestions on how the Japanese could open amd make clearer quotas on tropical fruit juices, processed cheese, tomato catsup, and a general processed product category. In the last year a number of nations in the GATT Committee on Licensing exerted pressure on Japan to clarify their import regulations. As a result, Japan's regulations have become much more transparent. Some U.S. industry interests, however, continue to complain about excessive Japanese import restrictions. Of particular interest to the United States have been the quotas on beef and citrus. Following months of bilateral negotiations to renew an understanding with regard to these quotas (negotiated in the last GATT round and that expired on April 1, 1984) the United States and Japanese Governments exchanged "Letters of Acceptance" on August 14, 1984, on new increased Japanese import levels for beef and citrus products. Table 4 gives the schedule for import increases for these products, and table 5 contains the total value of beef and citrus covered in the understanding. (The text of the understanding can be found in appendix 1.)

[17] Conversation with Ellen Terpstra, Office of the U S. Trade Representative

TABLE 4.—SCHEDULED BEEF AND CITRUS IMPORT INCREASES UNDER THE 4-YEAR BROCK-YAMAMURA UNDERSTANDING

[Metric tons product weight]

Japanese fiscal year, Apr 1-Mar 31	High quality beef	Oranges [1]	Orange juice	Grapefruit juice
1984	37,700	93,000	7,000	Nonrestrictive licensing
1985	44,600	104,000	7,500	Do
1986	51,500	115,000	8,000	Liberalized
1987	58 400	126,000	8 500	Do

[1] Excludes special quota for Okinawa

Source U S Department of Agriculture Foreign Agricultural Service

TABLE 5.—UNITED STATES EXPORTS TO JAPAN OF BEEF, FRESH ORANGES, AND CITRUS JUICE

[Dollar amounts in millions]

Year	Beef fresh chilled and frozen	Fresh oranges	Orange juice	Grapefruit juice	Total beef and citrus	Percent of total United States agricultural exports to Japan
1971	$1 5	$1 6	$0 2	$0 2	$3 5	0 33
1972	2 0	3 4	6	2	6 2	43
1973	35 0	4 3	4	4	40 1	1 34
1974	17 8	4 3	1 0	4	23 5	68
1975	26 3	7 7	6	5	35 1	1 14
1976	42 2	8 1	1 1	7	52 9	1 46
1977	52 4	7 6	1 6	9	62 5	1 62
1978	95 8	22 4	1 8	1 6	121 6	2 74
1979	129 1	29 0	2 4	2 6	163 1	3 10
1980	131 1	27 8	1 4	3 9	164 2	2 69
1981	155 9	44 4	1 2	7 8	209 3	3 19
1982	230 0	51 3	1 3	4 9	287 5	5 18
1983	251 3	51 9	1 7	4 9	309 8	4 96
1984	322 2	62 0	2 4	8 2	394 8	5 84
1985	350 6	73 3	3 2	11 4	438 5	8 10

Source Bureau of the Census, U S Department of Commerce As found in USDA ERS FATUS Foreign Agriculture Trade of the United States January/February 1986 Update from Lois Caplan, Economist, Economic Research Service, U S Department of Agriculture

BEEF IMPORT QUOTAS

Japan has an annual global or total quota for beef which is divided into a general quota and special quotas. Special quotas are further divided into School Lunch, Hotel, and Okinawa quotas. About 90 percent of the beef under the general quota is imported by the Livestock Industry Promotion Corporation (LIPC), a quasi-governmental corporation (see below). The remaining 10 percent is imported by private traders. The 10 percent portion is assessed a special surcharge on imported beef. This surcharge is added to a 25 percent ad valorem tariff which is imposed on all imported beef, making the effective duty approximately 60 percent ad valorem on beef imported by private traders under the general quota. Tariffs and surcharges on imported beef, restrictions in imported cattle (limited quarantine facilities and a tariff quota on feeder calves) in combination with the LIPC's practice of selling imported beef at a price equal to the higher domestic price of beef make the price of United States beef to Japanese consumers significantly higher than the price at which is enters Japan.

Japanese beef import quotas are directly linked to the domestic support programs (see appendix 5 for chart of policies affecting the Japanese livestock sector). Each year in March, prior to the start of the Japanese fiscal year on April 1, the Ministry of Agriculture, Forestry, and Fisheries (MAFF), through an advisory council, establishes annual upper and lower stabilization prices (a price band) for the wholesale price of beef carcasses, as well as an annual quota for all imported beef. The administration of these prices and quotas is the responsibility of the LIPC. The LIPC auctions all beef it physically imports at a price substantially above the import price, making a significant profit ($100 million in 1983). By law, its profits are used for promoting the growth of the livestock industry, making beef production more efficient, and improving the beef distribution system, among other activities.[18]

As part of the August 1984 Understanding, the Japanese Government agreed to a partial liberalization of the beef import system. First, it increased the Hotel beef quota to 4,000 tons a year. Second, the Japanese Government permitted licensed Japanese domestic distributors (users) of imported beef (29 wholesalers and 25 associations) to negotiate directly with foreign suppliers on products, specifications, and prices of beef. Prior to this, LIPC dictated these terms. The new system for direct negotiation is called simultaneous buy/sell (SBS) and permits direct negotiations for 10 percent of total LIPC quota allocations for each half of a fiscal year.[19]

CITRUS IMPORT QUOTAS

Japan is the third largest citrus producer in the world, following the United States and Brazil, producing 90 percent of the domestically available citrus. Most of this citrus production is of a tangerine-like fruit called mikan oranges (also called satsuma). Japan produces no grapefruit, and lemon and orange production is very limited. Mikan (satsuma) production was encouraged in the early 1960's as a result of incentives to diversify farmers out of rice and to find high valued products that can be raised on hillsides. By 1973, with 173,000 hectares planted in mikan oranges, an oversupply of mikan oranges threatened grower incomes.[20] Since then, the Japanese Government has sponsored three diversion schemes which it hopes will reduce land planted to mikan oranges to 110,000 hectares by 1987. The MAFF will also use subsidies to shift production from mikan oranges to other crops such as kiwi-fruit, yams, or figs.[21] At the same time, the Japanese Government has encouraged the planting of navel oranges.

Additional government support of the Japanese citrus industry includes import quotas, a blending requirement and restrictions on import licenses. Citrus imports consist of those varieties which are

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[18] U.S Department of Agriculture. International Economics Division. Economic Research Service. Japan's Feed-Livestock Economy: Prospects for the 1980's. Foreign Agricultural Economic Report No. 177, by William T. Coyle.

[19] U.S. Department of Agriculture Foreign Agriculture Service. Foreign Agriculture Circular: Dairy, Livestock, and Poultry. FDLP-2-85, February 1985. p 10-11

[20] U S Department of Agriculture The Japanese Citrus Market Foreign Agriculture Circular: Horticultural Products FAS, FHORT 7-83, July 1983.

[21] U.S Department of Agriculture. Japan. East Asia: Outlook and Situation Report. ERS, RS-184-2, April 1984

produced in minor amounts or not commercially grown. The fresh orange import quota is divided between "annual" and "off-season" quotas. The "annual" quota is the total amount of fresh oranges allowed into Japan for one fiscal year (April–March). For fiscal year 1986 it is 115,000 metric tons. The 3-month "off-season" (June–August) quota is a higher quota designed to allow increased citrus imports during the period of low availability of Japanese citrus. This "off-season" quota also corresponds to the period of low availability of U.S. oranges.

Trade in these citrus products is concentrated among a relatively small number of Japanese firms who can obtain import licenses for the quotas—about 95 Japanese trading firms. However, since eligibility for quotas is based on a "record of imports," the top ten companies are estimated to import close to 50 percent of the total and have a "lock-in" advantage of an historical import record. Juice quotas are allocated to only four associations of domestic juice manufacturers who in turn designate Japanese trading companies for the actual transactions.

OTHER IMPORT QUOTAS

Although the expansion of quotas on beef and citrus products received much publicity and will expand opportunities for increased United States exports, Japan still has restrictive quotas on 18 other broad agricultural categories, of which only some are of interest to United States exporters. Table 6 lists these 15 categories; under each of the categories hundreds of different items are imported.[22] This table also gives the tariff rates and 1984 trade in these commodities.

TABLE 6.—JAPANESE AGRICULTURAL QUOTA CATEGORIES

CCCN [1]	Description	Tariff rates (percent)		1984 import trade [3] (in thousand U S dollars)	
		Current rate	Final MTN rate [2]	Total imports	Imports from United States
04 01*	Fresh milk and cream				
04 02	Milk and cream, preserved, concentrated or sweetened				
-1	Evaporated or condensed				
-111	Skimmed, with sugar	30	Unbound		
-119	Skimmed, without sugar	25	25		
-121	Not skimmed, with sugar	30	30	37	0
-129	Not skimmed, without sugar	30	30	403	0
-2	Powdered milk, including block				
-211	Skimmed, with sugar, not more than 1 5 percent fat	35	Unbound		
-212	Skimmed, with sugar, not more than 1 5 percent fat	35	Unbound		
	Skimmed, without sugar, not more than 1 5 percent fat				
-213	School lunch	Free	Exemption	9,051	0
-214	For feed	45	45	48,033	0
-215	Other	45	45	8,719	0
	Skimmed, without sugar, more than 1 5 percent fat				
-216	School lunch	Free	Exemption		

[22] Originally there were 3 other categories for a total of 18 Quotas in 2 categories of citrus were negotiated in the Beef and Citrus Understanding in 1984 Fluid milk is much too expensive to export from the United States so this category was also dropped from negotiations Finally, the United States produces no "devils tongue" or konnyaku and is therefore not interested in negotiating this quota

TABLE 6.—JAPANESE AGRICULTURAL QUOTA CATEGORIES—Continued

CCCN [1]	Description	Tariff rates (percent)		1984 Import trade [3] (in thousand U S dollars)	
		Current rate	Final MTN rate [2]	Total imports	Imports from United States
-217	For feed	45	45		
-219	Other	45	45		
-220	Other, not skimmed	30	40	2	0
-3	Other, preserved, concentrated, or sweetened				
311	Whey with sugar	35	Unbound		
319	Whey without sugar	25	Unbound	4 468	1,732
	Prepared whey powder for infant formula, without sugar				
-329	Not more than 1 5 percent fat	10	Unbound	4 791	1,450
-349	More than 1 5 percent fat	10	Unbound	7,281	1 779
	Other, powder or granules				
-321	Not more than 1 5 percent fat, with sugar	35	Unbound		
-329	Not more than 1 5 percent fat, without sugar	25	Unbound		
	More than 1 5 percent fat				
-331	Buttermilk, with sugar	35	Unbound		
-339	Buttermilk, without sugar	25	Unbound		
-341	Other, with sugar	35	Unbound		
-349	Other, without sugar	25	Unbound		
	Other, not powder or granules				
-391	With sugar	35	Unbound		
-399	Without sugar	25	Unbound		
04 04	Cheese and curd				
-100	Processed cheese	35	Unbound	212	55
-290	Other cheese (excluding natural cheese) and curd	35	Unbound		
07 05	Dried leguminous vegetables shelled				
-100	Small red beans	10	10	27,136	212
-210	Broad beans	10	Unbound	5,331	0
-220	Peas	10	10	6,373	1,699
-410	French beans	10	10	19,318	12,004
-420	Pegin beans	10	10	5,593	0
-490	Others n e s	10	10	2,064	76
11 01*	Cereal flours				
11 02*	Cereal groats and meal, germ of cereals, whole, rolled, flaked or ground				
11 08	Starch and inulin			35,102	38
-100	Wheat starch	25	Unbound		
-200	Corn starch	25	Unbound		
-310	Manioc starch	25	Unbound		
320	Sago starch	25	Unbound		
-410	Other starch	25	Unbound		
-420	Inulin	25	Unbound		
12 01	Oilseeds				
-2	Peanuts (groundnuts)				
-290	Other than for oil extraction	10	Unbound	72,394	28,725
16 02	Prepared/preserved meat or meat offal other than sausage				
-2	Other than guts, bladders and stomachs, simply boiled in water				
-210	Meat or meat offal of bovine animals, dried after simply boiled in water	15	Unbound	4	0
	Other products consisting wholly or chiefly of meat or offals of bovine animals or pigs				
	Products containing meat or meat offal of bovine animals				
-231	Corned beef in airtight containers	25	Unbound	1,864	0
-232	In airtight containers with vegetables	25	25	2 203	623
-232	In airtight containers without vegetables	25	Unbound		
-233	Boiled, not in airtight containers	25	Unbound	13,119	13
-234	Other, not in airtight containers	25	Unbound	15,771	14,479

TABLE 6.—JAPANESE AGRICULTURAL QUOTA CATEGORIES—Continued

CCCN [1]	Description	Tariff rates (percent) Current rate	Final MTN rate [2]	1984 Import trade [3] (in thousand U S dollars) Total imports	Imports from United States
-235	Products containing meat or meat offal of bovine animals or pigs in airtight containers	25	Unbound	1,792	284
-236	Products containing meat or meat offal of bovine animals or pigs not in airtight containers	25	Unbound	14 106	13,436
17 02	Sugar, other than beet and cane sugar				
-121	Glucose, not containing added sugar, flavoring or coloring, refined	25	25		
-129	Glucose, not containing added sugar, flavoring or coloring, not ref	25	Unbound		
-329	Lactose, not containing added sugar, flavoring or coloring, containing less then 90 percent by weight of milk sugar	10	Unbound		
-500	Sugar syrup (or 27y/kg whichever greater)	35	Unbound	475	4
-600	Caramel	35	Unbound		
-700	Artificial honey	35	Unbound	4	0
-819	Other sugar containing added sugar but not containing added flavoring or coloring	35	Unbound	13	13
-829	Other sugar, not containing added sugar, flavoring or coloring n e s	25	Unbound	2	2
20 05	Jams, fruit jellies, puree and paste, being cooked preparations				
-130	Fruit puree and pastes, made from citrus (ex lemon and lime), pineapples, grapes, apples or peaches, with sugar	40	Unbound	250	25
-210	Fruit puree and pastes, made from citrus (ex lemon and lime), pineapples, grapes apples or peaches, without sugar	25	Unbound	864	174
20 06	Fruit otherwise prepared or preserved				
-1	Containing added sugar or spirit				
-11	Pineapples				
-111	Canned, with sugar, in container not more than 10 kg	30	Unbound	18,623	551
-119	N e s	55	Unbound		
-12	Peach pulp				
-121	Canned, with sugar	25	25		
-122	Other, with sugar	35	Unbound	21	21
-123	Other, without sugar	25	Unbound		
-19	Other fruit pulp				
-191	Citrus (excluding lemon and lime), grape and apple	35	Unbound	338	41
-2	Not containing added sugar or spirit				
-210	Pineapples	55	Unbound	644	38
-22	Peach pulp				
-221	Canned	20	20		
-222	Other	25	Unbound	2	0
-29	Other fruit pulp				
-299	Citrus (excluding lemon and lime), grape and apple	20	Unbound	803	341
20 07	Fruit and vegetable juices, unfermented, without spirit				
-1	Fruit juices containing added sugar				
-11	Not more than 10 percent sucrose				
-114	Pineapple	27	27		
-115	Mixtures of IQ juices	27	27		
-119	Other (incl apple, peach, pear, grape, blueberry and strawberry)	27	27		
-12	More than 10 percent sucrose				
-124	Pineapple (or 27 yen/kg whichever is greater)	35	Unbound		
-125	Mixtures of IQ juices (or 27 yen/kg whichever is greater)	35	Unbound		
-129	Grape (or 27 yen/kg whichever is greater)	35	35	3	0
-129	Other (including apple, peach, pear, blueberry and strawberry) (or 27 yen/kg whichever is greater)	35	Unbound		

TABLE 6 —JAPANESE AGRICULTURAL QUOTA CATEGORIES—Continued

CCCN [1]	Description	Tariff rates (percent)		1984 Import trade [3] (in thousand U.S. dollars)	
		Current rate	Final MTN rate [2]	Total imports	Imports from United States
13	Fruit juices without added sugar not more than 10 percent sucrose				
-136	Pineapple	22 5	22 5	161	15
137	Grape	22 5	22 5	6 971	6,621
138	Mixtures of IQ juice	22 5	22 5	627	614
139	Other (including apple peach pear blueberry and strawberry)	22 5	22 5	3 633	2 859
-14	Fruit juices without added sugar more than 10 percent sucrose				
144	Pineapple	30	Unbound		
-145	Mixture of IQ juice	30	Unbound		
149	Grape	30	30		
149	Other (including apple peach pear blueberry and strawberry)	30	Unbound	252	197
2	Vegetable juice				
211	Tomato juice with sugar	25	Unbound		
221	Tomato juice without sugar	20	25	80	77
21 04	Sauces, mixed condiments and mixed seasonings				
-1	Sauces				
111	Tomato ketchup	20	25	1,241	1,012
-112	Tomato sauce	20	20	432	428
21 07	Food preparations, n e s				
21	Containing added sugar, other than sugar syrups less than 50 percent sucrose				
219	Preparations including ice cream powder more than 50 percent sucrose	28	Unbound		
219	Preparations, n e s	28	35	1,707	297
-22	Without added sugar beverage bases				
222	Prepared milk powder for infants and other milk preparations	22 7	22	7,393	1,209
	Other than beverage bases				
-239	Preps of seaweed rice, wheat and barley n e s	25	Unbound	29 606	12,394

*Categories eliminated in current negotiations
[1] CCCN number is the Japanese Tariff Schedule number
[2] MTN rate is the final tariff rate bound in the last multilateral trade negotiations the Tokyo round
[3] No entry in the trade columns indicates zero trade during the year

Source U S Department of Agriculture Foreign Agriculture Service International Trade Policy Division Data found in Press Release 86/28, Office of U S Trade Representative

After years of bilateral negotiations, quotas under 16 categories remain essentially unchanged. In frustration, the United States, in July 1983, initiated formal consultations in the GATT under article 23 for the elimination of restrictions on 13 categories in which U.S. exporters had the most interest. This proceeding was the first time the United States had ever asked Japan for formal consultations on agricultural trade in the GATT. This action demonstrated the seriousness with which the United States regards Japanese import barriers, because the United States was now willing to bring the negotiations into the multilateral context. During this consultation process, U.S. negotiators obtained a much clearer picture of the restrictions facing U.S. agricultural exports.

The initiation of the dispute settlement within the multilateral process temporarily shocked the Japanese. The Japanese perceived that the fact that the United States brought this complaint to the GATT meant the Japanese had lost standing in the international community. As a result of this perceived loss of face, the Japanese requested that bilateral negotiations be resumed, and in June 1984, the United States agreed to suspend its GATT case for 2 years in return for a number of concessions from the Japanese Government. These included the elimination of some import quotas, the expansion of other import quotas, and the tariff restrictions included in the April 1984 package.[23] The agreement to suspend the GATT case ended April 22, 1986. The United States asked that a panel be formed to investigate the legality of Japanese import quotas under article XI. During the 2 years that the suspension was in place, the United States expected Japan would eliminate some of these quotas. No such steps were taken.[24] United States negotiators are currently pressing the Japanese to eliminate all of the remaining quotas without a formal GATT dispute settlement panel ruling.

Besides these direct quotas, there are quantitative restrictions that combine quotas, tariffs, and variable levies. A tariff quota is applied to some grains. For instance, corn comes in duty free according to an elaborate formula. Feed corn, if it comes under the quota amount, and if purchased by one of 215 bonded feed mills or 46 flaking mills, enters duty free. Otherwise, corn imports are subject to a 15,000 yen/ton (U.S. $88) specific duty. The formula is designed to protect the Hokkaido potato producers, whose product is then converted to starch, from competing corn imports. The same is true for sorghum, which enters duty free if purchased by bonded mills or at a duty of 5 percent if imported outside of the bonded mill channels. Furthermore, imports of mixed feed are limited by a 15-percent duty. By controlling the importation of grains for livestock feeding, Japan limits the supply of feed grains leading to higher prices and lower import demand.[25]

Pork and pork product imports also face a restrictive import system in Japan. In fact, between 1984 and 1985 United States sales of these products dropped by 40 percent. The loss in sales was partly due to increased competition from other exporters and in part from a tightening of Japanese import restrictions. Pork imports are assessed the higher of either a variable levy or an ad valorem duty on the import price. The domestic support program for pork establishes a floor and ceiling level for the wholesale pork price. By varying the duty on imported pork, the variable levy system guarantees that imported pork will sell in Japan for at least the midpoint price (see appendix 5).[26]

United States officials are concerned about whether the Japanese import quota system is consistent with the GATT and whether it is transparent enough to comply with Japan's commitments under the GATT. This system encourages a separate and special distribution network, often arbitrarily applied. According to United States officials, the result is a creation of a nontariff barrier limiting the access of Japanese consumers to United States agricultural products.[27] Since the United States has been able to increase

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[23] Conversations with Ellen Terpstra, Office of the U S Trade Representative

[24] Office of the U S Trade Representative Press release "U S Seeks Measures Against Japanese Farm Quotas," No 86/28 July 14, 1986

[25] Office of the United States Trade Representative Japanese Barriers to U S Trade and Recent Japanese Government Trade Initiatives. November 1982 Conversations with Richard Blabey, Foreign Agriculture Service, U S. Department of Agriculture, June 13, 1985.

[26] Idid

[27] Conversations with Ellen Terpstra, Office of the U S Trade Representative

export levels and maintain a market share, the U.S. emphasis in negotiations on expanding trade has been to eliminate or reduce the number of quantitative restrictions, and to increase quota levels.

State Trading

Current Japanese agricultural policy is embodied in the 1961 Agricultural Basic Law, which allows imports to be controlled if they threaten domestic farm prices. By controlling imports, domestic prices and farm income are enhanced.

The Food Control Law of 1942 created the Japanese Food Agency, a part of the Ministry of Agriculture, Forestry, and Fisheries [MAFF]. The food agency controls the domestic production of rice, wheat, and barley, and the import of wheat and barley through State trading. Price supports for rice are calculated on a production-cost and income-compensation basis that provides farmers with prices much higher than support prices in other countries.[28] The pattern of paying farmers very high prices for rice was establish originally to reach the goal of self-sufficiency in rice, and to keep rural income on a par with urban income. By the mid-1960's the Japanese achieved their goal. Since then, production has almost always exceeded consumption. Rice surpluses have been stored, exported as food aid (surplus disposal), used for industrial purposes (the making of sake, soy sauce, et cetera), and placed in livestock feed mixtures. The food agency also established a diversification program that pays Japanese farmers to grow wheat, barley, or other crops such as fruit rather than rice. The area diverted from rice in 1985 was 518,000 hectares and will increase slightly to a government target of 544,000 hectares in 1986 because stocks are plentiful after bumper rice harvests in 1984 and 1985.[29]

Japan's Food Agency also determines approximately the annual import levels of wheat and barley, and controls imports through price mechanisms. Every week the food agency floats tenders for imports of wheat and barley. Only 11 Japanese trading companies that have traditionally handled most of the imported grains are allowed to offer on the tenders. These 11 companies are assigned port-of-arrival quantities of grain after winning the tender.

Once the Japanese trading company purchases grain on world markets, it sells it to the food agency, which resells wheat and barley imports to processing plants at price levels much higher than world market prices. These higher prices, particularly on wheat, earn revenues that defray some costs of the expensive rice support and diversion programs. By controlling imports and boosting import grain prices, the food agency essentially inhibits demand for imported products, especially wheat.[30] In January of every year, the food agency sets resale prices. In January 1986, prices for ordinary protein Hard Red Winter wheat were set at

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[28] Consersations with Lois Caplan, International Economics Division Economic Research Service U S Department of Agriculture

[29] U S Department of Agriculture Economic Research Service East Asia and Oceania Outlook and Situation Report May 1986 p 22

[30] Jabara, Cathy L Interaction of Japanese Rice and Wheat Policy and the Impact on Trade, Southern Journal of Agriculture Economics, December 1981 pp 133-139.

$404.31 (68,733 yen) per metric ton. The price at the same time period in the United States in the port of Portland, OR, (f.o.b.) was $132 per metric ton. The food agency earned a 306-percent profit on each ton of wheat.[31]

Standards

As defined in the GATT "Standards Code" (Agreement on Technical Barriers to Trade), a standard or certification is a technical specification that gives the characteristics of a product such as levels of quality, performance, safety, or dimensions. It may also include labeling, marketing, packaging, testing methods, or terminology requirements as they apply to a product.

Both the United States and Japan signed this code in 1979. Since then, United States agricultural exporters have voiced three specific complaints about the Japanese system of standards for agricultural imports. First, it is not clear which Japanese standards must be met. Second, United States exporters have only limited ability to bring any influence to bear in the drafting of Japanese import standards. The result is that Japanese consumers end up with less choice in the potential selection of agricultural products. And third, bureaucratic delays during standards review have allowed time for Japanese companies to develop products that directly compete with United States products.

This problem with bureaucratic delays was particularly acute in the processing of soy milk. The Japanese at one time insisted that only whole beans be used in soy milk manufacture. After some negotiation, the Japanese finally allowed the use of the soy protein product to be used in soy milk manufacture. This liberalization permitted United States companies to compete in Japan with domestic soy milk producers. All three complaints have led to discussions among United States and Japanese grade negotiators. Other examples of common complaints on standards affecting agricultural products appear in the following table.

TABLE 7 —EXAMPLES OF JAPANESE STANDARDS BARRIERS TO UNITED STATES PRODUCTS

Product	Nontariff barriers
Sake	Lack of testing procedures
Dried fruit	Inconsistencies in product additive regulations
Concentrated fruit juice	Excessively strict requirements concerning product packaging
Processed foods	Excessive ingredient and product formula disclosure requirements

Source Office of the U S Trade Representative Japanese Barriers to United States Trade and Recent Japanese Government Trade Initiatives Unpublished paper November 1982

Over the last few years, the Japanese have announced some liberalization of their standards and certification systems in the following areas: [32]

Approval of new food additives;

[31] Voluntary Field Report from Japan JA6062, Feb 4, 1986 p 11 This is not official USDA data

[32] Conservations with Richard Blabey and Dave Miller, Foreign Agriculture Service U S Department of Agriculture

Adoption of a new standard on plywood with "white pocket," a condition caused by a disease;

Increased use of test data from foreign firms for certification;

Increased use of international standards especially to conform with Food and Agriculture/World Health Organization standards of safety and utility; and

Simplification of import clearance procedures.

The approval of food additives is a sensitive point for the U.S. Government. Japan has lagged seriously behind other developed countries in approving new food additives. In a 10-year period—1972-82—Japan approved only 7 new food additives, while 146 recommendations had been made by the International Codex Alimentarius (International Food Additive Code) of the Food and Agriculture Organization [FAO] of the United Nations. By comparison, the United States accepted 92 of the Codex recommendations for additives during the same time period.

Several United States food industry groups have been pressuring for further Japanese Standards liberalization. In August 1983, the Ministry of Health and Welfare (MHW) of Japan approved the usage of 11 new food additives, all of which can be used by United States food exporters. MHW approval of these new additives showed a recognition of the changing dietary patterns of the Japanese, and a willingness to accept some international scientific food safety standards. This action also indicated MHW's willingness to modify, to some extent, its past policy of refusing to approve new additives. Despite stiff opposition from some Japanese consumer and farm cooperative groups to the additive approvals, negotiations continue between the two countries to liberalize the use of more food additives.[33]

On January 9, 1984, the United States and the Japanese semen industries signed an agreement on standards procedures for the importation of frozen bovine semen. This joint understanding on the health and quality standards represents an example of a successful conclusion to an 18-month United States-Japanese negotiation on standards and is a small illustration of Japan's taking a positive step to improve the overall access to its market.[34]

A blending or a domestic content requirement continues to dampen import demand for foreign orange juice concentrate. Japanese law requires a certain portion of imported orange juice to be blended with domestically produced tangerine juice. For example, in 1985, the quota for orange juice imports from all sources is 7,500 metric tons. One half of this amount, 3,750 metric tons, must be blended with locally produced tangerine juice or some other juice on a 50-50 basis. The other half of the import quota tonnage can be blended on a more lenient basis—90 percent can be the imported orange juice and 10 percent the domestically produced juice. The 90-percent standard was changed as a result of negotiations under the August 1984 Beef and Citrus Understanding. This more liberalized standard allows exporters to develop varied products to meet different taste choices and to develop brand recognition.

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[33] Agriculture Situation of Japan USDA Attache Report JA4025, March 1, 1984 This is not official USDA data

[34] Ibid

Plant Health Restrictions

Under the authority of the Plant Protection Law of 1951, the Japanese MAFF prohibits the import of any living organism that is harmful or potentially harmful to living plants or plant products in Japan. Japan issues this prohibition on a nationwide basis. For example, if California citrus is found to be diseased, Japan prohibits the importation of all United States citrus including that from Florida even though Florida citrus has been certified by the USDA as disease free. This prohibition is carried out whether or not the organism (pest, fungi, disease, et cetera) is already established in Japan. Because there are no internal or State level regulations on plant health and safety standards, as in the United States, the MAFF insures that no diseased fruit or vegetable enters Japan at its ports of entry. The MAFF prohibits imports of the following fresh fruits: apple, apricot, peach, nectarine, pear, plum, quince, and walnuts in the shell, all because of the codling moth. Fumigation treatments with methyl bromide kill the moth. Because of the success of this process, walnuts in the shell will probably be cleared for entry into Japan in the near future. To date, apples also have been fumigated with the methyl bromide, successfully eliminating the moth. Unfortunately, the treatment affects the quality of the apple, so research continues to find a treatment that will solve the codling moth problem without hindering appearance and sales of fresh apples.

An alternative approach has been developed which focuses on inspection and certification supported by use of insect trapping programs (pheromone traps) with pesticide sprays as a backup. Some exporters claim that the Japanese have ~~used~~ this threat of the coding moth to prevent imports. In fact, in California recently, the State cut open 33,000 nectarines and found just one codling moth. The Japanese claim that one codling moth is one too many and refuse to allow the fruit into their country.[35]

Another contentious issue between Japan and the United States in this area concerns the process of classifying eligible- or noneligible-for-importation fruits and vegetables. Because U.S. States often have their own separate systems of regulation and eradication of plant diseases, U.S. officials would like "eligible-for-import" certification on a State or regional basis, rather than on a nationwide basis as is currently the practice. For example, the Colorado potato beetle is not known to occur in California; the golden nematode which attacks the underground portion of tuberous roots and tubers of solanaceous plants (tomato, pepper, eggplant, potato) is only found in a very few States; the potato wart was eradicated from the United States in 1974, although the Japanese claim that New York potatoes are still affected; and blue mold, a fungus disease of tobacco is not known to occur in California.[36]

The Japanese also prohibit the importation of plants that contain insects and diseases that cause bruises and marks on fruits or that already exist in Japan. Examples of these kinds of insects in-

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[35] Eckhouse, John Japan Closed to Farm Output San Francisco Chronicle, May 15, 1985

[36] Berryville, Clara, Director of Department of Food and Agriculture. Letter to Hon Vic Fazio May 23, 1985

clude tree hoppers, aphids, leafhopper, predaceous beetles (feeds on insects), lygus bugs, and Lantania scale on avocados. In June 1985 the Japanese expanded their administrative tolerances slightly to permit a limited amount of Claviceps (ergot) sclerotia, Sclerotinia sclerotia (small fungus found in seed lots) on imports.[37] But the tolerance import level is still very small. U.S. exporters claim that Japan's standards on these diseases are too stringent, that the restrictions are unwarranted for the sake of human safety, and represent a method of restricting competition on these imported commodities. The Japanese claim that their concern is with different strains of the disease so they prohibit entry of any plant that might carry the disease.[38]

Another complaint arises on a treatment of retard mold on figs. The most effective and safe treatment of the mold is potassium sorbate, used commonly in the U.S. and around the world. In fact this treatment is regarded as safe by international standards of the International Codex Alimentarius, a code which Japan and the United States joined some time ago that investigates the safety of pesticides and insecticides. The Japanese allow the use of potassium sorbate on prune imports but do not allow its use on figs. Such a prohibition has angered U.S. fig exporters who claim this barrier gives little or no protection to Japanese farmers or to buyers of figs, and acts as a nontariff barrier.[39] In the view of many produce exporters, all governments have the right to protect their domestic agricultural commodities from invasion of foreign pests and diseases, but the Japanese system is much more rigid in this regard than most systems, including the U.S. system. In fact, they claim that the Japanese protect their industry from competing imports much more than protecting consumer safety.

III. Congressional Options To Reduce Japanese Import Barriers

Up to now, sustained United States efforts to open Japan's protected agricultural marketplace have not been totally successful. What steps should the United States now take in order to improve its export market prospects in Japan? Several immediate actions could be undertaken—all of which, however, need to be designed to ensure that the United States does not inadvertently lose the large share of the Japanese market which our producers now hold:

Multilateral Initiatives.—Both the United States and Japan support the convention of a new, multilateral trade round in the GATT. Since completion of the last round in 1979, a variety of new, unanticipated barriers to the conduct of free and open trade have arisen. Additionally, with respect to specific understandings reached in the last negotiating round, the United States had ample reason to be dissatisfied with its Japanese partner. One source of United States concern involves Japan's apparent unwillingness to adhere to the terms of the "Standards Code," which was discussed earlier in this study. The United States hopes that with active participation in the forthcoming multilateral negotiations of the

[37] U S Department of Agriculture APHIS Japan 353-A TM, June 14, 1985

[38] Conversation with Lenord Crawford, Animal and Plant Health Inspection Service [APHIS], USDA, June 18, 1985

[39] Conversation with Carolyn Wilson, APHIS, USDA, June 19, 1985

GATT there will be significant gains in opening up access to markets in agricultural goods—beginning with Japan.

Bilateral Initiatives.—As a separate undertaking, the United States could continue to press Japan directly on reducing, if not entirely eliminating, the existent network of barriers which discriminate against United States agricultural exports. In the short term, the United States may have to content itself with reductions in tariffs and the progressive liberalization of quotas. But over the longer term, United States policy could be focused on pressuring Japan to remove most of the tariffs and quotas that have been judged illegal by international standards. One step in this process is the complaint filed this summer in the GATT over 12 categories of import quotas. This initiative is a beginning to the constant pressure the administration and Congress can bring to bear on the Japanese barriers to United States agricultural products.

Macroeconomic Economic Initiatives.—The United States cannot dictate the course of Japan's domestic economic policy. Yet, one key to expanded United States sales of agricultural goods to Japan may be found in import-stimulatory actions designed to expand growth of overall consumption. The United States could continue to pressure Japan to expand its domestic demand, and lower its import barriers to United States agricultural exports. Given Japan's highly favorable savings position, it should be relatively easy to expand incrementally domestic consumption of lower-priced, high quality agricultural goods from the United States, if import barriers were lowered. Over time, these changes could have a significant impact on improving United States export sales in Japan.

Appendix 1. United States–Japan Beef and Citrus Understanding

EMBASSY OF JAPAN
WASHINGTON, D. C.

August 14, 1984

The Honorable William E. Brock
United States Trade Representative
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20506

Sir:

I have the honor to refer to the recent consultations held between the Government of Japan and the United States Government in accordance with the notification of July 30, 1979 and to inform you, on behalf of the Government of Japan, that it intends to implement certain measures concerning imports of fresh oranges, orange juice, grapefruit juice, and beef as indicated in the Annex hereto, in accordance with the relevant laws and regulations in force in Japan.

Accept, Sir, the renewed assurances of my highest consideration.

Yoshio Okawara

Yoshio Okawara
Ambassador of Japan

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EMBASSY OF JAPAN
WASHINGTON, D. C.

ANNEX

I. Fresh Oranges and Orange Juice

(1) Fresh Oranges

(a) The Government of Japan will increase its import quotas on fresh oranges in accordance with the following schedule:

	(metric tons)
JFY 1984	93,000
JFY 1985	104,000
JFY 1986	115,000
JFY 1987	126,000

For these purposes, "fresh oranges" means oranges and tangerines classified under headings Nos 08.02 and 08.11 of the Japanese customs tariff schedules.

(b) The Government of Japan will allocate the increment in import quota over the JFY 1983 level between the annual quota and the off-season quota, taking into consideration the supply and demand situation in both countries.

(2) Orange Juice

The Government of Japan will increase its import quotas on orange juice in accordance with the following schedule:

	(metric tons)
JFY 1984	7,000
JFY 1985	7,500
JFY 1986	8,000
JFY 1987	8,500

For these purposes, "orange juice" means 5 to 1 concentrate or equivalent, classified under Statistical Code Nos. 20.07-111, 121, 131, and 141 of the Japanese customs tariff schedules.

EMBASSY OF JAPAN
WASHINGTON, D. C.

II. Grapefruit Juice

The Government of Japan will eliminate import quotas and licensing requirements on grapefruit juice on April 1, 1986.

In preparation for the elimination, the Government of Japan will issue licenses for imports to meet any amount of domestic demand for JFY 1984 and JFY 1985.

For these purposes, "grapefruit juice" means grapefruit juice classified under Statistical Code Nos. 20.07-112, 122, 132, and 142 of the Japanese customs tariff schedules.

III. Beef

(1) The Government of Japan will exert efforts to exploit the demand for high-quality beef with a view to realizing in JFY 1987, the importation of 58,400 metric tons of high-quality beef, within the special and general quotas on a global basis. The increase of 27,600 metric tons over the JFY 1983 level will be phased in incrementally in even amounts each year.

"High-quality beef" will be defined according to the definition agreed to in April 1978.

(2) The hotel quota will be increased from the current 3,000 metric tons per year to 4,000 metric tons per year in JFY 1984 and will be maintained at that level through JFY 1987.

(3) The Government of Japan will introduce a new measure in the Livestock Industry Promotion Corporation's transactions in beef so as to facilitate consultations between foreign suppliers and Japanese users, within the framework of the principle of unified management of beef importation by the Livestock Industry Promotion Corporation.

EMBASSY OF JAPAN
WASHINGTON, D. C.

IV. Beef (Customs Duties)

(1) The Government of Japan has no intention to initiate any increase in the customs duty on beef (Statistical Code Nos. 02.01-111, 119, 121, 129, 139) (the rate of 25 percent is applied currently) under the present price stabilization system of beef.

(2) In the event that a situation makes it impossible to maintain the customs duty on beef at the above mentioned level, the Government of Japan will notify the United States Government of such developments in advance where possible and be prepared to enter into consultations with a view to reaching a mutually acceptable solution, which may include the possibility of appropriate adjustments of the GATT concessions.

V. Other

The Government of Japan will be prepared to consult with the United States Government at a mutually convenient time during JFY 1987 on matters related to the importation in JFY 1988 and thereafter concerning fresh oranges, orange juice, and beef.

Appendix 2. Summary of United States–Japanese Negotiations for Agricultural Tariff Reductions, May 1982 to July 1986*

In early May 1982, the U S Government requested tariff reductions on 93 agricultural items valued in 1981 at $1,075 million. The Japanese Government responded with a counteroffer to reduce tariffs on 15 items that had a 1981 import value of $146 million. Among those to receive cuts were: turkey meat, lemons and limes, sweet almonds, macadamia nuts, soybean oil, corn oil, chocolate confectionery products, pastry biscuits, lemon and lime juice, and salad dressings. The Japanese Government offered to reduce the rates below the final MTN rate, but still higher than U.S. Government requested reductions for duck meat, pistachios and peanut butter. The average duty on these items was 19.4 percent prior to the reduction and 16.8 percent afterward (not including the specific duties on soybean oil and corn oil). Before the cuts, the tariffs ranged from 5.9 percent to 36.3 percent. After the cuts, the range was 4 percent to 34 percent.

On December 24, 1982, the Japanese Government announced additional tariff reductions on a total of 60 agricultural categories, with a 1981 import value of $152 million. Of particular note were the large reductions in the duties on chocolate confectionery and biscuits with sugar. Some 18 items in the package, including a number of horticultural products and brandy, were not in the U.S. Government tariff request list and benefitted other exporting nations. The reductions became effective on April 1, 1983. Prior to this reduction, these tariffs averaged 14.5 percent (specific duties not included) and ranged from 1.9 percent to 33.8 percent. After the reductions, the average dropped to 11.8 percent with a range from free to 30 percent. Analysts in the Office of the U.S. Trade Representative feel these tariff reductions were not significant because the tariff rate on chocolate confectionary remains. The U.S. sugar industry agrees and claims the Japanese are too restrictive.

In October 1983, Japan announced a "Comprehensive Economic Measures" package which reduced tariffs on palm oil. bananas, and boneless chicken, exports primarily from ASEAN countries: Philippines, Malaysia, and Thailand. The duty reduction on these three items went from 20 percent to 18 percent. The reduction benefited particularly Thailand because U.S. exports of the affected products, mainly chicken meat, amounted to $25.5 million in 1983.

Then on April 27, 1984, in the "Market Opening Measures" package, the Japanese announced tariff reductions on 32 agricultural products, 12 of which were advances of the final negotiated staged-reduction MTN rates. Twenty of the proposed agricultural tariff reductions were new. Many of these tariff reductions were Japanese concessions to temporarily settle the U.S. complaint in the GATT on the 13 categories of Japanese import restrictions. The 1982 value of U.S. exports to Japan of these items was $460 million. The majority of the agricultural products named in the package had been on the U.S. tariff reduction request list, with the changes expected to become effective April 1, 1985. While the overall impact of the package on U.S. trade is expected to be minor, some specific items, such as some meat products, whey, peanut butter, soy protein and canned corn, may benefit measurably. The U.S. Government submitted in August 1984 a new agricultural tariff request list to the Japanese Government seeking lower duties on 32 items. Wood panel products, fresh grapefruit, wine, and walnuts are top priority on this list.

On July 30, 1985, Prime Minister Nakasone announced an "Action Program" which included 90 measures to increase market access for imports, and reiterated his government's commitment to tariff cuts made on June 25, 1985, on 1,850 items. The announced program, in addition to tariff cuts, was to expand domestic demand, and better align exchange rates. To expand domestic demand, the Prime Minister appointed a commission to review domestic policies towards deregulation, a 5-day work week, a review of the tax system, and more private sector participation in public works. The program also would liberalize financial or capital markets for the yen by relaxing interest rate ceilings, create bond future markets, money markets, and short-term government bond markets while licensing nine more banks to provide trust banking activities.

In September 1985, the United States initiated a "section 301" investigation (under authority of the Trade Act of 1974, as amended) of Japan's trade practices in manufactured tobacco products, which U.S. firms believe restrict sales of foreign tobacco products. The United States holds a 2.2 percent share of the Japanese ciga-

*Source: This history and the following information is from CRS conversations with Richard Blabey and Dave Miller, Foreign Agriculture Service, U S Department of Agriculture, June 1985 and May 1986 rette market valued at $10 billion. The U.S. cigarette industry is concerned about Japan's duty and excise tax structure that keeps imported tobacco products' price uncompetitive. The U.S. industry also is concerned with Japan Tobacco Incorporated's monopoly on the manufacture of tobacco products and with problems of developing an independent distribution system for imported tobacco products.

In December 1985, the United States resolved its dispute over Japan's restrictions on imported leather and leather products. The United States received a compensation package worth an estimated $260 million in Japanese reductions or elimination of tariffs on manufactured products, and higher duties on U S imports of Japanese leather items

On January 10, 1986, Secretary of State Shultz and Foreign Minister Shintaro Abe reviewed progress in the "Market-Oriented, Sector-Selective" (MOSS) discussions held between the United States and Japan during 1985. The point of the talks was to gain better market access in four sectors—telecommunications, medical equipment and pharmaceuticals, electronics, and forest products In forest products, Japan agreed to reduce tariffs on softwood plywood to 12.5 percent in April 1987, and furth to 10 percent in April 1988. Tariffs on hardwood plywood, supplied mainly by Southeast Asian countries, will also be reduced in two stages to 15 to 10 percent, depending on thickness. Japan's total 1985 plywood imports were $57 million, with 5 percent from the United States. Starting in January 1986, Japan also will lower tariffs on paper products in stages by 20 percent each year.

On March 1, 1986, the biannual sub-cabinet level meeting took place in Tokyo, where the United States presented a list of 39 products on which the United States was requesting lower tariffs. The list is attached in appendix 3. The discussion also covered U S concerns about the Japanese Government assistance being extended to small and medium size businesses which are in difficulty from the re-alignment of the yen/dollar in the last nine months.

On July 15, 1986, the U S. Trade Representative, Clayton Yeutter, announced that because Japan did not act to eliminate quotas and bring its policies into compliance with GATT rules during the previous two years, the United States has asked the Contracting Parties of the GATT to form a panel to examine the legality of quotas on 12 agricultural categories of products He said "Given the competitiveness of many U S agricultural and processed products, we feel strongly that Japan should not limit our access to their market through quotas and related licensing controls." The quotas are on products with some value added component such as fruit juices, purees, pulp, prepared beef products, tomato juice, ketchup, and peanuts.

APPENDIX 3. JAPANESE TARIFF RATES AND TRADE IN ITEMS ON UNITED STATES AGRICULTURAL TARIFF REQUEST LIST, MAY 1986

JAPAN: TARIFF RATES AND TRADE IN ITEMS ON U.S. AGRICULTURAL TARIFF REQUEST LIST, MAY 1986

Item	CCCN No	Percent		Thousand U S dollars [2]		U S import share (percent)	Largest import supplier
		Current tariff	Final MTN rate [1]	Japan's global imports 1985	Imports from United States 1985		
Corn for Feed							
Outside bonded mills	10 05-090	15 yen/kg	—	[3] N/A	N/A	N/A	Not available
For industrial use	10 05-090	10 0	—	[3] N/A	N/A	N/A	Do
Buckwheat	10 07-100	15 0	—	24,352	5,623	23	China
Sorghum	10 07-390	5 0	—	36,447	22,497	62	United States
Sausages	16 01-000	25 0	25	3,327	1,240	37	Do
Frozen beef with vegetables or pasta	16 02-232	25 0	25	1,395	392	28	Australia
Chewing gum	17 04-100	30 0	30	921	46	5	Philippines
Chocolate confectionery	18 06-100	20 0	30	27,233	11,809	43	United States
Prepared cereal products	19 05-000	19 2	—	231	185	80	Do
Jams	20 05-100	28 0	—	5,936	1,255	21	France
Jellies	20 05-120	28 0	—	1,475	342	23	Do
Stewed prunes with sugar	20 06-199	18 4	([4])	N/A	N/A	N/A	N/A
Lime juice	20 07-134	16 0	20	924	163	18	Mexico
Food preparations, n e s, without added sugar, other (non-dairy creamer)	21 07-239	25 0	—	28,313	12,036	43	United States

JAPAN: TARIFF RATES AND TRADE IN ITEMS ON U.S. AGRICULTURAL TARIFF REQUEST LIST, MAY 1986—Continued

Item	CCCN No-	Percent: Current tariff	Percent: Final MTN rate [1]	Thousand U S dollars [2]: Japan s global imports 1985	Thousand U S dollars [2]: Imports from United States 1985	U S import share (percent)	Largest import supplier
Bottled still grape wine	22 05-299	[5] 30 4	([6])	51,482	2,744	5	France
Wine coolers	22 07-200	61 6 yen/1	77 yen/1	[7] 8,383	2,569	31	Taiwan
Pet foods	23 07-210	12 0	15	7,198	6,779	94	United States
	23 07-251	15 0	—	2,833	1,078	38	Australia

[1] Customs Tariff Schedules of Japan (CCCN) 1986 Japan Tariff Association Dashes indicates no bound GATT rate

[2] Japan Exports and Imports Commodity by Country December 1985 Japan Tariff Association 1985 average exchange rate 238 yen/dollar

[3] U S import share was 67 percent of $552 million in this category however statistics on corn imports outside of bonded mills or for industrial use are not available

[4] Stewed prunes are not specified in import statistics Total value of imports for the classification containing stewed prunes is $5 4 million Korea is the largest supplier of the classification

[5] Duty is 30 4 percent or 224 yen/liter whichever is less with a minimum of 132 8 yen/liter

[6] 55 percent or 280 yen/liter whichever is less subject to a minimum customs duty of 150 yen/liter

[7] Classification contains other fermented beverages

JAPAN TARIFF RATES AND TRADE IN ITEMS ON U S AGRICULTURAL TARIFF REQUEST LIST, MAY 1986

Item	CCCN No	Percent: Current tariff	Percent: Final MTN rate [1]	Thousand U S dollars [2]: Japan s global imports 1985	Thousand U S dollars [2]: Imports from United States 1985	U S import share (percent)	Largest import supplier
Beef (fresh, chilled or frozen, with or without bone)	02 01 111	25	—	41	41	100	United States
	02 01-119	25	—	133,155	6,242	5	Australia
	02 01-121	25	—	8,091	7,502	93	United States
	02 01-129	25	—	324,283	167,353	52	Do
	02 01-139	10	—	996	652	65	Do
Chicken meat	02 02-019	14	—	69,390	3,953	6	Thailand
Turkey meat	02 02-020	5	5	2,831	2,030	72	United States
Duck meat	02 02-090	10	16	8,661	1,983	23	Taiwan
Eggs in shell	04 05-121	20	—	397	373	94	United States
Powdered egg yolks	04 05-210	25	25	2,710	52	2	Sweden
Powdered whole eggs	04 05-221	25	25	2,633	110	4	Israel
Eggs yolks	04 05-222	25	25	11,108	5,553	50	United States
Other broken eggs	04 05-229	25	25	3,068	0	0	S Africa
Natural honey	04 06-000	30	30	24,796	537	2	China
Fresh onions	07 01-310	[3] 10	—	18,933	4,131	22	New Zealand
Frozen french fries	07 02-010	10	—	47,881	42,247	88	United States
Potato flake and granules	07 04-090	15	—	12,879	1,882	15	China
Fresh oranges	08 02-200	[4] 20/40	20/40	91,569	90,580	99	United States
Fresh Grapefruit	08 02 300	[4] 12/25	12/25	78,907	73,303	93	Do
Walnuts	08 05-200	16	20	6,252	2,744	44	China
Pistachios	08 05-440	9	—	3,185	1,169	37	Iran
Fresh strawberries	08 08-000	10	10	9,770	9,181	94	United States
Frozen fruit without added sugar (other)	08 10-090	20	—	13,295	3,251	24	China

[1] Customs Tariff Schedules of Japan, 1986 Japan Tariff Association Hyphen indicates no bound GATT rate

[2] Japan Exports and Imports Commodity by County December 1985 Japan Tariff Association 1985 average exchange rate 238 yen/dollar

[3] Duty is 10 percent if customs value is not more than 67 yen/kg more than 67 yen/kg but less than 73 7 yen/kg then specific duty of 73 7 yen/kg minus customs value is applied Over 73 7 yen/kg customs value is duty free

[4] Offseason (June 1 to November 30) rate is 20 percent (12 percent) In season (December 1 to May 31) rate is 40 percent (25 percent)

[5] May-June offseason tariff elimination requested

[6] Category includes all fresh berries

Source Miller David U S Department of Agriculture Foreign Agriculture Service International Trade Policy Division May 1986

Appendix 4. United States–Japan Trade Study Group* Suggestions for Lowering Quotas on Food Products

Several hundred individual food items are still under quota control and if freed would benefit U.S. exports without serious harm to Japanese agriculture.

One of the categories to be freed from quota control during 1984, for example, if "fruit juices of prune, cherry, apricot and berries (other than blueberry and strawberry), and of tropical fruits (other than pineapple)." Production of these fruits and berries is not an important part of Japanese horticulture, and removal of their juices from quota control will not have a severe impact on Japanese farmers. Moreover, Japan's imports of passion fruit, guava and prune juices and purees are primarily from U.S suppliers in Hawaii and California. Removal from quota control should make these products a much larger item of U.S. export to Japan.

Some other items under quota control are more important to Japanese agriculture. In the case of products such as processed cheese and tomato catsup, however, most major foreign brands are already being manufactured in Japan. This should slow the speed of import penetration if these products are liberalized, thus reducing to some extent the impact of liberalization on Japanese farmers.

Another problem in some cases is determining exactly what is or is not under quota. Tariff No. 21.07 is said to contain several hundred items which have never been disclosed in the published list. Peanut butter, canned sweet corn and Korean ginseng teas are among the very few non-quota products listed in this tariff number.

A leading problem of Japan's quota administration is its non-transparency. It is difficult for prospective foreign suppliers of quota items to identify the holders of import licenses for those items Criteria for award of quota allocations are not always followed. As a result, a portion of the quantities allowed under a quota are not actually imported in many cases, due to the marketing difficulties which the allocation system poses for the final user in Japan.

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*The United States-Japan Trade Study Group [TSG] is a bilateral group, consisting mainly of Americans from the United States business community in Tokyo and Japanese businessmen, all acting in an individual capacity Their link in common is a dedication to free trade

Source United States Japan Trade Study Groups TSG Progress Report· 1984 September 1984

APPENDIX 5. JAPANESE LIVESTOCK POLICIES

JAPANESE POLICIES AFFECTING ITS LIVESTOCK SECTOR

Type of Policy	Dairy	Beef	Pork	Eggs	Chicken
Price	Deficiency payment paid to producer to guarantee price for manufactured milk	Wholesale floor and ceiling prices are established for Wagyu and dairy steer beef	Wholesale floor and ceiling prices are established	Government participates in egg price stabilization fund	Private stabilization fund
	Limit on amount of manufactured milk eligible for support			Production adjustment by tying producer behavior to eligibility for compensatory payments	
	Wholesale price established for designated dairy products				
Stockholding	LIPC buys, holds, and sells designated dairy products to keep market price within predetermined floor and ceiling prices	LIPC purchases and releases beef to the market	LIPC buys domestic pork at the floor prices and sells it at the ceiling price (administrative guidance)[1]	Government participation in National Fluid Egg Manufacturer and Stockpiling Company	Administrative guidance[1]
Imports	Quotas set for (evaporated and condensed milk, powdered milk, whey, butter, processed cheese, lactose, other)	Semiannual quota set for beef 80% of trade controlled by LIPC through licensing system (tariff—25 percent for beef, tariff on beef offals is 15 percent)	Trade controlled by private trade (variable levy system restricts imports, system is waived from time to time, tariff—variable levies)	Tariffs—20 percent for some products and 25 percent or 60 yen per kg for others	Tariff—13 8 percent tariff on chicken legs will be reduced to 11 3 percent by April 1985, administrative guidance[1]
	Tariff quota on natural cheese (tariffs, 25 to 35 percent)	Surcharges	Administrative guidance[1]		
Subsidies	Various subsidies paid to promote consumption of dairy products and to encourage dairy production (lower input costs)	Feeder calf and feed prices are subsidized through price stabilization funds	([2])	([2])	([2])

[1] Administrative guidance (gyoseishido) consists of recommendations, advice or directions issued by a Japanese Government agency and is void of coercive legal power

[2] Some producers subscribe to a Government-supported feed price stabilization scheme

Note LIPC refers to the Livestock Industry Promotion Corp, a public corporation designed to stabilize dairy and livestock prices through purchasing, storing and selling

Source U S Department of Agriculture International Economics Division Economic Research Service Japan's Feed-Livestock Economy Prospects for the 1980 s Foreign Agriculture Economic Report No 177, by William T Coyle

THE COMMON AGRICULTURAL POLICY OF THE EUROPEAN COMMUNITY AND IMPLICATIONS FOR U.S. AGRICULTURAL TRADE

By Donna U. Vogt and Jasper Womach *

Introduction

Total U.S. exports of agricultural commodities declined from a high of $45 billion in 1981 to an estimated $26.5 billion in 1986 (see appendix table 1).[1] With their exports declining, and stocks of agricultural products increasing, U.S. farmers have put pressure on policymakers to "do something." In response, Administration officials as well as several Members of Congress have pointed the finger at the European Community's [EC] Common Agricultural Policy [CAP] as being partly to blame for this depressed situation.

Administration officials cite several contributing factors for the decline in U.S. agricultural exports: the strong value of the dollar in comparison with other currencies, the worldwide recession, the debt service burden in many developing countries, and U.S. foreign policy actions taken against major customers.

U.S. officials claim also that this country's share of world agricultural exports has been unfairly diminished by EC export subsidies. Under the rules of the General Agreement on Tariffs and Trade [GATT], agricultural subsidies are permitted as long as they do not result in a country gaining more than an equitable share of the world trade in the subsidized product. The United States claims that the EC is displacing some of its share of the world market. In addition, the EC's own protectionist policies have closed major market opportunities to U.S. agriculture exports. U.S. exports to the EC declined from $6.7 billion in fiscal 1984 to $5.3 billion in fiscal 1985 (see appendix tables 2 and 3 for U.S. agricultural trade with the European Community).

The U.S. quarrel with EC policy is its effect on U.S. exports into EC markets and into third country markets. This report describes the CAP and discusses its effects on U.S. agricultural trade. It also describes EC proposed reforms of the CAP and their likely effects on U.S. agricultural exports.

Basic Features of the CAP

In 1957, six European countries—France, Germany, Italy, Netherlands, Belguim, and Luxembourg—signed the Treaty of Rome and began the process of integrating their national agricultural

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[1] U S Department of Agriculture World Agriculture Outlook Board April 1986

policies into a common communitywide system, the Common Agricultural Policy, or the CAP. Coming out of the post World War II era of food shortages, each country's policies were individually concerned with developing self-sufficiency in agricultural production. France and the Netherlands, the largest and most efficient agricultural producers at that time, pushed for a common system that would open Germany as a major market outlet. German industrialists saw France as a growing market for manufactured products. This coincidence of interests, in part, facilitated the establishment of the CAP. While CAP consists of written legislation and unwritten practices that differ from commodity to commodity, its long-term goals are clear, they are to:

> Increase farm productivity, insure a fair standard of living for farmers, stabilize agricultural markets, guarantee regular supplies, maintain reasonable food prices for consumers.

These objectives were adopted by the original six countries and by the United Kingdom, Ireland, and Denmark in 1973, by Greece in 1981, and by Spain and Portugal in 1986, when each of these countries joined the EC. The Community attempts to achieve these objectives through four mechanisms: common financing, common pricing, common import restrictions, and common treatment of surpluses.

Common Financing

Common financing means that the cost of the CAP policies is shared equitably by all member countries, through a common budget. Revenue for the EC budget is raised from customs duties, variable levies,[2] and a 1.4 percent value added tax [VAT].[3] The CAP constitutes more than two-thirds of the total EC budget. Contributions to and benefits from the CAP budget by member countries are based on what each country consumes and produces. The more prosperous member states support the less prosperous members. When countries produce large gross national products [GNP] such as the United Kingdom [UK], France, and Germany, their shares of the CAP budget burden are greater than those with smaller GNP's, such as Italy or Ireland. There is, therefore, a transfer of income from United Kingdom, France, and Germany consumers and taxpayers to Italian and Irish farmers. Not only do consuming nations have to contribute substantially to the EC budget to support farm income, consumers of all member nations must pay higher food prices. Press reports indicate that United Kingdom taxpayers are upset with the continual transfer or outflows to the EC budget. Tension among member countries surfaced

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[2] A variable levy is a charge on imports and is equal to the difference between the lower world price and a usually higher EC threshold price See page 37 for a more detailed explanation.

[3] A value added tax [VAT] is a tax collected on sales in member countries. The contributions from each member country are expressed as a percentage of a harmonized VAT base which differs from product to product. There are several rates within countries (West Germany's normal rate is 13 percent but has a reduced rate of 6.5 percent on food items France has a 33-percent rate on certain consumer durables, a 17.6-percent rate on standard or intermediate products and a 7-percent rate for agricultural products and food stuffs). It is important to note that the EC does not harmonize the rates of VAT throughout the Community but rather it harmonizes the basis on which the VAT is assessed for the EC budget. The percentage changes each year, but currently has a 1 4-percent ceiling In this way, countries contribute in proportion, broadly speaking, to their level of total expenditure on goods and services

in Athens in December 1983 and in Brussels in March 1984 when reforms of CAP policies to curb expenditures were discussed.

Expenditures for specific CAP programs (such as the guaranteed minimum prices, acquisition and storage of surpluses, as well as subsidies for consumption and exports) have risen to a projected $20.2 billion for 1986 (see table 4). Member countries are concerned that the costs of the current programs will eventually outstrip Community resources. Deficit financing is illegal under the founding Treaty of Rome. Rates of spending on farm programs are so large that expenditures on agriculture use nearly 70 percent of the EC's total budget.[4]

Common Pricing

From its inception, the Community attempted to regulate agricultural prices on a Communitywide basis, eliminating the need for duties and trade restrictions among member countries. Price regulation was to be achieved by fixing farm prices in terms of a common currency, or a unit of account—now called the European currency unit [ECU].[5] Farm prices floated freely for almost a year, 1967, but the 1968 devaluation of the French franc, and the subsequent revaluation of the German mark would have, in effect, raised support prices in France and lowered them in Germany. To avoid this situation, the EC allowed France and Germany to adjust to another system called the "green rate" system. Farm prices were translated from ECUs to the local currencies at a special green rate of exchange that followed foreign currency market exchange rates up and down, usually with a lag, at the discretion of member governments.

This practice of making foreign exchange adjustments at the border added stability to agricultural prices in national currency terms by postponing the impact of exchange rate changes that often fluctuated daily. But, it also necessitated further taxes or subsidies on traded products to prevent relative national prices from reflecting the new market exchange rates. The taxes or subsidies, depending on which are needed, are called MCA's, or monetary compensatory amounts, and are assessed as contributions to and payments from the Community budget. The EC Commission has attempted to phase out MCA's and "green rates," while member governments want to keep control over the revaluation of their currencies. This is because those countries with negative MCA's can adjust prices so that their farmers get a price increase when prices are converted to national currency.

Common pricing also includes a target price for agricultural products set annually by the EC Council of Agricultural Ministers upon the recommendation of the EC Commission—the administrative body of the EC. The target price, officially regarded as the minimum price that farmers should receive, takes into account the wholesale price farmers expect under normal market conditions, as

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[4] Prospects of CAP Reform Again Receding Agra Europe No 1180, April 18, 1986 p E/4

[5] European currency unit [ECU] is a basket of currencies, consisting of given quantities of currencies of all EC member countries, and floats against non-Community currencies Hence, the ECU daily value expressed in the American dollar moves like the weighted average of all Community currencies

well as transport costs to the area of consumption. To achieve this target price, the EC Council also sets an intervention price or safety net price (sometimes referred to as the guide, basic, or reference price) at which the EC government will purchase certain agricultural products (cereals, dairy products, beef, sugar, fruits, and vegetables), provided they meet the prescribed quality standards. The EC intervention authorities in each member country are legally bound to buy produce offered at the intervention price.

Common Import Restrictions

One of the founding principles of the CAP was a Community preference for EC products, achieved through a common tariff barrier system that restricts the entry of competing agricultural products from other countries. This preference system requires price regulations that make imports from nonmember countries more expensive or difficult to obtain. Products from nonmember countries, often lower-priced than EC products, are given a threshold price—or minimum import price. This threshold price is set at a level intended to insure that imported commodities cannot undercut the target price level in any major consuming area within the Community. The threshold price is enforced by a variable levy that equals the difference between the lower world price and the higher threshold price. Thus, imported commodities are usually at least as expensive as domestically produced agricultural products. This mechanism effectively closes the EC market to import competition from many U.S. products. The major exceptions are soybeans and nongrain feed substitutes, consisting primarily of corn gluten feed. Trade in these two products alone amounted to about $1 billion in 1985. The duties or border taxes on these items were fixed (bound) at zero as a result of negotiations years ago, although there are current proposals to change their tax status.

Common Treatment of Surpluses

With high support prices, and an effective barrier against imports, the EC has become a surplus producer of wheat, barley, sugar, butter, powdered milk, cheese, beef, poultry, and eggs. The only major commodity not under CAP regulations at some point along the marketing cycle is potatoes. Unlike the United States, the Community does not operate production adjustment programs. Consequently, in order to dispose of mounting surpluses, the EC has chosen to export them. Through competitive tenders, the EC provides export subsidies (known within the EC as restitution payments) in whatever amounts are required to bridge the gap between the high internal EC price and the usually lower world market price. This system results in most surpluses moving into the international market with relatively modest amounts of surplus commodities acquired and stored by the domestic intervention agencies.

Graphic Summary

Figure 1 is a hypothetical illustration of most of the features of the CAP system that have been previously described.

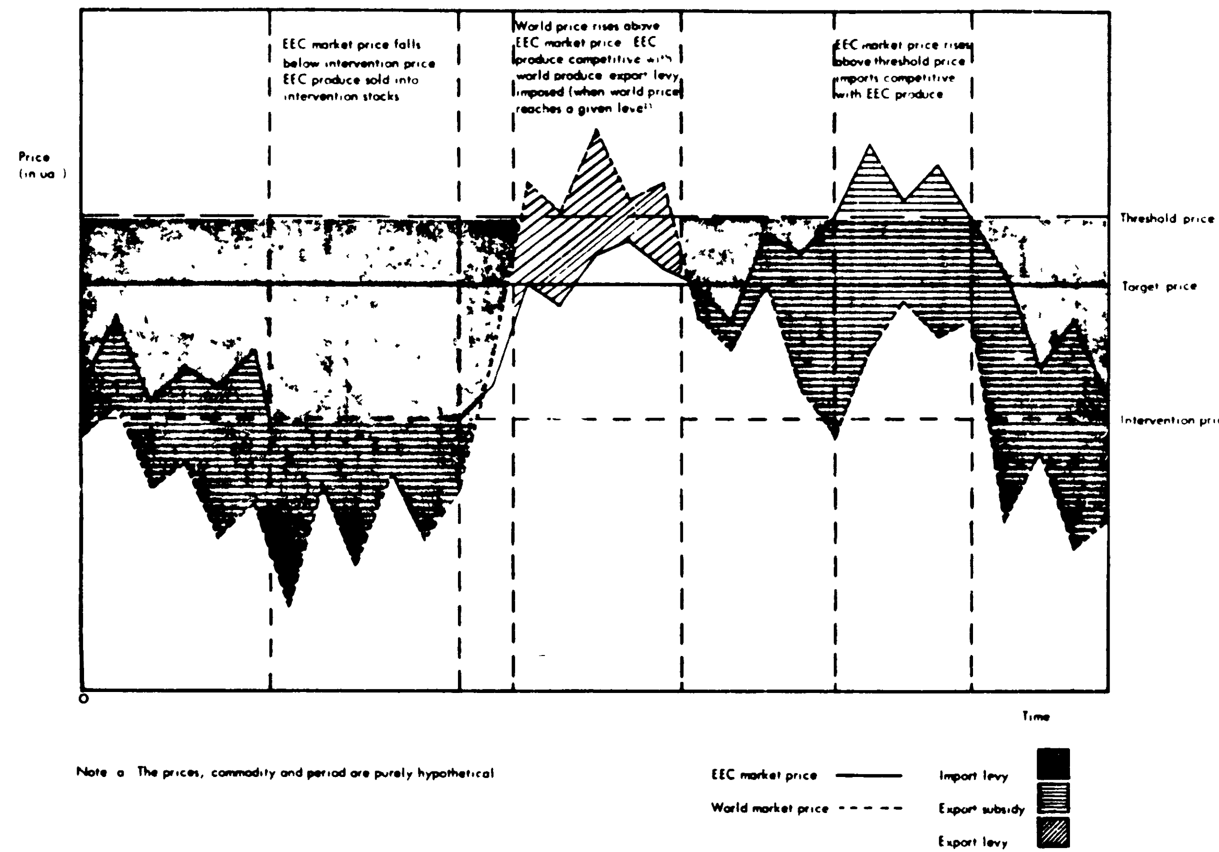
EFFECTS OF CAP ON U.S. AGRICULTURE TRADE

Because CAP policies have encouraged agricultural production, and surpluses have developed over the past decades, the EC has become a major exporter of several commodities. According to U.S. officials, these EC exports have contributed to a decline in sales of U.S. exports. As U.S. export levels continue to decline, U.S. opposition to EC agricultural trade practices, including their import restrictions, intensifies.

Trends in U.S. Agricultural Exports

During the 1950's and 1960's the U.S. produced surplus quantities of agricultural commodities. The high domestic support prices compared to world prices caused large quantities of farm products to enter Government inventories. These stocks were disposed of through foreign assistance programs such as "Public Law 480" and with help from export subsidies. The export picture during the 1970's was radically different. Agricultural trade grew at a phenomenal rate, reacting to increased demand world-wide, especially among centrally-planned economies and developing countries. The low-valued dollar made U.S. agricultural exports relatively less expensive and easy credit programs attracted many customers. By 1981, the U.S. exported a record high of $45 billion in agricultural products. The agricultural picture in the 1980's appears to be similar to the 1950's and 1960's. U.S. agricultural exports have suffered a decline in both volume and value since 1981. The surplus problem has ascended once again, due to a decline in world prices and demand, coupled with an increase in the value of the dollar between 1981 and February 1985 relative to other currencies. Since February 1985 the dollar has depreciated against the yen and ECU but not against other major currencies. Consequently, agricultural exports continue to decline. This change in the trend of exports from the 1970's to the 1980's raises the concern that the conditions of surplus production and low prices may again become the norm. This contraction of exports has generated additional complaints against the CAP and its system, particularly as EC exports have steadily taken a greater share of world agriculture trade. (See appendix, table 1.)

The EEC price support system: development of EEC and World prices for a hypothetical commodity and the consequent incidence of levies and subsidies.



Note a The prices, commodity and period are purely hypothetical

Much of the current decline in U.S. agricultural exports is due to slow economic recovery abroad, a highly valued dollar compared to other currencies, greater production by competing countries, generous U.S. price support programs under the 1981 farm bill, and the harm done to the reputation of the United States as a reliable supplier of agricultural products because of this Nation's use of export controls in the last decade. However, it is also the U.S. claim that its export performance has been relatively affected by the EC system of import barriers, with high threshold prices making U.S. farm products more expensive within the EC, and that its share of world agricultural exports has been unfairly diminished by excessive use of EC export subsidies.

Subsidies

The United States and the European Community agree on the principle of government support, including subsidies to their agriculture sectors, both for domestic and export products. The United States does not quarrel as much with the CAP domestic subsidies as with the export subsidies. One of the aspects of the EC policy that adds fuel to U.S. fire is that the U.S. operates expensive domestic production adjustment programs to reduce supplies, while the EC continues to export growing surpluses.

Negotiated international rules govern the use of subsidies, especially as they affect international agricultural trade. These rules are found in the Subsidies Code [6] of the GATT, which the United States and the EC signed in 1979. In this code, there is agreement to use subsidies to promote important social and economic objectives within domestic agricultural systems. In fact, the United States was insistent that the code did not rule out U.S. agricultural policies already in place. However, the code does not allow export subsidies on primary products (meaning any unprocessed farm, forest or fishery products) in a manner that displaces other trading countries' markets by "more than an equitable share of the world export trade in such a product." It is the interpretation of "equitable share" that has caused problems between the United States and the EC (see appendix table 1 for a comparison of the growth in agricultural export shares).

U.S. Challenges to the CAP

Thomas O. Kay, Administrator, Foreign Agricultural Service, in testimony before the Joint Economic Committee, Subcommittee on Monetary and Fiscal Policy on April 23, 1986, stated:

> In recent years, the CAP's high, essentially open-ended support prices for most commodities have encouraged large surpluses in EC agricultural production during a period of chronic world surpluses and sagging world demand. The EC has then used export subsidies to dump

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[6] The Code on Subsidies and Countervailing Duties is formally known as the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade Article 10 gives the conditions for export subsidies on certain primary agricultural products

its surpluses, causing serious damage to U.S. export earnings in third country markets.

He added:

> A case in point are EC wheat subsidies, which have enabled the EC to export increasing quantities of wheat onto a declining world market. The effect of these subsidies has been to significantly increase the EC's share of the world export market, from 8 percent in the early 1970's to 16 percent during the 1984/85 crop year. While the United States has borne virtually all of the sales losses as a result of the EC's use of subsidies, the price impact of these subsidies has been shared by all wheat exporting countries. EC export subsidies have significantly depressed world grain prices.

He concluded:

> In fact, USDA economists estimate that the United States has lost about $2 billion in grain export earnings as a result of EC grain subsidies.

This purported loss of markets to the EC, which is difficult to measure, has not gone unchallenged. U.S. agribusinesses representing the industries of wheat flour, citrus, pasta, sugar, poultry, canned fruits and raisins brought complaints against the EC under Section 301 of the Trade Act of 1974, as amended in 1979. These complaints allow the U.S. Government to challenge unfair foreign trade practices and seek their removal through the dispute settlement procedures established in the GATT. Consultations and conciliation procedures are time consuming and years often pass before settlements, if ever agreed to, are made. In fact, there is only one example of a U.S.-EC "301" case being settled. The California Cling Peach Advisory Board, along with other fruit interests, filed a complaint in October 1981 against EC production subsidies on canned fruits and raisins. After a delay of four years, a GATT panel ruled in favor of the United States, finding that "the subsidy nullified and impaired tariff concessions previously granted by the EC." The EC agreed to accept the panel's ruling to reduce its subsidies in December 1985. But in the opinion of many in the United States, four years is too long to wait for satisfaction of a trade complaint. Both the Administration and the Congress have expressed growing dissatisfaction with these lengthy multilateral dispute settlement procedures. Nor have these "301" challenges resolved the tension caused by the loss of export markets.

In addition to the increased filings of "301" cases, the Reagan administration also instituted several actions to stop what it sees as the erosion of market shares. First, a "blended credit" program provided interest-free Government credit to be combined with federally guaranteed private financing for foreign buyers of farm products. Second, in 1983, 1 million metric tons of U.S. wheat flour was sold to Egypt at a subsidized price of $155 per ton—substantially under-cutting the EC in the Egyptian wheat flour market. Third, butter and cheese products were sold to Egypt at world prices and on credit, with payment interest free over a 3-year period. When these specific trade actions did not appear to increase

U.S. agricultural exports, the Reagan administration shifted its policy. Along with strong congressional support, it began to harden its stance on the loss of market shares.

In April 1985, when the EC refused to accept the recommendations of a GATT panel report on EC preferences to Mediterranean rim countries, which determined that U.S. exports of fresh oranges and lemons had been injured, the administration ruled the case closed. Immediately U.S. law took over. This meant that the President had the option to take unilateral action against EC exports into this country. In June 1985, the administration announced that it intended to raise tariffs on EC pasta. The EC countered by threatening to raise tariffs on walnuts and lemons. Press reports labeled the trade disputes as "the pasta war."

On July 15, 1985, a truce was called to allow the EC 3 months to negotiate with its trading partners. The wait was for naught. No settlement was reached, and on October 31, 1985, the U.S. raised its tariffs on pasta. At the same time, the EC raised its tariffs on walnuts and lemons. On August 11, 1986, both the United States and the EC agreed to a four-stage truce over trade conflicts involving citrus and pasta. The August truce restored the tariffs to their previous June 1985 levels, increased quotas on EC cheeses and other products into this country, and in return the EC established tariff quotas with reduced duties for a number of U.S. items. Both the United States and the EC maintained the right to nullify the entire agreement if negotiations on pasta subsidies are not resolved by July 1, 1987, or until Congress approves the agreement. Administration officials claim that the EC agreed to these negotiations only after the U.S. agreed never to challenge again in the GATT the EC preferences on citrus imports from Mediterranean rim countries. Critics have expressed concern that the United States gave away its right to protest citrus trade disputes in the GATT without gaining comparable compensation from the EC. Administration officials defend this agreement saying that there would have been no agreement without this commitment and that the longstanding tensions on citrus trade have now been resolved. They also claim that the agreement was only on the preferences and that the United States can still negotiate lower duties on citrus imports into the EC in formal MTN negotiations.

While the so-called "pasta war" was unfolding, the Administration began the Export Enhancement Program (EEP) in June 1985. This program is designed to offer commodities as bonuses to U.S. exporters who expand sales of agricultural commodities to targeted markets that had been "unfairly taken" by foreign competitors. In particular, then Secretary of Agriculture John R. Block commented when he announced the program that the EEP would target markets where the EC had gained substantial share in wheat and wheat flour markets during the period 1979 to 1983 while U.S. shares in these areas declined. The EEP received congressional support in the 1985 farm bill as amended. The legislation also included a minimum annual level of $110 million of Commodity Credit Corporation funds or commodities to be used in a Targeted Export Assistance Program (TEA) designed to boost exports of commodities that have received favorable rulings in trade complaints.

These retaliatory actions, as the Administration labels them, could be dangerous. The EC is a large market for U.S. exports, taking $5.3 billion of U.S. agricultural exports in 1985. There is a danger that the EC could raise barriers even further to U.S. exports and, if the U.S. retaliates, a trade war may begin. The view of European officials is that any expansion of EC exports has not been achieved unfairly. In their view, every sale has been legitimate under the agreed GATT rules on subsidies. However, EC policy officials admit having problems with the burgeoning cost and surpluses created under the CAP policies. Furthermore, EC officials have agreed among themselves that changes within the CAP are necessary.

Proposals for Reform of the CAP

Officials of member nations within the EC Council and policymakers in the U.S. are calling for CAP reform. Over the last few years, the EC Commission has proposed a variety of changes. The most recent round of proposals has caused a loud response from the United States.

Rationale for Reform

With costs and surpluses increasing, the EC Commission has proposed certain broad policy reforms to the CAP. In fact, the European Parliament, a legislative body consisting of representatives of the 12 member nations, passed a policy resolution in early May 1986 that called upon the EC Council of Agricultural Ministers to control the rising costs of agricultural policies and to adjust European farm prices to world levels.

The immediate budget problem was to be solved by increasing the value added tax (VAT) to 1.4 percent on January 1, 1986. This action raised more revenue to finance CAP programs, but will probably not be sufficient to cover current outlays without a change in policy, especially given the now-traditional annual increases in farm prices, and the new anticipated additional expenses associated with EC enlargement to include Spain and Portugal. The EC Commission estimates that resources will not meet the 1986 budget and that an extra supplementary budget of U.S. $2.7 billion will be needed to meet its commitments.[7]

In 1984, the Council of Agricultural Ministers established a policy calling for the progressive reduction in the gap between Community prices and those of its principal competitors in world markets. No timetable was attached. In July 1985, the EC Commission published the "Green Paper" that suggested a number of reforms: close the price gap between world prices and EC prices for cereals; slow production of grains and other surplus commodities while encouraging production of commodities in deficit, such as oilseeds, fruits, cotton, etc.; create new outlets in industry and energy for agricultural production; rates of increase in budget costs be limited; and land and labor be released from the farm sector at a so-

[7] Commission Underestimating Increased Spending Agra Europe No 1176, Mar 7, 1986 p 1

cially desirable rate.[8] But these goals are only points for discussion. In reality, it is extremely difficult to gain a consensus for reform among all the member nations.

Attempts at Structural Reform

The EC Commission considers that dairy products and cereals pose the CAP's biggest problem because they take approximately 30 percent of the entire agriculture budget. In 1984, the Commission finally established production quotas on milk as the only way to limit output without aggravating the income problems of small producers. To strengthen the enforcement of the quota system, the Commission imposed a special levy on high-production dairy herds (to keep more of the market for small "family farms," and, incidentally, to discourage use of imported feed concentrates such as soybean meal).

This levy (known as the penalty levy) equals 75 percent of the milk target price and is imposed on production over and above the ceiling level fixed at one percent more than actual output in 1981. In addition, the EC has a coresponsibility levy. This levy is a tax on milk production and is set at 2 percent of the value of all milk delivered to dairy processors. It is used to offset some of the cost of subsidizing milk to schoolchildren, and to finance promotional efforts to boost consumption of dairy products. Both the administration of the quota and the collection of the levy was left to member countries to enforce. Since many large dairy farmers depend heavily on imported feed, these provisions have some negative effect on U.S. coarse grain and oilseed exports.

Another reform, instituted to limit overproduction of crops, was a system of "guarantee thresholds." The idea was to impose a strict ceiling on the amount of a given commodity farmers may produce before being forced to contribute to the cost of disposing of surpluses. The Commission has stated that the thresholds are designed to discourage crop surpluses by penalizing farmers for overproduction. The penalty would come out of the following years' price increase. However, the EC Council did not enforce the penalties in the following year.

Making farmers contribute to the disposal of surpluses as well as penalizing them for over-production has had mixed results. Currently, such reforms reflect the Commission's belief that it is no longer possible or reasonable to provide open-ended price guarantees to EC farmers in cases where adequate market outlets for their products simply do not exist.

On April 25, 1986, the Council of Agriculture Ministers adopted proposals, involving, first, a commitment toward becoming more market-oriented, and second, permitting member governments to decide on certain aspects of agriculture policy (i.e., the administration and funding of CAP reform programs). With certain reforms to be instituted over the next 4 years, the Council hopes to cut annual budget costs by 776 million ECU's (U.S. $745 million) while slowly decreasing the large surpluses that must be stored or exported.

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[8] Agricultural Information Service, European Community Commission Perspectives for the Common Agricultural Policy The Green Paper of the Commission Green Europe, No 33, July 1985

For cereals, they adopted a 5-year regime consisting of four measures originally proposed in the fall of 1985 by the EC Commission. A co-responsibility levy (set at 3 percent per ton), to help pay the cost of "export restitutions" for grains, will be paid by EC farmers on all wheat sold into "intervention stocks" or onto the market. The levy will be refunded by member nations to farmers selling less than 25 tons. In essence, certain large EC farmers would pay some of the cost of subsidizing grain sales both within the EC and overseas. The Council also froze grain prices to 1984-85 levels, reduced the durum wheat target price 4 percent, tightened quality and protein standards for grain bought by EC intervention agencies, and reduced the period during which intervention agencies would buy grain from the current 12 months to 6 months of the marketing year (November to April), (exceptions being made for certain member countries highly dependent on cereal production). The Council also adopted a 3 percent cut in the dairy quota to be implemented in phases by member states over several years. Other products had restraints placed on their support.[9]

There were also proposals for an early retirement scheme where farmers between the ages 55 and 65 years would give up producing for the market for 5 years and receive an early retirement pension. Such proposals are still under study. Since there are currently 1.2 million farmers over 55 years of age farming 20 million hectares (19 percent of total farm area), such a policy could make a significant difference in production and budget costs.

Recent Enlargement Trade Reforms

The integration of the Spanish and Portuguese agricultural systems into the CAP on March 1, 1986, has caused immediate concern among U.S. policymakers. Three aspects of Spain and Portugal accession are worrying the United States agricultural exporters. First, it appears with new border restrictions, United States grain and oil-seed exports to Spain and Portugal, as well as to other members of the EC, will continue to decline. Second, there is the threat of future competition from greater EC exports Earlier enlargements, in 1973 and 1981, tremendous production increases in countries that came under the generous price support system of the CAP. Such increases in production are inevitably exported into world markets in competition with U.S. agricultural exports. Therefore, U.S. agricultural exporters believe future markets may be threatened. Third, the manner with which the EC handled the transition of agricultural policies of Spain and Portugal to the CAP appears to U.S. officials to have violated several GATT rules, particularly those in article 24, section 6 which specifically states that:

> If . . . a contracting party proposes to increase any rate of duty (if expanding a customs union) . . . due account shall be taken of the compensation already afforded by the

[9] Other reforms included (1) a 5 percent cut in the target price of oilseeds (sunflower, rapeseed), (2) a nationally funded short-term storage aid for wine, (3) a reduction of 7 5 percent in the target price for tomatoes, (4) an increase in the sugar intervention price to equal the agreement made with the ACP countries, and (5) maintenance of the intervention purchasing scheme for beef and veal

reductions brought about in the corresponding duty of the other constituents of the union.[10]

These rules provide that negotiations must be entered into to give compensation where duties that have been bound in the GATT are changed.

The EC Commission notified the Reagan Administration of changes that would take place three weeks prior to instituting new border measures in Spain and Portugal—leaving no time for negotiating "compensation" as required under the GATT. In addition, the EC Commission turned down a request from the Reagan Administration to postpone changes in border policies until negotiations on compensation could take place. Specifically, the EC placed a quota on soybean oil and meal into Portugal and required that Portugal purchase at least 15.5 percent of its grain from EC suppliers. The market reserve requirement is of concern to U.S. exporters because it means a loss of at least 10 percent of their markets. U.S. exports of cereals made up 95 percent of Portugal's imports in 1985. A third restriction, placing a variable import levy on corn and sorghum imports into Spain, has already increased their import price by 100 percent.

On March 31, 1986, President Reagan announced retaliatory measures would be taken against these border restrictions adversely affecting U.S. exports to Spain and Portugal.

The Federal Register on April 3, 1986, published lists of possible EC exports to the United States whose duties could be increased if negotiations on compensation were not satisfactorily concluded. On April 9, 1986, the EC announced counter-retaliatory measures giving three lists of U.S. agricultural exports on which tariffs would rise if the United States acted.

The Administration is not alone in its displeasure over the restrictions on U.S. exports from EC's enlargement. The Senate passed a concurrent resolution (S. Con. Res. 129) on April 17, 1986, that expressed opposition to the import restrictions imposed by the EC urging the President to use, to the fullest extent, his authority to respond to these practices. The Administration is also concerned about the threat of future changes in border tariffs. In fact, Secretary of Agriculture, Richard Lyng commented in testimony before the Senate Agriculture Committee on May 6, 1986, that in a recent tariff schedule for Spain and Portugal given the United States, the EC Commission did not publish tariffs on 65 agricultural items. By not assigning specific duties to these items, it is possible that their duties might be changed without negotiations. Sales of these items were worth $4.2 billion in 1984 to U.S. exporters.

The dispute with Portugal affecting U.S. soybeans and grains was resolved in May. The President matched EC quotas with U.S. quotas on a variety of imports from the EC including white wine valued over $4 per gallon, chocolate, candy, apple, pear juices, and beer. The quotas were suitably large so as not to disrupt U.S.-EC trade this year. A temporary settlement was reached July 1 over the increases in taxes on corn and sorghum into Spain. Spain will

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[10] General Agreement on Tariffs and Trade. Basic Instruments and Selected Documents. Vol. IV, Text of General Agreement, 1969

retain its variable levies on corn and sorghum, but should U.S. shipments of these products for the rest of 1986 fall below 234,000 metric tons per month (roughly equivalent to last year's levels), the Community will reduce its tariffs to make up for the shortfall. U.S. officials contend that the agreement actually represents a net gain for U.S. farmers because shipments were larger in 1985 because of stockpiling in Spain. Critics claim that the agreement only buys time to negotiate compensation in the GATT and that these negotiations will take longer than the December 31, 1986 deadlines.

Longstanding Reform Proposals of the CAP Affecting U.S. Trade

The longstanding reform proposals that would most affect U.S. agricultural exports to the EC include: (1) putting a ceiling on imports of non-grain feed substitutes, mainly corn gluten feed and citrus pulp pellets; and (2) placing a consumption tax on all edible vegetable oils and animal fats, excluding butter.

The EC Commission said that limits on imports of non-grain feed substitutes (sometimes referred to as "cereal substitutes") are an essential part of the "guarantee threshold" proposal. Restrictions on imports constitute "an external protection system in those cases where the Community is taking measures to limit its own production." [11]

The Community has already taken steps to stabilize imports of manioc and bran. In previous international negotiations, the EC committed itself to allowing duty free access of corn gluten feed (most of it from the United States) in return for other concessions. Imports have jumped from 37,000 tons in 1973 to 4 million metric tons (mmt) in 1984 and 3.6 mmt in 1985. This increase is partially explained by the fact that the protected feed grain sector has made cereals expensive. Therefore, livestock producers have turned to a less expensive feed—corn gluten.

In April 1984, the EC notified the GATT of its intention to "partially suspend" tariff concessions previously granted on corn gluten feed and other non-grain feed ingredients. No action has been taken, but bilateral consultations between the United States and the EC have reached an impasse. The United States has told the EC that corn gluten feed has major political and economic significance so that it is unlikely that the United States would accept anything of equivalent value as compensation for the loss of this duty-free access.

The Commission also has considered imposing a domestic tax equal to about $64 a ton on consumption of nondairy fats and oils within the EC. The levy is expected to increase vegetable oil and margarine prices by a range of 3 to 8 percent and raise an estimated $512 million in revenues. The cost of the proposed tax to the average EC household is estimated at 66 cents per month. This means that there is little domestic consumer protest to the increase because the net effect of the tax is so small on each household. The EC has stated that it would compensate any U.S. industry affected by such a tax under the GATT compensation procedures.

[11] Adapting the European Community's Common Agriculture Policy European Community News, No 12/83, Aug 3, 1983

The tax would make EC oilseed imports more expensive, especially soybeans, which compete with EC-produced olive oil and butter. An estimated 34 percent of total U.S. soybean exports went to the EC in 1985. The estimated value of fats and oils exports affected directly and indirectly by the tax is $5.8 billion. According to Thomas Kay, Administrator, Foreign Agriculture Service, testifying before the Joint Economic Committee, Subcommittee on Monetary and Fiscal Policy, April 23, 1986, ". . . the biggest selling U.S. items last year were soybeans, soybean oil cake and corn gluten feed. . . ." These products represent about 40 percent of total U.S. agricultural exports to the EC. (See appendix table 2.)

EC Justification for Their Policies

Sir Roy Denman, head of the delegation of the Commission of the European Communities, has constantly defended the package of changes proposed by the EC Commission on corn gluten feed and soybeans and the changes made on border restrictions for Spain and Portugal. In speeches, over the years since this proposal surfaced, Sir Denman has replied stating that these reforms are "not contrary to the interests of U.S. exporters but represent the major shift toward reform that the United States has asked for previously." [12] Mr. Denman described the reforms as discouraging surplus farm production that competes with the United States in world markets. He further maintains that the EC cannot reduce support for grain without stabilizing imports of grain substitutes that displace Community-grown cereals in animal feed, and thus force more EC grain onto the world market. He went on to say in a speech in November 1983 that the tax on oils and fats is at such a low proposed rate that, combined with the reduction in butter subsidies, the tax is not likely to alter consumption patterns of soybean oil or margarine. Furthermore, he states, other vegetable oils would be taxed, and this would have a proportionately greater effect on the lower priced oils, such as rapeseed. Soybeans are imported by the EC primarily for animal feed and not for oil production. Mr. Denman states that the reform proposals are not an attempt "to shift the burden of adjustment away from European agriculture onto the shoulders of U.S. farmers or exporters." He claims that it is the European farmers who would bear the major burden of the price reduction, severely limited production quotas, and generally severe cuts in financial assistance.

These arguments are similar to those used by Ulrich Kneuppel, former Agriculture Secretary for the Washington-based delegation of the EC Commission. He stated, "To the extent the EC will be successful in adjusting major agriculture sectors to world market conditons, the level of EC protection will decrease. But do not expect too much of this. At the same time as we bring domestic support levels closer to support levels in other major exporting countries, the internal utilization of domestic grain will increase and the dependency on imports may decrease."[13]

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[12] Denman of EC Denies 'Reform Package' Threat to U S Exports. Milling and Baking News. Vol. 62, no. 39 Nov 22, 1983. p 45.

[13] Sir Roy Denman, Head of Delegation. "A Letter From Europe," No. 30, Mar. 24, 1986.

Sir Roy Denman also defends the trade restrictions on Spain and Portuguese agricultural imports under the terms of accession to the Community. He says: that the Spanish and Portuguese tariffs on industrial goods will drop, giving United States businesses an opportunity to increase their trade; that the quota on soybeans into Portugal is temporary—for 5 years—and will allow increases up to 20 percent in soybean imports over shipments in 1985; that the market reservation requirement of 15.5 percent is temporary—for four years—while a state-controlled monopoly is dismantled; and that he is confident compensation can be agreed upon under the global framework of negotiation for placing corn and sorghum under the variable levy system of the CAP.[14]

Conclusions and Recommendations for Congressional Action

The value and volume of U.S. agricultural exports have declined for 5 consecutive years. The decline in exports brings with it a lowering of farm income and a slacking in the entire export marketing system. Depressed conditions in the farm sector have brought calls for Federal remedies.

As this study demonstrates, the United States is suffering losses of agricultural export market shares both in third world and EC markets as a result of global agricultural surpluses, which include EC surpluses created under the CAP. Viewed from the perspective of overall U.S. performance in agricultural trade, it is in the United States' foremost interest to press for meaningful reforms of the CAP. Congress may want to consider the following actions:

1. Either on a bilateral or multilateral level, the United States could continue to pressure the EC to make fundamental reforms in their Common Agriculture Policy.
2. Congress could continue to pressure for European adherence to the export subsidies code covering "primary products." The United States supposedly will again have a chance to pressure the EC for compliance in the new round of multilateral trade negotiations of the GATT that could start early next year.
3. With respect to the expansion of the EC, the United States strongly supports efforts to strengthen European unity through inclusion of new members. However, congressional critics argue that EC expansion has unfortunately taken place at the expense of U.S. agricultural market shares within the Community. The most recent case involving the entry of Portugal and Spain into the Community serves as evidence for these critics that European unity is achieved at the expense of American exports. Neither Congress nor the Administration allowed the policy changes to go unnoticed. With threats of retaliation and counterrataliation and the establishment of nonbinding entry quotas for corn and sorghum, tensions between the United States and the EC have lessened. However, the bilateral agreements, ending the retaliatory actions, have limited effect. It may require Congress working with the Administration to ensure that the flow of trade continues undisrupted.

[14] EC Official Defends Agriculture Policy. Milling and Baking News. Vol. 61, June 15, 1982. pp 44-45.

These various policy options each have some anticipated benefits and costs for the agricultural and non-agricultural sectors of the U.S. economy. There is also an even greater degree of uncertainty about the consequences of the various agricultural policy options. However, examining the CAP and U.S. farm policy in a closed context may overlook the fact that agriculture is only part of a much larger set of shared and differing economic, political, and military interests. These values may well be brought into general bargaining that includes remedies to the agricultural trade dispute. There is little chance that current agricultural trade conflicts with the EC will dissipate in the absence of U.S. policy initiatives.

Statistical Appendix

TABLE 1.—UNITED STATES AND EC SHARES OF WORLD AGRICULTURE TRADE, 1971–85

[Dollars in billions]

	Agricultural exports			Percent	
	World	United States	EC	U S share	EC share
1971	$55.25	$8.11	$5.2	14.4	9.4
1972	65.84	9.74	6.1	14.8	9.3
1973	95.28	18.15	8.8	19.1	9.2
1974	118.02	22.55	10.6	19.1	9.0
1975	123.19	22.35	11.2	18.1	9.1
1976	132.92	23.69	11.3	17.8	8.5
1977	152.55	24.78	13.9	16.2	9.1
1978	172.49	30.57	16.5	17.7	9.6
1979	204.31	36.22	20.7	17.7	10.1
1980	233.07	42.89	26.8	18.4	11.5
1981	232.91	45.05	28.5	19.3	12.2
1982	212.54	38.24	24.4	18.0	11.5
1983	208.74	37.54	23.1	18.0	11.0
1984	218.49	39.39	24.31	18.0	11.1
1985 estimate	180.00	30.00	24.74	16.6	13.7

Source: Food and Agriculture Organization Trade Yearbook annually 1975 through 1984

Note: Conversations with USDA Economist Arthur Mackie, Apr 28, 1986

TABLE 2.—UNITED STATES AGRICULTURAL EXPORTS TO THE EUROPEAN COMMUNITY

[In millions of dollars]

Commodity	Fiscal year—	
	1984	1985
Animals and products	734	579
Meats and products	139	132
Inedible tallow	76	58
Grains and preparations	1,788	1,207
Wheat and flour	210	159
Rice	111	83
Coarse grains	626	301
Fruits and preparations	124	115
Nuts and preparations	248	310
Vegetables and preparations	140	120
Oilseeds and products	2,639	1,892
Oilcake and meal	585	314
Soybeans	1,795	1,350
Tobacco	475	534
Cotton, excluding linters	309	259
Other	259	269
Total (All agricultural exports)	6,716	5,335

Source: U S Department of Agriculture, Economic Research Service FATUS Foreign Agriculture Trade of the United States. November/December 1985

TABLE 3.—UNITED STATES AGRICULTURAL IMPORTS FROM THE EUROPEAN COMMUNITY

[In millions of dollars]

Commodity	Fiscal year— 1984	1985
Beverages, excluding fruit juices	1,184	1,211
Wine	817	831
Malt beverages	367	370
Meats and product	337	417
Pork (canned hams)	302	383
Dairy products	285	298
Cocoa and products (including chocolate candy)	170	172
Grains and fees	123	146
Coffee, tea, spices	130	143
Vegetable and preparations	120	142
Nursery stock (cut flowers)	97	112
Sugar and related products	74	93
Biscuits and wafers	72	89
Fruit juices	53	68
Tobacco—unmfg	75	67
Fruits and preparations	25	38
Olive oil	36	35
Pasta and noodles	27	29
Other	347	343
Total (all agricultural products)	3,155	3,403

Source: U S Department of Agriculture, Economic Research Service FATUS Foreign Agriculture Trade of the United States November/December 1985

TABLE 4.—EC BUDGET EXPENDITURES FOR FARM SUPPORT PROGRAMS BY CALENDAR YEAR

[In billion dollars] [1]

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Price supports	2 9	4 7	6 9	7 9	6 7	7 2	8 8	9 3	10 1	13.4
Export subsidies	4 7	6 3	7 4	7 8	5 5	5 0	5 4	5 2	5 2	6.8
Total support	7 6	11.0	14 2	15 7	12 2	12 2	14 2	14.5	15 3	[2] 20 2

[1] Expenditures are converted from ECUs (European Currency Unit) to dollars The value of the ECU varies 1986, 1 ECU is converted at $.96, 1985, $.76, 1984, $.79, 1983, $ 89; 1982, $ 98, 1981, $1 12, 1980, $1 39, 1979, $1 37, 1978, $1 27, 1977, $1 14

[2] Estimate

Source: Agriculture Situation of the European Community 1986

THE COMMON AGRICULTURAL POLICY: SELECTED READINGS, 1982–86*

BACKGROUND AND OVERVIEWS

Butler, Nicholas.
The Common Agricultural Policy and world food trade. Policy studies review, v. 4, Nov. 1984: 291–300.

"Farmers and policymakers in American and in every other farming nation must adjust to the realization that European agriculture is not only entrenched for the foreseeable future but, with domestic demand saturated, set to play an even greater role as a participant in world markets."

C.A.P. Monitor. 1982+ London, Agra Europe (London) Ltd. Continuous updates.

This looseleaf publication covers all aspects of the Policy. Besides excerpts from and explanations of Policy text, it includes detailed statistics.

Changes in the EEC dairy policy. Tunbridge Wells, Eng., Agra Europe, 1984. 13 p. (Agra briefing no. 1)

"The EEC faces a serious financing crisis. That crisis is caused by the Community's Common Agricultural Policy. And at the heart of the CAP's problems lies the dairy policy. Pressure to solve its problems will therefore be concentrated on the dairy sector." This paper examines "the implications of the crisis for dairy policy and the likely effect of recent policy decisions."

Commission of the European Communities.

The agricultural situation in the Community: 1984 report; report published in conjunction with the "Eighteenth General Report on the Activities of the European Communities." Luxembourg, Office for Official Publications of the European Communities, 1985. 426 p.

HD 1920.5.A18a 1984

"This report is the tenth published version of the annual Report on the Agricultural Situation in the Community. It contains analyses and statistics on the general situation (economic environment and world market), the factors of production, the structures and situation of the markets in the various agricultural products, the obstacles to the common agricultural market, the position of consumers and producers, and the financial aspects. The general prospects and the market outlook for agricultural products are also dealt with."

The Common Agricultural Policy. Midland Bank review, winter 1984: 10-16.

Tracks experiences in the last decade for the farm sector of EEC countries, outlines the workings of the Common Agricultural Policy, discusses how the system developed, and summarizes some proposals for its future. Concludes that CAP lacks direction at present; suggests that a two-tier system which targets its support may be more appropriate.

The Common Agricultural Policy's role in international trade. London, Agra Europe, 1983. 120 p. (Agra Europe special report no. 19)

Contents.—The effect of the Common Agricultural Policy on trade flows—The CAP and developed world agricultural trade.—CAP and agricultural trade with less developed countries.—EEC agricultural trade with East Europe and the USSR.—Future development of the CAP and its effect on international agricultural trade.—The EEC's role in international agricultural trading agreements.—Effect of "enlargements" on world agricultural trade.—The cost of EEC protectionism.

The Costs of the Common Agricultural Policy, by Allan E. Buckwell, David R. Harvey, Kenneth J. Thomson, and Kevin A. Parton. London, Croom Helm, c1982. 184 p.

HD 1920.5.Z8667 1982

Presents an economic analysis of CAP and of alternative agricultural policies discussing their effects on commodities, countries, and groups within countries.

Duncan, Ron, and Ernst Lutz.

Penetration of industrial country markets by agricultural products from developing countries. World development, v. 11, Sept. 1983: 771-786.

"About 55 percent of food and about 60 percent of non-food agricultural exports of the developing countries are sold in industrial country markets. * * * From 1970 to 1980 the developing countries were able to increase their market penetration in processed agricultural commodities from 3.5 to 3.7 percent, which amounts to an average annual increase of only 0.6 percent. In basic agricultural products like sugar, maize, tomatoes and beef they even incurred losses in their market share that corresponded to an increase in the degree of self-sufficiency (and probably of protective trade barriers) of the industrial countries, in particular the EC."

Duchene, Francois.

New Limits on European Agriculture: Politics and the Common Agricultural Policy, by Duchene Francois, Edward Szczepanik, and Wilfried Legg. Totowa,

* Compiled by Rebecca Mazur, Bibliographer, Environment and Natural Resources, Library Services Division. May 2, 1986

N.J., Rowman & Allanheld, 1985. 286 p. (An Atlantic Institute for International Affairs research volume)

HD 1920.5.D78 1985

Presents a historical analysis of the antecedents of CAP; examines the rapid emergence of the EC as a main force in world markets; surveys the agricultural policies of each of the EC Ten, relating CAP to national goals; analyzes interrelations of the political and agricultural settings of the EC countries; considers policy options for the Community.

EEC cereals policy and the international markets. Tunbridge Wells, Eng., Agra Europe, 1984. 13 p. (Agra briefing no. 3)

"EEC cereal yields are increasing steadily; domestic demand is static. The European Community faces both financial and political problems in disposing of the resulting surplus. This report therefore takes a close look at policies likely to develop from this situation and their probable effect on EEC producers and the international market."

European agricultural outlook conference. Tunbridge Wells, Kent, Agra Europe (London), 1985. ca. 150 p. in various pagings. (Agra Europe special report no. 24)

Papers presented at Outlook 85, fourth European Agricultural Outlook Conference held in London, Feb. 20-21, 1985. Addresses the political and economic situation of the European Agricultural Community.

European Community: its trade policies. Foreign agriculture, v. 20, Mar. 1982: whole issue.

Partial contents.—A viewpoint-unified U.S. approach to EC trade policies, by S. Lodwick.—EC agricultural surpluses—a growing factor in world markets.—EC expansion: what it implies for U.S. fruits and vegetables, by W. Sharp.—West Germany: corn production and processing, by D. Achilles.

Fennell, Rosemary.

The Common Agricultural Policy of the European Community. Montclair, N.J., Allanheld, Osmun, c1979. 243 p.

HD 1920.5.Z8 1979

Contents.—Background and aims of the CAP.—Institutions of the Community.—Legislative process of the Community.—National links with the CAP.—Financing the Community.—Green money.—The composition of the price and market regimes.—Price and market mechanisms for field crops.—Price and market mechanisms for livestock and livestock products.—Price and market mechanisms for horticultural and perennial crops.—On-farm structural and social policy measures.—Off-farm structural and social policy measures.—Enlargement of the Community.

Green Europe; newsletter on the Common Agricultural Policy. v. 1+ Jan. 1979+ Luxembourg, Office for Official Publications of the European Community. monthly.

Each issue covers one economic, consumer, organizational, or political topic. Frequently reprints parts of the Commission reports.

Green Europe newsletter in brief. Luxembourg, Office for Official Publications of the European Communities. monthly.

Like Green Europe, each issue is an essay on CAP.

Harris, Simon, Alan Swinbank, and Guy Wilkinson.

The Food and Farm Policies of the European Community. Chichester [Sussex], New York, Wiley, c1983. 354 p.

HD 1920.5Z8H37 1983

"Includes a thorough treatment of the commodity regimes, a detailed explanation of the green 'money' system, and an account of the place of agricultural expenditure in the Community Budget. There are also chapters on structural policy, and on the subject of such current concern, the impact of the Community's farm policies on Third Countries. In addition, however, the book examines the interaction between the CAP and the food industry in the Community, together with an account of the extensive European food legislation."

Harvey, D.R., and K.J. Thomson.

Costs, benefits and the future of the Common Agricultural Policy. Journal of Common Market studies, v. 24, Sept. 1985: 1-20.

Describes the CAP, giving estimates of its costs and benefits, and discusses the policy as an administrative machine and as a political organism. Examines changes in the policy resulting from 1984 decisions, and discusses dairy quotas, budgetary discipline, and cereal supply control with an eye to the future.

Hasha, Gene.
Pending olive oil surpluses from EC enlargement. Unpublished draft. Dec. 1982. 12 l.
Contact U.S. Department of Agriculture, Economic Research Service. International Economics Division, regarding copies.
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Pressures affecting EC agricultural policy. Unpublished draft. Dec. 1982. 13 l.
Contact U.S. Department of Agriculture, Economic Research Service, International Economics Division, regarding copies.
Jabara, Cathy L.
Trade restrictions in international grain and oilseed markets: a comparative country analysis. Washington, U.S. Department of Agriculture, Economics and Statistics Service, 1981. 41 p. (Foreign agricultural economic report no. 162)
"This survey of national priorities indicates the extent to which state trading practices and variable levies, which protect internally administered prices, as well as tariffs, taxes, quotas, bilateral agreements, and other policies restrict competition. Policies of 18 countries which are major traders of grains and oilseeds are assessed. Nontariff barriers represent greater restrictions to trade in importing countries than do tariffs, primarily because tariffs have been gradually lowered through international negotiations. Nontariff barriers have been difficult to negotiate in the international arena since their effects are difficult to measure and because they are principally linked to domestic policies and programs such as maintaining farm income or low prices for consumers."
Jabara, Cathy L., and Alan S. Brigida.
Variable levies: barriers to grain imports in France, the Netherlands, Federal Republic of Germany, and United Kingdom. Washington, U.S. Department of Agriculture, Economic Research Service, 1980. 16 p. (Foreign agricultural economic report no. 156)
"This study examines levels of protection provided by grain import levies on an individual country basis and thereby includes the effects of the system of border taxes and subsidies (Monetary Compensatory Amounts—MCA's). The latter are applied in addition to import levels in order to account for fluctuations in member countries' exchange rates." Finds that the EC levy offers the most protection to West Germany and the least to the United Kingdom.
Johnson, D. Gale, Kenzo Hemmi, and Pierre Lardinois.
Adjusting domestic programs in an international framework; a task force report to the Trilateral Commission. New York, New York University Press, 1985. 132 p. (Triangle papers 29)
Partial contents.—United States agricultural policy.—Agricultural policies of the European Community.—Consumer and taxpayer costs.—GATT provisions for agriculture.—Effects of farm programs on foreign trade.—Effects on developing country exports.—Market-oriented policies and farm incomes over time.—Diminishing agricultural employment in growing economies.—Recommendations.
Includes an explanatory essay on CAP.
Josling, Timothy Edward, and Scott R. Pearson.
Developments in the Common Agricultural Policy of the European Community. Washington, U.S. Department of Agriculture, Economic Research Service, For sale by the Superintendent of Documents, G.P.O., 1982. 79 p. (Foreign agricultural economic report, 172)
HD 1411.F59 no. 172 (Alternate Class HD 1920.5.Z8)
"Present trends in the Common Agricultural Policy (CAP) of the European Community (EC), particularly increasing expenditures for agricultural support, will seriously affect the EC's ability to meet other policy needs and hinder enlargement of the Community to include Spain and Portugal. EC policymakers must either keep prices low directly or with producer taxes, or limit quantities covered by support measures. This report examines directions which the CAP may take in view of budgetary and enlargement pressures and indicates potential changes in EC policy."
Koester, Ulrich.
Policy options for the grain economy of the European Community: implications for developing countries. Washington, International Food Policy Research Institute, 1982. 90 p. (International Food Policy Research Institute; 35)
Examines policy measures by the EC that might stabilize global grain supplies and prices, discussing the place of the EC in the world grain economy, policy options for EC grain price ratios, liberalizing the EC grain economy, and policy options for EC production, storage, and trade.

Mackel, C., J. Marsh, and B. Revell.
The Common Agricultural Policy. Third World quarterly, v. 6, Jan. 1984: 131-144.
"Indicates the main determinants of the character of the CAP, shows how this affects other countries and illustrates the issues by reference to the operation of the policy in two product areas, beef and cereals."
Mackel, Chris.
Agricultural policies of EC explained. Milling & baking news, v. 62, Aug. 23, 1983: 36, 40, 42.
Provides a history and explanation of the EC's agrimonetary, or "green money" system. Assesses the system's market effects and underlines implications for U.S.-EC trade and competition. "The M.C.A. system continues to pose a complex and risky element in Community trade, which no amount of fine tuning by the Commission can remove."
Maddock, Nicholas.
EC enlargement and the Mediterranean associates. Food policy, v. 9, Aug. 1984: 184-188.
"EC enlargement has potentially serious consequences for those Mediterranean countries linked to the community by Association Agreements. The accession of Spain seems likely to result in reduced demand for imports of fruit and vegetables from outside the EC." Article focuses on implications for Cyprus which has made efforts to renegotiate its Association Agreement.
———, ———.
Towards a new Mediterranean policy for the EC: options and constraints. Food policy, v. 10, Aug. 1985: 191-198.
"The Mediterranean Associates (non-EC Mediterranean countries with preferential trading agreements with the Communities) seem likely to suffer considerable disadvantage from the accession of Spain and Portugal to the EC.* * * The EC's increased self sufficiency will inevitably mean poorer marketing opportunities within the EC for non-EC suppliers."
Madison, Christopher.
United States-European economic, political relations are in "a difficult patch." National journal, v. 15, Nov. 19, 1983: 2404-2409.
"That is how the European Community's chief Washington representative characterizes it, and American officials agree. But neither side considers it a crisis."
Moulton, Kirby S.
The European Community's horticultural trade: implications of EC enlargement. Washington, U.S. Department of Agriculture, Economic Research Service, for sale by the Superintendent of Documents, G.P.O. 1983. 99 p. (Foreign agricultural economic report no. 191.)
Forecasts that the European Community will import $269 million of fruits, etc. from the United States in 1986 and changes in EC policy will affect trade patterns more than will elimination of tariff and nontariff barriers.
Musto, Stefan A.
The Mediterranean policy of the EC—the case of agriculture. Intereconomics, May-June 1983: 103-110.
"The production structures of the majority of Mediterranean countries have traditionally been oriented towards the West European market." Discusses effects southward enlargement of the EC may have on the agricultural sector of the non-candidate Mediterranean countries.
Neundorfer, Konrad.
The problems of the southward enlargement of the EC. Intereconomics, Nov.-Dec. 1983: 255-264.
"The process of southward enlargement of the European Community is now well under way: Greece has been a full member since 1st January 1981 and intensive negotiations with Spain and Portugal are proceeding, although a successful conclusion is not yet in sight. Our article discusses the political and economic implications of enlargement for both the acceding countries and the existing community, concluding with a number of proposals regarding the course to be followed in future."
Peters, G.H.
The CAP debate 1981 vintage. Three Banks review, no. 133, Mar. 1982: 39-49.
Presents a review of the troubled history of the EEC Common Agricultural Policy (CAP) leading up to the London summit in Nov. 1981. The reasons for the relative failure of that meeting are examined and the conclusion drawn

that if the ambitions of the participating governments remain as far apart in the future as they have been in the past, agreement is likely to remain elusive.

Petit, Michael.
Determinants of agricultural policies in the United States and the European Community. Washington, International Food Policy Research Institute, c1985. 80 p. (International Food Policy Research Institute; 51)
HD 1761.P45 1985
"This research confirms that in the long run economic forces play an extremely important role in shaping policies, but their influence is mediated through the political process. Hence it may take a long time for policies to adjust to the economic environment. This implies the policy research must deal with both the underlying economic forces and the policymaking process."

Sarris, Alexander.
World trade in fruits and vegetables: projections for an enlarged European Community. Washington, U.S. Department of Agriculture, Economic Research Service, 1984. 58 p. (Foreign agricultural economic report no. 202)
"Enlarging the European Community (EC) to include Greece, Spain, and Portugal will not significantly change the general pattern of world trade in fruits and vegetables, but will lead to larger exports to the EC by the new member countries. EC enlargement will only slightly depress prices of U.S. fruit and vegetable products from their nonenlargement projected levels. World supplies will rise faster than world demand, leading to lower prices on the international market."

Schmitz, Peter Michael.
The international repercussions of EC agricultural policy. Intereconomics, v. 20, Nov./Dec. 1985: 261-267.
"The importance of the EC in international agricultural markets has grown steadily since the establishment of the Community and will receive another boost following its southward enlargement. Nevertheless, agricultural policy has been inward-looking and has paid little heed to the external effects it engenders. Professor Schmitz shows that EC agricultural policy has tended to depress world market prices has increased their volatility and artificially distorted the price structure in the world market."

Spain and Portugal in the EEC: the mechanics of accession. London, Agra Europe, c1985. 30, 13 p. (Agra Europe special report no. 26)
Both Spain and Portugal are important producers of wine, olive oil, and fruits and vegetables; when these two countries join the EEC on Jan. 1, 1986, opportunities for increased agricultural trade between the "Two" and the "Ten" are created. Spain and Portugal will gradually adopt CAP, the EEC agricultural market support and trading system. This report explains the process of transition for each of the main groups of products.

Stanton, B.F.
Production costs for cereals in the European Community: comparisons with the United States, 1977-1984. Ithaca, N.Y., Cornell University, 1986. 178 p.
"A.E. Res. 86-2"
Investigates and summarizes recent studies of production costs and returns for cereals in the EC, primarily wheat, barley, and corn. Separate sections cover production costs in France, the U.K., West Germany, Italy, and Spain. Assesses the competitiveness of the EC and individual member countries as cereal producers for world markets.

Tangermann, Stefan.
What is different about European agricultural protectionism? World economy, v. 6, Mar. 1983: 39-57.
Concentrates on those aspects of the European Community's Common Agricultural Policy (CAP) which may distinguish the Community from its trading partners and help to explain the special nature of its agricultural protection.

U.S. Department of Agriculture. Economic Research Service. International Economics Division.
EC dairy surpluses: evolution and prospects. World agriculture, Dec. 1984: 36-39.
"The EC introduced milk delivery quotas in 1984 because the previous dairy policy let production outstrip demand. Although the new quotas will reduce output significantly, the EC will continue to have surpluses and will remain the world's largest exporter of dairy products."

Valdes, Alberto, and Joachim Zietz.
Agricultural protection in the OECD countries: its cost to less-developed countries. Washington, International Food Policy Research Institute, 1980. 58 p. (International Food Policy Research Institute; 21)
"This study examines the effect a reduction in agricultural trade restrictions of selected OECD countries would have on the export earnings and import expenditures of developing countries. It indicates the minimum effect of a 50 percent reduction in the trade barriers of 99 commodities would have on export revenues and import expenditures as well as how agricultural production in the LDCs would be generally affected."

EFFECTS OF CAP ON U.S. AGRICULTURAL TRADE

Bentil, J. Kodwo.
Attempts to liberalize international trade in agriculture and the problem of the external aspects of the common agricultural policy of the European Economic Community. Case Western Reserve journal of international law, v. 17, summer 1985: 335-387.
Article "examines some of the essential aspects of the problem of the European Common Market's [EEC] Common Agricultural Policy (CAP] against the background of the efforts of the world's trading nations to liberalize international trade in agricultural products."
Boger, William H., III.
The United States-European Community agricultural export subsidies dispute. Law and policy in international business, v. 16, no. 1, 1984: 173-238.
Outlines U.S. and EEC agricultural policies and programs and the trade war atmosphere which has evolved. Analyzes four GATT decisions and finds them to have been ineffective. Suggests that the United States and EEC should work for a bilateral compromise, and that such a compromise would be politically beneficial to each side.
Bredahl, Maury.
Trade tension between the United States and the European Community. Economic & marketing information for Missouri agriculture, v. 26, Jan. 1983: 1-4.
Describes how the CAP has met its objectives of increasing agricultural output, ensuring adequate farm income, and stabilizing agricultural markets in the EC, but has raised serious concerns for the United States by reducing EC demand for U.S. food, increasing EC world market share, and exacerbating instability in world agricultural markets.
Butler, Nicholas.
The ploughshares war between Europe and America. Foreign affairs, v. 62, fall 1983: 105-122.
Discusses the European Economic Community's Common Agricultural Policy and the 1979 Tokyo Round agreement. Recommends that both the EEC and United States reduce subsidies and set stable production targets to solve shared problems of surplus grain stocks and falling farm incomes.
Cathie, John.
United States and EEC agricultural trade policies: a long-run view of the present conflict. Food policy, v. 10, Feb. 1985: 14-28.
Examines protectionist policies and origins of current conflicts between the United States and EEC as agricultural traders. "The grain sector is used to illustrate the dominant tendencies in U.S. agricultural policies, which include a programme of food aid used as an outlet for U.S. agricultural capacity. The conclusion outlines how the EEC, with its potential for further growth in grain exports, can learn from the U.S. experience in this, and other, aspects of agricultural trade."
Cohen, Marshall, Miles Lambert, Stephen, Sposato, and Ronald Trostle.
Western Europe: competition for sales stiffens. Foreign agriculture, v. 22, Feb. 1984: 15-17.
Although Western Europe is still the second largest export market for United States farm products, sales have slipped by nearly a fourth since 1980. Authors comment on declines in EC demand for feed grain, soybeans, and tobacco.
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Contents.—The European Community, the CAP, and American interests, by J. Robert Schaetzel.—The foundations of the CAP and the development of U.S.-EC agricultural trade relations, by R. Talbot.—The politics and economics of

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The European Community Commissioner responsible for agriculture and the U.S. Secretary of Agriculture express their views on agricultural trade, including tariffs, price supports, sugar, and grain.

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This Comment analyzes "the GATT approach to agricultural export subsidies, emphasizing the reform of agricultural trading policies undertaken during the Tokyo Round of negotiations. In an effort to evaluate the results of that reform, this Comment will discuss the Tokyo Round's impact on agricultural trading relations between the United States and the European Economic Community (EEC)." It also refers "to developments that occurred during GATT's ministerial meeting in November 1982. * * * It appears that GATT will continue to preach the gospel of free trade and that the United States and the EEC will simply ignore it."

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Friend, Reed, and Ron Trostle.
Quotas tell EC dairy farmers; "cut back." Farmline, v. 5, June 1984: 4-7.
The authors find that the EEC's quotas won't eliminate surplus production, "but they'll probably trim output enough to affect EC demand for American feedstuffs."

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Recent CAP changes: will they reduce subsidized exports? World agricultural outlook and situation, Sept. 1984: 25-27.
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"The current American and European mutual accusations of agricultural protectionism are an obvious case of the pot calling the kettle black. What series of events led up to this confrontation? And how can the conflict situation be eased?"

Lewis, Paul.
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Current EC-U.S. economic conflicts. Intereconomics, no. 2, Mar.-Apr. 1984: 51-56.

Surveys issues in United States-EEC trade in agriculture and steel. Also examines attitudes toward the U.S. budget deficit, East-West trade and other matters.

McNitt, Harold A.

The EC market for U.S. agricultural exports: a share analysis. Washington, U.S. Department of Agriculture, Economic Research Service, for sale by the Superintendent of Documents, G.P.O., 1983. 82 p. (Foreign agricultural economic report 179)

Assesses the market potential for all major U.S. agricultural exports to the EC. Author finds that the "United States will continue as a leading supplier to the EC of soybeans, sunflowerseed, corn and corn gluten feed, peanuts, citrus pulp, some animal products, and soybean mean during 1981-85. EC trade policies, however, sharply restrict imports of most fruits and vegetables, processed foods, and meats."

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Madison, Christopher.

The pitchfork war—United States, Europe feud over European agricultural subsidies. National journal, v. 14, Jan. 16, 1982: 105-109.

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Phegan, Colin.

GATT article XVI.3.: export subsidies and "equitable shares Journal of world trade law, v. 16, May-June 1982: 251-264.

Examines the meaning of GATT Article XVI:3 dealing with export subsidies, in the light of its history and application, particularly in the recent sugar dispute involving the EEC.

Point counterpoint: corn gluten feed is the latest transatlantic issue. Europe, no. 244, July-Aug. 1984: 12-17.

Contents.—U.S. view: E.C. proposal for import restrictions is unfair under competition rules, by D. Sherwin—E.C. view: a breathing space is needed to avoid damage to planned agricultural reforms, by D. Renshaw. E.C. farm policy aims for stability, by C. Villain is appended; it discusses agricultural market saturation.

Renshaw, Derwent.

Is Europe America's best customer or biggest competitor? Europe, no. 253, Jan.-Feb. 1986: 10-12.

Maintains that the EC competes with the United States chiefly for wheat and dairy sales, which represent only one fourth of U.S. farm exports. Strongly objects to the U.S. Export Enhancement Program initiative. "The EC will defend its interest in affected markets, and it will file a trade complaint against the program, which clearly violates the GATT Subsidies Code, if the United States persists with its attacks on EC wheat export refunds."

Sheets, Kenneth R.

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Briefly reviews causes of farm export slump, including EC policies, the strong dollar, and embargoes imposed by Nixon, Ford, and Carter. "Many economists predict that, while the United States will continue to be the leader in world food trade, it is doubtful that American farmers will ever recapture their lost overseas markets."

Stokes, Bruce.

Falling exports, rising support payments throwing farm economy out of sync. National journal, v. 16, Nov. 24, 1984: 2250-2254.

"The Administration hopes to use the 1985 farm bill and trade talks to help farmers capture foreign markets, but the high dollar and a possible trade war pose obstacles."

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Trade disputes are straining the ties that bind America and Western Europe. National journal, v. 17, Aug. 1, 1985: 1894-1897.

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HD 9049.W5U54 1984
Looks at interdependencies between US and EC farm policies, focusing on grain.

U.S. Congress. House. Committee on Agriculture.
Review of agricultural exports and trade (Secretary John R. Block). Hearing, 98th Congress, 1st session. Oct. 18, 1983. Washington, G.P.O., 1984. 252 p.
"Serial no. 98-39"

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"Serial no. 98-29"

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European Communities' Common Agricultural Policy, the subsidies code, and enforcement of U.S. rights under trade agreements. Hearing, 97th Cong., 2d sess. Feb. 11, 1982. Washington, G.P.O., 1982. 236 p.

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International trade distortions harming U.S. agricultural exports. Hearing, 98th Congress, 2nd session. June 26, 1984. Washington, G.P.O., 1984. 114 p. (Hearing, Senate, 98th Congress, 2nd session, S. Hrg. 98-1010)

Webb, Alan J.
Protection in agricultural markets. Washington, U.S. Department of Agriculture, Economic Research Service, 1984. 45 p.
"ERS staff report no. AGES840524"
Begins by describing policy approaches to agriculture taken by industrialized, less developed, and centrally planned countries, and analyzes effects of protection and how these effects are measured. Discusses efforts to reduce agricultural trade barriers, concluding that U.S. negotiations "will have to be broadened to include the reduction of nonagricultural barriers as well as agricultural barriers in order to achieve significant progress toward liberalization of agricultural trade."

Western Europe: competition for sales stiffens. Foreign agriculture, v. 22, Feb. 1984: 15-17.
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Proposals To Reform the CAP

Avery, Graham.
Europe's agricultural policy: progress and reform. International affairs, v. 60, autumn 1984: 643-656.
Discusses the decisions of the EC's Council of Ministers of March 31, 1984. Concludes that these decisions indicate a commitment to the following three points: "the principle that agricultural guarantees can no longer be unlimited in nature; an effective control of milk production by means of quotas; and a restrictive price policy, including cuts in nominal price support for several products in several countries."

Butler, Nick.
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Commission of the European Communities.
Perspectives for the Common Agricultural Policy: communication of the Commission to the Parliament and the Council. Brussels, 1985. ca. 75 p.
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The Common Agricultural Policy and the prospects for reform.
Tunbridge Wells, Eng., Agra Europe, 1984. 21 p. (Agra briefing No. 2)
Discusses problems of the Common Agricultural Policy, which include its high cost, inappropriate pricing, uncontrolled increases in productivity and production, declining consumption, and the continuing need to subsidize increasing exports. Observes, however, that there is no overall plan for fundamental reform of the CAP. "Only the continuing pressure of financial stringency is likely to force the Community to make changes in the policy."

Dicke, Hugo, and Horst Rodemer.
Financial implications of a sweeping CAP reform. World economy, v. 6, Mar. 1983: 59-72.
Authors show "that a system of producer taxes together with other measures can be misused to increase further the overall economic cost of agricultural protectionism and that a liberalization policy for agriculture combined with compensation payments, radically scaling down the overall economic cost of the common agricultural policy, need not fail in the face of acute budgetary problems."

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European Community news. Washington, European Community Information Service. irregular.
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A reconsideration of the objective of the Common Agricultural Policy. Journal of common market studies, v. 23, Mar. 1985: 257-276.
Reviews the objectives of the Common Agricultural Policy as set out in the Rome Treaty observing that it is of questionable value to evaluate reforms to the CAP without relating them to fundamental policy objectives. Recent reforms have been prompted by budgetary concerns, but the author argues that "an examination of the meaning of the objectives of the policy is required; the extent to which they are pursued; and whether they require re-interpretation."

Friedeberg, Alfred S.
Milk surpluses till the cows come home? World economy, v. 7, Dec. 1984: 421-433.
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Three methods for reducing EEC milk supplies. Food policy, v. 10, Aug. 1985: 199-201.
Suggests premiums for voluntary non-delivery; buying up quotas; and reduction of quota. "Each of the three methods—whether applied separately or in combination—would be very much cheaper to the EEC budget than having to dispose of surpluses and should be financially attractive to the milk producer."

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Agricultural policy issues in the EC and their implications for U.S. interests. Agriculutral outlook, no. AO/95, Jan.-Feb. 1984: 20-23.

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Gelb, Norman.
Test of wills in the Common Market. New leader, v. 67, Jan. 9, 1984: 5-7.
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Harvey, Graham.
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"The British taxpayer, in line with EEC policy, pays out huge sums to subsidise a system of agriculture which destroys the countryside and in the end produces surplus—which is sold off at cut price."

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Reform of the CAP: impact on the Third World. Food policy, v. 9, May 1984: 94-98.
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EC proposals to limit corn gluten feed imports. Unpublished draft. April 1982. 161
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Neville-Rolfe, Edmund
The Community Agricultural Policy: prospects for reform. Policy studies, v. 2, Jan. 1982: 116-130.
Discusses the history and possibilities of reform of the Common Agricultural Policy of the EEC

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The new price package. European trends, No. 71, May 1982: 12-18.
Describes the political pressures for agricultural price increases in the EEC and concludes "the 1982 price review like many before it highlights the incapacity of agricultural ministers to take any consistent long term view of the future of the Common Agricultural Policy."

Peterson, E. Wesley F, Albert Pelach Pariker, Harold M. Riley, and Vernon L. Sorenson
Spain's entry into the European Community: effects on the feed grain and livestock sectors Washington, U.S. Department of Agriculture, Economic Research Service, 1982. 101 p. (Foreign agricultural economic report 180)
"Spain's expected entry into the European Community (EC) in the mid-eighties would raise internal feed grain prices, slowing growth in livestock production and feed grain use over a 5- to 10-year transition period. Accession would not cause major changes in U.S. exports of corn, sorghum, or soybeans . . . Spain's accession would do little to alleviate the EC's current farm surplus and budget problems."

Plumb, Henry.
The Common Agricultural Policy: the politics of the possible. Three banks review, No 144, Dec 1984. 39-49.
"The physical success of farming must not cloud the market reality of overproduction and the unreality of a farm policy which has failed to adjust to the agricultural structure which that policy has helped to create. A turning point has indeed been reached because the industry itself realises that we cannot go on producing that which we can neither consume at home nor hope to sell on a world market weighed down by the stocks on offer from the EEC." Article dis-

cusses the current state of Europe's agriculture and calls or further reforms for the CAP

United Kingdom Parliament House of Lords. Select Committee on the European Communities.
The reform of the Common Agricultural Policy, with evidence. London, H.M.S.O., 1985 159 p. (U.K., House of Lords, Select Committee on the European Communities, session 1984-85, 17th report)

U.S. Congress Senate. Committee on Agriculture, Nutrition, and Forestry. Subcommittee on Foreign Agricultural Policy Proposed reforms in the Common Agricultural Policy of the European Economic Community. Hearing, 98th Congress, 1st session Oct 17, 1983 Washington, G.P.O., 1984. 90 p. (Hearings, Senate, 98th Congress, 1st session, S. Hrg 98-577)

U S Congress Senate. Committee on Finance.
European communities' proposals to reform Common Agricultural Policy Hearing, 98th Congress, 1st session. Dec 12, 1983. Washington, G P O, 1984 146 p. (Hearing, Senate, 98th Congress, 1st session, S. Hrg 98-661)

POLICY OPTIONS FOR THE U S.

Amstutz, Daniel G.
U S farm policy and international agricultural markets Case Western Reserve journal of international law, v 17, summer 1985: 321-333
Reviews the changes that have taken place in the global agricultural and trade environment since the early 1970's, advocates freer world markets.

Drabenstott, Mark.
U S agriculture the international dimension Federal Reserve Bank of Kansas City economic review, v. 70, Nov. 1985: 3-8
"An increase in farm exports is an important key to restoring agricultural prosperity in the United States The future course of farm exports is closely tied to economic growth in the world's developing countries."

Goldberg, Richard W.
Goldberg for market-oriented policies Milling & baking news, v. 62, Oct 18, 1983 58, 60
In this speech to the National Grain Trade Council, U S Deputy Undersecretary of Agriculture for International Affairs and Commodity Programs states that "the more market-oriented U S agriculture, the more expensive it will become for our competitors, particularly the EC, to insulate their farmers from the marketplace A clear signal that the United States is moving down the road to freer markets will hasten the return to more rational trade policies the world over"

Hathaway, Dale E
The challenge in building demand for U.S farm exports Federal reserve bank of Kansas City economic review, v. 71, Feb. 1986: 15-27.
Examines the markets for U S. agricultural products "The key variable to our export markets is world market growth."

Hillman, Jimmye S
Trade and the U S food and fiber system East Lansing, Michigan State University, Cooperative Extension Service, 1984 7 p. (Farm and food system in transition, FS21)
Discussed the role of agricultural exports in U.S. development and current market shares. "Alternative policy courses for the United States to stimulate agricultural exports focus upon three areas—free trade policies, market development policies, and trade agreement policies." Outlines future prospects

Impacts of policy on U S. agricultural trade Washington, U.S Department of Agriculture, Economic Research Service, International Economics Division, 1984 87 p.
"ERS staff report no. AGES840802"
Examining the agricultural trade policy environment surrounding the 1985 farm bill, asserts "first, U.S. domestic farm programs project a trade policy to other nations; that is, the trade effects of U.S policies are not neutral. Second, the trade effects of U S policies differ according to the export demand situation facing the United States Third, macroeconomic policies could have a major impact on achieving the objectives of U.S. farm policy established in the 1985 farm legislation."

Madison, Christopher
If it can't beat Europe's farm export subsidies, U.S. may opt to join them. National journal, v 15, Jan 15, 1983: 114-117

"In self defense, the Administration has already begun to subsidize U.S. farmers. Such export promotion steps could transform domestic farm policy."

McMillian, C.W.
The future of food and agriculture policy. Food drug cosmetic law journal, v. 40, Jan. 1985: 77-84.
The author, USDA Assistant Secretary for Marketing and Inspection services, presents policy directions favored by the Department of Agriculture for the 1985 farm bill.

Mayer, Leo V.
U.S. policies affecting international agriculture trade. Case Western Reserve journal of international law, v. 17, summer 1985: 421-433.
"American farm policy establishes a framework for the international exchange of agricultural products that affects all nations, including those that do not utilize international markets for purchase or disposition of farm products."

Murray, Alan, and Elizabeth Wehr.
Special report: export subsidies. Congressional quarterly weekly report, v. 41, Feb. 19, 1983: 375-382.
Contents.—Fighting fire with fire: pressure grows in Congress to boost export subsidies as way to save U.S. jobs, by A. Murray.—Commodity donations, credit: members, administration embrace farm export aid to fight foreign subsidies, by E. Wehr.

Paarlberg, Philip L., and Jerry A. Sharples.
Japanese and European Community agricultural trade policies: some United States strategies. Washington, U.S. Department of agriculture, Economic Research Service, 1984. 16 p. (Foreign agricultural economic report no. 204)
"Japanese and European Community (EC) wheat and coarse grains policies have increased the cost of United States farm programs and cut United States farm income. The agricultural sector in the United States would benefit from selective EC and Japanese agricultural trade liberalization. This study looks at the alternatives open to the United States, Japan, and the EC, and determines which alternatives would benefit the agricultural sectors of all three parties."

Paarlberg, Robert L Responding to the CAP: alternative strategies for the USA Food policy, v. 11, May 1986: 157-173.
What alternative strategies are available to the USA in its farm trade conflict with the European Community? "Five strategies are examined here—adjudication, negotiation, retaliation, collusion and competition. Both adjudication and negotiation within GATT are described as unlikely to succeed as a first step. Retaliation and collusion are seen as dangerous for U.S. farm trade interests. Competitive export pricing, made possible through domestic farm policy reform and fiscal policy discipline, is endorsed as the best available US response to the CAP."

Pressman, Steven.
Farm lobby groups gang up on bills to aid wine industry. Congressional quarterly weekly report, v. 42, Mar. 3, 1984: 507-509.
Reviews the opposition of corn and soybean growers to the wine industry-supported Wine Equity Act, which would require EEC wine-producing countries to remove their wine import restrictions or face the same barriers on their wine exports to the United States. The growers fear trade retaliation.

Rapp, David.
House panel votes farm bill with "protectionist" provision. Congressional quarterly weekly report, v. 43, Sept. 14, 1985: 1828-1833.
Outlines the provisions of the Omnibus Farm Bill (HR 2100) as the House Agriculture Committee sent it to the floor.

Rauch, Jonathan.
The great farm gamble. National journal, v. 18, Mar. 29, 1986: 759-762.
The 1985 farm bill will result in massive federal spending in the short run in the hope that currently large subsidies will be eliminated in the long run as lower U.S. farm prices improve U.S. export sales, increasing U.S. market share and eventually allowing for higher farm prices and farm income. However, the law may not last long enough for it to pay off. Includes views of J.P. Penn, Robert L. Thompson, Abner Womack, John Schnittker, Kenneth Farrell, and Randy Russell.

Sharples, Jerry A., Alan Webb, and Forrest Holland.
World trade and U.S. farm policy. Washington, U.S. Department of Agriculture, Economic Research Service [for sale by the Supt. of Docs.] G.P.O. 1984. 18 p.
"Agricultural exports are important both to the U.S. farm economy and the nonfarm economy. Grains, oilseeds, and oilseed products represent over two-

thirds of the value of U.S. agricultural exports. The United States has the abundant land resources and the technology to compete effectively in the growing global market for these commodities. Growth in U.S. agricultural exports will depend upon U.S. domestic policies: macroeconomic policy, trade policy, and farm policy A major policy conflict exists between supporting domestic grain prices and expanding exports."

Stern, Paula.

Trade problems in agriculture: will the circle be unbroken? Vital speeches of the day, v. 51, Sept. 15, 1985: 725-728.

The chairwoman of the U S. International Trade Commission addresses the U.S. Food Grains Council Meeting in Seattle, Aug. 12, 1985 on fair trade, import relief, agricultural exports, and offers a six point program for a new national trade policy.

Congressional Research Service Environmental and Natural Resources Policy Division Food and Agricultural Section.

U.S commodity price supports and competitiveness of agricultural exports. Apr 1985. 113 p.

Issued as a committee print, House Committee on Agriculture, Subcommittee on Department Operations, Research, and Foreign Agriculture, 99th Congress, 1st session. CP 1879.

"This report briefly reviews the history of U.S. commodity price support programs, examines export trends for wheat, corn, and soybeans, and assesses the effect of commodity price supports on exports of those commodities. In addition, the report analyzes the effect of the appreciation of the dollar, other macroeconomic variables, policy developments, and other factors that appear to effect U S agricultural exports."

U S. Congress Senate. Committee on Agriculture, Nutrition, and Forestry. Trade policy perspectives: setting the stage for 1985 agricultural legislation. Washington, G P.O., 1984. 366 p. (Print, Senate, 98th Congress, 2nd session, committee print S Prt. 98-263)

Includes over thrity papers, presenting perspectives from the U.S. Department of Agriculture, farmers and ranchers, economists, and agribusiness. Appendices cover policy alternatives, describe policy tools, discuss the EEC's policy and foreign subsidized competition, define terms, and list references.

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