

SUGAR ACT AMENDMENTS OF 1971

HEARINGS
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 8866

AN ACT TO AMEND AND EXTEND THE PROVISIONS OF THE
SUGAR ACT OF 1948, AS AMENDED, AND FOR OTHER PURPOSES

JUNE 16, 17, 21, AND 22, 1971

Part 2 of 2 Parts
(June 22, 1971 and Written Testimony)

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SUGAR ACT AMENDMENTS OF 1971

TUESDAY, JUNE 22, 1971

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Ribicoff, Harris, Byrd, Jr., of Virginia, Bennett, Curtis, Miller, Jordan of Idaho, Fannin, and Hansen.

The CHAIRMAN. This hearing will come to order.

As we did yesterday, the committee will be operating under a 5-minute rule for each witness. We are asking each Senator to keep his questions to a minimum, because we have a rather long list of distinguished witnesses whom we very much want to hear during this session. In the interest of better order and decorum in this committee room, I would like to ask those in the room to keep their seats as testimony is distributed. We will undertake to see that copies of the statements are passed to those who want them, including our friends from the press. If you will remain in your seats, someone will pass you a copy of the prepared statement if you would like to have it.

Now, we had scheduled Hon. Adlai Stevenson III of Illinois to testify today, but he is speaking in favor of his amendment in the Senate this morning and is unable to be here.

(A letter with attached statement of Hon. Adlai E. Stevenson III, a U.S. Senator from the State of Illinois follows. Hearing continues on page 538.)

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C., June 22, 1971.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: I deeply regret that because of last minute schedule complications I was unable to appear personally before the Finance Committee to present my views on farm labor amendments to the Sugar Act of 1948.

I was pleased to note, however, that the committee has already heard several witnesses testify on the importance of improving the present farm labor provisions of the Sugar Act, and this indication of your concern for the farmworker problem is deeply appreciated by all those interested in justice and dignity for the workingman.

I am enclosing a copy of my remarks upon introducing the equitable benefits amendments to the Sugar Act of 1948, together with a copy of the amendments and a section-by-section analysis. I would be most appreciative if these materials could be printed in the hearing record that your committee is developing on the Sugar Act extension legislation, and I do hope that the amendments will be given serious consideration by the committee.

With best wishes,
Sincerely,

ADLAI E. STEVENSON III,
Chairman, Subcommittee on Migratory Labor.

STATEMENT OF SENATOR ADLAI E. STEVENSON III

Mr. President, the Senate Finance Committee will soon begin marking up a bill to extend the Sugar Act for 3 years.

The Sugar Act has a unique aspect. To the best of my knowledge, it is the only Federal law that so completely controls, regulates, and subsidizes an industry while at the same time makes a condition of that assistance the fair and reasonable treatment of the employees of the industry.

The Migratory Labor Subcommittee of the Committee on Labor and Public Welfare, of which I am chairman, is vitally concerned about the living and working conditions of these employees. About 67,000 work in sugarcane (23,000 in Florida and Louisiana, 6,000 in Hawaii, and 38,000 in Puerto Rico), and 80,000 in sugar beets (primarily in the Midwest and West). I have learned something of the existing working and living conditions of farmworkers in sugar and the effects of the worker protection provisions of the Sugar Act.

I commend the Finance Committee for its concern for the industry's workers and for hearing testimony from farmworker organizations. These witnesses have emphasized that workers are not adequately covered by the protective benefit scheme established by Congress. Those who work the fields must not be exploited, and must not be left to work under substandard conditions for earnings that are less than a subsistence poverty income. Yet it appears that such might be the case, and that the law can be improved.

There are many examples of abuse, injustice, exploitation, and neglect of farm labor that have been documented in our subcommittee's hearings. Some enlightened and well-meaning sugar producers have taken great strides to assure decent treatment of their workers, and I believe that all producers could operate more effectively and efficiently with improved legislation.

I hope we can act now to improve the farmworker benefit provisions of the Sugar Act in the following ways:

Low wages and incomes below poverty levels can be raised. Sugarcane workers average \$1.50 to \$1.65 an hour in Louisiana and from \$1.75 to \$2 in Florida. The minimum wage in sugar beets is \$1.85. These low hourly rates do not reflect even lower earnings on an annual basis, a result of the part-time, seasonal nature of farmwork. Low wages earned by foreign workers in Florida are a result of an absence of competition from the domestic work force to the detriment of both foreign and domestic workers. In Hawaii, however, where labor and

management collectively make decisions, wages are higher, and fringe benefits are provided, all showing that a better situation can exist under the Sugar Act.

The piece-rate system of pay and the "fake" bonus conceal low wages that in reality prevail and should be corrected by providing for the full and prompt payment of wages. Additionally, workers' incomes are frequently reduced by excessive charges for housing, food, purchases in the company store, and other services or facilities, and this practice should be regulated.

Housing for workers is too often substandard, decrepit, and dilapidated. Minimum housing standards are essential.

Domestic workers often have to compete for jobs and pay with aliens illegally working in this country, particularly in Midwest and Western sugar beet production States.

Workers who feel they have been shortchanged on wages have little recourse except appeal to the local ASCS Committee which by law is composed only of farmers. Such unfair appeals procedures could be corrected by permitting farmworkers to also have a voice in the appeal process.

To correct these problems, I urge the Finance Committee to consider the Equitable Benefits amendments to the Sugar Act which I propose today. These amendments would, if enacted, bring about important reforms of existing farmworker protection provisions of the Sugar Act.

These amendments, by establishing criteria and guidelines to be used by the Secretary of Agriculture for setting wages, will permit sugar workers to better keep up with the cost of living and improve their real income as agricultural productivity rises.

They would require the same standards of housing from growers receiving payments as the Federal Government currently demands from farmers who seek the recruitment of workers through the U.S. Employment Service.

They would require that deductions taken from workers' wages for board, lodging, or other facilities or services be reasonable and be liable to adjudication if abuses are discovered.

They would require the grower to attempt to assure himself that he is not hiring illegal aliens to work in his fields.

They would prevent the firing or blacklisting of employees because they brought a wage or benefits dispute against a grower or participated in judging one.

And, finally, they would establish a simple and fair system for adjudicating wage or benefit disputes in a local area.

The Equitable Benefits amendments which I propose today are not pie in the sky. They are not way out. They are reasonable. In fact, they are modest. I urge the Senate to give serious consideration to these amendments.

Mr. President, I ask unanimous consent that the text of these amendments, together with a section-by-section analysis, be printed at this point in the record.

[S. -----, 92d Cong., first sess.]

IN THE SENATE OF THE UNITED STATES

Mr. STEVENSON introduced the following bill; which was read twice and referred to the Committee on _____.

A BILL To amend the Sugar Act of 1948 to prescribe minimum wages and conditions of employment for farm workers, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Equitable Benefits Amendments to the Sugar Act of 1948."

SEC. 2. Section 301(c) of the Sugar Act of 1948, as amended, is amended by renumbering paragraph (2) as paragraph (3), and by striking out paragraph (1) and inserting in lieu thereof the following:

"(c) (1) That all persons employed on the farm in the production, cultivation or harvesting of sugar beets or sugarcane with respect to which an application for payment is made shall have been paid wages therefor at rates not less than those that may be determined by the Secretary to be fair and reasonable after investigation and due notice to growers and farm workers and their bona fide representatives and opportunity for public hearing to be held such places and at such times as to afford maximum participation by all interested persons. In making such determinations, the Secretary shall consider the sporadic and seasonal nature of the work; the extra expenses occasioned by travel and living away from home; wage rates in comparable manufacturing and agricultural production, provided and the per annum rates do not fall below the accepted definition of poverty; and a cost of living and productivity factor annually determined by: (1) calculating the sum of the percentage increase in the cost of living during the immediately preceding year and the percentage increase in the average annual output per manhour during the most recent five years, as reported in the Economic Report of the President, and (2) applying that total percentage increase to the minimum wage of the immediately preceding year. The Secretary shall also increase piece rate compensation for farm workers employed in sugar production accordingly and so that the hourly rate or the piece-rate, whichever is higher, shall be paid. The Secretary may also take into consideration the standards therefore formerly established by him under the Agricultural Adjustment Act, as amended, and the differences in conditions among various producing areas. Provided, however, that any payment which would be payable except for the foregoing provisions of this subparagraph may be made, as the Secretary may determine, in such manner that the laborer will receive an amount, insofar as such payment will suffice, equal to triple the amount of the accrued unpaid wages for such work, and that the producer will receive the remainder, if any, of such payment.

"(2) That the producer shall have complied with the regulations in effect under the Act of June 6, 1933, as amended (commonly known as the Wagner-Peyser Act, 29 U.S.C. 49 et seq.), pertaining to adequate housing facilities and to adequate water and sanitary facilities in the fields which he provides or causes to be provided.

"(3) That the producer shall have determined to his knowledge that his employees engaged as sugarworkers are citizens of the United States or are aliens lawfully admitted to the United States whose employment does not violate the terms or conditions of their admission.

"(4) That the producer shall not have charged, or permitted to be charged, directly or indirectly, any amount in excess of the reasonable cost for the furnishing to any employee board, lodging, or other facilities or services customarily furnished by such producer or producers in the area or by a crew leader or labor contractor under the producer's control.

"(5) That the producer shall not have discharged or in any other manner discriminated against any employee because such employee has filed any complaint or instituted or caused to be instituted any proceeding under or related to this Act, or has testified or is about to testify in any such proceeding, or has served or is about to serve on a committee or panel under section 305 of this Act.

SEC. 3. Section 305 of the Sugar Act of 1948, as amended, is amended to read as follows:

"Use of Local Committees and Other Agencies

"(a) In carrying out the provisions of titles II and III of this Act, the Secretary is authorized to utilize local committees of sugar beet or sugarcane producers, farm worker organizations and representative groups, State and county agricultural conservation committees, the Agricultural Extension Service, and other agencies, and the Secretary may prescribe that all or a part of the expenses of such committees, agencies, associations or other groups may be deducted from the payments herein authorized.

"(b) The Secretary shall establish for each locality a panel consisting of equal representatives of (1) producers of sugar beets or sugarcane, (2) persons employed on the farm as sugar workers, and (3) the general public. Any dispute between a producer and persons so employed on the farm concerning wages or conditions of work (including the reasonable cost of board, lodging, or other facilities or services which the producer provides or causes to be provided) shall be referred to the appropriate panel for resolution in an impartial manner. The decision of any panel shall be subject to review by the Secretary for a period of twenty days after such decision is made.

SECTION BY SECTION ANALYSIS OF THE EQUITABLE BENEFITS AMENDMENTS TO THE SUGAR ACT OF 1948

In summary, *Section 1* provides that the Bill may be cited as the "Equitable Benefits Amendments to the Sugar Act of 1948." *Section 2* would amend Section 301(c) of the Present Sugar Act by providing additional equitable benefits and protections for sugar workers in the area of wages, housing, illegal aliens, deductions, and retaliation. Certain worker protection provisions which were initially in the Act of 1948 are retained. *Section 3* authorizes a more effective mechanism for settling disputes under the Act.

The following is an analysis of the new benefits and protections proposed in the Amendments.

WAGES

Section 301(c)(1) would establish specific guidelines to be used by the Secretary of Agriculture to determine the minimum wages for workers employed on the farm in the production, cultivation or harvesting of sugar cane or sugar beets. It would supplement the current procedures of hearings and criteria used by the Secretary of Agriculture.

Criteria for use by the Secretary in determining wages would include a cost of living and agricultural productivity factor; adjustments for the sporadic and seasonal nature of the work; the extra expenses occasioned by the travel and living away from home; wage rates comparable to agricultural and manufacturing operations.

The amendment would permit sugar workers to keep up with the cost of living. But if it provided no other increase, then these workers would never be able to improve their real income. The amendment therefore also gives them a share in the benefits of productivity increases in agriculture. This is only fair and just since the workers share in the responsibility and effort to create our ever-increasing agricultural efficiency. Piece rates would increase accordingly.

The amendment requires growers to pay the applicable minimum wage "in full as earned." This provision would end the current practice whereby some sugar beet growers withhold earned wages from workers until the end of the season to be paid then if they remain when the harvest is lean and when they could earn more in work on other commodities.

HOUSING

Section 301(c)(2) would require that producers furnishing housing or causing housing to be furnished must provide or cause to be provided facilities which meet the existing Wagner-Peyser Act regulations of the U.S. Labor Department. The same requirements would be established for water and sanitary facilities in the fields.

Currently, the Wagner-Peyser Act regulations apply to those producers who recruit workers through the U.S. Employment Service. But if a producer recruits workers without USES aid or if his State or locality enforces no farm labor housing codes, then the producer's housing for workers can be as decrepit as he likes.

The Wagner-Peyser Act regulations provide that where local or State housing standards are more stringent than the minimum standards specified in the regu-

lations, the local or State requirements must be complied with. Section 301(c) (2) would continue this provision for sugar production, cultivation or harvesting.

ILLEGAL ALIENS

Section 301(c) (3) requires that the producer determine to his knowledge that his employees engaged in sugar production, cultivation or harvesting are either U.S. citizens or aliens legally employed in the U.S.

Currently, some 1,000,000 aliens who entered the U.S. illegally and/or are working illegally are estimated to be employed in this country. Employers face no penalties now for hiring them. These workers are easily exploited since one call to the U.S. Immigration and Naturalization Service results in their jailing and expulsion from the U.S. They are often paid less than the minimum wage and have a harmful effect on the labor conditions of U.S. citizens and legally-working aliens. The employment of illegals in sugar production hurts not only other workers but also conscientious employers who hire only N.S. citizens and legal aliens.

DEDUCTIONS

Section 301(c) (4) would permit only reasonable charges to be made for furnishing workers' board, lodging or other facilities or services. A dispute over whether the charges are reasonable would be considered a wage dispute and be resolved by the procedure outlined under the heading "Disputes Settlement" below.

Numerous complaints exist that sugar workers are cheated in the deductions taken from their pay for the cost of facilities or services provided for producers or crew leaders and labor contractors. In fact, some workers argue that requiring deductions to effect reasonable costs is more important than increasing wages because they often do not get the benefit of wage increases.

RETALIATION

Section 301(c) (5) forbids the discharge or any other discrimination against an employee because he was involved in the filing of a complaint under these Amendments, testified in a dispute or served on a committee to adjudicate disputes under these Amendments.

Sugar workers are so poverty-stricken that fear of losing work is a powerful detriment their seeking their rights. They have been easily intimidated in the past against assisting the few rights they do possess.

PENALTIES

Certain language in the currently existing Section 301(c) (1) of the Sugar Act is dropped. As a result, the penalty for violating the requirements of Section 301(c), as prescribed by the Amendments, would be the forfeiture of sugar payments.

DISPUTES SETTLEMENT

Section 3 of the Amendments would amend Section 305(a) of the Sugar Act of 1948 to authorize the Secretary of Agriculture to utilize farmworkers organizations and representative groups in carrying out the applicable provisions of the Act.

Section 3 would also add a Subsection (b) to Section 305 of the Sugar Act. It would require the Secretary to establish in each locality a panel composed of equal representatives of sugar producers, fieldworkers and the general public to consider any dispute between a producer and a worker concerning wages or conditions of work. The conditions include the reasonable cost of board, lodging or other facilities or services which the producer provides or causes to be provided. The panel shall resolve these disputes in an impartial manner. The decisions are subject to the Secretary of Agriculture's review within 20 days after they have been made.

Currently, there is no fair and unprejudiced way for fieldworkers to have their disputes with a grower over wages or deductions resolved. Their complaints are considered by the local Agricultural Stabilization and Conservation Service Committee, which according to Department regulations, is composed solely of growers.

The CHAIRMAN. We will call as the first witness Hon. Charles C. Diggs, chairman of the Foreign Affairs Subcommittee on Africa, U.S. House of Representatives.

Mr. Diggs, we are pleased to have you with us here today before our committee.

**STATEMENT OF HON. CHARLES C. DIGGS, JR., A REPRESENTATIVE
IN CONGRESS FROM THE 13TH CONGRESSIONAL DISTRICT OF
THE STATE OF MICHIGAN; ACCOMPANIED BY GOLER BUTCHER,
STAFF CONSULTANT**

Mr. Diggs. Thank you, Mr. Chairman. I am accompanied by Attorney Goler Butcher, who is staff consultant to the House Subcommittee on Africa.

I appreciate the opportunity to appear this morning for a purpose which is narrow, but whose implications are very broad.

The CHAIRMAN. Mr. Diggs, you cannot possibly present this statement in 5 minutes. I would suggest that you summarize it and we will print the entire statement in the record.

Mr. Diggs. Thank you very much, Mr. Chairman. That is what I had planned to do.

I am here to urge the committee, Mr. Chairman, to strike the allocation for South Africa. When this matter appeared before the Rules Committee, there was an attempt to pass a limited rule which would permit the House to work its will with respect to this one item and that limited rule, Mr. Chairman, failed to pass only by an eight to six vote. Because of certain commitments, this did not reflect the true sentiments of that committee.

I am convinced that if the matter had been considered on its merits, we would have obtained a limited rule. Since the rule was closed, there was a motion made to vote down the previous question and the vote on that was 166 against the previous question, with a clear understanding that there would be a limited amendment offered to strike the South Africa quota. There again, the sentiment of the House was not reflected. I saw many votes changed in the well of the House and there is no question in my mind that perhaps there were some who thought that keeping South Africa in would give them some bargaining position with the other body.

Mr. Chairman and members of the committee, I have been all over Africa. There are only three countries out of the 41 African nations that I have not visited. I have spoken to the high and the low, to Government officials and private citizens. I have been grilled by the press about U.S. policy in Africa from the north to the south and across the continent. There is no other member of either body who has traveled that extensively in Africa or who has talked as extensively with Government officials and private citizens as I have.

My subcommittee is at the present time conducting extensive hearings on the question of U.S. business involvement in southern Africa, with all of the implications that it portends for U.S. foreign policy. I say all of that as a background to indicate that the whole question of southern Africa, particularly South Africa, is one that has very serious implications for U.S. foreign policy in the U.N. and elsewhere. The complicity of U.S. business in the economic development of South Africa, with the assistance of the Department of State and the Department of Commerce and the Eximbank, is bad enough, and has seriously affected our posture in Africa. And when you add to that this

proposal to continue a U.S. allocation of sugar, to South Africa, then you can see how much more aggravated our posture is in those areas and the reasons therefor. And when you consider that there are alternative sources to obtaining the sugar that we desire, that we need not deal with this most racist nation in the world in order to satisfy our sugar requirements, then you begin to get some idea of why I am here today. There are alternatives available on the African continent for which there are provisions made in this measure in addition to provisions that were suggested by the State Department. When you consider that by the criteria of congressional agriculture committees South Africa violates our own guidelines it is nonsense. Out of the five or six criteria that we have for the allocation of foreign sugar quotas, South Africa fails to satisfy three of them, one of which, setting aside the race policy of that nation, is to only allocate such quotas to underdeveloped countries.

It is very difficult, as I see it, Mr. Chairman and members of the committee, for there to be any justification for the continuation of this quota.

My statement, as you have pointed out, which is 12 pages, I think adequately meets all of the arguments in support of this allocation but I would like to add to that, in conclusion, two matters involving South Africa of recent date that puts that country in perspective and I would like to enter that for the record. One is a statement from Reuters dated June 14, that South Africa has suspended the transfer of substantial sums of money to Israel because of Israel's gift of \$3,000 to the Organization of African Unity, which is the organization to which all of the African nations belong, and also their stated defiance within the past 24 hours that they reject the decision of the International Court of Justice that their control over South West Africa is illegal.

For all of these reasons and others alluded to in my prepared statement, again I say there is absolutely no justification for the continuation of a quota to South Africa and there are ample alternatives for obtaining this sugar from other areas, including Africa, and in our own country.

The CHAIRMAN. Thank you very much, Mr. Diggs. I have read your statement. It is a very fine presentation of your position.

Are there any questions, gentlemen?

Senator HARRIS. Mr. Chairman.

I just want to say, Congressman Diggs, that I think you have performed a real service here. This is the best-documented case I have seen. I have introduced an amendment to strike the allocation for South Africa from this bill and I think that the statement that you have presented here is a very well documented support for that kind of action. I really appreciate it.

I think that the major point that can be made here is that we are not talking about trade embargos here right now, we are not talking about diplomatic relations, we are talking about a special favor to a developed country that places racism as a conscious national policy. Is that not a distinction that is important to make here?

Mr. DIGGS. I think it is very important to make, Senator because there are some people who try to make the point that this should not be a political decision. They try to draw analogies between our rejec-

tion of dealings with Communist nations and other nations whose politics are different than ours and with whom we do deal, the analogy being that we should not let the difference in the political structure of that nation interfere with normal commercial relations. But South Africa is unique. There is no other political system in the entire world that has this kind of racist concept as an official policy, that has racial differentials in their wage system, in their working conditions, in citizenship rights and all the rest. If you and I or any other member of this committee were to go to Moscow together, if there were anything that was off limits for you, it would be off limits for me and vice-versa. But if you and I were to walk into Pretoria or anywhere else in South Africa tomorrow, there are places you could go that I could not go even as a representative of the United States Government on official business. As a matter of fact, they have refused twice now to give me a visa to visit South Africa, even in my official capacity as chairman of the House Subcommittee on African Affairs.

Senator HARRIS. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Further questions, gentlemen?

(No response.)

The CHAIRMAN. Thank you very much, Mr. Diggs.

(Mr. Diggs' prepared statement follows:)

STATEMENT OF REPRESENTATIVE CHARLES C. DIGGS, JR. (D-MICH)
CHAIRMAN, HOUSE SUBCOMMITTEE ON AFRICA
BEFORE THE SENATE COMMITTEE ON FINANCE
ON EXTENSION OF THE SUGAR ACT

June 22, 1971

Mr. Chairman: I appreciate the opportunity to appear before you and submit this statement of my views on H.R. 8866, "The Sugar Act Amendments of 1971".

I am confining my presentation today to the statement of the reasons requiring a termination of the sugar quota for South Africa. This can be done by nullifying the provision in section 4 (3) of this bill for a 1.44 percentum proration for South Africa in accordance with the amendment submitted by Senator Harris (Amendment 163), that is by amending line 7, of page 7 of the bill, to provide that the proration for South Africa should be zero per centum and the proration for the other countries proportionately increased.

There is no political or economic justification for a sugar quota for South Africa. Moreover, a sugar quota for South Africa is directly in contravention of the very criteria set by the House Committee on Agriculture for determining whether foreign countries should be granted a proration. Finally, an analysis of the facts pertinent to the South Africa sugar quota demonstrates conclusively that there is no basis whatsoever for a sugar quota for South Africa.

Political Considerations

South Africa is the only country in the world where economic, social and political discrimination is the proclaimed policy of the Government and is instituted and implemented by law.

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Apartheid, or the doctrine of separate development, means that 13% of the population of South Africa, that is the white population, is allocated by the law 87% of the land of the Republic.

Apartheid means that the Blacks, Coloreds and Indians -- denominated as non-Whites in South Africa -- cannot vote, have no political representation in their government, and are deprived of all political rights. South Africa is governed by an All-White Parliament, no member of whom represents the majority of the people.

Apartheid is a system whereunder the African by law is denied fundamental human rights. The Special Rapporteur of the Economic and Social Council of the United Nations has found that in South Africa the African has no freedom of association, speech, no freedom of religion or right to marry and no protection of his family life, no right to property, no freedom of movement or of residence, no rights connected with his work, no right to education, no freedom from slavery and servitude.

Apartheid is a system of repressive laws, such as the infamous Terrorism Act, permitting indefinite detention, without charge or trial, without access to any relative, friend, lawyer or clergymen, such as the Bureau of State Security Act under which an accused may be deprived of the right to give evidence in his own behalf, such as banning laws which permit the executive to place any person arbitrarily - even a person found innocent by the Courts -- under house arrest indefinitely, without charge or trial and without right of recourse to any court.

The United Nations has pronounced apartheid a "crime against humanity". In South Africa no one, black or white, is safe who questions the Nazi-like tyranny and subjugation of the people by the Government. No greater

potential threat to world peace exists. The United States cannot with impunity support apartheid.

Support of apartheid is a violation of the principles of the United States Constitution and of the United Nations Charter, which require that government be based on the principle of equality of peoples and on dedication to the development under law of the right of each person to labour, to work, to raise his family, to just treatment, and to educational, political and social advancement without regard to his race, color or religion.

Support of apartheid is an insult to the 25 million black Americans. It is in complete disregard of the true interests of the United States and is a serious erosion of United States foreign policy interests in Black Africa. Credibility demands that our pronouncements of abhorrence of apartheid not be made a mockery by our supporting apartheid morally and economically.

Finally, a sugar quota for South Africa represents support for a government which has been censured by the entire international community for its repression of its own people in South Africa and for its continued occupation by force of Namibia in defiance of the United Nations and of the rights of the people of that international territory.

Only by striking the sugar quota for South Africa can Americans indicate the repugnance we feel for apartheid in all of its petty viciousness.

In taking a stand against apartheid, but declining to support a solution by force, Secretary Rogers has emphasized the necessity of seeking a solution through the constructive interplay of economic and

social forces. I submit that this country must not economically undergird South Africa by providing the financial and economic support of a guaranteed market for its sugar and additionally the financial bonus of the premium price available under the United States sugar quota.

Economic Considerations

Clearly, a sugar quota provides economic assistance to the recipient country. South Africa is considered a developed country by all standards set by our own laws, the Foreign Direct Investment Act, the Interest Equalization Act, and Sub Part F of the Internal Revenue Code.

Moreover, South Africa is a land of diamonds and of gold with a highly developed scientific and engineering capacity, an advanced technology, and a fully operating industrial complex.

The sugar quota for South Africa is unique, since it is a developed country and, unlike Australia and Ireland, there are no special political reasons for allocating a sugar quota to it. In fact, there are compelling political reasons requiring that it not be given the comfort and support of a U.S. sugar quota.

A sugar quota allocation to a particular country can be justified on the grounds that financial support to that country is within our economic assistance objectives. Thus, support to the Black African countries is consistent with our foreign policy interest of helping to build viable self-sustaining economies in those countries, to some of whom the sugar industry is of vital importance to their economies and to their prospects for growth. None of these considerations apply in

the case of South Africa where the total exports of the sugar industry to all countries accounts for only 2.5% of its exports.

Economic considerations also require that the United States not support a country which in its labour practices does not endeavor to meet international standards and criteria for decent labor conditions. South Africa does not meet this test.

The Criteria Set by the Agriculture Committee

The House Agriculture Committee has stated that there are five "main standards against which individual country quotas are adjusted." South Africa fails to meet three of these five criteria!

The first is that a quota recipient be a "friendly government to the United States, including non discrimination against U.S. citizens in the quota country."

Another determinative factor is the "need of the country for a premium priced market in the United States including ... (b) its relative dependence on sugar as a source of foreign exchange and (c) present stage of and need for economic development."

Thirdly, a basic consideration is the "extent to which the benefits of participation in this market are shared by factories and larger land owners with farmers and workers, together with other socio-economic policies in the quota countries." This final deficiency will be treated exhaustively in the next section of this paper.

The criteria relating to the country's stage of economic development has already been discussed and under no economic criteria is South Africa eligible for U.S. aid.

South Africa's discrimination against U.S. citizens, including Congressmen is too well known to require reciting here.

The Facts as to the South African Sugar Quota

Under the sugar quota which South Africa received in 1962, South Africa has received extra profits from the United States totalling 37.3 million dollars. This is the sum of the bonuses for the years of 1962, 1965, 1966, 1967, 1968, 1969, 1970 and for the first quarter of 1971. In all of these years the price we paid to South Africa for sugar exceeded, sometimes by two-fold, the world market price. During the nine years since South Africa has had a U.S. sugar quota, there were two years, 1963 and 1964 when South Africa might have found buyers for its sugar at a higher price than the quota price, since the U.S. price for those two years was lower than the world price. Taking all nine and a quarter years into consideration, we find that the income advantage to the South African sugar industry from selling to the United States at U.S. premium prices has netted 34 million dollars to South Africa in foreign exchange.

The following chart shows the income advantage to the South African sugar industry from the U.S. sugar quota:

1962	4.9 million
1963	-3.1 million
1964	- 1/4 million
1965	7.6 million
1966	4.9 million
1967	4.9 million
1968	5.5 million
1969	3.9 million
1970	3.9 million
1971 (Jan.-April)	1.7 million

I repeat, in the past decade the United States has supported apartheid with a 34 million dollars bonanza.

But this is not the whole story, because the prices we have given thus far only reflect the premium South Africa has gained in dealing

with the United States. The actual support that South Africa has received from the United States under the sugar quota has been for a guaranteed market for more than one and a half billion pounds (1,629,291,299 lbs or 800,000 tons) of its sugar. The United States has paid South Africa \$105,734,662 for its sugar. To repeat, 105 million dollars is the figure at which we have subsidized apartheid. And as shown above, one third of this, or 34 million dollars, is a pure giveaway.

The breakdown on these totals is as follows:

1962	190,187,237	\$ 10,717,532
1963	254,766,674	19,667,988
1964	235,230,333	14,966,098
1965	221,332,937	13,586,402
1966	134,272,278	7,676,319
1967	150,977,858	9,278,900
1968	122,961,120	7,949,202
1969	123,263,076	7,869,021
1970	164,307,236	11,467,370
1971 (Jan.-April)	<u>31,992,550</u>	<u>2,555,830</u>
Totals	1,629,291,299	\$105,734,662

Let us put aside for a moment other factors militating against a quota for South Africa, such as political considerations of apartheid and the economic fact that South Africa is a developed country, and look at the sugar industry in South Africa itself to see if, nevertheless, there may be humanitarian reasons justifying a quota for South Africa. Such mitigating considerations would be based on a finding that the South African Black sugar grower reaps a meaningful benefit from the U.S. sugar quota.

Our first inquiry is to what extent the financial advantages of the quota sifts down to the African sugar grower.

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South African sugar exports are handled through SASA (the South African Sugar Association) with the total price from sales to the United States at the quota premium prorated over the entire crop. Thus, we must look at the production figures for the African sugar grower to determine his participation in the profits from the U.S. sugar quota. The latest year for which we have full figures is 1969. (The SASA submitted figures for the number of growers for 1970, but we cannot use these because figures for productions are not included and it is this, the production figure, which makes the picture meaningful.)

The following is the breakdown for the number of growers by race for these years:

Africans	4,286
Indians	1,837
White*	2,127
(*including 24 miller planters)	

A breakdown of the figures on productions of these growers shows the following cane production:

Whites*	15,491,000 tons
Indians	948,000 tons
Africans	383,000 tons
(*including 3,432,000 production of miller planters)	

Thus, notwithstanding the fact that approximately two-thirds of the growers are African, the productions of the African growers is only about two percent of the entire crop. The figures are as follows:

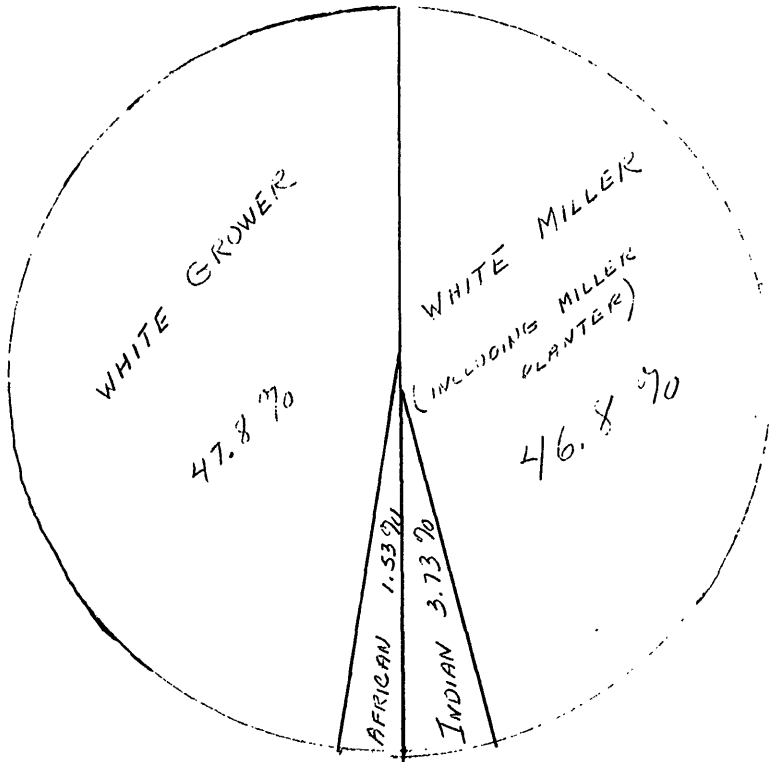
Whites*	92.4%
Indians	5.6%
Africans	2.3%
(*including 20.7% of miller planters)	

We understand from the submission of SASA to the House Committee on Agriculture that the proceeds on all sales of sugar are distributed so that two-thirds goes to the growers and one-third to the millers. So, if we look at the 3.9 million quota premium paid by the United States to the South African Sugar Association in 1969, we see that 1.3 million dollars went directly to the millers who are white and that 2.6 million dollars went to the growers. Since this amount is allocated to the growers in direct proportion to their production, and since 2.3 percent of the production is attributable to the African growers, we find that the African sugar growers received in toto \$59,800. There are 4,286 African sugar growers among whom this sum was to be divided. Carrying out the computation, we see that the African grower in 1969 received \$13.95 extra because of the U.S. sugar quota. Thus our sugar quota for South Africa means on the average of a \$1.16 a month for the African sugar grower.

The submission of SASA states that the premium price paid by the United States means an additional \$100 to the small grower who produces 500 tons of cane. Looking back at our chart, we find that the 4286 African sugar growers produced 383,000 tons of sugar in 1969 and dividing, we see that their average individual yield for that year was less than 90 tons. Thus, although the U.S. premium price may benefit by \$100 the "small grower of 500 tons", the African sugar grower is not such a "small grower".

To recapitulate, so that we can see the full picture of who benefits in South Africa from the sugar quota, the following chart is presented.

1969 Sharing in South Africa Sugar Quota Premium



The African sugar grower receives 2.3% (his percentage of the production) of the growers' share of two-thirds of the premium or ~~one-fifth~~ ^{one 1.5%} of the whole premium. Similarly, the Indian gets 5.6% (his proportionate production) of the growers' share of two-thirds, or 3.7% of the premium.

Thus, the actual share in the profit from the United States sugar quota was as follows:

Whites	\$3,689,400
Indians	145,470
Africans	59,800

The above picture and data graphically and conclusively demonstrate that a sugar quota for South Africa cannot be justified on the grounds that the African sugar grower is a meaningful participant in the premium distribution.

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One other factor should be examined to determine possible justification for giving racist South Africa a sugar quota; for African workers comprise a large segment of the field workers in the South African sugar industry. The question therefore concerns the wage structure of the sugar industry.

The poverty datum line for Africans as set by the Johannesburg Associated Chambers of Commerce is \$103.00 a month. This signifies what is considered the minimum essential for an African family.

Since the available data on the wages paid to African sugar workers is not uniform, we will use the figures submitted by the South African Sugar Association - a figure which no doubt is most favorable to that association. This figure lumps together the operatives, semi-skilled laborers and the unskilled laborers. The average daily rate for all such workers is, as given by SASA only \$1.67 a day or \$41.75 a month. This figure which surely represents the optimal view of the wage structure situation is sixty-two dollars less a month than the poverty datum line.

Thus, no argument can be successfully advanced that the sugar quota for South Africa should be continued because it means decent wages for the African workers in the sugar industry.

CONCLUSION

For all the above reasons it is not in the national interests of the United States to give South Africa a sugar quota, and I urge this Committee to terminate the sugar quota for South Africa by amending H.R. 8866 to provide that the proration for South Africa be a zero proration.

South Africa is anathema to the civilized community of nations and considerations of justice, of human rights and elementary decency dictate that assistance to that country which "denies the humanity of most of mankind" be ended forthwith.

The CHAIRMAN. The next witness is the Honorable John A. Schnittker, former Under Secretary of Agriculture, and currently a consulting economist.

**STATEMENT OF JOHN A. SCHNITTKER, CONSULTING ECONOMIST,
WASHINGTON, D.C.**

Mr. SCHNITTKER. Thank you, Mr. Chairman.

I am a consulting economist in Washington and was with the Department of Agriculture until 1969. In appearing here today, I am speaking only for myself, but I believe what I say on four key issues represents a broad spectrum of views on those issues.

To summarize what I will say, first I urge the Senate in considering the extension of the Sugar Act to continue to import as large a percentage of our sugar requirements as we have imported in recent years. We import much of our sugar from friendly developing countries. Our trade and aid policy is trade, not aid, if we can manage that. Yet in the Sugar Act that has come over from the House, several hundred thousand tons which we formerly imported would be assigned more or less permanently to domestic growers. We can buy this sugar cheaper abroad, even though we have not been buying the cheaper abroad. And each time we assign a bigger share of the quota to domestic growers, we lock ourselves into high-priced sugar, virtually in perpetuity and I think a serious review of the Sugar Act, taking into account consumer as well as producer interests, would some day put a ceiling on what we are going to produce in the United States and find a way to import sugar from low-cost foreign suppliers more cheaply and more effectively than we can produce it at home.

My second point is that we should limit payments to sugar growers at least to \$55,000 per farm in contrast to payments of more than \$1 million to some growers; that in fact, this should be lower. Actually, I favor a \$20,000 payment limitation in the cotton, the wheat, the feedgrain, and the sugar programs, and I favor a firm requirement against splitting farms in order to circumvent the law as is currently being done in the cotton, wheat, and feed-grain programs.

I thought the intent of Congress was to limit payments to \$55,000 per farm in last year's Farm Act. I think I know what the intent of the people of the United States is. Various surveys have shown that 85 percent of the farmers, and probably 95 percent of the people of the United States, favor limiting payments not to \$55,000, but down to \$10,000 and \$15,000 per farm. And I hope that the Senate will act in that entirety.

The industry proposal to amend the sugar tax and payment provision should, of course, be rejected, having been designed specifically to circumvent any payment limitation which might in the future be adopted.

I support the proposals by Senator Harris and Senator Kennedy and Congressman Diggs to terminate the sugar quota for South Africa and that point has been well supported.

Finally, I urge the Senate as I urged the House committee to establish a study group to review and report on the Sugar Act in the broadest national interest terms at least a year before the act is considered again. That would be perhaps in 1974. This could, of course, be done by a congressional committee if it were to hold

extended sustained hearings with professional staff work done in advance. But I fear that the relatively hasty hearings conducted by the House committee and also being conducted by this committee, hearings dominated by the industry and by lobbyists for foreign governments simply do not constitute a serious review of the Sugar Act.

Thank you, Mr. Chairman.

The CHAIRMAN. If you will permit me to say so, Mr. Schnittker, it may be that some people here represent industry. We have had some representing labor. And anybody who wants to represent labor is privileged to come here. I do not represent labor or industry; I represent the people of Louisiana. I like to think I am trying to represent what is good for this country and I am elected to that basis to do it.

Now, you seem to think that we would be better off because we could buy sugar cheaper somewhere else. How far is our balance of payments out of line right now? And how much has our position worsened in the last 20 years?

Mr. SCHNITTKER. Well, it has been worsening, but Mr. Chairman, our balance of payments is not controlled by our sugar imports. There are much bigger fish to fry in the balance-of-payments area.

The CHAIRMAN. Well, that is just one of them. Were you one of those fellows who advocated that this so-called favorable balance of trade ought to include the agricultural giveaways and the Public Law 480, that that ought to be counted as an export?

Mr. SCHNITTKER. I do not believe I ever advocated that.

The CHAIRMAN. Does that make any sense to you, by the time you put together what your figures on the balance of trade is that you put into your giveaways and the Public Law 480 be included in that foolishness?

Mr. SCHNITTKER. Only to the extent that we make some collections and there are some collections included.

The CHAIRMAN. That is what I think is the sensible way to do it; what you are getting back should be counted toward a favorable balance or toward trying to achieve a favorable balance of trade.

I see you nodding your head. I think you agree with that.

Mr. SCHNITTKER. Certainly; that is what contributes to payments.

The CHAIRMAN. In all fairness, should not those balance-of-trade figures include the ocean freight, especially if we are hauling the imports in other nation's bottoms?

Mr. SCHNITTKER. I have not thought about that for a while. I think I shall pass.

The CHAIRMAN. All I have in mind is this: We are running an unfavorable balance of trade. The first quarter's figures look horrible, and I assume we will run about \$5 to \$10 billion unfavorable. Our balance of payments has been worsened by \$48 billion during the last 20 years.

I was talking to our Japanese friends. We are trying to get them to buy our agricultural products produced with minimum-wage labor, for less than \$2 an hour, and on the other hand, every time we buy an automobile from them, we are displacing \$7 labor of our automobile workers. When we buy steel, we are displacing \$5 labor for steelworkers, and we cannot even get them to take our stuff pro-

duced with \$2 labor. So we are becoming an international bankrupt just as fast as we can.

When you would like to see us buy things cheaper, I do not see how we can buy anything more from the other fellows until they make arrangements to buy more from us. How are we going to pay off if we do not get this balance of payments in line?

Mr. SCHNITTKER. Well, we will pay off with gold and credit for some time.

The CHAIRMAN. Well, we owe them \$48 billion. I wish they would just take that \$13 billion at Fort Knox, and haul it on away so we can quit talking about that. That would leave \$35 billion more that we owe. How are we going to pay that off if they will not absorb more of our exports?

Mr. SCHNITTKER. I have never heard increased sugar imports justified on balance of payments before, Senator.

The CHAIRMAN. Some positions have been taken on that basis, may I say to you.

Senator Curtis?

Senator CURTIS. Is it your contention that the present price of sugar is excessive compared to all other prices?

Mr. SCHNITTKER. Yes; it is excessive since it could be cheaper.

Senator CURTIS. That is not my question. Is it your contention that the price of sugar is excessive or too high compared to all other prices?

Mr. SCHNITTKER. Yes.

Senator CURTIS. You stated when you left the Department of Agriculture. When did you go into the Department?

Mr. SCHNITTKER. In 1961.

Senator CURTIS. Now, you are fully aware that the payments made for other commodities are paid out of the general fund of the Treasury, are you not?

Mr. SCHNITTKER. Except for wheat. Wheat certificates—they are all paid out of the general fund, but there are receipts for the wheat program just as under the sugar program.

Senator CURTIS. And the sugar program has shown a profit over the years, has it not, in the Treasury of the United States?

Mr. SCHNITTKER. If we consider the taxes that are collected earmarked for sugar growers, of course it shows a profit. But I do not agree with that.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. Senator Fannin?

Senator FANNIN. Thank you, Mr. Chairman.

I think you have outlined a good course for bankruptcy if we follow your suggestions in the sugar industry and other industries. Are you not concerned about the 6-percent unemployment in our country today?

Mr. SCHNITTKER. I certainly am.

Senator FANNIN. Well, I am very glad that you left the Department of Agriculture, because if we still had your policies in effect, I think we might be headed for even higher unemployment. When you make a statement such as, "Sugar Act payments are almost pure subsidy, paid out freely to giant operations that have been carefully designed to extract maximum Federal payments, and controlled in many

cases by still other large interests," I think that is a condemnation that you cannot justify.

Mr. SCHNITTKER. I think the facts will support that.

Senator FANNIN. How can they support it when, in almost every instance, small farmers are growing beets or cane and how can you say this is just to assist some large corporation? Are not those farmers benefiting by this program?

Mr. SCHNITTKER. Yes; there are many small farmers and moderate-sized family farmers growing beets and cane. But there is an over-riding number of very large farmers getting payments of \$200,000, even a million and a half dollars per unit, and these are the ones that I refer to.

Senator FANNIN. Where are they located?

Mr. SCHNITTKER. Principally in Hawaii, but also in Louisiana, some in Florida, I believe.

Senator FANNIN. Well, I think they are few and far between. I know that in my State, we have several hundred farmers that hopefully are going to depend upon sugar—that is, beet sugar—and depend on beets as a crop. Certainly, they are not getting rich as you would indicate from your statement. I just do not think you can justify what you have said here. When you make a blanket condemnation, I think you should start thinking about what your testimony involves.

I do not see that you have benefited this committee in any instance. I do not see any statement you have made that we can take as helpful in our decisions.

Mr. SCHNITTKER. Senator, far from a blanket condemnation on the payment limitations question, even a \$20,000 limitation applied to sugarcrowers would affect only a few hundred farmers, leaving the bona fide family-sized individual farmers getting the same payments that they have been getting but skimming off several millions of dollars that are going to rich, highly financed land companies in Hawaii, Louisiana, Florida, and a few other States, including California, payments which have the effect of simply giving these people the opportunity of buying up the farms of the smaller farmers, making it more difficult for the small farmers to stay in business.

Senator FANNIN. Well, now, you check on California as far as the ownership of land and I do not think you can justify that statement, either. Because, as you know, they cannot have irrigated land. They are limited under the Reclamation Act. You understand that, do you not?

Mr. SCHNITTKER. Senator, I think both you and I understand how the limitations under the Reclamation Act work and the big farmers have most of the land.

Senator FANNIN. Who has most of the land?

Mr. SCHNITTKER. The big farmers have most of the land under lease.

Senator FANNIN. That is not true and you cannot justify that statement and I resent that you would come in and testify like this without any facts and figures to justify your statements.

Thank you.

Senator BENNETT (presiding). Senator Harris, have you had a chance to question?

Senator HARRIS. No; I have not.

Mr. Schnittker, may I think that you have suggested some courses of action here which, if followed by the Finance Committee, would add a new fundamental base to the Sugar Act, one that is strange to it, and that is rationality. I welcome it. I think that particularly I am struck by what you say about the need to establish a study group to set up some kind of criteria. The administration testified here that there was no rhyme or reason other than history to the quotas as they now exist. Is that generally your own view?

Mr. SCHNITTKER. That is my impression. The Sugar Act exists on momentum.

Senator HARRIS. Just sort of continues on from year to year.

Mr. SCHNITTKER. And of course, through the forces that have gotten built into it, the vested interests that have gotten built into the favors of the Sugar Act.

Senator HARRIS. I think there is much to be said about what you said in regard to Latin America. I think our Latin American policy is characterized, really, by lack of policy. There is not any policy at the present time in regard to Latin America. I thought Sol Linowitz had a very good editorial in Life magazine this last issue. We say trade, not aid, and that trade is to be an important function of our policy, particularly in regard to lesser developed countries. Here is one very important aspect of that, what might be done with that policy. Is that not so?

Mr. SCHNITTKER. It is so, and we are taking a few hundred thousand tons away from these countries specifically and giving it principally to our cane growers.

Senator HARRIS. Thank you very much, Mr. Chairman.

Senator BENNETT. No questions. Thank you Mr. Schnittker.

Mr. SCHNITTKER. Thank you, Senator Bennett.

(The complete statement of Mr. Schnittker follows:)

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Statement of John Schnittker, Washington, D.C. before the
Senate Finance Committee regarding proposed amendments to the
Sugar Act, June 22, 1971

Summary

I urge the Senate, in considering extension of the
Sugar Act, to:

1. Continue to import as large a percentage of
our sugar requirements as in recent years;
2. To limit payments to sugar producers to \$55,000
per farm, or lower;
3. To terminate the sugar quota of South Africa;
4. To establish a study group to review and report
on the Sugar Act in the broadest national
interest terms at least a year before the Act
is considered again.

My name is John Schnittker. I am a consulting economist in Washington, D.C., and was with the U.S. Department of Agriculture until 1969.

I am speaking only for myself today, but I believe that what I say here on four key issues represents a broad spectrum of views held in this country on trade and aid policies, large government payments to individual farmers, the South African quota, and the need to conduct a review of the Sugar Act looking toward later consideration of fundamental changes, in the interest of U.S. consumers and a more consistent and open trade policy.

First, I urge that Congress make no changes in the shares of the U.S. sugar market going to U.S. producers on one hand and foreign suppliers on the other. Extension of the Act this year has again become the occasion for an increase in the share of our sugar requirements produced in the U.S. at extremely high cost, at the expense of foreign suppliers in the Western Hemisphere who can produce sugar at lower cost and badly need our trade.

Our basic commercial policy with respect to developing countries is "trade, not aid." Our actions are far different. Increasing the share of the U.S. sugar market going to domestic producers, as the House bill would do, is a tangible contradiction to our stated policy with respect to trade with developing countries.

Secondly, I urge the Congress to set an effective ceiling on government payments to sugar producers, and to reject the proposal presented by a sugar industry spokesman for a complicated scheme designed to evade effective limits on Sugar Act subsidy payments. I continue to support a \$20,000 per farm limitation on payments under the cotton, wheat, and feed grain programs, and I recommend a \$20,000 per farm limit on individual payments under the Sugar Act, plus a strong Congressional directive to the Secretary of Agriculture to prevent evasion of the limitation by farm-splitting. Even the \$55,000 limit applied to other commodities last year would represent a gain, if the present system of taxes and payments under the Sugar Act is retained as in the House bill.

Federal farm program payments should be tailored increasingly to achievement of minimum income standards for low-income farmers and to production adjustment. Sugar Act payments are almost pure subsidy, paid out freely to giant operations that have been carefully designed to extract maximum federal payments, and controlled in many cases by still other large interests.

Benefits of the federal sugar program are more highly concentrated than any other farm commodity. Nearly half the program benefits, including payments, go to 20 percent of sugar producers. Some 83 percent of sugar cane program gains go to 20 percent of U.S. cane producers. These are the interests the industry amendment is designed to protect, and

that the Administration is favoring in opposing even a \$55,000 payment limit on the sugar program. The small family farmer, whose name has always been invoked to justify Federal farm payments, gets all too little, while sugar production and sugar subsidies become increasingly concentrated.

Last week, the Administration defended million dollar payments to sugar producers before this Committee and told another Senate Committee that additional money for lunches for poor kids in the city may not be spent even if it is appropriated. I hope the Senate will upset the Administration position on both these questions.

I support the efforts of Senator Kennedy and others to terminate the sugar quota for South Africa. This action is long overdue.

Finally, I urge that the Sugar Act be extended for only 3 years, and that Congress establish a bi-partisan technical group to review the Sugar Act in the context of our trade and aid policy, the existence of relatively low-priced sources of supply abroad, the concentration of U.S. sugar production and sugar subsidies in a few hands, the needs of bona fide family farmers producing sugar, and the interests of the forgotten American consumer. Administration witnesses have cited the changes likely to occur in the world sugar economy in the years immediately ahead. We should be prepared to adjust to those changes the next time the Sugar Act is considered.

Senator BENNETT. The next witness is the Honorable Thomas H. Kuchel.

Senator Kuchel, we are glad to welcome you back. You will realize that my colleagues have rushed over to vote. I was sent as the advance party to clear the way and they will be back. But since we have 12 witnesses, if you will be so kind, we would like to continue with the schedule.

STATEMENT OF THOMAS H. KUCHEL, REPRESENTING THE COLOMBIAN SUGAR PRODUCERS ASSOCIATION; ACCOMPANIED BY WILLIAM RUSSELL; ENRIQUE VENEGAS DE FRANCISCO; AND ARTURO DE LAS CASAS BUSTAMENTE

Mr. KUCHEL. Very well, Mr. Chairman.

Mr. Chairman, my name is Thomas H. Kuchel. I am a partner in the law firm of Wyman, Bautzer, Rothman & Kuchel. I am honored to appear before this committee. I appear on behalf of the Association of Sugar Producers of Colombia. I am accompanied by Mr. William Russell of our firm and by Mr. Enrique Venegas de Francisco and Arturo de Las Casas Bustamente, who are members of the staff of the Embassy of the Republic of Colombia. I will highlight the remarks, Mr. Chairman, which I prepared and which are in the possession of the committee.

Mr. Chairman, I would like to stress to you and to the members of the committee that the United States has no better friend or ally in Latin America than the Republic of Colombia. Mr. Chairman, when this country has sent troops to Korea under the aegis of the United Nations, Colombia and Colombia alone of all the countries in South America sent her troops there to fight along side of us.

I should like to make the point that American investment in Colombia, Mr. Chairman, is welcomed and protected. Colombia is a republic which has set down rules of law like the U.S. Government has for settlement of any differences in the marketplace. Those rules of law apply equally to Colombians and to foreigners who do business in Colombia. There has never been an expropriation of American investments in Colombia.

Earlier, Mr. Chairman, mention was made by members of your committee of the plight of our own country with respect to the balance of trade. Mr. Chairman, the United States enjoys a splendid balance of trade with Colombia. Colombia has purchased U.S. goods in record quantities and last year's favorable balance of trade with Colombia was over \$124 million.

Mr. Chairman, if you look at the map of South America, you will see that along the entire Pacific Ocean side of that continent, a 200-mile seaward jurisdiction is asserted with one exception—Colombia. Colombia, Mr. Chairman, asserts a 12-mile limit of jurisdiction for her territorial seas, as President Nixon has recommended to the family of nations for adoption by all countries.

Mr. Chairman, Colombia has plenty of sugar and sugar-producing capacities. She has met her quota consistently under the 1965 amendments to the Sugar Act. She has an ideal climate and is only one of the three known places in the world where sugar can be harvested all

year round. There are now approximately 100,000 hectares of fertile soil devoted to sugar production in Colombia, with an additional 200,000 hectares potentially available for such use.

I should like to emphasize, too, Mr. Chairman, that the sugar industry of the Republic of Colombia does rely heavily on the U.S. market, for Colombia does not participate in any other preferential sugar arrangement, unlike some other nations in this hemisphere.

Mr. Chairman, the representatives of foreign sugar suppliers were asked how the money was expended which was received by an industry supplying the United States with sugar. Well, with respect to Colombia, 70 percent of every dollar received by the Colombian sugar industry is distributed as wages or benefits to the workers. More than 35,000 people are employed directly, with 165,000 more indirectly dependent on sugar production. Colombia sugar workers, Mr. Chairman, receive the highest salaries in the agricultural sector of Colombia. They receive bonuses, vacations, health care equivalent to comparable U.S. industries, and they also receive schooling for their children.

The Republic of Colombia, and its people and its sugar industry are most grateful for the sympathetic consideration which was given to their cause by the House of Representatives a few weeks ago, which resulted in an increase in the Colombian quota of approximately 11,770 tons each year. I am nonetheless here most respectfully to urge this committee to approve an additional increase in the quota for Colombia, for Colombia's case is based squarely on the fact that she is as deserving of favorable treatment in the U.S. sugar market as any other Latin American country, but in the past 5 years, has not received it. Let me explain the basis for that assertion.

Mr. Chairman, it seems to me that the single most important index of how well a country fares in the American sugar market is the ratio of sugar sold to the United States to the total amount of sugar which that country has available for export. I would define sugar "available for export" as that amount of annual production remaining after domestic consumption requirements are met. The amount of total annual production itself is not a meaningful figure for my kind of comparison because in many countries, domestic sugar production accounts for almost all of the annual production. It is only what is left for export which counts. In other words, if you raise a million tons of sugar, but if at home, you consume 999,000 tons of sugar, you have available for export to the United States only 1,000 tons of sugar. It is what is left for export that counts when you deal in the question of availability of supply or competence or dependability of supply. This is the measure of a country's export capacity and by this measure, Colombia has been sadly mistreated in the U.S. sugar market.

In 1969, the United States imported approximately 68 percent of the available sugar for export from all supplying nations in Latin America, taken as a whole. Individually, however, the percentages imported from each nation varied markedly. Several nations could send almost all of their available sugar. Most of the others could send more than two-thirds of their export supplies. None but Colombia was significantly below the average for the entire hemisphere. Colombia, Mr. Chairman, was dead last. During the years 1966-69, she could send only the average of 29 percent of her available export supplies to the U.S. market. And this from a country which alone in Latin Amer-

ica stood beside the United States in Korea, with which we do have a favorable balance of trade, which follows the lead of the United States with respect to the asserted seaward jurisdiction of 12 miles, and which represents a constant friend of our country.

I have attached a chart, Mr. Chairman, which demonstrates the amounts and percentages of sugar available for export from the Latin American nations supplying the United States with sugar. Colombia, I submit, is deserving of a further increase. Therefore, I respectfully ask that Colombia's basic quota be raised to a minimum of 126,000 tons annually. This is the amount of Colombia's request in the House of Representatives. This amount is still only slightly more than half of the total amount of sugar Colombia has available for export each year, although, as I say, and I repeat 68 percent is the average for the entire hemisphere. Nonetheless, this amount would close the regrettable gap which exists between Colombia's treatment by the United States in its sugar market and the treatment accorded to her neighbors. I say with regret as an American that the United States does not have as many friends in the world today as she did a decade or two ago and it seems to me that our country ought to cherish friendships and that Colombia's friendship for the United States is both clear and enduring.

Thank you very much.

The CHAIRMAN (now presiding). Thank you very much.

Senator Bennett?

Senator BENNETT. I have no questions.

Senator ANDERSON. I am glad to see our neighbor and friend here. He looks fine.

Mr. KUCHEL. Thank you very much, Senator Anderson. I am honored to pay my respects to you and to your colleagues on this committee.

Thank you, sir.

The CHAIRMAN. We are always glad to see you, Senator. It is nice to see you back here.

Mr. KUCHEL. Thank you very much.

(The complete statement of Thomas H. Kuchel follows:)

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STATEMENT OF THOMAS H. KUCHEL
 REPRESENTING THE COLOMBIAN SUGAR PRODUCERS ASSOCIATION
 BEFORE THE COMMITTEE ON FINANCE, UNITED STATES SENATE
 JUNE 22, 1971

My name is Thomas H. Kuchel. I am a partner in the law firm of Wyman, Bautzer, Rothman and Kuchel. I appear here on behalf of the Asociacion Nacional De Cultivadores de Cana de Azucar - the Association of sugar producers of the Republic of Colombia.*

The U.S. - Colombian Alliance

Colombia has been a constant friend and ally of the United States. She shares a fraternity of democratic ideals with the American people. She has stood along side the United States politically, militarily and economically.

* This testimony has been prepared by Wyman, Bautzer, Rothman and Kuchel, 1211 Connecticut Avenue, Washington, D.C., 20036, duly registered agents pursuant to the Foreign Agents Registration Act of 1938, as amended, on behalf of the Asociacion Nacional De Cultivadores de Cana de Azucar (Colombian Sugar Producers Association), P.O. Box 4448, Cali, Colombia. Agents have filed with the Registration Section, Department of Justice, Washington, D.C., a registration statement which is available for public inspection and the latest copy of which has been filed with this testimony to the Committee.

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Colombia has consistently voted with the United States in the United Nations. Her soldiers and sailors have fought along side Americans in the Korean War. American investment in Colombia has always had the protection of the law, and there has never been even the threat of an "expropriation" of American property by the Colombian government. Colombia asserts a 12 mile limit of jurisdiction for her territorial seas. This generally conforms with President Nixon's proposal for the family of nations to establish for all.

Favorable U.S. Balance of Trade

The United States currently enjoys a favorable balance of trade with Colombia. Indeed, this favorable balance has increased more than 200% in the last three years. In 1968, the value of U.S. goods and services exported to Colombia was 55.2 million dollars more than the amount of Colombian goods and services sent to the U.S. By 1969, this favorable U.S. balance of trade grew to 62.4 million dollars. By 1970, this favorable U.S. balance of trade leaped to more than 124 million dollars.

The Reliability of Colombian Sugar Supplies

The United States consumers can depend upon Colombia sugar production. Colombia has never failed to fill her sugar quota under the 1965 amendments to the Sugar Act. The fact is she has had much excess capacity during each year of operation under the 1965 Act, enough capacity to more than double the quantity of sugar shipped to the United States during those

years. Very few other nations can back up their assurances of sufficient supply with such a statistic.

Even with this present capacity, Colombia is looking to the future and to the means by which she may strengthen her economy and improve the lot of her people. It will be a future in which United States and world sugar consumption will double, maybe triple, by the end of the century. To supply U.S. sugar needs, Colombia has many natural advantages. Her climate is ideally suited to sugar production. Although many nations have tried, Colombia is one of only three known places in the world where sugar can be harvested year round. In this ideal climate, Colombia has currently under production approximately 100,000 hectares (247,000 acres). That amount of Colombian acreage under cultivation can also be tripled. An additional 200,000 hectares (494,000 acres) of fertile soil is available for additional sugar harvest.

The Need for a U.S. Market

Colombia heavily depends on the United States market to sell her sugar. The Colombian export sugar industry was actually born of the United States need for foreign sugar in the early 1960's when the Cuban embargo was first imposed. Colombia was urgently trying to free herself from the vicissitudes of a one crop export economy (coffee), and the United States at that time encouraged Colombia to give our country all the sugar available at a time of world sugar scarcity.

From that point the Colombian export sugar industry grew and flourished in the ideal climate of the Valle del Cauca, and Colombia's need for the U.S. market became increasingly important. The United States has been the only preferential sugar market for Colombia. At no time has Colombia negotiated any type of preferential agreement with any other country.

Benefits to the Colombian Sugar Workers

The benefits of U.S. sugar payments redound to the Colombian workers and people. Approximately 70% of each dollar received by the Colombian sugar industry is distributed as wages or other benefits to the workers. Among the benefits received by the Colombian sugar industry workers are:

- (a) The highest salaries in the agriculture sector in Colombia;
- (b) Bonuses equivalent to those in most United States industries which include a month's wages as an annual bonus, an additional Christmas bonus, and also a "service benefit" amounting to a half month's wages payable every six months;
- (c) Complete health care and health insurance for the workers and their families;
- (d) Vacations and pension benefits comparable to American industries;

(e) Educational benefits for the workers' families including maintenance and operation of free elementary schools and the availability of scholarships for secondary and higher education;

(f) Miscellaneous benefits such as the maintenance and operation of food stores, cafeterias, libraries, theatres, and religious facilities for the workers.

Unequal Treatment to Colombia Under the 1965 Amendments

The 1965 amendments to the Sugar Act damaged Colombia. In late 1963 and 1964, the world price of sugar rose far above the price of sugar purchased in New York. Fearing that these higher world prices would tempt sugar exporting nations to divert their sugar away from the United States to the world market, the U.S. State Department let it be known that continued and expanded shipments of sugar to the United States during this period of crisis would be remembered when the Administration made its recommendations to the Congress on the extension of the Sugar Act in 1965.

Colombia made her best efforts to meet the United States sugar needs during this period. Colombia sent 45,030 tons - all that was available - to the United States. Not one single pound was exported to any other country during this period of higher world prices.

Nonetheless, actual Colombian exports to the United States declined during this period, and did so for two reasons. In 1963-64, heavy floods destroyed much of the crop in the area of the country's entire sugar production. In addition, several sugar mills suffered long employee strikes in 1963 due to labor unrest promoted by outside elements. Sugar production was interrupted. A deficit of 34,000 tons resulted compared to the previous year. Under normal conditions this sugar would have been exported to the United States. The Colombian government was alarmed by these events. She sought to restrain speculation on national sugar prices by increasing reserves. In retrospect, these precautions may have exacerbated the declining export situation. At the time, it was felt necessary to preserve political and economic stability in Colombia.

In any event, Mr. Chairman, the sad fact is that Colombia's U.S. sugar quota was reduced in the 1965 legislation from 1.06% to .80%, a reduction on the order of 25%.

The 1965 amendments have placed Colombia in a most unfavorable position vis-a-vis other sugar exporting nations. They force her to rely on the chronically depressed world market for the sale of most of her sugar. Colombia's reliance on the world market is the heaviest and most disproportionate of any Latin American country. Of the sugar which Colombia has available for export, 71% must be marketed on the depressed world market, while only 29% may be sold to the United States

under the present quotas. In contrast, all Latin American countries are permitted to send far greater percentages of their export sugar to the United States, up to 100% in the case of several of them. Chart A, attached to my Statement, is based on data supplied by the International Sugar Organization, and lists the Latin American nations supplying sugar to the United States in order of their favorable treatment in the U.S. market.

Colombia is dead last. I most respectfully state, in light of all the foregoing, that there is no reason why Colombia - a staunch friend - should be so treated.

Specifically, I urge that you not use the 1965 amendments as a base in computing sugar quotas into the future. It is arguable that a nation - such as Colombia - should not have been made to suffer a reduced quota in 1965. Certainly she should not be required to bear this unfair treatment for an additional five years, or whatever period you determine for the new extension of the Sugar Act.

If your Committee determines that base years should be utilized in determining foreign sugar quotas, then during those years, we believe that each nation's available sugar for export (production minus domestic consumption) be the measure rather than the amount of exports to the United States under the restrictions of the quotas allocated in the 1965 amendments. We also believe that recent years, perhaps 1969 and 1970, should be made the basis.

A Guideline Based Upon Percentage of Available Sugar

I suggest an alternative method. That is to permit the importation of the same fixed percentage of available sugar from each supplying nation.

To illustrate, in 1969, the United States imported approximately 68% of the available sugar for export from all the supplying nations in Latin America taken as a whole. Individually, however, the percentages imported from each nation varied markedly. Again, Chart A shows which nations in Latin America are permitted to export more than the average for the hemisphere, and which nations may not. Colombia is least favored.

In 1969, Colombia had available for export a surplus of approximately 206,000 tons of sugar; 68% of this amount is approximately 140,000 tons. But, Colombia under the 1965 quota, has been restricted in 1969 to sending the United States only 48,481 tons, representing, I repeat, her basic quota and her temporary quota.

The Colombian sugar industry respectfully requests consideration of a minimum increase in the Colombia quota of 80,000 tons. This amount, coupled with her existing basic quota under the 1965 amendments of approximately 23,000 tons, together with her annual set-aside from the Cuban reserve of approximately the same amount, would bring Colombia's quota allocation to approximately 126,000 tons. In terms of current U.S. sugar requirements from foreign sources, approximating

3,500,000 annually, this suggested allocation would require a permanent quota of approximately 1.80% coupled with a temporary quota from the Cuban reserve of the same amount, or a combined quota percentage of 3.60%.

Colombia views this suggested minimum increase as significant, but it should be clearly noted that this suggested increase is significantly less than the 68% figure, which represents the average for all Latin American nations. Therefore, by requesting this increase, Colombia, a friend and ally, and a good trading partner of the United States, simply suggests that her treatment in the United States sugar market approximate that which other hemisphere nations now enjoy.

CHART A

Amounts and Percentages of Sugar Available For
Export to the U.S. and World Market

Countries ^{1/}	Total Produc- tion ^{2/}	Total Domestic Consump- tion ^{2/}	Remainder Available For Export	Amount Permitted to be Sent to U.S. Under Quota		Amount Surplus For World Market	
				Tonnage ^{3/}	% of Avail. Sugar	Tonnage	% of Avail. Sugar
VENEZUELA	418	392	26	28	108	-0-	-0-
NICARAGUA	113	64	49	49	100	-0-	-0-
BOLIVIA	114	108	6	6	100	-0-	-0-
ARGENTINA	1,024	954	70	69	99	1	1
COSTA RICA	149	78	71	70	99	1	1
PANAMA	71	38	33	32	97	1	3
HAITI	71	45	26	25	96	1	4
PERU	805	385	420	396	94	24	6
DOMINICAN REPUBLIC	845	135	710	655	92	55	8
GUATEMALA	185	121	64	59	92	5	8
HONDURAS	50	42	8	7	88	1	12
MEXICO	2,635	1,884	751	575	76	176	24
EL SALVADOR	132	71	61	43	70	18	30
ECUADOR	253	127	126	82	65	44	35
BRAZIL	4,585	3,460	1,125	563	50	562	50
COLOMBIA	690	488	202	59	29	143	71

- 1/ Not included are three other Latin American countries supplying some sugar to the U.S. but which have substantial access to other preferential sugar markets.
- 2/ Data based upon averages for years 1966-1969 and expressed as 1,000 short tons raw value. Source: International Sugar Organization Sugar Year Book, 1969, pages 299-300; 341-342.
- 3/ Data based upon averages for years 1966-1969 and expressed as 1,000 short tons raw value. Source: "The United States Sugar Program," House Committee on Agriculture, 91st Congress, 2nd Session (Comm. Print) December 31, 1970, p. 18.

The CHAIRMAN. Our next witness will be the Honorable John G. Dow, a Member of Congress from the State of New York.

STATEMENT OF HON. JOHN G. DOW, A REPRESENTATIVE IN CONGRESS FROM THE 27TH CONGRESSIONAL DISTRICT OF THE STATE OF NEW YORK, AS PRESENTED BY ROBERT KETCHAM, ADMINISTRATIVE ASSISTANT

MR. KETCHAM. Mr. Chairman, I am Robert Ketcham, administrative assistant to Mr. Dow. Mr. Dow has had to go to New York.

The CHAIRMAN. Yes; he requested that you present his statement. We will accord you the same 5 minutes to summarize the Congressman's statement.

MR. KETCHAM. Thank you very much, Mr. Chairman. I am very privileged to be here this morning to present the Congressman's views. As a member of the House Agriculture Committee, Mr. Dow offered three amendments in the committee which were not successful. Because the rule in the House was closed by a vote of eight to six, it was decided that the fight would be taken to the House floor only on the South Africa amendments. We have summarized those amendments on the front sheet of the testimony this morning and I will read through part of the testimony for you and further explain those amendments to you.

The first amendment relates to the South African question. Mr. Dow did not feel that South Africa should be afforded a bonanza of roughly \$5 million because the Sugar Act has, in effect given South Africa a very substantial benefit, even though that country violates administration policy, the policy language which is found in the Foreign Assistance Act of 1967, title 22, section 2151, and the House Agriculture Committee's own criteria for providing assistance to developing nations, rather than developed nations, since South Africa, according to our own U.S. Agency for International Development, is listed as a developed nation. South Africa was an original member of the United Nations in 1948 and has always been well known for its very substantial natural resources.

The recommendation that was made was to adopt an amendment to delete from the bill the figure of 60,003 short tons of sugar which represents the full quota and prorations for South Africa and to re-allocate that quota to all other qualifying countries which are designated in the bill to receive quotas. Therefore, there would be no preferential treatment given to any other country, but that quota would merely be redistributed.

South Africa, as is known throughout the world, practices an abominable apartheid policy. "Reduced to its simplest form," Mr. Verwoerd stated, January 25, 1963, "the problem is nothing else than this: We want to keep South Africa white." He said that, in a country that is five-sixths black.

In the testimony we list several acts which are very repressive, and and they are reported to be so by the United Nations; an example is the Group Areas Act, which classifies South Africans into four principal groups and limits all kinds of privileges such as citizenship rights, political rights, and social integration.

I would like to read one statement.

Mr. Dow does not recommend that the United States discontinue relations with South Africa or cease to trade with that country. He does not favor a policy of retaliation against them because of numerous documented cases of exclusion practiced against black American citizens and U.S. Congressmen, but merely recommends an amendment to delete South Africa's sugar quota because the quota is a bonanza and a mark of our special favor which is not warranted.

Another point that was raised in committee was to the nature of the Grace amendment. The Grace amendment was an expropriation amendment to change section 7 (II) and written by the House Agriculture Committee which would establish a new account in the U.S. Treasury, collected from the \$20-per-ton tax on imported sugar and amending section 408 of the Sugar Act. My member feels that this amendment fails to recognize the aspirations of developing nations for limited export commodities and is repugnant to the American policy of assistance to improve relations and the economic well-being of those emerging nations. He would recommend that the amendment be deleted.

Also it might also be of interest to the committee to know that the present law has in it language requiring that the President shall act where cases of expropriation have been effected and it has not been employed. This is an area which should be further considered to effect a proper policy to deal with expropriation.

A third amendment which was offered in committee was to place a ceiling on the domestic sugar producer payments. Mr. Dow did not feel that a \$55,000 ceiling was realistic because of the present system in which taxes are taken from processors; and as a domestic balance-of-payments problem, the money has been favorable; that is, there is more money in the Treasury than has been paid out. He did feel that you could use a factor of \$55,000 to determine a more equitable ceiling. So he factored 55 times 5, which is merely a matter of judgment and there is no additional expertise involved there, but what it would do, in effect, would save the Treasury roughly \$4,784,000 a year. It would limit payments on the 28 largest sugar producers, and roughly save half of the money which is paid out in producer payments at this time.

That further explanation is found on page 7 of the testimony, where he says that the gross effect of such a payment would be a saving to the Treasury of about \$4,784,000 out of a total payment of \$13,484,000 made to the 28 largest producers in 1969, which are the latest figures.

Those, Mr. Chairman, were the amendments which were offered in committee. Again, I would like to join—I know Mr. Dow would want me to join—Congressman Diggs in urging that every consideration be given to deleting the South Africa sugar quota.

The CHAIRMAN. Thank you very much, sir.

Any questions, gentlemen? (No response.) Thank you very much.
(Prepared statement follows:)

TESTIMONY
OF
HONORABLE JOHN G. DOW
BEFORE THE
SENATE FINANCE COMMITTEE
June 22, 1971.

Mr. Chairman, Thank you very much for hearing my views on H.R. 8866 which was before the House Agriculture Committee on which I am privileged to serve.

The parliamentary situation as it developed in the House did not permit the opportunity to amend the Sugar Act on the floor as I was prepared to do.

I had three principal amendments which at least dealt with some of the obvious shortcomings in the Sugar Act amendments of 1971. The closed rule was adopted by the House Rules Committee on a vote of 8 - 6. This vote occurred after bi-partisan testimony on the narrow question of deleting the South African quota of 60,003 short tons. In the House opponents concentrated on this for the sole purpose of securing passage of at least one amendment. This amendment would have deleted South Africa's quota and prorated it to all other qualifying countries.

Mr. Chairman, Someone has said that we wouldn't have any trouble with the Sugar Act of 1971, H.R. 8866, if it wasn't for foreign relations. While this is not wholly true, two points of major objection to the Sugar Act do relate to foreign relations.

Point A. South African Sugar

The bonanza of five million dollars to South Africa under the Sugar Act violates Administration policy, the policy language in the Foreign Assistance Act of 1967, Title 22, Section 2151; and the House Agriculture Committee's own criteria for assisting countries in need of economic development.

I recommend that the Committee adopt an amendment to delete from the bill the figure of 60,003 short tons of sugar representing the full quota and prorations for South Africa, and that the same be re-allocated to the other foreign countries designated in the bill to receive quotas.

It is known worldwide that the Government of South Africa practices an abominable apartheid racial policy. The former Prime Minister of South Africa, Dr. H. R. Verwoerd, stated on January 25, 1963, "Reduced to its simplest form the problem is nothing else than this: We want to keep South Africa White..." He said that in a country with a population that is five-sixths black.

In order to carry out this policy the South African Government has resorted to the most repressive legislation. For example, the Terrorism Act of 1967 permits unlimited detention of arrested persons and denies detainees the right to habeas corpus, or any other judicial relief of any sort.

As a United Nations report says of that Act, it is "probably the broadest definition of a crime ever created by any statute."

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The Group Areas Act classifies the races of South Africa into four principal groups--Whites, Bantu, Asians, and Colored. The publication of the United Nations reports that "...The Bantu may be present in the White areas to offer his labour, but not for the sake of enjoying all sorts of privileges such as citizenship rights, political rights, social integration..."

I do not recommend that the United States discontinue relations with South Africa or cease to trade with that country. And I do not favor a policy of retaliation against them because of the numerous documented cases of exclusion practiced against black American citizens and United States Congressmen.

In February of this year President Nixon asserted in U.S. Foreign Policy for the 1970's, "Racism is abhorrent to the American people, to my Administration, and to me personally."

I therefore strongly recommend an amendment to the Sugar Act to strike the South African sugar quota because that quota is a bonanza and a mark of our special favor which is not warranted, considering South African racial discriminations. But, I do not believe that we should bestow rewards upon a nation that blatantly offends transcendent principles of human relations.

Moreover, South Africa is classified as a developed country by the Agency for International Development, whereas the established criteria of the House Committee on Agriculture, in granting a sugar quota, is its "present stage of and need for economic development."

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Furthermore, the problems of discrimination that concern us here fall squarely under the Congressional statement of policy enacted in 1967 and found in Title 22, Section 2151 of the United States Code relating to foreign assistance.

The second paragraph of the statement of policy is:

"In addition, the Congress declares that it is the policy of the United States to support the principles of increased economic cooperation and trade among countries, freedom of the press, information, and religion, freedom of navigation in international waterways, and recognition of the right of all private persons to travel and pursue their lawful activities without discrimination as to race or religion..."

The Congress must not ignore its own policy. This sugar bonus for South Africa which comes within the purview of the U.S. Code should be denied to a country practicing by its own admission in law and fact, racial discrimination.

Point B. The Grace Amendment

The expropriation amendment, Section 7(II), written by the House Agriculture Committee which establishes a new account in the United States Treasury, collected from a \$20 per ton tax on imported sugar by amending Section 408 of the Sugar Act, should be deleted.

The amendment fails to recognize the aspirations of developing countries with limited export commodities and is repugnant to an American policy of assistance to improve relations and the economic well-being of those emerging nations.

I recommend that the Committee strike from the Act an amendment to Section 408 of the Sugar Act of 1948 which grants the President discretion to withhold a portion of, as well as the entire quota, of a nation seizing ownership or control of property of U.S. citizens without adequate settlement. This objectionable amendment further carries a provision that largely embodies the "Grace Amendment" which was intended to fortify W. R. Grace & Co. in a claim against Peru going back to 1969.

This new provision establishes a new account in the United States Treasury to pay claims of United States citizens arising out of similar seizure or control of property of U.S. citizens done without adequate settlement. The Treasury account would be financed by a \$20 per ton impost upon the nation involved, at the discretion of the President.

This entire amendment with its new provision deserves special attention because it highlights so sharply the wide gulf of misunderstanding that has been generated in the United States vis-a-vis the underdeveloped nations of the world.

The prevailing attitude in our country today is blind to the problems of the underdeveloped nations. To put it bluntly, those nations, owing to grim necessities of their own, are obliged to play the economic game in a new way. And, saddest of all, we are largely unaware that the game today is different. For we are

continuing to play the old game that suited us in years gone by.

In this period of history, the underdeveloped nations, many of them only recently freed from colonial domination, are uniformly and universally seeking to assert their national integrity and independence. They want to pull themselves up by their bootstraps in the world economy. They are wracked by the violence of their own efforts to overthrow economic royalists, both foreign and domestic.

In the conduct of their evolution and revolution, these many underdeveloped nations are resorting to devices of expropriation and possibly property seizure under terms of compensation that offend our ingrained sense of property rights.

On second thought, however, if we were to examine closely the game that those nations have to play, we would see, by and large, that each one has very few chips on the table. Each nation has but one or two products available with which to exert the leverage that will help it rise. For example, the Equadorians have little besides their bananas and coffee. The Bolivians have tin; the Chileans, copper; the Colombians, coffee; and the Peruvians offer fishmeal. Their tactic must be to re-assert their control over these unique and vital products by sovereign acts. Unfortunately, their methods do not always accord with property concepts as constituted under our system.

Meanwhile the United States continues the property game under the old rules which were conceived in a Victorian century. It seems to me that we will have to learn that we cannot enforce upon little sovereignties in our own hemisphere and around the

world the same property rights by which we hold to account a defaulter on Main Street in our home town.

This is the overriding consideration for our international relations in this immediate period. It is the lesson we did not understand in Vietnam. If, after losing 45,000 dead, we still do not understand the new world from the Vietnam experience, then indeed the future of our own nation is in serious jeopardy. For we will be at loggerheads with more and more of the emergent peoples struggling to re-assert their authority over affairs in their respective lands.

For this tremendous reason I submit that the efforts to impose niggling, parsonic penalties, like \$20 a ton on sugar, against those nationalities who are struggling to get up in the world is worse than petty. It is blind, to say the least, also self-deluding, and downright dangerous as a future policy for this nation.

I should like to insert a comment here about the two measures I have suggested. One of these, relating to the South African sugar quota, appears to be a form of interference in affairs of another nation, while the second, to bar economic retaliation, appears to oppose such action. This seeming inconsistency is of little account, however, when we consider that both proposals adhere to one overriding consistency, namely, that both are offered in aid of the deprived people who are being exploited at the lower levels of the third world.

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UNIVERSITY MICROFILMS

A ceiling of \$275,000 should be placed on domestic sugar producer payments to place these payments in line with the \$55,000 ceiling in effect for staple grain subsidies while fairly recognizing the tax borne by the industry which is the source of funds for the producer payments. This ceiling would save the Treasury about \$4,784,000 annually.

I would like to recommend that in the domestic area a ceiling be imposed on producer payment of \$275,000. Producer payments are similar to subsidies presently paid to producers of staple grains. The ceiling for these staple grain subsidies is now \$55,000 annually to any one producer.

In the sugar situation there is some difference because, while the Government makes lavish payments to producers, it does at the same time under the Act impose a tax on processors. The tax on processors came to \$108 million in 1969, while the producer payments were \$90 million. In view of the tax borne by the industry it might be said that the ceiling on producer payments should be higher than the prevailing \$55,000. Accordingly an amendment might be proposed to set the ceiling for sugar producers at \$275,000 each, which is a multiple of \$55,000.

The gross effect of such an amendment would be a saving to the Treasury of about \$4,784,000 out of a total payment of \$13,484,000 made to the 28 largest producers in 1969, which are the latest figures.

Admittedly this ceiling amount is proposed more out of judgment than science. This however is done in order to focus some restraint upon the sugar industry.

Anyone who attended the recent hearings on the Sugar Act of 1971 could properly form the impression that the entire sugar business of the United States, which comes to about \$1.8 billion, is wrapped up in a tidy package that gives all of those involved--producers, processors, manufacturers, and importers--an equitable share, but may not wholly serve the interests of the consuming public. In fact, a reading of the extravagant fees paid to sugar lobbyists, which is listed on p. 1133 of the May 21, 1971 issue of the Congressional Quarterly, raises questions such as how much more don't we know about sugar.

The voice of the consumer is barely heard in the "Land of Sugar". In the recent hearings before the House Committee on Agriculture, among those who testified, there was but one consumer witness. Any reading of the testimony will show that his reception at the hands of the Committee was the least cordial of any throughout the length of the hearings. Accordingly, it seems quite in order to limit the take of the sugar consortium, just as a matter of sensible business and good principle, to something less than their gross demands. This is the justification for the amendment that I proposed so as to limit producer payments.

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The CHAIRMAN. Rather than have to call time on witness myself, I am going to ask the staff to use our egg timer that we used on the tax reform bill. When the bell rings, the witnesses will know their 5 minutes are over; and I will ask for questions of Senators.

I would like to urge the Senators that in order to conclude this testimony this morning, they consider submitting some of their questions rather than asking them verbally.

Our next witness is Mr. Walter Sterling Surrey, accompanied by Albert M. Prosterman, on behalf of the Associated Sugar Producers of Guadeloupe and Martinique.

**STATEMENT OF WALTER STERLING SURREY; ACCOMPANIED BY
ALBERT M. PROSTERMAN; ON BEHALF OF THE ASSOCIATED
SUGAR PRODUCERS OF GUADELOUPE AND MARTINIQUE**

Mr. SURREY. Thank you, Mr. Chairman. My name is Walter Sterling Surrey; I am accompanied by Albert Prosterman. We represent the Associated Sugar Producers of Guadeloupe and Martinique. I ask that my full statement be submitted in the record.

The CHAIRMAN. That we will do.

Mr. SURREY. Guadeloupe and Martinique have met the standards established by this Congress and are now being rewarded by being given the ax, or perhaps it is the guillotine. The stated House reason for eliminating the quota is "this area is in fact a political subdivision of France and enjoys a preferential market in Europe for sugar production. In World War II, these islands could have profited out of sugar. Instead, they sold to us an amount double the amount shipped by any other source, including Cuba. They were then a political subdivision of France.

Senator BENNETT. I have to stop you there. Are you saying that these two islands sent us twice as much sugar as Cuba sent us?

Mr. SURREY. No, except Cuba, I said, double the amount of any other source excluding Cuba.

Senator BENNETT. I thought you said "including."

Mr. SURREY. No, excluding.

Senator BENNETT. That is really startling.

Mr. SURREY. In 1960, when they first received a quota, they were a subdivision of France, enjoying a preferential market in France at a price equal to what they now receive in the Common Market. In 1963 and 1964, we did not object to their not taking advantage of the higher world prices, instead selling to us 85,000 tons during our critical period, January to July 1963. They were then a political subdivision of France, enjoying a preferential market in France. We accepted their sugar; we promised to remember their sacrifice.

The same is true in 1964 when despite hurricanes, they shipped to the United States to meet their quota requirements and our desperate needs. They have continued to meet our needs since the 1966 act.

Their political status remains unchanged. Their preferential market in the Common Market is at the same price as existed for the previous French preferential market. They have a quota limitation on what they can sell in the Common Market.

Are they really then so different from British Honduras, a political subdivision of U.K. with a preferential Commonwealth market, which

was given a twofold increase? During the recent hearings in the House, the reason which was then furnished for such drastic action was that the Common Market was discriminating against our citrus exports. Congressman Teague suggested that I go to Europe to resolve this question. Mr. Prosterman and I have made trips to Brussels. We have negotiated with Common Market members to try to expand their proposal for the better treatment of U.S. citrus exports during our peak production period. Whether these accomplishments satisfied the citrus producers in the United States is not the key issue. The key issue is that something has been done about the citrus problem; and if more remains to be done, the situation should not be frozen by legislation eliminating the quota. This can only serve to jeopardize benefits already secured, possibly initiate a trade war, and eliminate for the period of legislation a potential opportunity for negotiating out a trade difference.

The action taken by the Common Market on citrus can't be put in the same category as expropriation of U.S. property—Peru—or of a country which has been the object of U.N. economic sanctions—Rhodesia. I can only urge that the standards which have been established by the United States as a test for allotting quotas not be radically altered either on the basis of conditions which have always existed or because of a current trade difference on one commodity.

Turning to the standards that you have stressed, U.S. exports to Guadeloupe and Martinique have grown from \$3 million in 1961 to \$15 million in 1970, with a favorable balance of trade in excess to the United States of \$6 million in 1970. Of Martinique's and Guadeloupe's exports of \$9 million, \$8 million relates to sugar. Clearly the elimination of the sugar quota does violence to one of your key standards. The granting of a sugar quota to French West Indies in 1961 has paid off in U.S. exports. We also enjoy a favorable balance of trade with the Common Market and with France including a favorable balance of trade in agricultural goods.

With regard to the second criteria, that benefits of the participation in the U.S. market go primarily to the working man, Martinique and Guadeloupe paid the highest wages of any offshore supplier. Field wages have increased from \$1.84 per day in 1961 to \$4.47 per day in dollars in 1971. Mill workers' basic wage scales actually exceed practically all other quota sources. There are also substantial social security benefits.

Even more spectacular has been the strong trend from ownership of land by factories to ownership by farmers. From 1961 to 1970, the ownership of land by factories decreased by over 65 percent and ownership of small farms increased by over 130 percent. The farmer receives around 66 percent of the net sale price, in addition to having a job in the field or the mill.

Mr. Chairman, Guadeloupe and Martinique were given a quota in 1961 on the basis of standards established by the Congress. That quota was increased on the basis of those very same standards in 1966 as well as an implementation of the U.S. promise to remember those who abandoned the lure of excess profits to meet our needs. Today it is proposed to take away that quota for conditions that existed and have always existed during a period of sales of sugar to the United States. Today it is proposed to take away that quota because of a link-

age of citrus to sugar, which can only hurt the course of curing the disadvantage which we now suffer. I submit to the committee that it will want to think long and hard before it takes this arbitrary action violating its own standards.

The CHAIRMAN. Would you explain to me—you say the House committee proposed to strike the quota for these islands because of the linkage of citrus to sugar. Now, would you mind elaborating on that? What is the rationale of that?

Mr. SURREY. I will not say it's a rationale. I will try to give you the reasons that were given.

The Common Market adopted a program first for Morocco and Tunisia whereby their citrus would come into the Common Market at an 80-percent tariff reduction. Later, at the instigation of Italy, it was recommended and adopted that citrus from Spain and Israel come into the Common Market at a 40-percent tariff reduction so that what has happened is that the U.S. citrus was put at a disadvantage. What we did—in two separate trips going to the Common Market—as to emphasize what the House committee had told us. That was: the Common Market is discriminating against citrus, do something about it, it is important, it relates to trade balances. Mind you, however, our overall trade balance with the Common Market is favorable to us.

I believe what we accomplished was to get this to the forefront again of the Common Market for consideration and it is a rather large bureaucracy which requires you to go to each member state and then to the Common Market itself. But they have now offered a change whereby they would reduce the duty on U.S. citrus for a series of months during our peak export period. The duty on it for the peak period would be reduced from 15 to 8 percent. This is during the months that we are peak producers and the Mediterranean countries are not peak producers.

This may not satisfy the citrus industry. It helps. But the answer is if you cutoff legislatively for 3 years the quota of Guadeloupe and Martinique, what you are saying is this is not a factor that can be traded out. For 3 years you are frozen and on the other side, you can escalate it, I think, into a trade war that nobody wants to get into.

The CHAIRMAN. Well, I personally think that where people discriminate against us, and I am talking about the Common Market now, we ought to retaliate against them. But I do have some question in my mind that you ought to take it all out on Guadeloupe and Martinique. The Common Market is a might big place. It seems to me that maybe if we are going to retaliate, we ought to retaliate in a broader sense, where the principal culprits feel it most directly.

Mr. SURREY. While I was in the Common Market, I also raised the question of tobacco, lard and poultry, which are other instances. Certain offers are being made on that.

Now, I think you are absolutely correct: To take a history of U.S. sugar legislation, where there have been inducements to Guadeloupe and Martinique to ship to the United States—they put in boat loading in order to induce shipments here; they put in storage facilities of 80,000 tons so they can hold their sugar for the peak period of U.S. requirements; they gave us sugar in 1963 and 1964 when they could have sold on the world market at a higher price. We at that time said, "Sell to us, we will remember you." Now we are saying, "Gee

whiz, fellows, we are glad you did it, but you belong to France." They did then. You are in a Common Market—they had a preferential market in France identical to what they have in the Common Market. They had a quota in the Common Market. Then to hit them over the head for a totality of relationships on agricultural goods which are complicated between the United States and the Common Market is unfair.

I agree with you to single out islands in the Western Hemisphere that we have treated as in the Western Hemisphere, that we trade with, and to hit them over the head because the Common Market may or may not take a correct action is unfair to those in this Hemisphere.

The CHAIRMAN. Let's understand each other. I think what the Common Market did to the United States on citrus is inexcusable and I think we ought to retaliate. I think to stop this thing of the Common Market discriminating against us we should not just to retaliate one for three as we did in regard to the chicken war—I think to do it, you ought to strike them back about three for one so that they would stop the practice. They do not do it to one another, because they know blessed well that if they do it to one another, their trading partner right across their own boundary is going to strike back and strike in a way that really hurts. But they know if they do it to us, the chances are nine out of 10 that we will not retaliate. They think if you must do it to somebody, do it to the United States. If we slap back hard enough to where it really hurts, my guess is they will stop doing that kind of thing.

But I think that you have a good argument. It does not make sense to take it all out on Martinique and Guadeloupe which probably had nothing whatever to do with this thing.

Mr. SURREY. They have nothing to do with it. They do not even export citrus.

The CHAIRMAN. Probably they did not know when the decision was made.

Mr. SURREY. No, sir, but they certainly became aware of it when I testified in the House.

The CHAIRMAN. Any questions?

Senator FANNIN. Mr. Chairman.

Oh, I beg your pardon.

Senator MILLER. The question has come up as to whether or not sales of sugar to the United States from Martinique and Guadeloupe are subsidized in any respect by the French Government.

Mr. SURREY. There is a subsidy—the way the situation works, sir, is that Guadeloupe and Martinique have a quota in the Common Market. If they exceed that quota, as they did, for example, in 1968, they have to sell in the world market. Now, to the extent that they do not meet that quota and they can sell in other areas, then they are permitted to sell, for example, to the United States. The differential in price between our subsidy and their subsidy is not very large. They are getting slightly less from us than they get from the Common Market.

Senator MILLER. You mean if they do not make their quota to the Common Market, then the amount of the difference which they might sell to the United States would be subsidized? If they do meet their quota to the Common Market, then they have to be content with—

Mr. SURREY. Would receive a differential, that is correct, if they have not met their quota in the Common Market.

Senator MILLER. Well, have they not been meeting their quota?

Mr. SURREY. My understanding is that they generally have been meeting their quota. Sometimes they have gone over their quota and therefore sold in the world market. In hurricane years, they did not meet it and they gave priority to the shipments here.

Senator MILLER. Now, when they did that, did they receive the subsidy?

Mr. SURREY. For part of it, up to the amount of their quota.

Senator MILLER. Yes. And so while I think you used the language in your testimony about such great sacrifices being made by them to accommodate us during those tough years, I am wondering if they received a subsidy in the amount of difference—what kind of sacrifice there was is what I am trying to find out.

Mr. SURREY. No, in those years, sir, they were selling not in the Common Market that was prior to the Common Agricultural Policy but to France. In those years, when they sold here, they only got the subsidy we paid.

Senator MILLER. What is that?

Mr. SURREY. In the years when they sold to us, 1963 and 1964, in our critical years, they were not selling in the Common Market under the Common agricultural policy. Their sales were to France and they were not subsidized for the amount they sold us.

Senator MILLER. By France?

Mr. SURREY. That is correct.

Mr. Prosterman wants to add a statement.

Senator MILLER. Well, you do the best you can and then let him chime in.

Mr. SURREY. He is my economist. I would like to use him.

Senator MILLER. Since that time, when these islands sell to the Common Market, if they do not meet their quota with the Common Market, then to the extent that they fail to meet it when they ship that amount to the United States, they are subsidized; is that correct?

Mr. SURREY. Yes, sir.

Senator MILLER. So that they will receive the same amount as if, indeed, they did meet their quota in the Common Market?

Mr. SURREY. That is correct.

Senator MILLER. How much is that amounting to in the last 2 or 3 years?

Mr. SURREY. The price differential between the U.S. and the Common Market is small. The price per pound in the Common Market is 7.65 cents and the United States is 6.76 cents.

Senator MILLER. Have they failed to meet their quota in the last 3 years to the Common Market?

Mr. SURREY. Have they failed? No, not to my knowledge.

Senator MILLER. So while they theoretically could have received a subsidy in the last 3 years, they have not?

Mr. SURREY. That is my understanding. And the difference is not that big.

Senator MILLER. Does your economist have something he wishes to add?

Mr. PROSTERMAN. I simply would like to say, Senator, that you have referred to the shortage emergency period of 1963 and specifically I understood you to ask whether they were compensated for the sacrifice that they made in not selling at the world market. They were not. They were not given any subsidy.

Senator MILLER. I did not mean to imply that they were given a compensation for not selling in the world market. I was concerned about whether or not they received a compensation for selling to the United States rather than to the Common Market or to France. And the answer is that they were not compensated in those years.

Mr. PROSTERMAN. That is right.

Senator MILLER. I have no further questions.

Senator FANNIN. Mr. Chairman.

The CHAIRMAN. Senator Fannin.

Senator FANNIN. Sir, you spoke of going to France on this citrus problem. That has been dragging on for about 3 years and the Common Market has admitted that they violated the MFN clause. I am wondering what you did that would accomplish this objective we have all had for a long, long time. I know that we could act very quickly, as the chairman has stated, if we said from now on, you are going to pay 10 percent tariff on Volkswagens, Fiats, and so forth, Mercedes-Benz, that this would correct it in a hurry. Now, what did you do that accomplished the objective that you have stated?

Mr. SURREY. I think what we did—we went to both the French Government and to Brussels, where the primary discussions were held—I think what we really accomplished was to bring to their attention the seriousness with which the citrus situation was looked upon by the House Committee on Agriculture, and I also discussed it with certain of the Senators prior to my departure who are representing States where citrus is grown. In a sense, I think what we did is act as a stimulant to get them talking again about citrus. The proposal that they had discussed previously but not formally offered we advised them was completely inappropriate. It was too short a period, and they should extend it. Now, obviously, we took the position, sir, that we favored most-favored-nation treatment. I can assure you we got nowhere on that. But I think what we did do is at least—stimulate them into making a better offer than the one they had considered as of last March.

Senator FANNIN. I agree that they did make a better offer. Still, they do not go into the months that are important. April and May are very important to us and they would not give us those months, they would not extend it beyond September 15, was it?

Mr. SURREY. I think it goes now May, June, July, and August—4 months.

Senator FANNIN. I think it may be May 15 to, I think it is September 15. We tried to get October and we tried to get April included and all of May.

I do not understand how they operate. When they go along for 3 years and admit that they are in violation, but still would not adhere to our requests, I think Israel and Spain were getting 40 percent and the others 80 percent.

Mr. SURREY. Yes.

Senator FANNIN. And the others, Morocco and Tunisia.

Mr. SURREY. Their argument on Israel and Spain, and I do not accept this at all—I agree with the chairman—was not a question of most favored nation but a common trade area. I find that a little hard—to expand their trade area to that far an area.

Senator FANNIN. Yes; they have established trade areas and this is of course very detrimental to us and we think very much in violation of the MFN. Just from the standpoint of curiosity, what procedure did you follow to try to correct this?

Mr. SURREY. Talking to everybody, the citrus group, the sugar group, the tariff group, and up to the top of the Common Market in terms of what the consequences were and in terms of how seriously this was considered here.

Senator FANNIN. In dollars and cents, it is not a tremendous amount, but to the small grower, it is very important. But I do appreciate your answer. We have a great deal more to do to correct the inequity. Thank you.

Mr. SURREY. I quite agree, sir.

The Chairman. Any further questions?

(No response)

The CHAIRMAN. Thank you, sir.

(Mr. Surrey's prepared statement and a communication received by the committee relative to Mr. Surrey's testimony, follows. Hearing continues on p. 662.)

TESTIMONY
OF
WALTER STERLING SURREY
ACCOMPANIED BY
ALBERT M. PROSTERMAN
ON BEHALF OF
THE ASSOCIATED SUGAR PRODUCERS OF
GUADELOUPE AND MARTINIQUE
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
JUNE 22, 1971

POLITICAL PROPAGANDAInformation Required by Section 4 of the
Foreign Agents Registration Act

1. Agents: Surrey, Karasik and Greene
1156 - 15th Street, N. W., Suite 1200
Washington, D. C. 20005

Albert M. Prosterman
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Washington, D. C. 20006
2. Agents have filed with the Registration Section, Department of Justice, Washington, D. C., a registration statement which is available for public information.
3. Distribution of this material is made on behalf of the Associated Sugar Producers of Guadeloupe and Martinique.
4. A copy of this material has been filed with the Registration Section.
5. The filing of a registration statement with the Registration Section is not to be regarded as an indication that the United States Government has approved this material.

SUMMARY OF TESTIMONY

1. The History of Reciprocal Trade Between Guadeloupe And Martinique (the French West Indies) And The United States Bears Out The Fact that Sugar Quotas Can Be Used To Increase Trade, A Trade As To Which The Balance Is In Favor Of The United States.

A. As an agriculture community, with continued increased agro-industrial and industrial development, Guadeloupe and Martinique have become an increasingly larger market for United States exports. In 1961, the first year of sugar trade between the Islands and the United States, United States imports from the Islands amounted to \$400,000 and exports to the Islands were \$3 million. In 1970 United States exports to the Islands exceeded \$15 million, while imports from the Islands were approximately \$9 million.

B. The United States has a substantial favorable balance of trade with the French West Indies.

C. Since the imports from Guadeloupe and Martinique have consisted primarily of sugar under their quota, the elimination of their quota, if sustained, is bound to have a serious adverse effect on United States exports to the Islands.

D. The exports to the Islands derive from all parts of the United States, including the clothing and manufacturing industries of New England and the Southern States, the lumber

and construction industries of the West, and products from every major agricultural sector throughout the United States.

2. Benefits of Participation In The United States Market Go Primarily To Farmers And Workers.

A. Wage earners and salary workers represent the largest numerical group in the sugar industry.

B. Sugar wages in the Islands are among the highest paid to sugar workers of any United States off-shore quota country.

C. Wages have increased steadily since the Islands first received a United States sugar quota;

1. Field workers' wages increased from \$1.84 per day in 1961 to \$4.47 per day in 1971, an increase of 143%.

2. Mill workers' basic wage scales exceed almost all of the other countries having a United States sugar quota.

3. Social Security benefits total an additional 43.79% of the basic salary.

4. One of the most spectacular developments on the Islands has been the trend away from ownership of land by factories to the ownership of land by farmers. Thus, from 1961 to 1970 ownership of land by the factories decreased by over 65%, ownership by sharecroppers decreased 58%, and ownership of small farmers increased by over 130%. There are now 2,500

independent cane farmers in Martinique and over 24,000 independent planters and sharecroppers in Guadeloupe, of whom 20,000 have their own plots.

5. In the liquidation of sugar sales the farmer receives from 62% to 66% of the net sales price.

6. As a result of this change in the ownership of land, the small farmer participates both as an equity investor (an owner of land for which he receives a price for his cane) and as a worker, either in the field or a factory, for which he receives a salary, social security and other fringe benefits.

3. The Elimination Of The French West Indies Quota By The House Of Representatives Was Arbitrary And Not In The Interests Of The United States.

A. House Bill H. R. 8866 reduces the final quota for Guadeloupe and Martinique from 68,149 tons in 1970 to zero.

B. The elimination of the quota was on the grounds that "this area is in fact a political subdivision of France and enjoys a preferential market in Europe for its sugar production."

C. When the United States needed sugar in the crisis years of 1963 - 1964, at a time when the world price of sugar exceeded the United States price, the political status of

Guadeloupe and Martinique was no different than it is today; the United States asked for and received their sugar. When the Sugar Act was last amended in 1965, their political status remained no different than it is today, and the Islands, based on the factors pertinent to determining a quota, received an increased quota.

D. In the crisis years of 1963 - 1964, Guadeloupe and Martinique had the benefit of the French market; in 1965, when the Sugar Act was amended, Guadeloupe and Martinique had the benefit of the existing French market; subsequently, the Common Market took the place of the French market.

E. At no time have Guadeloupe and Martinique had an unlimited protected market; today, the amount they can sell in the Common Market is under a quota limitation.

F. These islands are today no different in status than British Honduras, and are no different than such former British territories as the British West Indies, which were given quotas during previous sugar acts despite their colonial status.

British Honduras is a political subdivision of the United Kingdom, enjoys a preferential market in the Commonwealth, and is likely to enjoy in the future access to the same preferential market in Europe as do Guadeloupe and Martinique.

Nevertheless, the quota for British Honduras under the House Bill would be increased by more than 100%. Similarly, the Bahamas, while today no longer a British colony, has applied for participation in the preferential system of the Commonwealth, and, if successful, will have access to the preferential Commonwealth market for its sugar, and its quota was increased by over 200%.

G. The arbitrariness of the House action is further demonstrated by the following:

1. Guadeloupe and Martinique were singled out as the only quota areas to have their quota completely eliminated.

2. The criteria established by the House Committee on Agriculture to assure an equitable and rational allocation of quotas did not include the political relationships of suppliers, as long as they were considered friendly to the United States. Consequently, the fact that Guadeloupe and Martinique are Overseas Departments of France should have no bearing on their quota status just as a parallel relationship has had no effect on the quota for British Honduras. To establish by precedent and action one set of criteria and then to act on the basis of an arbitrarily applied political status determination, can only lead to long-term uncertainties on the part of the quota countries to the detriment of future

continued secured sources of sugar. Indeed, Guadeloupe and Martinique instituted bulk loading and storage facilities primarily to assure the prompt availability of their sugar to the United States, to be delivered in a manner best suited to United States unloading conditions.

3. Other countries have received quotas although their relationships with the United States are, at best, strained: countries (a) which have expropriated United States properties, and (b) against which economic sanctions have been imposed--not to mention Cuba which is considered an enemy of the United States. Apparently, the expropriation of private United States property is a mild sin as compared to being a Western Hemisphere Overseas Department of a friendly Common Market trading partner with which we have a favorable balance of trade.

H. It is our view that the discriminatory treatment accorded Guadeloupe and Martinique was prompted by the stated discrimination against United States citrus products by the European Economic Community of which France is a member.

I. Retaliation against the EEC for its actions with respect to citrus is not likely to help United States citrus growers and could significantly hinder delicate trade negotiations already under way concerning citrus and other agricultural

products. To select one item out of the many trade differences between the United States and the Common Market as the basis for legislation eliminating the sugar quotas of Guadeloupe and Martinique is to escalate retaliation to a point of no return for the period of the legislation.

J. Thus, any sanctions against Guadeloupe and Martinique should not be legislatively invoked since doing so would eliminate needed flexibility in trade negotiations and the Executive Branch would be powerless to negotiate a quota change during the period of the legislation--which may run from three to five years. In turn this could render the Executive Branch incapable of securing negotiated trade benefits. Retaliation would become fixed and have to await the next round of sugar legislation for resolution.

K. Moreover, at the suggestion of House members of the Committee on Agriculture, we have made two trips to Paris and Brussels to seek a relaxation of the tariffs imposed against United States citrus. Some progress has been made. Naturally, the negotiators on both sides are trying to keep the issues of citrus and sugar separate. But a final elimination of the quota will only serve to reaffirm the linkage between citrus and sugar and, like it or not, the positions of the negotiators will harden.

4. Guadeloupe And Martinique Are Tried And Tested Dependable Sources Of Sugar Supply For The United States And Are Capable Of Meeting The Emergency Requirements Of The United States.

A. Guadeloupe and Martinique have a 30-year record of meeting United States emergency needs:

1. During World War II the Islands shipped more than double the amounts shipped by any other foreign source except for Cuba.

2. In 1963, when the shortage of the world sugar supply became critical and the world price exceeded the United States price, Guadeloupe and Martinique, although having a quota of only 30,000 tons, volunteered to supply 94,000 tons of sugar--more than three times their quota. Equally important, they shipped 85,000 tons--or 90% of their volunteered commitment--for arrival during the first six months of 1963, when the emergency was at its most critical point.

3. In 1964, despite the devastating hurricanes which had seriously reduced sugar production in the Caribbean area, and when world prices again rose above the United States price, Guadeloupe and Martinique fulfilled their quota despite the fact that their anticipated production was expected to drop to less than 100,000 tons from the 300,000 tons previously anticipated, and the Islands gave their unqualified assurances to give priority to the United States market.

B. The physical location of Guadeloupe and Martinique in a nearby part of the Western Hemisphere means that they are only five to seven shipping days from New York.

C. With their sugar season beginning in late January and running to June, they deliver their quota during the spring and summer months, which are the peak period for United States requirements.

D. Since receiving a sugar quota entitlement in 1961, Guadeloupe and Martinique have met in full their assigned quotas each year and have also maintained the necessary 15% of additional supply to meet late demands by the United States.

E. Modern storage and loading facilities, including bulk loading at two principal sugar ports, make for a normal loading time of approximately three days for a 15,000 ton vessel, and permit emergency loading of a 15,000 ton vessel in 30 consecutive hours.

F. Recently completed modern storage facilities of 80,000 tons capacity in Guadeloupe assure a constant availability of supply.

G. The political stability of the Islands and the absence of anti-American attitudes combined with continued economic development in the Islands assure their future dependability as sugar suppliers to the United States.

5. Existence Of Friendly Government Relations.

A. The Caribbean Islands of Guadeloupe and Martinique enjoy the basic principles of free enterprise and a democratic form of government. The most friendly and cooperative relations exist between Guadeloupe and Martinique and the United States.

B. There is no record of any discrimination against United States citizens nor any history or threat of expropriation.

C. To the contrary, Guadeloupe and Martinique have a policy of stimulating industrial growth and have a system of law which is comparable to that of the United States with respect to the rights of eminent domain.

D. Guadeloupe and Martinique have pursued a successful policy of seeking United States capital investments as evidenced by the recent investments of Esso, Texaco and Shell in a petroleum refinery; the ten and one-half million dollar private United States investment in a fertilizing plant; a 60% United States privately owned vegetable oil plant; the construction of new hotels utilizing local and United States private capital to be managed by Hilton and Intercontinental Hotels; and investments in cardboard plants in both Guadeloupe and Martinique.

6. Need Of Guadeloupe and Martinique For A Premium-Price Market In The United States.

A. Since the economies of Guadeloupe and Martinique

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are essentially agricultural, and sugar is their main cash crop, the sale of sugar contributes heavily to the Islands' economic well-being.

B. As overseas Departments of France, the Islands are able to ship a portion of their production to the French (EEC) market. However, exports to that market have dropped successively in the 1966-1969 period from 170,000 tons in 1966 to 92,000 tons in 1969.

C. With sugar accounting for over 30% of their foreign exchange earnings, Guadeloupe and Martinique rank among the first four sugar suppliers to the United States most dependent on sugar exports for their principal foreign exchange earnings.

STATEMENT OF
WALTER STERLING SURREY
COUNSEL FOR THE
ASSOCIATED SUGAR PRODUCERS OF GUADELOUPE AND MARTINIQUE
ACCOMPANIED BY ALBERT M. PROSTERMAN

My name is Walter Sterling Surrey. I appear here today together with Mr. Albert M. Prosterman, on behalf of the Associated Sugar Producers of Guadeloupe and Martinique. This is the third occasion on which this Committee has had an opportunity to consider a sugar quota for the French West Indies.

In compliance with the requirements of the Foreign Agents Registration Act of 1938, as amended, and the rules and regulations issued pursuant thereto by the Attorney General of the United States, and the request contained in the Chairman's statement of June 10, 1971, we have submitted to the Clerk of the Committee, for insertion in the Record, copies of our latest Supplemental Statement as filed with the Department of Justice. In further compliance with the Act, we have labeled copies of this material as "Political Propaganda," in the format prescribed by Rule 402 promulgated under the Act.

INTRODUCTION

The information contained herein is submitted in support of the continuing participation of the Associated Sugar Producers of Guadeloupe and Martinique (the French West Indies) as a reliable, nearby Western Hemisphere sugar-supplying source for the United States market.

In recognition of the overall allocation problems facing this Committee and the Congress, our client's objective is a quota comparable to the present quota held by it, under the Sugar Act of 1948, as amended, including its participation in the reallocation of the Cuban quota, and in priority re-allocations for Western Hemisphere countries of certain deficits. To achieve this end, we seek to participate in growth and deficit allocations on a parity with the other sugar producing countries in the Western Hemisphere which will be accorded appropriate Western Hemisphere treatment. In other words, as a part of the Western Hemisphere, we seek continuity of treatment with the other Western Hemisphere countries whose quota treatment will remain unimpaired.

We believe the action taken by the House of Representatives in eliminating the quota for Guadeloupe and Martinique to be exceedingly inappropriate for the reasons hereinafter set forth.

In presenting our testimony we propose to follow the considerations as set forth in the Chairman's statement of June 10, 1971 which indicated the criteria to be employed by this Committee in determining quota allocations. In addition, we are presenting additional information which we believe may be useful to this Committee in its deliberations.

I. Guadeloupe And Martinique History Of Reciprocal Trade As Reflected By Purchases Of United States Products And Services, Especially Commercial Purchases Of Agricultural Commodities, Are Most Impressive.

A. United States Exports Are Growing

The same factors--geographical proximity and an agricultural economy--which make Guadeloupe and Martinique natural sugar suppliers to the United States also make them natural markets for United States products. The fact is that the United States has enjoyed and does enjoy a substantial favorable balance of trade with these islands.

It must be borne in mind that at present agriculture is the principal sector in the economy of each island, although as stated above, foreign investments are helping to create a large agro-industrial and industrial sector in the economy. Thus, the development of the islands' agricultural activities in the past ten years, plus the new inputs in the agro-industrial and industrial sectors of the economy, have done much to change the islands' trade patterns with the United States. In no small measure, the sugar quota has helped to achieve this result.

Prior to 1961, trade between the United States and Guadeloupe and Martinique was limited. The United States purchased little of the islands' limited range of products. In 1960, for example, the islands exported only \$401,191 worth of goods to the United States. In return, the islands purchased

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\$2.9 million worth of goods from the United States that year.

One of the purposes of the Sugar Act of 1948, as amended, is to promote and strengthen the export trade of the United States. (See page 54, House Agriculture Committee Print entitled "The United States Sugar Program.") Since 1961, when the islands were permitted to export sugar to the United States, total trade with the United States has grown strongly and steadily; Chart I graphically shows this growth.

The expectation of the United States that quota recipients show a willingness to buy from the United States has thus been completely realized in the case of Guadeloupe and Martinique. United States exports to the islands of \$2.9 million in 1960 have jumped to over \$15.0 million in 1970, a more than five-fold increase.

These figures are impressive in two ways: First, in terms of the rate of increase in trade with the United States, the quantity of the quota granted by the United States has been economically justified; and second, many sectors of the United States economy share in and benefit from this trade. (See Chart II.) The action of the House of Representatives in eliminating the quota for the French West Indies, if sustained, is bound to reverse this desirable trade benefit; such action would be in direct contradiction to a key standard for granting a quota as established by this Committee.

B. U. S. Favorable Balance of Trade

Not only is the trade relationship between the United States and Guadeloupe and Martinique productive and rapidly expanding, but it is a trade exchange which has proven most beneficial to the United States. The United States has had a substantial favorable balance of trade with Guadeloupe and Martinique in every one of the five years since the last Amendments to the Sugar Act were enacted. (See Table I and Chart 1a.)

For example, United States exports to the islands were valued at more than \$15.0 million in 1970. In the same year United States imports from Guadeloupe and Martinique were valued at only \$9.0 million of which \$8.0 million represented the sale of sugar to the United States. It should be noted that United States total exports to Guadeloupe and Martinique have been far in excess of the value of the sugar purchased.

The industries which have participated in this increased export trade cover a large sector of the United States economy ranging from the clothing and manufacturing industries in New England and the Southern States to the lumber and construction industries in the West, and include every major sector of agricultural production in the United States (see Charts II and III and Table II).

II. The Benefits Of Participation In The United States Market Are Shared In A Major Way By Farmers And Workers Which Result Is Further Reinforced By The Socio-Economic Policies Of The Islands.

Guadeloupe and Martinique are prime examples of how closer ties and increased trade with the United States, together with an efficient and democratic form of government, can and do lead to a higher standard of living in the Western Hemisphere.

A. The Wage Earner And Small Farmer In Guadeloupe And Martinique Are The Primary Beneficiaries Of A Profitable Sugar Economy

In recent years, there has properly been a concern on the part of the United States as to the identity of the ultimate beneficiaries from the sale of overseas sugar to the United States market. The legitimate desire on the part of the United States has been that the benefit from the price differential for sugar paid by the United States should go primarily to the large majority of workers in the foreign quota country; the legitimate objection of the United States has been that the price differential should not make the rich richer and leave the poor just as poor.

An examination of the sugar economy of Guadeloupe and Martinique makes it clear that it is primarily the wage

earner (the field and mill worker) and the small farmer who benefit in greatest proportion from the opening of new markets and from higher prices for sugar.

Wage earners and salaried workers in the sugar industry represent the largest group of workers on the islands, constituting approximately 75% of the agricultural workers and 45% of all workers. In 1969, Guadeloupe had more than 25,000 wage and salary earners in the sugar industry working both in the fields and in the factories. In Martinique, the wage earners and salaried group number 32,500. These workers are organized into two labor unions, the Departmental Union of the CGT and the Departmental Union of the Christian Unions, which makes for stable labor relations.

B. Wage Rates Are Among The Highest Paid Offshore Foreign Sugar Workers

Sugar wages in the islands are among the highest paid to sugar workers of any United States offshore quota country. (See "Compensation of Sugar Workers in 37 Countries, 1969-1970," Wage Statistics prepared by the United States Department of Labor.) Since Guadeloupe and Martinique started to participate in the United States quota ten years ago, sugar wage scales have followed a steady and substantial upward trend.

This steady increase in wage rates is especially

meaningful when considered in light of the fact that the price of sugar on the United States market has increased only slightly during the same period. Daily wages paid to field workers in 1961 totalled \$1.84 per day but by 1971 this figure increased to \$4.47 per day. This is an increase of 143% during the ten-year period. Sugar prices, on the other hand (raw cane sugar spot price at New York, duty paid), increased only 33% during the same period. (One might interject a comment that this reflects well on the success of the sugar legislation.)

Wages paid to mill workers are also among the highest of any United States foreign sugar quota country. Although exact comparisons are difficult, the wage figures contained in the Report of the United States Department of Labor to the House Agriculture Committee ("Compensation of Sugar Workers in 37 Countries, 1969-70") show that the Guadeloupe and Martinique basic wage scales exceed almost all of the other countries which have existing United States sugar quotas. For example, one nearby Caribbean country pays, on the average, 25 to 45 cents an hour, with two others averaging 42 cents an hour. This is to be contrasted with the wage rates in Guadeloupe and Martinique which run from a low of 56 cents an hour to a high of 85 cents an hour. (See Table III.)

C. Other Benefits Accruing To The Field And Mill Worker

The wage rates discussed above do not include any fringe benefits or social security payments. These benefits are in addition to the wage rates discussed above. Guadeloupe and Martinique have a complete social security system, with coverage for both industrial and agricultural workers which is paid for by taxes on both employers and employees.

In 1971 social security and fringe benefits amounted to an additional 43.79% of the basic salary. As is the case with wages, social security and fringe benefits have also increased during the past few years. Benefits include retirement and pension payments, family subsidies and incentives, paid vacations, unemployment insurance, medical and hospitalization insurance, accident insurance, and maternity benefits.

The islands also have a full range of public health services and facilities, including 20 general and specialized public hospitals and over 100 public dispensaries, clinics, and health and rehabilitation centers.

D. The Independent Sugar Cane Farmers And Sharecroppers

This group both numerically and economically is of major importance to the health of the sugar industry of the islands. They are represented by two organizations, or unions:

The Agricultural Cultivators Union, representing primarily the small planters, and the Sugar Cane Federation.

In Martinique there are 2,500 independent sugar cane farmers. Of these 2,500 planters, 1,400 are very small, each producing less than 100 tons of cane per year. In Guadeloupe, there are 24,000 planters and sharecroppers, of whom 20,000 have plots of fewer than four acres. As small farmers, they participate in the improved economic situation resulting from sales of sugar to the United States, but they also benefit as wage earners since virtually all of the small farmers also work in the mills or fields as salaried employees. The United States quota not only helps assure increased wages to these land owners as employees, but increased returns as individual farm owners as well. Upon the sale of sugar the farmer receives between 62% and 66% of the net sales price.

E. Trend Away From Concentration Of Ownership

One of the truly spectacular developments on both islands is the extent to which control of the cane lands has been passing from ownership by the large factories into the hands of the small farmers who are, of course, representative of the bulk of the population on both islands. This shift in ownership means, of course, that a larger number of individuals are now participating directly in the greater economic benefits

resulting from shipment to the premium market in the United States.

In the last ten years alone, this development has been of great significance. The small farmer's share of the cane sold to the mills has increased from 33% in 1961 to a figure more than double that, or 75.8%, in 1970.

GUADELOUPE CANE SOLD TO MILLS BY SOURCE*
1961-1970

	<u>Factory Land</u> <u>Cane</u> %	<u>Sharecroppers</u> <u>Cane</u> %	<u>Small Farmers</u> <u>Cane</u> %
1961	50.0	17.0	33.0
1962	45.0	18.7	36.3
1963	51.5	15.5	33.0
1964	44.6	18.0	37.4
1965	41.9	18.8	39.3
1966	42.8	15.8	41.4
1967	39.2	16.8	44.0
1968	40.0	14.9	45.1
1969	40.9	15.1	44.0
1970	17.2	7.0	75.8
1970 % change from 1961	-65.5	-58.8	+129.7

Source: Associated Sugar Producers of Guadeloupe and Martinique

*The above data refer to Guadeloupe. The trend for Martinique is similar.

It is also important to note that sharecroppers are being given a chance to purchase their own land and that this fact accounts in good part for this striking change in the composition of land ownership.

III. The Elimination Of The French West Indies Quota
By The House Of Representatives Was Arbitrary And
Not In The Interests Of The United States.

On June 10, 1971 the House of Representatives passed H. R. 8866 (hereinafter referred to as the "House Bill") which would take away the quota for the French West Indies. The House Bill reduces the final quota for Guadeloupe and Martinique from 68,149 tons in 1970 to zero. We believe that the House Bill is highly inappropriate in that it is extremely arbitrary in terms of how other quota countries were treated, and is detrimental to the interests of the United States.

The report accompanying H. R. 8866 states that the elimination of the quota for Guadeloupe and Martinique "was done on the basis that this area is in fact a political subdivision of France and enjoys a preferential market in Europe for its sugar production." (H. R. Rep. No. 92-245, 92nd Cong. 1st Sess. 6, 1971).

The House action destroys any logic and value of precedence that has existed in the scheme of United States sugar legislation over the years. When Cuba ceased to be a source of sugar, our Government sought to build up a group of substitute reliable suppliers as distinguished from relying on a single source. The basic tests were: availability, dependability, trade relations with the United States, resultant benefits to the working man, and general good relations with

the United States.

In 1961 Guadeloupe and Martinique were given a quota; their political status then was no different than it is today. In 1966, their quota was increased although their political status was no different than it is today. In 1961, these islands had a protected market in France for some of their sugar; in 1966 they continued to have access to the same protected market which was subsequently replaced by access to the Common Market.

In 1963 and 1964 when the world price was higher than the United States price, the United States did not reject the offer to ship, and the actual shipment by Guadeloupe and Martinique, of their sugar, on the grounds that they were overseas Departments of France. Neither did the United States reject their abstaining from selling their sugar at considerably higher prices in the world market.

Over the years our policy of seeking to give quotas to producers who are dependable, good buyers of United States products, where the benefits of the quota go to the working man, where there exists a history of sugar shipments when needed, has resulted in the development of reliable, friendly sources of sugar. Guadeloupe and Martinique have not only met all of these criteria, but have developed storage and bulk loading facilities primarily to fulfill their role as a United States sugar supplier better and more efficiently. To reverse today a policy

of giving quotas on the basis of rational criteria is unjust and unwise.

Furthermore, to reverse it in an inconsistent manner is more than unjust and unwise; it involves the United States in legislative trade discrimination. Thus, it may be stated with equal force that British Honduras is a political subdivision of the United Kingdom and enjoys a preferential market in the Commonwealth for its production of sugar. In addition, with the impending admission of the United Kingdom into the European Economic Community (the "EEC"), British Honduras will very likely share in the very same market that is available to Guadeloupe and Martinique. Nevertheless, the House Bill not only did not eliminate the quota for British Honduras, but in fact increased it from a final quota of 15,782 tons in 1970 to a proposed quota of 33,173 tons--a more than twofold increase.

The French West Indies are today no different in status than such former territories of the United Kingdom as the British West Indies, which were given quotas under previous sugar legislation despite their colonial status.

The Bahamas, while no longer a colony of the United Kingdom, has applied for participation in the preferential system of the Commonwealth, and, if successful, will have access to the Commonwealth sugar market; nevertheless, the House Bill would increase the quota of the Bahamas from a final quota of 10,000 tons in 1970 to a proposed quota of 33,173 tons--a more than threefold increase.

It seems reasonably clear, then, that to the extent

that having access to a preferential market other than that of the United States was determinative of the fate of the quota for Guadeloupe and Martinique, such a standard was applied in an extremely arbitrary manner in the case of these islands considering the fact that other areas, similarly situated, were granted significant increases in their quotas.

It is not our desire that the quota for British Honduras or the Bahamas be eliminated. We point out the discrepancy only out of a desire to seek treatment for Guadeloupe and Martinique not flagrantly inconsistent with that accorded British Honduras and the Bahamas.

The arbitrariness of the House action is further demonstrated by the following:

1. Of all the quota recipients, Guadeloupe and Martinique were singled out to have their quotas completely eliminated.
2. The criteria established by the House Committee on Agriculture and those established by this Committee--criteria established to assure an equitable and rational allocation of quotas--did not include the political relationships of suppliers, as long as they were considered friendly to the United States, but only involved their economic relationships in terms of sugar markets and their ability to produce and deliver, and their overall trade relations with the United States. Consequently,

the fact that Guadeloupe and Martinique are overseas Departments of France should have no bearing whatsoever on their entitlement to a quota just as the relationship between British Honduras and the United Kingdom did not have, and should not have had, any bearing on its quota status.

3. Other countries whose relationships with the United States are at best strained, have received quotas although such quotas are subject to suspension: countries which have expropriated United States property (e.g., Peru and Bolivia), a country against which economic sanctions have been imposed (Rhodesia), not to mention Cuba which by law is an enemy of the United States. Apparently the expropriation of private United States property is a mild sin as compared to being a Western Hemisphere overseas Department of a friendly Common Market trading partner with whom we have a favorable balance of trade.

4. It must be borne in mind that Guadeloupe and Martinique cannot sell all quantities of sugar they produce to the Common Market; they operate under a quota system; thus, in 1968 they had to sell in the world market.

5. To state that Guadeloupe and Martinique are as much a part of France as Hawaii is a part of the United States is irrelevant. We need overseas sugar from nearby sources

outside the United States; in years of crises we asked for overseas sources, regardless of their political status, to help us even where such help meant a loss in their profits. We have over the year established, in our legislative history, standards for allocating quotas--standards which did not make a country's political status a sole and arbitrary determining factor. France and the Common Market never needed Hawaii's sugar in a crisis, nor did they need to depend on Hawaii as a nearby reliable source of sugar.

6. During our testimony before the House Committee on Agriculture, a great deal of attention was focused on the question of why a quota should be given to Guadeloupe and Martinique when the EEC, of which France is a member, was discriminating against United States citrus products. It is our view that it was this issue which prompted the discriminatory treatment for Guadeloupe and Martinique. Such treatment is not likely to help the United States citrus producers and could very well destroy any chance of a satisfactory resolution to the problem.

Prompted by the well-founded concern of the House Committee on Agriculture over the apparently discriminatory treatment accorded United States citrus products by the EEC, Mr. Prosterman traveled to Europe to discuss the matter with officials of that organization. We believe that Mr. Prosterman's

efforts were extremely successful. At the very least, Mr. Prosterman was able to get negotiations already under way between the United States and the EEC off dead center. It is also likely that Mr. Prosterman's discussions with the EEC officials prompted a substantive change in the EEC position in a direction favorable to United States citrus producers.

To assure that this advantage would be secured, I also traveled to Brussels. Both of our trips were at the very suggestion of members of the House Committee on Agriculture. It is not for us to say whether sugar and citrus are linked; the House said they were. Our responsibility to our clients was to make certain that the common market members understood the reaction of the United States citrus industry and the action of the House Committee. It is also our responsibility to urge on you that you do not by legislative fiat, effective over three or more years, establish a fixed trade barrier which can only lead, directly or indirectly, to harmful trade attitudes on both sides.

The negotiators on both sides wisely state that citrus and sugar are not linked. But if the elimination of the quota is sustained, the impact on citrus and on other United States products can have adverse consequences. Legislative action of this sort can only serve to escalate reactions and impede or prevent negotiated solutions. To keep the quota at

zero would eliminate the flexibility needed by the United States in dealing with very delicate and complex trade problems, and the Executive Branch would have no power to change a quota or negotiate such a change during the period of the legislation which may run from three to five years.

At the present time negotiations between the United States and the EEC are continuing on many items including citrus. It is our hope and expectation that these negotiations will be successful. It is our belief, however, that the elimination of the sugar quota for Guadeloupe and Martinique will be viewed either as retaliatory or as indicative of a trade attitude that can only further complicate matters which are sufficiently complicated already.

Consequently, if it is the sense of the Congress that a quota recipient that unlawfully discriminates against products of the United States should have its quota reduced or suspended entirely, we respectfully submit that a far more sensible approach would be for Congress to pass legislation permitting the President to reduce or suspend the quota of any offending recipient since it is the Executive Branch which is responsible for day-to-day trade negotiations. Such a provision, comparable to that existing in our trade legislation, would be applicable to all suppliers, would single out no

alleged specific trade discrimination, and would permit rational and flexible trade negotiations.

IV. Existence Of Friendly Government-To-Government Relations, And Non-Discrimination by Guadeloupe and Martinique Against United States Citizens And Their Investments.

Guadeloupe and Martinique (overseas Department of France) are islands located in the Caribbean which enjoy the basic principles of free enterprise and a democratic form of government. Government relations with the United States are friendly and cooperative.

Guadeloupe and Martinique do not discriminate against United States citizens nor have they expropriated property owned by United States citizens. To the contrary, a policy of stimulating industrial growth has been followed and United States capital has been welcomed. United States citizens have been investing at an increasing rate in the islands. On Martinique, for example, Esso, Texaco and Shell hold a 50% interest in a consortium investment for the construction of a petroleum refinery, where production is scheduled to begin late this year. Sunray DX Company of Tulsa, Oklahoma, has a controlling interest in a ten and a half million dollar fertilizer plant. Construction of a vegetable oil plant, 60% controlled by United

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States interests, is now under way. Hilton and Intercontinental Hotels will operate new hotels being constructed by a combination of local and private United States capital.

In Guadeloupe, International Paper Company invested in a cardboard plant, having constructed a comparable plant in Martinique. As reported by the Department of Commerce, "the likelihood for increasing foreign investment seems reasonably bright." (Department of Commerce, Bureau of International Commerce, ET 69-45).

Why is this the case? The answer lies in several factors, all of significance to the deliberations of this Committee:

First, the existence of stable, democratic governments;

Second, the fact that the investment climate is excellent. Foreign investments are being encouraged; there has never been a case of expropriation, let alone a threat of expropriation;

Third, the islands are close by, permitting quick and accessible on-the-spot management supervision.

V. Guadeloupe and Martinique Are Tried and Tested Dependable Sources of Sugar Supply For The United States, With Maintenance Of Sugar Inventories, Loading Facilities And Short Shipping Time To The United States Assuring The Availability Of Its Sugar In Critical Periods Of Short Supply.

A. Introduction

The thirty-year record of Guadeloupe and Martinique in supplying sugar to the United States in times of scarcity and during emergency periods is outstanding. This record stands out as one of the best among overseas sugar suppliers and covers one of the longest uninterrupted histories of supplying sugar to the United States in time of need of any of the present suppliers.

Their record, going back, for purposes of your consideration, to World War II, reveals:

1. A capacity to deliver sugar within five to seven shipping days to New York, with deliveries taking place during the period of peak requirements of the United States;
2. A capacity and willingness to meet United States requirements in period of our need;
3. A willingness to supply despite availability of higher prices elsewhere;
4. A continuous record of supply without any revolution, change of government, anti-United States policy or feelings to disrupt the orderly delivery of sugar;
5. A development of a loading system assuring quick delivery (out of stocks where storage

facilities are more than adequate) in time of emergency.

The islands of Guadeloupe and Martinique are part of the Antilles, the great sugar-producing islands in the Caribbean off the Eastern Coast of the United States. By virtue of physical location, culture, economy, geography, trade patterns and ethnic similarities, Guadeloupe and Martinique form an inherent part of the Western Hemisphere.

Guadeloupe and Martinique are only five to seven shipping days from New York. Since Guadeloupe and Martinique produce sugar between late January and June, they deliver their quota during the spring and summer months of each year. Not only have refiners geared their production over the years to having raw sugar available during the spring and summer, but also this is the period of greatest demand for sugar in the United States.

B. Role As Suppliers In Emergency Periods

Generally the United States is a very desirable market for overseas suppliers of sugar. However, there have been and will be times when the United States is in short supply of sugar. Therefore, the United States must take into account the dependability of the supplier.

The determination of the supplier's dependability must necessarily rest upon many factors:

First, past record; second, distance; third, quick availability of sugar in an emergency, which, apart from distance, includes consideration of storage and loading facilities; fourth, political stability and friendly relations with the United States, which assures that revolution, expropriation, unrest and constant change of government are not likely to occur and thereby prejudice either the orderly current delivery of sugar or a well-founded reliance on deliveries in the years to come.

Gentlemen, we suggest that you look at the map and take these factors into account. We are not saying that Guadeloupe and Martinique provide the only dependable source of sugar; we ask only that you look carefully into the past records and current conditions of all quota seekers.

First, let us look at the record of deliveries, including deliveries in emergency periods during the past thirty years. In each of the emergencies during that period Guadeloupe and Martinique more than met the test. Many times they were called upon to relieve critical shortages in the United States, and on each occasion they responded promptly to the needs and requests of the United States.

The record follows:

1. World War II, 1942-1945

In the sugar-short years of World War II, when world

market prices for sugar were far higher than the United States market price and other markets were consequently much more desirable, Guadeloupe and Martinique shipped substantial quantities of sugar to the United States without charging unreasonable prices. In fact, as the following table shows, they shipped more than double the amounts shipped by any other foreign sources, and were second only to Cuba as a foreign supplier.

United States Receipts of Sugar, Full Duty Countries*
1942-45, S.T. Raw Value
United States Total Receipts In 4 Years

Guadeloupe and Martinique	123,077
Fiji Islands	57,370
Dominican Republic	45,851
Peru	37,308
Mexico	23,135
Australia	22,625
Haiti	18,603
British West Indies	8,020
Dutch West Indies	3,094

Source: Volume 1, Sugar Statistics, July 1957, Table 42.

*The only foreign suppliers other than those listed above were Cuba and the Philippines, which had preferential treatment.

2. Shortage and Dislocation Period of 1963

In 1963, a world sugar supply shortage became a

problem when the relationship between the usually higher United States price and the lower world market price was reversed, with the world market becoming more remunerative. (See testimony of John A. Schnittker, Under Secretary of Agriculture, Hearings before Committee on Agriculture, 1965). Suddenly, there was considerably less interest in exporting sugar to the United States, and many countries held sugar for speculation. As a result, during the first part of the year, sugar supplies to the United States were thought to be insufficient, distribution was disrupted, and United States sugar prices reached the highest level in forty years. But the world market price was still higher. (See U. S. Department of Agriculture Sugar Statistics, Volume 1 (Revised), Table 56.)

In that year, Guadeloupe and Martinique had a United States quota of only 30,000 tons. In response to United States needs, however, they volunteered to supply 94,000 tons--more than three times their quota. Of equal importance is the fact that these islands shipped the bulk of the sugar at the precise time that it was most needed in the United States; they shipped 85,000 tons, or over 90% of their total volunteered commitment, for arrival from January to July, 1963, when the emergency was at its height. (See U. S. Department of Agriculture Sugar Statistics, Volume 1 (Revised), Table 22.)

3. The Sugar Emergency in 1964

In the autumn of 1963, a devastating hurricane ravaged the sugar-producing areas of the Caribbean. The damage to crops contributed to the shortage of world sugar supplies and again world prices were far higher than the United States sugar price, especially for the first six months of 1964. The history of 1963 was repeated, and the United States supply was endangered.

Guadeloupe and Martinique, however, fulfilled their entire United States quota of sugar even though hurricane damage in Guadeloupe and Martinique had reduced their sugar production in 1964 from an expected crop of well over 300,000 tons to an actual production of 252,000 tons. (See U. R. Department of Agriculture, Foreign Agriculture, Foreign Agriculture Circular F-S2-66 July 1966.) Equally, if not more significant, it was thought that their production in 1964 would be less than 100,000 tons. Yet, even when damage was thought to be that serious, unqualified assurances were given to the United States Department of Agriculture that quota commitments to the United States market had priority status. Thus, Guadeloupe and Martinique completely filled their United States quota, despite the enticing opportunity to compensate for losses from the hurricane by sales in the more profitable world market.

Guadeloupe and Martinique have proven their loyalty

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by their record of supply to the United States in times of shortage and emergency.

C. Performance Under the Sugar Act of 1948,
as Amended

Guadeloupe and Martinique have met in full their assigned quotas each year and every year since they were first given an entitlement in 1961, including all additional allocations accruing to Guadeloupe and Martinique arising out of temporary and deficit prorations. (See Table below.) The additional deficit prorations have been sizeable, especially during the 1966 to 1970 period.

The final adjusted quotas for Guadeloupe and Martinique from 1961 to 1970 are shown below:

<u>Year</u>	<u>Quota</u>	<u>Prorations Pursuant to Special Provisions</u> In short tons,	<u>Deficit Prorations</u> raw value	<u>Total Quota and Prorations</u>
1961	0	75,000 1/	0	75,000
1962	12,432	12,730 1/	18,800	43,960
1963	32,581	60,771 1/	945	94,297
1964	30,346	3,944 1/	0	34,290
1965	46,014	239 2/	5,995	52,248
1966	26,279	23,249 3/	6,116	55,644
1967	27,323	23,108 3/	7,336	57,767
1968	28,566	23,338 3/	14,333	66,237
1969	27,816	23,246 3/	20,488	71,550
1970	30,905	23,685 3/	13,559	68,149

1/ Prorations of quota withheld from Cuba.

2/ Prorations of quota withheld from Southern Rhodesia.

3/ Prorations of quotas withheld from Cuba and Southern Rhodesia.

Source: See U.S. Department of Agriculture Sugar Statistics, Volume 1 (Revised), Table 42; Sugar Report No. 217, June 1970, Table 17; USDA Press Release No. 2469-7.

D. Time of Shipment

The second factor with respect to dependability is distance. Guadeloupe and Martinique sugar is five to seven shipping days from New York.

E. Storage and Loading Facilities

The third factor of storage and loading facilities can be of critical importance, both to assure regular delivery as well as to assure meeting unexpected emergencies.

Storage facilities are of course maintained at each mill. The sugar is shipped principally from Pointe-a-Pitre, where there is 80,000 tons of newly completed storage facilities available. A second main port is Marie Galante, with 30,000 tons storage capacity.

Both harbors have bulk loading facilities. Normally, on the basis of a ten-hour day, 5,000 tons are loaded per day, or three days for a 15,000 tons cargo ship. In case of emergency, on the basis of continuous loading, a 15,000 ton ship can be loaded in thirty hours.

F. Maintenance of Inventories

The maintenance of sugar inventories is also a part of the equation determining availability.

Guadeloupe and Martinique have always complied with the provision in the Sugar Act of 1948, as last amended in 1965, which, in effect, requests that supplying countries hold

raw sugar stocks in quantities sufficient to supply an additional 15% over their past year quota should the United States so request. Guadeloupe and Martinique have held such excess amounts until late in December. In 1969, the year-end carry-over stocks amounted to about 20,000 short tons. (See Foreign Agricultural Services Dispatches, dated October 12, 1969, No. LA 9008, and October 14, 1970, No. LA 0010.) It is worth restating that an 80,000 ton capacity storage facility has recently been completed in Guadeloupe.

Guadeloupe and Martinique consistently produce a substantial quantity of sugar. The following table sets forth production figures for the past five years:

SUGAR PRODUCTION IN GUADELOUPE AND MARTINIQUE

1966 to 1971

<u>Crop Year</u>	<u>Quantity</u>
1966/67	212,000
1967/68	196,000
1968/69	199,000
1969/70	206,000
1970/71	230,000

Source: Foreign Agricultural Service, United States Department of Agriculture.

With production now at the 230,000-ton level and domestic consumption at the 18,000-ton level, Guadeloupe and

Martinique have approximately 212,000 tons available for the export market.

G. Political Stability

Guadeloupe and Martinique are politically stable, without any indication of future political strife which could jeopardize sugar shipments.

In summary, with respect to dependability, the record speaks for itself and bodes well for the future.

IV. Need Of Guadeloupe And Martinique For A Premium-Priced Market In The United States

A. Need for a Share in the United States Market

The economies of Guadeloupe and Martinique are essentially agricultural. Sugar is their main cash crop. Guadeloupe and Martinique ship a portion of their production to the French (EEC) market. However, exports to that market have dropped successively in the last four years from 170,000 tons in 1966 to 92,000 tons in 1969. (See House Agricultural Committee Print "The United States Sugar Program," 1970, Table 25.)

The limited shipments to France and the European Community are not, as is the case with many other United States sugar suppliers who ship to other protected markets, at a price disadvantage vis-a-vis the United States. Thus, the price

paid in France is on the average one cent per pound higher than the price paid by the United States. Simply stated, the United States premium market is not in effect supporting Guadeloupe and Martinique shipments of sugar to a second but lower-priced premium market.

One further factor should be borne in mind. In 1969, although there was an opportunity early in the year to sell additional sugar to France, Guadeloupe and Martinique did not take advantage of this potential sale in order to be certain to hold over an amount equal to 15% of the United States quota.

B. Guadeloupe and Martinique Depend on Sugar
For Foreign Exchange

Sugar accounts for more than 30% of the foreign exchange earnings in Guadeloupe and Martinique. For example, in 1967 and 1968 sugar exports by value as a percent of total exports represented 32.3 percent and 31.1 percent, respectively. Of all of the 32 United States sugar quota countries, only three others depend as heavily on sugar for their foreign exchange earnings, and only one of these three is also located in the Western Hemisphere. (See House Committee on Agriculture Print, "The United States Sugar Program," 1970, Table 28.)

Martinique imported in 1969 approximately 160 metric tons and Guadeloupe imported approximately 100 metric tons, of refined sugar, mostly cubes for the hotel and restaurant trade

to meet tourist needs. There are no refineries on either island and this small quantity of their sugar is refined abroad to meet these needs. (Foreign Agricultural Service Reports, Martinique, October 1970 and Guadeloupe, October 1970.)

B. Guadeloupe and Martinique Need Economic Development

While the economic development of the islands has been increasing, the rate of economic growth slowed down during 1967 and 1968. A decline in agricultural production and a slowdown in industrial investment were the principal reasons for the slowdown. (See U. S. Department of Commerce Foreign Economic Trends ET 69-45.) Successful efforts were and are being made to stimulate economic growth in both the agricultural and industrial sectors.

The continuance of the present United States sugar quota to Guadeloupe and Martinique will allow the sugar industry to continue to play its significant role in the development of the islands.

Guadeloupe and Martinique. Caribbean Shipping Distances to New York

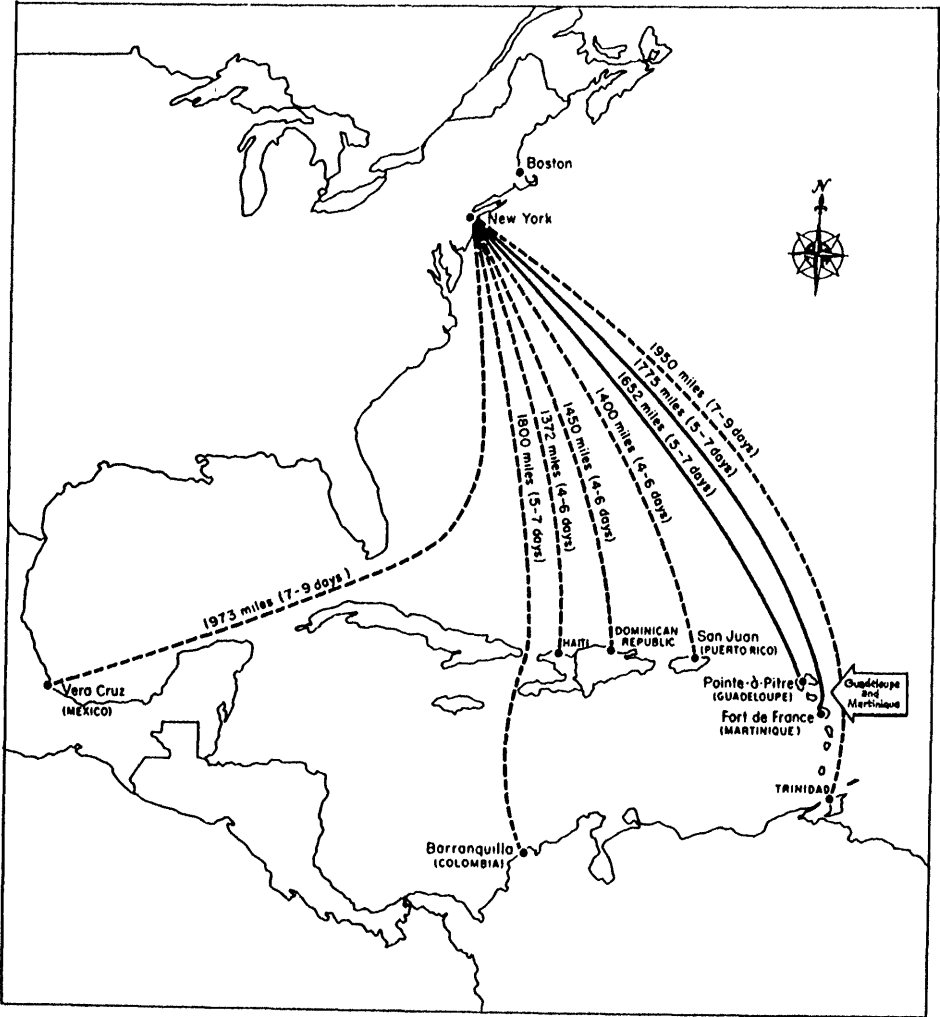
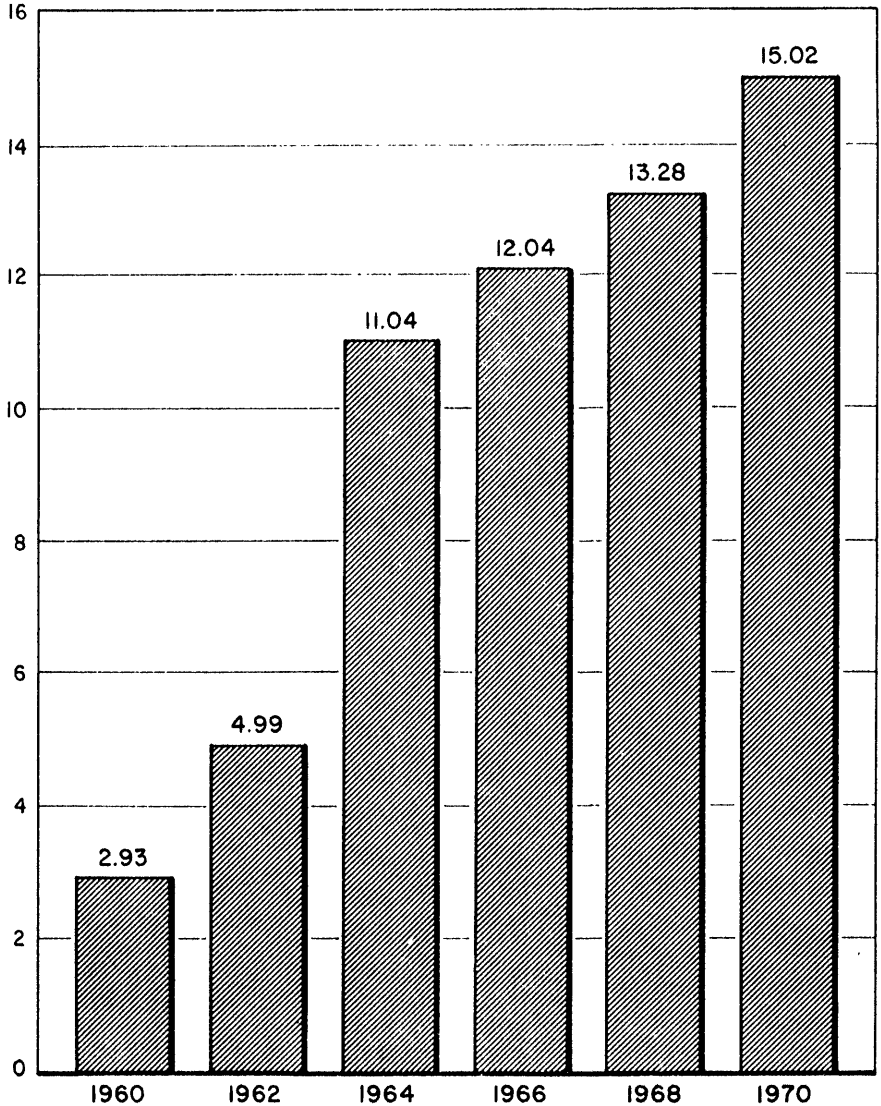


CHART I.

UNITED STATES EXPORTS TO GUADELOUPE AND MARTINIQUE
1960 to 1970

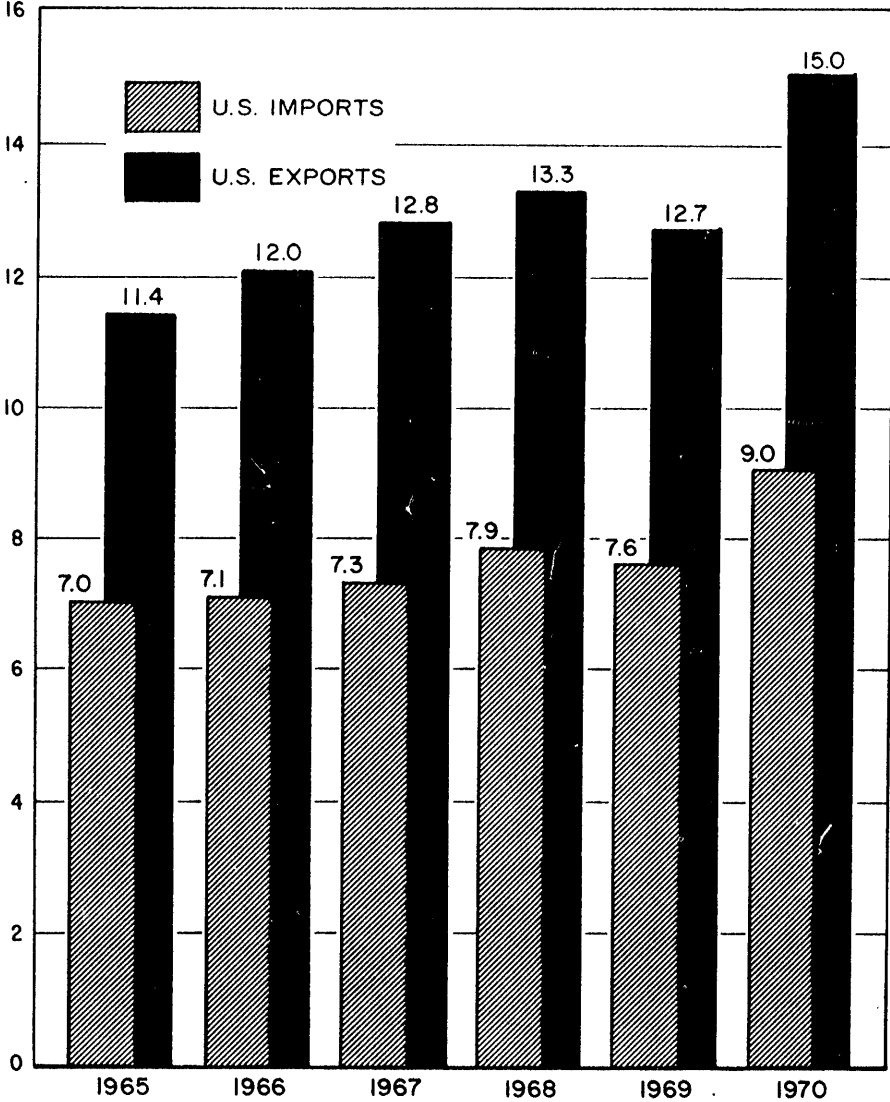
In millions of dollars



Source: Figures from Bureau of Census, United States Department of Commerce

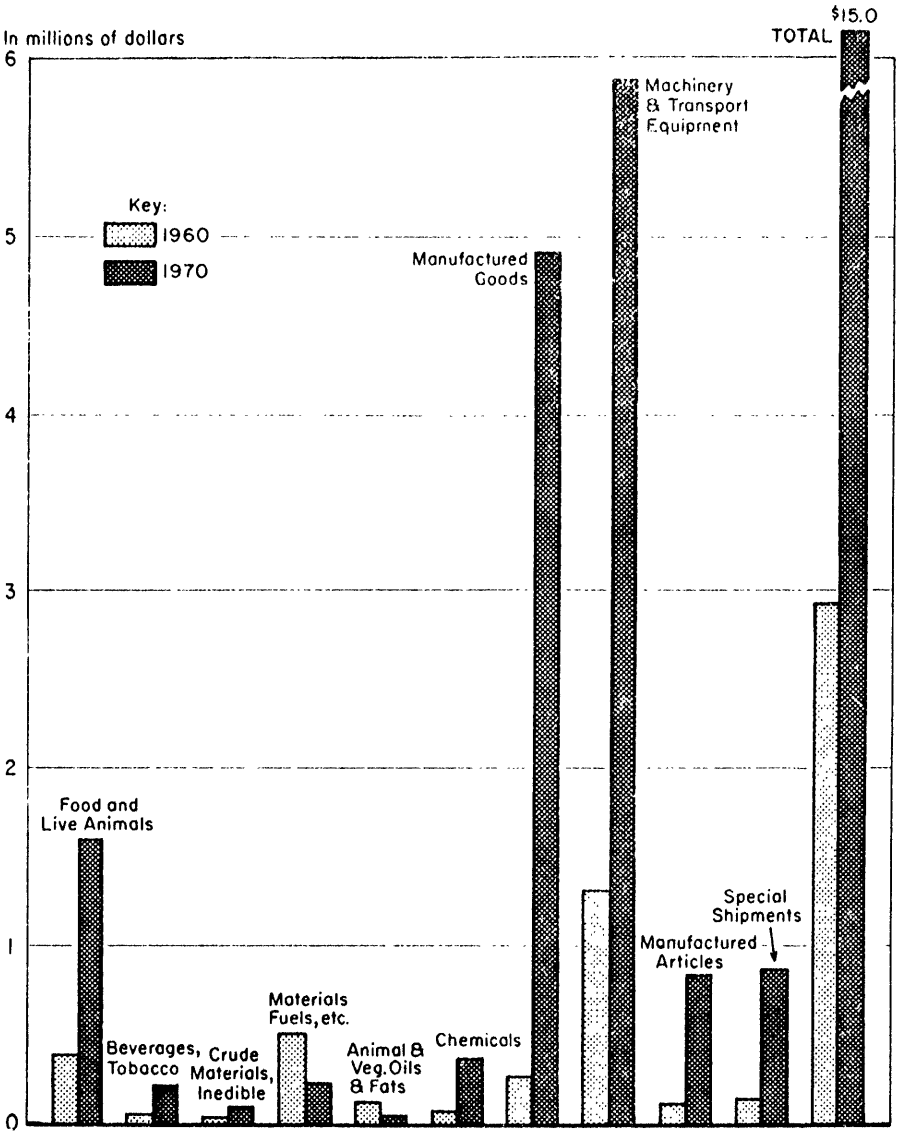
CHART 1a.
UNITED STATES TRADE WITH GUADELOUPE AND MARTINIQUE
1965 to 1970

In millions of dollars



Source: Figures from Bureau of Census, United States Department of Commerce

CHART II.
 UNITED STATES EXPORTS TO GUADELOUPE AND MARTINIQUE
 1960 and 1970, by Commodity Groups



Source. Figures from Bureau of Census, United States Department of Commerce

TABLE I

UNITED STATES TRADE WITH GUADELOUPE AND MARTINIQUE 1965-1970

<u>Year</u>	(By Value)		Excess Of
	<u>Imports</u> ^{1/}	<u>Exports</u> ^{1/}	Exports
	\$	\$	Over
			<u>Imports</u> ^{1/}
			\$
1965	7,026,000	11,388,000	4,362,000
1966	7,102,000	12,044,000	4,942,000
1967	7,333,000	12,801,000	5,468,000
1968	7,883,000	13,277,000	5,394,000
1969	7,622,000	12,691,000	5,069,000
1970	9,041,000	15,023,000	5,982,000
1965-70 Average	7,668,000	12,871,000	5,203,000

Source: Bureau of Census, United States Department of Commerce

^{1/} Rounded to nearest \$1,000.

TABLE II

UNITED STATES DOLLAR EXPORTS TO GUADELOUPE AND MARTINIQUE, 1960 to 1970, BY MAJOR COMMODITY GROUPINGS

ITEM	UNITED STATES DOLLAR EXPORTS TO GUADELOUPE AND MARTINIQUE, 1960 to 1970, BY MAJOR COMMODITY GROUPINGS										Change 1970 over 1960 %	
	1960 \$	1961 \$	1962 \$	1963 \$	1964 \$	1965 \$	1966 \$	1967 \$	1968 \$	1969 \$		1970 \$
<u>FOOD AND LIVE ANIMALS</u> including beef, pork, milk, cereals, fruits, vegetables and feeding-stuff.....	397,178	620,954	518,541	888,019	1,240,583	1,759,263	1,798,973	2,501,584	2,219,885	1,692,731	1,628,877	+310
<u>TOBACCO AND BEVERAGES</u>	26,789	27,306	36,887	54,024	102,102	220,397	291,803	224,026	196,116	151,467	200,748	+649
<u>CRUDE MATERIALS, INEDIBLE</u> including wood, cotton, synthetic fibers, minerals, scrap metals, and crude animal and vegetable materials.....	13,644	11,893	11,871	15,214	37,732	54,521	111,014	133,888	74,976	127,936	91,103	+568
<u>MINERAL FUELS, LUBRICANTS & RELATED PRODUCTS</u> including coal, coke, petroleum products & natural gas.....	510,228	565,718	571,933	691,945	609,661	482,545	193,122	284,754	218,864	184,754	238,773	-53
<u>ANIMAL & VEGETABLE OILS & FATS</u>	115,839	14,099	13,133	12,340	11,590	46,790	41,780	85,647	33,352	852	14,150	-88
<u>CHEMICALS</u> including paints, dyes, plastic materials, herbicides, insecticides & essential oils.....	64,188	77,110	135,513	242,658	310,778	355,085	241,258	237,557	284,003	355,866	371,383	+478
<u>MANUFACTURED GOODS</u> including wood containers, paper containers, cotton cloth materials & construction materials.....	263,614	458,034	1,013,924	1,747,213	2,207,304	3,815,423	4,323,697	4,835,260	5,298,568	4,770,567	4,902,295	+1760
<u>MACHINERY & TRANSPORT EQUIPMENT</u> , including watercraft engines, agricultural machinery, trucks, cars, electrical machinery, sugar mill machinery, and dredges.....	1,318,115	1,885,071	2,243,902	2,826,030	5,466,082	3,464,958	3,216,372	3,500,355	3,996,968	4,232,848	5,889,103	+347
<u>MANUFACTURED ARTICLES</u> including furniture, clothing of cotton, toys, music & scientific instruments & printed matter	85,995	162,118	206,433	400,926	496,403	643,707	598,074	728,217	673,934	800,863	833,112	+869
<u>SPECIAL SHIPMENTS</u>	136,643	182,126	241,506	365,432	559,193	545,051	1,227,714	270,166	280,486	373,281	853,452	+525
<u>TOTAL U.S. DOLLAR EXPORTS TO G. & M.</u>	2,931,633	4,004,430	4,993,621	7,243,801	11,041,428	11,387,740	12,043,807	12,801,404	13,277,152	12,691,165	15,022,996	+122

Source: Bureau of Census, United States Department of Commerce

TABLE IIIGUADELOUPE SUGAR INDUSTRY WAGES AS OF JANUARY 1, 1971

	<u>Daily Wages (8-hour day)</u>
I. <u>Agricultural Sector:</u>	
1. Field Workers-all categories	\$ 3.71 to 4.55
2. Cutting and Transport Wages:	
Cutters	\$ 4.15
Fasteners	\$ 3.71
Stowers	\$ 4.15
Carters	\$ 4.25
II. <u>Industrial Sector:</u>	
	<u>Hourly Wages</u>
1. Factory Wages:	
Category I - General work labor	\$.56
Category II - Skilled labor	\$.58 to .76
2. Workshop Wages:	
Category I - General work labor	\$.56
Category II - Specialized worker	\$.58 to .60
Category III - Professional worker	\$.70 to .85

Source: Syndicat Des Producteurs Exportateurs de Sucre et de Rhum de la Guadeloupe and Dependances.

Note: Converted on basis of 5.55 francs equals \$1.00 U.S.

DAWSON, QUINN, RIDDELL, TAYLOR & DAVIS

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CABLE ADDRESS
 DARTS
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June 23, 1971

The Honorable Russell B. Long
 Chairman
 Committee on Finance
 United States Senate
 2227 New Senate Office Building
 Washington, D.C.

Dear Senator Long:

We are counsel for the (British) West Indies and British Honduras and as such have previously submitted statements for insertion in the Record and consideration by your Committee in deliberations on H.R. 8866, "The Sugar Act Amendments of 1971."

Acceding to your suggestion, as expressed in the press release of June 10, 1971, which announced sugar hearings, we chose to submit our statements in written form only. In the press release you pointed out that "the Committee on Finance has been provided with testimony received in public hearings by the House Committee on Agriculture, and that the information contained in these hearings would be studied by the Committee. Oral presentation of repetitious testimony before the Committee on Finance accordingly would be unnecessary and undesirable....."

However, we have attended the hearing sessions and wish, by this letter, to correct false and misleading testimony given yesterday with respect to the West Indies and British Honduras by Mr. Walter Sterling Surrey. We request that this letter be placed in the Record immediately after Mr. Surrey's testimony.

Mr. Surrey, in speaking on behalf of "The Associated Sugar Producers of Guadeloupe and Martinique" testified (Page IV of the summary of his statement and developed further on page 15 of his complete statement):

The Honorable Russell
B. Long

- 2 -

June 23, 1971

"These (Guadeloupe and Martinique) islands are today no different in status than British Honduras, and are no different than such former British territories as the British West Indies, which were given quotas during previous Sugar Acts despite their colonial status.

"British Honduras is a political sub-division of the United Kingdom, enjoys a preferential market in the Commonwealth, and is likely to enjoy in the future access to the same preferential market in Europe as do Guadeloupe and Martinique."

Mr. Surrey further cites the "parallel relationship" between the French Overseas Departments and France and British Honduras and Great Britain.

We have attached for the edification of the Committee copies of the latest "Background Notes" issued by the Department of State on Guadeloupe, Martinique and British Honduras. We are certain that from a reading of these it will be clearly seen that the French Overseas Departments of Guadeloupe and Martinique are quite distinguishable in political status from British Honduras and completely different from the British West Indies. The Departments of Guadeloupe and Martinique may be fairly compared with states of the United States in that they are completely equal to provinces of continental France, even to the point of electing members to the French Senate and the French National Assembly.

British Honduras, as we have pointed out in our statement, is a colony of Great Britain with an avowed determination to be an independent country. There is little doubt that British Honduras would today be the independent country of Belize but for the existing border dispute with Guatemala. As a colony of Great Britain it enjoys internal self-government with the United Kingdom retaining responsibility for foreign affairs, defense, etc. Unlike the French Overseas Departments it has no representation in the British Parliament.

The former British territories that now comprise the (British) West Indies were also colonies of Great Britain at the time they were originally awarded U.S. sugar quotas in 1962 but today are independent nations, members of the British Commonwealth, the United Nations and three (Jamaica, Barbados and Trinidad-Tobago) are members of the Organization of American States.

The Honorable Russell
B. Long

- 3 -

June 23, 1971


Although British Honduras and the nations of the West Indies enjoy the preferential market of the Commonwealth, it is hardly one that could be favorably compared, by way of return on sugar sales, with the European Common Market. As pointed out in our statements the West Indies have actually lost on sales to the Commonwealth in 1969 and 1970, the amounts of \$5,400,000 and \$11,400,000 respectively. During the same years British Honduras, having a much smaller quota in the Commonwealth, lost \$281,000 in 1969 and \$48,000 in 1970.

No one can say at this point in time that Great Britain will definitely enter the Common Market, and even if she does, what arrangement will be obtained for the Commonwealth Sugar Producers. Guadeloupe and Martinique are already in - safe and secure.

We respectfully request that the Committee not only verify with the U.S. Department of Agriculture the correctness of the figures and assertions in this letter, but also ascertain for its satisfaction the price paid for sugar to producers in the European Community, which price, it is our understanding, was received by the producers of Guadeloupe and Martinique. It would also be well to verify the actual return received by the producers of Guadeloupe and Martinique on sales of sugar to the United States, including any possible subsidies on those sales, in order to make an accurate comparison with the return received by British Honduras and the West Indies on sales to the United Kingdom and the United States.

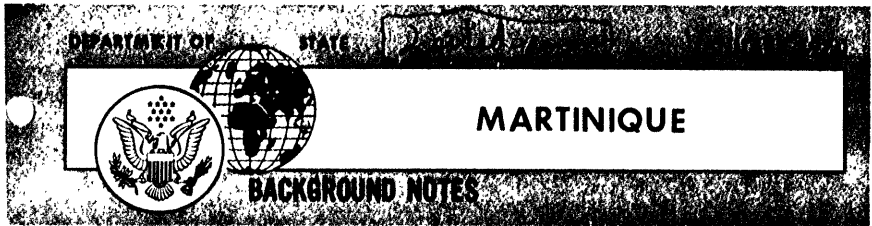
Finally, it is inconceivable to us that the Committee on Agriculture of the House of Representatives, and later the entire House, in voting to eliminate the French West Indies from the U.S. sugar program, acted as arbitrarily as Mr. Surrey maintained, that is, primarily, in retaliation for the Common Market policy on citrus imports. We believe that there must have been other significant factors involved for the French West Indies to have been struck from the program and British Honduras and the British West Indies retained. We contend that an objective examination of the political status, sugar situations, and comparative need for a U.S. quota, of all the areas mentioned in this letter will reveal the reasoning behind the action of the House Committee.

Respectfully submitted,


Arthur L. Quinn

ALQ:mf

Enclosure



Population: 331,000 (1969 est.)
 Prefecture: Fort-de-France

Martinique, an Overseas Department of France with an area of 425 square miles, is one of the Windward Islands, which are part of the Lesser Antilles in the Caribbean Sea southeast of Puerto Rico. For the most part, this volcanic island is characterized by an indented coastline and mountainous terrain. The highest point is Mt. Pelée, altitude 4,650 feet. December to May is the more comfortable dry season; the temperature varies only slightly throughout the year from a low of 76° F. to a high of 81° F., while the average relative humidity ranges from 85 to 95 percent.

As an administrative division of France, Martinique flies the French flag.

THE PEOPLE

Martinique's present estimated population is 331,000. Ninety percent of the people are of African or mixed African-Caucasian-Indian descent, 5 percent are of East Asian origin, and 5 percent are Caucasian. In addition, many metropolitan French (i.e., born in France rather than in Martinique) reside on the island, mostly as businessmen, civil servants in the French administration, or members of the French military forces. Fort-de-France has a population of almost 100,000.

French is spoken throughout Martinique, but many native-born Martiniquais speak the Creole dialect, or patois. Ninety-five percent of the people are Roman Catholic.

The literacy rate among the island's population is more than 70 percent. The great majority of Martinique's labor force is employed in agriculture or in food processing and associated industries.

HISTORY

Martinique was settled by Europeans in 1635, Columbus having discovered it either in 1493 or 1502 (accounts differ). The name is derived from an old Carib Indian word meaning "Island of Flowers." Most of the original Carib Indians were eliminated when Belain d'Esnambuc took the island for France in 1635, the rest gradually were absorbed into the local population. Martinique has been in French possession since that time except for three short periods when it was under British occupation.

Two events of historic interest which occurred in Martinique were the birth of Napoleon's Empress Josephine in 1763 and the 1902 eruption of Mt. Pelée which destroyed the city of Saint-Pierre with its entire population of about 20,000 persons.

Following the Franco-German armistice in 1940, Martinique had a semiautonomous status under a High Commissioner until 1943, when the Free French took over authority. In 1946 Martinique voted to become an Overseas Department and an integral part of the French Republic.

GOVERNMENT

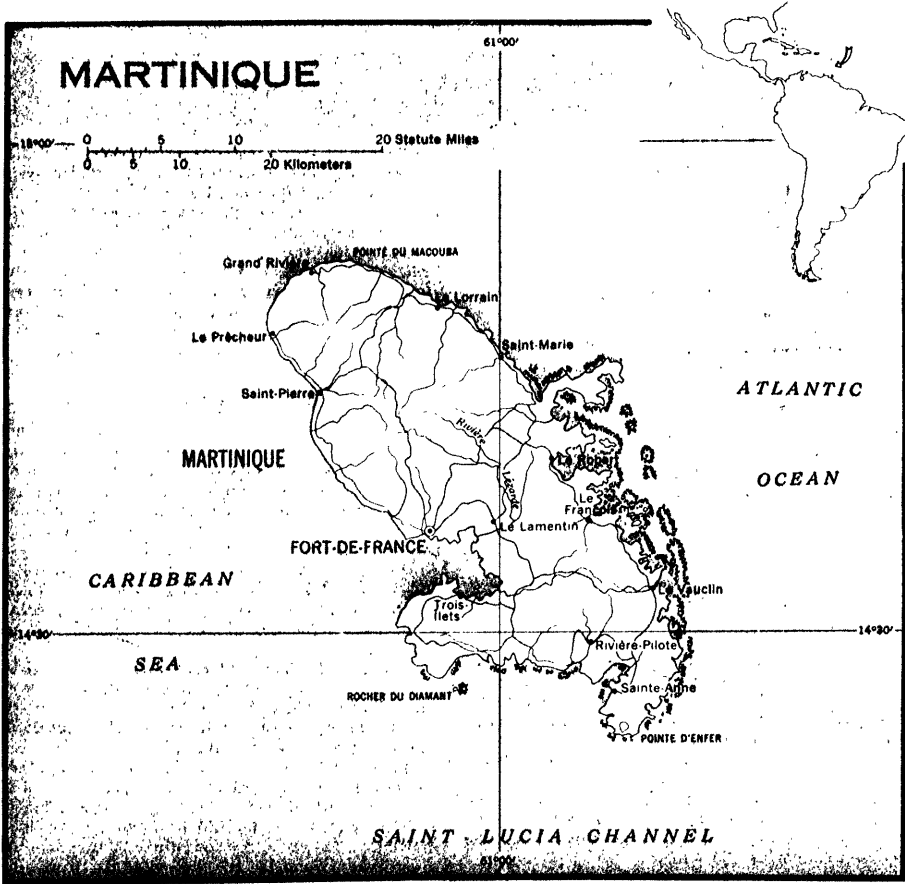
Martinique is one of the three Caribbean Overseas Departments of France located in the Western Hemisphere, the others being Guadeloupe and French Guiana. As such, it elects two members to the French Senate and three deputies to the French National Assembly, plus one member to the Conseil Economique et Social, an advisory body to the French Government. Elections for the National Assembly are held at maximum intervals of 5 years. The last election was on June 23 and 30, 1968.

As in all French Departments, the senior official and appointed representative of the central Government is the Prefect, who is named by the French Ministry of the Interior. The seat of the Prefect is at Fort-de-France.

As elsewhere in France, there is a popularly elected local General Council consisting of 36 members, which votes the departmental budget and has legislative jurisdiction over purely local matters. There are also elected mayors and municipal councils in the various townships (communes).

POLITICAL CONDITIONS

The Communists were able to obtain as much as 60 percent of the popular vote during the 1940's and early 1950's. Their electoral following has now fallen to less than 20 percent, largely due to the gradual improvement of living conditions, although another leftist party, the "Progressiste" Party, now obtains a sizable share of the total vote at Fort-de-France. At the present time Martinique is represented by two Gaullists and one "Progressiste" in the National Assembly and by two Gaullists in the Senate. In the final runoff of the French presidential election of 1969, 91 percent of those who voted cast ballots for Georges Pompidou.



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The French Government's objectives are the promotion of Martinique's economic development and the maintenance of its present status as a Department of France, in accordance with the wishes of the people of Martinique.

ECONOMY

Martinique's economy, with a gross national product (GNP) of about U.S. \$196 million and a per capita GNP of \$583, is based on the export of sugar, bananas, rum, and pineapples. In 1968 these exports totaled \$40.2 million, while imports amounted to \$109.8 million. Approximately 75 percent of all trade is with France. Large expenditures for public works and social welfare benefits have been made by the French in Martinique, and the standard of living of the local population has steadily improved, particularly since the early 1960's.

Martinique's exports to the United States dropped drastically to a low of \$10,000 in 1967 but showed a healthy rise during the early months of 1968. The small total is due largely to the fact that the U.S. sugar quota for the French Caribbean Departments is shipped entirely from Guadeloupe, which has bulk loading facilities. Martinique imports more than \$6 million annually from the United States, primarily paper and paper products, machinery, and building materials. The island's principal crops are sugarcane, bananas, and pineapples. Manufacturing is limited largely to the processing of these products into sugar and rum. The tourist industry is of increasing importance.

Martinique's economy rests on a very narrow agricultural base, and strenuous efforts have been made for some time to diversify it. Demand for Martinique's major export crops is leveling off at a time when the number of young persons coming on the labor market is increasing as a result of the higher birth rate since the 1940's. Substantial emigration to metropolitan France has not solved the stubborn unemployment problem; unemployment and other basic economic problems will probably continue to be a threat to stability in the area for a long time.

Martinique's international airport is its primary link with principal cities in France, the United States, and elsewhere, but the island is also visited by numerous oceangoing vessels and cruise ships. Although the only railroads in Martinique are privately owned and service sugarcane fields, the island has good road and telecommunications systems.

U. S. POLICY

The United States seeks to maintain good relations with the people of Martinique, as our neighbors in the Western Hemisphere. The United States also seeks to maintain friendly relations with France, of which Martinique is an integral part. For a more detailed account of U.S. foreign policy toward France, see the Background Note on France (pub. 8209).

PRINCIPAL GOVERNMENT OFFICIAL

Prefect of Martinique—Pierre Béziau

PRINCIPAL U. S. OFFICIAL

Consul—Robert S. Barrett IV

The U.S. Consulate in Martinique is located at 10 Rue Schoelcher, Fort-de-France.

READING LIST

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DEPARTMENT OF STATE PUBLICATION 8320

Revised January 1970

Office of Media Services
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THE DEPARTMENT OF STATE BULLETIN

The official record of U.S. foreign policy, this weekly periodical contains statements made by the President, the Secretary of State, the U.S. Representative to the United Nations, and other principal officers of the Government. Authoritative original articles on various aspects of international affairs are also featured. Information is included concerning treaties and international agreements to which the United States is or may become a party. Current publications of the Department, United Nations documents, and legislative material in the field of international relations are listed.

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DEPARTMENT OF STATE

NOVEMBER 1969



GUADELOUPE

BACKGROUND NOTES

Population: 324,000 (1969 est.)
 Prefecture: Basse-Terre

Guadeloupe, an Overseas Department of France with an area of 687 square miles, is one of the Leeward Islands, which are part of the chain of the Lesser Antilles in the Caribbean Sea south-east of Puerto Rico. The island experiences little climatic variation, although the months from November to April are generally the coolest and driest of the year. At Pointe-à-Pitre mean temperatures vary from 74° F. in January to 87° F. in August, the monthly average humidity from 77 percent in March and April to 85 percent in October.

Guadeloupe is, strictly speaking, two islands: volcanic Basse-Terre to the west, and the flatter limestone formation of Grande-Terre to the east—the two separated by a narrow salt water stream. The highest point is the presently inactive volcano of Soufrière, about 4,850 feet, located on Basse-Terre.

As an administrative division of France, Guadeloupe flies the French flag.

THE PEOPLE

Guadeloupe has a population of about 324,000. Ninety percent of the people are of African or mixed African-Caucasian-Indian descent, 5 percent are of East Indian origin, and 5 percent are Caucasian. In addition many metropolitan French (i.e., born in France rather than in Guadeloupe) reside in Guadeloupe, mostly as civil servants in the French Government administration or as members of the French military forces.

French is spoken throughout Guadeloupe, but many native-born Guadeloupians speak the Creole dialect, or patois. Ninety-five percent of the people are Roman Catholic.

The literacy rate among the island's population is more than 70 percent. The great majority of Guadeloupe's labor force is employed in agriculture or in food processing and associated industries.

HISTORY

Guadeloupe was discovered by Christopher Columbus in 1493 on his second voyage to the New World, but it was not permanently settled until two Frenchmen, L'Ollive and Duplessis, arrived in 1635 to take possession of the island in the name of the Compagnie des Isles d'Amérique. Most of

the indigenous Carib Indians fled the island or were killed in skirmishes with the French at that time. Sugarcane cultivation was introduced about 1650, and large numbers of slaves were brought from Africa to work these plantations.

During the period of the French Revolution there was a significant slave revolt in Guadeloupe, followed by a short period of British occupation. However, Victor Hugues regained possession of the island for the French revolutionary government in 1794, shot and guillotined a number of the white planters, and proclaimed the abolition of slavery.

Slavery was reestablished by Napoleon in 1802 but was finally abolished in 1848. Guadeloupe remained a colony of France until 1946 when it voted to become an Overseas Department and an integral part of the French Republic.

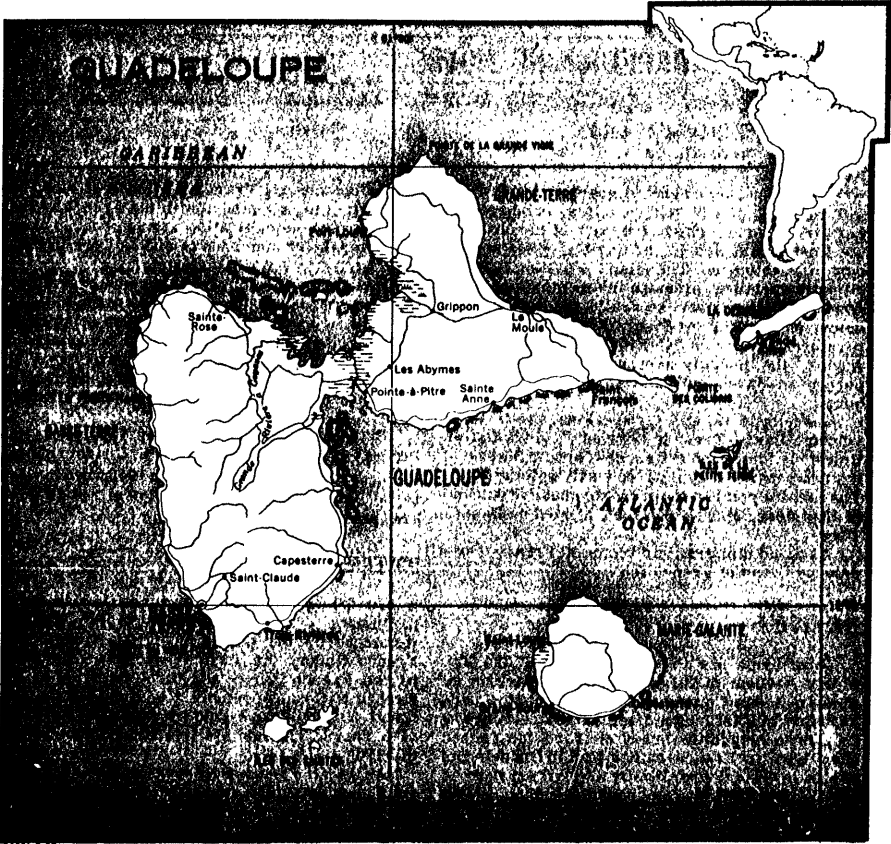
GOVERNMENT

Guadeloupe is one of the three Overseas Departments of France located in the Western Hemisphere, the others being Martinique and French Guiana. As such, it elects two members to the French Senate and three deputies to the French National Assembly. Elections for the National Assembly are held at maximum intervals of 5 years. The last election was on June 23 and 30, 1968.

As in all French Departments, the senior official and appointed representative of the central Government is the Prefect. As elsewhere in France, there is a popularly elected local General Council, consisting of 36 members, which votes the departmental budget and has legislative jurisdiction over purely local matters. There are also elected mayors and municipal councils for the various townships (communes).

Several smaller islands in the region are administratively part of Guadeloupe: Marie-Galante, La Désirade, and the Iles-des-Saintes are quite close to Guadeloupe, while the islands of St. Barthélemy and St. Martin (half of the latter is French, the other half is administered by the Netherlands) are located about 150 miles north and east of Guadeloupe. They are administered by appointed officials responsible to the Prefect of Guadeloupe.

Although Pointe-à-Pitre is the principal city and commercial center of the island, the seat of the Prefect is in the smaller city of Basse-Terre.



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POLITICAL CONDITIONS

The Communists customarily obtained more than half of the popular vote in the elections during the late 1940's and early 1950's. Their electoral following declined in the early 1960's because of the gradual improvement in living conditions but rose again in the parliamentary elections of 1967 and 1968. The Communist Party of Guadeloupe calls for a status of local autonomy which would, however, retain close ties with France. The Communists presently hold one of Guadeloupe's three seats in the French National Assembly and one of the two Senate seats. In the final runoff of the French presidential election of 1969, Guadeloupe supported President Pompidou by a margin of 81 percent.

The French Government's objectives are the promotion of Guadeloupe's economic development and the maintenance of its present status as a Department of France, in accordance with the wishes of the people of Guadeloupe.

ECONOMY

Guadeloupe's economy, with a gross national product (GNP) of about U.S. \$170 million and a per capita GNP of about \$520, is based on the export of sugar, bananas, and rum. In 1968 these exports totaled \$36.2 million. The economy also depends on generous French Government expenditures for public works and welfare programs. Substantial increases in such governmental spending during the last few years have contributed to a noticeable rise in the living standards of the local population. Approximately 70 percent of all trade is with France, but trade with the United States is also important; in 1968 Guadeloupe's exports to the United States totaled \$6.3 million, primarily sugar, while the island imported \$6 million of U.S. manufactured goods and foodstuffs. Apart from the cultivation of sugarcane and bananas, Guadeloupe's principal industry is the distillation of rum and other liqueurs. The tourist industry is of increasing importance.

The French Government has encouraged Guadeloupe to diversify its traditional agricultural economy of sugar and bananas, which was badly hurt during the hurricanes of 1964 and 1966, but as yet the effort seems to have produced little concrete results. The problem remains one of finding other export crops which can compete in

French and world markets or can supply the local market with foods now being imported. The number of young persons coming on the labor market is increasing rapidly as a result of the high birth rate since the 1940's. The resulting unemployment makes economic and social problems difficult to solve.

Guadeloupe's international airport is its primary link with principal cities in France, the United States, and elsewhere, but the island is also visited by numerous oceangoing vessels and cruise ships. Although the only railroads in Guadeloupe are privately owned and service sugarcane fields, the island has good road and telecommunications systems.

U. S. POLICY

The United States seeks to maintain good relations with the people of Guadeloupe, our neighbors in the Western Hemisphere. The United States also seeks to maintain friendly relations with France, of which Guadeloupe is an integral part. For a more detailed account of U.S. policy toward France, see the Background Note on France (pub. 8209).

PRINCIPAL GOVERNMENT OFFICIAL

Prefect—Jean Deleplanque

PRINCIPAL U. S. OFFICIAL

Consul—Robert S. Barrett IV (resident in Martinique)

The U.S. Consulate in Martinique is located at 10 Rue Schoelcher, Fort-de-France.

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DEPARTMENT OF STATE PUBLICATION 8319

Revised November 1969

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BRITISH HONDURAS

Population: 118,000 (1968 est.)
Capital: Belize City

British Honduras is on the east coast of Central America facing the Caribbean Sea; it is bounded on the north and west by Mexico and on the west and south by Guatemala. The total land area is 8,866 square miles, including a number of islets lying off the coast. The coastline, fringed by a barrier reef, is flat and swampy, but the country rises gradually toward the interior.

The climate is subtropical and on the whole agreeable. In the capital the annual temperature range is 50-96°F., with an annual mean of 78.5°F. Along the coast heat and humidity are tempered by sea breezes during most of the year. Belize City has an average annual humidity of 83 percent.

THE PEOPLE

The population in 1968 was estimated at 118,000, giving British Honduras the lowest population density in Central America. The population is growing at an annual rate of more than 3 percent. Slightly more than half the people live in six urban areas and more than one-third live in Belize City, the capital. Forty percent are of African descent, 40 percent Latin-Indian descent, 3.4 percent European, 1.6 percent East Indian, and 15 percent other. English is the official language. The literacy rate is estimated to be 70-80 percent. The majority of the population is Catholic.

HISTORY

Europeans first came to British Honduras in 1502 when Columbus sailed along its coast. In 1638 a group of shipwrecked English seamen started the first recorded settlement. During the next 150 years this settlement had a stormy history involving buccaneers, logwood cutters, and attacks from neighboring Spanish settlements. Although Britain sent an official representative to the area in the late 18th century, Belize was not formally termed "the colony of British Honduras" until 1840. It became a crown colony in 1862. Since that time British Honduras has witnessed several constitutional changes in the direction of more representative government. In January 1964 a new Constitution became effective. Under this Constitution, British

Honduras enjoys nearly full internal self-government with a ministerial system.

GOVERNMENT

The Government of British Honduras consists of a bicameral National Assembly and a Cabinet composed of a Premier and six other Ministers. There is an independent judiciary whose members are appointed by the Crown. The National Assembly is composed of an 18-member House of Representatives and an eight-man Senate. The chief instrument of policy is the Cabinet. The United Kingdom, represented by a Governor, retains responsibility for foreign affairs, defense, internal security, and civil service employment.

POLITICAL CONDITIONS

The party system in British Honduras began in 1950 with the formation of the People's United Party (PUP) and the National Party. Under the 1954 Constitution, the PUP won eight of the nine elective seats in the legislature. Some of the PUP leaders subsequently defected and formed their own party, which in 1958 merged with the National Party to become the new national Independence Party (NIP). Despite the split, the PUP won all nine seats in the general elections in early 1957. In the national elections held on March 1, 1965, the PUP won 18 seats in the House of Representatives and the NIP two seats. The PUP obtained 57.7 percent of the votes cast and the NIP 39.4 percent.

ECONOMY

In 1966 the gross national product was estimated at U.S. \$42 million. This was equivalent to U.S. \$380 per capita. (B.H. \$1.07 = U.S. \$1.) The principal natural resources of British Honduras, besides its forests, are some 2 million acres of good agricultural land and a combination of natural factors—climate, the hemisphere's longest barrier reef, miles of sand beaches, and safe waters for boating—which could support a thriving tourist industry.

The exploitation of its rich forests was the only economic activity of any consequence in

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British Honduras until well into the 20th century. Sugar and citrus recently replaced forest products as the principal exports, however, and interest has been shown in developing fishing and cattle farming and in growing bananas, cocoa, and vegetables.

At present, U.S. Government assistance to British Honduras consists of a 45-person Peace Corps contingent, a limited Food-for-Peace program, investment and investment survey guaranties, a housing guaranty program, and a small program of technical assistance administered by the Agency for International Development's Regional Office for Central America and Panama (ROCAP) located in Guatemala City.

CURRENT ISSUES

One of the principal issues in British Honduras for some time has been the dispute between Guatemala and the United Kingdom over the sovereignty of the area. British Honduras is claimed by Guatemala on the grounds that it inherited Spanish sovereignty over this territory and that British claims, based on an 1859 treaty with Guatemala, are void. At the request of the United Kingdom and Guatemala, the United States agreed in September 1965 to mediate the dispute, and the President appointed distinguished New York attorney Bethuel M. Webster as mediator. In April 1968, after 2-1/2 years of mediation efforts, the United States presented to the two parties a treaty which offered a possible settlement. Both the United Kingdom and Guatemala, however, subsequently indicated that the treaty presented did not represent an acceptable resolution of the territorial dispute. In September 1968 the United States formally notified the parties that it had concluded its role as mediator.

British Honduras exhibits many of the problems typical of underdeveloped countries except those of overpopulation and inadequate land resources. Its most immediate problem is that of raising the level of economic activity sufficiently to overcome a serious structural balance-of-payments problem. The Government hopes to take advantage of its considerable but unexploited natural resources in order to become economically viable and to reduce the payments deficit. The Government favors both private enterprise and foreign investment.

PRINCIPAL GOVERNMENT OFFICIALS

Governor—Sir John Warburton Paul
Premier and Minister of Finance and Development—George C. Price
Attorney General—John Havers
Chief Justice—Sir C. de L. Inniss, K.B.
Speaker of the House—W. Harrison Courtenay, O.B.E.
President of the Senate—E. William Francis
Minister of Natural Resources and Trade—Alexander A. Hunter
Minister of Labour—David L. McKoy
Minister of Public Works and Utilities—Hector Silva
Minister of Local Government and Welfare—Albert E. Cattouse
Minister of Internal Affairs and Health—C. Lindberg Rogers
Minister of Education and Housing—Gwendolyn Lizarraga, M.B.E.

PRINCIPAL U. S. OFFICIALS

Consul—Robert J. Tepper
Peace Corps Representative—Sherwood Paulin
Vice Consul—Ward Barmon

The United States maintains a Consulate at Belize City at Gabourel Lane and Hutson Street.

READING LIST

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The CHAIRMAN. The next witness is Mr. Hugh C. Laughlin, consultant to Owens-Illinois, Inc., in the interests of Bahamas Agricultural Industries, Ltd.

STATEMENT OF HUGH C. LAUGHLIN, CONSULTANT TO OWENS-ILLINOIS, INC., IN THE INTERESTS OF BAHAMAS AGRICULTURAL INDUSTRIES, LTD.

Mr. LAUGHLIN. Thank you, Mr. Chairman.

I should like to add, in addition to the statement in the agenda that I am now a business consultant to Owens-Illinois, that when I had the privilege of appearing before this committee in 1965, I was executive vice president and director of Owens-Illinois, from which position I retired under its compulsory retirement program on June 30, 1969.

I appear for its wholly owned subsidiary, Bahamas Agricultural Industries, Ltd., which owns the only sugar operations of the Bahamas. It is that company which I represent today. I do not represent the Bahamian Government. I have prepared a formal statement and a summary of the principal points of such statement and filed them with your committee as directed by your press release of June 10, 1971. I see no point in taking your time to repeat my points set forth in my printed statement.

Since my formal statement was completed, a question has arisen which arises again today in connection with Mr. Surrey's formal statement that he has filed, as to the details of the Bahamas efforts to secure participation in the Commonwealth sugar agreement quotas and the rejection of such efforts. I have prepared a supplemental statement on this subject with supporting documents which I would like to have made a part of the record of these hearings. I think you have a copy of it. I shall not read this statement but I may say that the rejection of any such participation by the Bahamas, a copy of which is attached to the statement, was absolute and final. In fact, they not only said it was rejected, but they said that "the parties to the agreement do not at present foresee a situation in which they"—that is the members of the Commonwealth sugar agreement—"might be able to reconsider the application." You cannot get turned down harder than that.

(The statements referred to follow. Hearing continues on p. 691.)

Statement
of
Hugh C. Laughlin
Prepared for Presentation before the Committee on Finance
of the United States Senate
in connection with the proposed amendments
to the U. S. Sugar Act of 1948
(H.R. 8866)

June 22, 1971

Identification

I am Hugh C. Laughlin and I appear representing the Bahamas Agricultural Industries, Ltd., a wholly-owned subsidiary of Owens-Illinois, Inc. of Toledo, Ohio. Bahamas Agricultural Industries, Ltd., is the owner and operator of the only sugar producing plantation and the only sugar mill in the Bahamas. I serve as a legal and business consultant to Owens-Illinois Inc. on various matters including those relating to the Bahamas properties, and until July 1969 I was Executive Vice President and a Director of that Company. I want to make it clear that I do not represent the Bahamas Government though, as you will see the positions of the Bahamas Government and of Owens-Illinois and Bahamas Agricultural Industries, Ltd., are quite parallel on the matter here under consideration.

Purpose of Appearance

The Commonwealth of the Bahamas, not having a Foreign Agent as described in the Registration Act of 1928 who can appear in its behalf before this Committee, has written directly to the Chairman of this Committee requesting that the basic quota granted to the Bahamas in H.R. 8866 (Sugar Act Amendments of 1971) as it was passed by the United States House of Representatives should be finally enacted into law. This letter dated June 16, 1971 was written by the Honorable Lynden O. Pindling, Prime Minister of the Commonwealth of the Bahamas. I appear before you today to urge that you give favorable consideration to such request of the Bahamas Government.

The Prime Minister's letter reads as follows:



COMMONWEALTH OF THE
BAHAMA ISLANDS

No. _____
IN REPLYING PLEASE
QUOTE THIS NUMBER

OFFICE OF THE PRIME MINISTER
RAWSON SQUARE
NASSAU, N. P., BAHAMAS

16th June, 1971

Dear Mr. Chairman:

I am writing to you in reference to the consideration of sugar legislation by your Committee during the current session of the United States Congress.

When the amendments to the Sugar Act were enacted in 1965, through the kindness of your Government, the Bahamas was awarded an annual quota starting with the calendar year 1968 in the amount of 10,000 tons. As a result of this gesture of friendship by the United States Government toward the Government of the Commonwealth of the Bahama Islands, a new sugar industry on Great Abaco Island has been established. Some 18,000 acres have been planted in sugar cane and a sugar factory with a capacity of approximately 50,000 tons per year has been operating. During the calendar year 1969 the sugar industry on Great Abaco Island produced approximately 15,000 tons. During the calendar year 1970 approximately 19,000 tons of sugar was produced. It is estimated that when the sugar cane fields have been brought up to their full measure of production, an excess of 50,000 tons of sugar per year will be produced from the 18,000 acres now in cultivation.

Friendly Government

The Government of the Commonwealth of the Bahama Islands is the closest friendly offshore neighbour to the United States. Over the years a friendly exchange of goods and services as well as an almost unlimited exchange of visits between your citizens

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and our citizens has existed. As you well know, our economy for many years has been greatly dependent upon the tourist from the United States and our own citizens travel to the United States in larger numbers and more frequently than to any other nation. There is absolutely no discrimination in any manner whatsoever in our country against United States citizens and there has been no expropriation or seizure in any manner of the property owned in our country by any United States citizen. There has been a long history of close ties economically, socially and geographically which links the peoples of our two countries.

Nearby Source of Sugar

Although the Bahama sugar industry will always be relatively small, that is in comparison with Cuba and Puerto Rico, nevertheless the Bahamas can become a nearby source of some 50,000 to 100,000 tons of sugar for United States markets. Due to the fact that the sugar factory was behind schedule in completion, the Bahamas did not supply its 10,000 ton quota to the United States in 1968. The Department of Agriculture was notified well in advance of the difficulties experienced. In 1969 and in 1970 the full 10,000 ton quota was met promptly. As a matter of fact, the Bahamas sought an extra allotment into the United States market during 1970, without success. A raw sugar warehouse of 20,000 tons capacity exists on Great Abaco Island in order to maintain adequate inventories. Since Great Abaco Island is less than 200 miles east of West Palm Beach, Florida, sugar can be shipped in the shortest possible time to United States ports for refining and distribution in the event of critical periods of short supply.

Reciprocal Trade

The peoples of the Bahamas are good customers of the United States. The Bahamas trade return for 1969 shows that 72% of our imports amounting in value to \$206 million originated in the United States of which \$48 million consisted of agriculture commodities. This situation would appear to qualify the Bahamas for special consideration by the Congress of the United States in regard to the allocation of sugar quotas as set forth in the language of the Sugar Act Amendments of 1965, 204 (a). As a further reason for believing that the Commonwealth of the Bahamas has good grounds for requesting sympathetic consideration by the United States Government in connection with the fixing of sugar quotas, I would mention the many facilities in the Bahamas which have been granted in agreements between the United Kingdom and the United States, relating to the establishment of oceanographic research stations, long-range proving grounds, and missile tracking stations.

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New Industry Needs

In recent years, the Government of the Bahama Islands, with the advice of specialists in the field, has given serious thought to the economic development of the country. It has become clear that while the economy has up to the present time achieved some measure of success, it depends mainly upon tourism, which is in itself not an entirely satisfactory foundation upon which to build a sound economy. However, the Government has taken active steps towards broadening the basis of the economy by the implementation of a policy of diversification in an effort to develop a stable economic structure. The establishment of a modern sugar industry is entirely consistent with this new policy. It has been fostered by the Government as representing an example of the application of up-to-date farming techniques combined with factory operation because it straddles both the primary and secondary factors of economic activity. The Government, therefore, has encouraged the cane sugar industry by co-operating with Owens-Illinois, Inc. of Toledo, Ohio, and its wholly-owned subsidiary, the Bahamas Agricultural Industries Limited. It is the view of the Bahamas Government that the success of this new industry is of the highest importance to the Bahamas in helping to diversify the economy by providing a variety of work opportunities for the Bahamian people in a geographical area previously almost wholly undeveloped, as well as by providing a valuable demonstration of sound land use and the application of modern agriculture techniques under local conditions. Success, however, depends upon economic outlets for our sugar into premium priced markets such as the United States. It is, therefore, essential that an adequate quota to make this industry sound economically be included for the Bahamas in the Sugar Act Amendments of 1971. Negotiations have been carried on for a quota into the premium priced markets of the United Kingdom. However, to date success in this effort has not been forthcoming. This is due to a number of factors and one of the more important ones is the fact quantities of sugar required by the United Kingdom are relatively small in comparison to the United States and major sugar producers throughout the British Commonwealth have been in existence over long periods of time and are dependent to a large measure on their participation in the markets of the United Kingdom. As was indicated earlier, tourism is and remains the primary source of foreign exchange for the Bahamas Government. However, with a viable sugar industry this total dependence could be alleviated to some extent.

Socio-Economic Policies

Although the sugar industry in the Bahamas has been an operation under the ownership and supervision of a single company,

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the wages paid both in the sugar mill and on the sugar plantation have been on a par with wages paid for similar type of work in Louisiana and Florida. The extent to which the new sugar industry on Great Abaco Island has improved economic conditions on the Island is very substantial. Roads have been improved, electricity has been introduced in sufficient quantities to meet the needs of most residents of the Island. Water and sewerage facilities have been provided, housing has been improved, schools have been built, and substantial progress has been made in every phase of the economic life of the community.

United States Quota

The 1965 Amendments to the Sugar Act provided for 10,000 tons of sugar as the annual quota for the Bahamas beginning with the calendar year 1968. The United States House of Representatives has seen fit to include the Bahamas in H. R. 8866 (Sugar Act Amendments of 1971) with a basic quota of 22,301 tons which together with prorations and deficits provides a total quota of 33,173 tons per year. In our letter to the Chairman of the Committee on Agriculture of the United States House of Representatives, we requested an allotment of between 40,000 and 50,000 tons. However, it is our belief that the quota for the Bahamas contained in H. R. 8866 will be adequate during the next three years to sustain the sugar industry in the Bahamas.

In addition, the preservation of the infrastructure, including roads and docks, schools, electricity, water and sewerage systems, as well as company housing, is vitally necessary to the future development of the Island of Abaco in particular and of the Bahamas in general. Now that Owens-Illinois has decided to sell its sugar plantation and sugar mill, it is extremely important to a prospective purchaser that an adequate quota into the United States market be a real possibility in order to justify the substantial investment which would be required to purchase and operate the sugar project on Great Abaco Island. The proximity of Great Abaco Island to United States sugar refiners in Savannah and New Orleans adds to the attractiveness of the Bahamas as a raw sugar supplier for the United States market.

Summary

My Government considers it essential to the development of our economy that the infant sugar industry be continued and enlarged. This can only be done if there is an adequate quota for Bahamas sugar in the United States market and a minimum quota necessary to sustain a viable sugar industry is the amount provided for in H. R. 8866. In these difficult circumstances and as your closest friendly offshore neighbour with

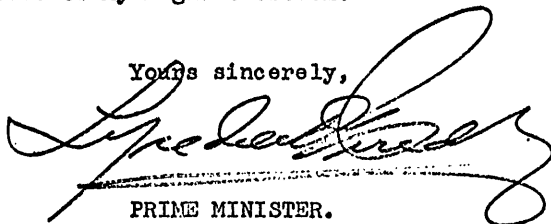
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a potential for supplying sugar, we are appealing to your Government for an adequate quota in the 1971 Sugar Act Amendments.

There is attached hereto a Memorandum containing additional and more detailed information on this matter.

I avail myself of this opportunity to assure you and the members of your Committee of my highest esteem.

Yours sincerely,



PRIME MINISTER.

The Honourable Russell B. Long,
Chairman,
Committee on Finance,
United States Senate,
Room 2227,
New Senate Office Building,
Washington, D.C. 20515

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MEMORANDUMBACKGROUND OF THE ABACO SUGAR PROJECT

Great Abaco is the second largest island in the Bahamas with a total land area of approximately 650 square miles and a population of approximately 6,500. Marsh Harbour, the commercial centre of Abaco has a population of about 2,000 people. The island is slightly more developed than most of the Out Islands, but has no sizable industry other than the Bahamas Agricultural Industries sugar operation, which has been conducted by Bahamas Agricultural Industries, Limited, a wholly-owned subsidiary of Owens-Illinois, Inc. of Toledo, Ohio.

Under its former name, Owens-Illinois of the Bahamas, Ltd., this company maintained a pulpwood harvesting operation on Abaco for seven years, and employed approximately 500 people. As these activities neared their end, it was obvious that hundreds of workers, constituting a 1966 payroll of \$1.5 million, would become unemployed unless a replacement industry could become established.

In the decade during which the pulpwood was harvested, the company had expended in the Bahamas more than \$8 million in salaries and wages, had paid to our Government \$1- $\frac{1}{2}$ million in duties, royalties and rentals, and had spent \$3- $\frac{1}{2}$ million for services and supplies in the Commonwealth. In addition, capital expenditure -- principally for roads, docks, and other permanent improvements -- of over \$5.3 million were made by the company. In an effort to continue employment of its work force, and to use constructively the capital improvements which would otherwise be largely valueless at the end of the pulpwood cut in 1967, the company in 1962 employed Arthur D. Little, Inc., to study possible industrial developments on Great Abaco in which the company could engage. That concern, after detailed study of a number of alternatives, recommended that the growing of sugar cane and its manufacture into raw sugar for export was worthy of further investigation in depth.

Following this recommendation and after receiving positive reports from sugar agronomists and consulting engineers, and the approval of this Government, a 10,000 ton sugar quota was secured by us in the United States under the United States Sugar Act Amendments of 1965. This Government thereafter entered into a formal agreement with Owens-Illinois of the Bahamas (now Bahamas Agricultural Industries, Limited), which made possible the cultivation of sufficient land to produce eventually up to 100,000 tons of raw sugar annually. By the start of operations in 1969, there had been invested in sugar

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operations on Abaco, more than \$30 million, which investment can be categorized as follows:

Fixed Assets (excluding land)	\$17,456,000.00
Land Clearing and Preparation, Plus Additional Land Acquisition	4,092,000.00
Deferred Expenses	5,165,000.00
Working Capital	3,043,000.00
Other Assets	762,000.00
	<hr/>
	\$30,518,000.00

The first harvesting/grinding season commenced in January, 1969, and ended in May, 1969. A total of 12,500 acres were harvested and 166,000 tons of cane delivered to the mill. This cane produced 15,000 tons of raw sugar and 963,000 gallons of molasses. Ten thousand tons of raw sugar was shipped to the United States in fulfillment of the quota, at a price of 7.5 cents per pound, and 5,000 tons to Canada at a price of 2.3 cents per pound lower than the cost of production. In the 1970 season, approximately 19,000 tons of raw sugar were produced. The Bahamas quotas for 1970 and 1971 have been fulfilled.

REASONS FOR SPECIAL CONSIDERATION BY THE UNITED STATES
GOVERNMENT OF THE BAHAMAS SUGAR PROBLEM

A. THE EMPLOYMENT AND DEVELOPMENT PROBLEMS OF THE BAHAMAS

The Commonwealth of the Bahama Islands comprise an archipelago extending for over 700 miles with a total land area of approximately 5,400 square miles, and a population of 146,000 as of December 31, 1967. Approximately 100,000 of this population resides on New Providence Island upon which is situated the capital of Nassau, and another 23,000 on Grand Bahama Island, where the city of Freeport is now being developed. The remaining Out Islands are almost wholly underdeveloped and continue to lose population as their residents emigrate to Nassau or to Freeport in search of work which will enable them to discharge their family responsibilities and to have a sense of personal achievement. This pattern of hope is a familiar one and, happily, sometimes leads to success. But, in far too many cases, it bears the seeds of the incipient development of the urban slums which plague so many developing nations. For this reason, among others, the Government of the Commonwealth of the Bahamas has been intensely interested in the balanced development of the Out Islands which would reduce the rate of population shift and inhibit congestion, crime, and the other evil effects of too rapid emigration to urban centers. It should be emphasized that the most significant factor contributing to the present exodus is the almost total lack of skilled and semi-skilled jobs in the Out Islands other than Grand Bahama.

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In 1967, (latest estimates available) an estimated 27% of the total Bahamian labour force was directly engaged in providing tourist services, with an estimated additional 15% in the construction industry, which is supported primarily by tourism. Added to this are the numerous allied services which are dependent upon the tourist industry. Fundamentally, even in the developed areas, it is a one-industry economy in serious need of diversification. This point is brought into focus by the fact that it is estimated that in 1968 tourism accounted for more than 70% of the Gross National Product of our country, and approximately 60% of total government revenues.

But, while there has been spectacular growth and some economic prosperity in New Providence and Grand Bahama, most of the Out Islands have remained unchanged. While some of the islands, such as Eleuthera, Abaco and Andros, are beginning to develop, there is still a general lack of industry and mechanized agriculture. Obviously, there can be few employment opportunities -- except for the fishing and individual farming which characterise the Out Islands.

With the exception of the Bahamas Agricultural Industries, Limited, sugar operation on Abaco, and its timber operation on Andros, Bahama Cement Company, and several smaller firms on Grand Bahama; Diamond Crystal Salt on Long Island; and Morton Salt on Inagua, there is little industry in the Out Islands. Main agricultural production is derived from small holdings farmed by families.

Taking the Out Islands in total, there is not enough tourism to say that it is a major source of employment and income. Since there is a relative lack of tourism and little industry in the Out Islands, there are obviously not nearly enough skilled and semi-skilled jobs to allow for substantial economic development. This problem can be remedied only by introducing the type of industries that can provide desirable employment opportunities for these islands. The Abaco Island Sugar Project ideally fulfils this description, for of the total employment of approximately 525 persons, 80% held skilled or semi-skilled jobs. The operation is highly mechanized.

It is the hope and expectation of this Government that the successful development of a sugar industry on Abaco Island will lead to additional industrial development by other companies on the Out Islands. In this respect, the Abaco Sugar Project is important, not only for its own sake, but because of the positive results which can reasonably be expected to flow from its successful operation, which is in turn dependent upon sympathetic consideration by the American Government of a need for an adequate outlet for its raw sugar exports.

B. THE BALANCE OF TRADE BETWEEN THE UNITED STATES AND THE BAHAMAS

During 1969, total imports of the Bahamas from the United States amounted to \$206 million of which \$48 million consisted of agricultural commodities. These imports totalled 72% of our total imports.

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I desire to supplement the Prime Minister's letter by several amplifications thereof as follows:

1. Reciprocal Trade -- The figure for Bahamas exports to the United States for 1969 was only \$33 million as compared with the United States exports to the Bahamas of \$206 million or a ratio of 14 to 1 in favor of the United States. Also, the figure \$48 million for United States agricultural exports to the Bahamas is the highest dollar figure for any foreign quota holding country.

2. Commonwealth Quotas -- The reasons given by the Government of the United Kingdom for denial of participation by the Bahamas in the Commonwealth sugar quota arrangements are:

A. No modification of existing entitlements are possible under the Commonwealth Sugar Agreement without unanimous approval of the recipients of the Commonwealth quota (the Sugar Growers Associations-- not the countries involved). They vetoed such participation. Sugar usage in the United Kingdom is static so no additional entitlements are possible.

B. Pending negotiations for the entry of the United Kingdom into the European Common Market made it necessary to freeze all present United Kingdom-Commonwealth sugar arrangements.

It is therefore, obvious that the Bahamas can expect no participation in the sugar market of the United Kingdom within the next three years.

3. United States Quota -- It should be pointed out that while the increase from the present quota of 10,000 tons to 33,000 tons as

contemplated in the House bill might seem on its face to be disproportionate, it is not so in fact when properly understood. The present quota for the Bahamas was fixed in the Sugar Act Amendments of 1965 at a flat figure of 10,000 tons per year with no participation by the Bahamas in prorations and deficits from other countries. This was done because the Bahamas was not in sugar production at the time the 1965 Amendments were passed. If the Bahamas had had a basic sugar quota of 10,000 tons with the right to participate in prorations and deficits, it is estimated that the total entitlement of the Bahamas in 1970 would have been approximately 30,000 tons.

I desire also to present certain additional information in support of this request.

Supplemental Information Relative to Position of Owens-Illinois With Regard to Sugar Industry in the Bahamas

As has been announced publicly on November 9, 1970, Bahamas Agricultural Industries Ltd. is not harvesting any cane sugar in the 1970-1971 cane harvesting season. It is preserving the cane growing on the 18,000 acres described above by approved agricultural practices including adequate fertilization, herbicide application, and pest controls. Such cane will thus be available for harvesting in the 1971-1972 crop year. The mill is being fully maintained.

The 1971 quota of the Bahamas is being filled from raw sugar inventory remaining from the 1969-1970 harvest. Attempts were made during

1969 and 1970 by the Bahamas Government to secure an increased quota in 1970 through participation in short falls by legislative and executive action to no avail.

Having lost \$6,700,000 in 1969 and \$3,000,000 in 1970, Bahamas Agricultural Industries thought it would be economic folly to harvest the 1971 crop without assurance of a substantially increased market for sugar in the United States since out of pocket cost of harvesting and milling would exceed indicated return from any raw sugar sold on the world market.

Bahamas Agricultural Industries, Ltd. with the full support of the Bahamas Government is actively attempting to sell its sugar operations as a going business preferably to a buyer with extensive international experience in sugar operations with the sort of complete sugar production staff and experience Owens-Illinois, Inc. finds it lacks.

During the past five years Owens-Illinois through Bahamas Agricultural Industries, Ltd. has invested and spent approximately \$45 million developing the Abaco sugar project. Due to some unforeseen difficulties, such as a cost overrun on building the mill, a delay in bringing the mill into production, unusually dry weather during two of the growing seasons, the use of unskilled and inexperienced personnel in connection with the building and operation of the plantation and other factors, a decision to sell this business and take a very substantial loss has been made. The company issued a press release on November 9, 1970, and gave this decision wide dissemination prior to charging off a net loss after possible tax credits of approximately \$22 million.

Since the announcement was made that the company proposed to dispose of its properties on Great Abaco Island as a going sugar operation, it has been actively seeking a buyer therefor. Brochures containing a complete history and description of the properties and operations have been given worldwide distribution. Numerous representatives of prospective buyers have been conducted on inspections of the properties and have been furnished financial, agricultural, mill operating data, or other information.

It is clear that if the properties are to be sold for continuing sugar production, two basic requisites must be satisfied. They are as follows:

1. The Purchase price must be at a rock bottom bargain level to reduce the depreciation, amortization, and interest costs far below the heavy burdens these items have placed on Bahamas Agricultural Industries, Ltd.

2. A market for the bulk of the sugar produced by the operation at United States premium prices must be available through the increased sugar quota requested by the Prime Minister of the Bahamas in his letter of June 16 to the Chairman of this Committee.

Owens-Illinois Inc. is committed to the fulfillment of the first prerequisite. It is prepared to sell these sugar properties for continuing sugar production for what it can reasonably expect to realize from them on an orderly piece-by-piece liquidation without any quota increase. Thus, the sugar quota increase granted to the Bahamas in the Sugar Act Amendments as passed by the House of Representatives does not represent any "bonanza" for Owens-Illinois, Inc.

If the sugar properties cannot be sold for continuing sugar production, we can see no alternative but sale of the sugar mill in dismantled form and the orderly liquidation of the various real estate components of the operation, the dock, houses, developmental land, cleared agricultural land, etc. over a period of years, with a resulting highly blighting effect on the current economy of Great Abaco Island and the Bahamas generally.

Further Information on Relation of the Bahamas to the United States and Its Importance to Our Country

I desire to add to the statement of the Bahamas Government concerning the friendly nature of the relation of the Bahamas to the United States because I believe it has been understated in the interest of not appearing to be too demanding.

The Bahamas has never requested financial aid from the United States.

The United States maintains important installations in the Bahamas rent free. I shall discuss only two in detail as typical. The first is the world's largest underwater research and testing center, located on Andros Island, called The Atlantic Undersea Test and Evaluation Center. This represents an investment of over \$130,000,000 by our country on which we pay no rent for the land and no taxes of any kind to the Bahamas. All materials and supplies connected with the building of this base came into the Bahamas duty free and all materials and supplies -- including food -- connected with this operation likewise enter the Bahamas duty free. We also enjoy extra

territorial legal privileges for our citizens employed there. Compare this with our situation in Spain or other "friendly" countries where we maintain sizable installations for which we must pay the host country millions of dollars.

A similar situation is true of all our installations in the Bahamas including what is probably our most important missile tracking station and missile air base which is located at Gold Rock Creek, Grand Bahama Island, and known as Gold Rock Missile Base Station of the United States Atlantic Missile Range. Here the Tyros weather satellite was launched in 1965. Here too, the nerve center for direct voice communications with orbiting astronauts is located. Efforts to recover men and capsules returning from space into the Atlantic Ocean are directed from this station. The Air Force base which operates in conjunction with the missile station has here one of the largest and most complete runway and air terminal complexes in the Bahamas. Other missile bases are located at San Salvador, Mayaguana, Eleuthera and Exuma (all part of the Bahamas).

Other important defense related activities of the United States conducted on a similar rent and tax free basis in the Bahamas are:

1. The Bahamas Long Range Proving Ground, established July 21, 1950, by a series of agreements which permit the United States to launch rockets and missiles in the Bahamas or to fly them over the Bahamas for testing purposes;

2. The High Altitude Interceptor Range, established March 2, 1953, expanding United States rights with regard to the Proving Ground to permit the testing of interceptor aircraft and armaments;

3. A Long Range Aid to Navigation Station, established June 24, 1960;

4. Oceanographic Research Stations, three of which have been established since November 1, 1957.

What have we done for the Bahamas in exchange for these privileges? We did grant the Bahamas the 10,000 ton sugar quota referred to above. The Export-Import Bank has extended a few loans to projects in the Bahamas, but these have obviously benefited the United States suppliers and contractors. Otherwise, in my opinion, we have actually treated the Commonwealth of the Bahamas rather unfairly in the light of what it is doing for us.

The United States refused the requests of the Bahamas for special administrative action to permit its participation in short falls of other offshore suppliers.

The United States refused the request of the Bahamas for exemption from our Interest Equalization restrictions while granting exemption to Canada which has a much stronger economy than the Bahamas and is relative to respective size no more important to us economically or strategically.

Over the strenuous protest of the Bahamas the United States dumped its nerve gas a relatively few miles from Great Abaco and Grand Bahama Islands in the Bahamas. If we had dumped this potentially dangerous

gas as close to Long Island, New York, or Washington, D.C., you can imagine the huge outcry that would have occurred.

This modest request of the Bahamas for confirmation of the increased sugar quota granted in the House approved bill comes at a time when the economy of the Bahamas is in the doldrums largely as a result of our own economic recession. Nothing can do more, in my opinion, to cement and improve our relations with the Bahamas, our closest and most strategically important off shore neighbor, than the granting of this request.

Respectfully submitted,

Hugh C. Laughlin

Summary of the Principal Points
of the Statement of
Hugh C. Laughlin
before the Committee on Finance
of the United States Senate

June 22, 1971

PRINCIPAL POINTS INCLUDED IN THE
ATTACHED STATEMENT OF
HUGH C. LAUGHLIN

Hugh C. Laughlin, retired Executive Vice President of Owens-Illinois, Inc., a United States corporation with headquarters in Toledo, Ohio, and now a consultant for that Company, appears in its behalf to support the request of the Commonwealth of the Bahamas that the basic sugar quota provided for in H.R. 8866 as passed by the House and its resulting additional prorations be included in the Bill to be adopted by the Senate.

The principal reasons for this request are contained in a letter from the Prime Minister of the Bahamas to the Chairman of the Committee on Finance dated June 16, 1971, which is reproduced in full in the formal statement attached. They may be summarized as follows: a U.S. sugar entitlement for the Bahamas of at least 33,000 tons (as provided in the House passed Bill) is absolutely essential if there is to be a continuance of the only sugar industry in the Bahamas. This is located on Great Abaco Island and is owned and operated by a wholly owned subsidiary of Owens-Illinois, Inc.

This is the only industry on Great Abaco Island, the second largest island in the Bahamas, and the only large scale modern agricultural industrial operation in the country. The industry pays the same wage scales as are paid in the cane sugar industry in the United States. Thus, since sugar is a labor intensive industry, almost the entire benefit of such quota

will accrue to its workers who comprise a major part of the employed persons on the Island.

The United States should thus support the Bahamas because:

1. The Bahamas is the closest friendly off shore neighbor to the United States. Development of a new industry such as this sugar operation is essential to the establishment of a sound economy in the Bahamas, thus making that country not entirely dependent on tourism and thereby providing economic stability there which is of prime importance to the United States.

2. The Bahamas requests help in this enterprise through "trade--not aid." (The Bahamas has never requested any financial aid from the United States.)

3. U.S. exports to the Bahamas in 1969 totaled \$206 million compared with Bahamas exports to the United States of \$33 million. (Included in the U.S. export figure was \$48 million of agricultural commodities, the highest dollar figure for any foreign quota holder.) This was 72 percent of all Bahamas imports in that year. The economy of the Bahamas is oriented almost entirely to that of the United States, not to the economies of the United Kingdom or British Commonwealth countries.

4. The United States maintains in the Bahamas numerous military and space installations which are regarded by its authorities as of extreme importance to the country. They include the world's largest underwater research and testing center and one of the United States' most important missile tracking and control centers. These and the other such installations

are conducted on Bahamas' owned land rent free and tax free and free of any duties on all construction materials and all food or other supportive supplies.

The total entitlement provided for the Bahamas in the Bill as passed by the House is not a material increase over what would have been the entitlement of the Bahamas under the 1965 Amendments had it participated in the Cuban-Rhodesian proration and the prorations of deficits on the basis of a basic quota of 10,000 tons. That it was the only such quota holder that did not so participate is entirely due to the historical accident that it was not yet in sugar production in 1965.

The fact that the Bahamas have no participation in the British Commonwealth Sugar Agreement quotas is due to the veto of such participation by the existing participants in such quotas as allowed by the terms of such Agreement.

The granting of this quota will primarily benefit the Bahamas and not Owens-Illinois, Inc., owner, through a wholly owned subsidiary, of the Great Abaco sugar operation. That Company has announced its intention to retire from sugar production and sell these sugar properties as a going operation if possible. If not, they will be sold in an orderly liquidation. Owens-Illinois, Inc. is now offering to sell such sugar properties at their reasonable liquidation value irrespective of any change in the existing Bahamas sugar quota.

SUPPLEMENTAL STATEMENT OF HUGH C. LAUGHLIN
BEFORE THE COMMITTEE ON FINANCE OF THE UNITED
STATES SENATE IN CONNECTION WITH THE SUGAR ACT
AMENDMENTS OF 1971 (H.R. 8866)

Since my statement was completed, the question has arisen as to the efforts the Bahamas has made to secure participation in the Commonwealth Sugar Agreement since it is a member of the Commonwealth Preference System. I will relate the attempts to secure participation in the Commonwealth Sugar Agreement and the complete rejection of these efforts.

All feasibility studies conducted prior to the establishment of a sugar business on Great Abaco Island indicated the absolute necessity of premium priced markets if the business was to be viable. Immediately after the United States Congress awarded the Bahamas a quota of 10,000 tons in 1965 exploratory discussions began with the Bahamas Government, the British Commonwealth and Foreign Office and the Chairman and other officers of the Commonwealth Sugar Exporters Association (this Association represents the supplying parties of the Commonwealth Sugar Agreement), looking toward membership in the Commonwealth Sugar Agreement. While it was recognized that over 70 per cent of Bahamas imports originated in the United States, it is nevertheless true that the Bahamas is part of the Commonwealth Preference System. This, however, does not entitle it to participate in the Commonwealth Sugar Agreement. The Commonwealth Preference System, which relates to tariff rates generally, was established

by treaties among the Commonwealth countries and with the United Kingdom and is binding on the Bahamas as a British Colony. It is entirely separate from the Commonwealth Sugar Agreement which is between the United Kingdom and the individual Commonwealth sugar producing companies or their associations to which the Bahamas is not and has never been a party.

In the Fall of 1965 I made two visits to London as Executive Vice President of the parent company, Owens-Illinois, Inc., where discussions were held as to prospects of membership and effective methods of application.

While sympathetically received, I was told that (1) United Kingdom sugar consumption was static with no prospect of growth, and (2) a new member could only be admitted by unanimous consent of the present members, one or more of which would have to give up part of its premium priced quota in favor of the Bahamas.

As a result of these discussions, it was concluded that the only hope of entry into the Agreement was persistent persuasion by the Bahamas Government to the Commonwealth office to cause CSA members to make room for the Bahamas, in view of the paramount importance of the sugar venture to the Bahamas economy. After appropriate conversations, the Governor of the Bahamas, at the request of the Prime Minister, urgently

requested the Commonwealth and Foreign Office that the Bahamas case be presented to the Commonwealth Sugar Agreement in the strongest and most favorable terms. A copy of the follow-up to this request is enclosed in the form of the Governor's dispatch dated May 10, 1968. (Note paragraph 2.) Enclosed also is a further similar dispatch from the Governor of October 30, 1968.

Personal discussions in London with the Chairman and Executive Director of the Commonwealth Sugar Association were held by me as Executive Vice President of Owens-Illinois and the President of the Bahamas Subsidiary, to reinforce the Bahamas' request. These discussions took place on two occasions late in 1968. At the same time similar appeals were made directly to the Foreign and Commonwealth Office.

In November 1968 a meeting was held in London with heads of delegations of all Commonwealth Sugar Agreement members by the same representatives of Owens-Illinois and Bahamas Agricultural Industries. The discussions were cordial but not encouraging.

A formal refusal of the Bahamas' request was received from the United Kingdom by the Governor and transmitted by Charles W. Lynn, Bahamas Director of Agriculture, on December 10, 1968. Mr. Lynn enclosed a copy of the dispatch of refusal from the Commonwealth and Foreign Office. These documents are attached hereto. It should be

particularly noted that the notice of refusal from the Commonwealth and Foreign Office states in part that "the parties to the Agreement * * * did not at present foresee a situation in which they might be able to reconsider the application. "

In spite of this refusal, discussions have continued between Bahamas Agricultural Industries and the officers of the Commonwealth Sugar Exporters Association; and with the Commonwealth and Foreign office; and with the principal supplying members of the Agreement. These further discussions took place in London in January, June, September, and November of 1969, and in March and May of 1970. These representations have continued to be non-productive. An additional reason for refusal arose in these discussions; i. e. , namely the prospective entry of the United Kingdom into the European Common Market, which necessitated a freeze on further United Kingdom quota commitments.

We can only conclude that in spite of the urgent requests and persuasion from the Bahamas Government and the United Kingdom Government, membership in CSA is firmly denied to the Bahamas.

Respectfully submitted,

Hugh C. Laughlin

June 22, 1971

Sir: I have the honour to refer to my Despatch No. 76, of March 14, in which I asked that Her Majesty's Government in the United Kingdom secure the international recognition of the Bahama Islands as a producer entitled to consideration under any new International Sugar Agreement, and to record the appreciation of the Government of the Bahamas for the action taken to enable this country to be represented by an adviser (Mr. C. W. Lynn, C.B.E., Director of Agriculture) in the United Kingdom Delegation at the discussions now proceeding in Geneva. I am now desired by my Ministers to ask that the Bahama Islands be enabled similarly to take part in any discussions about the extension of the Commonwealth Sugar Agreement of December 21, 1951 (as from time to time extended and amended).

2. When the sugar-producing project of Bahamas Agricultural Industries, Limited (as the Company is now called) was contemplated in early 1966, the difficulty of obtaining for a sugar industry in these islands a negotiated-price quota under the Commonwealth Sugar Agreement was explained to me by Mr. W. I. J. Wallace, C.M.G., O.B.E., then Assistant Under-Secretary of State in the Colonial Office, and I passed on his warning to the Government and to the Company. I have, in duty bound, taken all suitable subsequent opportunities to stress to the Government and to representatives of Bahamas Agricultural Industries Limited and the parent company, Owens-Illinois Inc., the difficulties that persist so long as British sugar consumption is fairly static and there is little slack between sugar requirements in the United Kingdom and commitments under the Commonwealth Sugar Agreement together with United Kingdom production of sugar-beet. It is appreciated also by my Government that there would be additional difficulties if Britain were to enter the Common Market. It is known also that some of the present participants in the Agreement are seeking larger quotas. Nevertheless, despite all these difficulties (which have also been explained to representatives of the Company by influential persons in the sugar industry in the Commonwealth), my Government urges that the claims of the Bahama Islands be strongly pressed.

3. I trust that the substantial progress made with the project of Bahamas Agricultural Industries Limited for the growing of sugar-cane on Abaco and the milling of the cane and the production of sugar and the importance of this project to these Islands that so urgently need a diversification of their economy were adequately explained in my Despatch No. 76 and in the Company's Memorandum that accompanied that Despatch. The Company and my Government stand ready, however, to give any further information that may be required.

4. Beginning in 1969, the Bahama Islands will have a substantial exportable surplus of sugar. This is expected to be 50,000 short tons (44,545 metric tons) in 1969 and 55,000 short tons (50,000 metric tons) thereafter. Without a substantial Negotiated-Price Quota under the Commonwealth Sugar Agreement, this sugar would have to be sold to Canada or in the limited world market elsewhere at prices that are currently well below the costs of production. The Abaco project would not then be viable.

5. I am advised that Commonwealth participants in the Agreement in the West Indies and Guyana have Negotiated-Price Quotas that are approximately 74% of their Over All Quotas. My Ministers urge that strong representations should be made to secure for this developing country, the economy of which is perilously based solely on tourism and money-management, without the fall-back assets of any primary production or secondary industry, a similar Negotiated-Price Quota.

6. It has been noted by my Ministers that in the draft International Sugar Agreement (TD/Sugar.7/R.1 of January 4, 1968), copies of which were kindly provided by your Office, Articles 33 and 34 provide for participants in the Commonwealth Sugar Agreement to be treated as a special group. This is an additional reason why my Ministers urge that a claim be made for Bahamas participation in the Commonwealth Sugar Agreement.

7. I respectfully urge, therefore, that despite the admitted difficulties, my Government's request should be strongly pressed.

I have the honour to be, sir, your most obedient, humble servant,

C. E. A. GREY,
Governor.

Sir,

I have the honour to refer to your Despatch No. 132 dated 16th August, 1968, on the subject of the request of the Bahamas for early participation in the Commonwealth Sugar Agreement.

2. Whilst the extent to which the Bahamas may benefit under the International Sugar Agreement recently achieved at Geneva has yet to be decided, it is certain that further markets must be found for at least 12,000 metric tons of raw sugar in 1969 and 40,000 metric tons in 1970 if an economically viable industry is to be established here.

3. In view of the importance of the diversification to our economy which would result from the successful establishment of this industry, the Prime Minister, The Honourable L. O. Pindling, has asked that our request for participation in the Commonwealth Sugar Agreement should be presented to the forthcoming meeting of participants in the strongest and most favourable terms possible.

4. A brief outline giving an up to date statement of the case for the Bahamas has accordingly been prepared by the Minister for Trade & Industry, and is attached herewith as an aide memoire.

I have the honour to be, sir, your most obedient, humble servant,

C. E. A. GREY,
Governor.

IMPORTANCE OF SUGAR INDUSTRY TO THE ECONOMY OF THE BAHAMAS

NOTE IN SUPPORT OF APPLICATION FOR QUOTA UNDER COMMONWEALTH SUGAR AGREEMENT

(Prepared by Minister of Trade and Industry)

1. The Bahamas will become a developing sugar producer in January 1969. Nineteen thousand acres of sugar cane have been established on the Island of Great Abaco during the period 1966-68. Seventeen thousand acres will be ripe for cutting and grinding in the newly erected mill during the winter season January-May 1969.

Estimated production of raw sugar:

1969—36,000 metric tons.

1970—64,400 metric tons.

The normal capacity of the factory is 75,000 tons. Markets have been secured for 9,100 metric tons United States quota and we have an internal market for some 4,500 metric tons of refined sugar. This leaves a balance of 22,400 tons in 1969 and 50,800 tons in 1970 for which markets must be found. It is still hoped that some relief may be granted under the provisions of the new International Sugar Agreement.

2. The decision to grow sugar cane in Great Abaco was taken in good faith in 1965 following feasibility studies inaugurated in 1962 to find a suitable economic crop for the island in anticipation of the closing down of the pulp-wood operation (based on indigenous *Pinus caribaea*) which was coming to the end of a thirty year growing cycle in 1967.

The establishment of a sugar industry appeared to be the best way in which the existing capital installations in buildings, harbours and roads could be utilised and economic employment provided on Great Abaco, which has not shared greatly in tourist expansion and is lacking in alternative economic outlets.

An agreement was entered into between the Owens-Illinois Company (now Bahamas Agricultural Industries Ltd.) and Government in 1966 whereby the Company agreed to develop an industry by 1969 with a productive capacity of not less than 50,000 tons on a highly mechanised and automated basis offering maximum employment to Bahamians. Government for its part agreed to make Crown Land available and to protect the internal market for a period of ten years in order to encourage the industry in every way possible.

3. The development of a viable sugar industry is of vital importance to the Bahamas in providing:

(i) A positive contribution to balancing the national economy at present dangerously dependent upon tourism.

(ii) A variety of job opportunities for Bahamians.

(iii) A break-through in the application of modern methods of land usage which is likely to revolutionize agricultural techniques in the future.

In the circumstances it appears logical for the Bahamas to look to the United Kingdom for help in securing assistance under the Commonwealth Sugar Agreement.

MINISTRY OF TRADE AND INDUSTRY,
Nassau, Bahamas, December 10, 1969.

Mr. TOM W. BROWN, Jr.,
Bahamas Agricultural Industries Ltd.,
Nassau.

COMMONWEALTH SUGAR AGREEMENT

DEAR MR. BROWN: I attach a copy of the cable F.C.O. Telo 402 of 4th December 1968 received from the Foreign and Commonwealth Office from which you will see that we were completely unsuccessful in our request to become a party to the Commonwealth Sugar Agreement. I share your disappointment at the outcome of this application.

Herewith also a copy of the Secretary of State's Saving Despatch Circular No. 130/68 dated 14th November 1968 from paragraph 6 of which you will note that a reply is required by 15th December regarding our wishes under articles 4 and 6 (3).

I note that we do not necessarily have to register our desire for membership at the same time as the United Kingdom signs and notifies but may do so at any time thereafter. Although it is pointed out that it would obviously be tidier for us to do so if it was our intention.

We must send a reply at the end of this week saying what we have in mind.

Yours sincerely,

C. W. LYNN,
Director of Agriculture.

COMMONWEALTH SUGAR AGREEMENT

Application by the Bahamas for membership of the Commonwealth Sugar Agreement which notice has been given at the first plenary meeting on 12 November was taken at the second and final plenary session of the OSA talks held yesterday, 3 December.

2. In presenting the request the Ministry of Agriculture (UK) delegation pointed out the importance to the Bahamas economy as a whole, and especially to the less developed islands of the development of the sugar industry.

3. The UK was unable to meet the request by an increase in the total of necessitated price quotas because of the extent of its present commitment and the fact that there appeared to be no upward trend in consumption.

4. The CSA exporters, while wishing to see any Commonwealth can sugar exporters within, rather than outside the CSA, could not contemplate any reduction in the level of their negotiated price quotas to provide a quota for the Bahamas.

5. Although the parties to the agreement sympathised with the difficulties of the Bahamas in securing market outlets for sugar they were unable to accept the application and did not at present foresee a situation in which they might be able to reconsider the application.

6. Much regret having to give this disappointing reply but fear that above conclusions were inescapable in all the circumstances. You will, I am sure, also appreciate that in the highly unlikely event of extra quota allocations becoming available there would be a number of claimants for allocations. Some existing producers have been seeking participation or increased quotas unsuccessfully for some time.

Senator MILLER. Would the chairman allow me to ask a question at this point?

The CHAIRMAN. Yes.

Senator MILLER. I think your point is that while they are a part of the Commonwealth, and theoretically, therefore, entitled to some preference in the Commonwealth, as a matter of fact, they do not receive a preference. They have requested a preference and have been turned down?

Mr. LAUGHLIN. Yes, the Commonwealth Sugar Agreement is very unusual. It is an agreement between the British Government and the

actual supplying companies and their associations, and the agreement itself provides that no redistribution of the quotas can be made unless every one of the suppliers agrees to the redistribution. And none of them are going to agree, because they get cut in order to have a redistribution, because the British are not using any more sugar. Therefore, there is no more sugar—you cannot cut the pie any bigger.

This is a really sort of club arrangement. It is not like we have here, where the Parliament would decide how British sugar is distributed among the Commonwealth countries; it is like a club arrangement between the suppliers and the British Government that grew out of the World War II situation, when they gave up rationing. It is not at all comparable to what we have here.

The CHAIRMAN. I want to know this: Did you produce the sugar necessary to fulfill your quota last year?

Mr. LAUGHLIN. Yes, sir. We fulfilled, we actually produced the sugar to fulfill the quota last year. In 1970, we produced twice as much sugar as necessary to fulfill our 1970 quota. So we filled our 1971 quota out of what we produced in 1970. We produced approximately 20,000 tons of sugar in 1970; our quota was 10,000 tons.

The CHAIRMAN. Where did you sell the remainder of it?

Mr. LAUGHLIN. We carried the sugar over and sold it to the United States in 1971.

The CHAIRMAN. Well, now, are you producing enough now to where out of the current production, you can fill that quota?

Mr. LAUGHLIN. We are not producing any sugar this year, but the sugarcane is still growing and the sugar can be produced next year. It can be harvested in the next season and it is our best estimate that the quota could more than be fulfilled from the sugar that is now growing because allowing the cane to grow 2 years increases the amount of sugar that can be produced. As a matter of fact, in many countries, they grow sugarcane for 2 years rather than 1.

One more item. I would like the privilege of filing with the clerk of the committee two copies of a brochure which we have widely distributed which gives the full description of the sugar operations, with extensive pictures of the extensive sugar plantings. There has been some indication that people do not think sugar can grow in the Bahamas, and I would like to suggest that you might want to look at these pictures. I am not suggesting that they be printed in the record, I am only suggesting that they be lodged in the files.

The CHAIRMAN. We will make that available, then, to the committee members.*

Thank you very much, Mr. Laughlin. There are no questions.

The next witness is Mr. Thomas H. Boggs, Jr., in behalf of the sugar industries of Central America; Costa Rica; El Salvador; Guatemala; Honduras; and Nicaragua.

Is the situation in all five of those countries the same, Mr. Boggs, or do they have different problems?

*The material referred to was made a part of the official files of the committee.

STATEMENT OF THOMAS H. BOGGS, JR., IN BEHALF OF THE SUGAR INDUSTRIES OF CENTRAL AMERICA: COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS, AND NICARAGUA; ACCOMPANIED BY WALTER WIDMANN, CHAIRMAN, CENTRAL AMERICAN SUGAR COUNCIL

Mr. Boggs. Mr. Chairman, the trading situation with the United States is approximately the same in all five, but the sugar industries in each country are quite different from one another.

I have with me today Mr. Walter Widmann, who is chairman of the Central American Sugar Council, whom I would like to call to the stand.

The CHAIRMAN. We will print this entire statement. Of course, it is a rather formidable statement.

Mr. BOGGS. Mr. Chairman, we have two documents here, one which we would not suggest be incorporated in this record. That is the long document. The short document we would suggest be printed in the record.

The CHAIRMAN. The statement I hold in my hand here is about 53 pages. In view of the fact that you are describing five countries, we will certainly be willing to print that.

What is your view with regard to this other matter here? It is a rather full statement and I just want to know how you would like for us to handle it for the record.

Mr. BOGGS. Mr. Chairman, we will simply file that with the Clerk of the Committee for his and your information, but not for insertion in the record.¹

Before I begin, just a brief summary of the statement, Mr. Chairman, I ask that the committee members turn to the charts which are appendix A to the statement.

Mr. Chairman, as you know, we have a rather detailed statement which deals with the position of the Central American countries generally as they represent the Central American Common Market and also the individual countries of that market.

Briefly, we would like to recommend some changes to the House bill. First, we would like to recommend that the provisions quotas providing increases to 11 nations under the House bill be extended to include all the small producing nations. There are 18 nations that under the 1965 act currently have quotas of less than 1 percent of the U.S. market. That excludes the French West Indies and Southern Rhodesia. Now, if the committee took the same amount of sugar which the House took and distributed that among all of the small 18 producing countries, we feel the bill would be a much more equitable bill.

Secondly, Mr. Chairman, the House committee gave Panama, which is a neighbor of Central America, and a very close ally of each of the Central American countries—as you know, it is virtually a part of Central America—a substantial increase in sugar, a 20,000-ton increase. But it did not fund that increase until 1973, because Panama stated it was not in a position to produce that sugar next year, but year after next. It would be helpful to the Central American countries which

¹ The document referred to was made a part of the official files of the committee.

received a reduction in the House bill if that 20,000 tons of Panamanian sugar could be allocated to them in 1972 or until such time as Panama could produce that sugar. This would in effect alleviate the effect of the reduction they received in the House, because in 1973 and 1974, the consumption in the United States should be such that the decreases they received under the House bill would be minimized.

Finally, Mr. Chairman, as a minimum change to the House bill, we would recommend that the domestic increases provided by the House bill, the 300,000 tons, come from all foreign suppliers. Under the House formula, this 300,000 tons which goes to the domestic industry comes from the Western Hemisphere countries and from the Philippines. The Philippines is the only country in the Eastern Hemisphere which provides some of the sugar for the 300,000-ton domestic increase. Before this committee begins to adjust quotas upward or downward, we would suggest that it adjust the overall quotas of all foreign suppliers to make up for the 300,000-ton domestic increases.

Mr. Chairman, in your press release announcing these hearings, you asked for specific information on the trade relationship between the foreign suppliers and the United States and on the distribution of income derived from the program within the participating countries. The Central American Common Market was formed in the early 1960's. The United States, by the way, actively supported the formation of that market. At that time, there was less than \$4 million of trade among the five Central American countries. Today there is more than \$400 million of trade among those five countries. So you can see there has been a very drastic and rapid rate of internal market change taking place within these five small countries. At the same time, their trade relationship with the United States has grown more favorable to the United States. Between that period of time and today, they exported to this country \$2.6 billion worth of products, but imported from us \$3 billion in products, for a net balance to the United States of \$400 million.

I would like to call your attention, Mr. Chairman, to the chart at this point which is labeled "A-4," because I think it does represent information that the committee should consider. It shows that of the available dollars to these countries that share in the sugar program, how much of those available dollars they spend on American products. In other words, it takes the gross domestic product of each country and puts it on a per capita basis, which is a good measure. Obviously, a country which is developed like Venezuela can buy a lot more from the United States than a country which is underdeveloped, like Honduras. So it tries to alleviate that difference by adopting a standard—the GDP. The Central American countries spend 9 cents of every dollar on U.S. products. The black line shows their per capita sugar quota is only 36.88 pounds per capita. By contrast, the Philippines spends 4 cents of every dollar on U.S. products and has a per capita quota of 70 pounds. You can go down the chart and see a number of differences. There are only two countries on the chart that spend more of their dollar on American products than the Central American countries.

The benefits of the sugar quotas in Central American countries are dispersed widely throughout their economies. Wages paid in sugar industries are among the highest in Central America. Production is widely owned and cane is produced primarily by small farmers. Details for each country can be found in the attached statement.

Mr. Chairman, all five Central American countries have traditionally supported the United States as trading partners, as political allies. Not once has a Common Market country voted against the United States in any international forum. Troops were sent to the Dominican Republic. Cuba was excluded from OAS at San Jose, Costa Rica. No country in Central America has ever expropriated U.S. properties and investments by U.S. companies are actively encouraged.

Central American countries have no other preferential market for sugar besides our market. Others such as British Honduras, which received a very large increase in the House which amounts to 550 pounds per capita, have access to other preferential markets; with its current capacity to produce sugar Central America could double their existing quotas. El Salvador in particular has huge sugar surpluses which could be used to alleviate its negative trade balance with the United States.

Finally, Mr. Chairman, it is difficult for representatives of these countries who met all the criteria enunciated in the House bill, and which I believe meets the criteria spelled out in your press release, to really understand how their quotas were reduced by the House under a formula applied to countries that also expropriated U.S. properties and a formula which increased quotas of other nations which have access to preferential markets or have reached a higher level of economic development. We hope that in your consideration of this legislation, our legislative recommendations be considered.

Thank you, Mr. Chairman.

The CHAIRMAN. Let me assure you, Mr. Boggs, I will do my best to study this. I think you have probably presented us with a more detailed study of every aspect of the relevant information under consideration than anyone here and I believe it.

Mr. Boggs. Thank you, sir.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. I have no questions. I just want to say that the problem has been presented to the committee very dramatically in these charts.

The CHAIRMAN. Any further questions, gentlemen?

Senator MILLER. I am very intrigued by this chart, A-4, which you have called to our attention. You have just made some selective observations with respect to other countries. I notice you did not have Venezuela down here.

Mr. BOGGS. Senator Miller, the countries on the chart were selected, by determining the countries which supplied 90 percent of the foreign sugar to try to get them on the page and we left off some of the very small suppliers and the Eastern Hemisphere countries because it was initially prepared for the Western Hemisphere countries. Venezuela, for example, would look very similar, I would say, to Argentina. It has a very, very small per capita quota and also has a small purchase of U.S. commodities per dollar available. It does have a large gross national product and, therefore, a small purchase.

Senator MILLER. Thank you.

The CHAIRMAN. Any other questions?

Senator FANNIN. No questions.

Senator HANSEN. No questions.

The CHAIRMAN. Thank you very much.

(Mr. Boggs' prepared statement follows. Hearings continue on p. 763.)

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S T A T E M E N T

of

THOMAS H. BOGGS, JR.

before the Committee on
Finance, United States Senate

on

Behalf of the

CENTRAL AMERICAN SUGAR COUNCIL

* * * * *

June 22, 1971

(697)

Mr. Chairman, my name is Thomas Boggs. I am a member of the law firm of Patton, Blow, Verrill, Brand and Boggs which represents the Central American Sugar Council. I am accompanied today by Sr. Walter Widmann from Guatemala, the Chairman of the Council.

Historically, Central America was a unified area and it has in recent years formed the Central American Common Market for the purpose of fostering further development and growth of each of its members. The development of the market was made necessary by the fact that countries as small as the Central American republics cannot hope to achieve a reasonable degree of self-sufficiency unless companies are free to sell their products throughout the whole area without restrictions.

Nevertheless, the countries of Central America are not homogeneous. Important differences exist among the various countries. Such differences also exist with respect to the sugar industries of these countries. Each member country would like to have the Committee consider the merits of its position with respect to the United States sugar program independently, as well as considering the merits of the overall Central American position. [In accordance with the Committee rules, a Summary of this testimony is found on the last page.]

First, we will discuss briefly the Central American position on the amendments to the Sugar Act provided by H.R. 8866 and the legislative proposals for the Committee to consider. Then we will discuss the sugar industries and certain economic factors on a country-by-country basis. We think that the factors set forth in the House Committee Report are an appropriate basis for determining the treatment to be afforded to foreign producers under the proposed extension of the Sugar Act. We also think that the extent to which the benefits of a country's participation in the U.S. sugar program flow through to the workers and the country's trade relationship with the United States are particularly important, and my testimony today will summarize those factors as they apply to each of the Central American countries. A complete explanation of those factors is contained in a supplemental statement, copies of which have been provided to the Committee.

We would add only one additional factor which we think ought to be considered by the Committee in determining foreign quotas. The testimony of Mr. James H. Marshall on behalf of the American Sugar Industry, given before the House Committee on March 5, 1971, specifically recommended special consideration be given to the "timely availability of supplies." The geographic position of Central America does insure, of course, that its supply of sugar will be available to the United States on a timely basis. Moreover, the internal transportation systems and sugar surpluses guarantee that large quantities of

sugar can be shipped within a three week period.

Mr. Chairman, we would first like to comment on the changes in the Sugar Act proposed by H.R. 8866. The House bill has modified Section 204(a) of the Act to provide that the Central American Common Market "sharing" provision shall apply to all sugar quotas assigned to Central America. The current Sugar Act provides that any deficit resulting from the inability of a country which is a member of the Central American Common Market to fulfill its quota shall first be allocated to the other member countries on the basis of the quota then in effect for such countries. It is the contention of the Central American countries that this language, which was first incorporated into the Act by the 1965 amendments, was intended to apply to all sugar quotas assigned to Central America pursuant to the Act. The language has been interpreted, however, to apply only to basic and temporary quotas. The House amendment, which is in the nature of corrective legislation, will cure this misinterpretation and we urge this Committee to adopt the same amendment.

The House amendments also provide for an increase in the quota for Honduras, which we think is

justified by the application of the criteria used by the House Committee. The effect of the change is to increase the very small share of the market now enjoyed by Honduras (under 7,000 tons) to a more reasonable total of about 16,000 tons. In this connection, we express our opposition to the suggestion made before this Committee on June 17, 1971 by Mr. John N. Mount on behalf of the Sugar Users that countries with small quotas not be permitted to share in market growth and deficit reallocations. The suggestion was premised on the desire to "prevent minute fragmentation of less than shipload quantities," but we do not think, as a practical matter, that such a problem exists or will arise. We urge, therefore, that all countries with a quota be allowed to share in the market growth and deficits in accordance with the provisions of the current Act.

The criteria established by the House Committee for the allocation of quotas were not followed with respect to all countries. As stated in a dissent to the Committee Report "[T]he criteria set forth by Chairman Poage . . . were largely ignored by the Subcommittee Some of the Subcommittee's allocations are so disproportionate as to raise serious doubts that they could have been reached on any reasonable non-discriminatory basis." That dissent

goes on to state "The most conspicuous beneficiaries of these arbitrary new allocations are . . . British Honduras (population 120,000) and the Bahamas (population 195,000), both of which are eligible for participation in the British Commonwealth's preferential Sugar market." The British Honduras' quota was increased from 14,539 tons to 33,000 tons and the Bahamas' from 10,000 to 33,000 tons. Such quotas are equal to over 550 pounds per capita for British Honduras and over 330 pounds per capita for the Bahamas, far in excess of the per capita quotas afforded to any other Country.

We contend that the application of the criteria set forth in the House Committee Report for the adjustment of quotas would result in an increase in the quotas of each Central American Country. But, the House bill increases the quota of only one--Honduras. It also increases the quotas of ten other nations. This recommendation appears to be premised basically upon the proposition that certain countries with only small shares of the U. S. sugar market should receive increases, such increases to be funded from the five largest foreign suppliers. Other nations have received increases based upon special

considerations peculiar to such nations. There are, however, 18 nations excluding the French West Indies and Southern Rhodesia whose quotas are one per centum or less under the current Act. Thirteen of these countries are in the Western Hemisphere and five in the Eastern Hemisphere. The Subcommittee has recommended increases for eight Western Hemisphere countries and three Eastern countries. If this Committee accepts the principle that the quotas of small suppliers should be increased, it would be more appropriate if the increases were also given the other Western Hemisphere countries with less than one percent of the market. Increases in the quotas for all such countries could be made without any change in the total amount of sugar reallocated by the House bill and should be made on the criteria set forth in this Committee's press release.

In the alternative, we suggest that this Committee should consider the adoption of the principle that all adjustments in quotas be confined to adjustments within hemispheres. Under this plan any increased or new quotas for a Western Hemisphere country would be funded by a reduction in quota for a Western Hemisphere country, and the same principle would be applied to the non-Western Hemisphere countries.

Pursuant to this principle, we would recommend that any part of the Cuban revenue quota that is reallocated permanently be allocated only to Western Hemisphere countries on the basis of quotas now in effect. Additionally, we recommend that such permanent reallocation be withheld from those countries which do not merit such special consideration on the basis of the criteria established by the House Committee or this Committee. Any amount of sugar so withheld should then be reallocated among small producers (those countries with 1.00 per centum or less under the current Act) on the basis of those same criteria.

Mr. Chairman, we take no position on the House amendments to the extent that such amendments relate to matters other than the foreign portion of the market. We note, however, that the decision to assign 300,000 tons of the Virgin Islands and Puerto Rican deficit to domestic producers has the effect of reducing the total quotas and prorations of Western Hemisphere producers by over 150,000 tons. Actually, it is an even greater reduction in the amounts of sugar to which Western Hemisphere countries have become accustomed. This is because of the fact that even though the Republic of the Philippines is entitled, under the current

Act, to 47.22 percent of the Puerto Rican deficits, nearly the entire amount has been supplied by Western Hemisphere producers because of the inability of the Philippines to supply the sugar. We recommend, therefore, that, as a minimum, quotas be adjusted to prevent the Western Hemisphere countries from bearing the full brunt of this decrease in the foreign portion of the market.

The Governments of all the countries of Central America are friendly to the United States. All have given their support in international forums - in the United Nations, Central American countries have virtually always voted with the United States; Cuba was excluded from the OAS in San Jose, Costa Rica; all Central American countries actively supported the United States during the Dominican Republic crisis.

No Central American country has expropriated property owned by United States citizens. No discriminatory or repressive policies are imposed upon United States citizens. There are no restraints upon investment, and profits can be freely remitted and capital freely repatriated. United States citizens are free to establish businesses of any kind. There are no local participation requirements. In fact, all of the governments of Central America pursue a policy of actively encouraging investments by United States citizens in their respective economies by offering incentives to establish

new business. Such incentives include capital assistance, duty exemption, and tax holidays. At a time when the property and investments of United States citizens are being subjected to harsh, repressive and recriminatory measures by many countries, and when American businesses and investments are being expropriated without just and prompt compensation, we think that the record of Central America merits the special consideration of this Committee in the assignment of foreign quotas.

Central America has been a dependable source of sugar for the United States. All of the countries of Central America have exerted their best efforts to fulfill their quota commitments to the United States. Their record of supplying sugar during the period when world prices exceeded those in the United States market is an exemplary one. The record of each country in meeting its quota commitments to the United States will be examined in more detail during the individual country reports which follow. We also will provide details on each country's sugar reserves which in total exceed more than 100,000 tons.

The current capacity of Central America to produce sugar for the United States market exceeds its current share of the U. S. market by a substantial extent. During the year 1970, the total quotas and deficits of the Central

American countries totaled approximately 270,000 tons. The current capacity of Central America to produce sugar for the U. S. market is about 600,000 tons.

The countries of Central America have been particularly good trading partners of the United States and the United States has generally enjoyed a favorable balance of trade with the Central American countries. During the ten year period of 1960 through 1969, Central America imported products from the United States of a total value in excess of \$3 billion, while exporting products to the United States of a total value of only approximately \$2.6 billion. The United States enjoyed a favorable balance of trade during that period of over \$400 million.

To assist the Committee in its consideration of the trade relationships between Central America and the United States and between certain other countries and the United States, we have prepared a number of charts, copies of which are included as an appendix to our statement.

The charts show data for the Philippines and major Western Hemisphere countries. The quota figures are based upon the total quotas and pro rations for 1970. These countries supply nearly 90 percent of the total foreign sugar shipped to the United States. Because of the wide disparity in the populations of the countries, we have

prepared all of our figures on a per-capita basis to permit valid comparisons. Data are from United States government sources.

The first chart shows each country's share of the 1970 market on a per-capita basis. You can see that Central America's average per-capita quota of approximately 37 pounds is lower than the per-capita quotas of the Philippines with approximately 70 pounds, the Dominican Republic with approximately 325 pounds, Peru with approximately 70 pounds, the British West Indies with approximately 108 pounds, and the French West Indies with approximately 208 pounds.

The second chart shows the relationship between the sugar quotas of the producing countries and their total imports of U. S. products. The important figures are based upon the year 1969, the latest year for which figures were available when the charts were prepared. The average per-capita imports of total U. S. products for the Central American countries was in excess of \$24. This compares with average per-capita imports for the Philippines of approximately \$10, per-capita imports by Peru of approximately \$13, and per-capita imports by the French West Indies of \$20. Although some of the countries shown have greater per-capita imports from the United States than Central America, for the most part such countries also have a

considerably larger per-capita sugar quota. For instance, the Dominican Republic has per-capita United States imports of approximately \$30 which is slightly greater than the figure for Central America. The Dominican Republic also has, however, a per-capita sugar quota of about 325 pounds compared to the 37 pounds enjoyed by Central America. The chart demonstrates vividly the disparity between the per-capita imports of U. S. products into Central America and its per-capita share of the U. S. sugar market when compared to the relationship of per-capita quotas and imports of the other countries.

The third chart shows the relationship between the U. S. sugar quota of these producers as compared to imports of U. S. agricultural products during the year 1969. In 1969, the per-capita imports of agricultural products by Central America was \$2.62, as compared to \$2.10 for the Philippines, \$1.80 for Mexico and \$0.76 for Brazil. Again, the graph illustrates the extent to which Central America's per-capita quota is not as high as it would be, if quotas were allocated on the basis of United States agricultural imports.

The fourth chart shows the relationship between the U. S. sugar quota and total imports of U. S. products per \$1 of gross domestic product. This chart is presented

because we believe that the GDP of a country is a reasonable measure of its ability to buy products from the United States. Obviously, a country enjoying a gross domestic product of \$1,000 per-capita is capable of buying substantially greater quantities of goods from the United States than is a country with a smaller per-capita gross domestic product. The GDP figures are based on the year 1967, the latest year for which such data were available. The chart shows that for every \$1 of gross domestic product, the Central American countries purchase 9 cents of United States products. Only two countries purchased a greater amount of U. S. products per \$1 gross domestic products than did Central America - the British West Indies and the Dominican Republic and both of these countries have a per-capita sugar quota many many times greater than Central America. The 9 cents for Central America compares with 4.7 cents for the Philippines, 2.3 cents for Brazil and 7.9 cents for Peru. Again, this graph demonstrates that Central America, on a per-capita basis, is one of the United States' best trading partners, among foreign countries with a U. S. sugar quota.

Finally, we have a chart which shows U. S. direct investments in the countries on a per-capita basis for the year 1969. The chart gives data for all countries to the extent that such data were available. As of 1969, U. S.

direct investments in Central America were in excess of \$43 on a per-capita basis, compared to approximately \$19 for the Philippines, \$33 for Mexico, \$18 for Brazil, and \$54 for Peru. These figures demonstrate the extent to which Central America does offer a hospitable climate for investment. It is particularly important if we bear in mind that such investments in Central America are in no danger of being subjected to repressive actions. While no figure is available for the Dominican Republic, a country with an extremely high per-capita sugar quota, the total foreign capital invested in this country is a smaller percentage of total investment than in most other Latin American countries. (See Department of Commerce, Overseas Business Reports, 70-92, December 1970 at p. 3).

Central America needs to share in the United States sugar market. First, no Central American country participates in any premium market other than that of the United States. (H.R. 8866 increases the quotas of three countries which are exporting members of the Commonwealth agreement.)

Second, and more importantly, all of the countries of Central America are developing nations and must depend, for the most part, upon agricultural exports to earn foreign exchange. The average per-capita gross national product for Central America in 1967 was \$288. This is, obviously, a low figure and demonstrates Central America's need of

ways to develop its economy. The sale of sugar to the United States represents an important source of foreign exchange for these countries. In 1969, the total value of sugar exports to the United States was approximately \$29 million, which represented about 8 percent of the total value of exports to the United States. Although sugar is an important source of foreign exchange, it does not represent so large a share of total exports that it threatens to turn these producers into one-crop economies. During 1969, sugar represented 3 percent of the total exports of the Central American countries. Each country could absorb a substantial increase into United States sugar quotas without running any danger of becoming excessively dependent upon sugar.

The benefits of the sugar quotas are dispersed widely throughout the economies of Central America. Details of the numbers of persons supported by the sugar industry will be given in the individual country reports.

COSTA RICA

Now, Mr. Chairman, I will make statements on behalf of each of the Central American countries.

The Government and the people of Costa Rica are friendly to the United States and have a history of absolute and complete respect for all foreign investments, including those of the United States. There has never been any expropriation of such investments by Costa Rica. The Constitution prohibits the taking of private property except for the right of eminent domain which can only be exercised after full payment. Costa Rica welcomes the participation of United States citizens in its economy and offers incentives to encourage such participation. Furthermore, the Government of Costa Rica has supported this country in all international forums. For example, Costa Rica strongly supported the United States in the OAS during the Dominican Republic and Cuban crises. Such support demonstrates the feeling of unity that Costa Rica has with the United States, which is the result of the commitment to and practice of democratic principles that exist in both countries. Specific examples

of friendly relations with the United States and of Costa Rica's commitment to education are the cooperative programs which the University of Costa Rica has with both Louisiana State University and the University of Kansas. Also, there is an exchange program at the high school level.

Costa Rica has been a totally dependable source of sugar. During the period of 1966 through 1970, Costa Rica has shipped its full quota and prorations. Within its existing industrial capacity, Costa Rica could supply a quota of 150,000 tons per year, which compares with its 1970 total of approximately 75,000 tons. The 150,000 ton figure does not represent Costa Rica's full potential for producing sugar, but only its current capacity. That amount of sugar could be shipped in 1972 and even more could be shipped in future years, within existing industrial capacity. Costa Rica maintains substantial sugar reserves which would be available to the United States, upon call, during periods of short supply. At the end of the 1970 crop, for example, sugar stocks totaled approximately 41,900 tons, which represented more than 150% of the basic 1970 quota and 56% of total exports.

Costa Rica's sugar industry has a storage capacity of 80,000 tons. All sugar available for export has been shipped to the United States during periods of need, despite world prices which were higher than United States prices, and Costa Rica pledges to meet its full quota and deficits and additional emergency United States needs in the future. Exporting all of its sugar to the United States during the period of higher world prices in 1963 and 1964 resulted in a financial loss to Costa Rica. Moreover, exports of sugar have not come at the expense of domestic needs. Average per capita consumption in Costa Rica has increased steadily from 67 pounds in 1961 to 90 pounds in 1970, not taking into account the consumption of "panela" (brown sugar).

Costa Rica is an exceptionally good trading partner of the United States and relies primarily upon the United States for its foreign trade. During the year 1969, average per capita imports of United States products totaled \$45, which represents one of the highest per capita imports of United States products of any country participating in the sugar program. Agricultural imports totaled in excess of \$4 per capita which also represents one of the highest per capita imports of agricultural products of any foreign country. During the period of 1950 through 1969, Costa Rica imported products from the United States of a total value of about \$969 million, while exporting products of a total value of about \$882 million. Thus, during that period the United

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States enjoyed a net favorable balance of trade of \$87 million. Additionally, a large part of trade with the United States uses American services which results in additional benefits to the U.S. economy.

An important factor in considering trade is that Costa Rica has had a negative balance within the Central American Common Market. That negative balance totaled \$22.5 million in 1970. A large part of this balance was the result of purchases of products manufactured by American owned businesses in Central America. Also, approximately 35% of Costa Rican exports to the United States consist of products of American owned companies.

The sugar industry relies upon United States products to a substantial extent. Specific products imported include tractors, agricultural machinery, herbicides, fungicides, fertilizers and mill machinery. The industry also uses technical services from this country.

Costa Rica has a vital need for the preferential United States sugar market in order to maintain an acceptable level of international reserves. Sugar has played a vital role in the maintenance of reserves. For instance, during 1969, sugar sales accounted for over 50% of the recovery of its international monetary reserves, which during the period ending in 1966 had fallen precipitously. Furthermore,

sugar has played an essential role in overall economic growth, which would have been considerably smaller were it not for sugar exports. According to economic data developed by the Central Bank of Costa Rica, each \$1 of exports to the United States generates \$1.72 in gross national product. For instance, in 1968 national per capita income in Costa Rica would have been about \$7 less were it not for the United States sugar market.

The benefits of Costa Rica's participation in the United States sugar market are shared widely within the society. We doubt that any country which is a part of the sugar program has an industry, ownership of which is as widely disseminated as it is in Costa Rica. Most of the sugar cane is grown by independent growers. Sugar cane is grown throughout the country, representing approximately 17,000 production units. During the period of 1960 through 1969, such independent growers produced more than 80% of all cane. The institutional organization of the sugar industry is exemplary and insures that the income that the industry generates is distributed fairly, not only among 29 different small and medium sized mills, but also among thousands of independent growers. Two of the mills are cooperatives.

Costa Rica's laws insure that the mill employees and the independent sugar cane growers are provided with a fair and equitable share of sugar income. The laws require, among other things, that a mill purchase at least as much sugar from a given independent supplier as purchased during the 1964-1965 harvest and 50% of any production in excess of the 1964-65 amount. The grower must be paid upon the basis of a guaranteed minimum yield of sugar regardless of actual yields, and the independent producer receives 58.5% of the value of sugar produced, which represents one of the largest shares anywhere in the world.

The working force, which represents approximately 17,000 man years, shares in this income through better salaries than prevail elsewhere in the country and by many social benefits which represent over 30% of base salaries, including a Christmas bonus, severance pay, and employer contributions to employee savings accounts. Currently about 80% of all workers in the industry are covered by the social security system. By the end of this year, all will be covered. Social security provides such benefits as sickness and maternity insurance, workmen's compensation, and disability, old age, and death insurance. In general, rural workers need a further development of their earning capacity. The continued growth of the sugar industry will be of great assistance towards this goal.

Sugar exports also benefit the Costa Rican people through revenues to the Government. In addition to income, property, duty, and sales taxes paid by the industry, direct taxes on sugar amount to about \$15 per ton, which represents more than 10% of the value of sugar.

Costa Rica has been an example of how a democracy, adhering strictly to the principles of freedom, can achieve growth and progress for its people. Costa Rica has been notable for the strength of the country's adherence to democratic principles. The President and the legislative assembly are elected by popular vote for four-year terms. In the last five elections the opposition has gained control of the Government in peaceful political campaigns. Its constitution forbids the existence of an army. As a result, Government expenditures are directed toward the improvement of education, health and the social and economic infrastructure. Also, Costa Rica has a strong middle class, which is unusual for a country at its stage of economic development. The existence of this strong middle class insures that the benefits of economic growth are dispersed widely and fairly throughout the society. The kind of society which has developed and continues to develop in Costa Rica is a model for other developing nations. It is entirely appropriate that that development be sustained and encouraged by affording Costa Rica a share

in the sugar program equal to its present production capacity -- a total of 150,000 tons.

Mr. Chairman, we would like to emphasize at this point that the current years' production is very high. Already there has been an increase of 25,000 tons over the amount which had been produced last year at this time, even though Costa Rica attempts to limit production to insure that it does not exceed available markets and needed reserves by too great an extent. As a result, Costa Rica will have sugar available for the U.S. market which will be far in excess of its anticipated total quota and deficit prorations in 1971.

In summary, Mr. Chairman, Costa Rica believes that an analysis of the various factors in your letter, together with the other data which we made available to the Committee, favors Costa Rica and will lead to the conclusion that it should be granted a larger share in the United States sugar market.

Prior to discussing wage rates, we emphasize that the average per capita income within Costa Rica is low, particularly when compared to the U.S. or other developed countries. In 1969 the per capita income was \$407.00, which does represent a substantial increase over the 1968 level of \$379.00.

The minimum wage for farm workers in sugar cane plantations was fixed under Decree No. 1261-TBS of September 25, 1970,

at \$1.81 for a regular 8-hour shift, and the minimum salary for skilled mill labor at \$2.55 for the regular shift. These minimum wage rates shall apply up to September 30, 1972 at which time they will be adjusted by the National Wage Council. These wage rates represent an increase of 16% from the levels of \$1.56 and \$2.28, respectively, which were in effect for the previous year.

Actually, wages usually paid in sugar cane plantations and sugar mills are much higher than those fixed by law. It is an established practice in the sugar industry to pay workers for the work they do and not for the time they work; thus, actual wages paid, both for work in the fields and in the mills, are very often as high as twice or three times the legal minimum. The average daily wage of production workers is \$3.62, which is higher than the wages paid in most industrial activities in Costa Rica.

In addition to this, there are labor and social benefits which, in farming work (without taking into account the month's pay for advance notice and severance pay in case of dismissal) represent 19.58% and in industrial work at the mills represent 24.88%.

Furthermore, workers have free housing, light, water and firewood, which represents an additional income.

Minimum annual income for agricultural workers in sugar cane can be estimated at \$660.00, including the labor and social benefits they receive, except for severance pay and

the value of free housing. As stated before, very often the above figure can be twice or three times as large.

To give perspective on the wage levels prevailing in Costa Rica, we note that the minimum wage for professionals -- doctors, lawyers, etc. -- is only \$4,680 per annum. The President of the country is paid only \$11,700 per year.

The majority of farm workers do piece work which consists of carrying out a specific amount of work by mutual agreement with the overseers of the farms although the salary can in no event be less than the minimum salary. Ordinarily, the quota can be filled within four to six hours, depending upon the worker. The worker who fulfills his allotted assignment quickly may choose to begin a second shift, therefore earning pay equal to one and one-half shifts and even two shifts during any eight-hour period. Industrial employees, after working a 44-hour week, are entitled to one day off with pay. Farm workers are entitled to one day off with pay after working a 48-hour week. In computing the number of hours worked during a given week, all holidays are considered as work days and paid accordingly. Should workers, due to special circumstances, have to work on Sundays, such day is computed with double pay. Also, they are entitled to have one day off with normal pay during the following week.

Overtime pay for industrial workers is computed on a time and one-half basis for the first four hours in excess of the regular 8-hour daytime shift. Every additional hour is computed on a double time basis. The night shift is for seven hours and during the first three additional hours, they receive 150% of the hourly wage. Additional time must be paid as double time.

EL SALVADOR

I would now like to discuss the sugar industry of El Salvador.

The United States has consistently enjoyed a favorable balance of trade with El Salvador. From 1963 through 1969 the trade surplus totaled more than \$110 million and the balance continues to be unfavorable to El Salvador. In 1969 El Salvador imported \$58 million of U.S. products while only exporting \$41 million, leaving a \$17 million surplus to the United States. Its import of agricultural products during 1969 totaled \$10 million or \$2.94 per capita -- one of the highest per capita amounts of any of the countries sharing in the sugar program. El Salvador's imports of agricultural products are increasing.

As you know, Mr. Chairman, the 1948 Act, as amended, provides that consideration should be given to countries which import U.S. products, particularly agricultural commodities.

Aside from the fact that El Salvador as a whole has been a good trading partner, we would like to emphasize that the sugar industry itself purchases many products from the United

States. Most of the farm and mill machinery, chemicals, insecticides and fertilizers used in the industry are imported from the United States. The industry also imports U.S. technical assistance.

El Salvador is a developing country with severe population pressures. Over 3.5 million people live in an area of only about 8,000 square miles -- a population of 417 persons per square mile, the highest in the American continent. There is an aggressive family planning program, but population pressures will remain severe. The per capita Gross Domestic Product for El Salvador totaled only \$261 as of 1967.

It must be evident that El Salvador needs to continue to develop and to make the fullest use of its resources if its people are to enjoy a reasonable standard of living. Its economy is essentially based on the export of agricultural products. Sugar exports are vitally important, representing 4.23% of the total value of exports in 1968. An increase in the U.S. sugar quota would be one of the best means of improving El Salvador's economy. Moreover, unlike other suppliers, El Salvador has only a few commodities to export, which produce presently needed foreign exchange.

The income generated from the sale of sugar is widely dispersed within the economy as the industry is widely disseminated. There are 19 sugar mills in the country, although

only 13 are working at present because the market is not big enough. During the harvesting and milling season (mid-November to mid-May), the industry provides jobs for more than 22,000 workers, whose wages support more than 120,000 persons. More than 40% of these workers are also employed during the off-season. In a country with a total population of 3.5 million, an industry which supports 120,000 people is very important to the economy as a whole. Such persons receive wages which are better than those paid in similar activities elsewhere in the country.

El Salvador is working hard to develop. Its taxes are among the highest in Latin America. As a result, a substantial part of the income from the sale of sugar goes to the Government for the benefit of the entire country. The sugar industry is also important to related activities, such as transportation and the manufacture of equipment and supplies.

We emphasize that El Salvador could meet a larger U.S. quota without any increase in plant and equipment, as it has a well developed sugar industry in a continuous process of technification of agricultural methods and improvement of the efficiency of the mills. El Salvador will produce 180,000 tons of sugar in 1971, will consume 80,000 tons domestically, and will have 100,000 tons of sugar available for export. This proves the fact that El Salvador could,

within its existing production, ship approximately 100,000 tons during the year 1971. That amount could be increased in each of the following years. Within two years El Salvador could ship 120,000 tons of sugar per annum. However, its 1971 basic quota was 16,355 tons and its share of the Cuban reserve quota was 18,550 tons, a total of 34,905 tons.

The price paid for cane depends, in large part, upon the price obtained for the sugar. A better share of the United States market would permit the payment of higher prices for cane, to the benefit of small farmers and higher wages for the workers.

El Salvador has been a totally dependable source of sugar. It has always met its total quota commitments. Such sugar has been shipped as soon as the quota was made available. It maintains substantial sugar reserves which would be available for immediate shipment upon call during periods of short supply. When sugar was in short supply in 1963 and 1964, and world prices were higher than U.S. prices, El Salvador met its quota commitments and stands ready to do so again when and if required. During recent years large sugar

reserves have been maintained -- a total, for instance, of almost 100,000 tons during 1968. All of that sugar would have been available for shipment upon request. Because of excellent internal transport systems and port facilities, large quantities of sugar can be shipped with only a few days notice to arrive in the United States in less than three weeks. Sizable reserves will continue to be maintained in the years ahead.

The domestic industry has recommended that most favorable quota consideration be given to the timely availability of supplies. Its geographical position, its transportation system, and its supplies of sugar guarantees that El Salvador meets the test of the domestic industry.

During the last few years sales have had to be made on the world market at prices below production costs. For instance, world market sales in the year 1969 totaled about 35,000 tons. This year world market sales have already totaled approximately 34,000 tons, and additional sales will have to be made during the course of the year.

In response to the Chairman's expression of interest, El Salvador wants to emphasize that its government and people are friendly to the United States. There are no repressive or restrictive conditions imposed upon American investments, and at no time has a business or investment been expropriated, being prohibited by its Constitution. On the

contrary, El Salvador welcomes the participation of the citizens of this county in its economy and offers incentives toward that end.

During the last ten years El Salvador has made great strides in its efforts to achieve political stability and economic growth. It is undertaking major economic and social reforms. The benefits of the progress which has been achieved have been extended to all segments of the society, particularly the lower income groups. Despite the impressive relative gains which have been made, the people of El Salvador continue to have an urgent need to improve their standard of living. The sugar program can be of great assistance in this effort.

In summary, we believe that an examination of all criteria which should be used as the basis for determining the extent to which a country will be permitted to participate in the United States sugar program will reveal that the El Salvadorean share of the market should be increased. El Salvador's current quota totals only about 27 pounds per capita. This compares with per capita quotas of about 70 pounds for the Philippines, 70 pounds for Peru, 108 pounds for the British West Indies, and 325 pounds for the Dominican Republic. We urge, therefore, that the Committee adjust El Salvador's quota or the manner in which it shares in

deficit allotments or future market growth to bring its total share of the market more in line with its need and its trading relationship with the United States.

The legal minimum wage rate for farm labor in El Salvador is US\$0.90 per 8-hour day. However, sugar cane farms pay a minimum of US\$1.40 per day and up to US \$3.00 per 8-hour shift. Fringe benefits represent a sizable financial outlay as they include the worker's entire immediate family. The salaries paid by the mills to semi-skilled labor vary from US\$2.00 to US\$6.00 per 8-hour shift during the sugar producing season and from US\$2.00 per day to US\$4.00 for the rest of the year. The average wage paid in the mills for semi-skilled labor is US\$2.50 per day. Technicians and specialized personnel earn substantially higher salaries which compete favorably with similar jobs in other industries.

We consider it important to point out that our unit of currency has maintained the same international parity since 1934, and its purchasing power is higher than its equivalent in U.S. dollars, especially for the 98 principal articles of consumption on which our cost of living index is based. In 1962 it was 100, and in 1968 it was 106.2. It is very significant that in the same year, 1968, the cost of electric power, water supply and sanitary facilities had actually fallen to only 87.2%.

Salary levels for workers on the sugar cane farms, as well as those of unskilled workers in the mills, are higher than those for similar work done elsewhere in El Salvador. Although the actual cash payment is below that for industries established in the cities, the actual comparison is favorable due to all the benefits such as free housing, schools, medicines, etc.

GUATEMALA

Mr. Chairman, I would now like to discuss Guatemala.

Guatemala offers a dependable and historically reliable source of sugar to the United States. From 1962 through 1970, Guatemala failed to meet its total quota only in one year, 1964. That shortage was due to climatic difficulties which resulted in insufficient sugar production to meet all markets. Guatemala has maintained substantial stocks of sugar which are available for shipment upon call. Those stocks have grown steadily over the past few years, and during 1969 they totalled approximately 23,000 tons -- a large reserve measured against its total quota for that year. Guatemala ships its sugar from Atlantic ports which have excellent facilities. Consequently, it can ship its sugar to the United States within a few days. Guatemala clearly meets the test of the domestic industry concerning the timely availability of supplies.

Guatemala has the industrial and field capacity to meet a sugar quota much larger than its current quota. It could meet a quota of approximately 150,000 tons per annum

immediately, as compared to its final adjusted quota of approximately 63,000 tons in 1970. That amount could be increased in the future, since there is abundant land available suitable for the planting of cane.

Mr. Chairman, we want to invite the Committee's attention to the fact that Guatemala's basic U.S. quota amounted to only 24,398 tons during 1970. The balance of the sugar shipped consisted of its temporary quota, and the deficit reallocations which have now become traditional. Guatemala has made the necessary investments to permit the fulfillment of its temporary quotas and deficit allocations despite the lack of any assurances of permanence. We ask, however, that the Committee give special consideration to measures that would permit Guatemala to rely upon a total basic quota at least as large as the total quota allocations which it has enjoyed during the last four years.

The sugar industry is well organized and provides for an equitable distribution of earnings derived from the U.S. sugar market. The U.S. quota is fairly apportioned among 14 mills by the Guatemalan Government. Of the total cane used, approximately 75 per cent is grown by independent producers, most of whom operate small or medium-sized farms. A large number of the growers are beneficiaries of agrarian reform. An equitable share of income from sugar is guaranteed to the small cane growers by law. The price paid for

cane is established annually by bargaining among representatives of the cane growers, the mills and the Government. We think it is important to emphasize that any increase in the quota will result in most of the sugar cane being produced by small independent suppliers.

The sugar industry pays wages and provides working conditions for its employees which are better than exist generally throughout the country. This is possible because the United States sugar program represents a stable market with good prices. The sugar industry provides many fringe benefits such as medical care, free housing, schooling, subsidized food, etc. which are of considerable value to the employees. Labor unions, through collective bargaining, insure that employees receive fair treatment.

The number of workers employed in the sugar and related industries totals approximately 80,000. A Guatemalan family averages five members. Accordingly, the sugar industry helps support about 400,000 persons, or approximately eight per cent of the total population. The number of workers is unusually high because of the fact that much of its labor force works in the sugar industry for only one month per year. This pattern results from the fact that most of the farm workers are small landholders who must also attend their own crops. Because of this, an increase of only 6,000 tons in the quota would result in providing work to

about 4,000 additional workers, which would help support 20,000 family members.

Taxes paid on sugar exports total approximately 20¢ per 100 pounds. It is estimated that two per cent of total consumer income is traceable to the sugar industry.

Guatemala is a good trading partner of the United States. The sugar industry by itself has purchased products from the United States during the period 1960 to 1969 of a total estimated value of about \$12.5 million. Additionally, the industry commonly employs U.S. technical assistance. Guatemala has a trade deficit with the United States. From 1950 through 1969, the United States enjoyed a trade surplus in excess of \$64 million. Additionally, significant amounts of agricultural commodities are purchased. During the period 1966 through 1969, the value of wheat imported from the United States totalled approximately \$4.5 million per year.

Sugar exports represent a means by which Guatemala can maintain its balance of trade with the United States within reasonable proportions. For instance, during 1967 its trade deficit exceeded \$26 million. U.S. sugar exports during that year totalled \$9 million. Thus, without the sale of sugar its trade deficit would have been one-third greater. This is particularly important since the United States is the main trading partner of Guatemala.

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Guatemala is a developing nation which needs to continue to share in the U.S. sugar market. Its average per capita income for 1968 was only \$352. Guatemala shares in no preferential sugar market other than that of the United States. Its share of this market amounts only to about 25 pounds per capita, which, as we have discussed, is much lower than the per capita quotas enjoyed by the Philippines and many Western Hemisphere producers.

Guatemala depends primarily upon agricultural exports to earn foreign exchange. Sugar represents an important means of increasing such exports, which will assist the country in obtaining sufficient reserves to carry out continued industrialization.

Finally, Guatemala is friendly to and supportive of the United States. Such support has been shown not only by the assistance Guatemala provided in international forums on many occasions but also by its assistance during the crisis in the Dominican Republic. Guatemala does not discriminate against investments or businesses of U.S. citizens. No expropriation of such investments or businesses has ever taken place. Far from restricting U.S. investments, Guatemala actively encourages them.

In summary, we believe that virtually every factor which should be considered in assignment of quotas favors Guatemala's request for an increased share of the United

States market. We ask, therefore, that this Committee give favorable treatment to Guatemala in the proposed extension of the Sugar Act.

During the year 1968 the average income in Guatemala was \$352.32 per capita, according to official data obtained from the Guatemalan Social Security Institute. Although the sugar industry offers a much higher average income per capita, the relatively low income level within the country must be kept in mind when reviewing wage levels.

The average wage paid to the workers varies according to the level of their skills. The workers at the sugar mills earn an average of \$2.99 per day. However, depending on the importance of the work performed, some non-administrative or non-technical workers in the mill earn up to \$5.00 per day. These wages do not include the additional benefits which are afforded to such workers. Field workers average \$1.56 per day, and in accordance with the importance of the work performed can obtain wages of up to \$3.96 per day.

If we take into consideration the additional 30% in fringe benefits, the sugar mill workers has an average wage of \$2.45 per day and the field worker \$1.69 per day.

Minimum overtime wages are paid in accordance with the present labor legislation subject to more favorable treatment

of the workers in accordance with the conditions agreed upon for each activity in collective bargaining pacts. Overtime is based on time and one-half for extra hours during the ordinary work day. If overtime is performed on holidays and Sundays, the workers is entitled to three times his normal hourly wage.

The level of income to the worker in the sugar industry compares very favorably with those in other industries. The food industry, for example, pays a minimum wage of \$1.60 per day while store employees earn \$1.33 per day without the right to fringe benefits enjoyed by the rural worker.

HONDURAS

Mr. Chairman and members of the Committee, I would now like to discuss Honduras.

Honduras is particularly concerned that this Committee give full and sympathetic consideration to its needs in the forthcoming sugar legislation. Honduras has the smallest quota made available to any foreign country. Its quota on a per capita basis totals only about six pounds per person -- the smallest per capita quota not only in Central America but among practically every supplier of sugar to the market. Its per capita quota is particularly dramatic when compared with purchases of United States products. In 1969, Hondurans spent \$30 per capita on such products. Their purchases of agricultural products totalled \$2.40 per capita. Honduras' trade deficit with the United States from 1950 to 1969 exceeded \$66 million. It is particularly important to note that Honduras has a very large trade deficit with other members of the Central American Common Market. A large portion of such deficit results from the purchase of products manufactured by American companies doing business in Central America. Although Honduras has no capital restrictions, its international exchange position is critical and needs

to be improved.

There is a great need for Honduras to continue to develop its economy. Its average per capita gross domestic product totalled only \$225 in 1967. This is one of the lowest per capita gross domestic products of any country receiving a sugar quota and one of the lowest in Latin America. Honduras does not share in any premium priced market other than that of the United States. Because the Honduran quota has been very small, sugar has not to date represented a particularly significant source of foreign exchange. Nevertheless Honduras does desperately need to increase its foreign reserves, and a greater share of the United States sugar market would be an appropriate means of meeting a part of that need.

We would like to point out, Mr. Chairman, that an increase in the Honduran quota of even a relatively large percentage would have little, if any, impact because Honduras' basic quota is so small. Honduras earnestly petitions this Committee to provide a quota of 40,000 tons per year. With a quota of this size, it could develop an industry which would be economically viable. The current quota's size makes continued operation of the sugar industry in Honduras of a marginal nature.

It is particularly important that Honduras diversify its economy. Sugar represents one of the most promising means of doing this. It is with such diversification in mind that independent businessmen in Honduras invested the necessary capital to begin producing sugar in 1962. Thus far that investment has not been profitable. Nevertheless the owners continue to endeavor to develop the industry, in large part because of its importance to Honduras' entire economy. A higher quota is vital to that effort.

The benefits of the sugar industry are dispersed widely, although at present there are no profits. Nevertheless this industry represents a source of employment for a substantial number of people. In 1969, more than 3,200 persons were employed by the sugar industry. In addition to wages paid in the sugar industry, which are generally higher than those paid elsewhere within the economy, the employees enjoy important other benefits such as housing, medical care, education and family programs.

The labor movement is very strong. It has received technical assistance from American sources. Besides insuring the payment of fair wages and higher benefits, the unions take an active part in the social and political life of the country. They have great influence in the sugar industry.

To demonstrate the diversity of ownership, we note that no single stockholder owns as much as five per cent

of any single mill.

Under the Sugar Act, Honduras began shipping sugar to the United States in 1967. Since 1967 Honduras has fulfilled its total quota and deficit allocations each year. Its capability of helping to meet U.S. sugar needs upon call is demonstrated by the fact that it has shipped its sugar as soon as the quota or deficit has been announced.

Finally, the Government of Honduras is friendly to and has been supportive of the United States in its international affairs. Honduras sent troops to the Dominican Republic upon request, and has also given aid in Southeast Asia. As in every Central American country, there are no restrictive conditions imposed upon U.S. citizens or businesses, and no business has ever been expropriated. Honduras encourages the participation of United States citizens in its economy and grants economic incentives to investors.

Honduras is the least developed country in Central America. Agriculture is almost the only source of economic development. Honduras' economy has traditionally been tied to a single crop -- bananas. The development of the sugar industry will provide important impetus to the development which is so important to preserve and continue

the growth of the Central American Common Market.

For the reasons we have discussed, we urge that this Committee give special consideration to a substantial increase in the Honduras quota.

Most of the workers in the sugar industry are not employed on a year-round basis. Those who are employed on a permanent year-round basis are paid an average wage of approximately \$2,412.00 per annum. Those who work on a temporary basis earn about \$2.50 per day. The rest of the time they earn their livelihood by working small farms. In both cases, the salaries paid are better than are generally paid within other agricultural industries in the country.

NICARAGUA

The last country which we want to discuss with you today is Nicaragua.

The Government of Nicaragua has maintained a long friendship with the United States. Such friendship has been expressed by its support of the United States position in international forums and its support during particular crises. Specifically, Nicaragua supported the blockade of Cuba and helped in the Dominican Republic crisis. There has never been any expropriation of the property or investments of United States citizens by Nicaragua, and there are no restrictions of any kind imposed upon such investments. There are no requirements for local participation in businesses, and all profits and capital can be fully remitted. Nicaragua actively encourages the establishment of new businesses by United States citizens.

Nicaragua represents a reliable and dependable source of sugar for the United States market. Its commitment to the United States market is demonstrated by the fact that it shipped all available sugar to the United States when U.S. prices were lower than world market prices. During the period from 1965 to date, Nicaragua has failed to produce its quota by a substantial amount only in 1966. During that year Nicaragua

was subject to a very severe drought which permitted it to export only 19,000 tons of sugar, which represented a drop of 60 per cent in its normal level of exports. The U.S. Department of Agriculture recognized that the deficit was a result of a force majeure. It took nearly three years for Nicaragua to recover from the disaster, but by 1970 it shipped its full quota and deficit allocations, and its sugar industry has now been improved to the extent that in 1971 there will be 107,000 tons available for export.

Nicaragua's current ability to produce sugar for export far exceeds the amount of its United States quota. Its current productive capacity exceeds 200,000 tons, of which approximately 131,000 tons would be available for export. This compares to its final quotas and prorations for 1970 of approximately 75,000 tons. Nicaragua's ability to produce sugar for the U.S. market will increase beyond the 131,000-ton figure during future years. Additionally, Nicaragua's good storage facilities permit it to maintain substantial sugar reserves available during periods of short supply; as in the past, Nicaragua will meet its commitment to the U.S. market during periods of higher world prices.

Nicaragua is an important trading partner of the United States, which continues to have a substantial trade surplus with Nicaragua. From 1950 through 1969, its net deficit

of trade with the United States exceeded \$287 million. This negative trade balance shows every sign of continuing.

Nicaragua's per capita imports of U.S. products have also been high. During 1969, total imports exceeded \$31 per capita. Imports of U.S. agricultural products totalled \$2.63 per capita. Finally, and most significantly, Nicaragua's import of products for each \$1 of its Gross Domestic Product totalled 12 cents, an exceptionally high figure. Of the Philippines and the major Western Hemisphere suppliers, only one country exceeds that figure: the British West Indies; and the British West Indies have an exceptionally high per capita sugar quota.

The sugar industry buys large amounts of products from the United States. In the last 10 years, it purchased over \$13.5 million of U.S. products. The industry also uses technical assistance in its fields and factories.

Nicaragua needs a larger share of the U.S. sugar market, which is the only premium price market in which it shares. In 1969, sugar exports accounted for over five per cent of its total exports, and nearly 10 per cent of its agricultural exports. Sugar exports, therefore, constitute a most important source of foreign exchange for the country,

The per capita gross domestic product for Nicaragua in 1967 was only \$339. The country needs to further develop its economy if it is to provide an adequate standard of living for all of its citizens.

Nicaragua has been a part of the U.S. Sugar Program since 1934. Until 1956, Nicaragua's quota was the fourth largest in the Western Hemisphere; at that time, Nicaragua's basic quota was 8,000 tons. Today its basic quota is 29,000 tons. Mexico's quota was 12,000 tons but today its quota exceeds 251,000 tons. In 1956 the Dominican Republic's quota was 29,000 tons, today its quota exceeds 246,000 tons.

Nicaragua requests that the situation be rectified in the new Act.

The benefits of the sugar industry are dispersed widely throughout the economy. As an example, we note that wages and salaries during the period 1960 through 1970 total approximately \$47 million. During 1970, approximately 7,000 workers were employed during the off-season and about 12,500 were employed during the harvesting season, including only those workers who are employed by the industry directly, not including employees of related industries.

Independent farmers play an important role in the sugar industry. Approximately 62,000 acres are planted with cane, of which 45 per cent is owned by independent planters. Over two-thirds of the increase in cultivated areas since 1960 has been absorbed by small farmers. Such increase has been made possible because of the U.S. market. World market prices would not have permitted such development.

The necessary cane to meet an increase in the Nicaraguan

quota would be obtained almost exclusively from small farmers who would be the main beneficiaries of a larger quota. Workers in the industry are paid higher wages than those paid elsewhere in the economy and are provided with important fringe benefits, including housing, medical care, food, schooling, etc. Additionally, the largest sugar mill distributes 10% of profits to its employees each year. Also, that mill, together with the surrounding cane area, is the only rural area which has been placed under the social security system of Nicaragua, which provides a full range of social benefits. This verifies the higher level of wages, since the social security system requires relatively high and stable salaries.

Wages in the Nicaraguan sugar industry have increased from 17.5% to 55%, depending upon the type of position, in the period 1962 through 1970.

The table attached as Appendix C provides data on wages in the sugar industry compared to other agricultural or industrial activities.

These figures reveal that the sugar industry is paying wages which are from 70 to 120% higher than those in other agricultural and industrial activities such as cotton, coffee, wood, urban industries, etc.

These relatively high wages are a direct result of the sugar export quota which is enjoyed by Nicaragua in the

preferential market of the United States. The fair and stable prices received in the U.S. market have made it possible to raise the standard of living of workers in the sugar industry.

All of the workers who carry out work of a year-round nature are employed on a permanent basis. They represent a large majority of the labor force of the industry. For the harvesting operations, however, additional manpower is needed. Cane cutters, in particular, must be employed. The factories and mills also need additional manpower during the harvest season. This additional manpower is hired only for specific operations. Their contracts, consequently, are only for the harvesting period, November 1 to the end of May.

Many dayworkers are migratory and travel from one section of the country to another according to the harvesting of the various crops. The mills, however, always have a fixed agricultural labor force who live in their communities on a permanent basis, and who are employed during the rest of the year in other activities which are required for the growing of the sugar cane: cleaning, irrigation, planting, fertilizing, etc.

In summary, the relationship of Nicaragua to the United States and its long participation in the sugar program merit special consideration in the assignment of quotas. Extensive

improvements that have taken place in the industry over the past few years guarantee that Nicaragua can meet substantially larger quota commitments to the United States.

* * * * *

MR. CHAIRMAN, this concludes our testimony on the sugar industries of Central America. We have attempted to analyze -- in this testimony and in our written presentation -- the factors listed in your letter. We sincerely believe that a review of the information which we have presented will support larger quotas for all the Central American countries, since the facts show:

1. All of the Governments are friendly to the United States, and none impose discriminatory conditions upon American investments or businesses.

2. Central America has been a dependable source of sugar and maintains large reserves available for shipment upon call.

3. The United States has generally enjoyed a trade surplus with Central America, which is one of the United States' best customers and which spends 10¢ of every dollar on U.S. products.

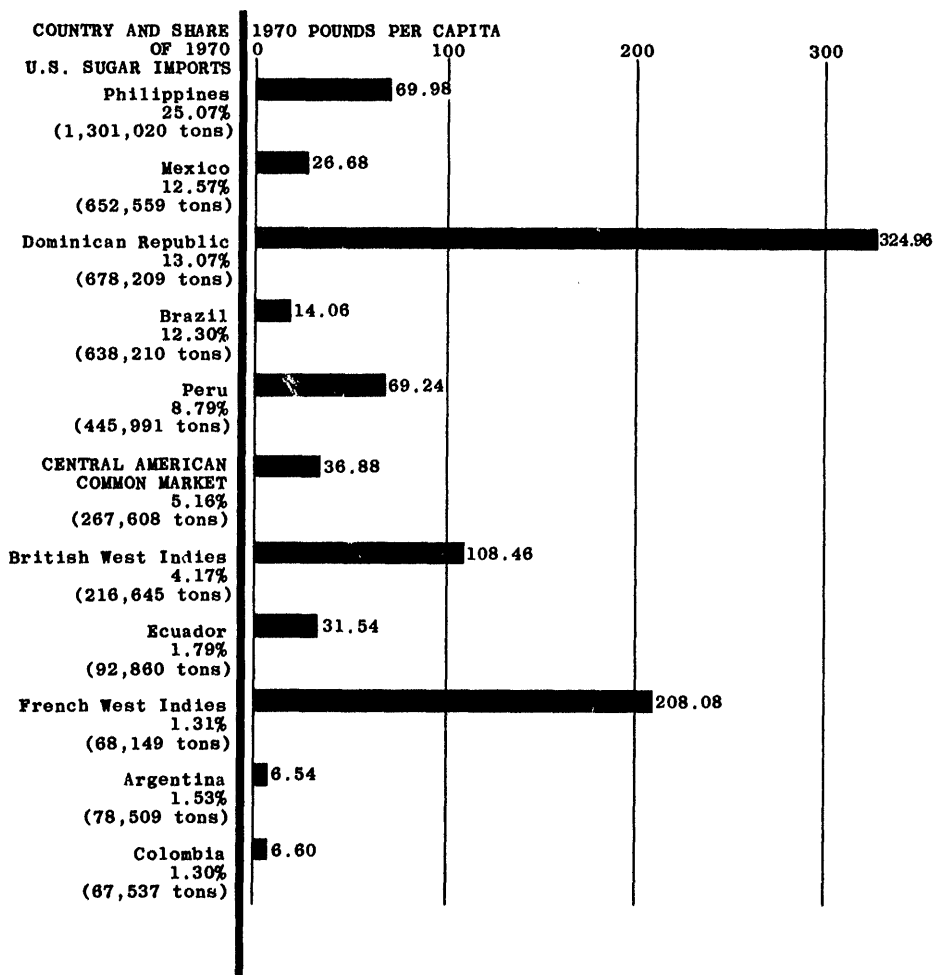
4. Central America needs to share in the U.S. sugar program because it shares in no other premium priced market. Sugar represents a vital source of foreign exchange for all the countries who are also in need of further economic development.

5. The benefits derived from the U.S. sugar program are dispersed throughout all segments of Central American society.

IN CONCLUSION, we would also like to state that we have provided, in an open and objective manner, all the facts concerning the sugar industries of Central America, not only to this Committee but to the Administration. Extensive reports have been presented to the Departments of Agriculture and State, in early January, 1971. We have brought copies of these reports with us today, which we would be happy to share with any Committee member who may be interested in them.

We have also shared this information with other persons concerned with the U.S. sugar program. Central America is proud of its sugar industries and the contributions they have made to development of the area. The Central American countries believe they should receive a larger share of the U.S. sugar market, and they petition this Committee to consider objectively the reasons for doing so.

Appendix A-1



DERIVATION OF FIGURES AND SOURCES

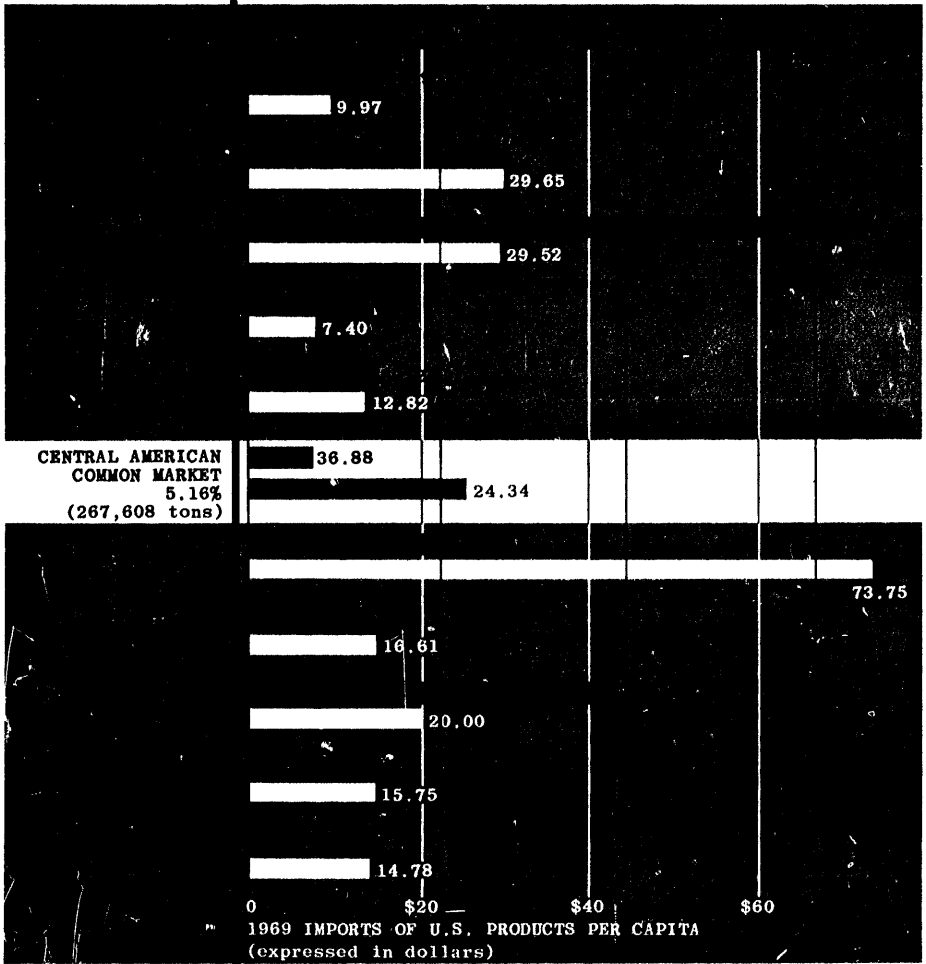
The percentage of 1970 quota for each country was derived by taking the total number of short tons of raw sugar exported to the United States in 1970 from each major quota country shown on the chart and dividing it by the total foreign sugar exported to the United States in 1970. Both figures were obtained from the Committee Print of the Committee on Agriculture of the House of Representatives "The United States Sugar Program", 91st Congress 2d Session (hereafter Committee Print) Table 18 at p.41.



The per capita sugar quota was derived by dividing the percentage of 1970 quota by the 1969 population figure for each country (Committee Print, Table 24 at p.51-2) and then multiplying this amount by the total tons of foreign sugar shipped to the United States in 1970.

Appendix A-2

**RELATIONSHIP BETWEEN U.S. SUGAR QUOTA
AND TOTAL IMPORTS OF U.S. PRODUCTS**

THE PHILIPPINES AND MAJOR WESTERN HEMISPHERE SUPPLIERS



 represents sugar quota (based on total quotas and prorations) expressed in pounds per capita.
 represents total U.S. exports expressed in dollars per capita.

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Two different factors are shown on this chart. One is the per capita sugar quota of the major foreign sugar producing countries (black bars). The other is the per capita imports from the United States of each of these countries (white/gray bars). The ratio between the two bars for each country shows the allocation of sugar quota to that country in relation to its purchases from the United States.

This chart shows that the Central American Common Market is less favorably treated in the allocation of its sugar quota than are many other major producers, despite the fact that the Central American Common Market is a better customer for United States products.

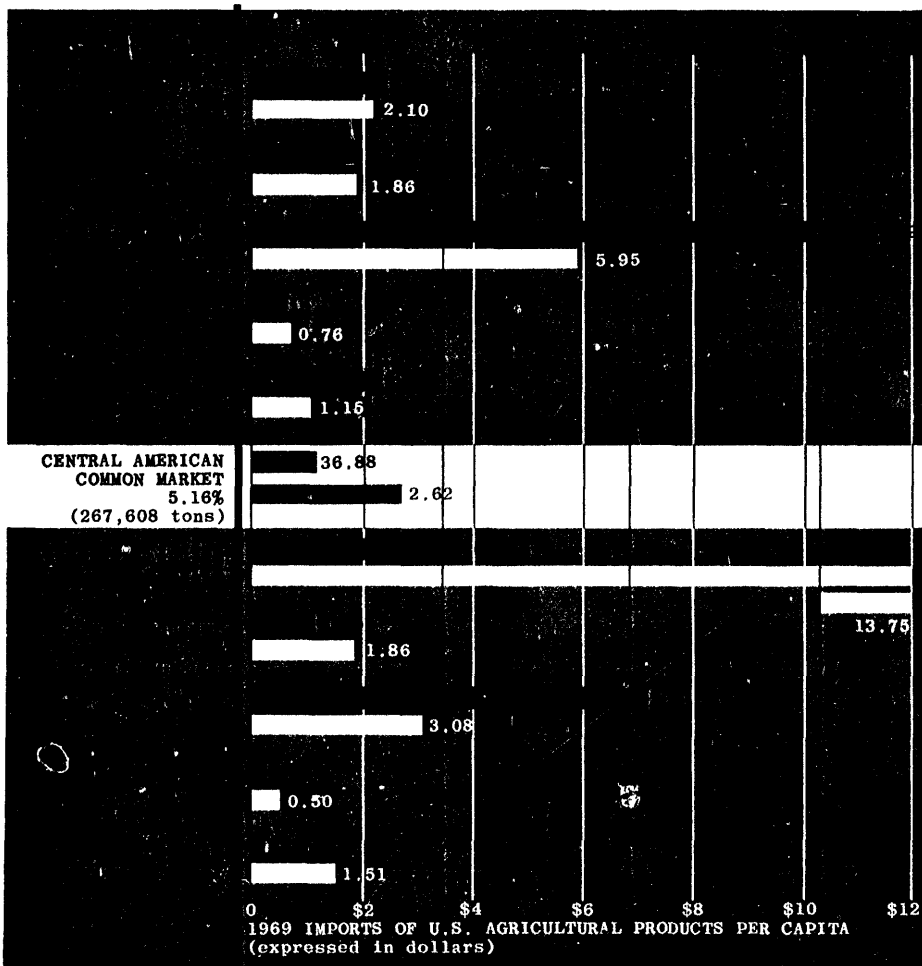
DERIVATION OF FIGURES AND SOURCES

The per capita import figure was established by taking the total dollar imports of United States products by each country (Committee Print, Table 26 at 55 and Exhibit I(b) of "The Sugar Industries of Central America", submitted to the Committee on Agriculture of the House of Representatives by the Central American Sugar Council) and dividing it by the 1969 population of that country (Committee Print, Table 24 at p.5).

The percentage of 1970 quota and per capita sugar quota figures are identical to those in Appendix A-1.

Appendix A-3

**RELATIONSHIP BETWEEN U.S. SUGAR QUOTA
AND IMPORTS OF U.S. AGRICULTURAL PRODUCTS
THE PHILIPPINES AND MAJOR WESTERN HEMISPHERE SUPPLIERS**



represents sugar quota (based on total quotas and prorations) expressed in pounds per capita.
 represents U.S. agricultural exports expressed in dollars per capita.

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This chart shows the relationship between agricultural imports from the United States to each country and the allocation of United States sugar quota to major foreign sugar producing countries. Here again, the Central American Common Market is treated less favorably in the per capita allocation of sugar quota (black bars) than are other countries which are much poorer customers for United States agricultural products on a per capita basis (white/gray bars).

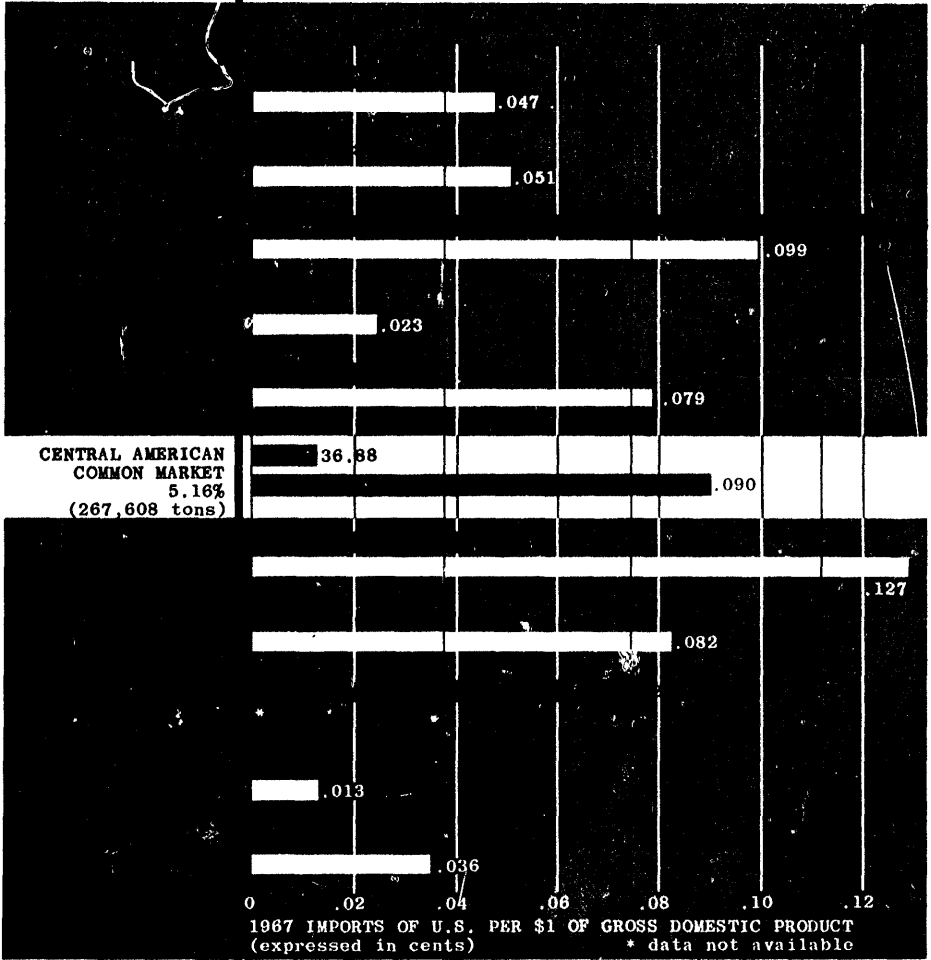
DERIVATION OF FIGURES AND SOURCES

The per capita agricultural import figure was established by taking the total 1969 dollar imports of United States agricultural products by each country (Committee Print, Table 26 at 55 and Exhibit I(b) of "The Sugar Industries of Central America", report submitted to the Committee on Agriculture of the House of Representatives by the Central American Sugar Council) and dividing it by the 1969 population of that country (Committee Print, Table 24 at p.51-2).

The percentage of 1970 quota and per capita sugar quota figures are identical to those figures in Appendix A-1.

Appendix A-4

RELATIONSHIP BETWEEN U.S. SUGAR QUOTA AND TOTAL IMPORTS OF U.S. PRODUCTS PER ONE DOLLAR GROSS DOMESTIC PRODUCT THE PHILIPPINES AND MAJOR WESTERN HEMISPHERE SUPPLIERS



represents sugar quota (based on 1970 total quotas and prorations) expressed in pounds per capita.
 represents total U.S. exports per one dollar of Gross Domestic Product expressed in cents per capita.

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This chart compares the per capita sugar quotas of foreign supplier countries with the purchases of these countries from the United States, expressed in terms of the country's buying power. This buying power has been established by computing the per capita imports of United States products by each country per one dollar of Gross Domestic Product.

This chart shows that the Central American Common Market is one of the best customers for United States products based on its ability to purchase (white/gray bars). Despite this fact, the Central American Common Market's per capita allocation of sugar quota is much less favorable than that of other major producers (black bars).

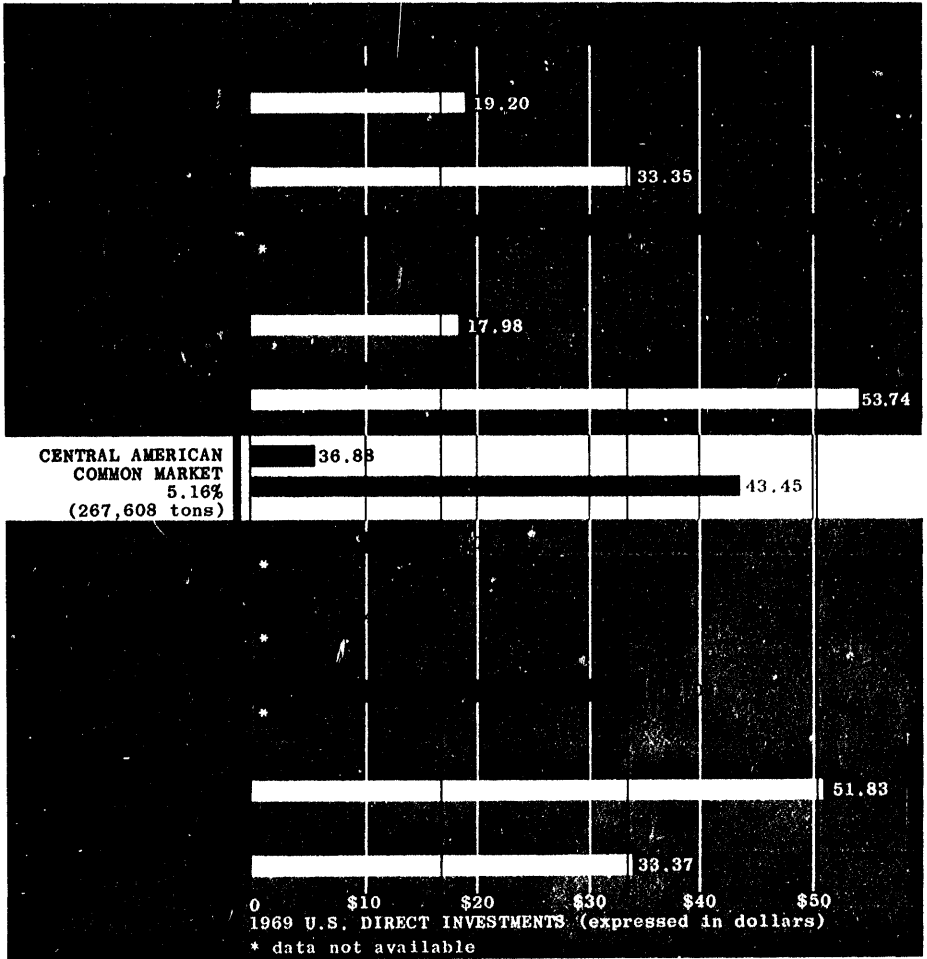
DERIVATION OF FIGURES AND SOURCES

The per capita import of United States products per one dollar of Gross Domestic Product was derived by dividing the per capita imports (from Appendix A-1) by the 1967 Gross Domestic Product for each country (Committee Print, Table 23 at p.50).

The percentage of 1970 quota and per capita sugar quota figures are identical to those figures in Appendix A-1.

Appendix A-5

**RELATIONSHIP BETWEEN U.S. SUGAR QUOTA AND U.S. DIRECT INVESTMENTS
THE PHILIPPINES AND MAJOR WESTERN HEMISPHERE SUPPLIERS**



represents sugar quota (based on total quotas and prorations) expressed in pounds per capita.
 represents U.S. Direct Investments expressed in dollars per capita.

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The relationship of United States direct investment per capita (white/gray bars) is compared in this chart with the per capita allocation of the United States sugar quota (black bars). This chart shows that, on a per capita basis, the Central American Common Market is quite hospitable to United States direct investment, yet its per capita allocation of United States sugar quota is relatively low.

DERIVATION OF FIGURES AND SOURCES

The per capita United States direct investment in each country was derived by dividing the dollar value of United States direct investment (Department of Commerce, Survey of Current Business, October 1970, Table 6 at 28-9) by the 1969 population of that country (Committee Print, Table 24 at p.51-2).

The percentage of 1970 quota and per capita sugar quota are identical to those figures in Appendix A-1.

APPENDIX B

In compliance with the Foreign Agent's Registration Act, the firm has made the necessary filings with the United States Department of Justice. We have also filed a copy of our latest six month's supplemental statement with the Clerk of the Committee on Finance of the Senate. As shown in those statements, the firm represents the Central American Sugar Council which consists of the following: Camara de Azucareros, Apartado 1577, San Jose, Costa Rica; Asociacion de Azucareros de El Salvador, 13 Au. Sur. No. 426, Apt. "D", San Salvador, El Salvador; Asociacion de Azucareros de Guatemala, 12 Calle "A" 24-1, Zona 1, Guatemala City, Guatemala; Cia. Azucarera Hondurena, S.A., San Pedro Sula, Honduras, C.A.; and Nicaragua Sugar Estates, Ltd., Managua, D.N., Nicaragua.

Patton, Blow, Verrill, Brand & Boggs
1200 - 17th Street, N.W.
Washington, D. C. 20036

APPENDIX CCOMPARATIVE TABLE OF WAGES IN DOLLARS PER DIEM

	(a)					<u>METALS AND STRUCTURES</u>	<u>GOVERNMENT</u>
	<u>SUGAR</u>	<u>COFFEE</u>	<u>COTTON</u>	<u>WOOD</u>	<u>BANANAS</u>		
<u>AGRICULTURAL</u>							
Day-laborers	1.93(b)	1.14	1.14	1.14	1.14	.-	.-
Cutters	3.14	1.43	1.71	2.86	1.43	.-	.-
Supervisors	4.00	2.38	2.57	3.57	2.57	.-	.-
Foremen	2.86	1.71	1.71	2.14	2.00	.-	.-
<u>INDUSTRIAL</u>							
Specialized workers	10.71	5.71	7.14	7.14	.-	5.57	.-
1st class mechanics	10.71	4.27	5.00	2.86	.-	6.43	.-
2nd class mechanics	8.83	3.57	2.86	.-	.-	3.57	.-
Assistants	3.57	2.14	2.29	.-	.-	2.29	.-
Day-laborers	3.09(b)	1.71	1.71	1.71	.-	1.71	.-
<u>OTHER ACTIVITIES</u>							
Automobile mechanics	10.63	.-	3.71	.-	.-	.-	7.14
Tractor operators	5.66	.-	3.66	3.43	.-	.-	3.54
Carpenters	4.00	.-	.-	.-	.-	.-	4.00
Bricklayers	3.43	.-	.-	.-	.-	.-	3.43

NOTES - (a) Wages during the harvest time

(b) Minimum wages in collective contracts of sugar companies.

SOURCE: Data compiled by the Nicaragua Sugar Estates, Limited.

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SUMMARY

1. The House bill amending the Central American Common Market "sharing" provision should be adopted by this Committee.

2. The increase in the quota of Honduras should be retained and all small producing countries should be permitted to share in deficits and future market growth.

3. The House Committee failed to follow its own criteria.

4. Application of the House Committee criteria or the criteria of this Committee would result in an increase in the quotas of all Central American countries.

5. The Committee should consider the confinement of quota adjustments to the respective hemispheres.

6. The increase in domestic sugar allocations has come principally at the expense of the Western Hemisphere.

7. Each Central American country:

- a. Is friendly to the United States.
- b. Follows a policy of non-discrimination with respect to U.S. investments.
- c. Buys many products and services from the U.S.
- d. Has been and continues to be a dependable source of sugar for the U.S., and has the productive capacity to meet an increased quota.
- e. Disperses the benefits of the sugar quota to its workers and throughout the economy.
- f. Needs, as a developing country, the benefits of a U.S. sugar quota.

The CHAIRMAN. The next witness will be Mr. Edwin H. Seeger, in behalf of the Central of Sugar Producing Cooperatives of Peru.

STATEMENT OF EDWIN H. SEEGER, ON BEHALF OF THE CENTRAL OF SUGAR PRODUCING COOPERATIVES OF PERU

Mr. SEEGER. Mr. Chairman, members of the committee, I thank you for the opportunity to appear here this morning on behalf of the Peruvian sugar industry. As the committee is well aware, in the House bill, fairly sharp quota cuts were handed out to the Latin American Big 4—Brazil, Mexico, the Dominican Republic, and Peru—in order to provide quota increases for certain countries and new quotas for others. The quota cuts were done on a nondiscriminatory straight percentage basis so that Peru was treated no differently from other members of the Latin American Big 4. We appreciate that fact. Nonetheless, we take the view that the quota cuts are quite severe and we urge the committee to restore some or all of those cuts, again on a nondiscriminatory basis.

The committee's press release raises the question of the extent to which the payments made to foreign countries for sugar go into the hands of the workers. This has been a question that has been asked by this committee over and over again and Peru now, for the first time, is in a position to assure the committee that every dollar of U.S. sugar payments goes directly to the workers of Peru.

In the past 2½ years, the Government of Peru has developed a system of cooperatives in the sugar industry owned by the workers, replacing formerly private companies in the hands of a very few individuals. This program, I might add, is part of an overall economic reform program being conducted in Peru. It can be likened to the U.S. program with respect to the antitrust laws which has been going on for 90 years, and under which excess power concentrations have been broken up. In Peru's case, in the sugar industry, which I represented before this committee in 1965, a handful of individuals controlled the entire industry in that country and that situation has been changed. I urge that that situation, that change, is one that this committee should encourage and support.

The committee has raised the question about Peru's policies with respect to U.S. property and I would like for the remainder of my testimony to deal with that question.

As part of the economic reform program, Peru has broken up concentrations in three main sectors—sugar and land generally, communications, and banking. This has occurred over a period of 2½ years and during this time, six American corporations have been affected. In two of those cases involving banking, properties of Chase Manhattan Co. and Chemical Bank and Trust Co. of New York were taken. Satisfactory settlements have long since been negotiated with those banking companies and there has never been any suggestions since then that there is any problem with respect to them.

A third situation involves some farm properties owned by the Cerro Corp. and used to, in effect, feed some of their workers. These were expropriated, payment has been made, and we have heard no problem about that one.

A fourth one involves the communications facilities of ITT in Peru. Again, a settlement has been made. ITT has moved the funds made available over into other sectors of the Peruvian economy. Again, satisfactory settlement has been made.

The fifth case involves the Grace Co., a client that I used to represent when I appeared before this committee in 1965, which was then in the sugar industry and has now had its properties expropriated. There are active negotiations going forward this very minute between the Grace Co. and the Peruvian Government. All indications are that a satisfactory settlement in this matter will be accomplished. Peruvian law requires it, the Peruvian constitution requires it. Peru regards the Grace Co. situation as one where this company has been in the country for over a hundred years now. All indications are that this matter will be satisfactorily resolved.

The sixth area involves oil property, disputed oil properties of the International Petroleum Corp. which were intervened over 2 years ago. Now, that is a unique issue. It has been a source of resentment to the Peruvian people since 1921, when, under pressure from the United States and England, an arbitration panel was set up to deal with the question of alleged ownership of subterranean rights in Peru. Under Spanish law, the state owns all subterranean rights and if you look at country after country in Latin America, you will find that in every case, oil companies are operating pursuant to concession. In IPC's case, the 1921 arbitration settlement purportedly gave IPC the right to these properties. This has been a source of resentment in Peru for the last 50 years during which IPC operated under special circumstances. Those properties have now been taken by the Government of Peru and we suggest that that is a unique case.

The basic point is that Peru continues to encourage the development of free enterprise. It is continuing to encourage U.S. investment. It is trying to accomplish a great deal of economic reform in a rapid period of time. We urge that this committee should support the Peruvian Government in its efforts and maintain the Peruvian quota at or near its current level.

I thank you.

The CHAIRMAN. Just permit me to say that this Nation has indicated and has proposed to your government that we should either arbitrate the differences involved in the taking of that oil company or that we should offer to sell it in some further judicial procedure, if such a proposal could be arranged. I personally would be willing to see the matter settled in any fair tribunal. But when I am told that Peru says, oh, no, that is a domestic affair and the United States has no right to tell us what we are going to do with our domestic affairs, I feel like responding to Peru and saying, that is right; and you do not have any right to tell us what to do with our domestic affairs; the sugar quota is zero. Then we will talk about it.

If Peru wants to do something to try to settle this thing in a manner that seems to be fair to us, then we would proceed to do business with Peru as though we had been friends as usual. But I for the life of me do not see that it makes any sense for us not to apply a provision in the law which says, if you take our property, we are just not going to accord you a sugar program.

We had the same thing in the AID program; you take our property without compensation and we are the ones that pass on that judgment. We do not think you paid for it, we think you confiscated it; in effect, we think you stole it. That being the case, we just think we ought not to do business with you.

It is my contention, that the law is intended to be automatic and the President is just standing on his power not to enforce the law when he continues that sugar quota to Peru. It seems to me we would be going a long way toward the settlement of that issue with your country if we revoked it. I think that is what we ought to do.

Any questions, gentlemen?

Senator MILLER. I would like to ask Mr. Seeger, do you have any indication of how soon this Grace Co. case is going to be settled?

Mr. SEEGER. No, sir; I do not. I would make this comment: The House has inserted a provision designed to cover the Grace Co. problem. Peru has never taken any position on that provision. In other words, the Government of Peru is confident that a settlement can be reached. In regard to the House provisions, it is just irrelevant. I cannot give an answer as to time because it involves negotiations.

Senator MILLER. What does the House provision do?

Mr. SEEGER. Well, it provides the President an additional option. That is instead of having to suspend a country's quota entirely, he is in a position to impose in effect a tax on the sugar of a country that has expropriated property. My point, obviously, is that we do not like this kind of provision, but point out we do not take any position on it because we expect that a settlement is going to be reached independent of that provision.

Senator MILLER. Then you take no position for or against the House provision?

Mr. SEEGER. No, sir; no position.

Senator MILLER. Thank you.

The CHAIRMAN. Any questions?

Senator FANNIN. No questions.

Senator HANSEN. I have no questions, thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

(Mr. Seeger's prepared statement follows. Hearing continues on p. 785.)

STATEMENT OF EDWIN H. SEEGER
ON BEHALF OF
THE CENTRAL OF SUGAR PRODUCING COOPERATIVES OF PERU
BEFORE THE
SENATE COMMITTEE ON FINANCE
ON H. R. 8866

The accompanying statement has been prepared and circulated by Prather Levenberg Seeger Doolittle Farmer & Ewing, 1101 Sixteenth Street, N. W., Washington, D. C., a law firm registered under the Foreign Agents Registration Act of 1938, as amended, as an agent of foreign principals that include the Central of Sugar Producing Cooperatives of Peru, Lima, Peru. The registration statement filed by said firm with the Department of Justice is available for public inspection. The fact that a registration statement has been filed does not signify approval of the accompanying statement by the United States Government.

STATEMENT OF EDWIN H. SEEGER
ON BEHALF OF THE
CENTRAL OF SUGAR PRODUCING COOPERATIVES OF PERU
BEFORE THE
SENATE COMMITTEE ON FINANCE
ON H. R. 8866

Mr. Chairman and Members of the Committee:

My name is Edwin H. Seeger and I am a partner in the law firm of Prather Levenberg Seeger Doolittle Farmer & Ewing, 1101 Sixteenth Street, N. W., Washington, D. C. I appear on behalf of the Central of Sugar Producing Cooperatives of Peru (CECOAAP).

The principal points that are to be made in this statement are as follows:

1. Peru seeks to maintain its share of the total foreign quota, including its share of the Cuban reserve and of the deficits of other countries, and to participate in future U. S. consumption increases. Accordingly, Peru endorses the position of the U. S. Department of State that changes in the foreign quotas should

be "minimal," and that the foreign quota provisions of H. R. 8866 be adjusted insofar as they would impose very sharp quota cuts upon Peru and the other members of the so-called Latin American Big Four -- Mexico, Dominican Republic and Brazil -- while maintaining or even increasing the quotas of other foreign suppliers.

2. Maintenance of Peru's portion of the total foreign quota is clearly merited from the standpoint of relations between the United States and Peru which have been and remain cordial. As will be demonstrated more fully later in this statement, Peru accords fair treatment to U. S. nationals and corporations including those few whose properties have been expropriated.

3. In response to the question posed by the Chairman in this Committee's June 10, 1971, press release, because Peruvian sugar production facilities are owned by workers' cooperatives, and all sugar-growing lands are owned by the cooperatives and small landowners, the full benefits of participation in the United States

flow directly to the working man and serve to improve Peru's standard of living.

4. Peru is heavily dependent upon sugar trade with the United States, and maintenance of its sugar market in this country is essential to Peru's economy. By the same token, the reductions in Peru's quota that would result from H. R. 8866 would be damaging to Peru's economy and would work a hardship on Peru's sugar workers and farmers.

5. Peru's sugar trade with the United States is not a one-way street. Peru purchases more goods and services from the United States than it does from any other country, and a material portion of Peru's receipts from sugar trade are employed to purchase goods and services from the United States.

6. Peru has been and remains a reliable source of sugar supply for the United States.

The remainder of my statement is devoted to a fuller explanation of these points.

1. H. R. 8866 Would Sharply and Unduly Reduce Peru's Quota.

The net effect of the foreign quota provision of H. R. 8866 is to reduce the total foreign quota by 300,000 tons, and to increase or initiate quotas for 14 countries, almost entirely at the expense of five countries, including Peru. In Peru's case, the proposed quota reduction could not come at a less opportune moment. At a time when Latin America is in ferment, Peru is independently pursuing a purely internal, peaceful program of economic reform designed to achieve a high degree of economic and social progress without identification with alien, extremist political philosophies. Certain aspects of Peru's program, including the country's vigorous land reform efforts, have been actively encouraged by the United States.

Peru and the United States share a common interest in the success of Peru's efforts to achieve that progress. And it is clear that the maintenance of Peru's sugar quota, which provides Peru much-needed trade

opportunities and foreign exchange, is an important element in Peru's progress. Conversely, the sharp reduction in Peru's quota contained in the House bill would undermine Peru's economic reform program, a result contrary to the interests of the United States, and not merely those of Peru.

In that connection, I would like to address myself to -- and take very strong issue with -- the criticism of Peru's actions with respect to the expropriation of certain U. S. properties implicit in some of the questions posed to the State Department witness last Wednesday.

To begin with, the Peruvian Government has long had a policy of encouraging economic development through private enterprise, and the present Government of Peru has shown every evidence that it continues to follow that philosophy. The Peruvian Government has said so, and its statements to that effect have been accepted by numerous U. S. companies that are continuing to invest heavily in Peruvian enterprises.

Where the present Peruvian Government has departed sharply from the past is in its efforts to intervene in a limited number of areas of the economy where, in the Government's view, power has been unduly concentrated, particularly in banking, agriculture and the ownership of certain public utilities.

This is precisely what the United States Government did 80 years ago through the passage of the Sherman Anti-Trust Act at a time when an extraordinary degree of economic power was concentrated in the hands of a few individuals and companies. Since that time, such power concentrations in the U. S. have been prohibited by the anti-trust laws. Peru, however, has had no similar law and the present efforts of the Peruvian Government in this area are designed to eliminate the kind of power concentrations that have been impermissible in the United States during most of the past century.

It is important to emphasize that there are only six instances in which these actions have affected U. S. property interests in the two and one-half years that the

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present Government of Peru has been in power. In four of those cases satisfactory compensation has long since been made to the former owners: Chase Manhattan and the Chemical Bank & Trust Co. of New York (banking facilities); Cerro Corp. (farm properties); ITT (telephone facilities).

A fifth case concerns sugar estates of the Grace Company which were expropriated as part of an overall agrarian reform program affecting U. S. and Peruvian owners alike. That agrarian reform program, it might be added, was designed to correct a situation in which less than one percent of Peru's landowners controlled over 80 percent of the country's land, and a very small number of people controlled all of the country's sugar production. Because of its agrarian reform program, Peru can now assure this Committee for the first time, in answer to the question posed by the Committee's June 10 press release, that the full benefits of participation in the U. S. sugar program pass directly to Peru's sugar workers.

The agrarian reform law and Peru's Constitution

require the payment of just compensation to affected landowners. In the case of the Grace Company, negotiations to that end have been in progress for some time, and have been slowed by Grace's own request that the Peruvian Government consider the purchase of other Grace properties in Peru not affected by the agrarian reform law. Though under no obligation to do so, the Government has agreed to Grace's request and negotiations with the company are taking place virtually on a daily basis right now in Lima.

It is also important to emphasize that, apart from the strict requirements of its own laws, a satisfactory accommodation with Grace is important to Peru. The Grace Company was founded in Peru and began its operations there. At a time when Peru is actively encouraging new U. S. investment, it would be reluctant to see Grace leave the country, and certainly not without a satisfactory resolution of the current dispute.

The sixth case concerns disputed properties of the International Petroleum Company. The matter is a very complex one -- involving such issues as the legitimacy of IPC's claim to the properties and the adequacy of prior tax payments by the company -- and the dispute itself began in 1921 when, in Peru's view, an adverse arbitration settlement was forced upon Peru by the major powers.

The point about this dispute is that it is unique and in no sense betrays a desire on the part of the Peruvian Government to discourage foreign investment or to deprive U. S. investors of their property without just compensation.

2. Maintenance of Its U. S. Sugar Market Is Essential to Peru.

Peru's efforts to achieve rapid and substantial economic progress are a matter of considerable

urgency. For example, Peru's per capita gross domestic product was only \$263.00 in 1967, less than that of any other major Western Hemisphere country, excepting the Dominican Republic and Ecuador, and about half that of Mexico.

In common with other less developed nations, Peru recognizes that it must develop an industrial and manufacturing potential if it is to achieve economic progress. In the meantime, agricultural exports continue to play an overly large role in Peru's exports. They accounted for 46 percent of the total in 1967, and the rest consisted largely of the sale of natural resources, an unsatisfactory long-term source of foreign exchange.

To increase its industrial and manufacturing potential Peru requires capital, and the profits earned from sugar trade are an important source of such capital. As shown in the following table, Peru ranks high on the list of Western Hemisphere suppliers in ratio of sugar exports to total exports.

<u>Country</u>	<u>Sugar as a Percent of Total Exports (1967)</u>
Dominican Republic	52.26
British Honduras	42.86
French West Indies	32.35
West Indies	14.95
Haiti	11.96
PERU	7.00
Mexico	6.07
Costa Rica	5.56
Brazil	4.84
Ecuador	4.82
Panama	4.71
Guatemala	4.41
Nicaragua	4.08
Colombia	2.16
El Salvador	1.93
Bolivia	0.57
Argentina	0.55
Venezuela	0.16

In sum, sugar trade with the United States continues to be of the utmost importance to Peru.

3. Peruvian Sugar Workers and Farmers and the Direct Beneficiaries of the Benefits of the U. S. Sugar Program.

As noted earlier, as part of Peru's economic reform program, and pursuant to the Peruvian Law of Land Reform, the Government of Peru in 1969 expropriated 12 sugar estates that had previously been

in private hands and accounted for most of Peru's sugar production. Thereafter, the Government encouraged the formation of a system of cooperatives, in which some 25,000 sugar workers are members, to own and operate these properties. Another 25,000 Peruvians are involved in sugar production through ownership of small tracts, or through employment by small landowners engaged in sugar growing.

Peru's land reform program is entirely in accordance with the Charter of Punta del Este, signed by the United States and the Latin American members of the Alliance for Progress, which states that it shall be the goal of Latin American countries:

"To strengthen the agricultural basis by making the benefits of the soil available on an ever larger scale to those who work on it; and to enable those countries which have a population of Indian natives, to integrate same into the economic, social and cultural process of modern society."

In Peru's case, the program is a direct response to the fact that much of Peru's productive land traditionally

has been in the hands of a very few owners. As the following table shows, according to Peru's most recent census prior to 1968, a total of only 6,746 owners, representing less than one percent of all Peruvian farm proprietors, held over 80 percent of productive land in Peru:

<u>Number of Hectares</u>	<u>Total Hectares (000)</u>	<u>Number of Owners</u>	<u>% of Total Owners</u>	<u>% of Total Hectares</u>
0 to 100	1,488	776,624	92.1%	8.4%
101 to 200	1,913	59,870	7.1	10.8
200 or more	14,319	<u>6,746</u>	<u>0.8</u>	<u>80.8</u>
		843,240	100.0%	100.0%

It is important to emphasize that, insofar as sugar producing properties are concerned, the land reform program referred to above is not a program of nationalization. To the contrary, the purpose of the program is to increase substantially the private ownership of sugar producing facilities, and to give the Peruvian sugar workers a direct stake in the ownership and management of these facilities. The individual cooperatives are independent, taxpaying entities that

are subject to some degree of government regulation -- as is true of most agricultural and industrial enterprises in the United States -- but they are otherwise free of government control.

As the foregoing suggests, the sole beneficiaries of Peru's sugar trade with the United States are the sugar workers themselves, Peruvian workers who benefit from programs made possible by the taxes paid by the cooperatives, and, finally, Peru's citizens who benefit from the multiplier effect of the public and private expenditures made possible by sugar trade. In 1970, the cooperatives realized a pre-tax profit approximating \$15,200,000. Of this amount, approximately \$7,500,000 was paid to the Peruvian Government in taxes, leaving a balance of some \$7,700,000. Pursuant to a formula established by the Peruvian Land Reform Law for the distribution of that balance, part will be distributed to the sugar workers, part will be employed in educational and social programs of benefit to those workers, and part will be invested in the development of related industries that will be owned by the cooperatives.

In light of these facts, this Committee and the Congress can be assured that the broadest possible segment of Peruvian sugar workers and citizens benefit from Peru's sugar trade with the United States.

4. Peru is a Good Trading Partner of the United States.

As noted earlier, sugar trade between Peru and the United States is not a one-way street. The United States is Peru's principal trading partner, and Peru purchases more goods and services from the United States than it does from any other country. In 1969, United States exports to Peru totalled \$167,000,000. Accordingly, much of Peru's earnings from sugar trade with the United States are employed to purchase U. S. foods and services.

Furthermore, Peru has a great deal of foreign debt -- amounting at present to some \$1.3 billion -- virtually all of it in the hands of United States lending sources. Thus, the foreign exchange earned by Peru from sugar exports to the United States is an essential

element of Peru's ability to meet its commitments to these lending sources. Here, again, maintenance of Peru's sugar quota benefits the United States no less than it does Peru.

.. 5. Peru is a Dependable Source of Sugar Supply.

Peru has faithfully met its U. S. sugar quota requirements year-in and year-out for almost four decades. Indeed, for many years -- from 1934 to 1960 -- Peru was the largest foreign supplier of sugar to the United States after the Philippines and Cuba.

Peru has continued to maintain its record of dependability to the present. In the five-year period beginning in 1966, when the 1965 Sugar Act amendments became effective, Peru met its basic quota without fail each year, including 1969-1970, when the Peruvian industry suffered the consequences of the 1967-1968 drought, one of the worst in Peru's history. Furthermore, in four of the five years -- excepting 1969 when the effects of the drought were most strongly felt -- Peru supplied not only its basic quota and its full share of the Cuban reserve quota, but was also able to provide additional supplies

to help meet the deficits of Puerto Rico and foreign suppliers. This is shown in the following table:

Peru's Final Sugar Quotas 1966-1970

	<u>Basic Quota</u>	<u>Temporary Quotas and § 202(d) Prorations</u>	<u>Deficits and Deficit Prorations</u>	<u>Total</u>
1966	166,797	175,395	39,183	381,375
1967	173,428	184,884	50,589	408,901
1968	181,318	195,236	117,877	492,952
1969	176,556	188,869	(65,425)	300,000
1970	196,164	214,904	44,923	455,991

It should also be noted that, though it had once been thought that recovery from the drought would take as many as five years, the recovery is now largely completed. Despite an anticipated increase in domestic consumption, Peru anticipates that it will be able to supply at least as much sugar to the United States in 1971 as in 1970 and probably more. Since Peru shipped just under 456,000 tons of sugar to the United States in 1970, and Peru's basic quota, temporary quota and Section 202(d) for 1971 established on December 4, 1970, amount to 371,729 tons, Peru should have no difficulty

meeting its portion of any increases in U. S. domestic consumption and helping meet the deficits of other producers. Beyond 1971, Peru estimates that increased production resulting from additions to total sugar cane acreage that will be made as recovery from the 1969-1970 drought is completed will meet any increases in Peruvian consumption so that Peru will be able to maintain its exports to the United States at current levels. Furthermore, Peru can and will increase its total sugar acreage and production if U. S. demand merits such increases.

I thank the Committee for the opportunity to appear before it and explain Peru's position.

The CHAIRMAN. The next witness will be Mr. Albert S. Nemir, in behalf of the Brazilian Sugar & Alcohol Institute.

Mr. Nemir, we will print your entire statement in the record.

STATEMENT OF ALBERT S. NEMIR ON BEHALF OF THE BRAZILIAN SUGAR & ALCOHOL INSTITUTE

Mr. NEMIR. Thank you, Mr. Chairman.

We represent the Brazilian Sugar & Alcohol Institute, a Brazilian Government agency charged with the control of sugar production, distribution, and exportation. The governing body of the Institute which is responsible to the Ministry of Industry and Commerce, includes the president of the institute as chairman, assisted by a council, that gives broad representation to all sections of the Brazilian sugar economy, both public and private.

We are registered with the Department of Justice as agents of the institute, and our most recent registration statement is on file with the committee.

Mr. Chairman, we appear before your committee to respectfully request consideration of certain modifications in the foreign quota provisions of H.R. 8866, which unduly penalized Brazil among other Western Hemisphere countries which have been the backbone of the Sugar Act and without which in today's sugar world the American consumer would face the possibility of an extremely bleak outlook.

The situation today is somewhat similar to conditions existing in June 1962 when warning was given to this committee that the period ahead was uncertain. World sugar stocks by the end of the 1970-71 crop year will be reduced nearly 3 million tons by reason of the fact that world consumption is currently over 75 million tons while world production is a little over 72 million tons.

H.R. 8866 does not give credit to Brazil and other Western Hemisphere suppliers which have carryover stocks on hand with relatively little such stocks available in other areas.

Another modification of the 1965 act resulting in a reduction for Brazil and other Western Hemisphere countries was the deletion of the provision assigning the temporary Cuban quota to countries which are members of the OAS.

Furthermore, countries outside the Western Hemisphere were granted quotas equivalent to the amounts they would have received under the 1965 act at the 11,200,000 ton level, and this action was not based upon application of the five criteria adopted for consideration by the House.

We request the committee to consider restoration to the Latin American area of any sugars above the 11,200,000 ton distribution level.

In their testimony before this committee on June 16, both the representatives of the Department of Agriculture and the Department of State concurred that the basic criteria for the allocation of quotas to foreign countries should be the reliability of a supply of sugar at all times, including the possibility of supplies on short notice. The representative of the Department of Agriculture, Assistant Secretary Palmby, was more specific on this point in saying:

The Department of Agriculture must give first attention to one of its primary obligations in administering the Sugar Act; that is, to assure consumers of adequate supplies of sugar at all times. Two of the five largest suppliers, Brazil and

the Dominican Republic, are the best sources for obtaining substantial additional quantities of sugar on short notice.

As this committee is probably aware, there are few countries in the world today which can be considered as reliable suppliers of substantial additional amounts of sugar—chiefly on short notice. Surely, Mr. Chairman, Brazil is in this group.

As requested in the committee press release of June 10, we have shown in our written statement filed with the committee how the U.S. sugar program is beneficial to 750,000 workers directly employed in the sugar industry of Brazil. A large part of these workers are in the north-eastern section of the country, one of the most underdeveloped areas in the world, in which area 95 percent of the sugar shipped to the United States is produced. The U.S. exports in 1969 were \$682 million versus imports of \$610 million, or a balance favorable to the United States of \$72 million in that year. Wheat sales to Brazil during the 5 years 1966 through 1970, amounted to 4,876,000 tons, or 175 million bushels. This was 42 percent of Brazilian wheat purchases. Of the 42 percent, 17 percent was Public Law 480 (long-term dollar credit sales) and 25 percent commercial sales.

I would like to explain here, Mr. Chairman, that in some quarters this has been alluded to as aid. I think a better terminology is assistance, because I find not too much difference between buying a house on a long-term mortgage and buying wheat on a 25-year U.S. dollar credit to be repaid. I think you can consider commercial sales as a down-payment. This is a better view, I think, than the distorted view that the long-term dollars sales is "aid", because I do not think you expect Brazil not to be paying the bill.

U.S. direct investments in Brazil in 1966 were \$1.5 billion, the second largest in Latin America, and indications are that it has now reached at least \$2 billion.

Additionally, Mr. Chairman, the statement I have filed with the committee shows that Brazil is the largest producer of cane sugar in the free world, that it has promptly and willingly met all requirements under the Sugar Act, that it has maintained a reserve of sugar for the United States as contemplated by the act, that it always has on hand stocks of at least 1.5 million tons, of which about one-third, or 500,000 tons, is in the form of raw sugar for export, and that it has the capability and willingness to meet any unexpected demand for sugar which this country might make.

I would like to state here also it costs, according to our records, \$1.25 a ton to carry sugar; \$15 a ton times 500,000 tons is \$7,500,000, representing the cost to Brazil of carrying the stocks.

In the light of the foregoing we believe that it is in the best interest of this country, as well as of Brazil, to increase, rather than reduce the effective participation of Brazil in the U.S. sugar market.

We also believe that the representatives of the Department of Agriculture and the Department of State have recommended certain steps which are aimed at correcting some of the inequities of H.R. 8866 and which can also be taken as workable starting points to enhance the participation of Brazilian sugar in the American market.

Thank you, Mr. Chairman.

The CHAIRMAN. Some time ago, I had occasion to complain about what appeared to be Brazilian discrimination against American shipping in the coffee trade. Are you aware of that?

Mr. NEMIR. I did not hear the last part of your statement.

The CHAIRMAN. I said some time back, I was complaining about the tendency of Brazil to discriminate against American shipping in the coffee trade. Are you aware of that?

Mr. NEMIR. Yes, sir. I think, though, it has been straightened out.

The CHAIRMAN. I think that matter has been straightened out as it stands now.

Mr. NEMIR. Yes, sir.

The CHAIRMAN. I only point out now that the majority of the people on this committee and in the Senate want to do right by Brazil. We just want that to be reciprocal. We want you to be fair to us, too.

Mr. NEMIR. Yes, sir.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. I have no questions.

Senator FANNIN. No questions.

Senator HANSEN. I do have one question, Mr. Chairman.

You indicated that you preferred to call Public Law 480 assistance rather than aid, Mr. Nemir. I recall that World War I debts, I do not think, have been repaid in any appreciable degree. Practically all of the assistance that was afforded after World War II was given under the Marshall plan and other types of aid; I do not think there is any feeling around the country that anybody is going to make any repayment back. I do not think we indicated that we wanted any back. I think the lend-lease aid that was given to Russia, I do not think they have repaid any of that. They still have our ships.

As I understand, these Public Law 480 things were initially set up so we could get cruzeiros from Brazil. We have no use for them. Now it is on a 25- to 40-year basis. Is there any reason to believe that those loans will be repaid?

Mr. NEMIR. Senator, I have every reason to believe they will be paid. I do not see any reason to believe they should not be repaid.

Senator HANSEN. What are the reasons?

Mr. NEMIR. Well, Brazil can afford to pay them. I am not sure I am prepared to discuss this with you. Some of the remarks need an unqualified answer. My understanding is some of these were loans to be repaid.

Senator HANSEN. That is right.

Mr. NEMIR. My understanding is, and I will check this with proper sources, that they will be repaid.

Senator HANSEN. It will sure set a new precedent if they are repaid.

Mr. NEMIR. Thank you, sir.

Mr. Chairman, I have a telex from Brazil in answer to Professor Page that I think throws a little more light on the labor question that I would like to file with the committee.

Senator FANNIN. Mr. Chairman, just one question. We did have testimony—I do not know whether you were here—from one person who was saying that the workers would be in a better position from the standpoint of their livelihood if we did not have the Sugar Act, the allotment which accrued to it. Were you here when that gentleman testified?

Mr. NEMIR. No, sir; I happened not to be, but I am familiar with what he said.

Senator FANNIN. He said it would benefit 700 million workers employed in the sugar industry in Brazil, a large part were located in this northeastern sector of Brazil. I could not figure out from what he was saying how they would be benefited by cutting back. Do you understand what he said?

Mr. NEMIR. If the committee has time, I will read this telex, which is a reply.

Senator FANNIN. No, if you have the reply there, I will not take the time. You do have the reply?

Mr. NEMIR. Well, the panorama described by Professor Page certainly dates back to times past. That is the substance of what is elaborated on here in this telex.

Senator FANNIN. Well, if it is in there, I will not press it.

Mr. NEMIR. The gentleman has made the press all over Latin America on that statement, but it is out of date.

The CHAIRMAN. Would you submit that for the record? I would like to insert that at this point in the record. I do not care if you read it, but I would like to have it in the record.

(The telex referred to follows:)

TRANSLATION OF TELEX OF JUNE 18, 1971, FROM MONTALEGRE ASSECON 26/71

The press here headlines today the request of Professor Joseph A. Page, of the University of Georgetown, to the Senate, that it eliminate the Brazilian sugar quota due to the "subhuman conditions imposed by the sugar barons in Brazil, on the farmers" who, according to him, live in extreme poverty, hunger, sickness and ignorance. In view of his appearance before Finance Committee, remind Nemir of the program of social assistance maintained by the Institute in cooperation with producers, including clinics and hospitals. *Agricultural and industrial sugar workers* are unionized and enjoy the assistance of labor justice, of the Ministry of Labor and Social Welfare. They have a right to a *minimum salary, paid days of rest, holidays, 13th month salary, pension* for involuntary interruption of work and *retirement*. According to preliminary data of the 1970 census, the *percentage of literacy* in the rural sugar zone of the Northeast is 43% among persons from 14 to 44 years of age, falling to 33% in the range from 45 to 54 years. Recently MOBREAL (Brazilian Movement for Promoting Literacy) and GERAN promoted the *opening of 800 new classrooms* in the cane producing areas and sugar mills. The per capita income of the Northeast was *US\$127 in 1955*, corresponding to 38% of the per capita income of Brazil. This relationship went to 51% in 1967, as a result of the elevation of the Northeast per capita income to *US\$190*, with the value of the dollar calculated in terms of purchasing power in 1969. The figures above appear in the *report of the Bank of the Northeast of Brazil* regarding 1970 and reveal that important progress has been made in the region. According to the same source, the *production of cane* in the Northeast showed an overall *increase of 41%* in the period from 1957 to 1967, with 60% of the production carried out in the States of Pernambuco and Alagoas. The average productivity per hectare in Pernambuco reached 46 tons and in Alagoas 47 tons. Average regional yield developed from 39 tons in 1957 to 45 tons in 1967. It is obvious that, *despite progress achieved in late years, there exist deficiencies that are being corrected to the extent that the development of the region progresses*. The panorama described by Professor Page certainly dates back to times past.

OMER MONTALEGRE,
Economic Adviser Presidency.

Senator HARRIS. Mr. Chairman.

The CHAIRMAN. Go right ahead, sir.

Senator HARRIS. Mr. Nemir, I was looking at the five criteria for development of foreign quotas which the House Agriculture Commit-

tee ostensibly followed in connection with the bill which is before us. I wanted to ask you particularly in regard to the fifth one to respond, if you would. The fifth criterion was the extent to which the benefits of participation in this market are shared by factories and larger land-owners with farmers and workers, together with other socioeconomic policies in the quota country. I wonder if you might speak to that point insofar as Brazil is concerned?

Mr. NEMIR. Yes, sir. Because of the request to be short and brief, that is answered more fully in the House testimony which I covered on that fifth point.

Senator HARRIS. Would you just sort of hit the highpoints?

Mr. NEMIR. Sure. It is in this telex, too.

The first benefit to the Northeast is the matter of employment. In the first place, you do not give any benefit unless you employ people.

Secondly, the program of Brazil is designed just for that purpose. The sugar industry is completely privately owned, but it is guaranteed, in a sense, by the Government. So the first thing that the workers and the small farmers have is something to do, a program. The second part of it, then, is what the benefits are and how their situation is improved.

Well, the efforts involve all phases—the salaries, the amenities, hospitals, schools. That is covered in my testimony before the House. I went through all that in the House.

Senator HARRIS. Do you know how that is broken down as to who gets what and so forth?

Mr. NEMIR. Well, let's start with the entire system, then. The law requires that the farmer, the 42,000 farmers, the mills must receive at least 50 percent of their cane from these farmers. That is the first protection.

Senator HARRIS. Where does the balance of that come from?

Mr. NEMIR. From the mills. The mills are permitted to make up 50 percent of their own requirement. And then they are required to take 50 percent of their cane from the small farmers.

Senator HARRIS. What percentage comes from small farmers and what from large farmers insofar as the money that would be realized—

Mr. NEMIR. It is 50 percent. It is just almost 50 percent. It would not miss it over 1 percent. Some of the mills have to make up their differences, but then the others supply more. As I remember the figure, it is very close to 50 percent.

Senator HARRIS. Are the mills all Brazilian owned?

Mr. NEMIR. All of them privately owned, yes, sir.

Senator HARRIS. By Brazilians?

Mr. NEMIR. By Brazilians. There have been offers to Americans. As yet, they have not come in, although I think the investment picture is getting very much better and we may soon see some American investments in Brazil.

Senator HARRIS. What wages are paid?

Mr. NEMIR. That is a difficult question to answer because there are so many things that go with it. I will have to read a little bit of this.

“In view of his appearance before the committee remind Nemir of the program of social assistance maintained by the Institute in cooperation with producers, including clinics and hospitals. Agri-

cultural and industrial sugar workers are unionized and enjoy the assistance of labor justice, of the Ministry of Labor and Social Welfare. They have a right to a minimum salary, paid days of rest, holidays, 13th month salary, pension for involuntary interruption of work and retirement." And it goes on.

"The per capita income of the northeast was \$127 in 1955."

Senator HARRIS. \$127 per capita?

Mr. NEMIR. \$127—yes, sir; it is one of the lowest in the world. Corresponding to 38 percent of the per capita income of Brazil. This went to 51 percent in 1967. They raised their level. As a result of the elevation of the northeast per capita income, in northeast, to \$190.

"The figures above appear in the report of the Bank of the Northeast of Brazil regarding 1970 and reveal that important progress has been made in the region. According to the same source, the production of cane in the northeast showed an overall increase of 41 percent in the period from 1957 to 1967, with 60 percent of the production carried out in the States of Pernambuco and Alagoas," which are the two principal States in the northeast that are affected. It goes on to say—

Senator HARRIS. The production increased by how much—14 percent?

Mr. NEMIR. To 60 percent.

Senator HARRIS. What about the wage increases during that period?

Mr. NEMIR. Well, it sounds fantastic because they had to keep up with inflation.

Senator HARRIS. Can you tell me in real terms? I am familiar with the inflation.

Mr. NEMIR. They are not too high, Senator, in terms of U.S. dollars, but you have to take into account all the things that go with it and I think you have to take into account the progress that is being made and all the efforts being made to raise these wages. I would say over \$30 a month—well, here.

Senator HARRIS. Could you give the committee a breakdown on sales as represented by this quota in the past year so far as profits and what was paid in labor and so forth?

Mr. NEMIR. Profits to the growers?

Senator HARRIS. To the growers and millers and the wages paid to the workers?

Mr. NEMIR. Well, I think if you will give me an opportunity to clarify Brazil, the price is set every year by the Institute after analysis each year. So there is no up and down of price, it is, you might say, a guaranteed return to the sugar grower.

Senator HARRIS. I know, but what I would like to see in line with this qualification which the House Agriculture Committee has listed is for you to take the gross amount of sugar earnings last year in the United States by Brazil, and tell me where that went insofar as the profits are concerned, and labor.

Mr. NEMIR. Senator, I think the proper answer to that is Brazil sold—

Senator HARRIS. Was there any attempt made to make a showing in response to that criteria in the House?

Mr. NEMIR. Yes, sir.

Senator HARRIS. Well, are those figures available?

Mr. NEMIR. It is not that simple to answer, because \$20, \$30, \$40 million is going into the sugar industry such as the terminal that was built, the harvest that was produced.

Senator HARRIS. Do you know the profits?

Mr. NEMIR. Sale of U.S. sugar was \$89 million last year, yes, sir.

Senator HARRIS. Would you be able from that to break out the amount of profits that went to growers and to millers? Otherwise, how does Brazil set the price or decide what is done?

Mr. NEMIR. It sets it on the basis of cost of production and increases in cost.

Senator HARRIS. Irrespective of the profits earned?

Mr. NEMIR. Well, Senator Harris, Brazil, may I just clarify a bit here?

Senator HARRIS. I do not mind you clarifying, but I would also like some figures on profits and wages. That is rather simple.

Mr. NEMIR. I will give you what I can.

Senator HARRIS. Will you give the rest of it later? You do not have to give it now?

Mr. NEMIR. I will be happy to; 75 percent is domestic sugar, 25 percent is export. Half of that is world, half of that United States. So the whole has to be considered and not just part, sir.

Senator HARRIS. But you are appearing before us in regard to a quota from the United States—

Mr. NEMIR. I will do my best to give you what you want.

Senator HARRIS. You will do that, will you?

Mr. NEMIR. Yes, sir.

Senator HARRIS. Thank you, Mr. Chairman.

(A reply to Senator Harris and Mr. Nemir's prepared statement follows. Hearing continues on p. 805.)

A. S. NEMIR ASSOCIATES,
INDUSTRIAL, ECONOMIC, FOREIGN TRADE CONSULTANTS,
Washington, D.C., June 23, 1971.

Hon. FRED R. HARRIS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HARRIS: As you requested, I am supplying additional information regarding what happens to the profits from U.S. purchases of Brazilian sugar. I had not realized that the information available to the committee from previous testimony in the House may have been deficient.

The Brazilian Sugar and Alcohol Institute is the sole exporter of sugar from Brazil. Therefore, all proceeds of sugar exports, whether to the United States market or to the world market, are received by the Institute.

Profits from sales to the United States are offset by losses incurred in sales to the world market. The net proceeds of these export operations are by law required to be credited to a *Special Exportation Fund* which was established to finance the defense of sugar production and to *guarantee to the producer the official price for export sugar*. The Brazilians know by experience that the resources of this Fund are inadequate to finance completely the responsibilities of the Institute in the defined area. Hence, the Brazilian government imposes a tax on its own people payable per sack of refined sugar for domestic consumption. A substantial portion of the proceeds of this tax is earmarked for the Special Exportation Fund.

At the beginning of each crop year the Brazilian government at a high level establishes prices for raw sugar purchased by the Institute F.O.B. mill and for the sugar cane that cane suppliers furnish the mills. In addition sugar workers, both industrial and agricultural, are covered by a minimum wage law.

The profits from exports of sugar to the United States are applied first to guarantee the price established for the sugar producer; the guarantee of such

price reflects back to the cane grower to whom the mill must pay the price established for cane; through the operations of both the mills and the cane growers.

It is emphasized that the administrative expenses of the Institute are not paid from the Special Exportation Fund but are charged to part of the tax collected on sugar for domestic consumption.

The Institute has programs for improving sugar production and exportation in the Northeast, which it must also fund, and among these may be mentioned building a modern sugar terminal in Pernambuco, extensive laboratory installations, measures to improve the quality of export sugar and supporting infrastructure.

What will happen should the Brazilian quota in the United States market be reduced?

1. Since sugar for export to the United States is produced almost exclusively in the Northeast area of Brazil, the activities of cane producers and sugar mills would necessarily have to be reduced because of the absence of markets, either internal or external, in which to dispose of the amount of sugar by which the Brazilian quota might be reduced.

2. The resources of the Special Exportation Fund would be substantially reduced because of smaller sugar exports to the United States.

3. Hence, the Institute would be able to guarantee to the sugar mills and cane producers prices for their products only for a much reduced level of production. Accordingly, both would have their resources and activities curtailed.

4. It necessarily follows that the work force required would drop and unemployment in the industry would develop, adding to the already existing unemployment problem in the area.

5. Hence, it is obvious that the contemplated reduction in Brazil's sugar quota in the United States market will very adversely affect the Northeast area of Brazil which is in desperate need of all assistance to fortify its economic situation and assist its economic development. It is equally clear that the people who will be immediately and hardest hit would be the very workers with whose welfare both Brazil and the United States are concerned.

I believe that the foregoing demonstrates that there is no profiteering and the profits from the U.S. sugar program go directly to all segments of the sugar economy of the Northeast area.

I hope the above is responsive to your question.

Respectfully yours,

ALBERT S. NEMIR.

STATEMENT OF ALBERT S. NEMIR
ON BEHALF OF
THE BRAZILIAN SUGAR AND ALCOHOL INSTITUTE
BEFORE THE SENATE FINANCE COMMITTEE

June 22, 1971

I am Albert S. Nemir of A.S. Nemir Associates. We represent the Brazilian Sugar and Alcohol Institute, a Brazilian government agency charged with the control of sugar production, distribution and exportation. The governing body of the Institute which is responsible to the Ministry of Industry and Commerce, includes a President as Chairman, assisted by a Council, that gives broad representation to all sections of the Brazilian sugar economy, both public and private.

Mr. Chairman, we appear before your committee to respectfully request consideration of certain modifications in the foreign quota provisions of H.R. 8866. The House unduly penalized Brazil among other Western Hemisphere countries who have been the backbone of the Sugar Act and without whom in today's sugar world the American consumer would face the possibility of an extremely bleak outlook.

H.R. 8866 does not give credit to Brazil and other Western Hemisphere suppliers for the fact that they do have stocks on hand with relatively little stocks available in the other areas.

The quota for Brazil will result in a cut of about 10 percent, and for the three year life of the Act represents a reduction of more than \$30 million - a very significant amount to be absorbed - while many countries were either given substantial increases or were not required to share in the reduced foreign quota.

Brazil and many Western Hemisphere countries have excellent performance records, and if quotas were based on the five criteria adopted by the House Committee on Agriculture, they would probably have received increases rather than decreases.

To be more specific, one modification of the 1965 Act resulting in a reduction for Western Hemisphere countries was a deletion of the limitation on assignment of the temporary Cuban quota to Western Hemisphere countries who were members of the OAS, and we support reinstatement of this provision.

Countries outside the Western Hemisphere were granted quotas equivalent to the amounts they would have received under the 1965 Act at the 11,200,000 ton level and were not based upon any rating applied to the five criteria adopted for consideration by the House.

We request the committee to assign to the Latin American area all of the foreign quota requirements above the 11,200,000 ton distribution level and to assign additional sugars to Brazil in recognition of Brazil's unusual contributions to the major objectives of the Sugar Act.

1. Mr. Chairman, the Department of Agriculture, the Department of State, the domestic sugar industry, and the industrial users, all testified before this committee last week that the number one requirement of the Sugar Act and of sugar consumers is the assurance of a stable and ample supply of sugar at reasonable prices and at all times.

2. The Department of Agriculture, Mr. Marshall for the domestic industry, and Mr. Mount of the Sugar Users - all of whom are recognized sugar experts - also testified that we are entering a tight world sugar supply period. Roughly, the figures are that present world sugar production is under 73 million tons per year and growing very slowly. World consumption, on the

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other hand, is over 75 million tons and growing at a rate of about 2.5 million tons per year. This means that world stocks will be reduced by 3 million metric tons at the end of this crop year. There is little evidence that production in the coming few years will restore this cut and add an additional 2.5 million tons each year to account for normal world yearly consumption increases. There is fairly general agreement that for the year 1971/72 a further reduction is inevitable. This situation was reported briefly in our statement to the House Committee on Agriculture.

3. Notwithstanding these considerations of the importance of supply and the tight world situation in sugar, the House bill moves in exactly the opposite direction - away from assurance of supply. It moves substantial tonnages of quota out of the Western Hemisphere to far-away countries with more uncertain shipping schedules.

4. Meeting the requirements of our sugar program means, on the part of the supplying country, more than just filling a basic quota at a time most convenient to the shipping country.

It means having sufficient production and stocks, and carrying sufficient reserves, to meet deficit allocations and quota increases whenever they occur. It means the ability and willingness to ship sugar as needed during the summer months when U.S. demands are highest.

5. Brazil has the ability to meet these requirements in a measure exceeding any other country in the sugar program.

6. Brazil always has the sugar on hand to meet a deficit allocation or any other unexpected demand from the United States. As shown in Chart II, sugar stocks in Brazil are never less than 1.5 million short tons of which about one-third is in the form of raw sugar for export. This is

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additional tonnage at the end of the crop year and after having met U.S. requirements of around 600,000 tons as well as world requirements of around 600,000 tons. It is completing at Recife one of the largest and most modern sugar holding and loading plants in the world, capable of loading a 20,000 ton. ship in less than 24 hours. It is, at the same time, doubling the capacity of existing storage and loading facilities at Maceio. (See Chart IV).

8. Brazil has the desire and the ability to cooperate fully with the Department of Agriculture in timing its shipments so as to bring sugar into the United States when it is most needed. Since all shipments are made by the government agency IAA, it is able and has an excellent record of responding to market demands in the United States by either advancing or delaying shipments. Brazil is the only major supplier that has a record of shipping an average of over 50% of its quota during the months of June through September when it is most needed.

9. The Sugar Act contemplates that supplying countries will carry a reserve of sugar to meet additional United States demands. Brazil is one of the very few countries which does carry such reserves. It obtained from the International Sugar Council special permission to carry over at the end of the sugar year 500,000 tons of raw sugar as a reserve for export to the United States market. Reserves of sugar, however, are not a statistical concept. Reserves are mountains of raw sugar in storage. The best measure of the reserves a country actually has on hand is the amount of sugar which, after all commitments are met, has to be disposed of at clearance-sale prices in the world market. Brazil is the only country

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in the Western Hemisphere which has made substantial sales into the world market and these sales have been averaging more than half a million tons per year. (See House Committee Print, Table 25).

10. All sales to the United States are by the government sugar agency - The Brazilian Sugar and Alcohol Institute - thus it is able to regulate completely the timing and quantity of shipments to this country. At the request of the Department of Agriculture it defers shipment when producers in Louisiana and Florida are marketing their crop and augments deliveries to meet market requirements during the summer months when demand is highest.

The sugar system has been under control of the Brazilian Sugar and Alcohol Institute since 1933. The industry is completely privately owned but regulations are given by the Institute controlling all phases of the sugar industry to insure fair treatment to the 42,000 cane growers. The 262 mills are required to purchase at least fifty percent of their cane requirements from these growers. There are 750,000 wage earners directly employed in the sugar industry. There is no opportunity for profiteering since the government owns the sugar for export. The industry pays the same price regardless of whether sugar is for domestic consumption, export to the United States or to the world. The benefits are based on the volume which the Institute is responsible for encouraging and regulating. Any excess from exports to the Institute is turned back into the sugar industry in various ways. The elaboration of all these points is contained in testimony given before the House Committee on Agriculture and we know that this is available to the committee.

11. As to the use of the funds which accrue to Brazil from its sales to the United States market, Brazil is using those funds in exactly the way this committee would want it to.

The Northeast sector of Brazil is the poverty area of that country. It has been for many years. In order to stimulate the economy of this area the IAA has provided that virtually all of the U.S. quota is shipped from the Northeast area. This is where it is completing its new loading facility at Recife.

Funds from sugar sales are being used for improved sugar facilities and agricultural development, hospitals, schools, and improved worker living conditions in this area. As we in the United States know, the elimination of poverty and the effects of poverty is not an easy or short-term project, but Brazil is making an honest and strenuous effort in this direction and the income from sugar sales to the United States is a major tool in this program. This is discussed much more fully in the formal statement filed on behalf of Brazil with the House Committee on Agriculture, which we understand from the chairman's statement is fully available to the committee.

12. In addition, there is another step which the committee could take which would not involve reducing any quota in the House bill - that is to assign all deficits above 500,000 tons to the Western Hemisphere countries. Speaking of the large Western Hemisphere suppliers Assistant Secretary of State Katz said in his testimony before this committee: "These are the very suppliers on whom we would have to count most heavily to meet our requirements in the event of another worldwide shortage of sugar, such as occurred in 1963 and 1964."

Many competent sugar experts are projecting a tight world situation in sugar - if not an actual shortage - in the next several years. In such a situation, United States access to a virtually inexhaustible supply of sugar is essential to the success of our program and to the welfare of American consumers.

On page 11 of his testimony to this committee, Assistant Secretary Palmy, speaking for the Department of Agriculture, said: "But we should not lose sight of the fact that it is possible for the flow of supplies to be interrupted by very serious strikes or restricted by adverse crop conditions and that on such possible occasions the desire of consumers to stockpile sugar can be overwhelming. This secondary or stockpiling phenomenon can be overcome but only by proving early in the critical period that the demands of the market are being served regardless of their magnitude."

Brazil is the only country in the sugar program which has the production, the stocks, and the shipping facilities to meet the kind of additional demand Secretary Palmy referred to. Chart IV substantiates the major position which Brazil holds in comparison to other Western Hemisphere countries.

In the light of the foregoing we believe that it is in the best interest of this country, as well as of Brazil, to increase rather than reduce the effective participation of Brazil in the U.S. sugar market.

We also believe that the representatives of the Department of Agriculture and the Department of State have recommended certain steps which are aimed at correcting some of the inequities of H.R. 8866 and which can also be taken as workable starting points to enhance the participation of Brazilian sugar in the American market.

Information Required by Section 4 of the
Foreign Agents Registration Act

1. Agents: A. S. Nemir Associates
501 -- 13th Street, N.W.
Washington, D.C. 20004
2. Agents have filed with the Registration Section
Department of Justice, Washington, D.C. a
registration statement which is available for
public information.
3. Distribution of this material is made on behalf
of the Brazilian Sugar and Alcohol Institute.
4. A copy of this material has been filed with the
Registration Section.
5. The filing of a registration statement with the
Registration Section is not to be regarded as
an indication that the United States Government
has approved this material.



**AVERAGE MONTHLY PRODUCTION
OF THE LAST FIVE CROPS
EXPRESSED AS A PERCENTAGE OF
TOTAL PRODUCTION**

June	6.08%
July	15.49
August	16.61
September	17.21
October	13.90
November	9.12
December	6.79
January	5.69
February	4.26
March	2.64
April	1.62
May	.39

Production Period:
From September to April in Northeast.
From June to December in South.

Planting Period:
Northeast: May-July, November-January
South: January-March

**BRAZIL - AUTHORIZED SUGAR PRODUCTION 1970-71
(Short Tons, Raw Value)**

	No. of Mills Operating in 1969/70	Refined (For Domestic Consumption)	Raw (For Export)	Total Short Tons
North-Northeast Total	99	1,047,327	1,013,300	2,060,627
Maranhao	2	1,409	—	1,409
Piaui	1	3,522	—	3,522
Ceara	2	7,044	—	7,044
Rio Grande do Norte	3	40,148	—	40,148
Paraiba	7	84,525	—	84,525
Pernambuco	42	559,621	592,780	1,152,401
Alagoas	27	227,793	420,520	648,313
Sergipe	9	77,481	—	77,481
Bahia	6	45,784	—	45,784
Center-South Total	163	3,647,931	337,767	3,985,698
Minas Gerais	24	274,704	—	274,704
Espirito Santo	2	38,740	—	38,740
Rio de Janeiro	26	612,802	—	612,802
Sao Paulo	93	2,465,294	337,767	2,803,061
Parana	5	178,911	—	178,911
Santa Catarina	5	40,501	—	40,501
Rio Grande Do Sul	1	11,270	—	11,270
Mato Grosso	3	4,578	—	4,578
Goiás	4	21,131	—	21,131
Total Authorized	262	4,695,258*	1,351,067*	6,046,325

* 66,659,000 Bags Refined, 20,000,000 Bags
Raw Authorized both Converted to 96° Basis.

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SUGAR—BRAZIL

COMPARISON OF PRODUCTION, CONSUMPTION, EXPORTS AND STOCKS, 1965—1970, BY MONTH

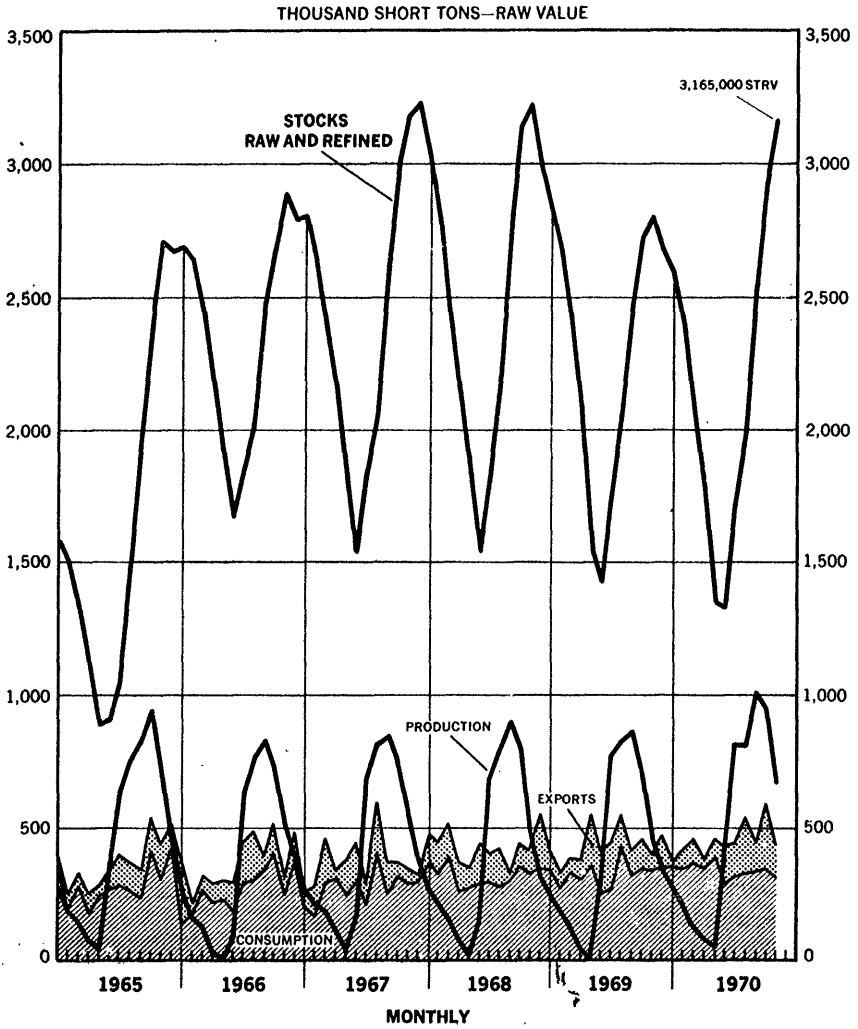
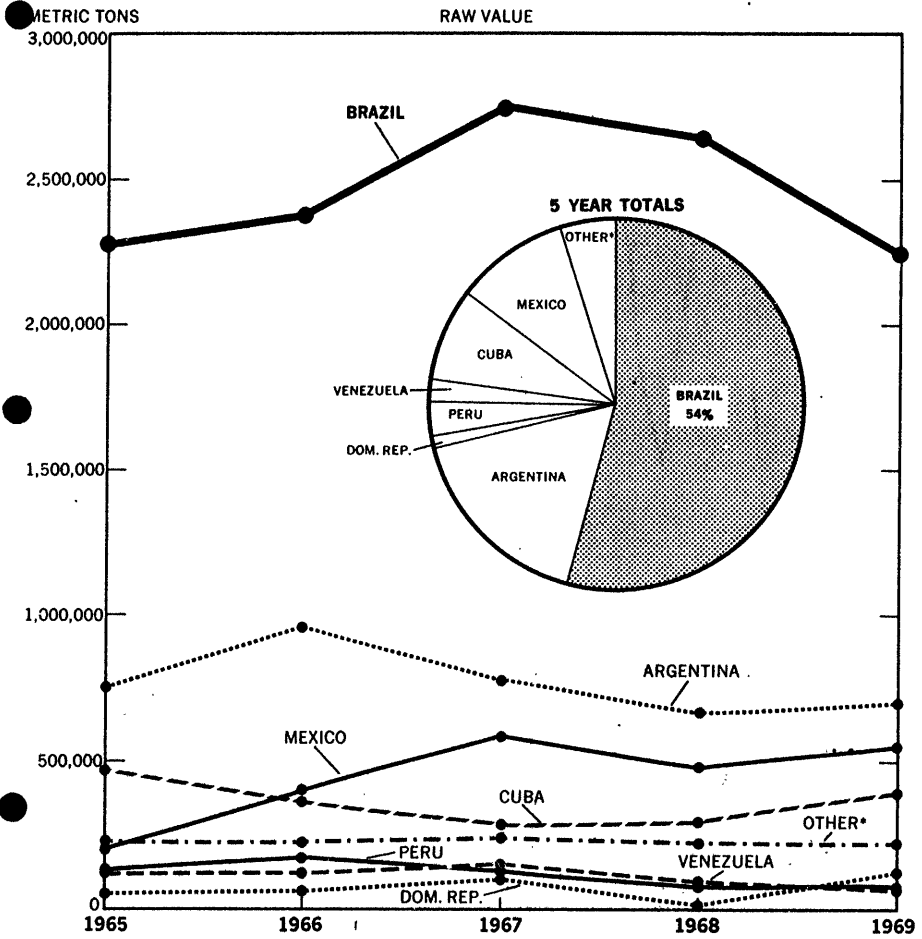


CHART NO. III

STOCKS OF CENTRIFUGAL SUGAR

SELECTED COUNTRIES OF CENTRAL AND SOUTH AMERICA, 1965-1969

(•Totals as of December 31st)



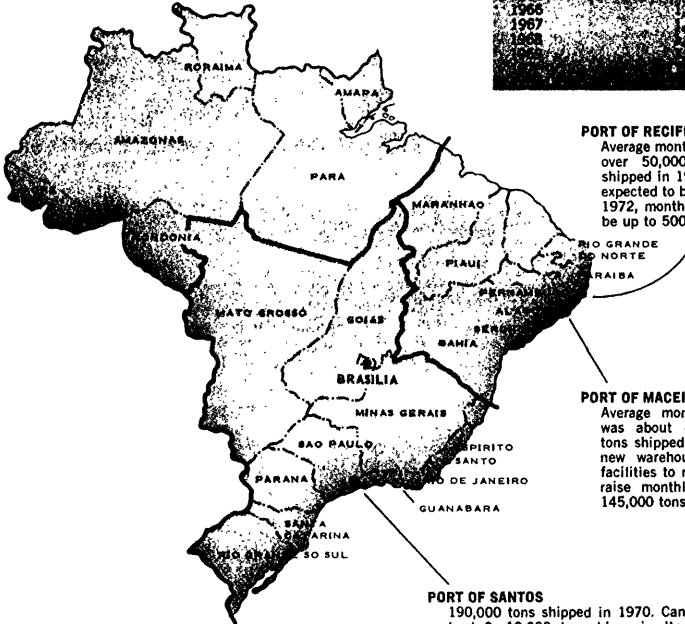
*Includes Guatemala, Haiti, Jamaica, Leeward and Windward Islands, Trinidad, Tobago in Central America and Bolivia, Chile, Guyana, Paraguay and Surinam in South America.

Source: International Sugar Organization, Sugar Year Book 1969

BRAZIL'S SUGAR EXPORTS AND EXPORT FACILITIES

BRAZILIAN SUGAR EXPORT TOTALS INCLUDING U.S. (Short Tons, Raw Value)

1965	217,000
1966	312,000
1967	310,000
1968	310,000



PORT OF RECIFE

Average monthly loading in 1970 was over 50,000 tons (635,000 tons shipped in 1970); with new terminal expected to be in operation by March 1972, monthly loading capacity will be up to 500,000 tons.

PORT OF MACEIO

Average monthly loading in 1970 was about 40,000 tons (446,000 tons shipped in 1970); just-finished new warehouse and new docking facilities to receive large ships, will raise monthly loading capacity to 145,000 tons.

PORT OF SANTOS

190,000 tons shipped in 1970. Can load 3-10,000 ton ships simultaneously in 10 days on the basis of 1,000 tons per ship every day. Thus theoretical capacity is 9 ships per month or a total of 90,000 tons.

15	—	31
24	—	32
42	9	116
38	46	111
107	24	193
79	1A	99
115	2A	231
28	46	114
71	13	146

Source: Brazil - I.A.A.

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The CHAIRMAN. Our final witness for the day is Mr. Felipe J. Vicini on behalf of the sugar industry of the Dominican Republic.

STATEMENT OF FELIPE J. VICINI, ON BEHALF OF THE SUGAR INDUSTRY OF THE DOMINICAN REPUBLIC

Mr. VICINI. Mr. Chairman, members of the committee, my name is Felipe Vicini. I am a citizen of the Dominican Republic, and a member of the External Trade Commission of the Foreign Ministry of that country. I appear before you representing the Dominican Sugar Institute, a government agency specifically encharged with the formulation and supervision of national sugar policy in the Dominican Republic.

I appreciate this opportunity you have granted me to testify on behalf of my government in relation to H.R. 8866.

Mr. Chairman, the effects of H.R. 8866 on the Dominican Republic are shattering. As I will explain, under the House bill the Dominican Republic will be cut by 25 percent or 172,712 tons from its average deliveries under quota allotment over the past 3 years and will lose approximately 15 percent of its total export earnings—this is 15 percent of its total export earnings, not merely sugar export earnings. These effects are by far the greatest on any country.

Turning now to an explanation of my very strong but truthful statement, it must first be understood that the House bill is predicated on certain misleading assumptions. Reading the House report on H.R. 8866 it becomes quite evident that the proposed final quotas were determined on the basis of so-called demonstration 1971 quotas, and that comparison between them is the source of all subsequent analysis with regard to the implications of the bill.

I submit to you, Mr. Chairman, that this comparison is invalid and immaterial, because the so-called demonstration quotas merely reflect what quantities of sugar each foreign country as of this date may deliver during the course of 1971. They are not even final marketing allotments for 1971. Furthermore, the comparison in no way demonstrates what each country can in fact deliver, nor what they actually have been supplying to the United States in recent years.

I further contend that comparison of proposed quotas with the actual record of deliveries of each country, or what is technically known as their average finally adjusted quotas over a representative period, is the only one that reveals the very serious implications of the House bill in the following significant areas:

1. Its effects on the sugar economies of the various supplying countries.
2. The resulting impact on their foreign exchange income, and by extension, on the export trade of the United States.
3. The resulting shifts in the geographical patterns of supplying U.S. sugar import requirements.
4. Its effects on the patterns of world sugar production and international trade.

Whatever else may be said on the matter, Mr. Chairman, there is one incontrovertible fact, and that is that the Dominican Republic has delivered to the United States 692,769 tons of sugar, on the average, over the last 3 years and that under the provisions of H.R. 8866 deliveries would be limited to approximately 520,000 tons, a reduction of

some 173,000 tons, with respect to actual exports, notwithstanding the fact that total U.S. demand is estimated in the bill at a level that is 67,000 tons higher than average consumption over the previously indicated period. This reduction, the largest for any single supplying nation, in both absolute as well as relative terms is not the 9 percent that has been suggested, but a tremendous 25 percent from average finally adjusted quota.

The impact of such a reduction, or for that matter, of any significant drop in exports to the United States, on the operations of the Dominican sugar industry and, by extension, on the structure of the entire Dominican economy, is simply disastrous. In this respect, it must be remembered that the Dominican economy depends on the activities of its sugar industry and particularly on the level of its exports to the United States, more than that of any other quota country. In our case, it would not be the simple matter of slightly reduced profits, but of a convulsive shock running the length and breadth of the country, toppling employment, wage scales, farmer income and tax revenues—a shock that would seriously impair all commerce, industry and agriculture that rely on the wealth placed in circulation by the Dominican sugar industry to prime their activities.

This fact becomes evident upon analyzing the role played by the Dominican sugar industry in the national economy as the vehicle for the distribution of wealth and as the motive force for economic development—a role, I might add, which I believe to be unparalleled in its effectiveness by the sugar industry of any other quota country, as is clearly demonstrated by the following salient facts:

1. The Dominican sugar industry pays the highest wages in the foreign sugar cane industry, with the possible exception of Australia.

2. The Dominican sugar industry pays the largest share of the quota premium to workers, through bonuses and profit sharing plans.

3. The Dominican sugar industry pays the highest proportionate shares of its average sales price for cane purchased from independent farmers—the equivalent of 130 pounds of sugar and 3 gallons of molasses per short ton of cane. There are 3,190 independent cane farmers in the Dominican Republic with an average land holding of only 34 acres that supply 23 percent of industry requirements.

4. In fiscal 1969-70, out of total revenues of \$150 million, \$84,100,000, or 56 cents out of each sales dollar was paid out in the form of wages, salaries and other benefits for personnel services or to cane farmers. A full one-tenth of the entire Dominican population depends directly for its livelihood on these wages and benefits.

5. The Dominican sugar industry makes the highest proportionate contribution to government revenue. Taxes (excluding social security taxes) paid in 1969-70 totalled \$22,800,000, or 15 cents out of each sales dollar. Ten percent of the entire national budget is accounted for by sugar industry payments. The magnitude of the indirect contribution can be judged by the fact that 40 percent of government revenue proceeds from customs duties and related taxes on imported items whose volume obviously depends on available foreign exchange income, nearly 60 percent of which is produced by sugar exports.

6. Twelve of the country's sugar mills which account for close to two-thirds of total production are State owned, and by law, 40 percent of their net profits are paid out to workers while the remaining 60

percent is used to fund public health, education and housing programs and for the diversification of the economy. In 1969-70, after tax profits for the entire industry amounted to \$16,100,000, or 11 cents out of each sales dollar, but this figure includes the net earnings retained by the Government from its own sugar operations for the purposes described above, as well as the reinvested profits of the entire industry, which comprise considerable sums dedicated by the private sector to the improvement of medical, housing and educational facilities for worker families.

I would be greatly surprised, Mr. Chairman, if you were to hear evidence presented by the sugar industry of some other quota country that testified to a better record in this respect.

Nevertheless, the Dominican Republic suffers the largest reduction under the provisions of H.R. 8866, and if this cut is measured in terms of its impact on total export earnings, the disproportion is even more dramatic.

Under the proposed legislation the Dominican Republic would suffer a \$25,000,000 reduction in total export earnings, that is to say an approximate 15-percent cut.¹

This percentage drop is 10 times larger than the corresponding proportion for the next most affected country and about 100 times more intense than that suffered by foreign sugar suppliers taken as a whole.

Furthermore, the United States supplies 66 percent of the goods and services that the Dominican Republic purchases from all sources, and this figure is surpassed only by Mexico. This means that any reduction in the amount of sugar purchased by the United States from the Dominican Republic must invariably produce an unfavorable result on the export trade of the United States for the simple reason that dollar income made available to other countries at the expense of the Dominican Republic's foreign exchange receipts would necessarily be spent in the United States to a lesser degree than previously.

A comparable situation arises with respect to the geographical patterns of supplying U.S. sugar import requirements. The Dominican Republic is the closest source of appreciable quantities of sugar available to east coast markets. Any reduction of sugar imports from the Dominican Republic would necessarily result in the lengthening of U.S. supply lines, and could conceivably lead east coast refiners to increase their inventories in order not to run the risk of interrupted operations.

Under H.R. 8866 certain countries are awarded quotas which will prompt them to increase their productive capacity, notwithstanding the fact that sugar is already a surplus commodity in the world taken as a whole. This places an even greater burden on those countries that are presently retaining surplus inventories in an intent to stabilize prices in the free market. The Dominican Republic will have a 200,000 ton surplus over and above total markets and statutory reserves for 1971, assuming a final quota of 700,000 tons in the United States this year. Any reduction from this last figure in the next legislation would simply add to the surplus, and would require the Dominican sugar industry to assume the additional sacrifice of further curtailing its activities to reduce this surplus, or alternatively be forced to reconsider

¹ With respect to latest available figures (1968).

its treaty obligations under the International Sugar Agreement, which would undoubtedly have a highly disruptive effect on the stability of the free market. In either case the Dominican Republic would have to pay a very high price.

All things considered, Mr. Chairman, if any country has a case for a quota increase that country would be the Dominican Republic.

Notwithstanding the fact that we can easily deliver a substantially larger quota, our request has been, simply, that we not be deprived of the market we have enjoyed and served well in past years—that is to say a quota of about 700,000 tons—and that we be granted the opportunity of sharing equitably in the growth of the U.S. sugar market as total demand increases.

The CHAIRMAN. Let me just get one thing straight in my mind. Based on the impression I gained from what the State Department's witness had to tell us, the House committee does not seem to feel that they have made as big a reduction in the Dominican allocation. Now, I have asked my staff to present us with some information to see what the situation was. It seems apparently that if this big reduction that you fear takes place, it would be because where, in other years, the President has reassigned a large amount of the deficits in other countries to the Dominican Republic, conceivably, he would not be re-assigning those same amounts in deficit. Is that where you arrive at this big reduction in the Dominican quota that you are speaking of here?

Mr. VICINI. Perhaps I can explain that better by going over a little bit of the past history, Mr. Chairman. As you have well pointed out, the Dominican quota has been made up of a rather large quantity or proportion of deficit allocations, of which a substantial part has come to the Dominican Republic through the use of presidential discretionary powers. In 1965, Congress, when it reviewed the Sugar Act and extended it for 5 years, considered increasing the Dominican basic quota in the legislation.

However, in view of certain circumstances that prevailed at that time, it decided to withhold that increase and leave it to the President to allocate on a yearly basis. As a result, during the last 5 years, the Dominican Republic has been receiving a substantial proportion of its quota through the special allocation which is really a basic quota allocation in the sense of obeying the recommendations of Congress although technically, they are, of course, taken from the deficits.

Now, by starting off from the so-called demonstration 1971 quota, the House Agriculture Committee has ignored all legislative history since 1965 to the present, because there is no presidential allocation reflected in that demonstration quota. Besides, the Dominican Republic has, through the natural proration of deficits, been supplying an extraordinarily high proportion of the deficits that have occurred in other areas.

The 1971 demonstration quotas, of course, do not reflect what the history of deficit coverage has been because the 1971 demonstration quotas are an assumption as to what the various countries may deliver this year. In no way do they reflect what they will deliver. It is conceivable that some countries may not be able to deliver what has been assigned to them in 1971 under those demonstration quotas.

The important thing about the presidential special allocations in the past, and the fact that they have been ignored in the House considerations, is, of course, that first of all, the House bill takes away from the Dominican Republic, I think, more as a matter of oversight than anything else, a quota that was granted by Congress, or it was the intent of Congress to grant in 1965. They are reverting to a situation previous to 1965 in that respect.

The second part, I think, that is important about this, is that the special allocations have been handled by the President over the course of the present amendments in such a way as to keep the final Dominican quota close to the 700,000 ton level. He was able to do this with rather small allocations, especially during the latter part of these 5 years. During the last 3 years special allocations have only averaged approximately 55,000 tons each year. This, while the President has been able to dispose of about 800,000 tons or close to 800,000 tons of deficits to start off with to make the special allocation to the Dominican Republic required to bring its quota up to the desired level, and for proration among the other western hemisphere suppliers.

Of course, such a situation in the future, I think, would be a great deal more difficult, first of all because deficits are going to be smaller, inasmuch as 300,000 tons of them are being transferred over to the mainland and according to the House report itself and to the tables and calculations that were made there in support of the bill, it becomes evident that there would only be about 312,000 tons of deficits available for special allocation and for proration amongst Western Hemisphere suppliers. And in order to make up the Dominican quota through this mechanism, it would be necessary to assign virtually all of that to the Dominican Republic.

The CHAIRMAN. That is just the point that I was trying to get straight in my mind. In other words, as a practical matter, we would have to have a large deficit somewhere in order for the President and the Secretary to reallocate that deficit in such a way as to maintain existing shipments from the Dominican Republic. The Philippines, for example, has the largest share of deficits, perhaps the largest, and they came here to testify that they planned to fill their quota and deficits too. Now, if we take up 300,000 tons of the deficit by assigning that to domestic producers to begin with and then the Philippines make up their share that could leave the Dominican Republic, then, in the kind of situation that you are talking about where the President could not help them even if he wanted to. Is that part of the problem here?

Mr. VICINI. That is correct, Mr. Chairman.

Senator ANDERSON. I think this sentence reads, the end of it, the Dominican Republic will have a very high price to pay. I think it is completely wrong. I think we ought not to countenance this at all. We have these extra amounts and that becomes available to some other state or some other country. If we leave the original figures alone, the Dominican Republic is better off.

At the bottom of page 4, the Dominican sugar industry pays the highest wages of any foreign sugarcane industry with the possible exception of Australia. You do pay a good price. You do pay your workers a good price. Why this country would be penalized, I cannot imagine. I do not see how you can be helped by this thing.

You say this reduction is the largest for any single supplying nation in both absolute and relative terms. I think that is a completely correct statement that you make on page 3 and it is a very good clue as to what we should watch.

I think it is too bad that the Dominican Republic has to fight so hard in this sort of thing. I think the United States would be much better off if it did not allocate so much to the other countries and allocated it to this country here.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. I want to make sure I understand these figures.

Your actual deliveries to this country for the last 3 years have been 692,000-plus tons, is that right?

Mr. VICINI. That is correct, Senator.

Senator CURTIS. I cannot understand how you got such a high figure. Your demonstration quota was only 575,312 tons. Where did the rest of it come from?

Mr. VICINI. Well, as I mentioned to Chairman Long, of that 692,000 figure, approximately 210,000 tons have been made up of deficit allocations. Part of those deficit allocations have come through the Presidential assignments and the remainder through simple proration amongst Western Hemisphere suppliers.

Senator CURTIS. About how much of it came through special Presidential preferences?

Mr. VICINI. I believe in the last 3 years, they were 75,000, 50,000, and 40,000 tons successively. That would be 55,000 tons on the average for 3 years.

Senator CURTIS. Are you saying that at the time of the 1965 act, there were certain questions raised in this country concerning the Government of the Dominican Republic and that rather than explicitly state their quota in the law, the matter was placed in the hands of the President? Is that what it amounts to?

Mr. VICINI. Yes. If you wish, Senator, it is just half a second, I can read the record.

Senator BENNETT. Is it in this statement?

Mr. VICINI. No, it is not. This is the record of the House Agriculture Committee as later endorsed by the conference committee of the House and Senate in 1965. This is in the Congressional Record:

The committee gave serious consideration to increasing the Dominican Republic quota in view of its position as a historic nearby sugar supplier, the importance of the sugar industry to the well-being of its economy and the absence of a large home market or stable overseas export market to absorb its large sugar production. However, in light of the changing and unsettled political conditions in the Dominican Republic during the time the committee deliberated this bill, the committee deemed it advisable not to increase the Dominican quota in the legislation but rather to request the President to increase the Dominican quota by allocating to the Dominican Republic a substantial portion of the deficit of Puerto Rico, or any other domestic area or foreign country, after allocation of the Philippine share. The committee understands that the President proposes to make such allocation, subject to conditions in the Dominican Republic at the time.

That is a quote.

Senator CURTIS. Will that situation prevail in the future?

Mr. VICINI. I believe, as Senator Long has pointed out, that it is almost inconsequential whether it prevails in the future or not because the 1965 recommendation, limits the area for the President to act on

these special allocations, limiting it to deficits that are available after reserving the Philippine share. The situation now under the next legislation will be considerably different from what it has been in the last 3 years.

During the last 3 years, the President has had available on the average close to 800,000 tons a year of deficits to make this allocation and to prorate amongst other Western Hemisphere suppliers. In this way, with just a 55,000 ton special allocation, he has been able to keep the Dominican quota up at the 690,000 ton level, whereas in the future, he will only have available under the bill—that is to say if H.R. 8866 is converted into law—he will only have 312,000 tons available for all these purposes. In order to bring the Dominican quota up to 690,000 tons through a special allocation, he would have to assign 225,000 out of the 312,000 tons to the Dominican Republic, which is virtually impossible.

Senator CURTIS. Let me ask you this: Suppose there would be some unforeseen events and there would be much more deficit to allocate than anyone anticipates at this time. Is there anything in the legislative history of the current act that we have before us that calls for a special allocation to the Dominican Republic other than to treat it like all the other recipients of deficits?

Mr. VICINI. Well, it is very difficult, of course, to know what will happen in the matter of deficits.

Senator CURTIS. What I mean is is there anything in reference to this bill in the House—

Mr. VICINI. No, not at all.

Senator CURTIS (continuing). That is a repeat of the peculiar circumstances in 1965?

Mr. VICINI. No, there is nothing.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. Do you have any questions to ask?

Senator HANSEN. Mr. Chairman, I do not. But are we to have no further hearings on this act?

The CHAIRMAN. This is the last witness that we have scheduled, yes, sir.

Senator HANSEN. Just let me say I was hopeful that the Philippines would have a representative here. I do have some questions that will be directed to them by letter.

I want to join with you, Mr. Chairman, in pointing out that I am deeply concerned about the expropriation of American property in whatever country it may occur. I think there is a very clear distinction that should be drawn between the exercising of the right of eminent domain as we have it in this country whereby certain procedures have to be gone through in order to be certain that the owners of those properties taken by the Government are fully compensated for their property. I make a sharp contrast between that and the expropriation of properties as seems to occur around the world today. It certainly will be my inclination to join with you in looking with great disfavor upon any country that hopes to come in here today and get a sugar quota that at the same time expropriates American property.

I want to say furthermore that despite my inclination to view with approbation the efforts of countries to increase the salaries of their workers, my first concern will be to make certain that American jobs

are protected and I think that that means seeing that insofar as we can, we give first consideration to the American sugar beet growers and the American cane producers. We are facing a situation before this committee that contemplates a rather serious revision of the welfare law and if we are talking about placing an additional 1 to 14 million more Americans on welfare, I think that we must be concerned with the jobs of Americans.

I just wanted to say that because I think it is important that those representatives who have been testifying the last few days have a right to know how at least one member of this committee feels.

Thank you, Mr. Chairman.

(Correspondence referred to above by Senator Hansen follows:)

RUSSELL B. LONG, LA., CHAIRMAN
 CLINTON P. ANDERSON, N. MEK. WALLACE F. BENNETT, UTAH
 HERMAN E. TALMADGE, GA. CARL T. CURTIS, NEBR.
 VANCE HARTKE, IND. JACK MILLER, IOWA
 J. W. FULBRIGHT, ARK. LEN B. JORDAN, IDAHO
 ABRAHAM RIBICOFF, CONN. PAUL J. FANNIN, ARIZ.
 FRED R. HARRIS, OKLA. CLIFFORD P. HANSEN, WYO.
 HARRY F. BYRD, JR., VA. ROBERT F. GRIFFIN, MICH.
 GAYLORD NELSON, WIS.

TOM VAIL, CHIEF COUNSEL

United States Senate

COMMITTEE ON FINANCE
 WASHINGTON, D.C. 20510

June 22, 1971

Mr. John A. O'Donnell
 Representative of the Philippine
 Sugar Institute
 1001 Connecticut Avenue, N. W.
 Washington, D. C.

Dear Mr. O'Donnell:

I would venture to say--and I am certain you would agree--that the American investment community in the Philippines is the strongest and closest supporter of the Philippine Republic's objectives for continued growth and prosperity.

Recently, American companies doing business in the Philippines have expressed concern at the increasingly uncertain business climate in the Philippines. This growing uncertainty stems from two prime sources, which have been described in the Far Eastern Economic Review and other publications.

First, the pending termination in 1974 of the Laurel Langley Agreement and the parity ordinance makes uncertain the future rights of American companies to own land, use certain natural resources and obtain visas for essential personnel. To date, your Government has taken no affirmative action to dispel these concerns.

Second, certain legislation both proposed and in part passed by your Congress has caused grave concern in the American investment community because of its apparent intent to discourage foreign investors. For example, the Investment Incentives Act provides in fact incentives only for firms owned sixty percent or more by Philippine citizens. The anti-discrimination bill seems directed against foreign employees working in the Philippines. Recently enacted regulatory legislation even suggests to American investors a trend toward possible nationalization authority.

I wish to be sure that you understand this concern for the future which exists on the part of many American companies and, if not reversed by affirmative action of your Government, could place the Philippines in a disadvantageous position in comparison with investment options in other parts of the world. There is already a trend to reduce new American investment and, in some cases there is actual disinvestment.

When the Philippines need help they turn to America; it is time that some of these issues were clarified and resolved in a businesslike way. Would you care to comment as to the treatment which you believe could be expected by U. S. investors in the Philippines in the years immediately ahead? Would you care to comment on the business and legal environment American business can expect in the Philippines-- both now and after the expiration of the Laurel Langley legislation?

Sincerely,



Clifford P. Hansen
U. S. S.

JOHN A. O'DONNELL
ATTORNEY AT LAW
1001 CONNECTICUT AVENUE, N. W.
WASHINGTON, D. C. 20038

TELEPHONE
737-1041

CABLE ADDRESS
JODONNELL

June 23, 1971

The Honorable Clifford P. Hansen
United States Senate
Washington, D. C.

Dear Senator Hansen:

This is in reply to your letter of June 22, 1971 in which you inquire as to certain rights of American companies in the Philippines after the expiration of the Laurel-Langley Agreement and express your concern over some of the recent and proposed legislation affecting investments by American companies.

Both the United States Government and the Republic of the Philippines have appointed panels to renegotiate the Laurel-Langley Agreement. In view of the mutual interests of the two countries I think we have every right to assume that the renegotiations will be successful. Certainly we hope so. In any event, the Laurel-Langley Agreement in its present form will be in effect until July, 1974, or substantially throughout the life of the proposed extension of the Sugar Act.

The rights of American citizens in the Philippines are well protected by the basic legislations now in effect.

Discrimination against United States citizens and their properties is specifically prohibited. Just compensation

for all properties (including American-owned properties) taken by the Philippine Government is required by the Philippine Constitution, by legislation and by treaties with the United States Government.

Article III of the Constitution provides in part "No person shall be deprived of life, liberty or property without due process of law, nor shall any person be denied the equal protection of the laws."

Article VII of the Laurel-Langley Agreement provides in part that each of the parties agrees "not to discriminate in any manner, with respect to their engaging in business activities, against the citizens or any form of business enterprise owned or controlled by citizens of the other. . ."

Article III of that Agreement provides in part ". . . neither country shall impose restrictions or prohibitions on the importation of any article of the other country, or on the exportation of any article to the territories of the other country, unless the importation of the like article of, or the exportation of like article to, all third countries is similarly restricted or prohibited. . ."

The rights and properties of United States citizens have been guaranteed parity by amendment to the Constitution.

The parity provided by Article VIII of the 1946 Trade Agreement with the United States and the consequential amendment of the Philippine Constitution established national

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treatment for United States citizens for the exploitation of Philippine natural resources and operation of public utilities.

The Retail Trade Nationalization Act (R. A. 1180) provides in part "Nothing contained in this Act shall in any way impair or abridge whatever rights may be granted to citizens and juridical entities of the United States of America under the Executive Agreement signed on July 4, 1946 between that country and the Republic of the Philippines." The Executive Department of the Philippine Government has consistently construed the nondiscrimination provision of the Laurel-Langley Agreement as exempting American citizens and juridical entities owned by them from the application of the law.

United States citizens are guaranteed just compensation for any properties taken from them by the Philippine Government.

Article III of the Philippine Constitution provides in part "Private property shall not be taken for public use without just compensation." This provision applies to all private property irrespective of owner.

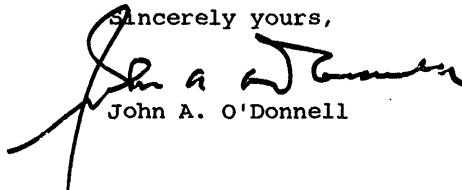
Article XIII of the Philippine Constitution provides in part "The State may, in the interest of national welfare and defense, establish and operate industries and means of transportation and communication, and, upon payment of just compensation, transfer to public ownership utilities and private enterprises to be operated by the Government." Again, therefore, payment of just compensation is guaranteed for utilities

and other private enterprises transferred to public ownership.

The broad provisions of Article IV of the United States-Republic of the Philippines Treaty of General Relations (1946) obligates the signatories to respect and safeguard all existing property rights of citizens of both parties in their respective territories.

In view of your concern about certain legislative proposals and about the business and legal environment that may confront American business in the Philippines after 1974, I am calling your letter to the attention of the Philippine Ambassador.

Sincerely yours,

A handwritten signature in black ink, appearing to read "John A. O'Donnell". The signature is fluid and cursive, with a long, sweeping underline that extends to the left and then loops back under the name.

John A. O'Donnell

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. I just hope that the committee will start reading some of this testimony by the Dominican Republic man. It is good testimony. He points out that there are 3,190 independent cane farmers in the area. That is an important part of the life of that part of the country. You can raise certain questions about it, but I do not think it has—I hope we will spend a considerable amount of time on what the real situation is in the Dominican Republic. Maybe we can get some other areas down so we can add more on to it.

Senator MILLER. Mr. Chairman, may I ask a question? The witness is very knowledgeable and I would like to ask this question.

Do I understand the real point of this is that if we follow the House pattern of taking 300,000 of what has previously been a deficit and give it to our U.S. growers, the amount of the deficit that would be available then, if the Dominican Republic is going to be restored, would be used up substantially? Therefore, what the Dominican Republic would like is to have the law set up a quota which will preserve its previous amounts to the United States so that they do not have to rely on the President using most of that deficit. Is that about what you are getting down to?

Mr. VICINI. Yes, sir.

Senator MILLER. You want to set forth that and you suggest that should be because the ball game, so to speak, today is different than it was in 1965.

Mr. VICINI. Quota allotments are the province of the legislative and I do not think it should be the province of the President.

Senator MILLER. We made it the province of the President because we felt there would be changing conditions and the President could look at these much better than we could. But the changing conditions are no longer there and things are stable and this being the case, your feeling is the Dominican Republic total shipments should be locked in by the quota provisions passed by this committee.

Is that correct?

Mr. VICINI. Exactly, sir.

The CHAIRMAN. Senator Talmadge left a couple of questions that he would like answered. I have asked the staff to submit that to you and I would ask that you prepare an answer to those two questions and make them available to us as soon as possible, hopefully before the day is out.

(The questions and answers referred to follow :)

QUESTION

You point out that the average of the finally adjusted quotas for the Dominican Republic for the last three years is 692,769 tons. With your basic quota in the past years, along with an allocation of Cuban deficit substantially less than this, and with your "demonstration of 1971 quota" at only 575,312 tons, will you please tell the committee how you get to your very substantial figure of 692,769 tons?

You point out that the average of the finally adjusted quotas for the Dominican Republic for the last three years is 692,769 tons. I understand that a substantial portion of this amount is based upon a sharing in deficit allocations including allocations made by the President. Why shouldn't the Dominican Republic rely upon such deficit allocations in the future?

June 22, 1971

The Honorable
Herman E. Talmadge
United States Senate
Washington, D. C.

My dear Senator Talmadge:

I take this opportunity to answer your two questions concerning the Dominican Republic quota that were remitted to me by Senator Long at your request.

Of the 692,769 tons which the Dominican Republic's finally adjusted quota has averaged during the last three years, 210,896 tons have corresponded to deficit allocations. Of this last quantity, 55,000 tons, on the average, have been assigned directly to the Dominican Republic through the use of Presidential discretionary powers in accordance with 1965 Congressional recommendations (78,600 tons on the average over the last five years) and the remaining 155,896 tons through the normal operations of the provisions of the Act governing deficit proration.

By adopting the so-called "demonstration" 1971 quota as a basis for the determination of the proposed quotas in the Bill, the House Agriculture Committee has, in effect, ignored the entire legislative history of the present amendments from 1965 on, and in practice has nullified or reversed the 1965 decision of Congress to grant a basic quota increase to the Dominican Republic-- a decision which in view of the special circumstances prevailing at the time, it instrumented through its recommendations to the President. In addition, the House Bill has disregarded the whole history of deficit coverage. During this time, approximately 30% of deficits have been supplied by the Dominican Republic. The House bill, therefore, would require the countries that have shared in deficit coverage to carry the full burden of the transfer of 300,000 tons of quota from Puerto Rico and Virgin Islands to mainland producers.

The effects of these considerations on each one of the supplying nations is best illustrated by the appended chart which I annex so that it can be included in the record demonstrating the quota shifts implicit in the House Bill with respect to average deliveries during the last three years, and the resulting impact on the foreign exchange earnings of each quota country.

In order to weigh the future possibilities of allocating to the Dominican Republic a final quota essentially equal to its average deliveries in recent years through the mechanism of special Presidential allocations, it is best to compare the circumstances under which the President has acted during the last three years and the possibilities that he will have in this respect in the future.

Between 1968 and 1970, the President has had at his disposal, on the average, 746,479 tons of deficits each year available for special allocation to the Dominican Republic and for proration among Western Hemisphere suppliers after having allocated the Philippines share. The 55,000 tons assigned on the average to the Dominican Republic from this quantity as a special allocation represented 7% of the total quantity available. If H.R. 8866 were passed into law, however, the amount of deficits available for special allocation and for proration among Western Hemisphere suppliers would be limited to no more than 312,000 tons. Of this quantity, approximately 230,000 tons would have to be allocated to the Dominican Republic to bring its finally adjusted quota up to traditional levels, leaving barely 80,000 tons for allocation to other Western Hemisphere suppliers.

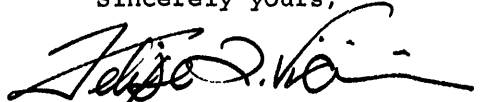
All of this bears out the fact that special allocation provisions in the forthcoming legislation would, at best, create very serious problems when used to bring the Dominican quota up to its average levels of recent years, and that this should be done, rather, by modifying the basic quota provisions of the Act to

that effect, all of which would be more in line with the original intention of Congress as expressed by its recommendations in 1965.

I also take this opportunity to remit to you a copy of the letter sent by Mr. James N. Juliana to Congressman Poage in answer to an inquiry which the Chairman of the House Agriculture Committee sent him as a result of the testimony of the attorneys for Mr. F. Benitez Rexach. A copy of Congressman Poage's letter is also attached. I believe the information contained in Mr. Juliana's letter will answer any questions you might have on the matter. If, however, you desire further explanations, I respectfully recommend that you refer to the Departments of the Treasury and Justice which have been demonstrating a continuing interest in the affairs of Mr. Benitez Rexach.

Hoping that I have been able to be of service to you in this matter, I remain

Sincerely yours,



Felipe J. Vicini
Isabel La Catolica 48
Santo Domingo
Dominican Republic

Attachments

Production Area	(a) Total Quotas & Prorations Pursuant to H.R. 8866	(b) Average of finally adjusted quotas 1968-1970	(c) Difference c=a-b	(d) Difference expressed as a % d=c/b	(e) Total export earnings in millions of \$ 1]	(f) Quota shift as a % of total export earnings 2]
Domestic Areas	6,410,000	6,127,809	+282,191	+ 4.6		
Philippines	1,314,020	1,184,353	+129,667	+ 10.9	848.7	+ 2.2
Mexico	531,737	647,141	-115,404	- 17.8	1,245.9	- 1.3
Chinese Republic	520,057	602,760	-122,703	- 23.8	162.4	- 1.3
Brazil	520,057	632,910	-112,853	- 17.8	1,759.5	- 0.9
Peru	414,457	416,807	- 2,350	- 0.6	844.9	- 0.0
West Indies	190,174	220,690	- 30,516	- 13.8	800.2	- 0.6
Ecuador	79,901	92,090	- 12,189	- 13.2	239.1	- 0.7
French West Indies	0	68,645	- 68,645	-100.0	*	*
Argentina	75,228	77,858	- 2,630	- 3.5	1,317.2	- 0.0
Costa Rica	64,481	74,606	- 10,125	- 13.6	169.5	- 0.9
Nicaragua	64,481	67,298	- 2,817	- 4.2	162.5	- 0.3
Colombia	72,893	66,974	+ 5,919	+ 8.8	537.7	+ 0.2
Guatemala	54,668	62,871	- 8,203	- 13.0	219.6	- 0.5
Panama	63,080	40,460	+ 22,620	+ 55.9	92.1	+ 3.6
El Salvador	39,717	46,106	- 6,389	- 13.9	199.5	- 0.5
Haiti	30,372	23,672	+ 6,700	+ 28.3	43.1	+ 2.3
Venezuela	36,445	31,812	+ 4,633	+ 14.6	2,854.0	+ 0.0
Brit. Honduras	33,174	16,077	+ 17,097	+106.3	13.8	+18.0
Bolivia	16,822	7,442	+ 9,380	+126.0	170.7	+ 0.8
Honduras	16,822	7,543	+ 9,279	+123.0	219.2	+ 0.6
Bahamas	33,174	6,667	+ 26,507	+397.6	46.1	+ 8.3
Paraguay	14,952	0	+ 14,952	∞	47.7	+ 4.5
Australia	204,012	200,828	+ 3,184	+ 1.6	3,348.8	+ 0.0
Rep. of China	85,004	83,678	+ 1,326	+ 1.6	790.5	+ 0.0
India	81,688	80,331	+ 1,357	+ 1.7	1,428.7	+ 0.0
South Africa	59,711	59,132	+ 579	+ 1.0	2,007.7	+ 0.0
Fiji Islands	44,368	44,070	+ 298	+ 0.7	48.3	+ 0.1
Thailand	18,660	12,198	+ 6,462	+ 53.0	532.3	+ 0.2
Mauritius	29,855	18,409	+ 11,446	+ 62.2	66.8	+ 2.5
Malagasy Republic	14,928	9,484	+ 5,444	+ 57.4	115.5	+ 0.7
Swaziland	29,855	7,252	+ 22,603	+311.7	n.a.	n.a.
Malawi	14,928	0	+ 14,928	∞	40.4	+ 5.4
Uganda	14,928	0	+ 14,928	∞	178.5	+ 1.2
Ireland	5,351	5,351	0	0	794.1	-
Total Foreign	4,790,000	5,005,524	-215,524	- 4.3	21,106.9	- 0.1
Total	11,200,000	11,133,333	+ 66,667	+ 0.1		

1] Direction of trade, annual 1964-68 International Monetary Fund.
2] Quota shifts evaluated at \$145 a ton.

* French West Indies are a department of France, and therefore, the quota loss would necessarily be absorbed by the whole country

JAMES N. JULIANA ASSOCIATES, INC.,
Washington, D.C., May 7, 1971.

Congressman WILLIAM R. POAGE,
Chairman, Committee on Agriculture, U.S. House of Representatives, Longworth
House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This will acknowledge receipt of your letter of May 4, 1971, which enclosed a copy of a letter you received from Mr. Wesley E. McDonald, Sr., and Mr. Harold D. Cooley, dated April 30, 1971. Messrs. McDonald and Cooley addressed themselves in behalf of their client, Sr. F. Benitez Rexach.

I deeply appreciate the opportunity to comment on the matter of Sr. Felix Benitez Rexach and his alleged claims against the Government of the Dominican Republic.

In my letter to you of April 20, 1971, which was in response to your letter of March 4, 1971, I stated that the laws of the Dominican Republic prohibit discrimination on the basis of national origin and, in fact, provide substantial incentives to new investments with a view to attracting foreign capital. All cases involving reclamations formulated by United States interest to the Dominican Government, to date, have been resolved satisfactorily. The Government of the Dominican Republic has never used its powers of expropriation by eminent domain to nationalize property held by foreign interests. Such action would be governed by provisions in the Dominican Constitution that require the previous cash payment of a fair value to the owners of the affected property, irrespective of citizenship.

Sr. Felix Benitez Rexach is well-known to the Government of the Dominican Republic. For many years he was a close associate and collaborator of the former dictator Trujillo. Following the assassination of Trujillo, the properties of the former dictator, his family, friends, associates and collaborators were seized during the turmoil which then existed. It was during this period that the property of Sr. Benitez, then a citizen of the Dominican Republic, was legally seized under the laws of the Dominican Republic dealing with allegations of fraud, corruption, and financial manipulations. Sr. Benitez's property was subsequently returned to him.

I believe it is pertinent to recite some of the background for your information.

Sr. Benitez publicly acknowledges that the Dominican Republic has been his residence and legal domicile for the past 35 years. On July 14, 1958, Sr. Benitez renounced his American Citizenship, applied for and was granted Dominican Citizenship. Sr. Benitez's wife also became a Dominican citizen. In June of 1962, Sr. Benitez conveniently renounced the previous renunciation of his American Citizenship at the time United States authorities, as well as Dominican authorities, were taking legal action against him.

In the early 1960's the United States Department of Justice filed legal actions against Sr. Benitez in the United States District Court for Puerto Rico in an effort to collect several million dollars in unpaid United States income taxes. It has been estimated that the public works projects granted to Sr. Benitez during the Trujillo regime were in excess of \$100 million. Upon disposition of the United States claims against Sr. Benitez, the Government of the Dominican Republic also has legal recourse to recover tax deficiencies.

Sr. Benitez now claims the Government of the Dominican Republic owes him money for work done on public works projects, many granted him during the Trujillo regime and one awarded him several years subsequent to 1962. By his own admission, there may be offsets or counterclaims against Sr. Benitez. These counterclaims by the Government of the Dominican Republic, former employees and associates are estimated to be in excess of \$10 million. Although Sr. Benitez now makes claims against the Government of the Dominican Republic, he has never filed any claims whatsoever which may have resulted from damages to the property seized or for any compensation for the use thereof. Any claims which Sr. Benitez feels he has against the country which has been his legal domicile for 35 years, and which he took the citizenship of in 1958, should properly be litigated in the Courts of the Dominican Republic.

The Secretary of State for Public Works and Communications of the Dominican Republic, certified on April 16, 1971, that the Dominican Government has no outstanding debt in favor of Sr. Benitez for any work done through the Department of Public Works and Communications. A copy of the translation of the certification is attached.

I agree with the statement in your letter of May 4, 1971, that it is not a function of your Committee to pass judgment on the Benitez matter. Where was Sr. Benitez in 1965 when the Congress of the United States considered and amended the Sugar Act? Why has he now come forward, after all these years, to seek redress? Sr. Benitez is only trying to use the Committee's consideration of amendments to the Sugar Act as leverage against the Government of the Dominican Republic in his efforts to negotiate the collection of alleged claims. He has awaited an opportunity to use the Congressional process to embarrass the Government of the Dominican Republic and for his own personal financial gain. I submit his allegations are not in violation of the intent of the Congress and have nothing whatsoever to do with the consideration of Amendments to the Sugar Act.

I have been in contact with the Department of State concerning the Benitez matter. I understand the United States Ambassador to the Dominican Republic has reviewed this matter and advised there is no diplomatic course of action which should be pursued at this time, and that Sr. Benitez should exhaust his judicial remedies.

The United States Department of Justice, I am advised, has a continuing interest in the tax liabilities of Sr. Benitez.

I strongly urge this Committee to obtain the full facts on the Benitez matter from the United States Departments of State, Justice and Treasury.

During my testimony before your Committee on April 26, 1971, I did not choose to waste the Committee's time by commenting on Sr. Benitez's allegations for I firmly believed they were not germane to the considerations before you. Counsel for Sr. Benitez has not only failed to present all of the facts, but also, in his letter of April 30, 1971, misquotes my testimony in answer to a question by Mr. Eligio de la Garza.

In closing, I respectfully request that the Committee on Agriculture give favorable consideration to the plea of the Government of the Dominican Republic for a continuation of its participation in the United States sugar market at the same level as its performance over the past three years. Namely, an annual basic quota of approximately 700,000 tons and participation in the distribution of consumption quota increases and deficit reallocations.

I thank you and the Members of the Committee for your indulgence.

Sincerely,

JAMES N. JULIANA.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C., May 4, 1971.

Mr. JAMES N. JULIANA,
James N. Juliana Associates, Inc.,
Washington, D.C.

DEAR MR. JULIANA: There is enclosed herewith a copy of a letter I have received from Mr. Wesley E. McDonald, Sr. and Honorable Harold D. Cooley which is self-explanatory.

Certainly we do not feel that it is a Committee function to pass judgment on these matters, but if you would care to give us a reply or an answer to these gentlemen's questions we would be glad to have them.

Thanking you, I am

Sincerely yours,

W. R. POAGE, *Chairman.*

Enclosure.

McDONALD & NEWTON,
Washington, D.C., April 30, 1971.

HON. W. H. POAGE,
Chairman, House Agriculture Committee,
House Office Building,
Washington, D.C.

MY DEAR MR. CHAIRMAN: On Tuesday, April 20, 1971, we appeared before the House Agriculture Committee and presented the case of our client, F. Benitez Rexach, an American citizen, against the Dominican Republic in the matter of their request for a certain sugar quota. We had previously submitted to each of the members of your committee a copy of our formal brief in support of our client's position.

In our brief, as well as in our argument, we pointed out clearly the facts surrounding the illegal seizure and expropriation of our client's property in the Dominican Republic on January 30, 1962, and the operation thereof for approximately five years without any compensation for the use or for damages suffered to the property as the result of the use and failure to properly maintain the same. It was further pointed out that from the very time of the expropriation up until this very day our client has been endeavoring to have the matter arbitrated with the Dominican Government without any success. In fact, no arbitration meeting has ever been held and nothing has been done by the government to comply with the provisions of the amendment to the Sugar Act as enacted by your Committee in 1965, all of which is set out in 7 U.S.C., Section 1158(c) (4), pertaining to the expropriation of property of American citizens by a foreign government without compensation.

In our brief and also in our oral argument to the Committee, we presented some very serious charges condemning the treatment accorded our client through the years by the Dominican Government. In this connection we desire to call to your attention that on April 26, 1971, when the Dominican representative presented the Dominican Government's case, in the matter of the sugar quota, no mention or any denial of any kind was made by the gentleman to the allegations of the violation of the intent of the Congress in the matter of the expropriation of an American citizen's property. In answer to a question propounded by Congressman de la Garza on the question of the expropriation of an American citizen's property, the representative replied that "The Dominican Constitution provided for the handling of this matter, and he had nothing further to say."

We must say, in all candor, my dear Mr. Chairman, that we were somewhat surprised that no member of the Committee present when this statement was made pursued the questioning any further by even asking Mr. James N. Julianna, speaker for the Dominican Government, any questions, not even making inquiry as to what provisions of the Dominican Constitution he was referring to. Legal research of the provisions of the Dominican Constitution fails to disclose any provisions whatsoever that deal with the subject matter of our complaint seeking relief from your Committee in the matter of applying against the Dominican Government the provisions of the aforementioned statute as it applies to expropriation of an American citizen's property and the application of the statute adopted by the Congress in 1965 as to the action that shall be taken by the President in such instances of expropriation insofar as the sugar quota of any country is concerned which fails to comply with the provisions of the said sugar statute of 1965.

We are sending a copy of this letter to each member of the Committee for their consideration. We trust when our client's case comes before the Committee that every possible consideration will be given the same.

Sincerely yours,

WESLEY E. McDONALD, Sr.,
HAROLD D. COOLEY.

The CHAIRMAN. Thank you very much.

That concludes these hearings.

(Whereupon, at 12:35 p.m., the hearings in the above entitled matter were concluded.)

APPENDIX A

(Communications Received by the Committee Expressing an Interest in the Sugar Act Amendments of 1971)

STATEMENT OF SENATOR ELLENDER ON THE SUGAR ACT EXTENSION

MR. CHAIRMAN and members of the Committee: I appreciate the opportunity to appear before you on behalf of the Louisiana and Florida sugarcane producers and processors in connection with extension and amendments to the Sugar Act which expires December 31, 1971.

The Sugar Act has been a most successful piece of legislation. It has over the years accomplished its three principle objectives, namely, (1) to provide consumers with an adequate supply of sugar at a reasonable price; (2) to promote a sound domestic sugar industry; and (3) to promote an orderly foreign trade.

It has certainly provided consumers an adequate supply of sugar at reasonable prices and, in addition, the Sugar Act since 1937 has resulted in a net return to the Treasury of over \$600 million dollars.

Mr. Chairman, this Committee is familiar with how the Sugar Act operates and you have received testimony from representatives of the domestic industry as well as testimony from the industrial users who use 75% of the sugar. The domestic industry, composed of sugarbeet growers and processors, sugarcane growers and processors and refiners in the Continental United States, and also those in Hawaii and Puerto Rico, has reached an industry-wide agreement on amendments after more than four months of deliberations. I urge the Committee to give serious consideration to their recommendations.

Mr. Chairman, there are three specific recommendations made by the industry which were not completely endorsed by the Administration nor the industrial users. These are:

1. Period of time for extension of the legislation --- the industry recommends a period of six years and I heartily agree with this recommendation. A six-year extension is needed in order that farmers in the United States, as well as foreign suppliers, can make plans for assuring the U. S. consumer of an adequate supply of sugar. As you know, from the time of planting of sugarcane in Hawaii and some foreign countries to the last harvest of cane from such planting is six years. Furthermore, our domestic beet growers follow a five or six year crop rotation system. I am informed that major industrial users of

sugar are concerned about an adequate supply. Certainly the growers to processors need a minimum extension of six years in order to make plans to assure us of an adequate supply.

2. The tax payment features as recommended by the industry would change the existing taxes and payments to be more in line with what appears to be the sentiment of the public and the Congress towards large farm payments. I endorse the industry's proposal on this also.

3. The method of achieving the price objective as outlined in the legislation passed by the House Act is different from past legislation. As many of you are aware, it has been difficult for producers to achieve the price objective specified in the present Act and particularly is that so in Louisiana because of the short selling period and the desire of foreign producers to ship their sugar into this country as harvested which happens to be at the same time that Louisiana and Florida are selling. Mr. Chairman, as a matter of record, the price objective has not been achieved for a single month since late 1968.

The industry recommended that the Secretary be required to make an adjustment in the consumption estimate whenever the price was three percent above or below the target price for a period of five consecutive marketing days. The industrial users recommended five percent and ten days.

The Administration recommended in the other body a three percent and five days, but changed its recommendation when testifying before this Committee to conform to the House passed bill of four percent and seven days. I remind you that a difference of five percent, assuming a price of raw sugar of 8.5 cents per pound is equivalent to \$8.50 per ton and could mean a loss of this much to sugarcane growers of Louisiana and Florida for a major portion of their sugar.

Mr. Chairman, I believe that three percent is really too great a variation because this is the equivalent of \$5.10 per ton but since the industry agreed on three percent, I would support their recommendation. I urge this Committee to adopt the industry's recommendation on this matter in order to provide for a more equitable Act for both the domestic industry and consumers.

HARRISON A. WILLIAMS, JR., M.J., CHAIRMAN
 JENNINGS RANDOLPH, W. VA.
 CLAYBORNE PELL, R.I.
 EDWARD M. KENNEDY, MASS.
 GAYLORD NELSON, WIS.
 WALTER F. MONDALE, MINN.
 THOMAS F. EARLETON, MO.
 ALAN CRANSTON, CALIF.
 HAROLD E. HANSEN, IOWA
 ADLAI E. STEVENSON III, ILL.

STEWART E. MCCLURE, STAFF DIRECTOR
 ROBERT E. HABLE, GENERAL COUNSEL

JACOB K. JAVITS, N.Y.
 WINSTON PROUTY, VT.
 PETER H. DOMINICK, COLO.
 RICHARD S. SCHWEIKER, PA.
 BOB PACKWOOD, OREG.
 ROBERT TAFT, JR., OHIO
 J. GLENN BEALL, JR., MD.

United States Senate

COMMITTEE ON
 LABOR AND PUBLIC WELFARE
 WASHINGTON, D.C. 20510

The Honorable Russell B. Long
 Chairman, Senate Finance Committee
 United States Senate
 Washington, D.C.

Dear Russell:

As you may know, in recent years an attempt has been made to develop a capacity for growing and processing sugar beets in the Northeastern United States, particularly in New York and Maine. Prices for refined sugar have been higher in the Northeast than elsewhere, and the successful development of such a capacity would be of great value to consumers in that region, as well as to farmers.

With Congressional support, two beet refineries have been erected, one in Central New York and one in Maine. Unfortunately, difficulties have arisen in making the New York refinery operational, and additional financing must be obtained to enable the owners to complete the necessary renovations in the plant. Naturally, such financing will be impossible to obtain if no assurances can be given that a sufficient quantity of sugar beets will be available for processing by the plant.

We have been advised by New York State officials that an additional quota allocation of 50,000 tons to New York State is necessary in order that such assurances can be given. Accordingly, we request that such an additional quota for New York be added to H.R. 8866, presently pending before your Committee.

New York farmers have already demonstrated that high-quality sugar beets can be grown in New York; they now need the help of Congress to permit the completion of the refinery to process their crop. We believe it is entirely consistent with the purposes of the Sugar Act to grant the additional quotas they seek for New York.

Sincerely,


 James L. Buckley


 Jacob K. Javits

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DANIEL K. INOUE
HAWAII

United States Senate

WASHINGTON, D.C. 20510

The Honorable Russell B. Long
Chairman
Finance Committee
United States Senate
Washington, D. C.

Dear Mr. Chairman:

Because of the extreme importance of sugar to the people and the economy of the State of Hawaii, I have made every effort to familiarize myself with the intricacies and complexities of the United States Sugar Program. I am, therefore, aware of its contribution to the success of the domestic sugar industry and its importance in relation to the foreign sugar producing nations which participate in the program. It is this knowledge and understanding which prompts me to urge you to reconsider the quota allocation for the Philippines as provided in H. R. 8866. Clearly the Philippines bear an unproportionate share of the burden of quota reductions received by the five major supplying countries. Enactment of H. R. 8866 would reduce the Philippine quota by approximately 12.6% (190,000 tons) while the remaining four major suppliers receive a percentage cut of only 9.6%. Although the basic quota for the Philippines under section 202 of the Act remains unchanged the following provisions of H. R. 8866 would result in a total quota and deficit proration allocation of 1,314,018 tons as opposed to the 1,503,703 ton quota which they would receive under the present act at an estimated consumption level of 11.2 million tons:

1. The percentage rate for deficit reallocation for the Philippines is reduced from 47.22% to 37.60%.

2. The Philippines are excluded from the reallocation of 750,000 tons of the Cuban reserve to foreign producers.
3. The Philippines are denied any participation in the growth of the United States Market.

Review of both the past and present history leads me to believe that we are doing this nation an injustice by depriving them of the opportunity to continue at least their present rate of participation in the US sugar market.

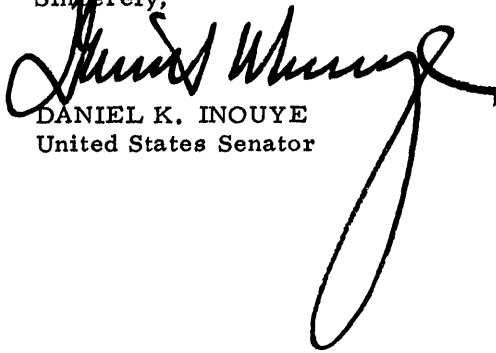
Historically speaking, the United States and the Philippines have enjoyed close ties and friendly relationships. The Filipino people fought by our side in WW II and in my judgment have never been properly compensated for the loss of human lives and property that they suffered during this conflict. I am convinced that we have never properly shown these people our appreciation for the losses they incurred on our behalf.

Economically speaking, the Philippine sugar industry was virtually destroyed during WW II. The record of the recovery and revitalization of the sugar industry in this country is unquestionably admirable. At the end of WW II, the Philippines were operating only 5 mills and producing only 13,000 tons of sugar. In contrast, the crop now being harvested is approximately 2.3 million tons. When the recovery program is fully activated, Philippine sugar mills will be able to produce 3 million tons of sugar. This record is undoubtedly commendable. It is also evidence to counter any argument that the Philippine quota should be decreased because of a recent failure to fulfill their allocation. A period of severe and abnormal droughts and typhoons from October of 1967 to May of 1969 naturally resulted in a substantial decrease in crop yields. Consequently, the Islands were unable to fulfill their entire quota for 1969. The ensuing course of action was to credit a late October 1969 sugar shipment to the quota for that year, resulting in a recorded deficit for 1970. Considering both the past record of the Philippines in supplying us with sugar and the current production and shipping facilities in the

area, I find it hard to convince myself that a series of natural disasters should serve as adequate rationale for a quota reduction for this supplier which would reduce their foreign exchange earnings by approximately \$30 million and would put 40,000 people out of work.

I also call your attention to the fact that the Philippines more than adequately meet the five criteria for consideration of foreign quota allocation set forth by Chairman Poage of the House Agricultural Committee. After careful study of the above facts, I am convinced that a revision of H. R. 8866 to provide the Philippines with a quota which is at least equal to their current share, would be in the best interests of both the Philippines and the United States. I respectfully request your serious consideration of my comments and urge you to take action to rectify the inequity which exists in H. R. 8866 with regard to the Philippines.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel K. Inouye". The signature is fluid and cursive, with a large, sweeping loop at the end that extends downwards.

DANIEL K. INOUE
United States Senator

DKI:jmpl

STATEMENT OF SENATOR GEORGE McGOVERN

U.S. Senate Committee on Finance

June 21, 1971

I urge that this committee delete from the sugar quota bill the import quota for the Republic of South Africa.

My objection is based not only on the fact that the provision clearly violates the criteria we established when we first set sugar quotas, but also because it pays no respect to "decent opinions of mankind." We are being asked to grant a favor to a nation which has become synonymous with the most repressive kind of racism.

Let us first consider whether the quota for the Republic of South Africa is justified. One of the criteria set by law is a nation's "present stage of need and need for economic development." According to the Agency for International Development, South Africa is a developed nation with a gross national product of some \$12.3 billion. There is no need and no justification to continue any assistance such as a premium price for sugar.

It would also be unconscionable to continue the quota for South Africa. The quota violates the spirit of our other foreign assistance programs, not to mention many resolutions of the United Nations. It runs counter to our own action to end racism at home.

In testimony before the House Committee on Agriculture, the representative from South Africa admitted that he knew of no other nation where racial discrimination was the law of the land. The vicious and inhumane policy of apartheid was described by former South African Prime Minister Dr. H. F. Verwoerd as "...nothing else than this: We want to keep South Africa White...." "Keeping it white" can only mean one thing, namely white domination of the black majority.

The government of South Africa has many repressive laws on its books to enforce this odious policy of apartheid. The Suppression of Communism Act of 1950 provides for the suspension of all human rights. The Terrorism Act of 1967 contains ex post facto provisions, indefinite detainment without the right of habeas corpus and also abolishes the defense of double jeopardy. A United Nations publication, Repressive Legislation of the Republic of South Africa, which documents the sorry story of legal racism in South Africa, says: "Their Terrorism Act of 1967...defined the crime of 'terrorism' so broadly that the Government could prosecute substantially anyone it pleased."

This is important not only because these hateful provisions run contrary to our own but because the Republic of South Africa has repeatedly discriminated against non-white citizens of the United States. It applies to all persons, not merely its own citizens--if indeed we can call the subjected non-whites 'citizens.'

In May of 1965, the South African government allowed planes from the carrier Independence to land prior to the ship's arrival in Capetown. However, the South African government stipulated that the crews be white. On June 27, 1965, Prime Minister Verwoerd said his country would not admit American blacks if they were assigned to the U.S. tracking station. It has denied visas to black Americans, including black members of Congress.

Although South Africa's share of the quota is only one per cent of the total, it makes little sense either from a moral standpoint or from that original purpose of the quota. It was initially designed to help poor nations; South Africa is not a developing nation and certainly does not need or merit our support.

There is, furthermore, ample precedent for eliminating the South African quota allotment. In 1960 President Eisenhower suspended Cuba's share. On November 20, 1965, our government suspended the quota of Southern Rhodesia after a Presidential finding that it would be contrary to the national interest to continue the quota.

American sugar producers, including those in South Dakota, and those laboring in the developing countries will find it hard to justify this program of aid to South Africa. They know full well the only beneficiaries of the South African quota will be a handful of large farmers who live in affluence.

The claim that cutting the quota would harm the few black South African sugar farmers is ridiculous. They produce only 2.8 per cent of South Africa's sugar and would prefer to see us stop our policy of helping those who oppress them.

The sugar quota for South Africa should be withdrawn. It is contrary to American public policy and to our national interest.

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Statement of Honorable Bill Brock, a United States Senator from the State of Tennessee, before the Senate Finance Committee

June 23, 1971

Dear Mr. Chairman:

I am grateful to the Committee for this opportunity to express my views on the Sugar Act amendments of 1971.

Since its adoption in 1934, the Sugar Act has maintained a high degree of proficiency. The three major goals of the Sugar Act, i.e. (1) to assure consumers of adequate supplies of sugar at reasonable prices, (2) to maintain the domestic sugar industry, and (3) to promote the export trade of the United States, have all met with a great measure of success, especially when viewed in the light of today's sometimes unstable consumer market. For these reasons, I wholeheartedly support the extension of the Sugar Act for the next three years.

The demand for a dependable supply of sugar has grown in recent years and with all indications will continue to do so. The domestic sugar market must expand in relation to this demand. The present domestic allotment, established at 65% for the combined sugar beet and sugar cane producers, must be granted a degree of latitude, allowing for the gradual growth of the U.S. market. On this matter, I favor passage of HR 8866 as reported by the House Agriculture Committee and passed by the House. HR 8866 allows for 200,000 tons in new sugar allotments, divided evenly between the cane and beet producers. This provision should be retained, giving new applicants the impetus to enlarge the domestic sugar supply.

Finally, concerning Section 6 of the HR 8866, I wish to stress the importance of the priority provision as it stands, which states that localities where processing facilities were closed in 1971 or thereafter would receive priority in the allocation of this acreage which is to be assigned as far as possible in advance of

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the year when production is scheduled to begin or to be expanded. The demand for sugar is growing and the domestic market must grow with it. The potential sugar producers must not be scared away because of their lack of market history. We should adopt the same policy domestically as we attempt in the allocation of foreign tonnage, namely to recognize the need of economically depressed areas, especially those well suited to the successful cultivation of sugar crops, such as West Tennessee, rather than further depriving these localities by the denial of sugar allotments.

Revision of this clause to include previous years would act to deny potential areas an opportunity they so desperately need, and also act to stymie the initiative of potential growers by honoring only market history as a relevant criterion. Revision of Section 6 to include years past could become a process ad nauseum with its possible conclusion interpreted as a carte blanche for the rehabilitation of all former sugar processing areas. Such action could close the open market, with both the consumer and producer losing through the results of higher prices and an unstable supply.

The Sugar Act must be maintained in its present form, recognizing economic need and the natural potential of certain areas.

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JUNE 23, 1971

REP. ED JONES[~]
EIGHTH DISTRICT, TENNESSEE

MR CHAIRMAN and Members of the Committee: The purpose of my statement is to support the extension of the Sugar Act which has been one of the most successful pieces of legislation ever passed by the Congress of the United States. The Sugar Act has been a protection to the American consumer as well as a benefit to the domestic sugar interests in the twenty-seven states producing sugar beets and the three states and one territory producing sugarcane. When the Act was originally passed, congress stated that it had three basic objectives: (1) to assure consumers of adequate supplies of sugar at reasonable prices, (2) to maintain a viable domestic sugar industry and (3) to promote the export trade of the United States. The Sugar Act has accomplished these basic objectives.

There is a lack of understanding and many misunderstandings in regard to the operation of the Sugar Act. I am sure that this committee is familiar with these many misunderstandings but may I make a few statements to point out the value of the Sugar Act to the United States. We do not produce enough sugar in our own country to meet our own demands. We are therefore required to buy from foreign producers or to have a shortage of sugar at exorbitant prices. On the other hand, if we were to buy freely from the world market and if adequate supplies were available in the world market, price fluctuations would be such that our domestic sugar industry could not survive. Many economists and industrial users of sugar have studied the situation with respect to our complete dependence on foreign suppliers and have come up with the conclusion that inevitably a price increase for sugar would be made to the American housewife.

Sugar is an essential food. Since we do not produce enough to supply our domestic needs, we must have some assurance that the domestic need will be met, therefore we have quotas established for

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foreign suppliers. The quota system comes in for considerable debate and discussion every time a sugar bill is enacted by Congress. As for me, I see nothing wrong in contracting with a supplier, in this case a foreign nation, for an assured supply of a strategic material which I need if they guarantee my needed supply at a fair and reasonable price. The sugar quotas allotted to foreign nations give us an assurance of adequate supply at reasonable prices -- regardless of what happens to the world price situation.

One important feature of the Sugar Act is that even though payments are made to domestic sugar producers, the Treasury of the United States makes a profit on the sugar program. For example, in 1969, payments were made to producers in the amount of 90.2 million dollars while the processing taxes collected with the specific purpose of making these payments exceeded 110 million. Instead of the payments costing the taxpayers money, it has produced revenues of over \$630 million since its existence.

I was well pleased with the version passed recently by the House of Representatives, for it encourages the development of domestic sugar production in new areas of the country. For example, I know that there is presently an interest in raising sugar beets in the Eighth Congressional District of Tennessee. In fact, tests conducted by the University of Tennessee Agricultural Extension Service indicate that there is a considerable potential in the area for sugar beet production.

Therefore, Mr. Chairman, I urge extension of the Sugar Act since it is in the national interest to safeguard the domestic production of sugar and to assure the country of an adequate supply of sugar at reasonable prices to consumers. The records are clear that sugar prices have not increased at the same rate of other foods and services. I am pleased to recommend to you and the committee a continuation of the Sugar Act.

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TESTIMONY OF THE HONORABLE
THOMAS M. PELLY BEFORE THE
SENATE COMMITTEE ON FINANCE

Mr. Chairman, I appreciate the opportunity to present my views on H. R. 8866, the proposed Sugar Act Amendments of 1971. My testimony is confined to one aspect of the bill, namely that several of the Latin American Nations who would benefit under this new legislation, as they have in the past, have taken unilateral action to claim sovereignty of a 200 mile coastal territorial sea and have illegally seized our U.S. fishing vessels on the high seas. This action has been taken contrary to internationally recognized principles of freedom of the open sea and the decision of the Anglo-Norwegian Fisheries Case, judgement of December 18, 1951, which ruled out arbitrary unilateral extensions of the territorial sea.

My hope, Mr. Chairman, is that the Senate will deal with this problem and strengthen the language of the House-passed bill included to deter such illegal seizures by giving the President of the United States discretionary authority to tax sugar imports from such countries \$20.00 a ton. As the members of your committee know, Mr. Chairman, there are several laws on the statute books today with provisions such as the one in the House-passed bill but where our State Department uses the permissive language to waive any action. The only answer, as I see it, is mandatory language. Frankly, I would urge a complete cutoff in the sugar quota from any Nation that illegally seizes American property and especially I have in mind our fishing vessels.

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Historically, Mr. Chairman, Chile, Ecuador and Peru entered into an agreement along themselves in the mid-1950's under which they claimed a 200-mile territorial sea off their coasts. This was an unprecedented move, but not one which caused great trouble initially. Of course, our fishermen were apprehensive about this, and they were disturbed when harrassments of their vessels began. Diplomacy was usually set aside at the beginning, and in return for a carton or two of American cigarettes or payment of a bottle of U. S. whiskey, the Americans were left alone.

The first serious incident, however, occurred in 1955, when Chief Engineer William E. Peck of the U.S. tuna vessel ARCTIC MAID was shot in the leg during an attack by a Peruvian gunboat. In the last 16 years there have been numerous other firings on Americans during seizures, at least one other in which an injury was sustained.

One thing should be made clear, Mr. Chairman, and that is that our American fishermen pioneered this fishery back in the 1930's. We are not there to deplete their tuna, but rather to work a vital American industry in international waters.

It should be understood that the creation by these countries of the 200-mile territorial zone was not for conservation purposes. I could cite many cases of how U.S. fishermen conserve resources to protect them from overfishing and destruction. In fact we belong to the Inter-American Tropical Tuna Commission from which Ecuador has withdrawn.

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Our American fishermen are second to none in conservation.

However, when we enter the fishing grounds off Ecuador and Peru, the fishery we have historically worked, we are made out to be pirates by the Central and South American press, by Radio Havana and lately by Radio Peking which called us, "gangsters." We are labelled "an Imperialistic aggressor."

At the center of this issue is the fact that Ecuador and Peru have refused to sincerely meet to resolve the issue. They have refused to go to the International Court of Justice to reach a determination on the legality of their claim of 200-miles. In the last few years, two meetings have been held between the U.S., Ecuador, Chile and Peru on the fishery problem, but without positive results.

I have authored numerous legislation which has been designed to get our countries into serious negotiations, but my efforts, to some degree, have been circumvented by our own State Department which has refused to enforce the Pelly Amendment to the Fishermen's Protective Act which requires that the amount of illegal fines be deducted from foreign aid. The Department has failed to file claims ^{for} ~~from~~ reimbursement of the fines against these foreign countries so as to avoid carrying out the law to deduct the amount from ~~other~~ foreign assistance allocations.

My aim has not been to achieve passage of oppressive legislation or to punish those countries seizing our vessels. I have sought to encourage negotiations to achieve a solution, but without success. The Latin Americans refuse to negotiate.

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The State Department's approach to this matter has been to handle it with kid gloves. Only when faced with no other choice have they acted. For example, I was the author of the legislation which called for the cancellation of military sales to any Country that seized our fishing vessels. The law left no way out for the State Department, and yet they turned around, took this as their only action, and they threw up their hands saying, "look, nothing works".

You, Mr. Chairman, are fully aware of the Hickenlooper Amendment. The State Department has never initiated any action against a Latin American country under the provisions of this law. There is the Belcher Amendment to the Sugar Act, patterned after the Hickenlooper Amendment, to cancel the sugar quota of any country expropriating U. S. Property without proper compensation, and this too has been ignored. And, the Kuchel Amendment to cut off foreign assistance to any country seizing U. S. vessels has been ignored by State.

Additionally, the Ecuadorians and the Peruvians have, on occasion, used U. S. Naval vessels on loan to them to seize American fishing vessels. Despite our requests to recall these vessels which are being used for anything but their intention when they're used in a seizure, the State Department has refused to act.

This is why I appear before you and suggest than an amendment be added to the new Sugar Act which would make it mandatory that the sugar

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quota be cancelled to any country which seizes U. S. fishing vessels in International waters. Mr. Chairman, the basic sugar quota in 1971 to Ecuador I am told was 32,710 short tons, raw value, and the total quota and proration amounted to 67,811 short tons. To Peru, the basic quota was 179,310 short tons. I fully realize these are substantial amounts. And, I repeat, I do not wish to impose restrictions on anyone, I simply want a solution to a problem that has existed far too long and a moratorium on seizures while these talks are being conducted.

The formula for the talks is contained in treaties which are now in force between the United States, Ecuador, Chile and Peru. These treaties date as far back as 1909, but they are the vehicle for starting talks. They lay the groundwork for establishing an International Commission to settle disputes, and they declare a moratorium on "hostile acts" during the talks.

However, the State Department again turned down my attempted settlement of the fisheries dispute. It is admitted that the treaties are in force, but it's the State Department's position, quote: "under present circumstances the Department does not consider that it would be helpful or practical to attempt to reconstitute the Commissions at this time."

Mr. Chairman, it seems to me if our own State Department refuses to institute action under an effective treaty, then the Congress must take the only kind of action at its disposal to end this tuna war.

The State Department says Chile, Ecuador and Peru could not be compelled to arbitrate the fisheries dispute under these agreements against their will. But, certainly the U. S. could have cited these treaties to the OAS or United Nations. All our government does is state that this dispute will be considered at a proposed convention in 1973. I say, Mr. Chairman, that our countries are honor-bound by these treaties to seek a solution to our problem. As it appears to me, our State Department's policies are so weak they only contribute to the problem.

Again, Mr. Chairman, after constant inaction by our own State Department, I turn to you and your committee for a solution to this issue.

I think we must take every step necessary to deter seizures and violence and bring pressure to get all parties to the bargaining table. As I see it, mandatory penalties in connection with the sugar quota is one of those steps to achieve a peaceful settlement.

Mr. Chairman, the seizure and detainment of American fishermen has been a very profitable proposition to the Ecuadorians and Peruvians. In this year alone, Ecuador has fined U. S. fishing vessel owners in excess of \$1.3 million. Peru has nabbed one fishing vessel and collected a fine of \$18,214. In Ecuador, the Navy receives 70% of the fines collected, an amount that is reimbursed by the U. S. taxpayers to the boat owners. So, what you have happening is the Latin Americans profiting from seizing U. S. vessels and receiving their full foreign aid as well.

It can't be emphasized enough, these fishermen are American citizens, and their country is failing to protect them.

I strongly recommend a provision in the bill imposing cancellation or mandatory penalties on the sugar quota of any country that seizes our vessels in the future, and I hope your Committee will take such action. I would suggest that when a Nation ceases to seize our vessels illegally for one year that the quota of that Nation be reinstated.

Again, Mr. Chairman, I thank you for allowing me to express my deep and continuing concern for American fishermen who are receiving no protection from the government that should be defending them.

SUPPLEMENT TO STATEMENT OF JUNE 17, 1971
PRESENTED TO THE
SENATE FINANCE COMMITTEE
BY
JAMES H. MARSHALL

In my statement of June 17, 1971, I informed the Committee that there were a few technical and clarifying changes necessary to more clearly carry out the legislative intent of H.R. 8866.

The necessary changes are as follows:

On page 17, line 3, strike out the words "each year."

On page 17, line 6, after the word "than," insert "a total of."

On page 17, line 16, strike out the words "each year."

The suggested changes are necessary to make it clear that the total allocation for new beet sugar processing plants or substantially expanded old plants is not to be more than a total of the 100,000 short tons during the life of the extension. Unless the changes on page 17, lines 3 and 6 are made, the intent is not clear.

The change on page 17, line 16, is necessary to make it clear that the maximum and minimum allocations are only made once for a particular plant and not repeated annually over a three-year period.

II

On page 19 at the end of line 24, add the words "1969 or."

On page 20, line 1, following the words "processor after" add the words "1969 or."

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On page 20, line 4, strike out the words "four thousand" and insert in lieu thereof the words "two thousand."

The intent of this provision is to provide sugarbeet growers an opportunity to seek a new market for their crops in the event a processor discontinues contracting for sugarbeets in an area where a substantial acreage had been contracted. The addition of the year 1969 is intended to extend this protection to New York and adjoining states. The change in the acreage figure from 4000 to 2000 in effect constitutes a redefinition of a "substantial area."

III

On page 1, line 7, insert "(1) by striking out of subsection (b) the word 'sugarcane' and substituting therefor the words 'sugarcane (including sweet sorghum)'."

On page 25, line 15, insert "(a)" after "Sec. 8.," on page 26, after line 8, insert the following new subsection:

"(b) Section 4502 (relating to definitions) of the Internal Revenue Code of 1954 is amended by inserting in paragraph (3) after the word "sugarcane," where it first appears therein, the words "(which shall include sweet sorghum)."

The purpose of these changes are to include sucrose made from sorghum under the Act and the sugar tax provisions of the Internal Revenue Code. There are indications that in the future there may be substantial sucrose manufactured from sorghum.

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On page 16, after line 8, add the following: "(1) by adding at the end of paragraph (1) of subsection (b) the following:

"In establishing proportionate shares for farms in the Mainland Cane Sugar Area, the Secretary may first establish separate state acreage allocations, may determine and administer the proportionate shares for farms in one state by a method different from that used in another state, may include in such state allocation an acreage reserve to compensate for anticipated unused proportionate shares, may make conditional allocations to farms from such reserve and establish conditions which must be met in order for said allocations to be final, may make an adjustment in a state's allocation in any year to compensate for a deficit or surplus in a prior year if the actual amount of unused proportionate shares in such state for such prior year was larger or smaller than such anticipated amount of unused proportionate shares, and in establishing state allocations and farm proportionate shares may use whatever prior crop year or years he considers equitable in his consideration of past production."

The USDA takes the position that the proposed amendment is necessary to give them authority to administer proportionate shares in line with recommendations of growers in the Mainland Cane area. The USDA has concurred in the wording of the amendment.

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STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION
BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
WITH REGARD TO SUGAR LEGISLATION

Presented by
Marvin L. McLain, Legislative Director
C. H. DeVaney, Assistant Legislative Director

March 29, 1971

We appreciate the opportunity to present our views with respect to legislation to extend the Sugar Act of 1948, as amended.

The Farm Bureau organization includes state units in every sugar-producing state and Puerto Rico. In recent years we have sponsored a number of national sugar conferences to facilitate an exchange of views among Farm Bureau members who produce sugar in various areas, and to provide a common basis for the examination of sugar problems in state and local meetings.

Our statement today is based on a policy resolution adopted by the elected voting delegates of member State Farm Bureaus in December 1970, which reads in part as follows:

"Pending the development of programs which will better serve the interests of producers....

"We support the extension of the Sugar Act as a means of dealing with the problems peculiar to the sugar industry and urge its administration on the basis of protecting the interests of domestic producers. We urge amendments to permit the reallocation of domestic deficits to domestic areas and to reserve a larger share of future growth in sugar consumption for U. S. producers."

Recent experience with the operation of the Sugar Act clearly indicates a need for more flexibility in the application of the quota provisions of the Act to domestic areas. For example, here are some of the things that have happened since the Sugar Act was last amended in 1965:

--- The Virgin Islands discontinued sugar production following the 1966 crop.

- The decline in Puerto Rican production, which appeared to be leveling off in the 1962-64 period, has accelerated. As a result, Puerto Rican deficit has more than doubled from 325,000 tons in 1965 to 780,000 tons in 1970.

Puerto Rican Sugar Quotas
and Deficits, 1960-70

	Final basic quota	Deficit	Final adjusted quota
----- (Short tons, raw value) -----			
1960	1,323,111	429,491	893,620
1961	1,270,865	290,865	980,000
1962	1,140,000	250,000	890,000
1963	1,140,000	270,000	870,000
1964	1,140,000	225,000	915,000
1965	1,140,000	325,000	815,000
1966	1,140,000	429,000	711,000
1967	1,140,000	415,000	725,000
1968	1,140,000	625,000	515,000
1969	1,140,000	769,103	370,897
1970	1,140,000	780,000	360,000

- Acreage restrictions have been in effect in the mainland cane area each year since 1965.
- Production in the beet area has been lower, on the average, than many people anticipated in 1965. Acreage allotments--which were in effect in 1965--were suspended in 1967, reimposed for the 1970 crop and again suspended in April 1970.

The fact that it has been found necessary to maintain acreage restrictions in the mainland cane area for several years is a clear indication that mainland cane producers could fill a larger quota.

While the beet area is currently free of acreage restrictions, production has increased substantially from the reduced level of a few years ago. The current estimate of sugar production from the 1970 beet crop is 3,550,000 tons--slightly less than the final 1970 beet quota of 3,597,000 tons, but substantially above the currently effective 1971 quota of 3,263,333 tons. Thus, it is logical to anticipate that the beet area may need additional quota in the relatively near future.

Sugar Beet Acreage and Sugar Production

Crop of	Acres harvested for sugar (1,000 acres)	Sugar production (1,000 tons, raw value)
1964	1,395	3,332
1965	1,248	2,816
1966	1,161	2,853
1967	1,122	2,694
1968	1,410	3,490
1969	1,541	3,330
1970	1,415	3,550

While we favor an extension of the Sugar Act, we believe that the following amendments are needed to improve the operation of the sugar program from the standpoint of domestic producers:

We believe the law should be amended to permit the reallocation of domestic deficits to domestic areas. At the present time the entire amount of any deficit that may be declared in a domestic area quota must be reallocated to foreign areas. From the standpoint of farmers it is indefensible to subject some domestic producers to acreage restrictions, and at the same time reallocate domestic deficits to foreign countries.

As noted previously, the Puerto Rican deficit has increased dramatically in the past five years. We believe that a substantial portion of this deficit could be permanently reassigned to the mainland cane and beet areas. We are aware of the five-year expansion program in Puerto Rico, but feel that any future growth in Puerto Rican production can be protected by retaining language similar to that in the present Act relative to growth in off-shore domestic production.

We also favor an amendment to reserve a larger share of future growth in sugar consumption for domestic producers.

At the present time 65 percent of the growth in domestic consumption is reserved for domestic producers. An increase in this percentage would provide more leeway for the orderly expansion of sugar production in the mainland cane and beet areas.

In our opinion the adoption of these amendments is necessary and desirable to achieve a more equitable application of the Sugar Act to domestic producers.

We strongly recommend that such amendments be approved.

**REQUEST OF THE REPUBLIC OF HAITI FOR AN INCREASE OF
THE SUGAR QUOTA GRANTED HAITI BY THE UNITED STATES.**

My name is Philip F. King. I have filed the required registration statement with the Clerk of the House of Representatives and the Secretary of the Senate. I am registered with the Department of Justice in accordance with the Foreign Agents Registration Act of 1938 as amended.

The Republic of Haiti requests an increase in its statutory sugar quota to an amount that will result in a Basic Quota of 45,000 short tons raw value and that 10,000 tons be added to this Basic Quota upon the completion of the construction of each new sugar mill in Haiti. The Republic of Haiti hopes that the cordial spirit of cooperation that has characterized its relations with the United States will cause a favorable response to this request. In support of its request the Republic had competent government officials prepare the following data and information for your review and consideration.

I

The three sugar mills operating in Haiti are owned by Americans.

- a) The "Haitian American Sugar Company"
- b) The "Centrale Dessalines"
- c) The "Caldos Sugar Company"

The funds invested in these sugar mills and in their operation are from American investors who may transfer their dividends, benefits or other sums to the United States at will. Nearly \$16,000,000 have been invested by American citizens in the sugar sector in Haiti. The Republic of Haiti is eager to cooperate fully in expanding the market available for the production of these privately owned sugar mills.

An increase of the statutory quota is essential for the American investors attracted by the Haitian Government and the available supply of trained labor. Only the American Market can provide those engaged in the production of sugar in Haiti with a safe, stable and permanent market. It exports sugar only to the United States. It may not export to the United Kingdom, France and Holland under favorable terms as some other W. I. Islands may and do. Sugar is Haiti's second largest agricultural export. American investment in sugar mills in Haiti indicates recognition of an opportunity to meet a need and make a profit. Haiti is in a competitive position which favors building new mills because of its ample supply of trained labor and sugar cane. An increase of its sugar production, conditioned on a larger quota, without question will accelerate the growth of the general economy.

II

The importance of these American investments in sugar production is only one aspect of the close economic ties between the two Republics. The following table reflects the dollar value of nine of the most important commodities imported into Haiti and the extent to which the Haitian market is supplied by American exporters.

For the period October through September in U. S. Dollars

	1967-1968	1968-1969
Continental United States	18,948,715	21,206,857
Japan	2,250,412	2,084,102
Curaçao	1,856,297	1,383,031
Western Germany	1,850,866	1,892,924
United Kingdom	1,538,478	1,557,691
France	1,433,926	1,406,736
Canada	1,089,956	1,362,878
Belgium	985,630	1,288,932
Puerto Rico	360,236	453,724

For October 1967 through September 1968 Haiti bought from the Continental United States \$18,948,714 against a total of \$11,367,801 bought from Europe, Latin America and Asia.

For 1968-69, the respective amounts were \$21,206,857 and \$11,430,018. For the period October 1st 1968 through September 30, 1969, the Commercial balance of Haiti with the United States was favorable to the States for an amount of \$2,600,051.

Haiti exports to the States: \$18,606,806
American exports to Haiti: \$21,206,857

The United States is the main supplier of the following items:

Fresh meat, cooked, canned meat, sausages; fresh milk, powdered milk; cheese, fish, corn, cereals, apples, other fruits, fresh or canned; fruit juices, jams and marmalades; vegetables, chocolate, margarine and other cooking greases; tobacco, cigarettes, etc....

An increase of the sugar quota allocated to Haiti would give it greater stability not only in its commercial relations but in its whole balance of payments. This last point is very important in consideration of the necessity of maintaining a high level of foreign reserves in order to keep the parity and convertibility of the national currency (the gourds) and to maintain its very liberal foreign exchange regulations. (No restrictions to capital movements).

The Republic of Haiti has demonstrated an ability in managing its foreign reserves and any new opportunity will, no doubt, be fruitful. The following table shows the increase in our foreign reserves during the last five years.

As of September 1966	1,905,260 U. S. Dollars
As of September 1967	1,503,760 U. S. Dollars
As of September 1968	3,191,840 U. S. Dollars
As of September 1969	3,344,340 U. S. Dollars
As of September 1970	4,163,300 U. S. Dollars

This increase has been brought about solely by Haitian authorities. There was no foreign financial help or assistance. Increased industrial production has been encouraging during the last year. It is shown by the following table which presents an index of the main industrial products of Haiti.

	1964	1965	1966	1967	1968	1969	1970
Cement	100	96	74	75	80	101	123
Cotton Textile	100	171	122	108	114	97	102
Cigarettes	100	102	101	102	99	99	122
Cooking oil	100	131	139	121	121	128	118
Lard	100	95	104	112	86	93	111
Shoes	100	77	44	37	157	144	184
Soft drinks	100	92	99	80	92	127	159
Electricity	100	97	97	94	103	115	116

The value of our production of light manufactured goods has increased from \$7,060,000 in 1968 to \$8,715,000 in 1969. This increased industrial production has helped alleviate the serious unemployment situation in our major industrial center, Port au Prince. However, the economy of Haiti is basically agricultural. Its farmers own and till their land. The entire family often participates in the planting, tending and harvesting of crops. The average income of the Haitian farm family is very low, perhaps the lowest in the West Indies.

III

Regrettably, sugar production has not kept pace with industry. Haiti was devastated by three hurricanes which destroyed some units of the sugar mills and damaged the farms. In October 1963, in August 1964, and in September 1966 the hurricanes Flora, Cleo and Inez struck Haiti and were the cause of poor crops and low levels of sugar production. Our sugar quota was drastically reduced in October 1966. There were two mills at that time. One was obliged to keep a stock of 3,500 tons and the other had to sell 11,000 tons on the London market at a price of \$2.05 per 100 pounds.

Nevertheless, we have done our best to attract new investors to the sugar production sector of our economy for the following reasons:

a) The production of sugar in some countries in the Western Hemisphere has been decreasing for many years for various reasons and in an irreversible way;

b) Haiti is now in a competitive position favorable to the setting-up of new sugar mills because of its ample supply of trained labor and the availability of raw materials;

c) The sugar industry distributes most of its operating expenditures to individual workers in various fields. Sugar cane is a cash crop for thousands of small independent farmers. Ninety percent of the cane processed in Haiti is supplied by small independent planters and 75% of the planters own the land they cultivate. Haiti has realized the largest and deepest land reform in the Western Hemisphere providing small farmers the greatest opportunity to own their own land;

d) The increase in internal revenue brought about by an enlarged sugar production may be devoted to such infrastructure works as Public Health, Education, Electricity, Roads, Harbors, Airports, Sanitary installations, Bridges, etc.;

e) The increase of our export receipts will contribute to the stability and convertibility of the Haitian currency. The increase in our foreign reserves will result in a greater consumption of imported goods which the United States will be the first to benefit by.

American investors attracted by available supplies of cane and trained and skilled labor are increasing sugar production in Haiti. Our projections indicate an ability to export the following amounts of short tons raw value:

	1970	1971	1972	1973
HASCO (US)	7,000	15,000	15,000	15,000
Centrale Dessalines (US)	13,000	15,000	15,000	15,000
Caldos Sugar Corporation (US)	1,600	15,000	20,000	25,000
Sugar Mill of Leogane Hait. Co.)	—	—	5,000	10,000
Freres Marques (US)	—	—	5,000	10,000
	<u>21,600T</u>	<u>45,000T</u>	<u>65,000T</u>	<u>80,000T</u>

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IV

Over 90% of the sugar raised for processing is grown by small farmers, and over 75% of them own their land.

Available records indicate that with only two sugar mills operating in Haiti (the H.A.S.C.O. and Centrale Dessalines) annual payments in excess of \$5,000,000 were paid to farmers and workers engaged in the production of sugar cane and sugar by these two companies. This amount paid to and spent by Haitian workers represents the main source of income for large sectors of the Haitian economy.

The taxes paid by the sugar mills operating in Haiti constitute a large proportion of the receipts of the Haitian public finances. \$618,640.00 from the tax on sugar was earmarked revenue in fiscal 1970 for application to the external debt of the Haitian Government. This amount is mainly paid to American agencies (Export-Import Bank, A.I.D., etc.) and private corporations because American creditors are owed \$34,191,400 out of a total of \$36,152,500. This constitutes 94.58% of the Haitian external debt. An increase of the sugar quota will permit the Haitian Government to repay this external debt more rapidly.

The sugar tax is also used for specific socio-economic purposes. For instance, a tax of \$.50 on each bag of 100 pounds exported by the "Centrale Dessalines" is earmarked revenue dedicated exclusively to the construction of the Hydro-Electric power plant of Peligre which will furnish electricity to a very large area of the country.

A tax of \$.10 per ton of sugar cane supplied to the sugar mills operating in Haiti is earmarked revenue for financing the Government's campaign to erase illiteracy.

An increase of our sugar quota will benefit private land owners, small farmers, simple workers and will assist in building stronger socio-economic under-structure (electricity, education, public health, etc.).

I would like to draw your attention to one additional fact. Mole St. Nicholas on the northwest Coast of Haiti is only 50 miles across the windward passage from Guantanamo Bay and it is important that we have stability in Haiti.

The Republic of Haiti requests an increase in its Statutory Quota to an amount that will result in a Basic Quota of 45,000 short tons raw value and that an additional 10,000 tons be added to this Basic Quota upon the completion of the construction of each new sugar mill in Haiti.

STANDARD BRANDS INCORPORATED

STANDARD BRANDS BUILDING

625 MADISON AVENUE, NEW YORK, N. Y. 10022

EXECUTIVE OFFICES

PLAZA 9-4400

June 11, 1971

The Honorable Russell B. Long
Chairman, Senate Finance Committee
United States Senate
Washington, D.C.

Dear Senator Long:

It has been reported to us that House Bill H.R. 8866 to amend and extend the provisions of the Sugar Act of 1948 has been passed by the House of Representatives and is now coming up for consideration by your Senate Finance Committee.


Contained in this Bill are certain provisions which we do not believe are advantageous to the people of the United States. Specifically, the amendment provided in Section 206 (a) which would authorize the Secretary of Agriculture, under certain circumstances, to place restrictions on the importation of beet sugar molasses.

It is important to know that one of the principal ingredients in the manufacture of yeast in the U.S. is beet molasses. It is from this yeast that one of the principal sources of nutrition of the people of the Nation, bread, is manufactured. Our constant attention has always been focused on attaining to the limit of our ability the lowest cost raw materials for the manufacturing of this important food product of the people of this country. In our opinion, it is inevitable that if the opportunity for the importation of beet molasses be restricted, the prices for the available beet molasses would be increased. This could only result in higher cost of yeast and higher cost of bread, the food product most needed by those who could least afford higher prices.

It has also come to our attention that a large segment of the sugar beet industry would be deeply concerned over restrictive legislative action on the importation of beet molasses, as they in turn are exporting the product of American farmers in the form of beet pulp. It is our belief that such action on the part of our Government would be met by retaliatory action on the part of our foreign customers.

In consideration of the above information, it is our deepest hope that you will look favorably upon the exclusion of this restrictive measure of the importation of molasses.

Very truly yours,


O. L. Applegate
Senior Vice President

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DAWSON, QUINN, RIDDELL, TAYLOR & DAVIS

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June 23, 1971

The Honorable Russell B. Long
 Chairman
 Committee on Finance
 United States Senate
 2227 New Senate Office Building
 Washington, D.C.

Re: Beet Sugar Molasses
Amendment of Sec. 206
of the Sugar Act

Dear Senator Long:

We are Washington counsel for Pacific Molasses Company, 1 California Street, San Francisco, California. Pacific is a nationwide distributor of domestic and imported beet and cane sugar molasses and is the United States subsidiary of a United Kingdom based worldwide molasses distributing organization. We wish to express our strong opposition to an amendment of Section 206 of the Sugar Act, incorporated in H.R. 8866, entitled "The Sugar Act Amendments of 1971", by which the Secretary of Agriculture would be authorized to limit the quantity of beet sugar molasses imported into the United States.

The inclusion of beet sugar molasses, a by-product of the manufacturing of beet molasses, in the "sugar containing products" provision of the Sugar Act was as a result of an amendment offered in The Committee on Agriculture of the House of Representatives, in its executive deliberations on Sugar Act Amendments, when the hearing record had been closed. No public testimony was received on this matter during the extensive hearings held by the Committee earlier this year. Thus, interested parties who would have voiced opposition to this amendment, had they been given the opportunity to do so, were denied any chance to furnish the Committee with information.

The amendment would permit the Secretary of Agriculture to limit imports of beet sugar molasses if he

"determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar containing product or mixture or beet sugar molasses will substantially interfere with the attainment of the objectives of this Act....."

Beet sugar molasses is thus categorized with "sugar containing" products in Section 206 of the Sugar Act. We believe this grouping is unfair and inconsistent because the purpose of the "sugar containing products" provision (Section 206) of the law is to permit the Secretary to prevent the circumvention of the quota provisions of the Sugar Act by curtailing the importation of certain products or mixtures for use in manufacturing certain foods in the United States, which contained disproportionately large quantities of sugar.

Beet sugar molasses is a different matter. It is only a by-product resulting from the manufacturing of beet sugar molasses and is imported into the United States for use in the manufacture of such products as citric acid, yeast, pharmaceuticals and monosodium glutamate which products are not produced directly from sugar. In view of this it is most difficult to imagine how the importation of beet sugar molasses would "substantially interfere with the attainment of the objectives" of the Sugar Act.

We wish to remind you that the first Administration witness to appear before your Committee during hearings on H.R. 8866, the Honorable Clarence Palmy, Assistant Secretary of Agriculture, in addressing himself to "the features of H.R. 8866 that we hope will be extensively revised" stated:

"We do not think that the importation of molasses will substantially interfere with the attainment of the objectives of the Sugar Act and so do not request this authority."

Mr. Palmy recommended "that there be no change in Section 206."

We would also like to point out that the spokesman for all segments of the American Sugar Industry, Mr. James H. Marshall, made no mention of this provision, and that no witness appeared personally before your Committee to endorse the House action in amending Section 206 to include beet sugar molasses.

It is our considered judgment that a relatively small segment of the domestic beet sugar industry favors this amendment. It is apparent that the proponents of the measure have so little support for it they have been unable to gain an endorsement from the beet sugar industry as a whole.

We have attached for the information of the Committee, and for insertion in the hearing record with this letter, a memorandum entitled:

"Factors in Opposition to Quotas on Beet Molasses Imports (Section 206 of the Sugar Act of 1948 as Amended by H.R. 8866)"

It is our belief that when you and the members of the Finance Committee review this memorandum, the points made in this letter and the numerous expressions of opposition to the beet sugar molasses amendment, that we are certain will be made, you will vote to delete any reference to beet sugar molasses in Section 206 of the Sugar Act and insist on its exclusion in the committee of conference on the Sugar Act Amendments of 1971.

Respectfully submitted,



Dawson, Quinn, Riddell, Taylor & Davis

By Arthur Lee Quinn

ALQ:mf

Enclosure

FACTORS IN OPPOSITION TO QUOTAS ON BEET MOLASSES
IMPORTS (SECTION 206 OF THE SUGAR ACT OF 1948
AS AMENDED BY H.R. 8866)

1. It is highly unlikely that the Secretary of Agriculture can ever determine that the prospective importation of beet molasses will substantially interfere with the attainment of the objectives of the Sugar Act. These objectives are stated to be: (1) to maintain a healthy and competitive domestic sugar industry to produce a substantial portion of our sugar requirements; (2) to assure to U.S. consumers a plentiful supply of sugar at reasonable prices; and (3) to permit friendly foreign governments to participate equitably in supplying the United States sugar market for the dual purpose of encouraging exports of U.S. commodities and assuring ourselves of dependable supplies of sugar.

As stated in (2) below, the molasses return makes a minimal contribution to the beet growers total return on beets produced and therefore to the maintenance of a healthy and competitive domestic sugar industry. On the other hand, legislation for import quotas on beet molasses could materially discourage exports of U.S. commodities.

2. Variations in beet molasses prices have minor effect on domestic beet growers returns. As stated in the supporting material for H.R. 17609, 91st Congress, 2d Session, beet growers derive about five percent of their total beet income from the return in molasses. Since molasses yields are about two to

three percent of each ton of beets produced and since the beet grower shares in approximately 50% of the beet molasses returns, it follows that a variation in beet molasses prices of \$1.00 per ton alters the beet growers return by only \$0.010 to \$0.015 per ton of beets produced. Assuming a return of 15 tons of beets per acre, then this results in a variation of only \$0.150 to \$0.225 per acre to the grower.

3. Beet molasses is preferred by the U.S. industrial users for the production of yeast, citric acid, pharmaceuticals and monosodium glutamate reportedly because of its greater production efficiency over other raw materials. Some industrial users claim they cannot satisfactorily substitute other materials for beet molasses in the production of these products. Under normal conditions these industrial users actually pay a substantial premium over cane molasses for beet molasses.

4. If these industrial users are unable to obtain their beet molasses requirements at reasonable prices for their U.S.A. plant operations, it follows that they will be pressed to locate plants outside the U.S.A. where foreign beet molasses supplies are available without quota restriction.

5. If quota restrictions on beet molasses are considered necessary to attain the objectives of the Sugar Act, then, in view of the possibility of foreign production plants

taking over the U.S.A. markets for the products made from beet molasses, it would seem logical that there should also be quotas established controlling the importation of yeast, citric acid, pharmaceuticals and MSG. If production is to continue in the existing U.S. plants, such quotas would result in considerably higher costs than at present since the production plants would be required to transport a major portion of their domestic beet molasses requirements over great distances to the existing plants that are generally located at or close to the seaboard.

6. The primary market for U.S. beet molasses is for livestock feeding purposes either added to the dried pulp as produced at the beet factory, or sold as liquid molasses to feeders and feed manufacturers. The market prices for molasses to the feed trade in the U.S.A. are generally established by cane molasses distribution activities. Without exception, these market facts provide the beet factory with an fob plant return for its beet molasses that is approximately equal to the sum of:

- (1) The prevailing cane molasses market price at seaboard distribution points, plus
- (2) The freight costs from the seaboard point to the feeding area, less
- (3) The nominal freight costs from the beet plant to the feeding area.

This provides a floor price for each beet plant. For example, the Michigan/Ohio beet plants could sell their molasses production relatively close to their plants in the area now supplied with cane molasses:

- (1) From the Ohio River barge terminals (as supplied from New Orleans),
- (2) By rail from New Orleans,
- (3) By truck from Chicago, and
- (4) By rail and truck from Toledo.

It is interesting to note the average offering price for 1970 from Cincinnati was \$9.75 per ton over New Orleans and at Toledo \$10.77 per ton over New Orleans.

With these minimum return possibilities available to the beet plants they must receive a greater return for the plant to justify selling to the seaboard industrial users where imported beet molasses is the competition. We have experienced numerous situations in recent years where beet plants have profited by purchasing cane molasses to satisfy their pulp drying operations while selling their beet molasses to advantage to the industrial users.

7. In those areas where domestic beet molasses is sold in competition with imported beet molasses, it is obvious the domestic beet molasses could command higher prices if beet molasses imports were restricted by quotas and the industrial

users could not satisfy their normal requirement. This would also hold true if cane molasses imports were restricted.

It is interesting to note the average of beet molasses imports for the five years 1961-1965 was 18,000,000 gallons and the average for 1966-1970 was 28,000,000 gallons, an increase of 55%, whereas the same figures for cane molasses imports are for 1961-1965, 247,000,000 gallons vs. 327,000,000 gallons for 1966-1970, an increase of 32%. However, it is necessary to point out the following import statistics:

	<u>1961</u>	<u>1970</u>
Beet Molasses Imports	38,021,000 gallons	28,505,000 gallons
Cane Molasses Imports	222,474,000 gallons	353,354,000 gallons

The total utilization of molasses in the U.S.A. has increased from 580,700,000 gallons in 1961 to 750,400,000 gallons in 1970, an increase of 29%.

8. With nearly 25% of U.S. agricultural production destined for overseas markets and ever increasing competition in the world markets for agricultural crops, it does not appear wise to jeopardize the U.S. position by imposing potential import quotas on beet molasses which at the present time and in the foreseeable future represent at the most a market value of less than \$10,000,000 per annum. Furthermore, these supplies of imported beet molasses are utilized in capital intensive plants to produce products representing a considerable "value added" factor for the benefit of the U.S. economy.

U. S. BEET MOLASSES IMPORTS AND PRODUCTION

(1,000 Gallons)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Austria				700						
Belgium & Luxembourg				754					1,628	
Bulgaria							1,509	5,112		
Canada (1)	722	549	2,256	1,642	1,986	1,274	1,217	668	522	419
Denmark				2,164						
France	23,927	9,319	9,390	10,524	9,617	6,076	5,767	7,935	9,146	14,015
Greece							4,300	2,075		1,247
Israel										3,348
Italy							2,023	8,689	4,795	
Morocco						2,119		1,681	1,848	3,947
Netherlands	4,486	2,211	593			578		6,010		
Poland					1,116	6,817				
Rumania	8,886									
Switzerland						1,377				
Turkey								1,802	4,247	
United Kingdom			103		1,705	5,960	3,979	3,839	7,414	5,529
Total Imports	38,021	12,079	12,342	15,784	14,424	24,201	18,795	37,811	29,600	28,505
U.S. Beet Molasses Production	98,211	96,643	124,602	132,093	116,589	113,755	99,826	136,694	152,000	140,000 (Est.)

(1) A portion of this may be cane molasses

From Annual Summaries of Molasses Market News of USDA : 1961/1970

STATEMENT OF CHARLES H. BROWN
TO THE SENATE FINANCE COMMITTEE

ON BEHALF OF FIJI ON
H.R. 8866

SUITE 400
1250 CONNECTICUT AVENUE, N.W.
WASHINGTON, D. C. 20036

CHARLES H. BROWN
PUBLIC RELATIONS COUNSELOR
(202) 223-2151

This material is distributed by Charles H. Brown, registered agent for Colonial Sugar Refining Co., Ltd., 1-7 O'Connell St., Sydney, N.S.W., Australia (marketing agent for South Pacific Sugar Mills, Ltd. and the sugar industry of Fiji.)

Under the Foreign Agents Registration Act of 1938, as amended, this material is filed with the Dept. of Justice where the Agent's registration statement is available for public inspection. Registration does not indicate approval of this material by the U. S. Government.

FIJI STATEMENT
SUMMARY

Fiji is disappointed that she was not one of the countries to receive an increased overall quota in H.R. 8866. She asks this great Committee to re-examine her case.

Under the Bill, Fiji's total quota would be about 44,700 tons. Since 1965, Fiji has been asking for an annual quota of 100,000 tons; and stands ready to supply that amount. Fiji feels that her long history as a major sugar exporter and her outstanding performance record on shipments to the U. S. merit a larger quota than is provided in H. R. 8866.

1. Fiji has demonstrated her dependability as a supplier to the U.S.

Fiji has fully supplied every quota and every reallocation of deficits assigned to her under the U. S. Sugar Act since 1962. In the worldwide sugar shortage of 1963 and 1964, Fiji shipped 103,082 tons to the U. S., though her quota at the time was only 10,000 tons annually.

2. Fiji helps the U. S. meet peak consumer demand in summer months

Fiji programs her shipments to arrive in the U. S. to help meet peak consumer demand. In 1971, 70% of Fiji's quota is scheduled for arrival in the U. S. in the third quarter.

3. Benefits of U. S. Sugar Program flow directly to Fiji farmers and workers, to improve their standard of living

Cane in Fiji is grown by independent farmers on small family farms. Growers get 65% of all sugar proceeds; the sugar mills, recently purchased by the Fiji Government, get the remaining 35%. Average sugar factory wages are higher than other wages in Fiji.

4. Fiji/U.S. sugar trade has meant new export sales for United States

As a direct result of her U. S. sugar quota, Fiji increased her purchases of U. S. goods significantly. Eighty to 90% of Fiji's rice imports now come from the U. S., as well as 45 to 60% of her tobacco and substantial quantities of machinery.

5. An increased sugar quota is a way for U.S. to help newly independent Fiji

Fiji became an independent nation in October, 1970. An increase in her U. S. sugar quota would be a practical expression of U. S. goodwill toward this new and developing nation which has proved its loyalty and friendship to the United States and its reliability as a sugar supplier.

Mr. Chairman, my name is Charles H. Brown; and I appear here today as the U. S. representative of the sugar industry of Fiji. I am a registered agent of The Colonial Sugar Refining Company Ltd. -- a publicly held Australian corporation -- which is the marketing agent for Fiji sugar. A copy of my latest registration statement is on file with the Committee.

Fiji is grateful for some of the changes which H.R. 8866 would make in the existing Sugar Act but is disappointed that she is not one of the eleven countries granted an increase in total quota.

In 1965, Fiji asked for a quota of 100,000 tons; and she stands ready, willing and able to supply the United States with that amount each year in the future, if given the quota. In H.R. 8866, Fiji's annual quota would be about 44,700 tons.

As a newly-independent developing country heavily dependent on sugar exports, Fiji desperately needs to increase its sales to the U. S.; and we ask this great Committee to re-examine Fiji's case.

May I review Fiji's qualifications for an increased U.S. sugar quota:

1. Fiji is a loyal friend of the United States, dedicated to western ideals. There is substantial American capital invested in Fiji; the amount is dramatically increasing each year; and no property -- foreign or domestic -- has ever been expropriated by Fiji.

2. Fiji has demonstrated to the U. S. every year for nine years that she is a dependable source of supply for high quality raw cane sugar. Fiji has filled every quota and every reallocation of deficits assigned to her. Indeed, in the critical period of worldwide shortage in 1963-64, Fiji shipped her then quota to the United States five times over.

Also, Fiji programs her shipments to the U. S. to help meet the heavy summertime demand. This year, 70% of her quota is scheduled to arrive in the U. S. in the third quarter.

3. Fiji's sugar sales to the United States have stimulated reciprocal trade -- a very important purpose of the Sugar Act. Fiji's imports from the U. S. have increased 380% in the nine years she has been selling sugar over here, while her imports from other sources increased only 226%.

Fiji imports 80 to 90% of her total rice import requirements from the U. S.; 45 to 60% of her tobacco; and a substantial amount of machinery and transport equipment.

4. Fiji's need for a premium-priced market in the U.S.

is as great as could be found anywhere. About 65% of Fiji's total income from exports comes from sugar. While Fiji has an outlet to the U.K. through the Commonwealth Sugar Agreement for 165,000 tons of her sugar, 43% of her total sugar production last year had to be disposed of in the uncertain "world market."

5. The benefits of participation in the U. S. sugar program flow through to the farmers and workers in Fiji and serve to improve the standard of living.

The cane farmers receive not less than 65% of the proceeds from all raw sugar sales, F.O.B. Fiji.

There is no plantation system of farming.

The cane is grown by family farmers on 15,600 independent farms, averaging about 10 acres.

There are very few agricultural workers as such in the Fiji sugar industry, because the farmers work their own farms. Where agricultural workers are employed they are paid about the same rates as factory workers.

Thirty five percent or less of sugar proceeds, f.o.b. Fiji, goes to the mills which have recently been purchased by the Fiji Government; the formal change of ownership becomes effective April 1, 1973. Average sugar factory wages are higher than average wages in other Fiji industry groups. For example, sugar factory workers average

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37.4 cents per hour (American dollars); construction workers generally in Fiji average 35.1 cents.

Fiji is pleased that H.R. 8866 would:

- 1) Increase her basic U. S. quota as a result of the reallocation of one-half the Cuban reserve.
- 2) Delete the "10 million ton-OAS bonus" clause and give all countries of the world participation in U. S. consumption growth.
- 3) Not reduce her present overall quota.

Fiji would be very pleased with this Bill if there were twelve small countries instead of eleven getting an increased quota, with Fiji being the twelfth.

Fiji became an independent nation in October, 1970. An increase in her U. S. sugar quota would be a practical expression of U. S. goodwill toward this new and developing nation.

On the merits and on past performance, Fiji respectfully asks this great Committee for an increase in her quota; and we thank you sincerely in advance for your serious consideration of our request.

This material is circulated by John A. O'Donnell, 1601 Conn. Ave., N.W., Washington, D.C., who is registered under the Foreign Agents Registration Act of 1938, as amended, as an agent of the Philippine Sugar Institute, P. O. Box 978, Manila, Philippines. This material is filed with the Dept. of Justice where the required registration statement is available for public inspection. Registration does not indicate approval of this material by the U. S. Government.

STATEMENT OF JOHN A. O'DONNELL
 REPRESENTATIVE OF THE PHILIPPINE SUGAR INSTITUTE
 BEFORE THE SENATE FINANCE COMMITTEE

Mr. Chairman and Members of the Senate Finance Committee:

My name is John A. O'Donnell. I am the Washington Representative of the Philippine Sugar Institute, which represents sugar refiners, raw mills and sugarcane planters in the Republic of the Philippines.

Summary

Mr. Chairman, H. R. 8866, as it passed the House, will injure the Philippine economy seriously.

Philippine Quota Cut

The Bill would cut the Philippine quota by approximately 190,000 tons or 12.6%, after huge new investments of more than \$200 million for new and improved mills. (In contrast, other major foreign suppliers are cut only 9.6%.)

The cut in the Philippine quota would reduce Philippine earnings of foreign exchange by around \$30 million and would cut off employment for around 40,000 workers.

The Bill proposes to cut back the Philippine sugar economy for the purpose of giving quotas to other suppliers. Some of these favored countries do not even have a sugar exporting industry. Others already have a premium market in the United Kingdom under the Commonwealth Sugar Agreement.

Moreover, H. R. 8866 reallocates 750,000 tons of the Cuban reserve to foreign producers while denying any part of such reallocation to the Philippines.

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Finally, H. R. 8866 denies the Philippine sugar industry any participation in the growth of the United States market.

Production Increased

The Philippine quota will be cut from 1,504,000 tons to 1,314,000 tons despite the fact that the Philippine industry will have 1.7 million tons available to ship to the United States in 1971 and will have the ability to supply the United States with around 2 million tons annually by 1972 when H. R. 8866 becomes effective.

During the early 1960s, after the United States stopped taking sugar from Cuba, it called upon the Philippines for extra supplies. The Philippine industry responded by supplying more than 1 million tons in excess of its basic quota during the first five Castro years. Moreover, it undertook an expansion program under which the capacity of its industry has been doubled. Now when this additional capacity is coming in full production, it is inconceivable that its quota would be cut.

Imports limited by exports

The Philippines are in desperate need of the foreign exchange that can be supplied by exports of sugar to the United States.

The Philippines are the only foreign supplier whose sugar industry was destroyed by World War II. Indeed, most other suppliers reaped tremendous profits during that period. Therefore, the Philippines have had to devote a major part of their available foreign exchange to acquiring supplies for rehabilitation. Expenditures for imports now must be controlled by the

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amount of foreign exchange received from exports.

Requests

The Philippine industry asked that now, thirty years after the outbreak of World War II, their share of the United States market would be restored to the 1937 level of 15.41%. This would give them a quota of approximately 1.7 million tons and would allow them to share in the future growth of the American market. At the very least, the Philippine industry expected to retain it's current quota of approximately 1.5 million tons. It was not prepared for the cut of 190,000 tons.

The Philippine sugar industry respectfully requests the Senate Finance Committee at least to restore the Philippine quota to 1.5 million tons that it now has.

Historical Background and Performance

The severity of the proposed cut in the Philippine quota can be understood best in terms of the Philippines' historical relationship with the United States and of its effect on the Philippine economy.

During the half century that the Philippines were a part of the United States the area became one of this country's major supplying areas. In 1933, prior to the enactment of the first sugar legislation, the Philippines supplied the United States mainland with approximately 1,250,000 tons of sugar.

Under the Sugar Act of 1937, the Philippine industry was cut back but it was still permitted to supply the United States 34.7% of imports, or 15.41% of total U. S. requirements.

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During World War II while most sugar exporting countries were enjoying peak prosperity, the Philippine sugar industry was being almost completely destroyed as, indeed, was the rest of the Philippine economy. From the end of World War II until 1960, the Philippine sugar industry was being rehabilitated.

When the Castro takeover in Cuba necessitated the cutting off of Cuban supplies, the Philippines were called upon to furnish additional supplies. During the next 5 years they shipped more than a million tons in excess of their basic quotas. In 1961 they supplied 1,365,000 tons or 50,000 tons above the quantity they will be permitted to supply under H. R. 8866.

Largely as a result of having been called upon to supply additional sugar during the early Castro years, the Philippine industry undertook an expansion program which has doubled its acreage and mill capacity. When existing mills are in full production they should produce 3 million tons annually. The industry has sufficient supplies to ship 1.7 million tons to the United States in 1971 or about 200,000 tons in excess of its present quota of 1.5 million tons. During the 3-year period that H. R. 8866 will be in effect the Philippine industry will be able to supply the United States with around 2 million tons annually or 700,000 tons in excess of the quota proposed under H. R. 8866.

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In addition to its expanded acreage and new and enlarged mills which cost \$200 million, the Philippine sugar industry has equipped itself with modern warehouses, bulk loading facilities and deep water ports so that it can now load vessels having as much as 30,000 tons capacity.

Now that the Philippine sugar industry has completed its recovery and gone on to new heights of production it believes that it is entitled to regain its prewar position in supplying the growing American market. The Philippines have not participated in the reallocations of the Cuban reserve and they have been denied participation in the growth of the American market above 10.4 million tons. H. R. 8866 would reduce the Philippine participation in deficit reallocations from 47.22% to 37.6% and would reduce the amount of deficits to be reallocated by 300,000 tons.

The cumulative effect of the several sugar legislative actions has been to reduce seriously the Philippine participation in the American market. This is shown in the following table:

<u>Year</u>	<u>% Share in U.S. Market</u>
1933	19.73
1937/41	15.41
1971	13.4
1972	11.7

(The 1971 and 1972 figures are based on consumption requirements of 11.2 million tons. As requirements increase the Philippine participation would further diminish under the proposed legislation.)

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It has been argued in support of the cut that the Philippines failed to fill their full entitlement prior to 1971. This fails to recognize the essential facts. During the mid-1960s the Philippines suffered devastating droughts and typhoons. Droughts and typhoons of such destructiveness are as unusual in the Philippines as drought is in the Everglades. Because of their unusual nature the United States Department of Agriculture recognized that they constituted a case of force majeure.

It should be pointed out that the Philippines, which were so long a part of the United States, are oriented politically and economically to this country. During World War II the troops of both countries fought under a single command. Each of our military forces have major bases in the Philippines. As conditions become more tenuous in Southeast Asia the importance of these secure bases increases.

At times when American properties are being seized in so many countries it is important to keep in mind that in the Philippines the rights of American citizens and the protection of their properties are guaranteed by the Philippine Constitution, by Philippine laws and by Philippine treaties with the United States.

Chairman's Questions

1. Mr. Chairman, you asked specifically for information concerning the division of the Philippine sugar dollar among growers and workers.

The Philippine sugar-growing industry consists of 23,000 small farms. Only 3% of the farms exceed 250 acres in size.

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Mill contracts with these small producers are patterned after the contracts in the United States and provide generally that the grower shall get 65% of the sales proceeds. Grower returns are also protected by the Sugar Act of 1952.

The Republic of the Philippines has an impressive body of social legislation protecting the 400,000 persons employed in the sugarcane fields and factories and the 3 million more who are dependent directly or indirectly on the sugar industry. These laws include the Minimum Wage Law, the Workmen's Compensation Law, the Sugar Act of 1952 and the Social Security Act.

Minimum wages in the sugar industry are ₱8.00 per day for factory workers and ₱4.75 per day for field workers. In addition, workers receive perquisites in the form of schools, churches, hospitals and houses with land on which to grow vegetables and keep chickens, cows and hogs for household use.

In evaluating Philippine wage rates it is necessary first of all to bear in mind the low level of the Philippine economy. Despite a 40% increase in the past decade, the per capita Gross National Product in 1970 amounted to only \$140 compared with \$5,000 in the United States. In other words, the Gross National Product of the United States is about 30 times that of the Philippines.

Second, unemployment is a major problem in the Philippines. Every effort is made to find employment for workers. Therefore, the guiding principle in establishing wage rates must be to balance maximum income per worker with maximum employment of

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labor. As wages are raised, machinery must be substituted for labor. If the Philippine sugar industry were to adopt the labor-saving machinery employed in Hawaii for example, they would have to lay off perhaps 375,000 workers. That, needless to say, would constitute a national disaster.

2. You also asked for information concerning U. S. trade with the recipient country.

The basic facts to be kept in mind in this connection are, first, that the U. S. is the only premium market in which the Philippines can sell its sugar and, second, the Philippines have been in desperate need of foreign exchange to rehabilitate their economy and supply their growing population throughout the postwar period. After experiencing cumulative trade deficits of \$823 million in the 3 years ending in 1969, the government undertook a program under the guidance of the International Monetary Fund to reduce the deficit. Accordingly, in the future, it will be essential to keep imports in line with the value of exports.

Trade with the United States is now in approximate balance at about \$400 million per year. Sugar provides about one-half of total dollar exports to the United States. In 1969 Philippine imports of agricultural commodities from the United States amounted to \$89 million or approximately 23% of total imports. Of financial necessity future Philippine imports will be governed by the value of their exports. The cut in the Philippine quota will therefore cut Philippine imports by around \$30 million annually.

May I offer my thanks and that of the Philippine Refiners, Planters and Millers for this opportunity to present this statement and for the consideration which I am confident you will show them.

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BEFORE THE COMMITTEE ON FINANCE
OF THE SENATE

STATEMENT OF ROBERT C. BARNARD
ON BEHALF OF
THE AUSTRALIAN SUGAR INDUSTRY
IN CONNECTION WITH THE
COMMITTEE'S CONSIDERATION OF
H.R. 8866

June 21, 1971

Robert C. Barnard
Counsel to The Colonial
Sugar Refining Co.Ltd.,
Sydney, Australia, on
behalf of the Queensland
Sugar Board and the
Australian Sugar Industry

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SUMMARY

i.

Australia is gratified that H.R. 8866 has maintained Australia's position in the U.S. market. Australia endorses the reallocation of part of the Cuban reserve as a means of facilitating planning by suppliers and assuring U.S. supply. Australia is pleased with the changes which permit Australia to participate in the growth of the U.S. market on equal terms. However, Australia urges that the discrimination in shortfall reallocations between Eastern and Western Hemisphere suppliers be reconsidered. As a minimum, placing Philippine shortfalls in the Eastern Hemisphere would ameliorate this discrimination.

The following facts support Australia's position.

1. United States - Australian Relations: United States-Australian relations are outstanding for their long history of mutual confidence and friendship. Citizens of the United States in Australia enjoy the same legal guarantees and safeguards as Australian citizens. Australia does not expropriate the property of foreign nationals.

2. The United States' Favorable Balance of Trade: Australia buys more from the United States than from any other country. The U.S. has had a large favorable balance of trade with Australia over the past decade (e.g. for 1969/70 year \$457 million). An increase in Australia's ability to sell to the United States can help assure the continuing high and growing volume purchase of U.S. products by Australia in the face of intensifying competition from other trading nations.

3. The Importance of Reliability of Supply: Highly regarded sugar statisticians have pointed out that with world consumption exceeding world demand there is a possibility of a sugar shortage in the near future. While U.S. suppliers will undoubtedly give the U.S. priority, those suppliers selling on the world market make advance commitments which could lead to dislocations in U.S. supply in the event of shortage without reserve in storage. This underlines the importance of reliable supply with adequate storage.

4. Australia is a Dependable and Reliable Supplier: The Australian sugar industry's raw sugar mills and 1.5 million tons of bulk storage and mechanical loading facilities rank among the world's finest. Australia has filled all its quotas and shortfalls every

year since 1961, when it first had the opportunity to supply the United States. In 1963-64 it supplied more global quota than any other nation. Australia is prepared to maintain appropriate storage to guarantee the availability of sugar, not only to fill its quota, but any deficits reallocated to it.

5. Timely Delivery: Australian storage capacity is being augmented by an additional 170,000 tons. This ensures delivery of at least 75% of quota and deficit allocations in the third quarter.

6. Importance of Sugar Exports to Australia: Sugar is Australia's fourth largest export to the United States. The Australian sugar industry is highly dependent upon export earnings, and thus the opportunity to supply the United States market is a very significant factor in the maintenance of the viability of this section of the Australian economy.

7. The Farmers Share: The Australian sugar industry is based upon more than 8,000 small independent owner-operated farms averaging 90 acres in size. Seventy percent of the proceeds from sales of raw sugar go to the farmers, and the remaining 30% goes to the millers. Over one-third of the raw sugar mills are owned cooperatively by the farmers, and thus they receive income both as growers and as millers.

8. The Need for U.S. Quota: Most of Australia's exports are to the world market or markets only slightly above world prices. If the U.K. enters the Common Market there is a high probability Australia will lose its preference market in the U.K.

9. Conclusion: It is believed that it is in the best interests of the United States to take further advantage of Australia's proven ability and willingness to supply the U.S. market, and thereby guarantee the United States the significant benefits of Australia's known capacity in any period of shortage or supply disruption in the future.

Statement of Robert C. Barnard
on Behalf of
The Australian Sugar Industry

June 21, 1971

Mr. Chairman and Members of the Committee:

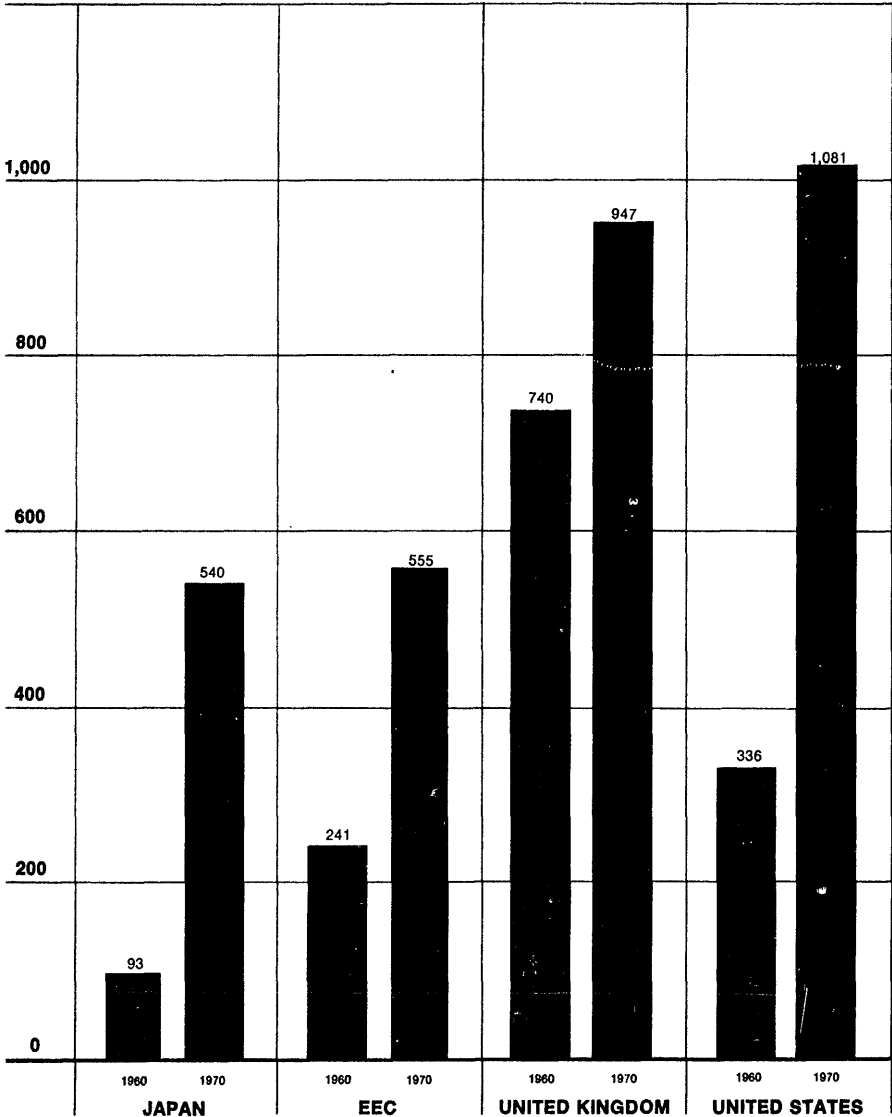
My name is Robert C. Barnard. I very much appreciate the opportunity to submit this statement to the Senate Finance Committee on behalf of the Australian sugar industry. I am counsel to the Colonial Sugar Refining Company, Ltd., an Australian company which acts as the marketing agent for the Australian sugar industry. I have filed with the Committee a copy of our latest registration statement under the Foreign Agents Registration Act.

Australian Imports 1959-60 and 1969-70

In millions of U.S. dollars

■ Year ending June 30, 1960

■ Year ending June 30, 1970



Source: "Overseas Trade", 1969/70 and 1959/60; Commonwealth Bureau of Census and Statistics, Australia.

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Australia and Sugar

The production of sugar is one of Australia's major industries. Sugar is a major export of Australia.

Australia is the free world's largest sugar exporter and is Cuba's major competitor in the world market. The Australian sugar industry and its individual cane producing farmers are highly dependent upon export earnings, and thus the opportunity to supply the United States market is a very significant factor in the maintenance of the viability of this section of the Australian economy.

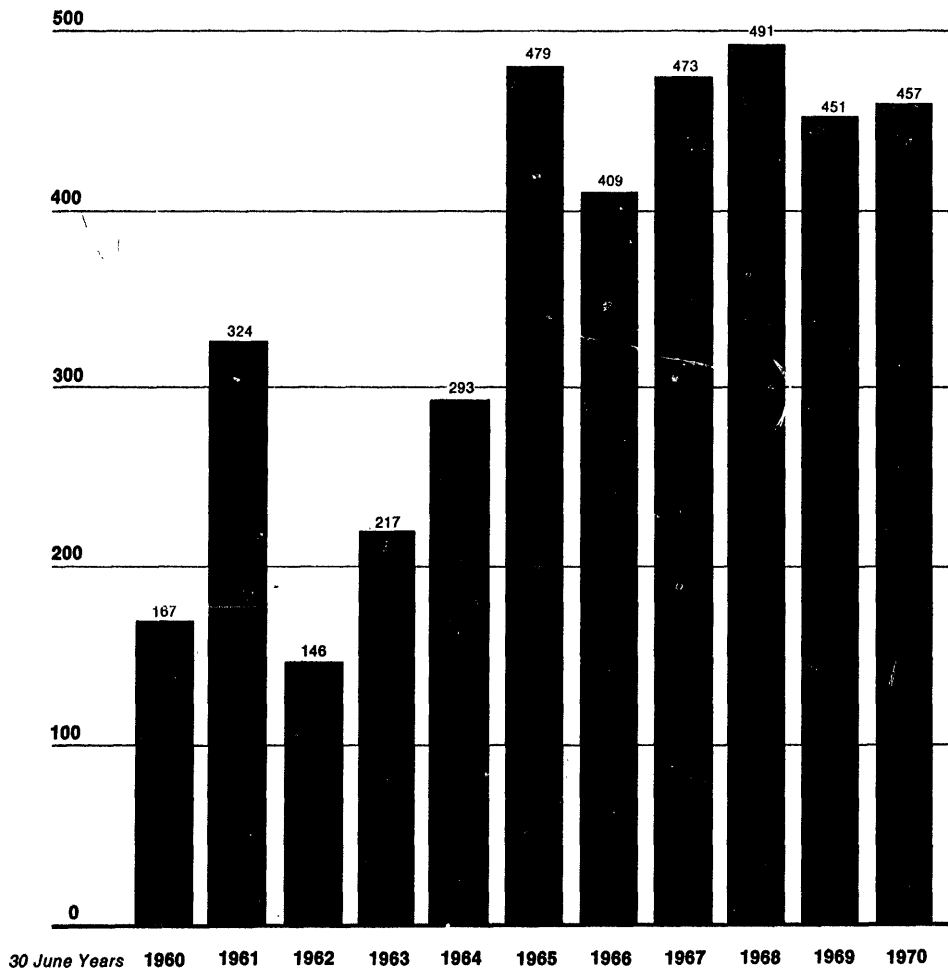
The Interest of the United States

1. The United States' favorable balance of trade

Australia buys more goods from the United States than from any other country. An increase in her ability to sell to the United States can help assure the high and increasing volume of purchases of U.S. goods by Australia in the face of intensifying competition from other trading nations. The chart on the facing page shows the dramatic shift in Australian trade with the U.S. and the change in the U.S. position in the 10 year period to its present position as Australia's largest supplier.

United States Favorable Trade Balance with Australia

In millions of U.S. dollars



Source: "Overseas Trade", 1969/70 and earlier years; Commonwealth Bureau of Census and Statistics, Australia.

The chart on the facing page illustrates the U.S. favorable balance of trade with Australia over the past decade. An improvement in Australia's quota will benefit the large and growing trade between Australia and the United States.

2. Reliability of Supply and the Possibility of a World Sugar Shortage

We believe it is important that the Committee consider capability and reliability of supply in the context of the threat of a possible sugar shortage in the future.

Mr. John Mount, the witness for the Industrial Users before the House Agriculture Committee, pointed out that the balance between world production and world demand is "growing too slight to run the risk of unavailability of supplies at a given period of time" and urged that all sources able and willing to supply sugar in a timely fashion be used.

The highly regarded and widely quoted sugar statistician, F. O. Licht, estimates as of May 12, 1971 that sugar production for 1970-71 (September 1 through August 31) compared with 1969-70 will decline by about 2 million tons. Further, it is Licht's estimate that sugar consumption during the same period will increase by some 3 million tons. This brings the estimate by Licht of the deficit between production and consumption for 1971-72 to some 5 million tons.

Licht concludes his analysis with the following significant statement:

"...world stocks at the end of the year 1970/71 will represent only 24.26% of consumption during the current year, compared with 28.87% and 28.33% respectively in the two preceding years. Consequently, the stock situation may be regarded as much more tight, above all seen in respect to the year 1971/72. If one expects a consumption increase by about 3% for 1971/72, total (world) consumption would amount to some 77.5 million (metric, raw value) tons. If one takes as basis the sugar production of 1970/71, the deficit between production and consumption would exceed 5 million tons. This would mean that world sugar production in 1971/72 had to rise by about 5 million tons, in order to cover the probable consumption requirements. Because such an increase of world sugar production is scarcely to be expected, there will certainly be a further reduction of world sugar stocks in 1971/72."

Based on the above estimates, stocks of world sugar, representing marketable sugar in storage awaiting transit, actually in transit, or in some stage of refining or distribution, would amount to about 18 million metric tons on September 1, 1971. This figure approximates 24% of estimated world requirements in 1971/72. The U.S.D.A. in "Sugar Reports 228, May 1971" describes this as "the lowest percentage since September 1, 1964." It is generally considered in the world sugar trade, based on historical experience, that a sugar

shortage condition will exist if world sugar stocks fall to 16 million tons.

Another highly reputable authority on world sugar statistics analyses is C. Czarnikow Ltd. of London, who warn in their Sugar Review No. 1022 of May 13, 1971: "We believe a new situation is now developing which may lead to shortages appearing within the next year or so."

3. The Importance to the U.S. of Reliable Suppliers with Adequate Reserve Storage

The fact that most quota holders have offered to supply increased quantities to the United States is not inconsistent with the analysis above. While most sugar suppliers are anxious to increase their sales to the United States market, this desire does not necessarily carry a guarantee of their ability to do so.

Mr. J. G. Campbell, an Australian who until recently was Chairman of the Statistics Committee of the International Sugar Organization Council, in an unpublished prognosis of the world sugar supply situation dated May 21, 1971, includes an analysis of the possible implications for the U.S.A. of a world sugar shortage. On this point he remarks:

"The conclusions are that, while the world free market is essentially unpredictable, the possibility of a severe shortage in 1972 or subsequent years cannot be dismissed. If such a shortage were to emerge then it could result in an extreme (if temporary) physical shortage in the supplies offering to the U.S. even if (as is assumed) the U.S. continues its policy of paying stable and remunerative prices for its sugar imports.

"This situation arises to a large degree from the fact that the U.S. obtains almost 90% of its import requirements from countries which export less than 15% of their production to the world free market, and whose total world free market exports aggregate less than 1 million tons. The remaining 10% of U.S. sugar imports come from exporters who supply about 3.5 million tons to the world free market.

While these exporters are in general determined to give the U.S. priority over the world free market and tend to keep reserves to cover anticipated increases in their U.S. quotas, they must commit their supplies in advance to the world free market so that much of this supply potential would not be promptly available to cover large unanticipated increases in U.S. demand due to rising consumption or shortfalls on quotas. Apart from Cuba, the remaining exporters of raw sugar do not significantly influence the world free market, as their net exports to that market are in total less than 200,000 tons."

An interesting observation is made in Merrill Lynch, Pierce, Fenner & Smith, Inc. "Sugar Letter - May 5, 1971":

"The longer term outlook continues to appear constructive as world stock levels have been whittled below 25% of annual consumption for the first time in seven years. The prospects for next season include an increase in world consumption to around

the 77 million ton level and only a modest increase in beet outturn. The burden will then fall on such cane producers as Cuba, Brazil, India and Australia to make up the difference between production and consumption. Their ability to increase outturn will go a long way to determine sugar's 1971/72 price structure."

At a time when demand is exceeding production, it is very much in the interest of the United States consumers to have available a "sugar bowl" reserve upon which it may draw in the event that shortages develop or when quota deficits must be reallocated. The best insurance against a disruption of U.S. sugar supplies is provided by the establishment of reliable sources of supply with adequate reserves in storage.

4. Australia is an Efficient and Dependable Supplier

The Australian sugar industry is mechanized and efficient. The industry's raw sugar mills and its 1.5 million tons of bulk storage capacity and mechanical port facilities are among the finest in the world. Australian ports can load a 25,000 ton cargo of sugar in less than a day.

These factors have combined to make Australia the free world's largest and most reliable sugar exporter and assure timely supply of its U.S. quota and any shortfalls. Australia

has filled all its quotas and shortfalls every year since 1961, when it first had the opportunity to supply the United States. In the two year period -- 1963-64 -- when Australia could have sold sugar on the world market at prices above the U.S. price, Australia filled its quota and shipped more "global" quota sugar to the United States -- over 350,000 tons -- than any other supplier.

The President of one of the world's largest sugar refining companies recently described the Australians as "probably the most efficient, cheapest and most reliable producers of raw sugar in the world today."

Australia assures the Committee that it is fully prepared to maintain an appropriate reserve to guarantee the availability of sugar, not only to fill its quota, but any deficits reallocated to it. In the interests of supply assurance, the Committee may wish to consider whether the Sugar Program would not be strengthened if Australia's significant capacity to supply at all times was more fully utilized than is proposed under H.R. 8866.

5. Storage and Timely Delivery

Australia's six bulk sugar ports have the ability to load the entire quota allocated by the United States in about two days, and each port can load a full cargo of sugar in less than one day. Australia has assured the United States that it can make deliveries of its quota sugar in 1971 and subsequent years at dates to conform to the needs of the U.S. market. It has made special shipping arrangements so that in 1971 and future years over 75% of its sugar quota will arrive in the United States during the third calendar quarter so long as this is a requirement of the domestic market.

On page four of the booklet we have supplied to each member of the Committee, there appears an illustration of the Mackay bulk raw sugar installation. This is the largest single complex of its kind in the world, and Australia can store more bulk sugar than any other quota nation. The Australian storage capacity of 1.5 million tons is being augmented by new facilities which will provide an additional capability of 170,000 tons. Australia's storage capacity will enable it to ensure that at least 25% of its quota and deficit reallocations will be available for delivery to the U.S. at any time in the year -- in short, to act as a "sugar bowl" for the U.S.

The Importance of the U.S. Quota to Australia

Since 1963 Australia has shipped about 200,000 tons a year to the U.S. This is a large quantity of sugar, and the Australian suppliers appreciate its significance to the maintenance of their industry.

Ninety-five percent of Australian sugar is grown in Queensland and sugar is that State's principal agricultural export. In the sugar growing regions, cane farming is the only crop of real economic significance, and cane milling and the secondary industries that are associated with sugar are dependent upon the sugar industry for their existence. While Australia is often regarded as a developed country, the dependence on agricultural exports for foreign exchange is a feature more in common with developing countries than developed countries.

The bulk of Australia's exports are to the world market or at prices only slightly above world prices. Markets which we believe are incorrectly labeled as "preferential" in the booklet "The United States Sugar Program" printed for the House Committee are in fact world markets (France, Malaysia) or only slightly above world prices (Canada, New Zealand and parts of the U.K. supply).

It should be specifically noted that Australia's premium market for raw sugar in the United Kingdom is in serious jeopardy as Britain moves closer to membership in the Common Market. There is a very real possibility that if the U.K. does enter the Common Market Australia will lose its annual premium sales to Great Britain amounting to 335,000 long tons of sugar. To compensate for this loss Australia would need to find new outlets on the world market. However, any new sales will have to be negotiated at the lower world market price, and this fact further emphasizes the critical importance of the United States market to Australia.

The Pending Bill

H.R. 8866 as passed by the House of Representatives maintains Australia's position as a supplier to the United States, a matter of great importance to Australia.

The House Bill also makes some important changes which we urge the Senate to approve. The first is reallocation of part of the Cuban reserve as permanent quota to the quota countries. This change in the law will provide all suppliers

with greater certainty regarding their U.S. market, and permit more precise planning of acreage requirements and shipping arrangements. Another important change would put Australia in an equal position with other quota countries with respect to participation in the growth in the U.S. market by eliminating the so-called "ten million ton OAS bonus" clause.

Shortfalls - Since 1965 there have been two classes of suppliers under the Sugar Act -- those in the Western Hemisphere and those in the Eastern Hemisphere -- with the most important consequence of this division being the right to participate in shortfalls. In practical effect, the Philippines is the only Eastern Hemisphere country permitted to share in Western Hemisphere deficits. However, any deficits in the Philippine basic quota may be reallocated to all quota holders regardless of the hemisphere in which they are located. In addition, the Philippines is given a substantially larger percentage over other Eastern Hemisphere countries of any shortfalls occurring in that region.

Australia has urged that this discrimination as to shortfalls be eliminated and that it is more equitable and in the better interest of both the United States and Australia

that Australia be permitted to participate in shortfalls in the same manner as other major suppliers.

H.R. 8866 does not change the existing provision and any Philippine shortfalls are reallocated to both Eastern and Western Hemisphere suppliers. The structure of the Bill as passed by the House preserves the Eastern and Western Hemisphere distinction. However, if this distinction between Eastern and Western Hemisphere suppliers in relation to shortfalls is retained, the discrimination against Eastern suppliers could be lessened by reallocating the Philippine shortfalls to Eastern Hemisphere countries. This will carry out the statutory scheme establishing the two major areas and will make available to the United States Australia's undoubted ability to supply in time of shortage or disruption of supply in this area.

We wish to re-emphasize to the Senate the extreme importance which Australia attaches to the maintenance of its present quota position as reflected in the House Bill. Australia advised the Committee in 1965 and repeats now that it is prepared to supply to the United States, on a continuing basis, up to 400,000 tons of raw sugar annually. We believe this amount

would be more commensurate with Australia's position as the free world's largest exporter and would be a recognition of the fact that the United States has become the largest supplier of goods to Australia. Should the Committee decide to re-examine the basis for quota allocation, this is a guaranteed amount which Australia is currently ready, willing and able to provide from facilities now in existence.

United States and Australian Relations

United States and Australian relations are outstanding for their long history of mutual confidence and friendship. The two nations share a common cultural heritage as well as similar systems of law and government. It is not surprising therefore that since the turn of the century Americans and Australians have been allies in four major conflicts.

Citizens of the United States residing in Australia enjoy the same legal guarantees and safeguards as those to which Australian citizens are entitled. Australia does not expropriate the property of foreign nationals.

The Australian Sugar Industry

The Australian sugar industry is based upon small independent owner-operated farms. More than 8,000 farmers produce sugar on farms averaging 90 acres in size. Australia does not practice the plantation system, and only 5% of the farms exceed 200 acres.

The Farmers Share - Sugar is grown in the States of Queensland and New South Wales along the Australian northeast coast. Through the Queensland Sugar Board established by law to market all raw sugar, the income from sales of Australian raw sugar is pooled. After deducting marketing expenses, about 70% of the raw sugar proceeds goes to the farmers. The remaining 30% goes to the millers.

In addition, over one-third of the raw sugar mills are owned cooperatively by the farmers. Thus, these farmers receive income both as farmers and as millers.

Wage Rates - Minimum wages and employment conditions in the industry are established under a government arbitration system. The minimum wage of an unskilled general mill worker

during the crushing season is \$1.60 per hour for a 40 hour, 5 day week. The minimum wage of an unskilled field worker engaged by the week is not less than approximately \$1.50 per hour. These rates are minima and actual wages are commonly higher.

Australia's Trade Deficit

The United States is a major investor in Australia with capital sums placed there in the last three years alone exceeding 1.3 billion dollars.

In 1969-70 on the basis of Australian statistics, U.S. exports to Australia totalled \$1.081 billion, while U.S. imports from Australia were \$624 million, resulting in a trade surplus of \$457 million for the United States. While the matter is not before the Committee, we wish to point out that the United States for domestic reasons has limited the purchases of important Australian exports. This has widened the Australian trade deficit with the United States and underlines the importance to Australia of the U.S. sugar quota if it is to maintain its high and increasing level of purchases from the United States.

On the basis of Australian 1969-70 figures, the U.S. bought \$3 per capita from Australia, while Australia bought \$88 per capita from the U.S. Among foreign sugar quota holders, Australia is the second largest market for United States exports; however, Australia ranks only seventh in size as a sugar quota holder.

Conclusion

In conclusion, I wish to restate Australia's appreciation for the opportunity to participate in the United States sugar program. Sugar production is a vital element in the Australian economy, and sugar is our fourth largest export to the United States. Any improvement in Australia's quota will benefit the large and growing trade between our nations.

Of primary concern to the interests of the United States is Australia's established ability and willingness to supply the United States market, and thereby guarantee the United States the significant benefits of Australia's proven capacity in any period of shortage or supply disruption in the future.

AUSTRALIAN SUGAR INDUSTRY STATISTICS

Size of Industry - Australia is the world's largest raw sugar exporter after Cuba.

Average raw sugar production last three seasons - 2.75 million STRV

Average raw sugar exports last three seasons - 1.95 million STRV

Production Base

Farms Over 8,000 family farms averaging about 90 acres.

Mills 34 sugar mills -- 12 cooperatively owned by farmers.

Export Facilities

Six fully mechanized sugar port terminals.

Sugar storage capacity: Erected - 1.5 million tons
Being erected - additional 170,000 tons.

Loading rate each port terminal - over 25,000 tons per day.

Farmer share

70% of net proceeds of all sugar sales goes to the farmers

Wages

An unskilled general mill worker receives a minimum wage of about \$1.60 per hour.

An unskilled field worker is paid a minimum wage of \$1.50 per hour.

Trade Information

Australia buys more from the U.S. than from any other country, and the U.S. runs a large trade surplus with Australia. According to Australian Government statistics, in 1969-70, U.S. exports to Australia were \$US 1,081 million, and U.S. imports from Australia were \$US 624 million, a surplus in favor of the U.S. of \$457 million.

Thus, the U.S. buys \$3 per head of U.S. population from Australia, and Australia buys \$88 per head from the U.S.

Among all U.S. sugar quota countries, Australia is the second largest export market for the U.S.

UNITED STATES SENATE
COMMITTEE ON FINANCESummary of Statement by Jerry C. Trippe
For the Government of Malawi

Malawi is a small Southeast African country which gained its independence in 1964. It has a democratic free enterprise form of government, and is an avowed supporter of the United States and the West. In contrast, two of its closest neighbors receive direct financial and technical assistance from Communist China.

Malawi's economy is based almost totally on agriculture and 71% of its export earnings came from two crops, tea and tobacco. The government is attempting to diversify its agriculture. Sugar production was begun in 1966 and today supplies all domestic requirements. A recent U.N. sponsored report finds that the Lower Shire River Valley, where the sugar is grown, offers soil and climatic conditions favorable for a wide range of crops, and proposes a diversified agricultural program. The economic feasibility of this program is dependent upon the expansion of sugar production. Such expansion is not justified without a guaranteed external market for sugar. Malawi does not have access to any preferential market at this time.

The direct benefits to the people of Malawi from a United States quota are significant. The sugar is grown in a densely populated and very poor part of the country. Before sugar production was begun there were virtually no job opportunities for its 280,000 inhabitants. The average cash income was \$15.00 per year. Currently over 2,600 Malawians are employed at the sugar estate and 3,000 more in transportation and distribution. Wages are significantly higher than at the tea and tobacco estates, the main agricultural employers in Malawi. Production to meet a U.S. quota would add 1,000 workers on the sugar estate and 1,200 in related jobs. The development proposed by the U.N. report would add 8,700 jobs and the total increase would be 6 per cent of the 180,000 in wage employment in Malawi today. It is estimated by government economists that the standard of living of approximately 65,000 people would be materially improved. GDP would be increased by \$2.4 million by 1975 and \$4.0 million by 1980.

The United States accounts for approximately 5% of Malawi's external trade. From 1964 through 1970 imports into Malawi were \$17 million and exports to the United States were \$10 million. In 1970 Malawi's imports were \$4.5 million. Growth of Malawi's infrastructure has increased demand for American machinery.

Malawi is requesting a quota of 20,000 tons.

UNITED STATES SENATE
COMMITTEE ON FINANCE

Statement of Jerry C. Trippe
Counsel For
THE GOVERNMENT OF MALAWI

Mr. Chairman, my name is Jerry Trippe. I am an attorney practicing in Washington, D. C. I am registered with the Department of Justice in accordance with the Foreign Agents Registration Act of 1938 as amended. I appear here today on behalf of the Government of Malawi to urge that the sugar legislation being considered by the Committee on Finance provide a quota under which 20,000 tons of sugar can be imported yearly from Malawi.

Mr. Chairman, I respectfully submit that the granting of the requested sugar quota to Malawi will produce the very results intended by the framers of U.S. sugar legislation. Malawi is a friend to the United States, a reliable sugar producer and truly in need of a market for its sugar. Finally, the benefits derived from a sugar quota in the U.S. market will accrue to the people of Malawi in a dramatic fashion.

1. Geography and History of Malawi.

Malawi is a small African nation which was formerly Nyasaland. It is located in Southeast Africa, bounded by Zambia, Tanzania and Mozambique. Malawi is landlocked with its southern tip 130 miles from the Indian Ocean. It has a population of 4.6 million and one of the greatest population densities in all of Africa.

Western contact with Malawi began with the discovery of Lake Malawi by explorer-missionary David Livingstone, who spent the last days of his life among the people of this area. The commercial capital of Malawi, Blantyre, is named after the Scottish town where Livingstone was born. Malawi was the Nyasaland Protectorate under the United Kingdom until 1953 when it was joined with Southern and Northern Rhodesia in the Federation of Rhodesia and Nyasaland. Malawi achieved its full independence on July 6, 1964.

2. Friendship Toward the United States.

Malawi does not in any way discriminate against United States citizens. There have been no cases of expropriation of property owned by United States citizens in Malawi. In fact,

there has been no expropriation in Malawi in the six years it has been an independent country. Malawi has a free enterprise economy, and fully realizes the necessity for and encourages foreign investments in its future.

Malawi's friendship to the United States has deep roots. When Malawi gained complete independence from the British on July 6, 1964, it chose as its leader Dr. H. Kamuzu Banda, a physician educated in the United States, and chose as its form of government democracy and the free enterprise system. Dr. Banda was elected President of Malawi in 1966.

On the international scene, Malawi has been an avowed supporter of the United States and the West. It maintains diplomatic relations with the principal nations of the West while eschewing contact with Communist countries. Malawi is a member of the United Nations, the British Commonwealth, the Organization of African Unity and the General Agreement on Tariffs and Trade.

From the beginning of its independence Malawi and President Banda have taken an independent approach to the problem of Black vs. White in Africa, which may be the key to its ultimate resolution. President Banda has stated clearly and repeatedly in the U.N., in the O.A.U., in the British Commonwealth and elsewhere that the policy of denunciation, isolation and boycott, combined with threats of armed force adopted by a majority of African states will not solve the African race problem

and will not help the Africans in South Africa, Rhodesia, Angola and Mozambique. While stating Malawi's firm opposition to policies of apartheid, President Banda and Malawi have advocated seeking a solution to this problem through mutual understanding between White and Black to be achieved through contact and dialogue. Malawi has in its persistent adherence to this policy made a significant contribution to world stability and peace in identifying and advocating a non-violent solution to one of the world's most dangerous situations. The significance of Malawi's stand can begin to be appreciated when we realize that recently the Ivory Coast has adopted a similar course in its relations with South Africa. Others will follow.

Malawi is also an important ally to the West and to the United States in another area. Malawi, as I have pointed out, is an agricultural country determined to make its way under a free enterprise system, and it is doing so. This is in contrast to its close neighbors currently receiving direct assistance from Communist China. Malawi may well set an example not just in external policies, but in domestic affairs which other agriculturally dependent African nations can follow in seeking economic viability.

Malawi has also assumed an independent and responsible role in the United Nations. Of importance to the United States has been her support for the United States position on Chinese Representation and the future U.N. role in Korea.

While Malawi's foreign and domestic policies were not adopted specifically as expressions of friendship to the United States, they do indicate a commonality of goal which may be even more important.

3. Dependability As A Sugar Source for the United States

Malawi has never exported sugar to the United States. Its sugar industry is new, begun in 1965, and has only recently achieved its first goal -- satisfying domestic consumption requirements. Its second goal is to produce sugar for export. This will require expansion of Malawi's cane fields and factory capacity.

Malawi's plans for increased production have been carefully laid, based upon experience gained over the past five years. Under the proposed program expansion will be carried out in two phases. In 1972, a minimum of 10,000 tons of sugar would be available for export to the United States increasing to 20,000 tons in 1973.

In the case of Malawi, the most important element in this issue, therefore, is not what has been supplied in the past, but rather its potential for supplying sugar in the future.

This question would seem to separate naturally into two parts:

1. What is the attitude of the supplying nation, in this case Malawi, toward the United States -- does its character and policy indicate that it would be likely to assist the United States in a time of need?

2. Is its sugar operation such that the United States can rely with reasonable assurance upon its ability to produce the sugar required to meet the quota?

The first of these questions, the matter of the governmental decision to supply the United States in a time of need was indirectly discussed above in connection with Malawi friendship towards the United States. Malawi has been a staunch supporter of the United States, and there is every reason to believe this will continue in the future. In addition, President Banda has made honesty and forthrightness a cornerstone of both Malawi domestic and foreign policy. As a result, the Government of Malawi has a strong reputation both in Malawi and among those countries in contact with Malawi for integrity and dependability.

Malawi must also rate high as a dependable producer of sugar. Although there was no sugar production in Malawi until 1966, the development of sugar production capabilities has been remarkable during the last five years. The plan for fulfilling Malawi's domestic sugar requirements was carried out with precision and with completely harmonious relations between the Sugar Corporation of Malawi (SUCOMA) and the Malawian Government. There are several reasons for this excellent result, all of which evidence why Malawi will be a reliable source of sugar for the United States.

1. The soil and weather conditions are very favorable for sugar growing. The soils consist of deep layers of river

deposits, varying between sandy loames and sandy clays. The temperatures are ideal, with hot summers and warm winters. The average monthly maxima vary between 80°F in June and 98°F in October. Annual rainfall varies from 15 to 25 inches, of which 80% falls between December and April.

2. Water for irrigation is readily available in unlimited quantities from the Shire River, the outlet from Lake Malawi. As a result, the entire growing area is under overhead spray irrigation designed to supply sufficient water even in times of poor rainfall.

3. The Lower Shire River Valley is free from climatic hazards such as frost, cyclones and floods - the Shire River has a controlled flow.

4. The managers and operators of SUCOMA represent vast experience in sugar production. The techniques and experience acquired from many years of working in this industry in Africa and Mauritius have been put to work to make the best possible use of the assets available to them in Malawi.

5. The Malawian worker has always been one of its country's major assets; even today over 300,000 Malawians are employed in South Africa and Rhodesia. These workers have proved to be very reliable and productive in the sugar fields. For the last four

years, the absentee rate has averaged only 2% and the labor turnover has been only 4%.

6. Expansion followed a carefully developed plan so that in 1969, all of Malawi's local consumption requirements were met and a small surplus was exported to Zambia. While Malawi did import small quantities of refined sugar through 1970 the SUCOMA refinery is now fully operative and no further imports are anticipated.

7. In 1970 the SUCOMA Estate produced yields of 5.9 tons of sugar per acre in eleven months, a rate equal to the best in the world.

Several other facts about Malawi sugar production are important in considering it as a sugar supplier for the United States. First, the weed control is done by hand and no chemical herbicides or insecticides are used in the Malawi cane fields. This is partially a result of the availability of labor in the cane fields. Second, Malawi's seasonal production schedule is such that it can deliver its quota of sugar to the United States during the heavy consumption months from April to September. Finally, while Malawi is a landlocked country it does have an excellent rail link to the Indian Ocean port of Beira in Mozambique.

4. Trade with the United States

The United States accounts annually for roughly 5% of Malawi's external trade, with the balance in favor of U.S. exports. The composite

figures for years 1964 through 1970 show imports from the United States of \$17 million and exports to the U.S. of \$10 million. The United States has had a favorable balance of trade of \$7 million during this period, a balance which has increased each year.

Malawi's trade relations have been largely dictated by her geographic position and by traditional trade patterns with the United Kingdom and her African neighbors. Nevertheless, United States exporters have been able to take advantage of Malawi's increased demand for imports with shipments of heavy duty construction and road equipment; for example, Malawi's imports from the United States in 1970 were \$4.5 million, the largest since independence. It can be assumed that U.S. exports to Malawi will continue to increase as Malawi continues to develop its infrastructure.

In addition to direct trade with the United States, many U.S. products find their way into the Malawi economy through purchases from South Africa.

5. Malawi's Need for a Premium Price Sugar Market in the United States

Malawi soils, weather, water for irrigation and abundant labor force are all extremely favorable for sugar production, however, economists and agricultural planners in Malawi have concluded that

significant expansion of sugar production beyond that required for supplying the domestic market is not justified without a guaranteed, premium priced market. This conclusion was reached by comparing production and distribution costs with the world market price for sugar over the last few years. Taking the London daily price for an example, there has been no time within the last four years when that price would have exceeded production and delivery costs for sugar from Malawi.

Malawi does not currently share in any premium price market for sugar. While Malawi is a member of the British Commonwealth, it has had a late arrival on the sugar production scene and has never had a quota under the Commonwealth Sugar Agreement. Inquiries have been made about the possibility of obtaining such a quota. We have been informed that there is little chance of receiving a quota because of complications arising out of EEC negotiations, and all efforts have been dropped in this regard.

Unlike some of its more fortunate neighbors, Malawi does not have significant exploitable mineral resources. It is now, as it has been in the past, almost entirely dependent for its development upon agriculture. Over 90% of the country's working population is engaged in agriculture, and agricultural products account for virtually all of Malawi's exports. Moreover, a large number of those involved in agriculture are subsistence farmers, producing only what is required to satisfy family needs. The Government is aware that agriculture is the key to growth of

Malawi's economy and has allotted an increasing portion of development expenditures to this area.

One major problem for Malawi has been its heavy dependency on two crops, tobacco and tea, which in 1969 accounted for 71% of Malawi's export earnings. The Government recognizes that diversification in agriculture is required and has initiated various agricultural projects in areas of potential expansion. The sugar development in the Lower Shire River Valley is probably the most successful of these diversification projects and is looked to as a base from which to further develop and diversify agriculture in Malawi.

A major new study of the Lower Shire River Valley's agricultural potential has been completed recently under the aegis of the U.N.'s Food and Agriculture Organization. This study is directed specifically at the feasibility of a major irrigation scheme, the Kasindula Irrigation Project, in the Lower Shire River Valley.

The Lockwood Corporation of Canada which conducted the Kasindula study reached the general conclusion, as have others who have studied this area earlier, that "agricultural development offers the only opportunity for major economic improvement in the Lower Shire Valley..." Specifically, the Lockwood report finds that there are

over 200,000 acres of fertile soils capable of irrigation in the project area and that the soil and climate conditions are suitable for a wide range of crops.

The economic feasibility of the Kasindula Irrigation scheme is influenced significantly, however, by the future expansion of sugar production at SUCOMA. Without the planned expansion of sugar production and use of water from the irrigation project, the Kasindula scheme will have an internal rate of return of 13%, with the sugar expansion the return will be 18%. The conclusion of Government economists and agriculture experts is that Kasindula, without expanded sugar acreage, is a marginal enterprise; but with sugar expansion it has prospects of significant profits. Many in the Malawi Government believe that the Kasindula scheme is not viable and should not be undertaken without the expansion of sugar production. In turn, expansion of sugar production is not possible without a guaranteed market for Malawi sugar.

6. Sharing of Benefits Derived From a U.S. Sugar Quota

The production of sugar in Malawi is carried out by a single organization, the Sugar Corporation of Malawi (SUCOMA), a privately owned company incorporated in Malawi. SUCOMA is a wholly owned subsidiary of Lonrho Limited of London. SUCOMA has entered into an agreement with the Government of Malawi under which SUCOMA agrees to produce sugar to meet Malawi's domestic requirements at a set price, and the Government of Malawi agrees that all Malawi's sugar requirements will be supplied by SUCOMA. In addition, the Government of Malawi agrees to use its best efforts to obtain external markets for sugar produced in excess of domestic requirements.

The agreement between the Government of Malawi and SUCOMA is consistent with the Government's plan to interest foreign enterprises in investing in Malawi's development. It is also consistent with numerous agricultural studies, including the FAO-Lockwood study, which conclude that agricultural development in the Lower Shire River Valley must be based on estate operations rather than small holder farming.

The question of how the benefits derived from a quota in the U.S. market are distributed and shared is complex and subject to various methods of analysis. One way to address this issue is to trace back the dollars which would be received from a U.S. quota and determine who obtains the benefit from the additional cash gain resulting from sale in the U.S. market over sale elsewhere. This method of analysis is particularly suited to the Malawi situation since SUCOMA has only one significant market, Malawi, and the wholesale price for sugar in Malawi was set by

agreement between the Government of Malawi and SUCOMA. By comparing the rate of return for raw sugar sold in the Malawi market under the agreement price with the net return anticipated from the sale of sugar in the U.S. market, we find only a negligible difference. This reflects the relatively high cost of sugar production and distribution for Malawi. This high cost is the result of several factors, total overhead irrigation, intensive use of labor, small size of the sugar operation and extensive transportation costs. In addition, SUCOMA must expand its current production facilities in order to produce sugar for the U.S. market. It is estimated by SUCOMA that \$2.5 million of capital expenditure will be required to produce an additional 20,000 tons of sugar a year and that cost of production for this sugar will be substantially the same as current production costs.

Probably the most important point to make here is that it is not SUCOMA's profit motive that is the main driving force in striving to obtain a U.S. sugar market. The greater interest comes from the Government of Malawi because of the benefits that expanded sugar production will bring to the people of the Lower Shire River Valley and to Malawi as a whole.

The Lower Shire River Valley, the location of the SUCOMA Estate, has always been one of the poorest, least developed areas in Malawi. Its population density is 100 per square mile, almost three times as great as in neighboring countries. Until the SUCOMA Estate

began operations in 1966, opportunities for regular paid employment for the 280,000 inhabitants of this area were almost non-existent. With few exceptions, the work force was involved in subsistence farming. The average cash income per year was under \$15.00, compared to a \$35.00 average for Malawi as a whole.

In 1970 SUCOMA employed 2,600 Malawians for work on the Estate. Government officials attribute the employment of another 3,000 workers in distribution and transportation activities directly to SUCOMA operations. In addition, a village which has evolved for the support of those working at the Estate currently contains 31 retail shops and employs 240 Malawians. The ripple effect does not end here. For example, small holder farmers in the area are now producing crops for sale in the retail stores to estate workers.

In addition to traditional cane field labor, there are 366 Malawians employed in the sugar factory and garage. In the field, 105 Malawians are employed as tractor drivers and 120 as tractor assistants. On-the-job training has resulted in Malawians being promoted to positions originally held by expatriates.

The wages earned by the laborer and semi-skilled worker at the sugar estate are significantly higher than those paid at the tea and tobacco estates, the major agricultural employers in Malawi. This difference in accordance with Government policy is made up of incentive bonuses rewarding increased performance. Bonus payments may be as much

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as the workers base pay. The average yearly cash income for the cane field laborer is \$185.00, compared to the average of \$15.00 in the Lower Shire River Valley as a whole. Wages for semi-skilled workers range up to \$216.00 per month.

SUCOMA provides extensive fringe benefits to Estate workers and their families. These include free housing, medical attention, schooling and recreational facilities.

The additional activity at SUCOMA required to meet a sugar quota of 20,000 tons would involve the employment of more than 1,000 additional Malawians, and the indirect employment related to distribution, etc. would add another 1,200. On the Estate, more semi-skilled labor would be required, and opportunities for advancement would be created. Education and medical facilities would be expanded, and more housing provided. The same kind of rippling effect produced by the initial SUCOMA operation would be experienced in the Lower Shire River Valley.

The benefit to Malawi from a U.S. sugar market does not stop here. As mentioned earlier, the expansion of SUCOMA is considered essential to make the Kasindula Irrigation Project viable. It is estimated that the Kasindula scheme will employ 7,500 workers on estates and another 1,200 small holder farmers. The additional employment anticipated from a combination of expansion at SUCOMA and the Kasindula project would be in excess of 10,700 people. This increase in the number of

workers in regular full time employment would equal six per cent of the 180,000 estimated in wage employment in Malawi in 1970. Since each wage earner supports dependents numbering at least five, the total number of Malawians whose standard of living would be materially improved would be in the order of 65,000, or better than 1-1/2 per cent of the population of Malawi. Of course, the beneficial effects do not end with laborers working on the Estate and those involved in the direct chain of distribution and transportation. More support facilities will be required in the way of stores, merchants and clerks, garages and mechanics, and general farming to produce food for the labor force; and, of course, more infrastructure will have to be built.

The effects of a U.S. market for 20,000 tons of Malawian sugar are not limited to the region of the Lower Shire River Valley. Malawi Government economists estimate that monetary GDP (Gross Domestic Product) will be increased by the SUCOMA expansion to the extent of \$2.4 million by 1975, an increase of .9 per cent. Combining this with estimates from the Kasindula Irrigation Project, they see a \$4.0 million increase in GDP by 1980. It is probably hard to find any single project which has the prospects of raising a country's cash income so dramatically.

It is clear that the planned Lower Shire River developments will have marked effect in broadening the tax base and increasing government revenue. An indication of the order of magnitude involved can be seen using a marginal tax ratio of 20%. With an increase in GDP in 1975 of \$2.4 million, this would imply an increase in tax revenue of \$480,000

a year, and by 1980, taking into consideration the Kasindula project, \$816,000 per year. Again, this is an addition of over one per cent to the total tax revenue projected for 1980. Such an increase in revenue will go far towards enabling the Government to raise standards of social services throughout Malawi.

In the Lower Shire River Valley, in particular, the spectacular rise in total income there, together with the infrastructural improvements that must follow, such as better communications -- all this will lead to a dramatic transformation in the living standards of the inhabitants. This formerly backward corner of tropical Africa will be given the opportunity it needs to bring itself up to a level with more prosperous areas. This in turn will have a most important effect in countering a rootless drift to the towns, with all the social and economic problems which that involves. In short, it would be difficult to imagine how a single act by a far and distant nation could have a more profound influence for good in a country, set on developing itself, than the granting of a 20,000 ton sugar quota to Malawi.

This concludes my remarks.

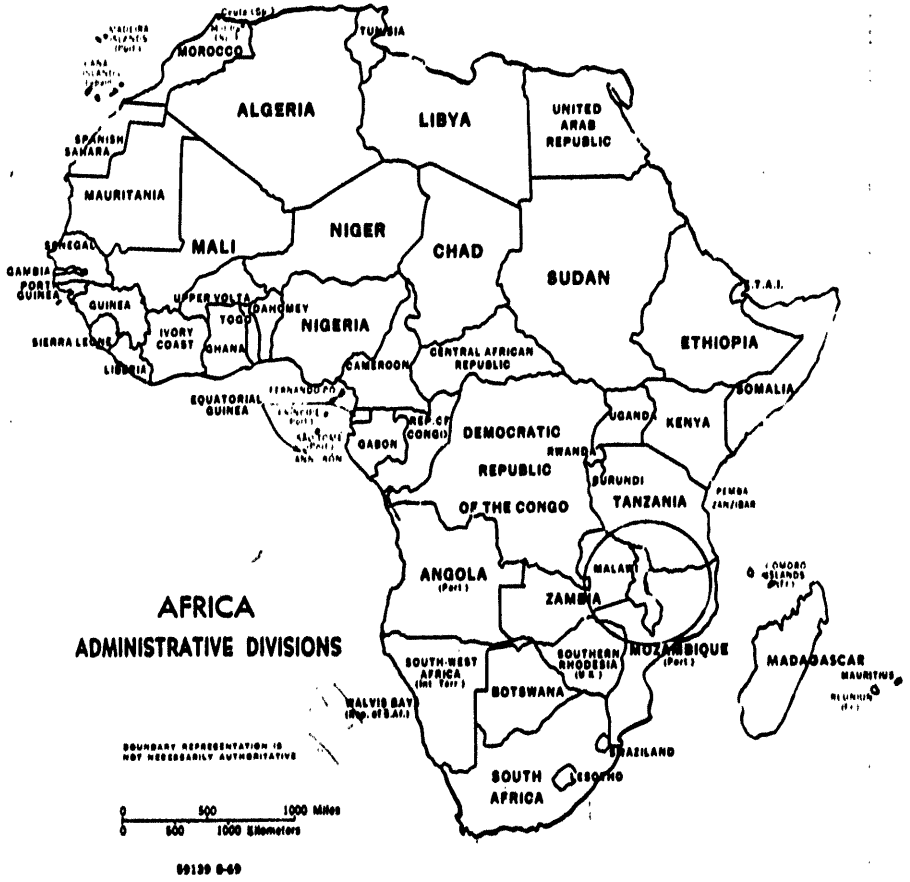
INFORMATION IN SUPPORT OF STATEMENT OF JERRY C. TRIPPE

Counsel For

THE GOVERNMENT OF MALAWI

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Dr. H. Kamuzu Banda
President of Malawi

President Banda was born to a farming family in Nyasaland's (now Malawi's) Central Region in 1906. He received his early education at a mission school, but at the age of 13, headed south, walking almost 1000 miles to South Africa. Along the way, he worked as an orderly in an African hospital in Rhodesia.

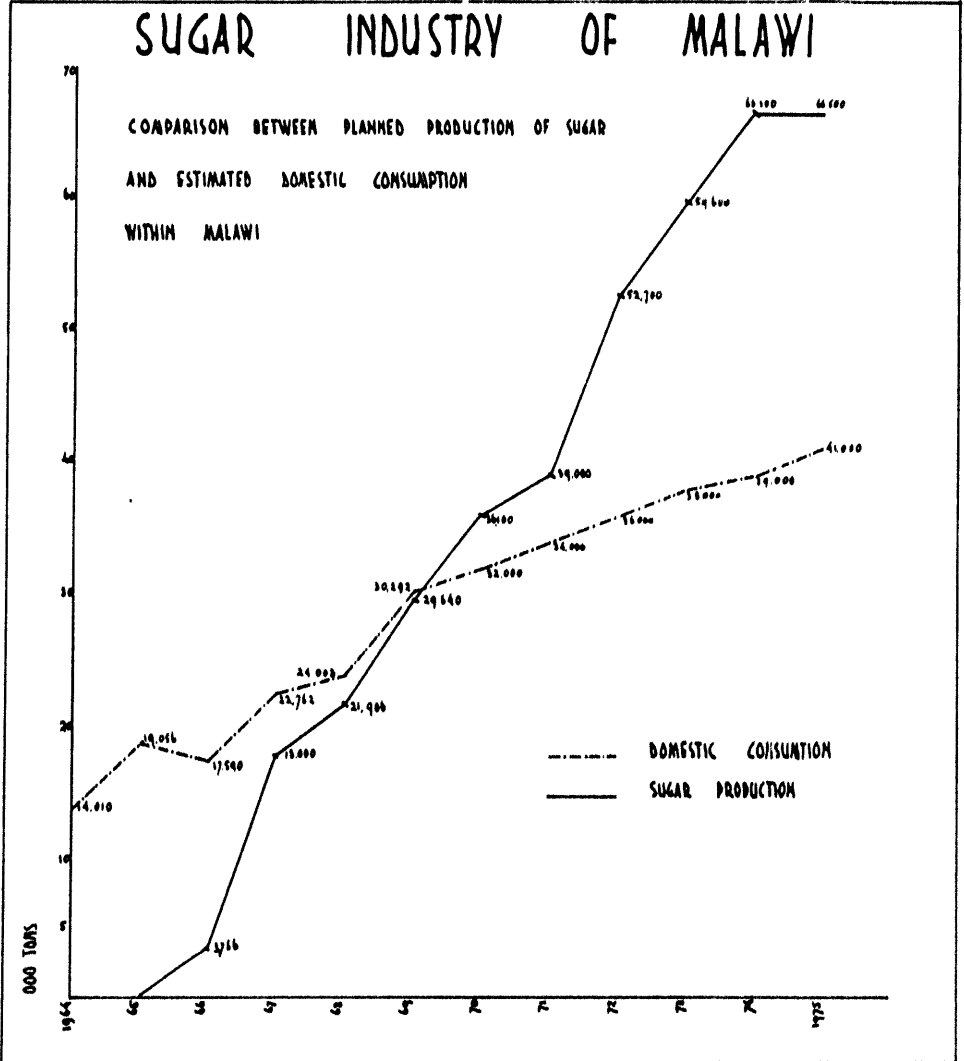
In South Africa, Dr. Banda worked for eight years as a clerk and interpreter in the Rand gold fields. He meanwhile continued his studies and, with the financial assistance of American missionaries, was able to enter high school in America in 1923.

Dr. Banda spent the next 14 years studying in the U.S. He attended Wilberforce Institute, Indiana University and the University of Chicago, from which he received his Ph.B. in 1931. Dr. Banda completed his MD degree at Meharry College in Nashville in 1937.

The President did further medical studies and practiced medicine in Scotland and England during and after the World War. After the War, he became increasingly interested in African politics. While in Britain, he joined his countrymen in their opposition to the British-sponsored Federation of the Rhodesias and Nyasaland. When the Federation was introduced in 1953, Dr. Banda moved to Ghana, where he practiced medicine for five years.

President Banda was recalled to Nyasaland in 1958 to lead his country's independence movement. He was made President of the Nyasaland African Congress until that party was banned and its leaders, including Dr. Banda, jailed in March, 1959.

After almost a year in prison, Dr. Banda was released and became President of the Malawi Congress Party (MCP). His dynamic leadership in this post was largely responsible for the dissolution of the Federation in 1963 and for Malawi's independence the following year.



THE SUGAR INDUSTRY OF MALAWI
PLANNED EXPANSION PROGRAM TO MEET DOMESTIC
AND EXPORT REQUIREMENTS OF SUGAR FOR THE
PERIOD ENDED 31ST DECEMBER 1975

Calendar Year

<u>Actual</u>	<u>Acreage Cut</u>	<u>Sugar Produced</u>	<u>Domestic Consumption</u>	<u>Exports</u>		<u>Surplus</u>
				<u>Zambia</u>	<u>U.S.A.</u>	
1964	-	-	14,010	-	-	
1965	-	-	19,056	-	-	
1966	1,310	3,766	17,590	-	-	
1967	4,224	18,000	22,762	-	-	
1968	4,224	21,906	24,003	-	-	
1969	5,550	29,640	30,292	2,550	-	
1970	6,278	36,100	32,000	1,700	-	2,400
<u>Planned</u>						
1971	6,598	39,000	34,000	2,500	-	2,500
1972	7,766	46,000	36,000	2,500	10,000	(2,500)
1973	10,502	63,000	38,000	2,500	20,000	2,500
1974	10,502	63,000	39,000	2,500	20,000	1,500
1975	10,502	63,000	41,000	2,500	20,000	(500)

- NOTE:**
1. Shortfall in production in 1972 and 1975 will be met out of surplus sugar stocks on hand.
 2. In 1975 the new Kasindula Irrigation Scheme should be completed and the sugar industry will, depending upon the availability of reliable markets, embark upon a further expansion scheme.

THE SUGAR INDUSTRY OF MALAWI
PATTERN OF PLANNED PRODUCTION, DOMESTIC CONSUMPTION AND EXPORTS
WITH EFFECT FROM 1973

(All figures in short tons - Tel quel)

Basic data: Annual production 63,000 Tons
 Annual domestic consumption 38,000 Tons
 Annual exports 22,500 Tons (U.S. quota 20,000
 (Zambia 2,500

Exports to Zambia - 300 tons in January
 and 200 tons per month for remainder of year

Exports to U.S.A. - 10,000 tons in July
 and 10,000 tons in September

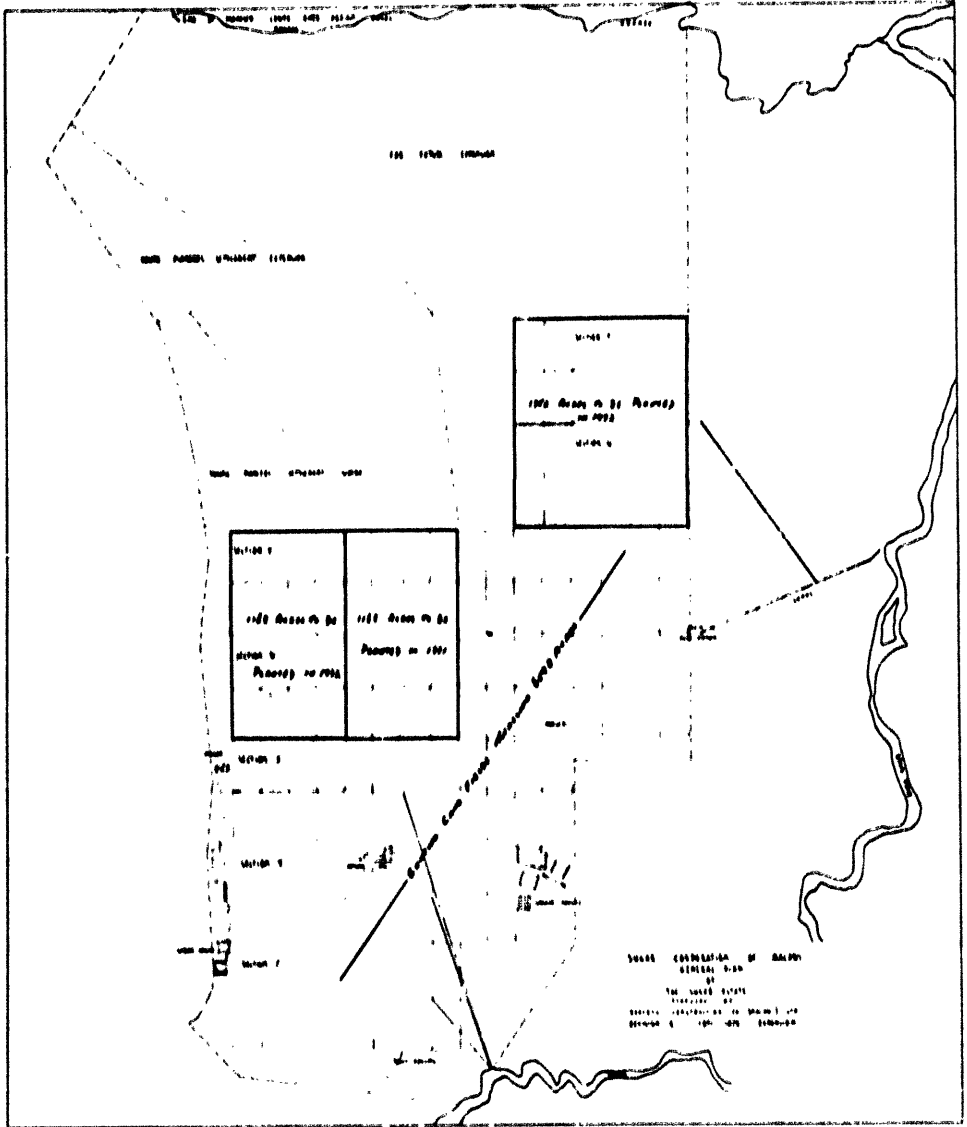
Milling season - 15 April to 15 December

<u>Month</u>	<u>Monthly Sugar Production</u>	<u>Cumulative Production</u>	<u>Local Consumption</u>	<u>Exports to Zambia</u>	<u>U.S. Quota</u>	<u>Surplus Stocks</u>
April	3,000	3,000	(3,000)	(200)	-	3,000
May	8,000	11,000	3,000	200	-	7,800
June	8,000	19,000	6,000	400	-	12,600
July	8,000	27,000	9,000	600	10,000	7,400
August	9,000	36,000	12,000	800	10,000	13,200
September	8,000	44,000	15,000	1,000	20,000	8,000
October	8,000	52,000	18,000	1,200	20,000	12,800
November	8,000	60,000	22,000	1,400	20,000	16,600
December	3,000	63,000	26,000	1,600	20,000	15,500
January	-	63,000	29,000	1,900	20,000	12,100
February	-	63,000	32,000	2,100	20,000	8,900
March	-	63,000	35,000	2,300	20,000	5,700
April	3,000	66,000	38,000	2,500	20,000	5,500

NOTE: 1. April consumption will be met out of stocks carried over from the previous season.

2. In 1972 only the first phase of the expansion program will be implemented and production will be 46,000 tons. However, the pattern of production and consumption will remain much the same with only 10,000 tons being exported to the United States.

SUCOMA EXPANSION SCHEME



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Page 8

ROBERTS CONSTRUCTION COMPANY (MALAWI) LIMITED
ENGINEERS AND CONTRACTORS

BLANTYRE OFFICE
 P.O. BOX 461
 TELEPHONE 6227
 TELEGRAMS "ROBCONCO"
KITWE OFFICE
 P.O. BOX 354
 TELEPHONE 2261 & 4305
 TELEGRAMS "ROBCONCO"
 TELEX "ROBCON KES129"

17th February, 1971

The Managing Director,
 Sugar Corporation of Malawi Limited,
 P.O. Box 5598,
LILONGWE.

Dear Sir,

We have to advise that we have now completed our survey of the proposed expansion programme and are satisfied that we could complete the construction work in ample time to facilitate the planting of 3800 acres in 1971 and 1972.

This company was responsible for the initial development at Mchale and have immediately available the same team, plant and equipment necessary to expedite all work necessary for this development programme.

Yours faithfully,


E.A. FRANCEY
 Director

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Mr. Rene LeclercioManaging Director of SUCOMA

- 1940 Commenced work as an agricultural chemist.
- 1940-1945 Served in the Royal Artillery
- 1945-1947 Agricultural chemist and process manager at Beau Villon and Sans Souci estate in Mauritius.
- 1947-1950 Sugar Research Services of Mauritius Department of Agriculture as assistant head of Sugar Technology Division. In addition, lecturer in Sugar Technology and Engineering at the Mauritius College of Agriculture.
- 1950-1952 Distillery Manager at Union Sugar Estate and process manager at Union St. Aubin sugar factory in Mauritius.
- 1952-1962 Assistant estate manager at Reunion Sugar Estate: responsible for major expansion and reconstruction of sugar factory and implementation of large irrigation project on the estate.
- 1962-1964 Sugar Manager at Hippo Valley Estates in Southern Rhodesia (the largest estate in that country): directly responsible for expansion program increasing fields from 3,500 acres to 15,000 acres and planning an irrigation scheme to service the entire area; planning and securing a 5,500 ton cane per day sugar factory; establishing an independent cane farmers scheme for the delivery of cane to the company's mill.
- 1964 Consultant to the Tongaat sugar factory in Natal (one of the major sugar producers in South Africa).
- 1965 to date Joined Lonrho Ltd as Managing Director of SUCOMA and was responsible for the design, planning and commissioning of the project from its inception. Presently engaged on the implementation of a recently signed agreement with the Government of Ivory Coast for a 50,000 ton sugar scheme in that country.

* The Zambia Sugar Company Limited

Telegrams "ZINESCO"
Telephone 73346 & 72630
72011/2

HEAD OFFICE
P.O. Box 489
LUSAKA
ZAMBIA

RAD/LAH

18th February, 1971.

Mr. Dacomb Esq.,
Sugar Corporation of Malawi,
P.O. Box 5598,
Limbe,
MALAWI

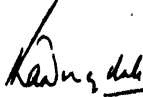
Dear Mr. Dacomb,

I am writing to confirm ~~to you~~ our complete satisfaction with both the raw and refined sugar which you have supplied to us over the past two years from Malawi.

The raw sugar which we received in 1969-1970 is of good quality and caused no processing difficulty whatsoever at the Refinery.

As you know we had a good sugar crop last year, well above expectations but should we require further supplies of raw sugar in the future I hope we may be able to do business again.

Yours sincerely,



R.A. Dugdale,
COMPANY SECRETARY

* A wholly owned subsidiary of Tate and Lyle

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U.S. - MALAWI TRADE

	<u>Exports to US*</u>	<u>Imports from US*</u>	<u>Trade Balance*</u>
1964	845	768	+ 77
1965	869	1,310	- 441
1966	972	2,057	- 1,085
1967	1,286	1,690	- 404
1968	1,932	3,926	- 1,994
1969	2,750	2,827	- 77
1970	<u>1,435</u>	<u>4,457</u>	<u>- 3,022</u>
	10,089	17,035	- 6,946

*Dollars in thousands

COMPARISON OF SUCOMA COST OF PRODUCTION
WITH WORLD SUGAR PRICES

1. London Daily Price of Sugar for the years 1966 to 1970
 (Price per long ton C.I.F. London)

	<u>HIGH</u> L	<u>LOW</u> L
1966	22.00	13.50
1967	32.00	12.00
1968	30.50	16.00
1969	38.00	27.50
1970	45.00	30.75

2. London Daily Price Equivalent in Malawi:

Cost of Production	L 33.00
Stowage	1.59
Railage	4.07
Road Transportation	1.38
Siding Charges	.13
Insurance	<u>.45</u>
	<u>7.62</u>
Cost re short ton F.O.B. Beira	L 40.62
Cost of freight to United Kingdom	<u>6.50</u>
Cost per short ton C.I.F. London	L <u>47.12</u>
Cost per long ton C.I.F. London	L <u>52.70</u>

COMPARISON OF MALAWI WHOLESALE PRICE FOR SUGAR
WITH NEW YORK SPOT PRICE FOR SUGAR

1. The wholesale price for sugar at the SUCOMA Estate as set by agreement between the Government of Malawi and SUCOMA ----- L 50
2. The SUCOMA Estate equivalent for sugar sold at the New York spot price ----- L 50.71

This price is arrived at as follows:

Delivered price New York	\$164.00 per short ton		
Polarization Award	<u>4.50</u>		
	\$168.50		
Duty	12.00		
Freight	<u>16.50</u>	- 28.50	
Price F.O.B.S.		\$140.00	= L 58.33
Stowage	\$1.59		
Railage	4.07		
Road Transportation	1.38		
Siding Charges (Bangula)	.13		
Insurance	<u>.45</u>		
		<u>- 18.18</u>	- <u>7.62</u>
		<u>\$121.82</u>	= L <u>50.71</u>

Fringe Benefits Provided by SUCOMA

1. Improved permanent housing, sanitation, drinking water, and living conditions generally.
2. School buildings, catering for double streams of children of employees. Presently 350 pupils attend school.
3. Seven clinics staffed by experienced overseas trained personnel, have been established on the Estate and free medical attention and medicines are available to employees and their dependents. A doctor is flown in once a week to examine the more serious cases and transportation is made available for anyone requiring to be removed to a hospital. The Estate also provides free midwifery, pre-and ante natal clinics and child care classes.
4. A weekly issue of malarial prophylactics is made; this has materially reduced the incidence of malaria in the area.
5. A balanced meal is provided daily for all employees and field workers receive a protein beverage as well.
6. Recreational amenities include a sports stadium for football, netball, athletics; cinema shows; traditional dancing stages and bars.
7. Womens welfare centers with trained demonstrators teaching sewing, cooking, child welfare, knitting, etc.
8. Four churches for various denominations.
9. Intensive "training on-the-job" programs resulting in a number of Malawians being promoted to positions previously held by expatriates. Continuous training is also given to artisans and the taking of Government Trade Tests.
10. Free water is supplied to Nchalo village, adjacent to the sugar Estate, and a Post Office and bank constructed to meet the needs of the area.

BAKER & MCKENZIE
ATTORNEYS AT LAW
 815 CONNECTICUT AVENUE, N.W.
 WASHINGTON, D. C. 20006

202-298-8290
 CABLE ABOGADO
 TELEX 24441 (RCA) 64278 (WU)

WALTER A. BLOWINSKI
 JOHN F. CREED
 MICHAEL WARIS, JR.
 JOHN J. BYRNE
 PHILIP A. RYAN
 DAVID S. SMITH
 THOMAS H. HADERLEIN
 DENNIS I. MEYER
 J. P. JANETATOS
 WILLIAM D. GUTMAN, II
 ROBERT H. HICKEY
 EDWARD E. DYSON
 EUGENE A. THEROUX
 THOMAS J. HUGHES, JR.

June 23, 1971

The Honorable Russell Long
 Chairman
 Senate Finance Committee
 United States Senate
 Washington, D.C.

Dear Mr. Chairman:

On behalf of the Confectionery Association of Canada, I would like to address myself to H.R. 8866, the 1971 Sugar Act ("Act") extension legislation, which is presently under consideration by your Committee.

In particular, we respectfully express opposition to a proposed amendment to Section 206 of the Act suggested by a witness before your Committee on June 17, 1971.^{1/} That proposal would, for the first time, impose an import quota on imports of confectionery products as part of the sugar legislation.

As you are aware, this same recommendation was made before the House Committee on Agriculture and, after initial acceptance, that Committee upon further consideration

^{1/} Testimony of John H. Bleke, in behalf of the National Confectioners Association of the U.S., on June 17, 1971.

voted to reject the proposed quota entirely.^{2/} Moreover, the Chairman and ranking minority member of the House Committee on Ways and Means, speaking for their Committee, expressed "very strong opposition" to the proposal,^{3/} and opposition was also expressed by the Administration.^{4/}

^{2/} H. Rept. 92-245, p. 8, which states in pertinent part as follows:

"Confectionery Quota

"The Committee considered a proposal to add to Section 206 of the Sugar Act a new subsection which would impose by statute an import quota on confectionery. The contention was that since import quotas are imposed on raw sugar and on refined sugar that there should be reasonable quotas imposed on confectionery because it is a sugar-containing product. The proposal would not have embargoed confectionery imports, but would have permitted an increase not only in poundage but also as a percentage of domestic industry production. It would have permitted confectionery imports to rise from the 1969 level of approximately 3.5 percent of domestic industry production.

"A substantial portion of the Committee supported this proposal and in its initial consideration of this legislation the Committee included this proposal as a new subsection of Section 206. The Committee, however, upon later consideration voted to remove it. This action came after a request to do so was made by the Chairman and the ranking minority member of the Ways and Means Committee in behalf of that Committee. Opposition was also expressed by the Administration."

^{3/} Letter dated May 20, 1971 to Hon. W. R. Poage, Chairman, House Committee on Agriculture, from Hon. Wilbur D. Mills and Hon. John W. Byrnes. A copy of this letter is attached as Exhibit A.

^{4/} H. Rept. 92-245, op cit.

The proposed quota on imported confectionery products should, we believe, be rejected for the following reasons:

1. A quota is unnecessary. The proponents of the quota on confectionery, by their own testimony, reveal that at present "confectionery imports represent a quantity equivalent to approximately four percent of domestic industry sales."^{5/} Such a very small fraction of the market represents not the slightest harm to the domestic confectionery industry. This, too, the proponents of the quota admit. "The United States confectionery manufacturing industry," says their testimony, "has not been seriously injured from confectionery imports. . .".^{6/}

The proposed quota is sought to be justified by a fear, unsubstantiated by its proponents or by any significant market trends, that "the quantity of imports could increase precipitously." We respectfully suggest that no remedial quota is necessary where its proponents admit that no injury exists.

^{5/} Testimony of John H. Bleke, op cit.

^{6/} Testimony of John H. Bleke, op cit.

2. A quota is an inappropriate addition to the Act.

The Act has never contemplated, and is not the appropriate statute for, the imposition of a protective trade restriction of the type sought by the proponents of the quota. As the House Agriculture Committee may have concluded in rejecting the quota proposal, such a quota granted to one industry which uses sugar is an invitation to other commercial sugar users to seek similar protective preferences.

The mischief of such a precedent, while too evident to require extended comment here, may be appreciated as well by reflecting on the suggestion by the quota proponents that your Committee undertake a review of a confectionery import quota each time the Sugar Act is extended.

Furthermore, Section 206 of the Act already sufficiently provides for the imposition of import restrictions where importation would substantially interfere with the attainment of the objectives of the Act. This is not "an unreasonably strict requirement for obtaining an import quota" as proponents of the proposed quota complain. That the U.S. confectionery industry has not succeeded in obtaining a quota is merely evidence that the Secretary of Agriculture, in declining to exercise his power to limit confectionery imports, has not found such imports to pose any real threat to the

objectives of the sugar legislation. Moreover, should imports work serious injury to the domestic confectionery industry, relief may be obtained under the escape clause provisions of the Trade Expansion Act of 1962.

3. A quota would unreasonably stifle competition.

The market-sharing formula suggested by those urging a quota would, if adopted, guarantee to domestic manufacturers 95% of confectionery sales in the United States. Even if foreign producers now have as much as 4% of the present market, as determined by the quota proponents, the fear expressed that such a percentage signals "drastically increased imports" likely to "pre-empt" the U.S. market is an overstatement of notable proportions.

The proposal of a fixed 5% ceiling for imports is one calculated to destroy the barely token competition which exists. The remarkable characterization of such a proposal as one designed to keep confectionery imports "within reasonable bounds," particularly where no injury at all is asserted to exist as a result of imports, may itself be one indication of why advocates of a quota have had no success to date in persuading Congress or the Executive of their plan to monopolize domestic confectionery sales.

In summary, we believe it evident that the proposed quota is both unnecessary and inappropriate, and that its adoption would likely serve only to raise consumer prices and limit consumer choices by stifling competition.

Very truly yours,

Walter A. Slowinski

Walter A. Slowinski

dd

Attach.

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 20, 1971.

HON. W. R. POAGE,
*Chairman, Committee on Agriculture,
U.S. House of Representatives.*

DEAR MR. CHAIRMAN: I have just received word that the Committee on Agriculture has tentatively agreed to a provision to be included in your sugar legislation which in effect would provide for an import quota on imports of confectionery products.

As you may recall, this is the matter that I discussed with you a number of days ago and at which time I indicated my strong objections to the inclusion of such a provision in your legislation.

The purpose of this letter is to reiterate my very strong objection to the inclusion of such a provision in the sugar legislation. As you know, the Committee on Ways and Means has been struggling with the question of trade legislation and import quotas for quite some time. Everyone of course is aware of the legislation which we reported last year, and the subsequent developments during the early part of this Congress. There are pending in the Committee on Ways and Means at the present time proposals for quotas on manufactured products of a broad variety. The entire question of what disposition should be made of these problems is one which is presently unresolved and with which the Committee on Ways and Means and the Congress will obviously have to deal before the end of this Congress.

The imposition of a quota on a manufactured confectionery product by the Agriculture Committee would simply invite similar action by other groups in other committees of the Congress and, in particular, would in my judgment be an open invitation for the addition of amendments in the Senate which conceivably could cover practically any product which is the subject of quota legislation now pending in the Committee on Ways and Means.

As I indicated to you in my conversation about this matter, in our hearings last year on tariffs and quota matters, this same group appeared before the Committee on Ways and Means requesting precisely the action which we understand you have now taken, namely, a quota on confectionery imports. The Committee on Ways and Means considers that this is a matter within its jurisdiction. In this connection, several day ago, I specifically pointed out to the Committee on Ways and Means that we had a provision in our legislation which in my judgment, and in the judgment of Mr. Byrnes, might impinge on the jurisdiction of the Committee on Agriculture, namely, the provision to prohibit welfare recipients from receiving distribution of commodities under your program. You will recall that I discussed the matter with you at noon and that the Committee on Ways and Means removed the provision that very afternoon. This was at the same time when I discussed with you the proposed provision to be included in your legislation relating to manufactured confectionery products, and it was my understanding that your committee would not include such a provision within its legislation. Moreover, I discussed all of this that afternoon in the executive session of the Committee on Ways and Means and there was no objection on the part of Members of the Committee on Ways and Means to the actions which we jointly proposed.

I would strongly urge and request that the Committee on Agriculture remove this provision from the bill and not include it in any legislation which you may report. In view of my discussion of this matter in the Committee on Ways and Means, and in view of the fact that there was no objection to it, I believe it is fair for me to state that this is the official position of the Committee on Ways and Means with regard to this matter.

With kindest regards,
Sincerely yours,

WILBUR D. MILLS,
Chairman.

I concur.

JOHN W. BYRNES,
Ranking Minority Member.

STATEMENT OF
SHELDON Z. KAPLAN
ON BEHALF OF
THE SUGAR INDUSTRY OF PARAGUAY
BEFORE THE
COMMITTEE ON FINANCE
U. S. SENATE
ON
H.R. 8866
[THE SUGAR ACT AMENDMENTS OF 1971]

POLITICAL PROPAGANDA

Information Required by Section 4 of the
Foreign Agents Registration Act

1. Agent: Sheldon Z. Kaplan
1001 Connecticut Avenue, N. W.
Suite 800
Washington, D. C. 20036
2. Agent has filed with the Registration Section,
Department of Justice, Washington, D. C., a
registration statement which is available for
public inspection.
3. Distribution of this material is made on behalf
of the Centro Azucarero Paraguayo, Asuncion,
Paraguay.
4. A copy of this material has been filed with the
Registration Section.
5. The filing of a registration statement with the
Registration Section is not to be regarded as
an indication that the United States Government
has approved this material.

STATEMENT OF
SHELDON Z. KAPLAN, LEGAL COUNSEL FOR
CENTRO AZUCARERO PARAGUAYO
(PARAGUAYAN SUGAR CENTER)

Mr. Chairman and Members of the Committee, I am Sheldon Z. Kaplan, a practicing attorney here in Washington, with offices at 1001 Connecticut Avenue, N. W. I appear as legal counsel to, and on behalf of, the Centro Azucarero Paraguayo (Paraguayan Sugar Center), a voluntary trade association, composed entirely of private companies engaged in the production of sugar in Paraguay. I have complied with the provisions of the Foreign Agents Registration Act and submitted a copy of my latest registration to the Committee.

The people of Paraguay have greeted the announcement of a 15,000 ton quota for their country, as approved by the House of Representatives, with great joy. Already the mechanism for fulfilling such a quota commitment has been put into high gear. For a small country of 2.4 million population, the quota has vast significance.

This Committee traditionally has reviewed and questioned the impact a sugar quota has on the workers and other segments of the sugar industry. In this respect, certain vital statistics concerning the sugar industry of Paraguay are most revealing.

The sugar industry, in its various component parts -- planting, transporting, milling, distribution and supply -- is all in the hands of private, independent sectors, and all are Paraguayan.

The planting of cane is in the hands of small growers -- about 5,500 individuals, with an average acreage of 7 acres. These small cane growers employ about 7,000 fieldworkers and many of them work

alongside their workers in the field. Together, the growers and fieldworkers, including their families, make up some 70,000 individuals. The 8 mills employ about 2,000 individuals. This sector accounts for another 12,000 persons dependent upon sugar. Approximately 3,000 more workers are employed in miscellaneous jobs -- transport, shipping, loading, warehousing, etc. Thus, in total, there are somewhat over 100,000 Paraguayans, employees and families, who are dependent upon the sugar industry, in all its various activities, for their livelihood.

Turning to issues which this Committee has raised in past hearings, it is pointed out that ninety-five percent of the cane ground by the mills comes from these small cane growers. There is no large land ownership by the mills, no absentee ownership and no monopoly by a few exceedingly wealthy individuals. There is no flight of capital and unnumbered Swiss bank accounts -- not in Paraguay. The Paraguayans invest in their own country, of which they are justly proud. Their currency is the most stable in South America, and has been for many years. Paraguay is becoming an important banking center for South America and it is regarded as a small country with a great future.

American business finds a welcome in Paraguay that it has grown unaccustomed to in many other countries. Expropriation? Never in the entire history of Paraguay has there been any confiscation or expropriation of American property. For Latin America, this is truly a remarkable record.

Let me cite one example of the social consciousness of the mills: by law, the minimum permitted salaries in rural areas are 2/3 the salaries in urban areas. The mills, however, do not take advantage of this pay differential but voluntarily pay their workers the same salary as their urban brethren get for comparable work. Over a period of many years, the mills who originally owned the cane fields voluntarily divested themselves of most of the land -- in many cases, gave the land free to the small cane farmers.

As for unemployment, when I asked the sugar people of Paraguay about this, I was astonished when they replied, "There is no unemployment in Paraguay." But quickly came their explanation that some 500,000 Paraguayans live in Argentina, of which number 300,000 live there permanently and 200,000 go back and forth. Those 200,000 are the ones we are concerned with. If they could find employment in Paraguay, they would stay there. Paraguay can ill afford to lose its best resource -- its people. A quota of 15,000 tons with anticipated deficit allocations will significantly help solve this problem. Also, such a quota will mean adding close to 1,000 small cane growers to the sugar program of Paraguay, which will mean, counting the fieldworkers and families, 37,000 individuals additional benefiting from the sugar program.

Paraguay, the long-time and steadfast friend of the United States, will fulfill her commitment to ship 15,000 tons of sugar to the U. S. per year, plus deficits which might be allocated under the new Sugar Act. Essentially, this means that the sugar industry of Paraguay, all from the private sector, gives its firm pledge

that it can be counted on. This it can do while adequately meeting the needs of its home consumption and still reserving a sufficient tonnage for special extra needs which may arise in the United States. It is able to do so because of the remarkable progress that has taken place in the Paraguayan sugar industry in recent years.

To Paraguay, a small, underpopulated country of some 2,400,000 people, the sugar industry represents the most dynamic and progressive economic force in the country. The cane fields and mills represent one of the largest investments in Paraguay, the result of more than 65 years of hard work. Sugar is the only commodity whose production and export could be quickly and efficiently increased. Twice as much land is available than is now utilized for the planting of cane.

In recent years, the sugar industry has been overhauled. Over \$4 million has been invested in plant modernization for better and more efficient productivity. The planters are receiving technical assistance and they have been extended credits of over \$1 million to improve their cane plantings -- all in expectation of the quota. It is these small growers who have the largest stake in the quota.

As for trade, Paraguay maintains an unfavorable balance with the United States, as indicated by the figures in the Appendix. Recently there was announced a purchase agreement by Paraguay of 45,000 tons of wheat under Public Law 480. This amount, added to an earlier delivery this year of 27,000 tons, constitutes a total of 72,000 tons of U. S. wheat for Paraguay in 1971, the highest amount of any year since the inception of Paraguay's purchase

program of wheat from the U. S. beginning in the early 60's. In 1970, Paraguay's purchase of U. S. tobacco amounted to \$3.53 million, a sizable amount for such a small country. Paraguay has clearly demonstrated that she is a good trading partner of the United States. The sugar quota will reduce the unfavorable balance of trade significantly and will make it possible for Paraguay to be an even better customer of the U. S. than at present.

When it comes to friendship for the United States, little Paraguay takes no back seat to any other country on this score. When a country can say to the United States, "Never in our history have we expropriated even one dollar of U. S. property or investment," when it can say to the United States, "You asked for help in the Dominican crisis and we sent a volunteer battalion of men, fully equipped," when it can say to the United States, "You have our support in the United Nations and the Organization of American States," when it can say to the United States, "We do not discriminate by way of embargoes, sanctions, quotas or in any other respect against your products, they are welcome here along with your private investments," when it can say to a President of the United States, "We welcome your Special Envoy, Governor Rockefeller, to Paraguay," -- when a country can validly make such claims, it does not have to say before it makes a request of the United States, "I am your friend." Would that we had more such countries!

The Sugar Act you are considering is perhaps the most important of all such prior measures. Today there is a deterioration of our relations with Latin America to an unprecedented degree. No longer

do we have the support we used to count on, and antagonism toward the United States is rampant. This Committee knows full well how serious a situation we confront in our inter-American relations. But amidst all this, in the heart of South America, there is Paraguay, representing the core and heart of loyalty and support for the United States. It is only right that the hand of welcome be extended by the United States to this brave people, good neighbor and stalwart friend -- Paraguay.

Paraguay urges that its quota of 15,000 tons approved by the House of Representatives in H.R. 8866 be retained by the Senate.

SUMMARY

1. Approval is recommended by the Senate of the 15,000 ton quota for Paraguay, the only new quota country in Latin America.
2. The quota will have a vast impact on this small country of only 2.4 million population.
3. The news of the quota has been widely circulated throughout Paraguay, and plans are now being initiated to meet the requirements of the 15,000 ton quota plus deficits allocated.
4. The quota will bring into the sugar program of Paraguay an additional 1,000 small cane growers and a total of some 37,000 people, including families. It is the small growers who will profit most from the quota. The mill owners obtain 95% of their cane from these individuals.
5. Paraguay has been a staunch friend of the United States, as demonstrated throughout many years in many ways, including the services of a battalion of volunteers in the Dominican crisis.
6. Considering her small size, Paraguay is a good customer of the United States, including the purchase of U. S. agricultural commodities such as wheat and tobacco.
7. Paraguay's trade with the U. S. shows an unfavorable balance for Paraguay. The 15,000 ton quota will appreciably reduce this unfavorable balance.
8. There has never been any expropriation of U. S. property in Paraguay.

Appendix I

Projection of availability of sugar from Paraguay to fulfill a 20,000-ton* quota and meet its home consumption

<u>Year</u>	<u>Sugar Production</u>	<u>Home Consumption</u>	<u>(short tons)</u>		<u>Total Available Sugar for Export</u>
			<u>Excess This Year</u>	<u>Stocks Last Year</u>	
1970	53,286	48,331	4,955	557	5,512
1971	58,763	48,840	9,923	5,512	15,435
1972	68,355	49,612	18,743	15,435	34,178
1973	72,765	50,715	22,050	14,178	36,228
1974	77,175	51,817	25,358	16,228	41,586

* 15,000 ton quota plus deficits in the order of magnitude of 5,000 tons

Appendix II

Population

1970	2,370,000
1971	2,430,000
1972	2,530,000

(Rate of growth: 3.2% per year)

Appendix III

Trade with U. S.

Paraguay - Imports from U.S.A.

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Total U.S. \$	11,133,500	15,123,300	18,584,300	15,500,000
Agricultural products: wheat, fruits, milk products	2,624,600	3,055,300	1,594,700	n.a.
Tobacco and Beverages	29,200	1,863,800	4,461,800	n.a.
Textiles	486,400	571,400	563,400	n.a.

U.S.A. - Imports from Paraguay

Total U.S. \$	12,151,000	11,557,000	10,491,000	9,000,000
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Law Offices
SHELDON Z. KAPLAN
1001 Connecticut Avenue, N. W.
Washington, D. C. 20036
(202) 628-7234

June 23, 1971

Senator Russell B. Long
Chairman, Committee on Finance
United States Senate
2227 New Senate Office Building
Washington, D. C.

Dear Mr. Chairman:

In view of the tenor of the hearings on sugar concluded yesterday by your Committee, it is urgently requested that the following points be given prime emphasis in considering the 15,000 ton quota assigned by the House in H.R. 8866 to Paraguay, the only new quota country in Latin America brought under that measure:

One - The approval by the House of the 15,000 ton quota for Paraguay has been widely circulated throughout that country. The effect has been electric. It is the major topic of coverage in the Paraguayan press.

Two - Within the sugar industry of Paraguay it is understood that House action does not constitute final action. Nevertheless, to the people of Paraguay the House action in assigning the quota of 15,000 tons conveys to them an assurance that this small amount will be retained intact by the Senate and not reduced.

Three - Never has the sentiment of the people of Paraguay been more pro-United States than now, although historically such sentiment has always been strong.

It is understandable how each country requesting a quota should stress its friendship for the United States. The RECORD, however, speaks more eloquently than the claims which have been made.

By every single test, Paraguay has demonstrated her friendship, not during the sugar quota season, but on many occasions when no quid pro quo was being sought. The record of votes in the UN and in the OAS on vital issues involving the United States and the security of the hemisphere should be very revealing in this regard. And the response to the United States' request for military support in the Dominican crisis is yet another factor to be considered. Paraguay sent a battalion of troops--six were wounded and one lost his eye.

Likewise, the record of expropriation and "subtle confiscation" of American property by a number of countries who have expressed dissatisfaction with their quotas in the House bill, should be most revealing. Paraguay is a notable exception to this record of mistreatment of American property. No American citizen has appeared before your Committee to complain of Paraguay's mistreatment. None exists.

And what was the treatment accorded Governor Rockefeller when he visited Latin America as Special Ambassador for President Nixon! Have we forgotten so soon?! The visit was acclaimed in Paraguay, and the Special Envoy was cheered by the people of Paraguay--not jeered as he was elsewhere. There was no fear for his safety in Paraguay. Indeed, representatives of the United States residing in Paraguay do not fear for their safety as they do elsewhere.

Paraguay is proud of its traditional hospitality to an American, whether he be a dignitary, a businessman operating in the country or just a plain American citizen.

It would be impertinent for Paraguay to make suggestions on how the Committee should deal with certain sugar quota countries. There are frequently compelling foreign policy reasons why unfriendly acts must be blinked at. The point being made is that it will be difficult for the people of Paraguay to understand the failure of the Senate to accord to Paraguay the same degree of sympathetic treatment accorded to demonstrably "less friendly" countries in the hemisphere.

The House bill with its quota of 15,000 tons for Paraguay is interpreted by the people of Paraguay as a mark of confidence and high regard with which the United States holds Paraguay. A reduction in the quota would be considered a lack of such confidence and high regard.

Four - Paraguay, it is again stressed, is the only new quota country in Latin America brought under the umbrella of H.R. 8866. By this action there will have been completed the steady inclusion of the newer sugar exporting countries of the hemisphere within a remarkably successful U. S. program affecting the hemisphere.

* * *

The 15,000 ton sugar quota for Paraguay, a small country of 2,400,000 people, diligently striving to develop new exports in order to raise their standard of living (among the lowest in Latin America) is the right quota at the right time for the right country in the right hemisphere.

Respectfully submitted,

Sheldon Z. Kaplan
Sheldon Z. Kaplan
Legal Counsel
Centro Azucarero Paraguayo
(Sugar Industry of Paraguay)

SZK:sc

american chamber of commerce of peru

JUAN DE ARONA 883 - 8° PISO SAN ISIDRO - APARTADO 2888 - LIMA-PERU - TELEF. 403425

CABLE: AMCHAMPERU

AFFILIATED WITH: CHAMBER OF COMMERCE OF THE UNITED STATES; ASSOCIATION OF AMERICAN CHAMBERS OF COMMERCE IN LATIN AMERICA

Lima, June 18, 1971

The Honorable Russell B. Long
Chairman
Senate Finance Committee
U. S. Senate
WASHINGTON, D. C.

Dear Mr. Chairman:

The American Chamber of Commerce of Peru, representing a major part of U.S. private business investment in that country which at the present time amounts to approximately \$900,000,000 (Book Value), supports that Peru be allocated a quota under the new U.S. Sugar Legislation equal to or greater than its present quota, depending upon its capability to produce.

The U.S. Business interests represented by the American Chamber of Commerce of Peru feel that any radical reduction in the quota allocated to it under the extension of the U.S. Sugar Act will have a negative effect on Peru's economy.

In recent years Peru's sales of sugar to the U.S. have averaged approximately 50 Million dollars annually, which represents an important part of the country's total foreign currency income. Peru has for many years sold virtually 100% of its exported sugar to the United States. This traditional market supports some 50,000 workers and their families associated with the Peruvian sugar industry.

While Peru is currently implementing political and economic changes, some of which may be detrimental to some U.S. businesses, it still remains a fact that the majority of U.S. enterprises continue to operate successfully. A radical reduction in the U.S. sugar quota allocation to Peru at this time could produce a disturbing reaction prejudicial to those U.S. interests.

The principles of the agrarian reform program initiated in 1969, had been recommended by several international U.S. sponsored Agreements. It is the considered opinion of this Chamber that under the adopted program, the Government of Peru

has taken and is taking measures to compensate former owners of sugar estates. While we recognize that a more rapid settlement with a more flexible form of compensation would be desirable, the program, if properly administered, should eventually resolve this issue.

The American Chamber of Commerce of Peru takes the position that unrelated issues, as for example Peru's jurisdictional claim to 200 miles of territorial waters, should not influence the allocation of the sugar quota. It is our conviction that this type of action which over generalizes and over simplifies complex international problems is not calculated to solve any particular issue, but rather to compound and prolong them. Therefore, we do not support any retaliatory proposals which would reduce the Peruvian quota, or the income to be received thereunder.

We respectfully request that this statement be made a part of the permanent record of the investigation concerning the extension of the U.S. Sugar Act.

Very truly yours,

AMERICAN CHAMBER OF COMMERCE OF PERU


Howard G. Crawford
PRESIDENT

HGC/mri.



**ASSOCIATION OF AMERICAN CHAMBERS
OF COMMERCE IN LATIN AMERICA**

President
Salvatore P. Lio

Vice Presidents
Howard Crawford
Dan Edwards
John H. Wells

Treasurer
Harry L. Freeman

Ronald K. Shelp, Executive Secretary
1615 H St., N.W. / Washington, D. C. 20006

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June 23, 1971

The Honorable Russell B. Long
Chairman
Senate Finance Committee
United States Senate
Washington, D. C. 20510

Dear Senator Long:

The Association of American Chambers of Commerce in Latin America (AACCLA), representing American Chambers of Commerce established in eleven Latin American countries with a combined membership of more than 8,000 firms, wishes to go on record in favor of granting Latin American nations preferential treatment over other foreign nations under the U. S. Sugar Act.

We commend the increased quotas granted to several Latin American nations by the House of Representatives but deplore the quota reductions sustained by other Latin American nations. One must gauge these reductions for Latin America from two different perspectives. The actual net decrease in quotas sustained by Western Hemispheric nations on the basis of the House passed bill as compared to the assignments made in the 1965 Sugar Act is approximately a 5.6% average reduction or 170,000 tons. In dollar terms this is an approximate \$25 million loss.

More important, the de facto reduction, based on actual shipments from the Western Hemisphere to the United States in 1970 as compared to the quotas assigned in the House bill, is approximately an average 14% decrease or 465,000 tons. This is a loss of nearly \$70 million in export earnings. It means that Latin America as a region is virtually single-handedly bearing the brunt of the quota reductions as compared to other regions.

We urge you to keep in mind the policy towards Latin America outlined by President Nixon nearly two years ago when he declared that Latin America enjoys a special relationship with the United States. During the twenty months since the President's pronouncement, one facet of United States policy toward the area has been a public pledge to offer assistance in increasing Latin American exports. Obviously, a reduction in Latin America's share of the U. S. sugar market undermines this policy and gives credibility to many Latin American commentators who challenge the sincerity of the United States commitment.

The Presidents of the American Chambers of Commerce in Argentina, Colombia, the Dominican Republic, Mexico, Peru and Venezuela have filed separate statements with your Committee, outlining their Chamber's viewpoint on the U. S. Sugar Act and its effect on host country-United States trading and investment relationships as well as on host country development, income and employment policies.

The American Chambers of Commerce in Brazil and Guatemala share this concern. William Coleman and Mack Verhyden, President and Acting President of the American Chamber of Commerce for Brazil in Rio de Janeiro and São Paulo, respectively, view any reduction in Brazil's quota at the very time that the country is making an unprecedented development effort as extremely unwise. It should be remembered that the mainstay of the economy of the under-developed Northeast of Brazil is sugar. Unless Brazil is able to maintain its present quota under the U. S. Sugar Act, the effort to develop this region will be severely retarded.

George W. Teague, President of the American Chamber of Commerce in Guatemala, wishes to register his Chamber's concern about the effect of a reduction in Guatemala's quota on the more than 80,000 workers and 250,000 additional persons indirectly connected with Guatemala's sugar industry. The Chamber in Guatemala urges that you remember that Guatemala has always fulfilled its quota in the United States market and that the country is a loyal "frontyard neighbor" whose economy is necessarily linked with the United States.

We urge you to consider the separate views expressed by each of these nine American Chambers in Latin America on the significance of participation in the U. S. sugar quota for their host country and its trading/investment relationships with the United States. The Board of Directors of AACCLA urges you to reaffirm the special trading relationship between the United States and Latin America by granting Latin American nations preferential treatment in the quotas allocated to foreign producers.

We respectfully request that this statement be made part of the permanent record of the Senate Finance Committee investigation on the extension of the U. S. Sugar Act.

Cordially,

Ronald K. Shep

Executive Secretary

STATEMENT OF
ARTHUR L. QUINN,
ACCOMPANIED BY ARTHUR LEE QUINN,
ON BEHALF OF
THE SUGAR INDUSTRY OF THE WEST INDIES
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE

JUNE 23, 1971

POLITICAL PROPAGANDA

Information Required by Section 4 of the
Foreign Agents Registration Act

1. Agents: Arthur L. Quinn and
Arthur Lee Quinn
723 Washington Building
Washington, D. C. 20005
2. Agents have filed with the Registration Section,
Department of Justice, Washington, D. C., a
registration statement which is available for
public inspection.
3. Distribution of this material is made on behalf
of The West Indies Sugar Association,
Bridgetown, Barbados.
4. A copy of this material has been filed with the
Registration Section.
5. The filing of a registration statement with the
Registration Section is not to be regarded as
an indication that the United States Government
has approved this material.

STATEMENT OF ARTHUR L. QUINN, COUNSEL FOR THE
SUGAR INDUSTRY OF THE WEST INDIES
ACCOMPANIED BY ARTHUR LEE QUINN

Mr. Chairman and Members of the Committee, my name is Arthur L. Quinn. I am accompanied by my son, Arthur Lee Quinn. Our law offices are in the Washington Building, Washington, D. C.

We appear today on behalf of the sugar industry of the West Indies. When we speak of the West Indies, we refer to those territories whose sugar industries form the West Indies Sugar Association. It embraces the island nations of Jamaica, Trinidad-Tobago, and Barbados, the Country of Guyana and the lesser islands of Antigua and St. Kitts.

Compliance With
Foreign Agents Registration Act

In compliance with the requirements of the Foreign Agents Registration Act of 1938, as amended, and the rules and regulations issued pursuant thereto by the Attorney General of the United States, we have submitted to the Chief Counsel of the Committee a copy of our latest Supplemental Statement as filed with the Department of Justice.

In further compliance with the Act, we have labeled the copies of my testimony, and the map which accompanies this

statement as "Political Propaganda," in the format prescribed by Rule 402 promulgated in accordance with the Act.

Introduction

The locations of the sugar producing territories of the Commonwealth Caribbean are indicated on the accompanying map. Barbados, Guyana, Jamaica and Trinidad-Tobago are former colonies of Great Britain and now independent countries and members of the British Commonwealth. All four are members of the United Nations and Barbados, Jamaica and Trinidad-Tobago are members of the Organization of American States.

Antigua and St. Kitts are island states in Association with Great Britain, with full internal self-government.

The other country shown on the map, British Honduras, is not a member of the West Indies Sugar Association but, as a possession of Great Britain, it is considered part of the Commonwealth Caribbean. It has a separate quota in the U.S. sugar program.

All of the countries of the West Indies enjoy a completely democratic form of government, with universal adult suffrage and governments wholly elected by the people in free elections. They are multi-racial societies and have an enviable record in the field of race relations. Industrial relations are highly advanced, labor is well organized and the trade union system has been functioning for many years.

Following the pattern of wage agreements, conciliation and arbitration, these countries have all reached the stage of full consultation and negotiations in industrial relations along the lines of the modern patterns of the free world.

Agriculture is the major employer in these countries and sugar provides a firm structure on which diversified economies can be built. Approximately one-eighth of the total population depends directly on the sugar industry for a living and, in addition, the industry provides considerable indirect employment in the transport, handling and port industries and also in the distribution and retail trades. The vital importance of sugar to the economies of these countries will be dwelled upon later in my testimony.

West Indies - United States Trade

The closeness of the West Indies to the United States, and their lush tropical climes have made them favorite vacation areas for many Americans. Not only are American tourists welcome in these territories, but American products and investment as well. U. S. investment in Jamaica alone is estimated to be \$850 million.

The West Indian sugar producing countries provide an important and rapidly growing market for U.S. exports, which have increased from a value of \$178.5 million in 1965 to \$303.5 million in 1969, an increase of 70% over the five years or at an average of over 14% per annum.

The U. S. is by far the largest source of imports into the West Indies and its share of the total has been increasing, from 22% in 1965 to 26.4% in 1969. Its share is now almost as large as the next two suppliers combined, the United Kingdom and Canada.

The West Indies have a sizeable adverse balance of trade with the U. S., amounting to about \$70 million a year.

Sugar is the area's third most important export to the U. S. after bauxite and oil.

Agricultural products are one of the most important items in U. S. exports to the West Indies, accounting for one-sixth of total U. S. exports, and valued at approximately \$50 million. The two most important items are wheat and animal feeds.

The most important single item, accounting for almost a fifth of all agricultural exports, is wheat. The next most important item, and the one which has been growing most rapidly is prepared animal feeds (\$4.8 million in 1967, \$7.25 million in 1969). These are followed by corn, rice, tobacco, eggs and poultry.

Jamaica, which has the largest sugar industry in the West Indies, is also the largest importer of U. S. agricultural products, accounting for over half of the West Indies total. A recent USDA report forecasts a rapidly expanding market in Jamaica. The expanding middle income market is geared to

American products as is the rapidly growing tourist industry. The prospects of Jamaican agriculture expanding fast enough to meet this rising demand are poor. It is Government policy to encourage food processing and animal feed industries, but these are largely dependent on imported raw materials which America is in a strong competitive position to supply.

The West Indies are a Dependable and
Proximate Source of Sugar Supply

Under the Sugar Act, quotas and deficit allocations are assigned to the West Indies Group as a whole. This has a two-fold advantage, first for the U.S. Cane Refiners, in that sugar can be made available in positions and at times to meet the refiners' needs, and second for the producers in that shortfalls in one country can be taken up by available supplies in another.

The West Indies have been consistently regular suppliers of raw sugar to the U. S. market since it was opened to them in 1961. Quotas and deficit allocations made available under the U.S. Sugar Act have been completely filled. Average shipments to the U. S. during the period of the current program (1966-1970) were 204,508 tons with the peak of 227,455 being reached in 1969.

In a normal year production in the area is approximately 1,400,000 short tons, of which approximately 196,000 short tons are consumed locally, leaving a balance of 1,204,000 short tons available for export. Under the Commonwealth Sugar

Agreement, the West Indies have a contractual obligation to supply 812,000 short tons annually to the United Kingdom. As the Committee knows the future of the Commonwealth Sugar Agreement is bound up with Britain's negotiations for entry into the European Economic Community and the result of the terms of admission will determine the future of the West Indies outlet in England after 1974. The future of the Commonwealth Agreement is far from certain.

At the present production level, the West Indies would have available in excess of 400,000 short tons for export to the U.S., and with planned expansion, this could be increased to 500,000 short tons, if the assured outlet were available.

Profile of the West Indian Sugar Industry

Sugar in the West Indies is grown both on estates owned by companies and by independent farmers. The number of factories in each area ranges from 15 in Jamaica to one in St. Kitts and Antigua. Of the total of 1,510,200 acres cultivated in the West Indies, 433,500 acres are in sugarcane. The ratio ranges from 24% in Jamaica to 97.5% in Barbados.

There are approximately 53,000 cane farmers in the West Indies whose cane supply accounts for about 32% of the sugar produced, operating on small holdings of as a little as 1/4 of an acre to farms in excess of 1,000 acres.

Cane for the manufacture of sugar is supplied either by the estates owned by the factories or by other estates or by cane farmers and smallholders. Payment for cane is generally

governed by formulae which provide that the grower receives a fair share of the receipts from the sale of sugar.

Of a total population in the West Indies of 3,963,000, and a labor force of 1,443,000, 192,000 persons are directly employed in the sugar industry. In 1969 cane farmers, as distinct from company estates, employed about 40,000 workers.

Benefits from the West Indies Participation in the U.S. Sugar Market are widely and generously shared with workers and farmers

Varying from country to country, between 70% and 85% of total earnings from sugar remain within the West Indies. Only 15% to 30% go towards the purchase of imported supplies and services and the payment of dividends overseas.

Of the payments made abroad, by far the largest part is accounted for by purchases of imported supplies and equipment.

Over 40% of the West Indies sugar manufacturing industry is owned locally. About 30% of all cane grown is grown by local cane farmers. Of the remaining 70%, which is grown by estate companies, local ownership accounts for 40%.

Over the last three years an average of about 55% of total earnings has been paid to employees in wages and salaries and the proportion has been increasing. In addition, payments to cane farmers account for a further 15% to 20% of total earnings.

In the West Indies foreign owned sugar companies are not in a position to obtain undue benefits from any preferential

prices received. The workers participate fully in the proceeds from the sale of sugar and from the benefits of high prices when the latter are obtained. Wages are determined by agreements with the well-organized trade unions. In all major wage negotiations, the companies are required to provide detailed information on costs and receipts. A large part of any increase in the price received for sugar has for the last twenty years in the West Indies been passed on to the workers in the industry.

In Trinidad, the Industrial Court has the legislative power to determine wage rates in cases where agreement cannot be reached between the employers and the trade unions. An indication of the effectiveness of the negotiating power of the trade unions is demonstrated by the fact that between 50 and 60 percent of the total cost of growing and manufacturing a ton of sugar is accounted for by wages and salaries. Between 1967 and 1970, wage rates in the major jobs in the sugar industry have increased by an average of around 15% in Barbados, 9% in Guyana and 24% in Trinidad. In the last named, awards of the Industrial Court resulted in an increase of 22% on rates subsisting on December 31, 1968. In Jamaica, while there were no increases in basic wage rates during this period, the sugar industry, despite substantial losses, paid bonuses amounting to \$1,074,000 in 1968 and \$1,430,000 in 1970.

Average daily earnings in 1969-1970 were:

	<u>Field</u>	<u>Factory</u>
	\$ U.S.	\$ U. S.
Barbados	2.42	4.54
Guyana	ranging from 2.81 to 7.44	ranging from 2.58 to 4.92
Jamaica	ranging from 2.05 to 3.55	3.19
St. Kitts	2.50	2.83
Trinidad	3.92	4.37

Wage rates paid in the sugar industry compare favorably with those in other agricultural industries and in most cases are higher. The rates which the sugar industry can pay are, of course, lower than those in the mining industries (bauxite, oil, asphalt, etc.).

The sugar industry in the West Indies has historically taken the lead in providing welfare services for its workers and for the community. Since World War II, in all the West Indian countries an assessment, varying between \$1.20 and \$3.00 per ton, has been levied on all exported sugar. The moneys thus raised have been devoted entirely to welfare services, principally housing, health and recreation.

In all West Indian countries, governed as they are by freely-elected political parties, the socio-economic policies of the Governments are as advanced as the state of development of the economy will allow. For example, the objectives, in most cases the present practice, of all Governments are free primary education for all, free health services and a National Insurance Scheme for all workers.

The Vital Need of the West Indies
For Its U.S. Sugar Quota

In all the West Indian countries sugar is one of the three most important industries judged either in terms of contribution to Gross Domestic Product, its foreign exchange earnings or the employment it provides. Its decline would leave these economies heavily dependent on only one or two other industries such as tourism, bauxite or oil, which are not nearly as labor intensive as is sugar.

The Gross Domestic Product of the countries of the West Indies was \$1,997,000,000 in 1968. The contribution of sugar to this figure was \$103.3 million. The sugar industry's contribution to the Gross Domestic Product of Barbados, Guyana and St. Kitts is overwhelming because of their limited resource bases. Although not overwhelming in Jamaica and Trinidad, it is still most vital accounting for 1/4 and 1/3 respectively of their agricultural sectors.

The multiplier effect of sugar's contribution to these economies, that is, the expenditure of sugar earnings within the countries creating further income, makes the sugar contribution absolutely essential to the area's well being.

Average total domestic exports for the area during 1967-1969 were \$565.7 million. The sugar-molasses share of that figure was \$127.2 million. This clearly illustrates that despite considerable diversification, the West Indian economies continue to remain heavily dependent on sugar exports. The

impact of a decline in sugar earnings on the balance of payments of the area would be severe.

It is in the field of employment that perhaps the most disastrous effects would be felt if the sugar industry suffered a decline. The industry employs some 8% of the total work force, and some 500,000 persons (1/3 of the total population) derive the bulk of their livelihood from the industry. Indirect employment as a result of the industry must account for at least another 5% of the labor force.

The most acute and explosive problem facing the West Indies is unemployment. If sugar turns sour, the resultant influences on the economic and political stability of the area would be disastrous.

It is frequently suggested that the West Indies should diversify out of sugar, but it is seldom suggested what they should diversify into. In recent years intensive research has been carried out by the industry and governments into diversification possibilities. This has revealed that alternatives are very limited. No other crop which can be grown extensively in West Indian conditions would provide anything near as high a gross return or foreign exchange earnings per acre. No other crop is so well adapted to the soil and climatic conditions, and none would employ as many as does sugar.

Finally, on the point of the need of the West Indies to participate in the U. S. Sugar Program, it should be noted that despite an assured position in the Commonwealth Agreement

of over 800,000 tons per year, because of pricing arrangements in the Agreement, the West Indies has lost on sales to Great Britain \$5,400,000 in 1969 and \$11,400,000 in 1970. The only consistently profitable outlet for West Indian Sugar has been the United States and the need for the premium priced U.S. market is vital to the economic survival of the region.

Legislative Recommendations

1. Change of Designation

The term "British West Indies" is an anachronism and we concur in the new designation used in H.R. 8866 of "West Indies".

2. Quota Request

Because of the proven dependability and the proximate availability of the West Indies as a source of sugar supply for the United States, we strongly urge this Committee to substantially increase the percentage of participation of the former "British West Indies." The area stands ready to supply to the United States upwards of 400,000 tons of sugar.

3. The "O.A.S. Provision"

In 1965 Section 202(d)(1)(A)(ii) was added to the Act. It read as follows:

"any quantity of quota withheld from Cuba at a determination in excess of the amount of 10 million short tons, raw value, under Section 201, shall be prorated to other foreign countries named in paragraph (3)(A) of subsection (c) that are members of the Organization of American States on the basis of percentages stated therein."

The effective result of this provision has been to freeze at the 1966 level the British West Indies share of the quota temporarily withheld from Cuba, since the 10 million ton consumption estimate was met and exceeded early that year. Even though three countries of the West Indian Group (Jamaica, Trinidad-Tobago and Barbados), are now members of the O.A.S. none of the Group has been able to share in this portion of the Cuban reserve.

The House of Representatives eliminated Section 202 (d) (1) (A) (ii) in H.R. 8866 but Deputy Assistant Secretary Katz, in testimony before this Committee, has called for its restoration. If the Finance Committee decides to reinstate the O.A.S. preference in any form we strongly urge that the amendment include the "West Indies".

4. General Considerations

A. Foreign Sugar Serves the Northeast. We believe this Committee, in making foreign country quota allocations in the 1971 Amendments to the Sugar Act, should, as a basic premise, use the fact that the great majority of foreign sugar imported into the United States, regardless of origin, enters ports north of Cape Hatteras, North Carolina. Some enters Savannah, New Orleans and Texas, but the bulk forms the principal source of supply for the cane refineries which serve the most populated section of this country - the Northeast. Over one-fourth of our population, approximately 71,000,000 people, are in this area.

From both the standpoints of adequate supply and timely availability, the most appropriate countries to serve the U. S. Northeast are those to the south - the sugar producing nations of the Western Hemisphere. There is abundant sugar available in this hemisphere and it can be shipped to Boston, New York, Philadelphia and Baltimore in a matter of days, whereas it takes between a month and six weeks to sail from the Eastern Hemisphere.

B. 1971 Amendments Should Set Supply Patterns for Years Ahead. This Committee, in amending the Sugar Act, should not limit its concern to where our sugar is coming from for the next few years. It should legislate with a view towards firmly establishing reliable sources of supply that can make sugar available in the most expeditious fashion - for a long time in the future. In retrospect, it was a mistake to have so large a sugar bowl in Cuba. Today, we have many more of varying sizes in the Western Hemisphere and these countries who have served us so well during the past decade, should be given a firm vote of confidence by the Congress, through the 1971 Amendments. By the quotas awarded this year they should be told, in effect, we appreciate what you have done and we look forward to the continuation of these relationships for many years to come.

What the Congress does this year will have profound effect in the future, not only on United States sugar production, supply and consumption, but the long term worldwide sugar situation.

We commend to this Committee the sage advice offered by one of the world's foremost sugar authorities, the London brokerage house of C. Czarnikow Ltd., in their Sugar Review No. 1000, dated 10th December, 1970. Under the title of "Sugar's One World," the editor stated:

"Of all the world's agricultural products, sugar is the most closely knit into industry and government because it is universally produced and consumed. It has the longest history of international agreements and arrangements and, given proper concern by respective Governments, the possibility can now be foreseen of supplying the full needs of every individual on the earth."

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"By 1980 the world should aim at a production/consumption level of about 100 million metric tons - an average increase of, say, 2.5 million tons a year. Such a steady and regular expansion will be difficult to achieve, however, particularly as it will presumably be concentrated predominantly in the cane areas."

"In general the cane areas are in developing countries and it is in accordance with UNCTAD principles that they should be accorded preference."

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"However, it takes longer to produce sugar from plan to harvest by way of cane than beet and it is therefore necessary that cane farmers can be assured of adequate access to markets if a progressive expansion is to take place."

"The great requirement for the sugar world is the need for longer term plans than the current four to five years quota type agreements." "In 1971 the U. S. Sugar Act will be renegotiated" "May we at this juncture seriously ask all those concerned to remember that sugar is now a "One World" subject and that every national and regional decision has an immediate effect throughout the world."

5. H.R. 8866 Discriminates Against the Western Hemisphere

Viewed overall the House Bill has reduced the share of the Western Hemisphere in the U.S. Sugar Program, both in

absolute and relative terms. It is the only region so treated.

Apparently, insufficient recognition was taken of the historical performance of the region as an effective supplier of our market and, in particular, of the degree to which these countries have supplied the shortfalls of other areas. We strongly urge this Committee to remedy the harmful effects of H.R. 8866 in this regard by giving consideration to the following proposals:

A. Proration of Quota Deficits. Section 204(a) of the Sugar Act, as presently written, entitles the Republic of the Philippines to 47.22% of any deficits, domestic or foreign. That includes the Western Hemisphere. Since 1966 the Philippines has been able to participate in deficits only one year, 1970, and then to a limited extent. The nations of the Western Hemisphere have reliably bridged the gap and supplied 90% of the shortfalls during 1966-70. H.R. 8866 reduced the Philippine deficit participation to 37.60% - not nearly enough. We hope this Committee will designate the Western Hemisphere as the sole area called upon to fill shortfalls.

B. Cuban Temporary Quota. H.R. 8866 reduced the "Cuban Reserve" of approximately 1.5 million tons by one-half and distributed 750,000 tons to all quota participants (except the Philippines and Ireland) on a permanent basis.

A means of allowing the Western Hemisphere countries to regain some of their proportionate share, lost as a result of the House Bill, would be to restrict the supplying of the

Cuban Temporary Quota to only Western Hemisphere nations.

Also, we urge the Committee, if it decides a reduction of the present "Cuban Reserve" is in the best interests of the United States, to make redistribution as follows:

- (1) Increase permanent quotas of Western Hemisphere nations.
- (2) First consideration in quota increases should be given to smaller suppliers in the Western Hemisphere who are capable of shipping larger quantities than present quotas permit.

I make this recommendation because the "Big Four" countries of the Western Hemisphere, Brazil, Dominican Republic, Mexico and Peru, have shipped to the U. S., on the average, 73.5% of all sugar supplied by the hemisphere during the six year period 1965 through 1970. This has left 18 countries to share only 26.5%. One effect of the quota realignment of H.R. 8866 has been to change these ratios, but only slightly. Under the House Bill the "Big Four" would supply 69.1% and the remaining 18 countries 30.9%, of the hemisphere total.

C. Consumption Growth. I urge that the nations of the Western Hemisphere be permitted to supply a proportion of the growth in domestic consumption greater than the present 35%. I recommend this suggestion to you on the basis of the failure of the Domestic Industry as a whole to produce its full entitlements in the past.

D. Reservation of "Growth" for Foreign Countries.

Both witnesses for the Administration, Mr. Palmby and Mr. Katz, in appearing before this Committee, repeated a suggestion made to but rejected by the House Committee on Agriculture. It was that there be: "A reservation of growth in the market to foreign suppliers at consumption estimates of between 11.3 and 11.53 million tons." This would be done to ameliorate the "foreign suppliers" for the loss of 300,000 tons of the "Puerto Rican" deficit to the Mainland Cane Area. Since the nations of the Western Hemisphere furnished 90% of this deficit during the current sugar program, we urge the Committee, if it adopts this recommendation of the Administration, to designate 90% of this "growth" for the Western Hemisphere.

On February 25, 1971, President Nixon transmitted to the Congress a report entitled, "U. S. FOREIGN POLICY FOR THE 1970'S - BUILDING FOR PEACE." In his remarks on the Western Hemisphere he said in part:

"The United States has a great interest in furthering economic and social development in Latin America. If frustration continues to grow, radical forces will depict us as an obstacle to national development. We could become increasingly alienated from our hemisphere neighbors. Instead, our resources, knowledge, and influence in the world community can provide the margin of support which helps make progress possible."

"Exports represent the most reliable long-term source of foreign exchange for our friends. To help them increase their exports is to help them reduce dependence and enhance self-respect."

Congress through the means of amendments to the Sugar Act, can assist more nations in the Latin American-Caribbean Region, than through any other item of legislation it will consider, because sugar is the most widely produced basic commodity in the area and the most comprehensively available for export. We hope recognition of this will significantly influence your deliberations.

Thank you for your considerate attention.

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STATEMENT OF
ARTHUR L. QUINN,
ACCOMPANIED BY ARTHUR LEE QUINN
ON BEHALF OF
THE SUGAR INDUSTRY OF BRITISH HONDURAS
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE

JUNE 23, 1971

POLITICAL PROPAGANDA

Information Required by Section 4 of the
Foreign Agents Registration Act

1. Agents: Arthur L. Quinn and
Arthur Lee Quinn
723 Washington Building
Washington, D. C. 20005
2. Agents have filed with the Registration Section,
Department of Justice, Washington, D. C., a
registration statement which is available for
public inspection.
3. Distribution of this material is made on behalf
of Belize Sugar Industries Limited, British
Honduras.
4. A copy of this material has been filed with the
Registration Section.
5. The filing of a registration statement with the
Registration Section is not to be regarded as
an indication that the United States Government
has approved this material.

STATEMENT OF ARTHUR L. QUINN, COUNSEL FOR THE
SUGAR INDUSTRY OF BRITISH HONDURAS
ACCOMPANIED BY ARTHUR LEE QUINN

Mr. Chairman and Members of the Committee, my name is Arthur L. Quinn. I am accompanied by my son, Arthur Lee Quinn. Our law offices are in the Washington Building, Washington, D. C.

Compliance with
Foreign Agents Registration Act

In compliance with the requirements of the Foreign Agents Registration Act of 1938, as amended, and the rules and regulations issued pursuant thereto by the Attorney General of the United States, we have submitted to the Chief Counsel of the Committee a copy of our latest Supplemental Statement as filed with the Department of Justice.

In further compliance with the Act, we have labeled the copies of my testimony which are to be disseminated, as "Political Propaganda," in the format prescribed by Rule 402 promulgated in accordance with the Act.

Introduction

We first appeared before this Committee on behalf of the British Honduras Sugar Industry in 1965. Today, we speak for Belize Sugar Industries Limited, which owns and operates the two factories in the country.

The official status of British Honduras is that of a colony of Great Britain. But it is only a matter of time before it becomes the new nation of Belize. Although no date has been set for declaring the colony independent, it is the avowed policy of the elected government to sever the bond with the United Kingdom upon completion of successful negotiations which are now underway. Presently, it is internally self-governing under a parliamentary system. Great Britain retains responsibility for defense and foreign affairs.

This Massachusetts-sized territory is located on the east coast of Central America facing the Caribbean Sea. It is bounded on the north and west by Mexico and on the west and south by Guatemala.

The population of British Honduras is approximately 125,000 people, the lowest population density in Central America. Most of the people are of multiracial descent and English is spoken by the entire population.

The 1968 gross national product of British Honduras was estimated to be \$46 million, or about \$400 per capita. The exploitation of its rich forests was the only economic activity of any consequence in the country until well into the 20th Century, but that situation has changed as the supplies of accessible timber have become more limited. Sugar and citrus have replaced forest products as the principal exports.

Except for sugarcane processing, industry is on a small scale in size and variety of products. The ability to expand the industrial sector is restricted by the small domestic market and a serious lack of investment capital.

British Honduras' foreign trade has consistently shown a substantial deficit, which has been financed through foreign aid from Great Britain, tourism and foreign investment. In 1969, imports totaled \$29.6 million and consisted mainly of foodstuffs, machinery, transportation equipment, and manufactured goods. During the same year exports amounted to only \$16.8 million.

Relationship With the United States

British Honduras has always maintained friendly relations with the United States. Far from there being any discrimination against U. S. citizens, their presence is encouraged as investors, tourists or residents.

U. S. citizens own 20% of all privately held land in British Honduras, with 60% owned by nationals, and 20% owned by citizens of other countries.

Development concessions are generous and 59% of those currently in effect have been granted to Americans.

There have been no cases of expropriation of property and, indeed, under the Constitution, none is permitted.

The United States is the most important trading partner for British Honduras, but there is a growing imbalance of trade between the two countries in favor of the U. S. In 1969, U. S. exports to British Honduras were valued at about \$10.1 million, with exports to the U. S. being only \$6 million. U. S. imports accounted for 1/3 of the total imports of the country. Almost 2/3 of the total value of exports to the U. S. was accounted for by sugar and molasses, although the quota was only 16,263 tons.

The Sugar Industry

In 1963, Tate & Lyle of Great Britain purchased the single sugar factory in British Honduras and immediately embarked on a major expansion of the industry. The capacity of the existing factory was enlarged from 29,000 tons per annum to 46,000 tons, and a new factory constructed which was designed for enlargement to an ultimate capacity of between 100,000 to 120,000 tons. Production is far below factory capacity.

Approximately 60% of the sugarcane grown in the country is supplied by 2,300 independent cane farmers. The average size holding of these farmers is between 10 and 15 acres. Negotiations are now in an advanced stage between the British Honduras Government and Belize Sugar Industries to transfer the company's cane lands exclusively to nationals so that eventually 100% of the cane will be grown by small farmers.

The company has also indicated to the Government their wish for national participation in factory ownership, but under present circumstances, there has been no enthusiasm displayed towards the offer.

Total production in 1970 was approximately 77,193 tons, which was disposed of as follows: 2,800 tons consumed locally, 15,758 tons shipped to the United States, 23,692 tons to the United Kingdom under the Commonwealth Agreement, 27,194 tons to Canada under the International Sugar Agreement at a price slightly higher than the world price, and 7,687 tons were surplus.

It should be noted that because of the present pricing arrangement in the Commonwealth Sugar Agreement, British Honduras actually incurred losses on sales to England of \$281,000 in 1969, and \$48,000 in 1970.

Industry - Employee Relations

Cane farmers receive 65% of the revenue from all sugar and molasses manufactured from their cane. The company also makes a statutory contribution to the Sugar Labor Welfare Board of \$1.20 per ton for all sugar exported. These funds are used to assist the company's and farmers' workers in housing, education, water supplies, etc. An annual production incentive bonus, based on a scale of weekly sugar production during a crop, with a guaranteed minimum payment of 5% of crop earnings, is paid to factory, field and transport workers.

Of a total work force in British Honduras of 34,500 people, approximately 6,800 work in the sugar industry, making it by far the largest employer. Wage rates and fringe benefits, both in the factories and fields are recognized as being superior to other agricultural or industrial enterprises in British Honduras. The basic hourly wage rates have increased by 53% in the factories between 1960 and 1970, while minimum hourly rates for unskilled agricultural workers have increased 84% during the same period.

Fringe benefits have also been significantly extended.

Among these are:

1. Two free medical clinics operated by Belize Sugar Industries.
2. A group medical plan for staff employees for which the company pays 1/2 of the annual premiums.
3. Paid sick leave of up to 14 days a year for field workers.
4. Compensation for disability as a result of accidents at work as covered by comprehensive Workmen's Compensation laws.
5. Retirement and Severance Payments and Death Benefits of up to 56 weeks pay, depending upon length of service.
6. Free transportation to and from work.
7. Various forms of credit.
8. Free housing for a number of employees and generous construction loans for others.

9. Extensive recreational facilities.

Three labor unions are recognized as bargaining agents for various segments of the industry. These are independent of government influence and exert considerable authority. Unions have a right to strike which has been exercised on occasion. Bargaining between the unions and employers is of the free, across-the-table type, and conciliation is available to both sides through the office of a government Labor Commissioner.

Union agreements have existed in the Sugar Industry for many years and are subject to renegotiation on the expiration date of each Agreement. The formal Agreements include articles relating to rates of pay, working hours, overtime, bonuses, severance payments, vacation and sick leave and other fringe benefits. Agreements of two or three years duration are customary.

The Vital Need for An Increased
U. S. Sugar Quota

Economic progress to date has been slow and painful in British Honduras. As a colony of Great Britain it has benefited very little from U. S. assistance and not at all from grants or loans by multi-national financial institutions. The prevailing limbo of semi-independence has resulted in a woeful lack of development.

Because of the absence of infrastructure, a small and relatively poor population, and no mineral resources, there is

little industrial interest. Although there are hopes of building up a tourist industry, the country will be essentially dependent for many years on agriculture as the principal source of both income and employment. It is from this sole dependence on primary agricultural products that social improvement and economic development must come.

Of all the basic agricultural products, none provides as wide a spread of employment, distribution of wealth and general economic benefit as does sugar. Small as the British Honduras sugar industry is, it is estimated that at least 25% of the population is dependent on the industry for their livelihood. It is the largest employer and accounts for 50% of foreign exchange earnings and 65% of total agricultural production.

Of the total value of all exports from British Honduras of approximately \$12 million, sales of sugar and molasses accounted for \$6.5 million.

To put the contribution of sugar to the economy of British Honduras in proper perspective, the total national income of the country for the year 1968 amounted to \$6,815,000. To this figure Belize Sugar Industries contributed \$5,033,000, or 74%!

The quota in the Commonwealth Agreement is assured until 1974. Thereafter, its future is obscured by the prospect of British entry into the Common Market.

The biggest boost the economy of British Honduras ever had was provided by the heavy injection of capital and increased employment arising from the expansion of the sugar industry. But the large investment of Tate & Lyle, the British parent company, has yet to produce any return and the losses incurred have been financed by loans from the parent. Unless increased outlets at remunerative prices are found, the company will undoubtedly be forced to cease operations. Such an occurrence would be disastrous for British Honduras.

Legislative Recommendations

1. Quota Request

British Honduras has had a perfect performance record in filling its U. S. quota during the current program (1966-1970). Shipments averaged 12,298 tons and the peak was reached in 1969 when 16,568 tons were supplied.

With current production and factory capacity, British Honduras could easily supply 55,000 tons of sugar to the United States in 1972 and greatly increased amounts in the years thereafter.

Because of the country's dependability as a supplier, its capacity to expand production, its proximity to the United States, and its dire need to produce and export more sugar, we urge this Committee to award British Honduras a percentage of participation in the Sugar Act which would enable the country to ship a quantity substantially larger than presently permitted.

The House of Representatives, in H.R. 8866, awarded British Honduras a higher percentage than under previous legislation. The proposed increase, to 0.71 of the foreign share of the U.S. sugar market, would permit British Honduras to ship 33,173 tons under the terms of the House Bill. I urge this Committee to not only concur in this award to British Honduras but if at all possible to increase it because of the uniqueness of the case of this small country.

2. General Considerations

A. Foreign Sugar Serves the Northeast. We believe this Committee, in making foreign country quota allocations in the 1971 Amendments to the Sugar Act, should, as a basic premise, use the fact that the great majority of foreign sugar imported into the United States, regardless of origin, enters ports north of Cape Hatteras, North Carolina. Some enters Savannah, New Orleans and Texas, but the bulk forms the principal source of supply for the cane refineries which serve the most populated section of this country - the Northeast. Over one-fourth of our population, approximately 71,000,000 people are in this area.

From both the standpoints of adequate supply and timely availability, the most appropriate countries to serve the U. S. Northeast are those to the south - the sugar producing nations of the Western Hemisphere.

B. 1971 Amendments Should Set Supply Patterns for Years Ahead. Although the Congress will amend the Sugar Act for only a few years, in so doing it should also look beyond the period of time covered by the amendments because what is done this year will have profound effect for a long time to come not only on United States sugar production, supply and consumption, but the worldwide sugar situation.

3. 1971 Amendments Should Favor Western Hemisphere Suppliers

A. Proration of Quota Deficits. Section 204(a) of the Sugar Act, as presently written, entitles the Republic of the Philippines to 47.22% of any deficits, domestic or foreign. That includes the Western Hemisphere. Since 1966 the Philippines has been able to participate in deficits only one year, 1970, and then to a limited extent. The nations of the Western Hemisphere have reliably bridged the gap and supplied 90% of the shortfalls during 1966-70. H.R. 8866 reduced the Philippine deficit participation to 37.60% - not nearly enough. We hope this Committee will designate the Western Hemisphere as the sole area called upon to fill shortfalls.

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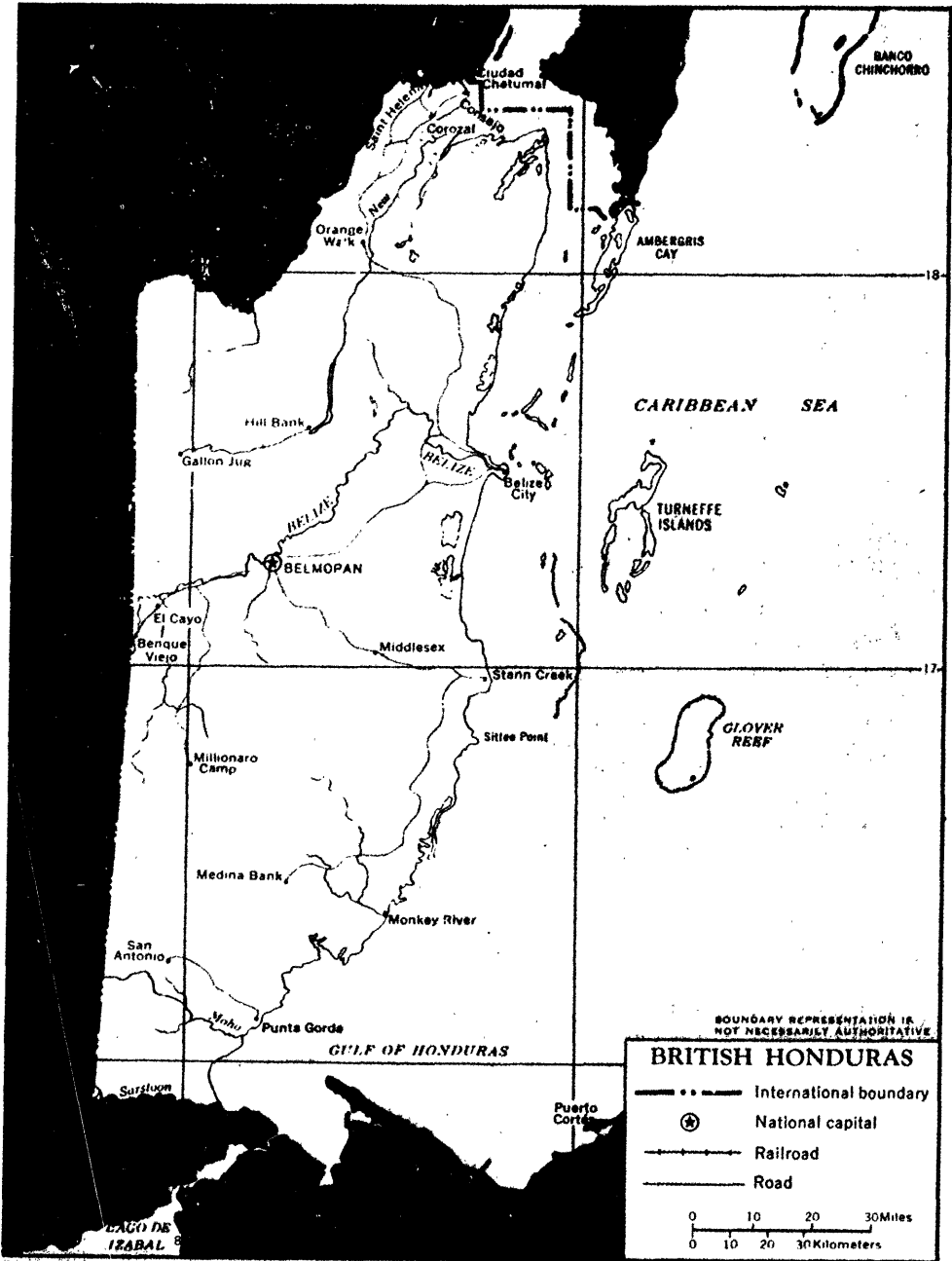
I make this recommendation because the "Big Four" countries of the Western Hemisphere, Brazil, Dominican Republic, Mexico and Peru, have shipped to the U. S., on the average, 73.5% of all sugar supplied by the hemisphere during the six year period 1965 through 1970. This has left 18 countries to share only 26.5%. One effect of the quota realignment of H.R. 8866 has been to change these ratios, but only slightly. Under the House Bill the "Big Four" would supply 69.1% and the remaining 18 countries 30.9% of the hemisphere total.

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D. Reservation of "Growth" for Foreign Countries.

Both witnesses for the Administration, Mr. Palmby and Mr. Katz, in appearing before this Committee, repeated a suggestion made to but rejected by the House Committee on Agriculture. It was that there be: "A reservation of growth in the market to foreign suppliers at consumption estimates of between 11.3 and 11.53 million tons." This would be done to compensate the "foreign suppliers" for the loss of 300,000 tons of the "Puerto Rican" deficit to the Mainland Cane Area. Since the nations of the Western Hemisphere have supplied 90% of this deficit during the current sugar program, we urge the Committee, if it adopts this recommendation of the Administration, to designate 90% of this "growth" to the Western Hemisphere.

Thank you for your considerate attention.



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STATEMENT OF
ARTHUR L. QUINN,
ACCOMPANIED BY ARTHUR LEE QUINN
ON BEHALF OF
THE SUGAR INDUSTRY OF ECUADOR
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE

JUNE 23, 1971

POLITICAL PROPAGANDA

Information Required by Section 4 of the
Foreign Agents Registration Act

1. Agents: Arthur L. Quinn and
Arthur Lee Quinn
723 Washington Building
Washington, D. C. 20005
2. Agents have filed with the Registration Section,
Department of Justice, Washington, D. C., a
registration statement which is available for
public inspection.
3. Distribution of this material is made on behalf
of: Compania Azucarera Valdez, Sociedad Agricola
y Industrial, Azucarera Tropical Americana, and
Compania Azucarera Tababuela, Ecuador.
4. A copy of this material has been filed with the
Registration Section.
5. The filing of a registration statement with the
Registration Section is not to be regarded as
an indication that the United States Government
has approved this material.

STATEMENT OF ARTHUR L. QUINN, COUNSEL FOR THE
SUGAR INDUSTRY OF ECUADOR
ACCOMPANIED BY ARTHUR LEE QUINN

Mr. Chairman and Members of the Committee, my name is Arthur L. Quinn. I am accompanied by my son, Arthur Lee Quinn. Our law offices are in the Washington Building, Washington, D. C. We appear today on behalf of the sugar industry of Ecuador.

Compliance With
Foreign Agents Registration Act

In compliance with the requirements of the Foreign Agents Registration Act of 1938, as amended, and the rules and regulations issued pursuant thereto by the Attorney General of the United States, we have submitted to the Chief Counsel of the Committee a copy of our latest Supplemental Statement as filed with the Department of Justice. We have also filed Exhibits A and B to our Registration Statement relating to our retention by two additional companies in Ecuador, Compania Azucarera Tababuela, and Azucarera Tropical Americana for the purpose of representing them before this Committee and in other matters pertaining to the Sugar Act of 1948. Our agreement with these companies had not been completed by the filing date of our latest Supplemental Statement.

In further compliance with the Act, we have labeled copies of materials which are to be disseminated today as "Political Propaganda," in the format prescribed by Rule 402 promulgated in accordance with the Act.

Introduction

I have represented one Ecuadorian sugar concern, Compania Azucarera Valdez, since 1961. In 1965 my son and I appeared for the Valdez Company and also Sociedad Agricola y Industrial. Today we speak for these two companies plus the two new ones mentioned before.

Background Information

Ecuador, which straddles the Equator on the Pacific coast of South America, is bounded by Colombia on the north and Peru on the south and east. It is the second smallest republic in South America, exceeding only Uruguay in size. It is roughly the size of Colorado.

The country has four distinct geographic regions:

1. The Costa, or coastal plain, slightly more than a quarter of the country's area, is a rich agricultural belt, in which most of Ecuador's tropical export crops are grown.
2. The Sierra, or highlands covers another quarter of the country, and consists of an inhabited plateau, 8,000-10,000 feet high and 400 miles long by 5 to 8 miles wide, lying between two Andean mountain ranges.

3. The Oriente, or eastern jungle, about half of the country in area, is covered with dense tropical forests and flat valleys.

4. The Galapagos Islands, located in the Pacific Ocean some 600 miles off the Ecuadorian coast. They comprise five larger and nine smaller islands covering about 3,000 square miles. The unique wildlife of the islands has fascinated scientists ever since Charles Darwin visited there in 1836. The islands were of strategic importance in World War II and the surrounding waters comprise one of the richest tuna fishing grounds in the world.

Using any method of economic analysis, Ecuador must be considered an extremely poor country. It is among the least developed in South America, yet it is the most densely populated. It has almost 6 million people but a gross national product of only \$1.5 billion. The annual rate of population increase, 3.4%, is almost equal to the growth rate of the gross national product - 3.6%. The average per capita income is \$258.00.

Agriculture is the basis of the economy, accounting for approximately 40% of the gross national product. Ecuador is the largest banana exporter in the world, but lately has been receiving strong competition from Central American and African producers. Bananas account for about one-half of the nation's export income, and bananas, together with coffee,

cocoa and sugar amount to 96% of all agricultural exports, and 85% of the country's total exports which were valued at approximately \$200 million in 1969.

Trade Relationship with the United States

About 45% of Ecuador's exports go to the United States, while approximately 40% of her imports come from the United States. The balance of trade between the two countries is heavily in favor of the United States, as can be seen from the following figures:

	<u>U.S. Imports From Ecuador</u>	<u>U.S. Exports To Ecuador</u>
	(In Millions of Dollars)	
1968	89.9	97.7
1969	61.7	84.9
1970 (1st 9 mos.)	74.3	97.3

The five principal products Ecuador imports from the United States are (in order of importance):

1. Non-electric machinery
2. Paper and paperboard
3. Transport equipment
4. Electric machinery
5. Cereals

The five principal exports to the United States are:

1. Bananas
2. Coffee-Cacao
3. Sugar

4. Fish and fish products

5. Wood and lumber

Direct private investment in Ecuador has long been dominated by the United States. Total foreign private investment in the country amounts to approximately \$110 million, of which approximately 60% is from the United States. There are about 160 firms, subsidiaries and affiliates operating in the country.

Petroleum explorations in the northeast Oriente are now being carried out by several U.S. oil companies and drillings indicate that Ecuador may possess significant oil reserves.

The Sugar Industry

There are ten operating sugar factories in Ecuador today. Only four of these are large enough to share in the U. S. quota. They are Compania Azucarera Valdez, S.A., Sociedad Agricola y Industrial, Azucarera Tropical Americana, and Compania Azucarera Tababela. Total sugar production for the country is approximately 275,000 short tons and local consumption is approximately 140,000 tons. Shipments to the United States have averaged 83,915 tons during the current sugar program (1966-1970), with the peak year being 1969 when Ecuador supplied the United States with 93,216 tons.

Today, there are about 300 independent sugar cane growers in the country, and, in an effort to have them increase their production, and to encourage other farmers to grow cane,

the sugar companies are providing seed, technical assistance, and farm equipment, all of which are paid for by cane harvested and sold to the factories.

Sugar provides direct employment for approximately 16,000 persons, making the industry the third largest agricultural employer after bananas and coffee. It is estimated that approximately 95,000 people are "dependent" on the sugar industry and an additional 45,000 are "indirectly" employed as a result of servicing the industry.

The sugar companies pay out the equivalent of approximately \$8 million per year in wages to factory and field workers plus an additional approximately \$3 million in fringe benefits.

In accordance with Ecuadorian laws, workers receive 15% of the profits of each company. There are labor unions at each mill, and agreements reached between unions and management must be approved by Government labor authorities.

The Ecuadorian Government levies a tax on sugar exported from the country, and there are other taxes levied by municipal and local authorities. In 1970, the export tax rate averaged 18.72% of the f.o.b. value. Earnings for that year from sales to the United States amounted to \$8,988,848.000. For the same year, the total of export and other taxes paid by the industry was \$2,645,088.22.

Fringe benefits extended to employees of the industry are extensive. This is fully explained in the booklet on the

sugar industry of Ecuador which has been provided to members of the Committee. We commend it to your study and request that the printed portions be inserted in the record at the conclusion of my testimony.

Legislative Recommendations

1. Quota Request - Ecuador has proven to be an extremely dependable supplier of sugar to the United States, regularly meeting its quota commitments. It should be remembered that during the critical period of worldwide short supply, 1963-1964, Ecuador exported exclusively to the United States, despite higher prices in the World Market and the fact that some countries did not fill their U. S. quotas in favor of more remunerative sales elsewhere.

We urge the Committee to accord Ecuador a percentage of participation in the Sugar Act Amendments of 1971 which would permit the country to ship 125,000 tons annually to the United States during the course of the next program.

2. General Considerations

A. Foreign Sugar Serves the Northeast. We believe this Committee, in making foreign country quota allocations in the 1971 Amendments to the Sugar Act should, as a basic premise, use the fact that the great majority of foreign sugar imported into the United States, regardless of origin, enters ports north of Cape Hatteras, North Carolina. Some enters Savannah, New Orleans, and Texas, but the bulk

forms the principal source of supply for the cane refineries which serve the most populated section of this country - the Northeast. Over one-fourth of our population, approximately 71,000,000 people are in this area.

From both the standpoints of adequate supply and timely availability, the most appropriate countries to serve the U. S. Northeast are those to the south - the sugar producing nations of the Western Hemisphere.

1971 Amendments Should Set Supply Patterns for Years Ahead. Although the Congress will amend the Sugar Act for only a few years, in so doing it should also look beyond the period of time covered by the amendments because what is done this year will have profound effect for a long time to come not only on United States sugar production, supply and consumption, but the worldwide sugar situation.

3. 1971 Amendments Should Favor Western Hemisphere Suppliers

H.R. 8866 Discriminates Against the Western Hemisphere

Viewed overall the House Bill has reduced the share of the Western Hemisphere in the U.S. Sugar Program, both in absolute and relative terms. It is the only region so treated.

Apparently, insufficient recognition was taken of the historical performance of the region as an effective supplier of our market and, in particular, of the degree to which these countries have supplied the shortfalls of other areas. We

strongly urge this Committee to remedy the harmful effects of H.R. 8866 in this regard by giving consideration to the following proposals:

A. Proration of Quota Deficits. Section 204(a) of the Sugar Act, as presently written, entitles the Republic of the Philippines to 47.22% of any deficits, domestic or foreign. That includes the Western Hemisphere. Since 1966 the Philippines has been able to participate in deficits only one year, 1970, and then to a limited extent. The nations of the Western Hemisphere have reliably bridged the gap and supplied 90% of the shortfalls during 1966-70. H.R. 8866 reduced the Philippines deficit participation to 37.60% - not nearly enough. We hope this Committee will designate the Western Hemisphere as the sole area called upon to fill shortfalls.

B. Cuban Temporary Quota. H.R. 8866 reduced the "Cuban Reserve" of approximately 1.5 million tons by one-half and distributed 750,000 tons to all quota participants (except the Philippines and Ireland) on a permanent basis.

A means of allowing the Western Hemisphere countries to regain some of their proportionate share, lost as a result of the House Bill, would be to restrict the supplying of the Cuban Temporary Quota to only Western Hemisphere nations.

Also, we urge the Committee, if it decides a reduction of the present "Cuban Reserve" is in the best interests of the United States, to make redistribution as follows:

- (1) Increase permanent quotas of Western Hemisphere nations.
- (2) First consideration in quota increases should be given to smaller suppliers in the Western Hemisphere who are capable of shipping larger quantities than present quotas permit.

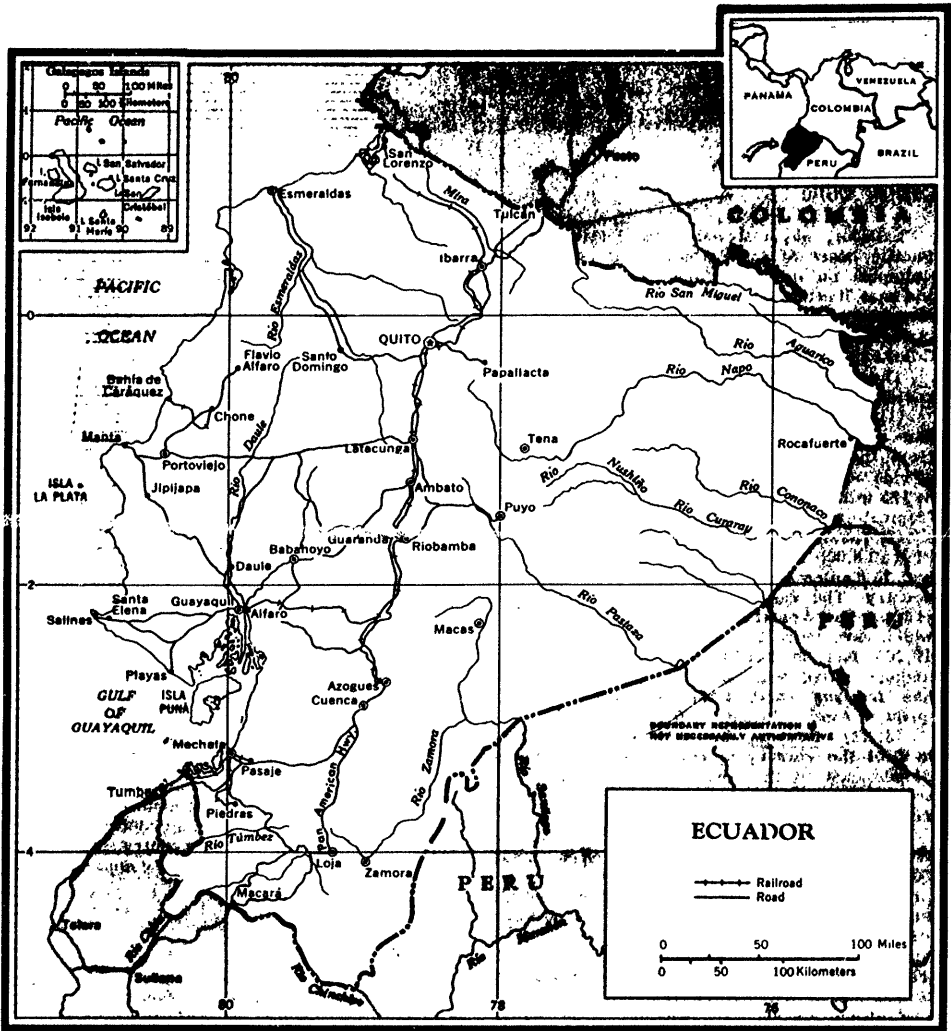
I make this recommendation because the "Big Four" countries of the Western Hemisphere, Brazil, Dominican Republic, Mexico and Peru, have shipped to the U. S., on the average, 73.5% of all sugar supplied by the hemisphere during the six year period 1965 through 1970. This has left 18 countries to share only 26.5%. One effect of the quota realignment of H.R. 8866 has been to change these ratios, but only slightly. Under the House Bill the "Big Four" would supply 69.1% and the remaining 18 countries 30.9% of the hemisphere total.

C. Consumption Growth. I urge that the nations of the Western Hemisphere be permitted to supply a proportion of the growth in domestic consumption greater than the present 35%. I recommend this suggestion to you on the basis of the failure of the Domestic Industry as a whole to produce its full entitlements in the past.

D. Reservation of "Growth" for Foreign Countries. Both witnesses for the Administration, Mr. Palmy and Mr. Katz, in appearing before this Committee, repeated a suggestion made to but rejected by the House Committee on Agriculture. It was

that there be: "A reservation of growth in the market to foreign suppliers at consumption estimates of between 11.3 and 11.53 million tons." This would be done to compensate the "foreign suppliers" for the loss of 300,000 tons of the "Puerto Rican" deficit to the Mainland Cane Area. Since the nations of the Western Hemisphere have supplied 90% of this deficit during the current sugar program, we urge the Committee, if it adopts this recommendation of the Administration, to designate 90% of this "growth" to the Western Hemisphere.

Thank you for your considerate attention.



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STATEMENT OF
ARTHUR L. QUINN,
ACCOMPANIED BY ARTHUR LEE QUINN
ON BEHALF OF
THE SUGAR INDUSTRY OF PANAMA
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE

POLITICAL PROPAGANDA

Information Required by Section 4 of the
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1. Agents: Arthur L. Quinn and
Arthur Lee Quinn
723 Washington Building
Washington, D.C. 20005
2. Agents have filed with the Registration Section,
Department of Justice, Washington, D. C., a
registration statement which is available for
public inspection.
3. Distribution of this material is made on behalf
of the Government of the Republic of Panama,
Compania Azucarera La Estrella, S.A. and
Azucarera Nacional, S.A., Panama.
4. A copy of this material has been filed with the
Registration Section.
5. The filing of a registration statement with the
Registration Section is not to be regarded as
an indication that the United States Government
has approved this material.

STATEMENT OF ARTHUR L. QUINN, COUNSEL FOR THE
SUGAR INDUSTRY OF THE REPUBLIC OF PANAMA
ACCOMPANIED BY ARTHUR LEE QUINN

Mr. Chairman and Members of the Committee, my name is Arthur L. Quinn. I am accompanied by my son, Arthur Lee Quinn. Our law offices are in the Washington Building, Washington, D. C.

We appear today on behalf of the sugar industry of the Republic of Panama.

Compliance With
Foreign Agents Registration Act

In compliance with the requirements of the Foreign Agents Registration Act of 1938, as amended, and the rules and regulations issued pursuant thereto by the Attorney General of the United States, we have submitted to the Chief Counsel of the Committee a copy of our latest Supplemental Statement as filed with the Department of Justice. We have also filed Exhibits A and B to our Registration Statement relating to our retention by the Government of Panama for the purpose of representing it before this Committee and in other matters pertaining to the Sugar Act of 1948. Our arrangement with the Government had not been completed by the filing date of our latest Supplemental Statement.

In further compliance with the Act, we have labeled the copies of my testimony which are to be disseminated, as

"Political Propaganda," in the format prescribed by Rule 402 promulgated in accordance with the Act.

Introduction

We first appeared before this Committee on behalf of the Panamanian Sugar Industry in 1965. At that time we represented the two privately owned sugar companies in Panama, Compania Azucarera La Estrella, S.A., and Azucarera Nacional, S.A., which we speak for today. In addition, we are testifying on behalf of the Government of Panama, which is constructing a new cooperative factory to be eventually owned by small sugarcane farmers and factory employees.

Relationship Between Panama And The United States

The Republic of Panama enjoys a very special relationship with the United States because of the presence of the Panama Canal. The strategic importance of the Canal to the United States cannot be overemphasized, and it follows that the well-being of the country which surrounds the Canal must likewise be considered vital to our interests.

For many years, income from the lease of the Canal has largely supported the national economy. Between 1/4 and 1/3 of all Panamanian revenue derives from the Canal Zone, through wages paid employees and expenditures by and on behalf of the U. S. personnel assigned to the Zone and for maintenance of Canal facilities.

Panama, because of the presence of the Canal, has a dollar economy and, therefore, is inordinately dependent upon the United States as a trading partner. The balance of trade between the two countries is heavily in favor of the United States. The United States accounts for over 36% of the country's imports, and the trade deficit borne by Panama in the relationship between the two countries has ranged from a maximum of \$56.9 million in 1966 to a minimum of \$44.8 million in 1968. Imports from the United States for the Republic of Panama were \$95 million in 1969, and the Panamanian duty free zones imported an additional \$45 million worth of U. S. products during that year. At the same time, U. S. imports of Panamanian goods were valued at \$75 million for 1969.

There is certainly no discrimination against U. S. products, as the trade figures would indicate. On the other hand, there are very few Panamanian exports to the United States, the principal one being bananas. And here too, it is important to note that the major banana producer in Panama is a U. S. corporation, which is free to repatriate its profits, thus lessening the negative impact this import would have on the U. S. balance of payments.

The Republic of Panama has never expropriated any property, either locally or foreign owned, and this is one factor that has created an excellent climate for U.S. investments. At the end of 1968, the value of all U. S. investments in Panama amounted to \$192,575,000. During the same year, the

net profit on U. S. operations in Panama amounted to \$24,617,000, and both figures have increased substantially in subsequent years. Since Panama has no controls on foreign exchange or repatriation of earnings, the profits of U.S. companies are free to return to the U. S.

The effects of the dollar economy on Panama have been widespread and, although a higher standard of living has been produced in the country than in most other sugar-producing areas of the Western Hemisphere, the direct result has been higher production costs than in other areas. Wages, social security benefits and the propensity to import are all comparatively high.

The Need for Agricultural Export Earnings

Panama must earn dollars abroad to finance the economy since the Government is severely restricted in its ability to stimulate growth through monetary and fiscal policy. In order to maintain economic viability, the Republic of Panama has encouraged a high level of investment.

The high level of investment has brought about heavy pressure on the balance of payments and, consequently, has created an urgent need for additional foreign exchange in order to be able to import the goods necessary to maintain the rate of growth and investment. Given the limitations of its domestic market, (it is one of the least populated countries in South America with 1.4 million people) the Republic of Panama is not

able to compete with industrialized countries in the manufactured goods market and, consequently, must look to its agricultural sector to provide the foreign exchange needed. Sugar is the second largest agricultural commodity, next to bananas, that earns foreign exchange.

Furthermore, the past few years have seen a strong migration from country to metropolitan areas, mainly because employment opportunities in the cities were much better. The urban influx has greatly taxed the ability of the Government to create the jobs and necessary infrastructure to absorb the increased population. Therefore, the Government is promoting new industries in the rural areas. The creation of "development poles" will contribute to the industrialization and growth of the rural areas and not only keep people on the land, but encourage some to return.

The Sugar Industry

Panama at present has two privately owned sugar mills which have been servicing the domestic market and the U.S. quota. The industry has exported exclusively to the United States and the Government follows a tax policy that has allowed the sugar industry to reinvest its profits in expanding capacity, in order to better serve the U. S. market.

Panama has been able to meet its basic and temporary quotas each year of the existing sugar program (1966-1970) and, with the exception of 1966, supply a considerable portion of

its deficit allocations. During critical periods of short supply of sugar in the United States, such as 1963-1964, Panama exported exclusively to the United States in spite of higher prices in the World Market and the fact that some countries did not fill their U. S. quotas in favor of more remunerative sales elsewhere.

The Government of Panama is establishing a third sugar factory for the country, to be located in the Province of Veraguas. It will commence operations in 1973, produce 40,000 tons annually, and will assure availability of 85,000 tons for the U.S. market from that year forward.

The new sugar mill will be wholly owned as a cooperative by small sugarcane growers and workers in the factory. Each member of the cooperative will contribute a fixed share of his income to help amortize the investment at a faster rate than just by utilizing profits from the operation. Once the investment is amortized, the sugar mill will become the sole property of the cooperative. Until that time the mill will be owned by the Corporacion Nacional Azucarera, an independent government agency.

The cooperative mill at Veraguas is vitally needed as one step in a major Government effort to stem the flow of people from the rural areas to the cities. Improvement of conditions in the rural areas of Panama is essential to the stability of the country, and a sugar factory is perhaps the best means to provide the incentive to remain in an area and work the land.

There are 2,800 independent farmers growing cane on 42,000 acres (average size of farm - 16 acres). By 1973, the total number of "colonos" should have increased greatly with approximately 13,250 additional acres being planned to service the new government sponsored cooperative.

At present, there are approximately 30,000 persons dependent on the sugar industry in Panama of a total of 453,000 who are "economically active." In addition, there are approximately 1,000 persons who are "indirectly" employed as a result of the sugar industry.

In Panama, industrial workers receive an average of 27 cents an hour and in the sugar industry workers receive an average of 40 cents an hour. The median weekly salary for agricultural workers in Panama is \$15.20 per week or \$790.40 per year. In manufacturing industries, the median is \$18.40 per week or \$956.80 per year. But in the sugar industry, the average pay for field workers is \$1,746.00 per year, or 82% higher than the median for industrial workers.

Sugar industry workers receive generous benefits, the most important of which are as follows:

Sickness and Accident - The employees of the sugar industry have been incorporated into the Social Security Administration. Under this system, the employer pays into the system 7% of the employee's salary and the employee pays 5% of his salary.

The coverage offered by the Social Security System includes the following:

1. Medical Benefits: (At no additional cost to the employee)
 - (a) Medical attention, surgery, pharmacy, dental and hospitalization.
 - (b) A subsidy of up to 60% of the salary when the person is unable to work for a period of up to six months.
 - (c) The same coverage is extended to the wife and to children ten years old or less.
 - (d) In maternity cases, 14 weeks of salary plus medical attention including hospital and medicines.
2. Disability Pay: Up to one-third of his salary.
3. Old Age: 50% of his salary.
4. Death: 25% of his salary to the surviving partner and 10% for each surviving child plus burial expenses.

Vacation - Employees have the right to thirty days paid vacation for every eleven months of work and to fifteen days paid sick leave per year.

Legislative Recommendations

1. Quota Request. Because of the vital importance of Panama to the United States and the need of the country to stimulate industry and employment in the rural areas, and

especially considering the construction of the new sugar factory, we urge that the Committee accord Panama a percentage of participation in the Sugar Act amendments of 1971 which would permit the country to ship 75,000 short tons to the United States by 1973.

Since Panama will be able to supply only approximately 45,000 tons in 1972, we request the Committee to make provision in the 1971 Amendments which will permit Panama to supply less than 75,000 tons in 1972, without suffering a penalty for incurring a deficit that year.

The "Sugar Act Amendments of 1971," as contained in H.R. 8866, increased the participation of Panama to 1.35 percent of the total amount of sugar to be supplied by foreign countries. A proviso was added that Panama's per centum was to be 0.88 in 1972. Under the terms of the House Bill Panama would thus be permitted to ship 42,616 tons in 1972 and 62,947 tons beginning in 1973. We urge the Committee to not only concur in the increases accorded Panama by H.R. 8866 but, if possible, increase Panama's regular percentage to permit the country to ship the requested 75,000 tons commencing in 1973.

2. General Considerations

A. Foreign Sugar Serves the Northeast. We believe this Committee, in making foreign country quota allocations in the 1971 Amendments to the Sugar Act should, as a basic premise, use the fact that the great majority of foreign

sugar imported into the United States, regardless of origin, enters ports north of Cape Hatteras, North Carolina. Some enters Savannah, New Orleans and Texas, but the bulk forms the principal source of supply for the cane refineries which serve the most populated section of this country - the Northeast. Over one-fourth of our population, approximately 71,000,000 people are in this area.

From both the standpoints of adequate supply and timely availability, the most appropriate countries to serve the U. S. Northeast are those to the south - the sugar producing nations of the Western Hemisphere.

B. 1971 Amendments Should Set Supply Patterns for Years Ahead. Although the Congress will amend the Sugar Act for only a few years, in so doing it should also look beyond the period of time covered by the amendments because what is done this year will have profound effect for a long time to come not only on United States sugar production, supply and consumption, but the worldwide sugar situation.

We commend to this Committee the sage advice offered by one of the world's foremost sugar authorities, the London brokerage house of C. Czarnikow Ltd., in their Sugar Review No. 1000, dated 10th December, 1970. Under the title of "Sugar's One World," the editor stated:

"Of all the world's agricultural products, sugar is the most closely knit into industry and government because it is universally produced and

consumed. It has the longest history of international agreements and arrangements and, given proper concern by respective Governments, the possibility can now be foreseen of supplying the full needs of every individual on the earth."

.....

"By 1980 the world should aim at a production/consumption level of about 100 million metric tons - an average increase of, say, 2.5 million tons a year. Such a steady and regular expansion will be difficult to achieve, however, particularly as it will presumably be concentrated predominantly in the cane areas."

"In general the cane areas are in developing countries and it is in accordance with UNCTAD principles that they should be accorded preference.".....
 "However, it takes longer to produce sugar from plan to harvest by way of cane than beet and it is therefore necessary that cane farmers can be assured of adequate access to markets if a progressive expansion is to take place."

"The great requirement for the sugar world is the need for longer term plans than the current four to five years quota type agreements.".....
 "In 1971 the U.S. Sugar Act will be renegotiated"
 "May we at this juncture seriously ask

all those concerned to remember that sugar is now a "One World" subject and that every national and regional decision has an immediate effect throughout the world."

3. 1971 Amendments Should Favor Western Hemisphere Suppliers

H.R. 8866 Discriminates Against the Western Hemisphere

Viewed overall the House Bill has reduced the share of the Western Hemisphere in the U.S. Sugar Program, both in absolute and relative terms. It is the only region so treated.

Apparently, insufficient recognition was taken of the historical performance of the region as an effective supplier of our market and, in particular, of the degree to which these countries have supplied the shortfalls of other areas. We strongly urge this Committee to remedy the harmful effects of H.R. 8866 in this regard by giving consideration to the following proposals:

A. Proration of Quota Deficits. Section 204(a) of the Sugar Act, as presently written, entitles the Republic of the Philippines to 47.22% of any deficits, domestic or foreign. That includes the Western Hemisphere. Since 1966 the Philippines has been able to participate in deficits only one year, 1970, and then to a limited extent. The nations of the Western Hemisphere have reliably bridged the gap and supplied

90% of the shortfalls during 1966-70. H.R. 8866 reduced the Philippine deficit participation to 37.60% - not nearly enough. We hope this Committee will designate the Western Hemisphere as the sole area called upon to fill shortfalls.

B. Cuban Temporary Quota. H.R. 8866 reduced the "Cuban Reserve" of approximately 1.5 million tons by one-half and distributed 750,000 tons to all quota participants (except the Philippines and Ireland) on a permanent basis.

A means of allowing the Western Hemisphere countries to regain some of their proportionate share, lost as a result of the House Bill, would be to restrict the supplying of the Cuban Temporary Quota to only Western Hemisphere nations.

Also, we urge the Committee, if it decides a reduction of the present "Cuban Reserve" is in the best interests of the United States, to make redistribution as follows:

- (1) Increase permanent quotas of Western Hemisphere nations.
- (2) First consideration in quota increases should be given to smaller suppliers in the Western Hemisphere who are capable of shipping larger quantities than present quotas permit.

I make this recommendation because the "Big Four" countries of the Western Hemisphere, Brazil, Dominican Republic, Mexico and Peru, have shipped to the U. S., on the average,

73.5% of all sugar supplied by the hemisphere during the six year period 1965 through 1970. This has left 18 countries to share only 26.5%. One effect of the quota realignment of H.R. 8866 has been to change these ratios, but only slightly. Under the House Bill the "Big Four" would supply 69.1% and the remaining 18 countries 30.9% of the hemisphere total.

C. Consumption Growth. I urge that the nations of the Western Hemisphere be permitted to supply a proportion of the growth in domestic consumption greater than the present 35%. I recommend this suggestion to you on the basis of the failure of the Domestic Industry as a whole to produce its full entitlements in the past.

D. Reservation of "Growth" for Foreign Countries. Both witnesses for the Administration, Mr. Palmbly and Mr. Katz, in appearing before this Committee, repeated a suggestion made to but rejected by the House Committee on Agriculture. It was that there be: "A reservation of growth in the market to foreign suppliers at consumption estimates of between 11.3 and 11.53 million tons." This would be done to compensate the "foreign suppliers" for the loss of 300,000 tons of the "Puerto Rican" deficit to the Mainland Cane Area. Since the nations of the Western Hemisphere have supplied 90% of this deficit during the current sugar program, we urge the Committee, if it adopts this recommendation of the Administration, to designate 90% of this "growth" to the Western Hemisphere.

Thank you for your considerate attention.

STATEMENT ON BEHALF OF
THE COSTA RICAN BOARD OF TRADE

BEFORE
THE COMMITTEE ON FINANCE
UNITED STATES SENATE

JUNE 21, 1971

PRESENTED BY
DINA DELLALE

This material is prepared, edited, issued or circulated by Dina Dellale, The Costa Rican Board of Trade, 108 East 66th Street, New York, New York 10021, who is registered under the Foreign Agents Registration Act of 1938, as amended, as Executive Director of The Costa Rican Board of Trade. This material is filed with the Department of Justice where the required registration statement is available for public inspection. Registration does not indicate approval of this material by the United States Government.

Mr. Chairman and Members of the Committee, my name is Dina Dellalé. I am the Executive Director of the Costa Rican Board of Trade. Costa Rica, it is true, is one of those little Latin American countries that has been discussed here but there is a difference as far as we are concerned, and it is that difference I would like to present to this Committee.

The Republic of Costa Rica is bordered by Nicaragua, Panama, the Pacific Ocean, and the Caribbean Sea. Its land is fertile and productive. There are active ports on both oceans to facilitate its international trade and the economy is primarily agricultural. The country historically has been called a nation of small farms. In this era of upheavals, riots, and revolutions, Costa Rica has long been known for the stability of the Government, the political maturity of its population and the freedom and honesty of its elections. It is one of the few Latin American countries with a firmly established democratic process and a national life based on concepts of equality and the dignity of labor. The political forces are direct and uncomplex, with few special interest or pressure groups. Public opinion is an influential factor.

While democracy in action has become a mere slogan in many parts of the world, here you can find it operating daily with responsibility. The President walks the streets of the capital, San José, without fear or bodyguards. The widespread distribution of wealth, a vigorous agrarian reform that finds one out

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of every five Costa Ricans owning his land, and the intensive expansion of educational facilities as the foremost national aim, are the keys to why Costa Rica is different.

May I give you an unusual example. Costa Rica is one of the few nations in the world that has renounced the maintenance of an army. With a great sense of the practical, the Constitution of 1949 decreed that money formerly invested in a military establishment would go to building schools, and all weapons were exchanged in the United States for plows and tractors. With no army, navy or air force, security is limited to town and village police and the Civil Guard. It is clear to all, Costa Rica has no aggressive intent or military pretensions and the country has escaped dictatorships, turbulence and anarchy. It has earned a respected place in the family of nations. No Costa Rican President ever built a monument to himself or a lavish building in which to live. To be a citizen is a source of pride and that spirit is reflected in their leaders.

The country's relations with other nations have been placid and friendly. Two principal bulwarks of its foreign policy are its commitment to Western democracy and rejection of dictatorial or undemocratic governments. Costa Rica is against all forms of despotism, whether of the right or left, and has been willing to take a forceful stand in support of its convictions. It was the first nation in the Western Hemisphere to declare war in World War II. Relations with the United States have traditionally been warm and cordial,

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attributed in large part to a sincere mutual respect for shared democratic traditions. The two countries have never had a major disagreement and Costa Rica has consistently supported United States policies.

Costa Rica's greatest resource is its people. This stable and sturdy country is best expressed through them. No one can fail to be impressed with the intelligence of its citizens. There has never been any large wealthy aristocracy or marked class differences to generate dislike. Rather, the national climate is one that fosters decency, generosity and concern for others. The influence of its own history can be seen in the value placed on work and education. The favorite character is not the aristocratic conquistador but the independent, middle-class worker who toils his own land.

I have stressed the character and behaviour of the Costa Rican people to show the Committee that there exists a real difference, politically and socially. Now I will present the economic difference.

As a country with an overwhelmingly agricultural economy, the major part of their income is derived from the exports of what is produced. Commerce and foreign trade are efficiently organized, and transportation facilities are well developed and continually expanding. The United States is the primary trading partner. Revenues do not constitute the patrimony of a few but belong to the majority of the population since the distribution of land and wealth is more equitable here than elsewhere in the Hemisphere. Costa Rica has experienced

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one of the highest population growth rates anywhere in the last several decades - the combination of a consistently high birth rate and an ever declining death rate. Its economy is also one of the fastest growing in the world for they are compelled to produce on a larger scale, to extend their markets, and to follow, perhaps more quickly than most Latin countries, the pace of progress. It, therefore, became necessary many years ago to substitute the monoculture of coffee with a diversification of agricultural activities to maintain and increase their standard of living which is the highest in Central America.

Sugar is considered the most important food crop in the country. It provides more energy to the diet and more income to the farmer than any other food. Exports began in 1958, at which time Costa Rica became one of the countries participating in the U. S. Sugar Act. Since then sugar has become one of the country's major export dollar earners with half of all production being exported. All exported sugar has gone to the United States even when the price was higher elsewhere. During 1963 and 1964 when prices soared in the World Market, this small nation, at a tremendous financial sacrifice, was the first of all quota countries to speak up, pledging her entire exportable production of approximately 72,000 tons to the U. S. consumer. The integrity of the Sugar Industry of Costa Rica demanded such action, for to them the Sugar Act is a two-way street, entitled to a mutual respect that is especially important in relations between large and small nations.

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Sugarcane is grown mostly on small farms, in contrast to other Latin Countries where large sugar farms exist. There are more than 37,000 sugar farmers in the country, over 16,000 of whom have less than 8 acres planted in sugar. Some 53 percent of these farms are less than 34 acres and 90 percent are less than 170 acres. There are 29 mills. Counting the families of the sugarcane farmers and employed laborers, one-tenth of the population depends on sugar for a livelihood. Stable and reasonable wages cannot be maintained without an assured and growing place in the U. S. Market - this place not to retreat from the one we have earned by consistent and full performance.

When I ask the Committee to consider the difference of Costa Rica, I respectfully request you to consider Costa Rica singly on her own merits and performance. We have come before this Committee since 1960 truthfully putting our plans for controlled expansion in your hands. Camouflage has never been needed to cover any unethical practices. Since the beginning of the new Act in January 1966 to the present day, all the basic quota and allocated deficits given to Costa Rica have been filled fully. We are grateful for the Committee's assistance during the past years in making the sugar industry of Costa Rica, a vital growing force in the economy of the country. Without it, there would have come unemployment, poverty and stagnation.

The year 1950 was the last time the country had a favorable balance of trade; imports have exceeded exports ever since. On a per capita value basis Costa Rica is the third largest

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importer from the United States in Latin America. The framework of the future has firmly been put in place but this year and next, and the year after, and some years more, Costa Rica needs every dollar agricultural exports bring to buy manufactured goods in the U. S. To wage Trade not War is the goal of the nation.

Before placing our quota request before the Committee, Costa Rica asks the Committee to include the following provision in the new Sugar Act: Whenever there are deficits to be allocated special consideration will be given to those countries who do not receive military assistance aid from the United States. Such a provision is in the interests of all countries dedicated to a better life for its citizens.

Mr. Chairman, Costa Rica has come before you and this Committee believing in the genuine understanding of its problems and hopes, and that visible evidence will result from our mutual friendship. We have always spoken with truth, with facts and figures and with future plans. We want to continue to buy from the United States, but we want to pay for what we purchase with money that is earned; not borrowed. A quota of 110,000 tons for Costa Rica in the new legislation will bring many mutual advantages and her Sugar Industry will continue to contribute to the welfare of its country and to the price protection of the American consumer.

Mr. Chairman, Members of the Committee, Costa Rica is a small nation but her capacities are large for democracy, for work and for friendship. I thank The Committee for its attentions.

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MILLIONS CF DOLLARS

COUNTRY	YEAR	GMP	INCOME OF GOVERNMENT	TOTAL EXPENSES	EXPENSES IN:						POPULATION b/	\$ p/c d
					EDUCATION		HEALTH		DEFENSE			
					\$	% c/	\$	% c/	\$	% c/		
Argentina	1965	17 204	2 034.0	2 506.0	245.0	9.78	28.0	1.04	302.0	12.05	24.0	104.42
Bolivia	1969	901	96.2	162.7	25.1	15.42	3.1	1.91	14.9	9.16	4.5	36.16
Brazil	1968	29 320	6 467.0	6 885.0	660.0	9.59	----	----	1 223.0	17.76	90.9	75.74
Colombia	1968	5 784	678.0	870.0	82.0	9.43	18.0	2.07	123.0	14.14	20.5	42.44
Costa Rica	1969	813	116.5	163.1	36.1	22.13	20.0	12.26	----	----	1.7	95.94
Chile	1967	4 148	993.0	1 043.0	162.0	15.53	----	----	87.0	8.34	9.4	110.96
Ecuador	1968	1 475	308.7	326.3	34.7	10.63	4.8	1.47	26.2	8.03	5.9	55.31
El Salvador	1969	948	127.3	134.3	27.5	20.48	13.0	9.68	9.7	7.22	3.3	40.70
Guatemala	1969	1 650	155.3	167.3	29.3	17.46	17.4	10.37	16.2	9.65	5.2	32.27
Haiti	1967	324 a/	31.1	35.0	3.3	9.27	3.2	8.99	7.2	20.22	5.1	6.98
Honduras	1968	621	69.0	85.5	16.9	19.77	5.9	6.90	8.5	9.94	2.6	32.88
Jamaica	1968	1 040	181.0	209.0	22.0	10.53	15.0	7.18	8.0	2.30	1.9	110.00
Mexico	1969	28 940	2 320.0	2 576.0	504.0	19.57	----	----	184.0	7.14	48.9	52.68
Nicaragua	1969	735	13.0	64.0	17.0	20.24	5.0	5.95	11.0	13.10	1.9	44.21
Panama	1968	823	119.0	127.0	33.0	25.98	18.0	12.60	1.0	0.79	1.4	90.71
Paraguay	1968	498	37.6	84.9	9.1	10.72	2.4	2.83	9.8	11.54	2.3	36.91
Peru	1969	5 100	749.0	788.0	171.0	21.70	----	----	171.0	21.70	13.2	59.70
Rep. Dominicana	1968	1 132	176.8	190.8	----	----	----	----	50.3	15.88	4.1	46.54
Uruguay	1968	1 542	391.0	454.0	----	----	----	----	45.0	9.91	2.9	156.55
Venezuela	1969	9 700	1 937.0	2 513.0	290.0	11.54	162.0	6.45	198.0	7.88	10.0	251.30

Source: A.I.D., Economic Data Book - Latin America, 1970.

- a/ : Estimate
b/ : Referring to 1969, in millions of people
c/ : Percentage of expenses in relation with the total outlay of the Government
d/ : Expenses per person in relation with total outlay of the Government.



AMERICAN CHAMBER OF COMMERCE OF MEXICO

LUCERNA 78

MEXICO 6, D. F.

TEL. 66-08-66

. APDO. POSTAL 82 BJS .

June 17, 1971

Al R. Wichtrich
Executive Vice President

The Honorable Russell B. Long (D. La.)
 Chairman, Finance Committee
 United States Senate
 Washington, D. C. 20510

Ref. : Sugar Act - H. R. 8866

Dear Senator Long:

The American Chamber of Commerce of Mexico, composed of more than 2,100 members and representing a total direct U. S. investment of approximately 1.7 billion dollars, wishes to go on record that we are in favor of restoring to Mexico the original sugar quota heretofore assigned to it, for the following reasons:

1. That a cut to Mexico's sugar quota at this time is not in harmony with President Nixon's present foreign policy to stimulate exports in Latin America, in particular Mexico, to the United States.
2. Mexico now has a deficit in its balance of trade with the United States in the amount of 481 million dollars. A reduction in its sugar quota will further aggravate this balance of trade, thereby reducing the possibility to purchase U. S. capital goods from the United States.
3. A reduction in the sugar quota to Mexico will be harmful to the 280,000 workers and sugar producers in the areas which require this income to remain economically active in the Mexican economy.

4. The geographical position of Mexico allows to it to be the only foreign producer of sugar to be able to ship sugar to the U. S. market by land.

We respectfully request your Committee seriously consider restoring to Mexico its original sugar quota.

Respectfully yours,

A handwritten signature in cursive script, appearing to read "C. R. ...".

ARW:frm

SUMMARY OF TESTIMONY PRESENTED BY
MICHAEL P. DANIELS
BEFORE THE SENATE FINANCE COMMITTEE
ON BEHALF OF THE
INDIAN SUGAR INDUSTRY EXPORT CORPORATION, LTD.
June 22, 1971

1. The quota provided for India in H. R. 8866 does not reflect India's ability to supply sugar to the U. S. market as measured either by its performance during the critical 1963-1964 period or by its maintenance of reserves. India maintains the second largest sugar reserves among all suppliers, equal to more than 15 tons in reserve for each ton provided by H. R. 8866. Basic quotas should reflect dependability as a source of supply so that the American consumer is assured adequate supplies in exchange for the premium price paid.

2. In order further to assure adequate supplies of sugar, (1) the elimination of the "OAS bonus" in H. R. 8866 should be retained; (2) the Western Hemisphere preference in reallocation of suspended Eastern Hemisphere quotas should be eliminated; (3) deficits should be allocated equitably, with the Philippines share set at a level accurately reflecting its ability to deliver, and domestic deficits not assigned to the Philippines assigned on a global basis.

3. The sugar industry is the second largest in India, directly employing 250 thousand workers and 4 million growers. It is widely spread over the vast rural areas of India, the locus of India's most serious socio-economic problems. Workers benefit from minimum wages and fringe benefits, while growers receive a minimum price for their cane. Both have increased significantly in recent years.

4. Growers of cane in India have benefitted particularly from the growth of cooperatives, which accounted for the entire growth in the number of sugar factories in India during the 1960's. The cooperative sector accounted for 17.4 percent of the sugar produced in India in 1961-1962 and 32.4 percent in 1969-1970. By 1974, cooperatives will account for 50 percent of sugar production. The benefits to the farmer in the growth of the cooperative movement in India are obvious: he not only receives a high price for his crop, but also receives all profits from the production of sugar.

5. The United States is India's major trading partner, both as a source of imports and as a market for exports. In 1970, India's trade deficit with the United States was \$275 million. India is a vast country of 565 million people, greater

than the combined populations of the entire continents of South America and Africa. This market's need for U. S. products of all kinds is increasing rapidly. India needs growing export markets to finance this demand.

6. India needs a substantial quota in the U. S. sugar market not only to finance imports, but to assist in the development of agriculture and industry. India's production of sugar has increased significantly in recent years, and the Fourth Plan provides for a 25 percent increase in sugar capacity. This is required in great part by the rising consumption of sugar in India. The U. S. export market assists India in stabilizing the growth process.

7. The U. S. and India have maintained friendly relations since India's independence in 1947. India's strategic location in Asia, the fact that it has the second largest population in the world, and the impact of developments in India on other nations, make good relations between the two countries a prime objective of U. S. foreign policy. With the recent elections, India is entering a period of political stability which will assist economic progress.

Testimony of
Michael P. Daniels
on behalf of the
Indian Sugar Industry Export Corporation, Ltd.
before the
Committee on Finance
United States Senate
June 22, 1971

Mr. Chairman, Members of the Committee:

My name is Michael P. Daniels. I am a partner in the firm of Daniels & Houllhan of this City. I appear before the Committee on behalf of the Indian Sugar Industry Export Corporation, Ltd., a private corporation which represents all of the presently operating 215 sugar factories in India and handles all sugar exports from India. We greatly appreciate this opportunity to appear before the Committee and present our views.

Chairman Long advised representatives of foreign suppliers to discuss two specific topics in their statements: (1) the benefits of participation in the U. S. sugar program to workers and improvement in the standard of living in the supplying country; and (2) U. S. trade with the supplying country and how trade might be improved by participation in the U. S. sugar program.

Both of these topics will be treated in detail below, together with a discussion of other relevant points which we

Daniels & Houllhan is a law firm retained by the Indian Sugar Industry Export Corporation, Ltd. of New Delhi, India, and is registered with the Department of Justice under provisions of 22 U.S.C. Sec. 611 et seq as an agent of such foreign principal. Copies of the firm's registration statement are available for public inspection in Department of Justice files. Registration does not indicate approval of this publication by the United States Government.

believe will be of concern to the Committee.

H. R. 8866 essentially leaves unchanged the amount of sugar India is permitted to export to the United States. With U. S. consumption at 11.2 million tons, India's total quota, under both H. R. 8866 and the present Act is 81,514 short tons raw value.

The House of Representatives stated that it arrived at this amount by the application of five criteria: (1) friendly government-to-government relations; (2) dependability as a source of supply; (3) reciprocal trade; (4) need of the quota country for a premium priced market; and (5) benefits to growers and workers of participation in this market.

While these criteria were suggested by the Committee on Agriculture of the House of Representatives, and are in no way binding upon the Senate in its consideration of the extension of the Sugar Act, it is submitted that these criteria are reasonable. Accordingly, each will be discussed in the course of this statement.

I.

Dependability of Supply

Although dependability as a source of supply was the second criteria listed by the House Committee on Agriculture,

we suggest that it is the most important single standard available, and should, therefore, be of special concern to this Committee. As was pointed out by Assistant Secretary of Agriculture Clarence Palmby in testimony before this Committee on June 16, one of the primary obligations of the Department of Agriculture in administering the Sugar Act is "to assure consumers of adequate supplies of sugar at all times."

Assurance of an adequate supply is the major benefit the consumer receives under the Sugar Act in exchange for the generally higher prices he must pay for the product. In order to insure an adequate supply, we suggest that U. S. sugar quotas should be awarded to foreign suppliers primarily on the basis of their ability to deliver sugar.

It is submitted that H. R. 8866 fails to reflect in any meaningful way the sugar supplying capacity of quota countries.

We suggest to the Committee that an objective evaluation of a quota country's ability to supply sugar may be established (1) by its performance during 1963 and 1964 when sugar was extremely scarce and the world price exceeded the U. S. price; and (2) by its maintenance of reserve stocks of sugar over a reasonable period of time.

Deputy Assistant Secretary of State Julius Katz, in response to questions by the Committee on June 16, stated that the quotas provided in the present Act--which the Administration recommends be substantially unchanged--"with a few exceptions" reflect dependability as a source of supply. Mr. Katz correctly pointed out that the criteria recommended by the Administration in 1965 took special account of shipments of sugar during 1963-1964. In the 1965 hearings, former Under Secretary of Agriculture John A. Schnittker recommended the most objective standard for quota allocation available: "Quotas would be allocated to foreign countries to the degree that they demonstrated their willingness and their ability to service our market under the most trying circumstances; that is, when sugar was extremely scarce and when higher prices were available in other markets."

To the extent that present quotas reflect actual performance during the difficult years of 1963 and 1964, they have objective justification. India, however, is one of the "few exceptions" to which Mr. Katz referred.

India first entered the United States sugar market in 1961, when, at the request of the United States, 171 thousand short tons were imported from India on a non-quota basis to meet emergency needs. In 1962, imports from India were 136 thousand

short tons; in 1963, 119 thousand short tons; and in 1964, 111 thousand short tons. Over these four years, imports from India averaged 136 thousand short tons annually. Beginning with 1962, and continuing through 1964, a small statutory quota was allocated to India, but the bulk of its shipments were on a non-quota or global quota basis. In 1965, India was allocated 104 thousand short tons under statutory quota.

Based upon 1963-1964 performance, when India shipped all of the sugar requested, the Administration recommended a formula which would have yielded India a quota of 97,000 tons. Arbitrarily, this was cut to 72,000 tons for 1966, more than a 25 percent reduction.

If, as the Administration now urges, quotas should be based upon 1963-1964 performance, simple justice requires that India not be an "exception" to this criterion. We submit that its quota should be restored to the average 136,000 ton level shipped during the entire 1961-1965 period, when U. S. needs were great because of the suspension of imports from Cuba. This would reflect not only India's 1963-1964 performance, but allow for normal growth since enactment of the present law, had India been granted a quota commensurate with that performance.

Allocation of quotas based upon ability to deliver as reflected in actual performance during years of shortages is in the interest of U. S. sugar users as well as supplying countries. Many experts are of the opinion that the experience of 1963-1964 could repeat itself. Consequently, the dependability of sugar quota countries as sources of supply--based upon their ability to deliver--will be of increasing importance in the future.

In addition to 1963-1964 performance, maintenance of reserve stocks over a reasonable period of time is a sound method of ascertaining a quota country's ability to supply sugar--both basic allotments and additional sugar required in periods of short supply. Moreover, as we have said, it provides the Congress with another objective standard in allocating quotas.

Table 1 ranks those countries entitled to supply sugar under the present Act according to their average annual reserves from 1961 through 1970. It also indicates the rank of these countries according to the total entitlements awarded them by H. R. 8866, and shows H. R. 8866 entitlements as a percent of average 1961-1970 reserves, and average tons in reserve for each ton of H. R. 8866 entitlements.

Table 1 shows that Brazil, India, Australia and Argentina, in that order, maintained the largest average reserves during the 1961-1970 period. In view of the importance of dependability of sources of supply, H. R. 8866 could be expected to reflect this reserve maintenance in its allocations, but this is not the case. Although India ranks second in average reserves during the 1961-1970 period, it ranks only eighth in entitlements under H. R. 8866. While India's reserves were 61 percent of those of Brazil, its entitlements under the House bill are only 16 percent of Brazil's. India's average reserves exceeded those of Australia by 42 percent, yet Australia's entitlements were 249 percent of India's.

The largest foreign supplier, the Philippines, maintained average reserves equal to only 23 percent of its total H. R. 8866 entitlement, contrasted with India's 1,563 percent. Stated another way, for each ton of entitlements provided for by H. R. 8866, the Philippines maintained a mere .23 tons in reserve, whereas India maintained 15.63 tons, far more than any supplying country.

India's reserves, measured by stocks as of December 31, 1970, were even greater, 2,341 thousand short tons. Moreover, it is the policy of the Government of India to maintain reserves amounting to at least 1.3 million short tons, nearly 16 times greater than the amount of sugar assigned to India by H. R. 8866.

It is obvious that the assignment of basic quotas in H. R. 8866 does not reflect the most significant factor from the viewpoint of the U. S. consumer--ability to supply. Moreover the relative ability of quota countries to supply sugar is the most important, both for future growth and allocation of deficits.

In addition to assigning basic quotas in accordance with the objective criteria we have outlined, the Congress has the opportunity to insure that adequate supplies of sugar are available through (1) support of Section 4 of H. R. 8866, which amends Section 202(d) (1) (A) (ii) of the Sugar Act by eliminating the preference in reallocation of the Cuban reserve to quota countries which are members of the Organization of American States; (2) by amending Section 202 (d) (1) (B) to eliminate the Western Hemisphere preference in reallocation of suspended quotas in the Eastern

Hemisphere; and (3) by amending Section 204 to provide for equitable allocation of deficits.

1. The OAS Bonus. Section 202(d) (1) (A) (ii) of the Sugar Act provides that growth in the quota assigned to Cuba, but withheld, shall be prorated only to members of the Organization of American States when consumption exceeds 10 million tons. H. R. 8866 eliminates this provision.

The present OAS bonus amounts to a regional preference-- a policy inconsistent with the U. S. position regarding preferences. Regional preferences by other nations have limited, and threaten to limit, foreign markets for U. S. agricultural products such as citrus and tobacco. The Sugar Act should provide neither encouragement nor justification for those who advocate regional preferences in order to discriminate against U. S. agricultural exports.

2. Suspended Quotas. Section 202 (d) (1) (B) of the present Sugar Act, retained in H. R. 8866, provides that whenever any quota is suspended by the President in the national interest, the amount of the quota shall be prorated only to Western Hemisphere countries. This anomalous provision should be amended to provide that whenever a quota is suspended by the President, it should be prorated

either to all quota countries, or to the Western Hemisphere if the country involved is so located, and to the Eastern Hemisphere if the country involved is located there. As will be discussed below, this generally is the basis for allocation of foreign deficits arising from inability to supply sugar, and there is no logical reason why allocations should be different in the case of suspensions in the national interest by the President.

3. Deficit Allocations. Section 204 (a) of the Sugar Act provides for the allocation of deficits in supplies of sugar to foreign suppliers. In the case of a domestic deficit, allocations are made to the Philippines and to the Western Hemisphere suppliers. In the case of a Western Hemisphere deficit, the Philippines and Western Hemisphere suppliers share the deficit (except in the case of a deficit by a member of the Central American Common Market, which first is shared by the other members). In the case of an Eastern Hemisphere deficit, the Philippines and other Eastern Hemisphere suppliers share the deficit. And in the case of the Philippines, a country located in the Eastern Hemisphere, deficits are prorated among both Eastern and Western Hemisphere suppliers.

H. R. 8866 would amend Section 204 (a) in part by reducing the Philippines share of domestic and foreign deficits from 47.22 percent to 37.6 percent. Implicit in this action by the House of Representatives is the recognition of the Philippines' inability to supply its share of deficits during the period covered by the present Act. Table 2 shows that during the period 1966-1970, the Philippines was able to ship only 255 thousand tons of sugar against a total deficit entitlement of 1,631 thousand short tons, or a mere 7.4 percent of total deficits against an entitlement of 47.22 percent.

Further, H. R. 8866 makes no change in the present law's allocation of domestic deficits to the Philippines and Western Hemisphere suppliers. The exclusion of Eastern Hemisphere suppliers from participation in the allocation of domestic deficits is another arbitrary feature of the present Act and of H. R. 8866. Ostensibly their exclusion is justified by the alleged shorter shipping time from the Western Hemisphere suppliers to the United States. Even assuming--which is not the case--that Western Hemisphere suppliers consistently are able to ship to the U. S. in a comparatively shorter period of time, the fact remains that the Philippines is

located in the Eastern Hemisphere, but if it cannot fulfill its share of domestic deficits, this amount too is assigned to Western Hemisphere suppliers.

Clearly, this deficit allocation is arbitrary and unjustified. We submit that logic, equity and experience dictate that (1) the Philippine share of deficits should be at levels which reflect its actual ability to deliver; (2) the balance of domestic deficits not allocated to the Philippines should be shared by suppliers in both hemispheres on the basis of their respective quotas, and (3) in the event that the Philippines is unable to fill a readjusted share of domestic deficits, the unfilled portion should be allocated among Eastern Hemisphere suppliers.

Both H. R. 8866 and the present Act provide that in the event that the Philippines cannot ship its quota, both Western and Eastern Hemisphere suppliers share the unfilled portion. The arbitrariness of this provision is shown by the fact that in no other case is a deficit in one hemisphere allocated in the first instance to the suppliers in another. Obviously the supposed justification of shorter shipping times does not apply to Western Hemisphere participation in the deficits of a supplier

in the Eastern Hemisphere. In regard to any deficits which may occur within the Eastern Hemisphere there is no sound policy reason given the scheme of the Act why allocations should not be made to the other countries of that hemisphere.

II.

Benefits of Participation in the U. S. Sugar Program to Workers, and Improvements in the Standard of Living in India

Sugar mill workers in India benefit from a minimum wage established by the Government. This minimum wage varies slightly from area to area, and has increased from \$19.30 to \$22.50 per month in 1969 to \$22.30 to \$25.60 today. This is more than double the minimum wage rates of a decade ago. The average work week is 45 hours for the day shift and 44 hours for the night shift. The employment season is approximately 150 days.

The workers also receive a number of fringe benefits including housing, medical care, education, profit sharing bonus, provident fund and retirement fund.

In the economic development of India, the sugar industry plays a key role. The industry is the second largest

in India, directly employing 250 thousand workers. Cane is supplied by over 4 million growers. It is widely spread over the vast rural areas of India, the locus of India's most serious socio-economic problems.

The number of agricultural employees is very small because most of the sugar cane in India is grown by small farmers who handle the crops themselves. By requiring sugar mills to pay a minimum price to growers of cane, the Government of India has insured a fair return to the growers and provided a financial incentive for them to improve their crops. Table 3 shows the minimum price per 220 pounds which mills are required to pay to growers for cane yielding up to 9.4 percent sugar. This amount was increased from 76 cents in 1966-1967 to the present level of 98 cents, an increase of about 29 percent. The premium per 0.1 percent was raised from 0.7 cents per 220 pounds in 1966-1967 to 0.9 cents in 1970-1971. Moreover, in recent years, most factories have paid substantially higher prices to growers.

Improvement in the standard of living in India depends upon success in the agricultural sector as clearly recognized by the emphasis given to agriculture in the Fourth Plan. Sugar, as an important element in the agricultural sector, together with the industrial aspects of sugar production, is crucial to agricultural and rural progress.

Perhaps the most significant development in the sugar industry in India during the past decade has been the pronounced development of the cooperative sector of the industry. This is a direct result of the policy of the Government of India to provide for the agricultural sector of the economy through the establishment of cooperatives. The number of cooperative sugar factories has grown from 34 in 1961-1962 to 70 in 1969-1970. (Table 4.) In percentage terms, cooperatives accounted for 18.9 percent of total sugar factories in 1961-1962 and 32.6 percent in 1969-1970. The entire growth of the number of sugar factories during the decade was accounted for by the cooperative sector.

The growing importance of cooperatives is illustrated by Table 5 which shows that their share of total cane crushed rose from 15.5 percent in 1961-1962 to 30.3 percent in 1969-1970. In terms of sugar produced, the cooperative share rose from 17.4 percent in 1961-1962 to 32.4 percent in 1969-1970.

It is anticipated that cooperatives will account for 50 percent of the sugar produced by 1974. Of the 52 newly-licensed factories scheduled to come into production by 1974, 47 are cooperatives.

The efficiency of the cooperatives reflects both the economies of their newer plants and their favorable location. It also reflects the efficiency of the farmers, who themselves own the cooperatives, make greater use of fertilizers and irrigation to produce higher quality sugar cane, and have a firm commitment to the success of the cooperative factories.

The benefits to the farmer in the growth of the cooperative movement in India are obvious. He not only receives a high price for his crop, but also receives all profits from the production of sugar as well.

In more concrete terms, increased sugar production brings with it to rural areas not only increased disposable

wages and earnings, but roads, mechanized equipment, transportation facilities, electricity, and social institutions such as schools and hospitals. The introduction not only of modern technology but of other aspects of modern development into these areas acts as a catalyst for the entire economic and social development of India.

III.

U. S. Trade with India

Foreign trade is vital to the economy of India, both to obtain the agricultural and industrial products which she needs, and to meet the requirements of economic growth. The United States is India's major trading partner both as a source of imports and as a market for exports. In 1969-1970, 29.3 percent of India's imports came from the United States. This share was larger than that of any other nation. (Table 6.)

In 1970, India's trade deficit vis-a-vis the United States was \$275 million. (Table 7.) Her overall trade deficit in 1970 was \$178 million. (Table 8.)

The majority of India's imports from the United States were AID-financed, including substantial imports of agricultural products financed through PL-480. Table 9 shows total United States exports to India, AID-sponsored agricultural exports, commercial agricultural exports, and United States imports of sugar from India. To some extent, AID-sponsored agricultural imports, primarily under PL-480, do not adversely affect India's balance of payments. However, commercial imports are paid for in hard currency and to obtain this, India needs exports to hard currency countries.

Already, a wide variety of United States agricultural and industrial products possess significant markets in India. Table 10 shows Indian imports of selected commodities from the United States for the years 1967-1968 through 1969-1970. Total imports from the United States, especially agricultural imports, declined during this period because of the large amount of PL-480 purchases of food required in the earlier years. Nonetheless, the total market in 1969-1970 amounted to more than \$613 million. This was shared by producers of wheat, cotton, fertilizer, animal and soybean oil, chemicals, metals, machinery, and transportation equipment, among others.

As India's need for products of all kinds increases, commercial exports of these and other U. S. products can be expected to grow.

The improved prospects for U. S. exports to India were noted by the U. S. Department of Commerce in its publication Foreign Economic Trends (ET70-129) as prepared by the U. S. Embassy in New Delhi November 1, 1970:

"Promising areas for U. S. exports to India include: Specialized machine tools, food processing machinery, certain agricultural machinery and components, electronic equipment, and industrial instrumentation and measuring equipment. Demand continues for some transportation equipment, including railroad equipment, aircraft and aircraft equipment and spares. Mining and petroleum equipment, drills and accessories, and earthmoving and construction equipment are also likely to be in significant demand.

"In industrial raw materials and semi-manufactures, requirements are broad and include: Industrial chemicals, newsprint, ingredients for fertilizers and pesticides, non-ferrous metals, alloy and special steels and, in view of a growing steel shortage in India, many types of structurals and other steel mill products. Demand for medicinal and pharmaceutical intermediates and finished products is expected to continue strong."

India is a vast market of 565 million people, greater than the combined populations of the entire continents of South America and Africa. India's commercial imports in the future should grow, provided India's export markets grow sufficiently to finance its demand.

IV.

India's Need for U. S. Market

The enormous need of India not only for imports of many items, but for the development of her own agriculture and industry is evident. Sugar exports to the premium United States market have helped India to meet this problem, while simultaneously providing United States sugar users with a reliable, high quality source of supply.

India needs the United States sugar market for three principal reasons:

1. To obtain hard currency in order to finance development needs;

2. To provide an orderly outlet for increasing production of sugar in order to permit the industry to expand in anticipation of growing domestic and foreign demand and fulfill development plans of the Government of India for increased employment and increased benefits to the farmer;

3. To maintain and build its place in world sugar markets.

India's need for foreign exchange was outlined in the previous section discussing reciprocal trade between India and

the United States. This need is based upon extensive requirements for imports of all kinds which will grow in the future.

Commercial purchases of U. S. agricultural products are likely to increase in the future. Rising standards of living and economic growth will create demand for increased imports of industrial products as well. Such imports will require hard currency. India looks to increased exports of sugar to the premium United States market as one source of foreign exchange.

India's production of sugar has increased significantly in recent years. The Fourth Plan provides for a 25 percent increase in sugar capacity. Exports of sugar provide an outlet for anticipatory increases in sugar which may come on stream during this time. In view of her own rising consumption, both absolute and per capita, India needs to increase production and is doing so. The existence of the U. S. export market assists India in stabilizing this growth process and thereby helps maintain fair prices to growers.

Exports to the United States market offer India an opportunity to maintain her presence in world markets for sugar. Because sugar exports to the United States offer India the highest return of any export market, India is able to sustain the lower prices realized in other markets--including the

Commonwealth Preference market--and thereby add both to her foreign exchange earned and total exports to all markets.

The importance of the United States sugar market to India is illustrated by her share in the other preferential market to which she sells, the United Kingdom. Under the Commonwealth Sugar Agreement, India is entitled to export only 25 thousand long tons of raw sugar to the U. K. at a premium price, which is lower than the price she receives for exports to the United States. The possible entry of the U. K. into the European Economic Community raises questions concerning the continuation of India's small premium market in that country.

A share in preferential markets assists any country in developing its exports to the world market. In this respect India is at a disadvantage due to the low levels of its quotas in preferential markets compared to other major sugar exporting countries. India's sales to preferential markets constitute only 40.1 percent of its International Sugar Agreement quota compared to percentages of over 100 for almost all other major suppliers. An increased share in the United States preferential market would accelerate the further development of India's sugar industry.

V.

U. S. -India Relations

The United States and India have maintained friendly relations since India's independence in 1947. There has been cooperation over a broad range of issues and problems of mutual concern. Both the United States and India have a common commitment to the maintenance and strengthening of world peace and democratic institutions.

India's strategic location in Asia, the fact that it has the second largest population in the world and the impact of developments in India on other nations, make good relations between the two countries a prime objective of United States foreign policy. The United States has demonstrated its belief in the importance of a democratic and independent India. The United States in its assistance programs has recognized that this can only be achieved by a viable and growing Indian economy. India has welcomed and reciprocated the friendship of the United States and is appreciative of the assistance rendered by the United States.

With the recent elections, India is entering into a new period of political stability. Progress in economic

development, based upon an emphasis on the agricultural sector, holds the promise of an India which is less dependent upon foreign assistance. The emphasis has shifted to long-range development on the foundation which has been so successfully laid.

One need not either exaggerate the progress made nor underestimate the magnitude of the problem in recognizing the impressive record of Indian achievement in the last decade.

India engages in no discrimination against United States citizens.

Both individual and corporate entities of the United States may participate in the economy of India to the same extent as all other foreign persons. India welcomes foreign investment but in view of the necessity to set priorities to meet India's pressing problems of development, the introduction of foreign direct investment is regulated. As in all countries, the employment of foreign nationals is regulated. Foreign investments are accorded national treatment, and repatriation of capital and earnings is fully permitted.

United States investment in India has grown from \$83 million in 1955 to \$501 million in 1967. As a percentage of total

foreign investment in India, the United States share has increased as well, from 9 percent in 1955 to 14.1 percent in 1961 to 25.4 percent in 1967 (Table 11).

There have been no instances of expropriations of United States investments or other foreign property. The Indian Government has enunciated a policy of encouraging foreign investment and made known its views against expropriations.

CONCLUSION

In conclusion, Mr. Chairman, I would emphasize to the Committee these points:

India is one of the most dependable sources of supply in the world, as its performance during the critical 1963-1964 period and its maintenance of large reserves show.

India was not granted a quota in 1965 based upon its actual performance, but arbitrarily was made an "exception" to this rule.

India and other Eastern Hemisphere suppliers should share equitably in the allocation of suspended quotas and deficits.

India needs the U. S. market in order to finance critical development requirements, in great part through the purchase of U. S. agricultural and industrial products.

TABLE 1

SUGAR QUOTA COUNTRIES RANKED BY SIZE OF AVERAGE 1961-1970 RESERVE
AND H. R. 8866 ENTITLEMENTS; H. R. 8866 ENTITLEMENTS
AS A PERCENT OF AVERAGE RESERVES, AND AVERAGE TONS IN RESERVE
PER TON OF H. R. 8866 ENTITLEMENTS
(1,000 Short Tons)

	Average 1961-1970 Reserve Stocks	Rank According to HR 8866 Entitle- ments	HR8866 Entitle- ments	HR 8866 Entitlements as a % of 1961-1970 Average Reserve	Average Tons in Reserve for each Ton of HR 8866 Entitlements
*Brazil	2,087	3	520	24.9	4.01
India	1,282	8	82	6.4	15.63
Australia	905	5	204	22.5	4.44
*Argentina	618	10	75	12.1	8.24
South Africa	417	14	60	14.4	6.95
Mexico	331	2	532	160.7	.62
*Philippines	306	1	1,314	429.4	.23
China	155	7	85	54.8	1.82
Peru	110	4	415	377.3	.27
Mauritius	102	20	30	29.4	3.40
Dominican Republic	96	3	520	541.7	.18
*Ecuador	80	9	80	100.0	1.00
Venezuela	76	18	36	47.4	2.11
Colombia	58	11	73	125.9	.79
Fiji	48	16	45	93.8	1.07
British West Indies	45	6	190	422.2	.24
*Bolivia	38	22	17	44.7	2.24
Thailand	22	21	19	86.4	1.16
El Salvador	21	17	40	190.5	.53
*Costa Rica	21	12	65	309.5	.32
*Guatemala	13	15	54	415.4	.24
Swaziland	13	20	30	230.8	.43
*Nicaragua	9	12	65	722.2	.14
*Haiti	4	20	30	750.0	.13
*Honduras	4	22	17	425.0	.24
*Malagasay	4	23	15	375.0	.27
*Panama	3	13	63	2,100.0	.05
British Honduras	2	19	33	1,650.0	.06
*French West Indies	0	0	0	--	--
Bahamas	--	19	33	--	--

*1970 data unavailable

Average computed on basis of 1961-1969.

Source: U. S. Department of Agriculture;
International Sugar Organization.

TABLE 2

U. S. SUGAR DEFICITS, PHILIPPINE DEFICIT ENTITLEMENTS AND
ACTUAL SHIPMENTS AGAINST DEFICIT ENTITLEMENTS, BALANCE, AND
PERCENT OF TOTAL DEFICITS FILLED BY PHILIPPINES
(1,000 Short Tons, Raw Value)
1966-1970

	Total Domestic and Foreign Deficits	Philippine Entitle- ment at 47.22%	Philippine Shipments Against Deficit Entitlements	Amount Not Filled by Philippines	% of Total Deficit Filled by Philippines
1966	459	217	80	137	17.2%
1967	430	203	0	203	0
1968	909	429	0	429	0
1969	859	405	0	405	0
1970	797	377	175	202	22.0
1966-70 Total	3,454	1,631	255	1,376	7.4
1966-70 Average	691	326	51	275	7.4

Source: USDA

TABLE 3

MINIMUM PRICE PAYABLE BY MILLS TO SUGAR CANE
GROWERS IN INDIA, 1966-67 AND 1970-71

	Per 220 Pounds of Recovery Up to 9.4 Percent	Premium Per 220 Pounds for Each 0.1 Percent Increase in Recovery
1966-67	\$.76	\$.007
1970-71	.98	.0086

TABLE 4

**TOTAL NUMBER OF SUGAR FACTORIES, NUMBER OF NON-COOPERATIVE
AND CO-OPERATIVE SUGAR FACTORIES, AND CO-OPERATIVES
AS A PERCENTAGE OF TOTAL SUGAR FACTORIES IN INDIA
1961-62 TO 1969-70**

	<u>Total Sugar Factories</u>	<u>Non-Cooperative Factories</u>	<u>Co-operative Sugar Factories</u>	<u>Cooperatives As a Percent of Total</u>
1961-62	180	146	34	18.9%
1962-63	186	145	41	22.0
1963-64	194	146	48	24.7
1964-65	198	148	50	25.3
1965-66	200	147	53	26.5
1966-67	200	145	55	27.5
1967-68	200	143	57	28.5
1968-69	205	142	63	30.7
1969-70	215	145	70	32.6
Percentage Change	+19.4%	-0.7%	+105.9%	

Source: Government of India, Ministry of
Food and Agriculture

TABLE 5

**CANE CRUSHED AND SUGAR PRODUCED BY ALL SUGAR
FACTORIES IN INDIA, AND BY CO-OPERATIVES,
1961-62 to 1969-70**

(1,000 Metric Tons)

	<u>Cane Crushed</u>			<u>Sugar Produced</u>		
	<u>Total</u>	<u>Co-op</u>	<u>Co-op Share</u>	<u>Total</u>	<u>Co-op</u>	<u>Co-op Share</u>
1961-62	27,946	4,334	15.5%	2,729	475	17.4
1962-63	20,797	4,167	20.0	2,139	473	22.1
1963-64	25,716	5,499	21.4	2,573	601	23.4
1964-65	33,454	7,570	22.6	3,232	795	24.6
1965-66	36,512	9,098	24.9	3,541	941	26.6
1966-67	21,637	6,139	28.4	2,151	662	30.8
1967-68	22,638	6,363	28.1	2,248	689	30.6
1968-69	37,699	12,037	31.9	3,559	1,207	33.9
1969-70	45,736	13,863	30.3	4,260	1,382	32.4

Source: Government of India, Ministry
of Food and Agriculture

TABLE 6

PERCENTAGE DISTRIBUTION OF INDIAN IMPORTS
1969-70

<u>Country</u>	<u>1969-70</u>
United States	29.3
Japan	4.3
U.S.S.R	10.9
E.E.C.	10.9
United Kingdom	6.4

Source: Government of India

TABLE 7

U. S. BALANCE OF TRADE WITH INDIA
1964 - 1970

(Millions of Dollars)

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Exports to India	\$955	\$928	\$929	\$955	\$718	\$517	\$573
Imports from India	304	348	327	294	312	344	298
Balance	651	580	602	661	406	173	275

Source: International Monetary Fund,
International Financial Statistics

TABLE 8

INDIAN FOREIGN TRADE
(Millions of U. S. Dollars)

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Exports	1,631	1,749	1,687	1,603	1,613	1,753	1,833	1,957
Imports	2,477	2,876	2,925	2,827	2,807	2,509	2,044	2,135
Trade Balance	-846	-1,127	-1,238	-1,224	-1,194	-756	-211	-178

Source: International Monetary Fund,
International Financial Statistics

TABLE 9

VALUE OF UNITED STATES TOTAL AND AGRICULTURAL
EXPORTS BY TYPE OF SALE, AND VALUE OF SUGAR
EXPORTS TO THE UNITED STATES FROM INDIA,
1963 - 1969

(Millions of Dollars)

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Total U.S. Exports to India	\$ 802	\$ 948	\$ 926	\$ 923	\$ 950	\$ 715	\$ 514
AID-Sponsored Agricultural Exports	338	484	468	546	501	344	248
Commercial Agricultural Exports	22	-3	14	-8	29	.19	14
U.S. Imports of Sugar from India	14	15	16	9	9	11	8

Source: Foreign Development and
Trade Division, ERS, USDA
(As reported in Tables 26
and 27, "The United States
Sugar Program," Committee
on Agriculture, December
31, 1970.)

INDIAN IMPORTS FROM THE UNITED STATES
(SELECTED COMMODITIES)

(In thousands of U. S. Dollars)

<u>Commodity</u>	<u>1967-1968</u>	<u>1968-1969</u>	<u>1969-1970</u>
Milk and Cream	9,773.3	8,453.3	3,653.3
Wheat	396,853.2	269,839.9	201,706.6
Other cereals, unmilled	99,519.9	19,853.3	18,906.7
Food Preparations	5,213.3	2,666.7	2,440.0
Cotton (Raw)	59,453.3	35,800.0	35,920.0
Fertilizers, crude & manufactured	104,893.3	28,586.6	52,440.0
Animal oils, fats, greases	19,386.7	10,133.3	15,533.3
Soya Bean oil	18,986.7	12,653.3	22,653.3
Chemicals	22,079.9	33,973.3	24,720.0
Metals (Iron & steel, copper, aluminum, zinc, tin)	37,613.3	51,813.3	38,426.8
Manufactures of Metal	3,773.3	2,653.3	1,706.7
Machinery, including electrical	119,213.3	78,626.6	55,760.0
Transportation equipment	29,306.7	23,773.3	19,066.7
TOTAL, these imports	926,066.2	578,826.2	492,933.4
TOTAL, all imports	1,035,519.7	763,186.5	613,279.8

Source: Government of India
Ministry of Food & Agriculture

TABLE 11

TOTAL FOREIGN INVESTMENT AND UNITED STATES
INVESTMENT IN INDIA: 1955, 1961-62, 1965-67
(Millions of Dollars)^{1/}

<u>Year</u>	<u>Total Foreign Investment</u>	<u>United States Investment</u>	<u>United States As a Percent of Total</u>
1955	929	83	9.0
1961	1,428	201	14.1
1962	1,540	223	14.5
1965	2,006	451	22.5
1966	1,426	330	23.2
1967	1,976	501	25.4

Source: Government of India,
Ministry of Finance

^{1/} Converted on the basis of prevailing exchange rates.

COLOMBIAN-AMERICAN CHAMBER OF COMMERCE

APARTADO AEREO
SMB

CARRERA 10 No. 14-33 PISO 17
BOGOTA - COLOMBIA

TELEFONO: 436-981
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June 17, 1971

STATEMENT OF THE COLOMBIAN-AMERICAN CHAMBER OF COMMERCE, BOGOTA, COLOMBIA, TO THE UNITED STATES SENATE FINANCE COMMITTEE, CONCERNING SUGAR QUOTA LEGISLATION AS IT MAY AFFECT COLOMBIA AND COLOMBIAN-UNITED STATES RELATIONS.

This statement is submitted by the Colombian-American Chamber of Commerce through its Executive Director, Oscar A. Bradford, a United States citizen. The Colombian-American Chamber of Commerce is non-profit association of United States and Colombian businessmen whose primary objective is the improvement of commerce and trade between Colombia and the United States, under the free and competitive private enterprise system.

TRADITIONAL COLOMBIAN-U.S. RELATIONS

There is no Latin-American country with a better history of consistent friendship for and support of the United States. She is one of the very few countries still steadfastly adhering to democratic principles, with a freely elected government upholding rule by law. Her press is entirely free. She has regularly supported the United States in United Nations voting. As this statement is being prepared, Colombia is publicly celebrating the 20th anniversary of the landing of its troops in Korea in support of the United Nations and the United States in the Korean conflict.

There has been no expropriation of American property in Colombia and US investment enjoys equal treatment under the law.

The only South American country with extensive coastlines on both the Caribbean and Pacific, Colombia claims only the 12-mile limit of territorial jurisdiction in her adjacent seas.

US-COLOMBIAN-TRADE

The balance of trade between the two countries has consistently been favorable to the United States, and the balance has sharply increased in US favor during the 1968-1970 period during which it more than doubled.

COLOMBIAN SUGAR PRODUCTION

Barring major calamities, there is no question that Colombia can meet her export commitments of sugar. Her rich Cauca Valley region is one of the two or three in the world where crops can be harvested the year round. Her quotas under the 1965 amendments to the Sugar Act were unfailingly met, and her production could easily have doubled those exports to the US. The acreage currently devoted to sugar production can easily be increased three to four times over.

EFFECT OF US MARKET

It was the US market, and the US requirements for foreign sugar following the embargo on Cuban sugar, which originally generated the Colombian sugar industry. Colombia welcomed the United States proposals that she develop her sugar industry for export to the US to relieve then-existent shortages. This afforded some relief from her almost total reliance upon coffee as an agricultural export. As the sugar industry grew the importance of the US market - and Colombia's reliance on it - also grew. Neither in time of shortage or of plenty has Colombia entered into preferential agreements to export sugar to any other country.

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TREATMENT OF LABOR

Colombian sugar workers are very favorably treated. Wages are higher than in any other agricultural field. Medical attention and health insurance is provided free. There are liberal vacation and pension plans as well as annual and semiannual bonuses. Elementary schools are provided free of cost and low cost food stores and free recreational facilities are also made available to the workers.

An estimated 65 to 70% of the income of the sugar industry is returned to the workers in wages and benefits.

US TREATMENT OF THE COLOMBIAN SUGAR INDUSTRY

Prior to the 1965 amendments to the Sugar Act, when world prices were higher than the purchase price in New York, Colombia remained faithful to the US market, under US urging. No sugar was sold to any other nation in pursuit of higher prices. Such decline as did occur in exports to the US was due to disastrous floods in 1963 and crippling strikes, plus the need to augment national reserves to avoid a dangerously speculative local market.

The approximately 25% reduction in Colombias sugar quota under the 1965 amendment to the Sugar Act has forced Colombia into the most unfavored position of 16 Latin American countries, in terms of percentage of exportable surplus, which we submit, is the fairest yardstick by which to measure the treatment accorded the sugar producing nations of the hemisphere. Under the 1965 amendment Colombia may sell to the US only 29% of its exportable sugar, forcing Colombia to turn to the depressed world market for disposal of the remaining 71%. We feel that this inequitable treatment of Colombia should be rectified in the amendments now

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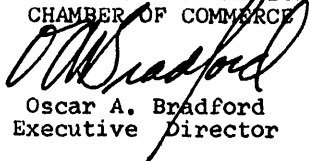
being considered in extension of the Sugar Act.

We ask the Committee to note that of 16 Latin American sugar producing countries referred to above¹ the next lowest percentage of exportable surplus admitted to the US is 50% (21% greater than Colombia's), and the range thereafter is all the way to over 100%. In only two cases does the actual tonnage available for export to other than the US market exceed Colombia's.

PROPOSED QUOTA ADJUSTMENT

Based on 1966-1969 averages² the US purchased approximately 72% of the total exportable surplus the 16 Latin American countries referred to. We respectfully propose that the pending amendment to the Sugar Act contemplate this approximate percentage, adjusted for projected variation in US import requirements, in fixing future quotas for those countries. By so doing equitable treatment would be accorded to all and there would be reasonable redress for the heretofore unfavorable treatment of Colombia, certainly one of the United States staunchest friends in the Western Hemisphere.

THE COLOMBIAN-AMERICAN
CHAMBER OF COMMERCE



Oscar A. Bradford
Executive Director

¹The 16 Latin American sugar producing countries referred to herein are (in order of percentage of exportable sugar admitted to the US under the 1965 Amendment to the Sugar Act) Venezuela, Nicaragua, Bolivia, Argentina, Costa Rica, Panamá, Haiti, Peru, Dominican Republic, Guatemala, Honduras, Mexico, El Salvador, Ecuador, Brazil, and Colombia.

²Data used herein is based on 1966-1969 averages in the 1969 I.S.O. Sugar Year Book and The United States Sugar Program.

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COMMITTEE ON FINANCE
UNITED STATES SENATE
UNITED STATES CONGRESS

STATEMENT SUBMITTED BY
THE SOUTH AFRICAN SUGAR ASSOCIATION
CONCERNING THE SUGAR ACT AMENDMENTS OF 1971

June 22, 1971

CASEY, LANE & MITTENDORF
1815 H Street, N.W.
Washington, D. C. 20006

John R. Mahoney
Philip R. McKnight
Henry B. Taliaferro, Jr.

Of Counsel

This material has been prepared by Casey, Lane & Mittendorf, which is registered under the Foreign Agents Registration Act of 1938, as amended, as an agent for The South African Sugar Association. Copies of the firm's registration statement for the year 1970 are on file with the Senate Committee on Finance, pursuant to the request of the Chairman in his release of June 10, 1971. This material has been filed with the Department of Justice. Registration does not indicate approval of this material by the United States Government.

SUMMARY

The South African Sugar Association (SASA) is a purely commercial organization, consisting of all sugar cane growers and millers in South Africa. There is no government representation in SASA.

SASA has fulfilled its quota obligations under the present Sugar Act Amendments of 1965 in every respect. Its modern mechanical storage facilities at a deep-water pier in Durban, one of the largest single wharfside sugar storage complexes in the world, hold over 400,000 tons of sugar for export, approximately three-quarters of which are available on moment's notice for any United States sugar emergency. Using the most modern loading equipment, SASA can load its own bulk sugar carrier, the S.A. SUGELA, with 25,700 tons of sugar in little more than a day. SASA's dependability as a supplier of high-quality sugar to the United States market and its demonstrated ability to fulfill its contractual obligations under the present Sugar Act has been recognized and commented upon recently by the Chairman of the House Agriculture Committee, the Honorable W. R. Poage:

" . . . of all the countries in the world, South Africa probably has indicated a greater determination to provide the United States with all the sugar that we sought to receive from them than any other country in the world." (Congressional Record, June 10, 1971, p. H5002.)

The United States enjoys a favorable balance of trade with South Africa amounting to nearly \$1 million a day. South

Africa has never applied a quota system to any import from the United States. She has, instead, treated all U.S. imports on a "most-favored nation" basis.

The benefits of the United States sugar quota are widely spread in the South African sugar industry. Two-thirds of the proceeds of all sales of sugar are paid to the growers, over three-quarters of whom are Black or Indian. The benefits are paid equally to all growers, irrespective of color. The premium price paid by the U.S. means an additional \$100 to a grower who produces 500 tons of cane, a small figure by U.S. standards, but one which represents a significant increase in the small growers' purchasing power in the South African economy.

Working conditions and wages in the South African sugar industry compare very favorably with the standards throughout Africa and many other sugar-producing areas in the world. Free housing, free food, free medical care, bonuses and pensions are available to all workers, irrespective of color. The aggregate remuneration of a field worker totals \$3 for a six-hour day. In terms of U.S. purchasing power, this would amount to approximately \$9 per day. The industry has developed on a labor-intensive basis in response to the ever growing need for employment opportunities, particularly among the rural Blacks. SASA supplies technical assistance and advice to a number of sugar-producing countries in Africa.

Irrespective of the future relationship between world and U.S. sugar prices, SASA pledges to fill all U.S. quota assigned to it.

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INTRODUCTION

The South African Sugar Association (hereinafter referred to as SASA) is a purely commercial organization, representing all sugar cane growers and millers in the South African sugar industry. The whole of the sugar industry is owned and controlled by private enterprise. There is no government representation in SASA.

Both the Chairman of the House Committee on Agriculture and the Chairman of the Senate Finance Committee have invited analysis of several factors applicable to the requests of foreign suppliers for a quota in terms of the legislation presently being considered by this Congress. SASA submits the following information in reply.

I. SOUTH AFRICA IS FRIENDLY TO THE UNITED STATES

A. U.S. Citizenship Respected

South Africa does not discriminate against U.S. citizens in South Africa and has never expropriated property owned by U.S. citizens. Investments in South Africa by U.S. citizens are welcomed, and there are no restrictions on the repatriation of earnings, dividends or interest. No law requires U.S. businesses to have South African participation.

B. Financial Responsibility

South Africa is one of very few countries which has repaid in full all its national debts to the United States.

C. Military Allies

South Africa fought on the side of the Allies in both World Wars. South Africa's 6th Armoured Division formed a part of General Mark Clark's Fifth Army, in Italy, during World War II. The South African Air Force participated in the Berlin Airlift of 1948 and fought in the Korean War with the United States.

D. Satellite Tracking Assistance

NASA maintains two deep-space tracking stations on a 350-acre site at Hartbeesthoek in the Transvaal. These stations are manned by U.S. personnel during exploratory missions. The U.S. Department of Defense maintains a satellite tracking station in the vicinity of Johannesburg. Both sites are made available to the United States at no cost. Units of the South African Navy have been offered as auxiliary recovery forces during American space shots, and South African air fields are used by United States military planes in connection with the space program.

E. Strategic Cooperation

South Africa has cooperated with the United

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States in many ways in overall strategy against common enemies. At the United Nations, South Africa has supported the U.S. position on every major issue affecting the security of the Western world. The opinions of various political and military authorities on the strategic importance of South Africa to the free world are given in Appendix A.

F. Outside Appraisal

The close relationship between the United States and South Africa appears in this statement by Mr. Frank J. Johnson, Foreign Editor of Washington Report:

"United States business investments in South Africa (estimated at over \$650 million) get excellent treatment and are not threatened by expropriation or nationalization. Furthermore, the flag of the United States is not subject to insult. The American Embassy is never stoned. American property is not bombed or otherwise damaged by riots or protest. Americans stationed in South Africa or visiting there as tourists or businessmen are never subjected to mistreatment as has occurred in certain other areas."

II. SASA IS A DEPENDABLE SUGAR SUPPLIER TO THE UNITED STATES

A. Sugar Shortages Occur Periodically

Worldwide sugar consumption increases at the rate of about two million tons annually, as members of this

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Committee know. Sugar shortages have developed in the past and some experts predict other shortages in the future. Consequently, the dependability of supplies can be important to the United States, and SASA, as a major supplier to the free world, is a reliable source.

B. Performance History

The following table shows SASA's production and export tonnage during the period of the current Sugar Act:

<u>Crop Year</u>	<u>Production (Short Tons)</u>	<u>Exports (Short Tons)</u>	<u>Export Production as a Percentage of Total</u>
1966/67	1,794,100	897,076	50.0%
1967/68	2,008,704	1,156,623	57.6%
1968/69	1,659,399	819,301	49.4%
1969/70(1)	1,788,499	860,012	48.1%
1970/71(1)	1,541,992	817,835	53.0%

(1) Production restricted in terms of the International Sugar Agreement, which became effective in January, 1969.

SASA's desire and ability to help the U.S. was clearly demonstrated during the period 1962/64 when, upon request, SASA delivered about 295,000 tons of global quota sugar in addition to SASA's basic quotas totalling 50,574 tons. Much of SASA's global quota sugar was shipped at prices below those which could have been obtained in other import markets.

Since 1962, when a quota was first awarded, SASA has supplied the following tonnages to the United States:

<u>Calendar Year</u>	<u>Quota Sugar Basic</u>	<u>Quota Sugar Global</u>	<u>Non-Quota Sugar</u>	<u>Short Ton Totals</u>
(Sugar Act Amendments of 1962)				
1962	8,325	84,772	3,360	97,727
1963	21,823	110,449	0	132,272
1964	20,326	99,634	0	119,960
1965	103,862	0	0	103,862
(Sugar Act Amendments of 1965)				
1966	55,292(1)(2)		17,600	72,892
1967	56,103(1)		14,760	70,863
1968	59,785(1)(3)		7,727	67,512
1969	56,808(1)		2,787	59,595
1970	<u>60,735(1)</u>		<u>15,914</u>	<u>76,649</u>
Totals	737,914		62,148	800,342
1962/1970 Averages	81,990		6,905	88,926

- (1) Includes proration from reserve for Cuba.
- (2) Includes 194 tons of deficit reallocated from India's shortfall of 1,447 tons.
- (3) Includes 2,113 tons of deficit reallocated from Thailand's shortfall of 17,976 tons.

C. Inventories at Wharfside

SASA's modern mechanical storage facilities, at a deep-water pier in Durban, hold about 440,000 short tons of sugar for export. This is one of the world's largest single wharfside sugar storage complexes. The cover photograph of the accompanying booklet, Bold Venture, shows this complex.

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After reserving approximately 100,000 short tons for minimum stock requirements under the International Sugar Agreement, about 340,000 tons could still be available for any U.S. emergency.

D. Reliable Supply at Critical Periods

1. Quick Deliveries in Emergencies

Mr. Tom O. Murphy, the Director of the Sugar Division, Agricultural Stabilization and Conservation Service, USDA, testified on February 9, 1971, before the House Committee on Agriculture: ". . . when sugar is needed, it's needed awfully fast."

Geographical nearness alone does not necessarily mean that a supplying area can deliver sugar quickly to the U.S. in case of an emergency. It is responsive capability that counts. For example, the nearness of sugar to port, the supply of empty ships at or near the port and the speed of loading may be as important as the distance from the source of supply. If an emergency develops, there is no need in South Africa to move sugar from inland to the port; it is already at the wharfside in tremendous quantities.

SASA's shiploading equipment delivers sugar from wharfside sugar silos directly into ships' holds at rates averaging about 825 short tons per hour, which is

more than many suppliers load per day. Using the sophisticated loading equipment which can be seen at page 20 of the booklet, Bold Venture, SASA loads a 25,000-ton ship in little more than a day. By comparison, the non-mechanical loading employed in some other parts of the world would require about a month to achieve the same result.

2. SASA's Sugar Ship

SASA, in partnership with Safmarine, owns the S.A. SUGELA - a bulk sugar carrier with a cargo capacity of about 25,760 short tons. This ship is used to deliver sugar to SASA's export markets and thus relieves SASA from exclusive dependence on world charter markets.

3. Relatively Short Transit Time

Although a ship loaded in Durban reached Boston in 16 days, the normal transit time from Durban to U.S. Northeast ports (where temporary supply shortages frequently occur) is about 21 days.

4. Ocean Bottlenecks Avoided

The sea route is completely through open waters, which could be vital to the U.S. under emergencies such as the closing of the Panama Canal, through which about half of the ocean-borne sugar travels to the U.S. mainland.

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5. Examples of Meeting Critical Situations

A few examples of how SASA responded in the last four years to critical U.S. supply situations are:

1967: On November 6th the USDA authorized an additional 100,000 tons of over-quota sugar to enter North-of-Hatteras ports only. The USDA press release said ". . . refiners North-of-Hatteras have had some difficulty in purchasing their requirements." Although only 60,000 tons of this 100,000 ton request-authorization ultimately reached the U.S. in the prescribed period, about 13% of this 60,000 was supplied by SASA, which had a quota of 1.06% of U.S. sugar imports.

1968: The Federal Register of January 16, 1968, 33 F.R. 529, explains that "an additional 75,000 tons of foreign raw sugar were permitted to enter during the first quarter to make more sugar available in the Northeast." SASA delivered three cargoes totalling about 30,000 tons to the needy Northeastern ports during the stipulated period. This represented over 50% of SASA's quota.

1969: During April when SASA had already shipped 23,161 short tons of its then 55,000-ton quota to the U.S., and had other export commitments, the U.S. Embassy in Pretoria asked whether additional sugar could be supplied during 1969. SASA replied that it could supply an

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additional 50,000 tons immediately and that a further 50,000 tons could probably be delivered later in the year. Although, as it happened, no additional sugar was required, SASA's response is further evidence of its willingness and ability to cooperate at all times with the United States' sugar program.

1970: On January 23rd the USDA rescinded its limitations on first quarter importation, based on "[t]he difficulty of arranging ocean freight to North Hatteras ports . . . [which] resulted in a tight supply situation there," according to the official government press release. SASA was able to arrange ocean freight and delivered practically its entire quota balance (95.8%) into the critical area within the time limit.

6. SASA's Pledge to Supply

Irrespective of the future relationship between world and U.S. sugar prices, SASA pledges to fill all U.S. quota assigned to it. And, as demonstrated by its past performance, SASA has the capacity to supply sugar to the U.S. well in excess of its present quota.

E. SASA Supplies High Quality Sugar

South African sugar is well known today by U.S. refiners for its excellent refinability. SASA has devoted considerable funds for research to obtain the highest

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quality products. Its sugar is consistently one of the best in the world.

Good raw sugar is important to refiners and to industrial users in making high-standard products for household consumers. If all of the raw sugar imported under the Sugar Act were of the same high quality as SASA's, refiners through-put would be increased. This might allay fears expressed by some large industrial users that the U.S. may not have sufficient refining capacity in a few years.

III. UNITED STATES SELLS MUCH MORE TO SOUTH AFRICA THAN IT BUYS

A. Agricultural Products*

South African purchases of, and payments for, United States' agricultural products for the last few years have been as follows:

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
	(U.S. \$ Millions)				
Food and animals	51.1(1)	23.2	19.1	18.7	NA
Beverages and tobacco	0.5	0.5	0.8	0.5	NA
Oils and fats	3.0	1.3	2.3	2.4	NA
Goods manufactured from agricultural products	48.3	54.8	51.8	51.4	NA
Totals	102.9	79.8	74.0	73.0	NA

(1) This figure includes the purchase of \$24,139,098 of grain following South Africa's worst drought in seventy years.

*Source: The State of South Africa Yearbook - 1970.

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B. Balance of Trade*

During this same period the balance of trade between South Africa and the United States has been:

	<u>U.S. Exports to South Africa</u>	<u>South African Exports to U.S.</u>	<u>Balance in Favor of U.S.</u>
	(U.S. \$ Million)		
1966	408	191	217
1967	456	168	288
1968	466	146	320
1969	519	152	367
1970	NA	NA	NA

As the table indicates, the balance of trade has been increasingly in favor of the United States. It has now reached \$1 million per day - in favor of the United States.

C. Imports from U.S.

South Africa has never applied a quota system to any import from the United States. All imports from the U.S. are treated on a "most-favored nation" basis.

IV. SOUTH AFRICA'S NEED FOR A SUGAR QUOTA

A. Unfavorable Balance of Trade

South Africa has a large unfavorable balance of trade with the U.S. which during the past ten years totalled \$1.5 billion. All of this imbalance has resulted from trade in hard currency; none of it is derived from AID. The

*Source: The State of South Africa Yearbook - 1970.

award of a sizeable U.S. sugar quota would help to reduce this trading imbalance.

B. No Other Premium Priced Sugar Market

Table 25 of the Committee print, "The United States Sugar Program", dated December 31, 1970, confirms that South Africa has no premium priced market other than in the U.S.

C. Dependence on Sugar

Sugar exports represent a small percentage of the total South African exports to the world, as shown in Table 28 of the above-mentioned print. Nevertheless, the U.S. market is important to the South African sugar industry for the reasons developed below.

D. Present Stage of Development

The present stage of development of the South African sugar industry can be judged from the following facts about the growers, millers and employees:

1. Independent Growers

	<u>1965</u>	<u>1970</u>	<u>Increase since 1965</u>
Black	3,689	4,398	709
White	2,144	2,194	50
Indian	<u>1,820</u>	<u>1,877</u>	<u>57</u>
	<u>7,653</u>	<u>8,469</u>	<u>816</u>

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All cane is crushed at the nearest mill, and the sugar produced is stored and marketed by SASA. The price received is exactly the same for all growers. The majority of independent growers farm small holdings. As a result of assistance from agricultural research and educational programs financed by SASA, the economic viability of these small farms is improving each year through increased cane yields.

SASA's concern for the small grower - mostly Black or Indian - has been shown in a practical way. For many years individual growers who produce less than 4,000 tons of cane per crop have been subsidized each year by 10% of the cane price. These subsidies are provided by all other growers in an effort to overcome the problems of the smaller producers, irrespective of race.

That Black growers are mainly small producers of cane is in part due to their background as herders. They have historically concentrated on raising cattle. Opportunities exist within the industry for Blacks to become independent growers and, in fact, the industry has made intensive efforts over the past ten years to encourage them to do so. The success of these efforts can be seen in the 20% increase in the number of Black growers over the past five years.

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The Indians first came to South Africa at the turn of the century as field workers. During the ensuing years they have played a prominent part in the development of the sugar industry and today many are independent growers. Of the Indian growers eight already deliver over 10,000 tons of cane each year; 22 deliver over 5,000 tons of cane; 41 deliver over 3,500 tons of cane; and 220 deliver over 1,000 tons of cane each year.

2. Millers

The milling section of the industry comprises twenty sugar mills, which grind 16 million tons of cane a year at a combined crushing rate of over 3,500 tons per hour. Except for two co-operative mills, they are all owned by public stock companies. Total capital employed in the milling section of the South African sugar industry is approximately \$250 million.

3. Employees

Working conditions and wages in the South African sugar industry compare very favorably with the standards throughout Africa and many other sugar-producing areas in the world. This is borne out by the fact that thousands of Blacks migrate into South Africa yearly from countries to the north to obtain employment. Details of wage levels, labor agreements, free housing, free food and

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free medical care, applicable to the sugar industry, as submitted to the USDA, appear in Appendix B.

Because of the seasonal nature of the sugar industry, SASA is unable to provide more than a careful estimate of the number of people employed in the industry. However, it is a significantly large employer:

(a) Apriculture

Black	124,600
Indians	4,000
White	<u>500</u>
	129,100

(b) Milling

Black	11,000
Indians	4,200
White	<u>4,000</u>
	19,200

Using a ratio of only two dependents for every person working in the sugar industry, nearly 500,000 people - Black, Indian and White - are directly concerned with the economic position of the industry.

V. BENEFITS OF SUGAR QUOTA WIDELY SPREAD IN SOUTH AFRICA

A. Proceeds Shared by Millers and Growers

In South Africa, two-thirds of the proceeds of all sales of sugar are paid to the growers and the remaining one-third is paid to the millers. Thus, two-thirds of the

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benefit of participation in the U.S. sugar market is paid to the growers.

The premium price paid by the U.S. means an additional \$100 to a small grower who produces 500 tons of cane. By U.S. standards this figure seems small, but it, in fact, represents a significant increase in the small growers' purchasing power in the South African economy.

B. Educational Assistance

SASA provides from its own funds substantial sums each year for the purpose of furthering education. See Appendix C.

C. Technical Assistance

SASA has one of the finest sugar cane research and experiment stations in the world, and, in addition to meeting its own requirements, it also gives technical assistance in this field to a large number of sugar producing countries. See Appendix D.

D. Socio-Economic Policies

Throughout the continent of Africa efforts to raise the standard of living are complicated by:

1. the relatively low level of capital generation per capita

2. the high birth rate of the Black people

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South Africa's Black population is growing at the rate of 3.4% per annum. An economic growth rate of 6% is required simply to provide enough jobs for the natural increase in population. As it is, the growth rate will not provide enough jobs for the Black community.

Insofar as the sugar industry is concerned, classical economics might favor the introduction of large-scale mechanization, but the industry is structured on a labor-intensive basis to respond to the ever growing demand for employment. The advantage of such an approach is that it spreads the available income more widely throughout the population - particularly among the rural Blacks. The disadvantage is that it results in lower productivity and, as a consequence, a lower wage rate than in capital-intensive industries.

The sugar industry has been successful in raising productivity and, therefore, has been able to avoid the worst effects of such a dilemma. In terms of productivity, the industry pays higher wages than many other sugar-producing areas in the world.

These efforts would be jeopardized by any reduction in the sugar quota. It would make much more difficult the task of generating sufficient work for the rural Black people.

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A well-known economist, Mr. L. P. McCrystal, has made an appraisal of the need for a labor-intensive industry in the sugar sector of the South African economy, in which he articulates this economic phenomenon. See Appendix E.

CONCLUSION

In seeking a further sugar quota in the legislation now being considered, the South African Sugar Association submits that:

1. The South African Sugar industry is entirely private and has no connection with government.
2. SASA has fulfilled its Sugar Act obligations in every respect.
3. SASA has demonstrated its ability to supply its quota, to carry huge reserves, and to furnish additional sugar on demand.
4. Two-thirds of the benefits of a sugar quota in the United States market are paid to South African cane growers. These benefits are paid equally to all growers, irrespective of color.
5. SASA has no premium priced export market other than in the United States.

6. The United States has a favorable balance of trade with South Africa of \$1 million per day.

7. Each year South Africa buys - and pays for - over \$70 million worth of agricultural products and goods manufactured from agricultural products from the United States.

In its deliberations on the continuation of South Africa's quota in H.R. 8866, the Sugar Act Amendments of 1971, SASA respectfully requests that this Committee give serious consideration to the finding made by the Chairman of the House Committee on Agriculture when he stated to the members of the House on June 10, 1971, that his Committee "gave 60,000 tons to South Africa primarily to help the United States . . . [O]f all the countries in the world, South Africa probably has indicated a greater determination to provide the United States with all the sugar that we sought to receive from them than any other country in the world." (Congressional Record, June 10, 1971, p. H5002.)

* * *

Appendix A

REPRESENTATIVE VIEWS OF THE STRATEGIC
IMPORTANCE OF SOUTH AFRICA TO THE FREE WORLD

1. General Hans J. Kruls, Former Chairman of the Netherlands Joint Chiefs of Staff, and Editor-in-Chief of NATO's Fifteen Nations. November, 1970:

"NATO should extend its military interests around the globe and could very well support South Africa in defending the Indian Ocean and the Cape route.

Part of any deal - if it is expected of South Africa to set up and maintain military bases - would be to give her the tools to do this.

I can foresee co-operation with South Africa in that her forces could be supported by NATO forces."

2. Sir Alec Douglas-Home, British Secretary for Foreign Affairs. August, 1969:

"Now the question therefore arises whether in our concentration on NATO, a priority which nobody disputes and which I have emphasized, we are looking far enough afield for our national and continental security.

We have the Simonstown Agreement with South Africa. It is an agreement which gives to Britain the use of all South Africa's ports, including Durban, in the event of war. This is of considerable strategic significance in terms of the South Atlantic and Indian Oceans."

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3. Major General Sir Francis de Guingand, K.B.E., C.B., D.S.O. President of the South Africa Foundation; Chief of Staff 8th Army and 21st Army Group during World War II. April-May, 1965:

"The importance of South Africa's geographic position in any East-West conflict is obvious and requires little emphasis. Should the use of Suez be denied to the West, if Aden should be lost, or if Communist-controlled or unaligned African states were to deny fly-over rights to Western aircraft, as has already been done in some territories, South Africa's harbours and airfields would be vital to the Anti-Communist alliance.

Recognition of this fact is implicit in the existence of the Simonstown Agreement whereby Britain and her allies are guaranteed the unfettered use of the Simonstown naval base in the event of war, irrespective of whether South Africa is involved or not. In terms of the Agreement South Africa is responsible for the patrolling of five million square miles of the southern oceans. To enable her to fulfill this obligation, South Africa is building up strong air and naval forces equipped with modern frigates and supersonic patrol aircraft.

Britain's Commander in Chief, South Atlantic, has his peacetime headquarters with radio installations at the Cape while the South African navy takes part each year in combined exercises, known by the operational name of 'Capex' with British, American, French and Portuguese units. Important United States satellite, missile and deep space radio tracking stations are maintained on South African territory.

Perhaps even more important than South Africa's strategic position across the air and seaways to the East is the fact that its military value is enormously strengthened by its economic power. Besides its possession of strategic minerals it is self-sufficient in food both for itself and its allies, it has highly developed ship repair and bunkering facilities and the whole of its manufacturing industry can be converted to war production as has been shown twice this century.

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All of its resources are moreover protected by being located in a powerful block whose northern components are Rhodesia, Angola and Mozambique, while its flanks and rear are protected by the sea.

Although comparatively small by British and American standards, South Africa's armed forces are of high quality. They have distinguished themselves in both World wars as well as in Korea. In 1940 they liberated Ethiopia - now in the van of South Africa's enemies - their gunners stood at Alamein and their armoured and motorised brigades rolled northwards up Italy with Mark Clark's 5th Army. The South African Air Force ranged far through the skies of Europe, Africa and the East. In 1952 a South African fighter squadron fought in Korea while a heavy air transport group helped to beat the Berlin Blockade."

4. General S. L. A. Marshall, U. S. commentator on military affairs. November, 1967:

"Admiral Arthur W. Radford, former Chairman of the Joint Chiefs of Staff, on visiting the Cape in October, 1967, had this to say: 'You are now at the crossroads of the world, both economically, and militarily.' Though in that there might have been some slight exaggeration out of a desire to be polite, one cannot argue with geography. Seeing the globe as a whole, the Cape is an anchor position. I doubt that any other ex-chief of the JCS, if asked the following question, would return a negative answer: 'In view of South Africa's strategic placement and power potential, and considering these things only, can it be said that America's security is best served by making an enemy of that state?' I have tried the question on two former Chairmen and one ex-Secretary of Defense, and all answered no."

5. Professor Reginald D. Lang, Co-Chairman of the Department of Government and International Relations, Carleton College, Northfield, Minnesota. November, 1968:

"A concert of policy between the United States and South Africa covering the solidarity of their interests would enable them with support from Australia, to preempt, or cover the areas which for our better defense must be denied to the Soviets. By increasing her naval-air strength at Simonstown, and by development of Durban, and even another harbor on the east coast, South Africa, by patrolling the waters of East Africa, together with American or Australian co-operation, would erect a bulwark against Soviet penetration of East Africa and the Indian Ocean. Owing to the character of conflict in the atomic age, the bulwark need not be a massive blockade, but only an impressive and 'there firstest' presence. Moreover South African co-operation with Argentina, already being explored, would be a wall of defense in the South Atlantic, relieving the United States of some burdens while improving its defense on this southern hemisphere frontier.

Both the amplitude and the primacy of their interests should rally the United States and South Africa into a united muster.

Both the design of sea-air power, and its political structure of an Oceanic Association centre upon the corresponding interests of the United States and South Africa as a core, for they cover the entire amplitude of the strategic arc, and they are connected at the Cape.

Now when the West is menaced in Europe, in the Mediterranean and South Atlantic by a Eurasian naval-air power, that also is expanding into the Indian Ocean and around its littoral to threaten remnants of former European powers, and to absorb erstwhile European colonies, the Cape becomes a southern Gibraltar coupling the power and policy of associated states at the confluence of two oceanic arenas."

6. Mr. Anthony Harrigan, Managing Editor, Washington Report. August, 1969:

"Only a few years ago, a Soviet maritime or naval presence in the Southern hemisphere was hardly considered possible. The arrival of a single Soviet vessel in African waters attracted world-wide attention. All that is changed. Fifteen Soviet and East Bloc ships pass the Cape of Good Hope every day. In the last year, more than 139 communist vessels called at East African ports. Soviet warships regularly move into the Indian Ocean from the Atlantic side. For example, in late July two Soviet warships, the rocket ship 'Uporny' and the naval tanker 'Yegorlyk' arrived in Zanzibar. Earlier in the year, a Russian rocket cruiser and a guided missile destroyer paid the first official visit to Mauritius, the strategically located Indian Ocean island 550 miles east of Madagascar.

The Soviet maritime and naval activity make the Simonstown base tremendously important now and in the event of any type of oceanic conflict. In any ten-day period, there are almost 2000 ships travelling the sea routes off South Africa's shores. These include the supertankers that carry oil from the Middle East to keep the lights burning in Europe. It is essential that the movements of these vessels be monitored.

Co-operation, which existed under the Eisenhower administration, (and which included the joint United States, British, South Africa, and Portuguese naval exercises) all but ceased as a result of policy decisions by the Kennedy and Johnson administrations.

This ban, ordered by previous administrations, is extremely unrealistic, not to say hypocritical in view of the importance of naval and air co-operation with the Republic."

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7. Mr. Desmond Donnelly, Former British Labour M. P., author and commentator on East-West strategy. November, 1969:

"South Africa is an extremely important country at a key strategic point in the world.

The coming American withdrawal from Viet-Nam, the British withdrawals from Singapore and the Persian Gulf, and the huge Soviet naval investment programme in submarines already and aircraft carriers to come, are all inter-related.

The Indian Ocean may be a Communist lake by the mid-1970's, unchallenged except by the Portuguese ports of Beira and Lourenco Marques, inland Rhodesia and the great bastion of South Africa that guards the Cape Route."

8. Colonel Daniel T. Brigham, Commentator on military affairs and wartime correspondent for "The New York Times". February, 1969:

"Strategically, Red control of Cape Town would end the threat of Free World naval interference with Communist long-range planning for conquest of the Far East, the Persian Gulf, and the African east coast. The critical importance of Cape Town, not to mention the other continental ports of South Africa, has been amply demonstrated during the prolonged closure of the Suez Canal in the wake of the Israeli-Egyptian Six-Day War. Military analysts are, of course, aware of the strategic importance of southern Africa. Diplomats in the field have cabled warning reports on the African situation to their home governments, urging a cautious and realistic reappraisal of policy decisions. Free World intelligence is in possession of ample information concerning Communist machinations in Africa, including the existence of a joint Red high-command headquarters in Dar-es-Salaam, capital of Tanzania."

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9. Mr. Anthony Barber, British Chancellor of the Exchequer. March, 1970:

"I regard the Cape sea route as terribly important and I regard its defense as terribly important."

10. General Mark Clark, United States Commander during World War II. April, 1969:

"The only defence against the encroachment of Communism lies in strength and aggressive resistance. I am glad to see declared anti-Communists like the South Africans straddling the vital Cape Sea route."

11. Mr. Selwyn Lloyd, Former British Defense Secretary and Foreign Secretary. October, 1969:

"The decisions to abandon Aden, the Persian Gulf, Singapore and Malaysia leave the Indian Ocean wide open, a vacuum into which the Soviet Union, now a great naval power, has moved.

The safety of the sea routes round Southern Africa is vital to us. The ports and other facilities must be in friendly hands."

12. Mr. Dean Acheson, in a speech to the American Society of Newspaper Editors. May, 1969:

"Hostile harassment, with our help, of three friendly countries in Southern Africa is still going on. These countries were our allies in two world wars. Today, with the Russian Navy in the eastern Mediterranean and the Indian Ocean, they (the three countries) are more important to us, and as President Banda of Malawi keeps on telling his sub-Saharan black neighbours, more important to them than all the rest of Africa put together.

Yet these acts of harassment and folly were designed in the United Nations to coerce Portugal into setting adrift territories over which it has had political responsibility for twice the time of our own country's independent life; to separate South Africa from South-West Africa, over which its claim to rule is as good as ours over any of our territory, and to change its whole social structure; and to pressure Rhodesia into submitting to the colonial rule of Harold Wilson's Whitehall.

These matters surely concern the internal affairs of friendly countries and are none of our business. But what is more important is that, while the interference in which we are joining has not the slightest chance of accomplishing its purpose, it has already inspired acts of terrorism in Southern Africa which have been sternly repressed. If we continue this meddling folly, it will inevitably instigate a serious blood-letting, armed and encouraged from the same sources that have fanned the flames of war in the Middle East. The responsibility will be ours, for this incipient war would cease if our government would cut its connections with it."

BY AFRICAN STANDARDS, SOUTH AFRICA OFFERS GOOD WORKING
CONDITIONS AND WAGES IN THE SUGAR INDUSTRY

(Note: The information herein has been supplied to the
Agricultural Attache, United States Embassy,
Pretoria, South Africa.)

1. Wage Rates:

a) Field workers

These include migratory and permanent labor, gang leaders and supervisors, timekeepers, weighbridge operators, drivers and other agronomy staff.

While the wages vary from area to area within the canebelt, the average daily wage of field workers is about \$1.67, which is substantially enhanced by fringe benefits.

These fringe benefits in the aggregate bring the average daily wage to approximately \$3.00. The average work day for a field worker is 5 to 6 hours. In addition, bonuses of one month's pay are paid to most of the workers each year. In the case of cane cutters, a production bonus of approximately 45 cents per day is paid.

All workers listed above receive free housing, free food and free medical care for themselves and their families.

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b) **Factory workers**

Wages, and conditions of employment such as sick leave and annual leave, are regulated by the Industrial Conciliation Act, through which minimum rates of pay are established for each job, irrespective of race.

Examples of the minimum and the actual rates of pay, excluding overtime, for workers covered by the Industrial Conciliation Act are:

	<u>Minimum Per Month</u>	<u>Actual Per Month</u>
Skilled categories:		
Artisan	\$ 233.80	\$ 364.00
Clerk	\$ 214.20	\$ 301.00
Pan Boiler	\$ 197.40	\$ 266.00
Unskilled categories:		
Operative	\$ 89.60	\$ 109.20
Semi-skilled laborer	\$ 70.00	\$ 82.60
Unskilled laborer	\$ 51.80	\$ 61.60

2. Fringe Benefits

The fringe benefits listed below are available to all field and factory workers:

a) **Free Housing**

Free housing is provided for employees and their families.

b) Free Food

The following represents a typical, basic weekly issue of free food:

<u>Indians</u>		<u>Blacks</u>	
Rice	15 lbs	Maize	19 lbs
Maize	13 lbs	Meat	3 lbs
Flour	6 lbs	Flour	6 lbs
Peas (Dholl)	3 lbs	Beans	6 lbs
Salt	1 lbs	Salt	1 lbs
Sugar	3 lbs	Sugar	3 lbs
Cooking oil	1 pint	Cooking oil	1 pint

In addition, many workers receive an issue of free milk.

c) Free Medical Treatment

Free medical treatment and medicines are provided for employees and their families.

d) Pensions

All factory and the permanent field workers have the benefits of a non-contributory pension scheme.

SASA'S CONTRIBUTIONS TO EDUCATION IN SOUTH AFRICA

SASA is making the following annual contributions in the field of education:

- a) The Sugar Industry Trust Fund for Education - \$140,000
- b) An additional special allocation of \$35,000 to the Trust Fund for special allocation for specific Black or Indian educational projects
- c) Four scholarships for Black or Indian students at the Medical School, University of Natal
- d) Four scholarships for Black students at the University College of Zululand
- e) Four scholarships for students at the University College for Indians
- f) Six scholarships for Black or Indian students in the field of Social Science

In addition, SASA is the principal sponsor of a series of studies being carried out by the University of Natal in connection with Indian agriculture in Natal. SASA is also the major sponsor of the Wilderness Leadership School, which is designed to introduce high school students to the study of wildlife and soil conservation in South Africa.

**SASA PROVIDES TECHNICAL ASSISTANCE TO
FRIENDLY NEIGHBORS IN AFRICA**

SASA's agricultural research unit is devoted solely to sugarcane. Its findings are available to all growers in the South African sugar industry. It is financed entirely by SASA. The annual cost is over \$900,000.

Since 1967, in terms of a formal agreement, a detailed program of technical assistance has been provided for the Swaziland Sugar Association and the Sugar Corporation of Malawi.

This program includes:

- a) the supply of new, improved sugarcane varieties
- b) the results of all research projects
- c) advice and guidance relative to grower advisory services
- d) the training of staff for such services
- e) the analysis of soils and plant tissues for the evaluation of fertilizer requirements
- f) investigations into specific problems of sugarcane production in the territories concerned

SASA also exchanges technical data with almost every cane sugar producing country in the world. In addition, seedlings and seed are exchanged with breeding stations in Australia, Barbados, Brazil, Mauritius, Mexico, Reunion, Taiwan and the United States. Seedlings are supplied to several countries which do not undertake

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their own breeding programs. These include Angola, Ceylon, the Congo, Iran, Israel, Kenya, Malagasy, Mozambique and Spain. Recently, inquiries have been received for these facilities to be extended to Colombia, Peru and Argentina.

The wealth of experimental data, information and experience which has been accumulated over the 44 years since SASA's research station was established is available to -- and has been used by -- sugarcane producers throughout the continent of Africa.

AN APPRAISAL OF THE NEED FOR A
LABOR INTENSIVE INDUSTRY IN THE
SUGAR SECTOR OF THE SOUTH AFRICAN
ECONOMY

by

L. P. McCrystal, B.Sc. (London) M.Econ. (Natal)
Ph.D. (Natal)

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1. SOUTH AFRICA'S ECONOMIC DEVELOPMENT,
POPULATION GROWTH AND CAPITAL FORMATION.

- 1.1 The South African economy is characterised by its dual nature i.e. the parallel existence of a fairly well advanced private enterprise and capital-using economy along with a subsistence economy which is non-capitalistic and in which the people reveal little by way of an enterprising spirit. Of the total population of 21,430,000 which is the preliminary figure obtained from the 1970 census, 15,060,000 or over two-thirds, are Bantu. Virtually all of these can be regarded as being directly or indirectly dependent for work opportunities upon capital generated by the White section of the population.
- 1.2 Moreover, although they do not all live in the subsistence areas, there are more Bantu who can be regarded as forming a part of these areas than is revealed purely by the census figures. These are people who live in White farming areas but where the population pressure is too great to provide them all with an above-subsistence living. Then there are others who are attracted to the cities in larger numbers than the number of jobs available. They squat on land peripheral to certain of the cities and live at or near a subsistence level.
- 1.3 The economic weight pressing upon the more enterprising and capital-generating sections of the population does not derive solely from the relatively greater size of the less enterprising, non-capital-generating section. There is also a wide difference in the rates of population growth. Between the 1960 and 1970 censuses the White population which, for practical purposes, may be regarded as containing the capital-generating section, grew at the compound rate of 2.1 per cent per annum. Over the same period the Bantu

population, which, as already indicated, can be regarded as being non-capital-generating, grew by 3.4 per cent per annum compounded. In absolute numbers these growth rates imply an addition to the White population during the 1970 calendar year of some 79,000 persons compared with an addition to the Bantu population of some 520,000 persons. The latter figure represents approximately 160,000 to 170,000 persons for whom work opportunities need to be generated.

- 1.4 The capacity of an economy to generate work opportunities and a rising standard of living for the entire population is related to the degree of enterprise shown by the people and the amount of capital formation which takes place in relation to the size of the population. The economics of Adam Smith are not irrelevant in the African environment. Indeed, the economic conditions he analysed are not dissimilar, in many respects, from those prevailing in Southern Africa to-day. He commented as follows on the accumulation of capital ("The Wealth of Nations" - Cannan Edition - Volume 1 page 364):

"The annual produce of the land and labour of any nation can be increased in its value by no other means, but by increasing either the number of its productive labourers, or the productive powers of those labourers who had before been employed. The number of its productive labourers, it is evident, can never be much increased, but in consequence of an increase of capital, or of the funds destined for maintaining them. The productive powers of the same number of labourers cannot be increased, but in

consequence either of some addition and improvement to those machines and instruments which facilitate and abridge labour; or of a more proper division and distribution of employment. In either case an additional capital is almost always required."

- 1.5 Whilst the proportion of the gross national income which is saved in South Africa compares favourably with other countries, the amount of capital formation per head of population does not. This is revealed by the following examples (all figures are for 1967):

	<u>% of net national income saved.</u>	<u>Gross Domestic Capital forma- tion per head of population</u>
	<u>%</u>	<u>£</u>
United States of America	10	693
United Kingdom	12	326
Australia	19	569
Venezuela	14	199
South Africa	21	193

The reason for the relatively low capital formation per head of population recorded in South Africa is that it virtually all comes, directly or indirectly, from one section - about 10 per cent - of the White population which in total amounts to only 17½ per cent of the total South African population. Thus, allowing for a limited amount of capital formation amongst the other racial groups, it appears that only about 2 per cent of the total population makes a meaningful contribution to capital formation.

- 1.6 The fact that the vast mass of the population in South Africa does not make a significant contribution either to the enterprising section of the economy or to gross fixed capital formation

greatly affects the demand for labour. If it be accepted, as Adam Smith argued, that it is only by increasing capital formation that the number of productive workers is increased, then it must be accepted that the demand for workers is related to the rate at which capital is formed.

- 1.7 It is in our view facile to argue that simply by providing greater training facilities for the Bantu than hitherto, the problem of uplifting the subsistence section of the population will be solved. Quite apart from the vast task of improving, and maintaining an adequate level of literacy, there is the problem that, in order to greatly increase training facilities will require large amounts of capital. The returns from this investment will accrue fairly slowly over a number of years in the form of increased production. Meanwhile such capital as is used for this purpose must be drawn away from more immediately productive activities, thereby affecting the demand for labour. Thus a delicate balance has to be struck in the allocation of capital as between immediately productive activities and those, such as training facilities and the development of the subsistence areas which yield a return only in the long run. Too much capital allocated to the former will increase the short run demand for labour but impair the longer term productive capacity of the economy; too little will assist economic growth in the long term but at the expense of the immediate demand for labour.
- 1.8 For a country with a gross national product of £16,670 million and a population of 21.43 million, yielding a gross national product per head of £778 compared with that of \$4588 per head in the United States in 1969, there are obviously

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tight limits to what can be done at any one time. The demands for the allocation of capital to activities which are not productive in the short run are extremely heavy. The task of developing the subsistence areas for example, is a vast one and requires huge sums of capital merely to build up the infra-structure before any productive activities can be established.

- 1.9 Apart from the limits imposed by the size of the national product relative to the population, upon South Africa's freedom of action in embarking upon large-scale non-directly productive expenditure, there are other important limitations. One of the most important of these is the need to ensure an adequate short run demand for labour so as to provide work and an income for the rapidly growing population.
- 1.10 A further important limitation is imposed by the balance of payments. The official Economic Development Programme postulates that a real growth rate of 6 per cent per annum would, if sustained over a number of years, lead to balance of payments difficulties in the absence of an inflow of foreign capital. But South Africa needs a growth rate of about 6 per cent per annum to employ its rapidly growing population at a rising standard of living. Steps which impair the country's balance of payments will therefore make the task of achieving this objective much more difficult.

2. THE SUPPLY AND DEMAND FOR LABOUR

- 2.1 South Africa is essentially a private enterprise country. The belief is strongly held that the private enterprise system will best promote the economic well-being of all our people s.
- 2.2 In a purely competitive system the allocation of capital, the level of employment, and wage

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rates are determined in the first instance, by the returns available in various alternative activities, and the supply and demand for the various types of labour. Under such a system the capitalist must be left free, within limits, to decide for himself how he chooses to allocate his capital. If he decides on a project which uses a comparatively small amount of unskilled or semi-skilled labour and a large amount of skilled labour, he cannot easily be forced to abandon it on the grounds that the country's need is to provide work for the large numbers of unskilled and semi-skilled workers.

- 2.3 Furthermore, in our private enterprise country there is strong resistance to Governmental efforts to take a larger share of the national product in order to promote the less immediately productive activities discussed earlier in this memorandum. Such a larger share can only be obtained through higher taxation and/or greater borrowing on the capital market. The argument that greater taxation will inhibit the enterprise of the business community is strongly held in South Africa, whilst continual increases in the national debt, although to some extent inevitable in the South African context, are nonetheless limited by public opinion.
- 2.4 The demand for labour is thus set partly by the market mechanism operating under private enterprise conditions and partly by the levels of taxation and Governmental borrowing which the tax-paying public will allow. The supply of labour is determined by the rate of growth of the adult population and, in the case of specific types of labour, the training facilities provided and used.

- 2.5 South Africa's rate of real economic growth averaged 5.7 per cent per annum over the five years 1965 to 1969. This is a good performance by international standards and reflects a growth in the demand for labour of approximately 2.8 per cent per annum. In common with other countries South Africa is now experiencing the worst bout of inflation since the Korean War. In 1970 consumer prices rose by 5 per cent.
- 2.6 The Economic Development Programme postulates that South Africa's optimum growth rate with a minimum of inflation and no balance of payments difficulties is $5\frac{1}{2}$ per cent per annum in real terms. This implies a growth in the demand for labour of 2.6 per cent per annum. The projected increase in the demand for labour on this basis will be an average of 190,000 workers per annum of whom about 120,000 will be Bantu, over the next five years.
- 2.7 Against this we have a population growth rate of 3 per cent per annum and a growth rate in the Bantu population of 3.4 per cent per annum. If these rates of population growth are maintained over the next five years - and there is evidence for suggesting that the growth rate of the Bantu population will be even higher than this - then the flow of persons onto the labour market will average approximately 230,000 per annum. Of these, Bantu persons will represent around 160,000 per annum.
- 2.8 This arithmetic shows that, at the target rate of economic growth, which is based purely on the capacity of the economy to grow without inflationary and balance of payments difficulties over the next five years, there will be a surplus of Bantu workers averaging 40,000 per annum or 200,000 over the five years. Clearly, under the normal supply and demand conditions

prevailing in a private enterprise economy, such a surplus of supply over demand can only have the effect of depressing wage rates. However, the problem goes further than this. There are in the subsistence economy large numbers of under-employed Bantu who come onto the labour market spasmodically, and particularly when drought conditions prevail. These people have a further depressing effect on wage rates. The only way to create work for this large proportion of the population who do not generate any capital of their own, is to substitute their labour for capital i.e. to use labour intensive methods of production rather than mechanising.

- 2.9 Herein then lies the nub of the problem in South Africa. With a high rate of population growth in precisely that group which makes virtually no contribution to capital formation, it is necessary to use labour intensive processes to generate work for as high a proportion of the population as possible. But the use of such processes necessarily depresses wage rates. This situation is aggravated by virtue of the fact that the supply rate of Bantu labour exceeds the demand rate, even with the use of labour intensive processes, at the current level of capital formation. This, as has been shown, is relatively high in relation to national income.

3. WAGE LEVELS, LIVING COSTS AND PRODUCTIVITY.

- 3.1 From the foregoing argument the conclusion is clear - wage rates among the Bantu must inevitably be relatively low. They can be raised by increasing mechanisation but this would mean spreading the available capital over a smaller proportion of the population and

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increasing unemployment. Thus the choice, given the rate of capital formation in the country, is between higher wage rates and higher unemployment on the one side, and lower wage rates and lower unemployment on the other. South Africa has opted for the latter as the more equitable since it spreads the available wealth over a larger proportion of the population.

- 3.2 Productivity on sugar cane farms, as measured by the number of man-hours per ton of cane produced, demonstrates the point:

	<u>Man-hours per ton of cane.</u>
Florida (1968)	1.89
Hawaii (1968)	1.15
South Africa (1968/69) (Approximate weighted mean of Zululand and Natal South Coast)	16.88

Sources: "The Gilmore Louisiana-Florida Sugar Manual" 1969 and South African Cane Growers Association.

It is also worth noting that, whereas in South Africa the bulk of cane is cut manually, in Australia in the 1969/70 season only 15.1% was manually cut.

- 3.3 Earnings of fieldworkers compared as follows:

	<u>£ per man-hour.</u>
Florida (1968)	1.833
Hawaii (1968)	2.983
South Africa (1968/69)	0.280

Source: As in paragraph 3.2.

In South Africa, in addition to the wages, free housing, food, and free medical aid are provided.

A non-contributory pension fund is also operated by some of the larger employers. These fringe benefits are difficult to reduce to a common basis as between South Africa and other areas in order to make reasonable comparisons possible. Nevertheless, in South Africa's case these benefits are substantial.

- 3.4 Ignoring fringe benefits, the following was the comparative position in 1968:

	Productivity (man-hours per ton of cane)	Wage rate (per man- hour)	Labour cost (per ton of cane)
	(Florida =100)	(Florida=100)	£
Florida	100.00	100.00	3.46
Hawaii	164.35	162.74	3.43
South Africa	11.20	15.28	4.73

These figures show that, if wage rates are related to productivity, then the relative wages are higher in South Africa than in either Florida or Hawaii. This is reflected in the higher wage costs per ton of sugar in South Africa than in Florida and Hawaii. Thus although the actual wage level of field workers in South Africa is lower than in Florida and Hawaii, it is a reflection of an even lower relative level of productivity. The use of manual labour rather than machines, which these lower productivity levels manifest, is in line with the policy of giving work to as many people as possible rather than concentrating it in fewer hands at higher wage and productivity levels.

- 3.6 Although wage levels amongst Bantu field workers in South Africa are relatively low, so are their living costs. Food, housing, medical aid (and sometimes pensions) are provided to them free

of charge. Some comparisons of other costs show that the general cost of living in a city such as Durban is well below that in Washington:

<u>Average quality</u>	<u>Washington</u>	<u>Durban</u>
	£	£
Men's off-the-peg suit, pair of shoes and good quality cotton shirt	195.00	105.00
Roundtrip railroad 20 miles	3.20	0.45 (For Bantu)
One pound fillet steak	3.00	1.05
One pint milk	0.19	0.12½
One pound potatoes	0.15	0.5½
Pack of cigarettes	0.55	0.35

These figures are averages. The Bantu in South Africa can obtain many products at prices well below these since they constitute a market for low priced goods and make it worthwhile for manufacturers and retailers to concentrate their efforts on supplying the Bantu Markets' needs. In addition the prices of some products such as maize meal (or corn meal) which is their staple food, bread and butter are subsidised by the Government so as to keep prices within reach of the low income groups.

- 3.7 In sum then it can be said that whilst wage levels in the sugar industry in South Africa are low, this is more than matched by low productivity. In fact, when related to productivity, wages in South Africa are higher than in Florida and Hawaii. The low levels of wages in South Africa are also accompanied by a relatively low price level.
- 3.8 We conclude that, in the socio-economic circumstances existing in South Africa and outlined in this memorandum, the sugar industry has struck a nice balance between the need to provide work to as many people as possible on the one

side and the need to pay reasonable wages on the other, bearing in mind the need to remain internationally competitive.

FEBRUARY. 1971

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Chairman Russell B. Long
Senate Finance Committee
United States Senate
Washington, D. C.

Re: H.R. 8866 Sugar Act Amendments 1971

Dear Mr. Chairman:

I was present yesterday when the Honorable Edward M. Kennedy, Senator from Massachusetts, testified before your Committee in support of his proposal that the sugar quota of the South African Sugar Association (SASA) be terminated. In addition to hearing his testimony, I had the opportunity to read the statement which he handed up as part of the record in this proceeding.

On behalf of my client, SASA, I feel that I must not allow to stand unchallenged certain statements made by the Senator which reflect improperly on the integrity of SASA. I respectfully request that this letter be made a part of the record in this proceeding and that preferably it appear immediately after the Senator's testimony.

At the outset I should stress that SASA is a purely commercial organization consisting of all sugar cane growers and millers. There is no government representation in SASA. On the commercial side, SASA has proved itself over the past decade to be a most reliable supplier of high quality sugar to the United States market. Rather than describing my client's performance subjectively, I prefer to adopt the characterization by the Honorable W. R. Poage, Chairman of the House Agriculture Committee, during the debate on this legislation (H.R. 8866) last week in the House. Chairman Poage said at that time:

". . . of all the countries in the world, South Africa has indicated a greater determination to provide the United States with all the sugar we sought to receive from them than any other country in the world." (Congressional Record, June 10, 1971, p. H5002)

Senator Kennedy indicated that he had an opportunity to familiarize himself with the material which has been presented to the House Committee on Agriculture since he alluded to the presentations made there by Congressmen Reid, Bingham and Dow. Unfortunately, some of the more serious mis-statements made by Congressman Reid before the House Committee reappear in Senator Kennedy's testimony. On May 3 in a letter to Chairman Poage, I called the Chairman's attention to certain inaccurate statements made by Congressman Reid. I sent copies of this letter to Congressman Dow and all other members of the Committee. Since I subsequently received a reply from Congressman Reid, dated May 17, 1971, in which he said that

"While the Department of Labor study to which you refer does cover more recent data, I find it hard to believe that wages would increase so rapidly in so short a time. In any case, I cannot regard wages and benefits equal to \$3 a day as generous."

The most serious errors of fact that appear in Senator Kennedy's testimony are to be found on page 3 in paragraph 8 of his statement. The first error is: ". . . the average South African field worker's daily wage, including housing is only 86¢." On this score I call your attention to the report prepared by the United States Department of Labor in February 1971 entitled "Compensation of Sugar Workers in 37 Countries, 1969-1970" which has been made part of the record of the House Agriculture Committee hearings on the Sugar Bill. That report (Summary Table) at page 11 shows clearly that South African unskilled sugar field workers' wages amount to \$1.68 per day or more. The same source indicates that "Food rations, medical, one month's bonus, pension, free housing, recreation and education facilities" are all supplied as supplementary benefits. Since the value of these "supplementary benefits" is conservatively estimated to amount to not

less than \$1.32 per day, the total compensation for unskilled field workers in the South African sugar industry is at least \$3 per day. The working day is between 5 and 6 hours which means that these field workers earn from 50¢ to 60¢ per hour. This is almost four times the amount inaccurately cited by Congressman Reid and now repeated by Senator Kennedy.

Considering that the purchasing power of the dollar in South Africa is about three times that in the United States, the real wages of unskilled field workers in the South African sugar industry amounts to between \$1.50 and \$1.80 per hour for the 5 or 6 hours worked per day.

Even the most cursory examination of this United States Department of Labor report indicates that wages and working conditions for unskilled workers in the cane fields of South Africa are superior to those prevailing anywhere else in Africa and many other sugar producing areas of the world.

The second error which appears in that same paragraph of the Senator's statement is the unsupported conclusion that "Typically, white workers receive up to twenty times more than blacks for the same labor." In the statement which we presented to the Senate Committee on Finance, on page 2, Appendix B, we show that wages and conditions of employment in sugar mills ". . . are regulated by the Industrial Conciliation Act through which minimum rates of pay are established for each job irrespective of race." We are at a loss to understand the source of Senator Kennedy's comment, but most certainly it does not apply to the South African sugar industry.

Those members of Congress who have visited the South African sugar industry in recent years would surely disagree with the Senator's subsequent statement that "working conditions are pitiful."

The Senator's reference to indentured service is equally incorrect. There has been no indentured labor in South Africa for the past one-half century.

As counsel for a private commercial group, I have no standing to comment on political issues or governmental policies. However, since the letter dated May 12, 1971, from the Honorable Ambassador H. L. Taswell of South Africa to Chairman Poage forms a part of the record in H.R. 8866, I take the liberty to quote the Ambassador who stated, "Today about 1 million foreign black

Africans work in South Africa. One of South Africa's biggest problems is posed by the thousands of others who cross her borders illegally in order to seek the benefits of life which the Republic has to offer." It is hard for me to believe that if working conditions in South Africa resembled those Senator Kennedy would have your Committee believe the authorities of the Republic would have such a difficult time attempting to keep people from rushing into "slavery," which doesn't exist or indentured labor, which hasn't existed in the Republic for over 50 years.

Senator Kennedy in the sixth paragraph, page 2, alleges discriminations against U.S. citizens in South Africa, particularly Mr. Arthur Ashe. These same allegations were made by Representatives Bingham and Reid in connection with the denial of a visa to Mr. Ashe. Ambassador Taswell, whose letter is a part of the record in the House hearings which your Committee is carefully considering (Committee release, June 10, 1971), gave a full explanation of the reasons why Mr. Ashe was denied a visa. Ambassador Taswell stated:

"Mr. Arthur Ashe was declared persona non grata, not because he is a black tennis player, but for other reasons:

(i) "Mr. Ashe associated himself with a movement to prevent South Africa's participation in the Olympic Games in 1969. This is recorded in United Nations Document A/AC.115/L.215 of 21 February 1968.

(ii) "Mr. Ashe has also been credited with having made strong anti-South African statements. Here are just a few:

a. "'South Africa, I really burn on that issue. I just want to take an H-bomb and drop it right on Johannesburg.'

b. "'I told them to trust me for another year to get improvement in South Africa and elsewhere in the apartheid situation. I know what I am doing and we're going to do something'"

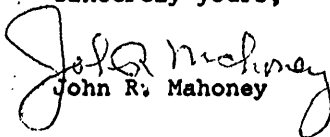
* * *

Senator Kennedy referred to the visit of the United States aircraft carrier F. D. Roosevelt in Cape Town in 1967. I quote from Ambassador Taswell's letter on this score:

"The decision not to allow the men ashore was not made by the South African authorities. Indeed the South African authorities had made extensive preparations to receive all members of the ship's complement. Thousands of people, belonging to all the various racial groups in South Africa, were waiting at the dockside to give the crew a hearty welcome. The people of Cape Town and the members of the crew were bitterly disappointed when Washington refused to grant shore leave."

I apologize for burdening an already large record with this additional material; however, it appeared to me essential to draw to your attention at the earliest possible moment some of the more obvious errors perpetuated by Senator Kennedy's testimony yesterday.

Sincerely yours,


John R. Mahoney

JRM/kaa

Copies:

All Senate Finance Committee Members
The Honorable Senator Edward M. Kennedy

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maine sugar industries, inc.



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June 22, 1971

Honorable Russell B. Long
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Senator Long:

In reference to our proposed amendment to H.R.8886, please be advised that all new and additional funds needed to complete the plant in New York State and to provide necessary working capital for both sugar beet plants in New York and Maine will be wholly derived from private sources and not involve any additional Federal or State monies.

Because these funds are being derived from wholly private sources, there must be to some of these sources an assurance that for at least three years both plants will have sufficient beet acreage to assure economical operations.

We hope the Senate Finance Committee will look with favor upon our request to save the sugar beet industry in the Northeast.

Very truly yours,

John Cancelarich, Manager
Maine Sugar Industries, Inc.

WHEREAS, There has been completed a sugar beet factory in the State of Maine which has cost \$32,000,000 and,

WHEREAS, This sugar beet factory had an original quota of 50,000 tons of beet sugar and,

WHEREAS, This sugar beet factory has invested \$12,345,300 of federal money and,

WHEREAS, This sugar beet factory is known to operate efficiently and,

WHEREAS, This sugar beet factory has encountered agricultural problems in the growing of sugar beets in the State of Maine and,

WHEREAS, This sugar beet factory is necessary and important to the economy of the State of Maine, this state being dependent presently on a one-crop agricultural economy--potatoes and,

WHEREAS, Other states in the Northeast have shown interest in supplying this sugar beet factory in the State of Maine, such other states having grown sugar beets for this sugar beet factory in the State of Maine and,

WHEREAS, This sugar beet factory would have an important beneficial effect upon not only the agricultural economy in Maine and adjoining states but also an important beneficial effect upon the industrial economy of Maine in the creation of jobs and employment and,

WHEREAS, There is located a sugar beet factory in New York which has cost to date \$43,000,000 and,

WHEREAS, This sugar beet factory, although having operated, never operated efficiently and was deemed by the original owners to have never been completed and,

WHEREAS, Funds are being presently sought to complete such sugar beet factory in New York and,

WHEREAS, This sugar beet factory in New York had agricultural problems initially not unlike the sugar beet factory in Maine and,

WHEREAS, The agricultural problems relative to this sugar beet factory in New York have been solved and,

WHEREAS, Farmers in New York and adjoining states are keenly interested in growing sugar beets and,

WHEREAS, This sugar beet factory had a 50,000 tons of sugar quota originally and,

WHEREAS, This sugar beet factory would have an important beneficial effect upon not only the agricultural economy in New York and adjoining states to New York but also an important beneficial effect upon the industrial economy of New York in the creation of jobs and employment and,

WHEREAS, Sugar prices presently are and have had a history of being the highest in the nation in this Northeast area,

NOW, THEREFORE, during 1972, 1973 and 1974, be there no less than 100,000 tons of sugar allotted to be produced from sugar beets

grown in the following states from which these two factories can be supplied:-

Connecticut

Delaware

Maine

Maryland

Massachusetts

New Hampshire

New Jersey

New York

Pennsylvania

Rhode Island

Vermont

1136

MAINE SUGAR BEET GROWERS ASSOCIATION

Aroostook Agricultural Center

POST OFFICE BOX 30 - TEL. (207) 764-1307 - PRESQUE ISLE, MAINE 04769

June 18, 1971

Senator Russell B. Long
Chairman
Senate Finance Committee
Senate Office Building
Washington, D. C.

Dear Senator Long:

The purpose of this letter is to convey to you and your Committee a concern of the farmers in Maine that a sugar quota for Maine Sugar Industries, Inc., Easton, Maine is maintained so that Maine Sugar Industries, Inc. will be in a position to manufacture and sell beet sugar in future years.

As you probably know, a quota was granted to Maine starting in 1966. During the period 1966 through 1968 sugar beet acreage in Maine reflected a 300% increase yearly. In 1968, Maine planted 25,468 acres. In 1969, there was a cutback in acreage due to abnormal growing conditions in 1968 which resulted in substantial losses from sugar beet as well as potato acreages.

In 1970, growers in Maine requested farm allotments through Agricultural Stabilization and Conservation Service totalling over 26,000 acres (see the attached letter). However, due to certain factors making it impossible for Maine Sugar Industries, Inc. to operate their new factory practically no acreage could be planted. Again this year (1971) Maine Sugar Industries, Inc. at planting time was unable to give assurances that they could process beets. This has resulted in only experimental acreage being planted.

Officials of Maine Sugar Industries, Inc. and the farmers in Maine are now actively working to revitalize the beet sugar industry in the State and make it possible for the sugar factory to operate in future years. We have beet farming machinery on hand to grow and harvest approximately 30,000 acres of beets and we have the new factory available to make sugar from these beets. The price of sugar in the Northeast is considerably higher than other areas of the United States which should be indication that local production is needed in the best interests of consumers as well as the farmer economy.

With all these factors pointing to a need for the sugar industry in Maine, we urge that you and your Committee give favorable consideration toward provisions which will allow Maine Sugar Industries, Inc. the privilege of selling sugar manufactured from Maine grown sugar beets during future years.

Please be assured there is definitely a considerable interest and need for a successful sugar industry in our State. Without a quota allowing Maine Sugar Industries, Inc. to sell beet sugar this much needed industry will be lost.

Sincerely,

MAINE SUGAR BEET GROWERS ASSOCIATION

Stanley Greaves
Stanley Greaves
Executive Manager



UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
 Aroostook County ASC Committee
 P.O. Box 849
 Presque Isle, Me. 04769

June 18, 1971

Stanley Greaves
 Executive Manager
 Maine Sugarbeet Growers Association
 P.O. Box 30
 Presque Isle, Me. 04769

Dear Stan:

This is to furnish information pertaining to farmer intentions for growing sugarbeets in 1970.

The data was compiled from individual farmer requests for sugarbeet proportionate shares under the Provisions of the 1970 Sugar Program.

The U.S. Department of Agriculture early in October 1969 issued a National Notice advising that individual farmer proportionate shares would be in effect under the 1970 Sugar Program.

The State of Maine was issued an allotment of 20,880 acres. Aroostook County received 18,080.9 acres from the State allotment. This left 2,790.1 acres for other Counties that had history of growing sugarbeets.

Shortly after the National Notice, farmers were given an opportunity to request proportionate shares for their individual farms. The date of signup was set from October 10, 1969 through March 31, 1970. During that period, 289 Aroostook farmers requested 22,180.8 acres. Farmers in other Counties requested 3,975 acres, making a State total request of 26,155.8 acres. This figure is 5,275.8 acres in excess of the established State allotment of 20,880 acres.

The Department of Agriculture in April of 1970 rescinded their original notice by advising that sugarbeet allotments and proportionate shares would not go in effect. This action left no further need for the County Office to establish and issue farm proportionate shares.

These records are filed in the County Office for history protection and preservation in accordance with provisions of the Sugar Act.

We believe this information conveys a farmer interest in their desire to assist in the establishment of a sound sugar-beet industry in Maine. We further believe that this interest has increased. This has come about after hearing of the successful results of Sugarbeet Specialist Louis Robert's early variety plots grown in 1970.

If the experiment of transplanting beets being conducted this year should prove successful, we believe it would further enhance farmer interest.

Sincerely yours,

FOR THE AROOS. CO. ASC COMMITTEE

By: James E. Bernard
County Executive Director
Jim

Fort Fairfield, Maine 04742
June 19, 1971

Senator Russell B. Long,
Chairman-Senate Finance Committee
Senate Office Building
Washington, D. C. 20510

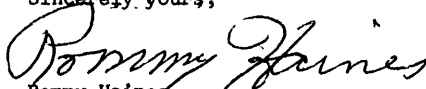
Dear Senator Long;

I am a farmer in Fort Fairfield, Maine. I have raised sugarbeets ever since the first attempts were made in developing a Beet Sugar Industry in Maine. I am convinced that it is an industry which Maine Agriculture desperately needs, and one which can be successfully developed, given sufficient time to do so.

I became very concerned when the Maine Sugar Beet Growers of which I am a member, informed me that under the proposals of the pending legislation on sugar Maine would receive only a small allotment. It is most important that Maine and the other Northeast sugarbeet producing areas receive under the new law a total quota of at least 33,000 acres each year over the next three years.

It is my feeling that the Northeast must have this protection to allow us time to get our feet off the ground and continue the development of the Beet Sugar Industry.

Sincerely yours,


Rommy Haines

Fort Fairfield, Maine
June 19, 1971

Senator Russell B. Long
Chairman-Senate Finance Committee
Senate Office Building
Washington, D.C. 20510

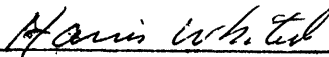
Dear Senator Long;

In reference to H.R. 8866 (The Sugar Act)

As a grower of sugar beets over a five year period, I am dismayed that the contemplated provision in the proposed Sugar Act which allows for only a small quota for the Northeast could mean the end of our efforts to establish a strong Beet Sugar industry in the Northeast. Agriculture in the Northeast desperately needs this industry.

I urge that the Congress give strong consideration to a 100,000 ton, raw value, quota for the Northeast Sugarbeet producing areas for at least the next three years. We must have this protection in order to move ahead with our plans.

In the overall, this amount is extremely insignificant to the sugar industry, but, it could well mean the difference between the establishment of a healthy industry, or the loss of the efforts of many in time spent and money invested.



Harris Whited

Fort Fairfield, Maine 04742

MAINE SUGAR INDUSTRIES, INC.,
 Robbinsville, N.J., December 15, 1969.

HON. CLIFFORD M. HARDIN,
 Secretary of Agriculture,
 U.S. Department of Agriculture,
 Washington, D.C.

DEAR SECRETARY HARDIN: Please be advised this Company is confronted with a situation which is important to its existence and future progress. Presently, Maine Sugar Industries, Inc. has sugar beet processing facilities in Easton, Maine and Montezuma, New York. To date, there has been expended on these facilities the following sums:

Easton, Maine, plant approximately \$32,000,000.
 Montezuma, New York, plant approximately \$43,000,000.

At the present time, the Easton, Maine plant is processing 3,500 to 4,000 tons of beets per day, these beets have been grown in New Jersey, Pennsylvania, New York, and Maine. At present, the plant in Montezuma, New York, which had been somewhat operational during the years of 1965, 1966 and 1967, is undergoing rehabilitation and renovation. The present rehabilitation and renovation has cost approximately \$8,000,000 and it is estimated the cost of the additional rehabilitation and renovation will be in the area of \$6,000,000.

The original sugar beet allotment given to the Maine plant was 33,000 acres and the original sugar beet allotment given to the New York plant was 29,500 acres. The history of the sugar beet tonnage and yield connected therewith from each area since the inception through 1969 is outlined below (the 1969 figures are not official but are estimated and in this year, the New York area includes results from New Jersey and Pennsylvania).

Year	Acres harvested	Approximate yield per acre (tons)	Average sugar content (percent)
Maine area:			
1966.....	3,382	5.3	18
1967.....	7,783	9.6	15
1968.....	22,174	5.0	16
1969.....	10,000	17.0	16
New York area:			
1965.....	14,437	6.6	15
1966.....	6,018	9.9	16
1967.....	3,887	14.3	15
1968.....	3,090	17.2	16
1969.....	10,000	15.0	16

¹ Estimate.

As can be seen in the above tables presently, the New York area is generally in line with the national average, while results from the Maine area are substantially below the national average.

The present sugar beet allotment granted by the United States Department of Agriculture for the 1970 growing season are as follows:

Maine area:		New York area:	
Maine.....	19,532	New York.....	15,638
		Pennsylvania.....	1,000
Total.....	19,532	New Jersey.....	872
		Total.....	17,510

It is general trade knowledge that it takes about 400,000 to 500,000 tons of sugar beets of average sugar content to support a \$40,000,000 to \$50,000,000 plant. Based upon past history of sugar beets, if all the acreage were utilized (which in the case of Maine area presently seems doubtful) would be; Maine area 19,532 acres times 7 tons equals approximately 137,000 tons. The New York area 17,510 acres times 15 tons equals approximately 263,000 tons.

As a result based upon the above facts there is very little chance that the two plants, that is the plant at Easton, Maine and the plant at Montezuma, New York, can open up under the above circumstances, as both areas would just have about sufficient tonnage for one plant, if all the acreage were utilized. In previous cor-

respondence to you, we requested that our original allotment which was 33,000 acres in Maine and 29,500 in New York be not cut. Be as it may we are not asking you this time to reverse your decision, however, we are asking for permission to consider the Maine, New York, Pennsylvania and New Jersey growing areas as one growing area, so that we may make the most of the total allotted sugar beet acreage of 37,042, during the 1970 crop year considering farmers interest, location of machinery, freight cost of delivering the sugar beets to one of the two plants, which will be in operation for the 1970 crop year. By allowing our request that total allotted sugar beet acreage would not be disturbed and our Company could weather the economic problems which presently confront us.

In granting our request we would commit ourselves to the fact that no farmer in any portion of the combined growing areas would not be allowed to grow sugar beets, if he so desired, to the extent of his past history. In addition, we would also commit ourselves to the fact that no area would be allowed to go with sugar beet growing interest unsatisfied up to the presently designated sugar beet allotment for such area.

We most strongly ask you to concur with our request of one growing area of Maine, New York, Pennsylvania and New Jersey employing our total allotment of 37,042 acres of sugar beets. This Company has worked hard to build a sugar beet industry and to cooperate in building northeastern agriculture. With an affirmative reply to our request, we feel that the chances of success in our endeavor would be immeasurably increased.

There has been spent in addition to plant facilities, approximately \$5,000,000 of sugar beet farming equipment, the utilization of this equipment and the well being of the farmers who grow sugar beets in that area depend upon a viable sugar processing company.

Mr. Secretary, we need your help and we humbly ask you to concur in our request.

Sincerely yours,

MAINE SUGAR INDUSTRIES, INC.,
F. H. VAHLSING, JR.,
Chairman of the Board.

91st CONGRESS

1st SESSION

S. _____
H. R. 8866

IN THE SENATE OF THE UNITED STATES

Referred to the Committee on Finance and ordered to be printed.

Ordered to lie on the table and to be printed.

AMENDMENT

Intended to be proposed by Mr. _____
(Insert title of bill below)

to S. _____, a bill

H.R. 8866, an Act

viz: On page 17, line 6, insert the following:

Strike out the figure "100,000" and insert in lieu thereof 200,000.

On page 17, line 8, after the word "facilities" insert the following:

or processing facilities built after 1965 but not operating

in the calendar years of 1970 and 1971.

United States Senate

WASHINGTON, D.C. 20510

June 22, 1971

The Honorable Russell B. Long
Chairman, Senate Finance Committee
United States Senate
Washington, D.C.

Dear Russell:

For a number of years, strenuous efforts have been made to promote the cultivation and processing of sugar beets in the Northeastern United States.

In part, this has been a response to the fact that sugar prices have been considerably higher in the Northeast than elsewhere in the country due to the absence of refining and production capacity in the region. In addition, this has been a response to the need for improving the economic livelihood of farmers in the northeast, many of whom have been dependent upon a single crop in the past.

With Congressional support, these efforts have met with initial success. As you know, beet refineries have been constructed in Maine and New York and farmers in 6 of the northeastern states have been participating in the cultivation of this crop.

However, a number of farmers and farm organizations have expressed the concern that unless assurances are provided that the sugar beet allotment will not be reduced, the future of this industry in the region will be in serious jeopardy.

Therefore, as your Committee considers H.R. 8866, we respectfully ask that the Northeastern states Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont be allotted no less than 100,000 tons of sugar annually for the years 1972, 1973, 1974.

Sincerely,

.....

Jacob K. Javits
U.S. Senator, New York

.....

Margaret Chase Smith
U.S. Senator, Maine

.....

James L. Buckley
U.S. Senator, New York

.....

Edmund S. Muskie
U.S. Senator, Maine

COMMITTEE FOR A NATIONAL TRADE POLICY

I N C O R P O R A T E D

1028 Connecticut Avenue, N.W., Washington, D. C. 20007
Tel. 659-2066

Statement on the Sugar Bill
by David J. Steinberg, Executive Director
Committee for a National Trade Policy, Inc.
submitted to Senate Committee on Finance
June 23, 1971

We submit the following views in connection with the Senate's consideration of HR 8866, a bill continuing the U.S. sugar control program, including quotas and premium prices for imports.

We believe that a complete reassessment and reorganization of our sugar policy is another trade policy reform whose time has come.

While recognizing that failure at this time to renew the basic structure of the current program, which has controlled the sugar market for so many years, would cause disruption among U.S. producers of sugar cane and sugar beets, as well as world production and trade in these commodities, we believe that basic renewal of the current program (for no more than three years and hopefully less) should include provision for a comprehensive reassessment looking toward ultimate removal of all restrictions on imports of these commodities, cessation of support prices, and an adequate program of adjustment assistance to U.S. firms, workers and communities that might be adversely

affected by the removal of import controls and price supports. Exploration of such reform might be made by a special inter-agency committee, or by an outside group consisting of technicians dedicated to the overall public interest. The results would of course be subject to review and action by the Administration and Congress.

This reform is necessary in the interest of the American consumer, and also in the interest of the overall trade policy goals to which our country should be deliberately committed. The time has come for the United States to invite the initiatives of all industrialized countries on how all the economically advanced economies of the free world might program the dismantling of all their trade barriers and distortions in accordance with a realistic timetable. No industry and no product should be exempt from this kind of strategy. Now is the time to prepare for it. Sugar reform is needed in any case.

We cannot overemphasize our concern with the adjustment problems of producers at home and abroad, or with the price stabilization problems many developing countries experience in the raw materials field and which may once again affect sugar. The financial and development problems and needs of these countries deserve the closest and most constructive attention. We believe that adequate income stabilization programs by the International Monetary Fund, and adequate development programs by the World Bank and other institutions, are necessary to cope with the adjustment problems of developing countries greatly dependent upon exports of sugar and likely to have difficulty adapting to a freer world market. In addition, changes in U.S. sugar policy should be coordinated with the future course of other (inter-

national) arrangements that currently have an important bearing on world sugar production and trade.

In our view, continuation of the basic program without these first steps toward the reforms whose time we believe has come would not be in the overall national interest. It would be policy inertia, continuing a program that is costly to the American consumer and is not aimed at up-grading the skills and incomes of workers currently engaged in this kind of production.

This statement does not purport to comment on the country quotas and other details of this bill -- only on the need to take a major first step toward planning for the least restrictive import policy in this commodity. Our Committee's definitive advocacy of free trade as a goal does not preclude recognition that import controls may continue to be necessary for many years even under the reforms we are advocating. They may be necessary to buy time for the constructive policy we are urging to take effect. Such import controls, however, should not take the form of country quotas set by Congress. If country quotas are applied, they should be set by the Administration, with appropriate accountability to Congress for the criteria applied. The alternative of an overall global quota, administered through competitive bidding or other devices, deserves attention. But, in any case, import controls considered essential should be only temporary, marginal measures of a coherent, balanced sugar policy aimed at the dismantling of import restrictions and the achievement of goals that adequately advance the overall public interest in every way.

We do not present these views on behalf of any special interest. Our Committee's sole standard is the interest of the nation as a whole.

STATEMENT ON THE SUGAR ACT
SUMMARY OF PRINCIPLE POINTS OF THE TESTIMONY
OF FRANCIS D. FLANAGAN
W. R. GRACE & CO.

- (1) This company urges the Committee to grant Peru the same share of the U. S. sugar market which that country now has under the existing Act.
- (2) In 1969, Grace sugar properties in Peru, valued at \$26 million, were expropriated by that nation and no compensation has been paid. However, the company is now negotiating with representatives of the Peruvian Government for the transfer of its industrial operations in Peru and to achieve a fair settlement for our expropriated sugar properties.
- (3) W. R. Grace & Co. supports the amendment to Section 408 of the Sugar Act which was included in the Sugar Bill recently passed by the House. This new Section 408 greatly strengthens the hand of the U. S. Government in assuring just compensation to U. S. investors whose property has been expropriated abroad.

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STATEMENT OF FRANCIS D. FLANAGAN, ASSISTANT
VICE PRESIDENT OF W. R. GRACE & CO. REGARDING
THE RENEWAL OF THE U. S. SUGAR ACT

My name is Francis D. Flanagan. I am Assistant Vice President of W. R. Grace & Co. and Manager of our Washington office.

W. R. Grace & Co. was founded in Peru in 1854 and moved to New York in 1865. Our company is a publicly-held United States corporation incorporated in the State of Connecticut with 47,684 stockholders. The primary purpose of this statement is to give the strongest possible support to Peru's request for a sugar quota not less than the present one.

In past years we have supported in our Congress the assignment to Peru under the Sugar Act, a maximum sugar quota in proportion to that country's productive capacity.

The total Peruvian quota in the U. S. market for 1971, under the present Sugar Act, is 453,859 tons. Notwithstanding our present very serious problems in Peru, we would strongly urge this Committee to grant Peru the same share of the U. S. sugar market which that nation now enjoys under the existing Act. In making this recommendation we reflect our confidence in Peru as a reliable and efficient supplier of sugar to the United States consuming market. Based on our many years of experience in the growing, processing and marketing of sugar in Peru, and as one of the former major producers in that country, Grace is convinced that Peru can and would furnish to the United States, on a continuing basis, nearly one-half million tons of sugar per year.

After 116 years of close association with the economy and the people of Peru, the Grace organization has a strong attachment to that country and a deep friendship for its people. We believe that any cut in the Peruvian sugar quota is bound to have an adverse effect not only upon the general economy of Peru but also on the 50,000 sugar workers and their 150,000 family members whose livelihood depends on sugar. As the Government under the Agrarian Reform Program has turned over the direct ownership of the sugar estates and factories to the workers, any reduction in quota would have a direct impact on these people. It is for these valid reasons that Grace supports a full quota for Peru. For Grace to take any other position with this Committee at this time would be an act of ingratitude in view of the close and hospitable relationship we have enjoyed with the people of Peru for over a century.

Considering the importance of Peru's quota to the economy of the sugar workers and the country it is regrettable that up to now the problem of the compensation for the expropriation of our former sugar estates remains without a practical solution.

The history of the expropriation of our former sugar estates under the Peruvian Agrarian Reform Law and the adverse effect of the Peruvian Industrial Law on our sugar-related industrial activities is a matter of public knowledge and of record with the Congress of the United States. I will, therefore, not take the valuable time of

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this Committee in relating these circumstances once again.

Suffice it to say that the two Grace expropriated sugar estates are valued at \$26 million based on the criteria established in the Peruvian Agrarian Reform Law and the estimated replacement value was set at \$46.7 million based on an appraisal by American Appraisal Inc., an independent firm, in the fall of 1969. In September, 1970, the Peruvian Government announced its official appraisal of both of the properties at \$10.1 million which official appraisal we are proceeding to appeal before a specialized Peruvian tribunal.

Our company is now actively negotiating with an Interministerial Commission appointed by the Peruvian Government in March, 1971, with a view to achieving an orderly transfer of our industrial operations slated eventually to revert to the State and to achieve a fair and adequate settlement of our claim for the expropriation of our former sugar properties. It is our sincere hope that these negotiations will lead to a satisfactory solution. If this proves to be the case there would be no cause for our Government to invoke the new provision of Section 408 of the Sugar Act when that section might become law.

Section 408 provides that the President, at his discretion, may withhold part or all of the sugar quota of a nation which expropriates or otherwise seizes property of U. S. citizens without just compensation. As an

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alternative or in addition, the President also may levy up to \$20 per ton on the importation of quota sugar in cases where a country has expropriated or otherwise seized U. S. property. Funds collected from this levy would be placed in a special trust fund in the U. S. Treasury and would be used to pay claims arising after January 1, 1969 as a result of such expropriation or other type of seizure.

Despite the good will evident on both sides we cannot, however, discount entirely the risk of failure of these negotiations. It is, therefore, a matter of sound and prudent judgment that leads us to support the amendment to Section 408 of the Sugar Act of 1948 which was included in the Sugar Bill recently passed in the House of Representatives insofar as this amendment applies to sugar and sugar-related activities.

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STATEMENT OF
PROFESSOR ANDREAS F. LOWENFELD
to the
COMMITTEE ON FINANCE
UNITED STATES SENATE
June 23, 1971
on behalf of the
UGANDA SUGAR MANUFACTURERS ASSOCIATION

Mr. Chairman and members of the Committee:

I am grateful for the opportunity to make this statement on behalf of the Uganda Sugar Manufacturers Association. At the suggestion of the Chairman, I shall not repeat the information contained in my testimony before the House Committee on Agriculture, but shall confine myself to the highlights of Uganda's case for participation in the United States Sugar Program.

This material is circulated by Fox Glynn & Melamed, 220 East 42nd Street, New York, N. Y. 10017, who are registered under the Foreign Agents Registration Act of 1938, as amended, as an agent of the Uganda Sugar Manufacturers Association, P.O. Box 54, Jinja, Uganda. This material is filed with the Department of Justice where the required registration statement is available for public inspection. Registration does not indicate approval of this material by the U. S. Government.

The case for Uganda can be briefly stated.

- Uganda's climate is ideally suited for sugar cultivation, and its sugar industry is ably managed and reliable;
- Uganda is a young, poor country striving hard to improve its standard of living, and the export of sugar is one of its few opportunities to do so;
- Uganda has had and continues to have friendly relations with the United States, at the political level as well as at economic, commercial and personal levels.

Uganda was not included in prior United States sugar legislation because when the first redistribution of quotas was made in 1962 after Cuba's defection from the free world, Uganda was still a British possession. When the 1965 Sugar Act Amendments were being debated, Uganda was still in the process of organizing itself as a nation. Moreover, at that time Uganda was still sending all of its surplus sugar to its neighbors in former British East Africa, Tanganyika and Kenya. Thus this is the first opportunity for the Congress to consider Uganda's application for a sugar quota. The House of Representatives found Uganda in all respects qualified. We are confident the Senate will do so as well.

I

Since Uganda is a new country and has not previously figured in the United States sugar program, a few words about the country in general may be in order. Uganda is a country of 91,000 sq. miles with a population of just under 10 million. The equator runs through Uganda, and the White Nile rises in Uganda on the shores of Lake Victoria.* Uganda is situated on a 4,000 ft. high plateau and has a mild, pleasant climate. Average annual rain fall is about 46 inches for the country as a whole and about 60 inches for the major sugar growing areas near the shores of Lake Victoria.

Politically Uganda is a unitary republic headed by its President, General Idi Amin. Uganda is a member of the British Commonwealth, as well as of the United Nations, the IMF, the World Bank, the GATT and most of the other major international organizations. Though officially non-aligned, Uganda is firmly committed to friendship with the United States, United Kingdom and other western countries. Under its new President, General Amin, Uganda has unequivocally reversed the "move to the left" announced a year ago by former President Obote.

Uganda is a poor country -- indeed on a per capita

* See attached map.

income basis, one of the poorest in the world. In the eight years since its independence, however, Uganda has increased its per capital income from around \$63 to around \$93; it has had an average growth rate of 5.8% per year; and it has maintained a sound monetary and fiscal policy with a firm tax and exchange control policy. Until 1967 the Uganda shilling was at par with the pound sterling; however, when the British devalued the pound, the Uganda shilling was maintained at its previous parity. Uganda has never had to make a drawing from the International Monetary Fund. Gross Domestic Product is just over 1 billion dollars.

In short, Uganda has a long way to go, but it is striving with energy and dedication to move up in the world.

II

Uganda's export earnings until now (not counting trade within the East African Community) have been based predominantly on two crops -- coffee and cotton. Cotton is, of course, in world surplus; coffee has been a successful cash crop, accounting for about 55% of Uganda's export earnings, and nearly all of Uganda's trade with the United States -- about \$45 million in 1969. But under the International Coffee Agreement, Uganda is precluded from expanding its production,

and indeed is under a mandate to diversify into other crops. With manufacturing for export still many years away, sugar is thus the one important area in which Uganda has the opportunity to increase its export earnings.

Such earnings will benefit the people of Uganda in four ways: First, all of the foreign exchange earned from sugar sales will go directly to the government to be used in Uganda's development program; second, the government shares as a stockholder in the major sugar enterprises; third, the sugar enterprises pay substantial taxes on income earned; and finally, these enterprises have made and continue to make important contributions to the social and economic development of the country, not only in the form of schools, training facilities, and hospitals, but equally important by bringing their employees and their families into the market economy.

While the figures may sound small in American terms, from the point of view of Uganda a gain of even \$2 million per year from sugar sales* to the United States would equal about 1% of Uganda's total foreign exchange earnings. Doubling that figure to approximate Uganda's application would produce export earnings nearly equal to the entire United States aid program for Uganda.

* Roughly the figure that would result from the House bill, depending on freight rates and realized prices in the United States.

III

Uganda's sugar industry is concentrated near the shores of Lake Victoria, with approximately 65,000 acres of cane under cultivation in two large plantations, one belonging to the Madhavani Group and the other to the Mehta Group. Each of these plantations has a complete sugar production facility from growing cane to refining, packaging and transport. Each of the sugar factories depends for 85-90% of its production on cane from its own estate, with 10-15% of the cane trucked in by "outgrowers" or independent farmers. The two major sugar estates were privately developed and are run by highly qualified private management. Negotiations are currently under way to sell a 49% interest in each of the sugar companies to the government at an agreed price, thus giving the people of Uganda direct participation in the sugar industry while leaving the private enterprise concept and the experienced management undisturbed. Wages in the sugar industry are equal to the highest wages prevailing in Uganda -- ranging from about \$20 per month for beginning field workers to \$84 per month for experienced workers in the sugar factories and higher for administrative personnel. In addition, the major plantations provide schools, medical care and technical training to the workers and their families.

Production from the two lake share sugar facilities has been at 150-165,000 short tons per year, with consumption in Uganda running at about 110-135,000 short tons.*

In addition, two new sugar factories are under construction at present -- one on the eastern shore of Lake Victoria which will be on stream in 1972 with a production of 50,000 tons, and the other in central Uganda with a capacity of 30-40,000 tons beginning in 1973.

Uganda's traditional export market in its neighboring countries has declined sharply as the specialization directed by the British (e.g. sugar for Uganda, wheat for Kenya) gives way to self-sufficiency in the new nations. Tanzania stopped importing sugar in 1963; Kenya has embarked on a program of self-sufficiency which has sharply reduced its imports of sugar and is likely to close that country as an outlet for Uganda sugar completely by 1972 or 1973. Uganda has no other export commitments or present export markets for sugar.**

Though Uganda is a land-locked country, it has ample facilities for exporting its sugar by road and rail to Mombasa

* A five-year table of Uganda sugar production, consumption, exports and year-end stocks is attached.

** Uganda is a 1/3 partner in a potential East African sugar quota of 7,000 long tons under the British Commonwealth Sugar Agreement. This quota has not yet become effective and may never do so, depending on Kenya's rate of achieving self-sufficiency in sugar and on the arrangements concerning Great Britain's entry into the Common Market.

(Kenya) and from there by ship to the East Coast of the United States. Both the railroad and the port are owned and managed by the East African Community of which Uganda is an equal partner. As Uganda's coffee exports to the United States have shown, her transport facilities are efficient and reliable.

In summary, there is no question that Uganda can meet any reasonable commitment to supply sugar to the United States. Uganda has made application for a quota of 30-35,000 tons. We renew that application here, based on Uganda's assured ability to supply such amounts. If it is necessary to reduce this amount in the context of the overall commitments of the United States, we ask, at the least, that the Senate act as the House did and give Uganda the opportunity to participate in the United States sugar program in a measure commensurate with its capacity, reliability, and friendship for the United States.

Uganda Sugar Production, Consumption, Exports
and Year End Stock

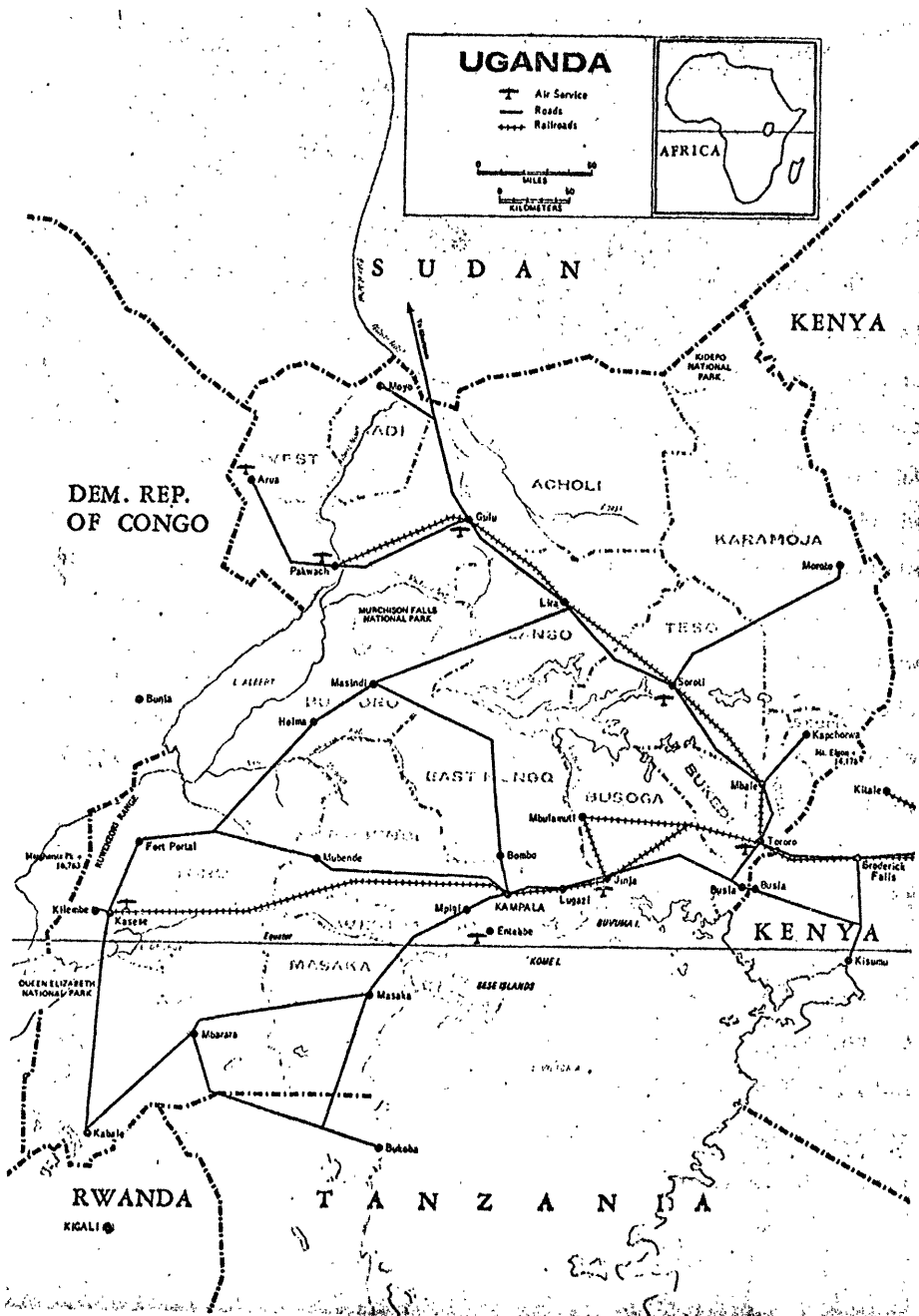
Year	Production	Consumption	Exports			Year End Stock
			Kenya	Other Neighboring Countries*	Overseas	
1966	140,000	113,000	5,600	448	---	40,000
1967	151,500	112,500	33,700	5,040	---	40,000
1968	165,000	111,250	38,500	6,300	---	50,000
1969	150,000	123,000	23,000	6,500	26,000**	19,000
1970	165,000	135,000	29,500***		---	3,200

Note: Figures represent short tons raw value, and are rounded off in converting from statistics in long tons and metric tons.

* Tanzania, Zambia, Rwanda, Burundi, Congo.

** A special one-time sale to Canada at distress prices.

*** Breakdown between Kenya and other neighboring countries not available.



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STATEMENT OF BLAKE T. FRANKLIN, ATTORNEY
FOR THE COMISION NACIONAL PARA EL ESTUDIO DE LA
CANA Y EL AZUCAR, OF BOLIVIA, JUNE 23, 1971

As attorney for the Comision Nacional Para el Estudio de la Cana y el Azucar (National Commission for the Study of Cane and Sugar), the association of sugar producers in Bolivia, I am submitting this statement in support of Bolivia's request for an increased sugar quota. Coudert Brothers, the law firm with which I am associated, and I have filed the required registration statements with the Department of Justice and with the Congress.

Bolivia has requested the allocation of a quota which would allow the annual importation of 20,000 tons of sugar. Under present legislation, such an amount would be authorized by a quota of approximately 0.35 percent plus an equal percentage of the Cuban reserve.

Bolivia was a net importer of sugar until 1936, when it first produced all the sugar needed for its internal consumption. In 1964 Bolivia began to produce sugar surpluses, and the following year it was awarded a quota under the Sugar Act. That quota, which is the lowest provided for any country under the Act, 0.09%, served as a test of Bolivia's ability to become a reliable supplier of sugar to the United States. Since that time, shipments to the United States have fluctuated annually in

accordance with U.S. Government determinations of overall requirements. In 1966 Bolivia supplied 5,108 tons, in 1967, 6,102, in 1968, 7,103, in 1969, 7,625, and in 1970, 7,599. Each year Bolivia has shipped to the United States all of the sugar permitted under its quota.

In spite of the increase in exports, the growth of domestic sugar consumption, and restrictions imposed upon sugar production by the National Commission for the Study of Cane and Sugar, by the end of 1969 Bolivia had accumulated a surplus of 35,500 short tons. This surplus, now amounting to twice the requested quota, represents a potential supply of sugar to the United States in case of emergency. This supply could be increased if needed, for the Bolivian sugar industry is operating at only about 80% of its installed capacity under the restrictions I have mentioned. Furthermore, Bolivia has lands ideally suited for sugar production which are not now cultivated because of the country's very limited access to the U.S. market.

The pattern of trade between our two countries supports Bolivia's request for an increased quota. From 1963 to 1969, the United States enjoyed favorable balances of trade with Bolivia, amounting to a total of \$148 million in exports over imports for that period. The United States enjoys a favorable balance of trade with Bolivia in the agricultural sector as well, for Bolivia imports more agricultural products from the United States than many more populous Latin American nations.

U.S. agricultural exports to Bolivia include wheat, flour, powdered milk and edible oils. During the last three years, the U.S. agricultural trade balance with Bolivia has amounted to approximately 8 million dollars annually. U.S. imports of Bolivian sugar here amounted to approximately 1 million dollars worth per year.

Bolivia shares in no other premium priced sugar market, and all of its neighbors are sugar producing countries. Bolivia must expand its exports of sugar and of all its products in order to achieve urgently needed economic growth. It should be noted that Bolivia's sugar quota is small because the country had not participated in the U.S. market before 1966; yet Bolivia is one of the least affluent of our Latin American neighbors, and the needs of her people are great indeed.

The economic and social benefits of an increase in Bolivia's sugar quota would be widely enjoyed. Because large estates do not exist in Bolivia, most sugar is produced on small family farms, many of which are organized into cooperatives. Approximately 20,000 people are actively engaged in the sugar industry, and over 100,000 people are dependent upon it for their daily existence. The planting of extensive areas of sugar cane has led to a great increase in opportunities for employment in the eastern zones of Santa Cruz and Tarija, and sugar is the principal means of livelihood for the people of this important region of the country.

To alleviate the burden of underemployment in the more densely populated Andean highlands, the United States Government has long recognized the importance of developing the Santa Cruz area. Therefore, during a period of several years, the United States assigned a high proportion of its technical and financial assistance in Bolivia to road building and land development in that area; moreover, the Agency for International Development provided approximately 5 million dollars in loans for the installation of sugar mills there. Consequently, for over a decade there has been a steady movement of workers from the over populated, western valleys and highlands to these more productive regions. An increased quota therefore, would seem entirely consistent with previous United States development policies in Bolivia.

An increased quota would also benefit Bolivia's sugar producers by permitting them to realize considerable reductions in the high transport costs resulting from the small volume of sugar presently exported. According to the sugar producers association, current tonnage does not permit the chartering of vessels, and the industry has had to sustain high land transportation costs to the Chilean port of Antofagasta. If Bolivia's request for an increased quota is granted, the sugar producers will be able to effect substantial savings by shipping through the Atlantic ports of Buenos Aires, Argentina or Santos in Brazil. Because Bolivia is a landlocked country, all her export industries

must contend with a high cost factor for transportation, and an increase in the quota would contribute greatly to reducing the importance of transport costs.

Bolivia maintains friendly relations with the United States and is an active partner in the Inter-American system. Under the auspices of the Alliance for Progress, the United States Government has cooperated in the Bolivian Government's efforts to provide a better way of life for its people. The present Bolivian Government is actively pursuing policies designed to accelerate social improvements and economic progress. Nevertheless, poverty, illiteracy, disease and other symptoms of underdevelopment are still widespread. Per capita income is the second lowest in the Hemisphere, and the pressures on the social fabric of the country are very great.

In her efforts at self determination, and in order to retain a greater percentage of the country's irreplaceable mineral wealth, Bolivia in 1969 nationalized the assets of the Bolivian Gulf Oil Company. However, Bolivia has been quick to comply with the obligations under international law created by the nationalization. In a precedent-setting period of less than eleven months from the date nationalization was decreed, the Bolivian Government and Gulf Oil Corporation came to agreement on the terms and conditions of the compensation to be paid to the American company. My firm participated in the discussion leading up to

the indemnity settlement, which were characterized by cordial relations and a mutual desire to develop a means by which Gulf could receive full compensation for its investment and Bolivia's meagre financial reserves would not be totally depleted.

The attitude of the United States Government at this time can be crucial in reinforcing the position of the present Bolivian Government, which has affirmed its intention to stand by and respect the terms of Gulf's indemnity. On the day it came to power, the present Government ratified the Gulf settlement. But extremist criticism of the Government has harped upon this decision to comply with recognized principles of international law by fully indemnifying Gulf, and a negative response by the U.S. to Bolivia's hopes for strengthening and expanding her third largest industry could seriously undermine the responsible position of the Government.

In January of this year, the Bolivian Government, endeavoring to stabilize the precarious social situation and looking for a way to utilize the country's own resources to improve the state of its people, cancelled a concession which had been granted to a U.S. company, the International Metal Processing Corporation (IMPC) to retrieve tin from certain mine tailings. The Government decree referred to the relatively small sums paid to the state mining company by IMPC during its four years of operation.

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Even though the Government's action was not technically a nationalization but the cancellation of a rental contract, the same decree established a commission to determine the amount of indemnity to be paid to IMPC for its equipment and installations, and to establish the manner of its payment. I have had an opportunity to discuss the situation with various businessmen, including Mr. Frank Tye, the Vice President of IMPC, and with officials of the Bolivian Government, and thus I believe that, given the Gulf Oil precedent, Bolivia and IMPC can arrive at an amicable settlement in a relatively short period of time.

It has come to my attention that two United States citizens, Rex V. Youngquist and Donald V. Applegate, have requested the Committee on Finance to amend the proposed sugar legislation, H.R. 8866, to afford them relief for the expropriation of certain real property located in Bolivia. While I do not believe that the Committee is the most appropriate forum for debating the merits of this claim, I should like to add the following points for the Committee's consideration and for the Record.

Bolivia's Agrarian Reform Law, which abolished a feudal structure of large land holdings and provided for the redistribution of land to small farmers, is one of the means by which the benefits of the Sugar Act accrue to the small land owner who raises his own crops. The Reform Law has been applied

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across the board, without regard to nationality, and has affected Bolivians and all other land owners equally.

The Reform Law provided for the issuance of bonds to those whose property was affected; but the sad truth is that Bolivia's administrative capacities have not proven adequate to handle the immense task of retitling the properties and dealing with claims for compensation. The process has been so cumbersome that the United States Government has now provided a computer and mobile cadastral units to speed up the task.

Although Messrs. Youngquist and Applegate have not complied with the administrative procedures established by the Bolivian Agrarian Reform Council for the resolution of their claim, I am authorized to inform the Committee that the National Commission for the Study of Cane and Sugar and the Embassy of Bolivia to the United States are prepared to cooperate in a joint effort to resolve this matter.

In summary, Bolivia needs to attain a more rapid rate of economic growth. This need is reflected in the low per capita income figure -- approximately \$160 in 1969 -- and in the Government's attempts to counteract the pressures of social and economic frustrations and bring a better life to all its people. In view of these considerations, of past United States Government involvement in the development of the sugar industry and of that industry's record of meeting all previously assigned quotas, we hope for your favorable consideration of our requested 20,000 ton quota assignment.



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STATEMENT ON THE EXTENSION OF THE SUGAR ACT PRESENTED TO THE SENATE COMMITTEE ON FINANCE BY JOHN A. WILSON, LEGISLATIVE DIRECTOR NATIONAL SHARECROPPERS FUND

JUNE 22, 1971

The following testimony is in support of the extension of the Sugar Act being modified to include various provisions for the benefit of sugar cane and sugar beet workers, including the provisions of H.R. 8287 introduced by Congressman Matsunaga.

Mr. Chairman, and members of the Committee, the National Sharecroppers Fund is pleased to be permitted this opportunity to express its views on the extension of the Sugar Act. For over 33 years the National Sharecroppers Fund has been dedicated to improving conditions for all agricultural laborers in this country, and one of our specific interests has been the Louisiana sugar cane worker.

We are here today to ask for justice for the sugar worker. Miss Fay Bennett, who was Executive Director of NSF for seventeen years has stated,

The Sugar Act both controls the amount of domestic sugar production through subsidies to the growers who abide by acreage allotments, and provides that 'fair and reasonable' wages be paid the workers. For the growers this works out well. . . At the same time, a world system of import allotments insures that the United States supply of sugar will

be adequate, without creating a surplus to jeopardize the American growers' return on their crop. In 1960, the return on capital investment was 8.3 per cent, and it has been rising ever since.

With risks controlled and profits guaranteed to growers, one might reasonably expect that the workers would be in a similarly protected position. The Sugar Act does, in fact, make sugar cane workers slightly better off than other agricultural workers in the United States. Wages have been rising steadily in recent years under annual wage determinations made, after public hearings, by the Department of Agriculture. But even after a considerable advance in 1964, these wages are still below the national minimum wage that applies to non-agricultural workers.

Meanwhile, like other farm laborers, the sugar cane workers are excluded from the labor legislation that protects the right to organize and bargain collectively. In the past, their organizing efforts have been broken by injunctions and violence. They live in miserable housing in wretched communities that are virtually company towns.¹

When the Sugar Act of 1948 was passed, Congress rightfully decided that legislation which would protect growers with public funds should also include some protection for the workers producing the crop. Accordingly, the requirements of the Sugar Act include certain wage provisions:

That all persons employed on the farm in the production, cultivation, or harvesting of sugar beets or sugar cane with respect to which an application for payment is made shall have been paid wages therefor at rates not less than those that may be determined by the Secretary to be fair and reasonable after investigation with due notice and opportunity for public hearings.²

¹ Myers, Robin; Louisiana Story, 1964; National Advisory Committee on Farm Labor.

² U.S. Sugar Act of 1948, as amended; Title III, Sec. 301(c)(1)

Thus, the Sugar Act provides for "fair and reasonable" wage rates for those employed in the production of sugar. In addition, the preamble of the Act includes the protection of the welfare "of those engaged in the domestic sugar-producing industry" as one of its purposes.

Yet, we respectfully submit that the wage being paid to sugar workers today is not fair and reasonable and that the Sugar Act, as it presently operates, does not protect the sugar workers' welfare, as the Sugar Act intended. The National Sharecroppers Fund believes that the sugar cane worker in Louisiana is one of the lowest-paid skilled workers in America, with an average family of six earning only \$2,635 annually.

It is our feeling that the Sugar Act must stand out as a model for agriculture, specifically because of its unique place as a government-regulated, -controlled, and -subsidized agricultural industry. The Sugar Act cannot serve as a model, nor can it successfully carry out its mandate to protect the welfare of those engaged in the sugar-producing industry, if the sugar workers which it employs are allowed to live in wretched conditions with salaries that do not bring them even close to a poverty-level income.

As you know, the Department of Agriculture regularly holds open hearings in sugar-producing areas to determine wage rates, where all persons interested are invited to express their views. This sounds like an obvious and fair procedure, yet it

has often appeared to be a consultation between growers and government to fix the wages by which unrepresented workers are most affected.

This is mainly because unorganized workers are at a very great disadvantage in presenting their own case. Organizations such as the American Sugar Cane League and the Farm Bureau Federation can always afford to take time to appear at the hearings; it is part of their business function. Workers have to sacrifice time from the job and call ill afford transportation costs; nor do they have their own union officials to speak for them. Furthermore, unorganized workers have neither the research nor the personnel to prepare information and documentation which must take into account all aspects of the complicated sugar system and situation in defending the workers' case.

Finally, workers start with a liability because agricultural wages are always viewed in the light of the traditional and actual low-wage standards that prevail in a largely unorganized industry. Comparisons are not made with general or manufacturing wages; the gauge is rather farm wages, which have always been substandard. For some strange reason, "fair and reasonable" means one thing in the field, another in the factory. The difference between sugar refinery and sugar field wages is enough to demonstrate that.

While field wages for sugar workers have been slowly increasing, the rate of increase has never been great enough to narrow the gap between industrial and farm wages. Sugar workers, like other farm workers, lag behind not only in absolute but also in relative terms. Yet, their needs are much greater

for they have so much catching up to do in living standards and educational and cultural advantages.

Where, as in Hawaii, sugar field workers are organized, specific wage rates are not stated but the provision is made in the wage determination that the wage rates will be agreed upon between the producer and the worker. Hawaii growers, because their plantations are so large, actually receive the lowest subsidy of any area in either beet or cane sugar production. Their sugar goes largely to the same domestic American market as Louisiana sugar and at the same prices. Yet, their workers receive between two and three times as much as mainland American workers. The difference is union organization.

The recommendations which we make are intended to improve conditions for sugar workers. Our involvement and information is generally confined to the operation of the sugar industry in Louisiana, but our concern is for sugar workers all over this country.

Thus, we would like to make the following recommendations:

1. That H.R. 8287, the bill to amend the Sugar Act introduced by Congressman Matsunaga on May 11, 1971, be incorporated into the Sugar Act with all of its provisions.
2. In addition to the provisions stated in H.R. 8287, the Sugar Act should make provisions for all workers who come under it to be protected by all Federal and State laws which govern non-agricultural workers, including the National Labor Relations Act, the Fair Labor Standards Act, unemployment compensation and workmen's compensation.

3. A provision should be placed in the Sugar Act that would provide for legal or other professional assistance to unorganized workers upon notice of wage hearings, so that the workers might benefit from expert advice and research. As we stated earlier, unorganized farm workers cannot represent themselves adequately at wage hearings to determine a fair and reasonable wage and thus, professional assistance is essential for them.

The recommendations that we make today are only within keeping of the preamble of the present legislation. We therefore hope that these recommendations will be incorporated into the Sugar Act, so that the welfare of all persons involved in the production of sugar may be equally and adequately protected.



American Chamber of Commerce

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June 15, 1971

Honorable Russell B. Long
United States Senate
Washington, D. C. 20510

Dear Senator Long:

The American Chamber of Commerce of the Dominican Republic hereby makes the following statement concerning the sugar quota to be accorded this country.

1. The Dominican Republic is in a unique position, and deserves special consideration. No other country seeking a quota has as serious a problem; at the same time, no other country presents more opportunities for our nation to demonstrate the value of friendship and cooperation, not only for the present, but also for the future. Set forth below is our reasoning in this matter:

a. The unique problem: This problem is very clear. The sugar quota passed by the House of Representatives would drastically cut the exports of this country. Last year's sugar exports accounted for one half of all Dominican exports and reached over 100 million dollars. A reduction of twenty five million dollars or 10 percent of all exports to an economy that is just emerging represents a very serious blow. It cannot be compared with other countries where sugar is but one of many factors in the national economy.

From a stand point of self interest, it is also worth while to consider that most imports come to the Dominican Republic from the United States. A cut of twenty five million would mean that purchases of a like amount would not be effected. This would again damage the Dominican economy, as most of its revenues come from import duties; as luxury items would be eliminated that bear over 100% tariff, the country would lose 25 million more in income. Thus, the lower sugar quota has a multiplying effect.

b. The unique opportunities. These are:

(1) The Dominican Republic has always been a friend and ally to the United States, in all circumstances. Now is our chance to reward such cooperation.


(2) It is in a special geographic position not only for supplying sugar, but also as a free country next to Cuba, a controlled government. All the world has its eye on this situation.

(3) The Republic welcomes foreign investment. No case involving confiscation of property of U. S. Nationals or any other restrictive measures has been called to the attention of this Chamber.

(4) The Dominican Republic follows a policy of free enterprise and democracy, modeled on ours; we would hope that its economic conditions continue to improve under this system.

2. In view of the great impact of the sugar quota, the matter has become of transcendent importance. It is on the front page daily in all the newspapers; on television, radio and all other media continuously. It is not one of several problems, it is the problem. It dominates the discussions on all social levels. This affords the United States an excellent opportunity to show our concern in the economic and social development of a friendly nation.

It would seem illogical, after spending over three hundred million dollars during the past six years to aid this economy get on its feet, that we cut the sugar quota which is the lifeblood of the nation just as the economy is showing progress.


Wilson A. Rood
President

EMBASSY OF PARAGUAY

WASHINGTON, D.C.

Honorable Russell B. Long, Chairman
Committee on Finance
United States Senate
Washington, D.C.

June 15, 1971

Dear Senator Long:

I understand your committee will hold hearings on proposed Sugar Act Amendments of 1971 on June 16th. In considering H.R. 8866, the Committee on Agriculture of the U.S. House of Representatives provided a quota of 15,079 tons for the Republic of Paraguay.

This quota will be very important to the economy of Paraguay and will be of benefit to its people. We have a small country with an area of only 157,039 square miles. Our population is 2,243,000 persons. Our population is 40% urban and 60% rural. Our largest city is Asuncion, the capital, with 411,500 persons. We are proud of our social progress under President Alfredo Stroessner, who was elected in 1954 to fill out the term of his predecessor, and since 1958 reelected for three successive five year terms. Our Constitution, adopted in 1967, is one of the most democratic in the hemisphere. For example, no political party can have more than 2/3 of the seats in our Congress, which is bicameral, with a 30 seat Senate and a 60 seat Chamber of Deputies. The minority parties share 1/3 of the seats in proportion to votes cast.

I once served in our Congress, and I can appreciate your problems in dealing with legislation.

The sugar quota assigned to the Republic of Paraguay in H.R. 8866 is very important to our country. Our per capita income is only \$200. Our gross national product is \$473 million, and we expend 2.4% of it on education alone. We have 2,797 schools with 406,100 pupils in primary and secondary schools. Our enrollment in higher education is 169 pupils per 100,000 population. We are trying to improve the quality of life in our country, and the sugar quota will help toward this end.

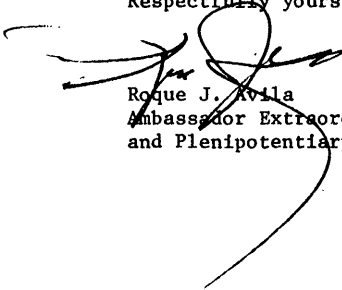
Over 51% of our gross national product comes from agriculture, 23% from commerce, and 16% from industry. Our labor force is 616,640 persons, of which 52% is in agriculture, 15% in manufacturing, 7% in commerce, and the balance in transportation, communications, construction and other services.

As your records will show, Paraguay had no quota from 1948 to 1962; 4,680 tons in 1962, 10,758 tons in 1963, and no quota since. Our production has now reached a point where a 15,000 ton quota is fair and reasonable by the standards Congress applies. We are a government

friendly to the United States -- we alone offered help to President Johnson in connection with the Dominican Republic problem in the 1960s. We are a stable government and a dependable source of supply. We try to generate reciprocal trade with U.S. companies. We are developing a U.S.-Paraguay Trade Association in this connection. Paraguay has great need for access to the market in the United States, to help our foreign exchange and to improve our economic development.

We will be most appreciative of your favorable support of the sugar quota allotted to Paraguay in H.R. 8866.

Respectfully yours,

A large, stylized handwritten signature in black ink, appearing to read 'Roque J. Avila', is written over the typed name and title.

Roque J. Avila
Ambassador Extraordinary
and Plenipotentiary



June 17, 1971

Dear Mr. Chairman:

Re: Beet Sugar Molasses Imports -
Section 206 of The Sugar Act of 1948
as amended by H.R. 8866

We urge you, as Chairman of the Finance Committee, not to give favorable consideration to the proposed Section 206 of the Sugar Act of 1948 as amended by H.R. 8866 which seeks to add beet molasses to the list of products on which the Secretary of Agriculture is authorized to impose import restrictions.

We are writing to alert you, and the other members of the Senate Finance Committee, of several factual considerations bearing on such an amendment, which we oppose. The financial harm which could result to our Company from the enactment of this amendment would be great, while on the other hand, any possible benefit to the domestic sugar beet interests would be minimal at best.

Pfizer uses beet molasses in the production of certain organic chemicals (principally citric acid) at plants located in the New York/Connecticut area. Historically, we have purchased part of our beet molasses requirements from Michigan and Ohio producers, but also have acquired a portion from Western Europe because of an insufficient supply of the type and quality of beet molasses, required by Pfizer, from domestic sources at comparable prices.

Due to transportation costs, the Michigan/Ohio factories have been the only domestic sources commercially available to us. The rail freight from the Michigan/Ohio region, which

produces only 10% of the sugar beets in the United States, is \$13.00 per ton. Since the remainder is produced by factories located farther to the west, the bulk of the domestic beet molasses would have to be shipped to us from much greater distances at greater expense. For example, the freight rate from Denver to New York/Connecticut is \$32.80 per ton. This freight cost, alone, approaches the total acquisition cost for molasses from Western Europe, which is approximately \$40.00 per ton (of which some \$3.50 is ocean freight).

Not all beet molasses is suitable for our use. Pfizer must test the molasses from each source annually before purchase. The care and planning with which we choose our molasses is the result of many years of work and represents the selection of the most suitable type and quality. This year Pfizer's anticipated requirements are over 100,000 tons, but, because of quality characteristics, only a maximum of possibly 40,000 tons of the 90,000 annual tonnage output of the Michigan/Ohio factories might be suitable for our use.

If legislation were passed forcing Pfizer to buy its molasses requirements entirely from domestic sources, we estimate that additional cost to the Company for freight alone would be in excess of 2.5 million dollars annually. Such an increase in cost would almost certainly restrict the ability of this part of our business to compete in world markets. Our special quality requirements would make it extremely difficult to purchase beet molasses entirely from domestic sources - even if price were not a factor.

It is doubtful, on the other hand, that enactment of this proposed legislation would result in a significantly higher net return to domestic beet molasses producers. The major determinant in the establishing of the price of beet molasses in the United States is the delivered cost of blackstrap molasses. Blackstrap molasses is far more abundant than beet molasses and is equally nutritious for livestock feed, the principal use of molasses in this country. The approximately 150,000 tons of beet molasses which is imported into the United States annually is truly insignificant when compared to the amount of blackstrap against which it must compete. In 1969 the blackstrap importation into the United States totaled nearly 2 million tons to which the domestic blackstrap production added another 1 million tons.

Therefore, we urge your Committee not to act favorably on Section 206 of the Sugar Act of 1943 as amended by H. R. 8866.



C. W. Smith
Executive Vice-President
Chemicals Division

The Honorable Russell B. Long
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June 22, 1971

Mr. Thomas Vail
Chief Counsel
Senate Committee on Finance
2227 New Senate Office Building
Washington, D. C.

Dear Tom:

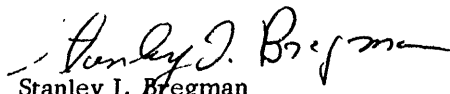
Attached to this letter as Exhibit A is a draft amendment to Section 209 of the Sugar Act of 1948 (7 USCA 1119). The suggested additional language is underscored in the draft.

The purpose of this amendment is to insure the integrity of sugar quotas by providing procedures for accurate weighing of all foreign sugar imported into the United States. The proposed procedure would provide a simple, fair, and effective method to determine true and accurate weight of foreign sugar in the interest of the quota and duty and all parties concerned by requiring that all sugar be certified and weighed by a person not directly or indirectly engaged in the buying or selling of sugar.

Attached as Exhibit B is a memorandum describing the present situation concerning the weighing of imported sugar.

If you have any questions on this matter, I would be very happy to discuss them with you. Your consideration is most appreciated.

Very truly yours,


Stanley I. Bregman

Attachments

EXHIBIT A

DRAFT AMENDMENT TO SECTION 209 OF THE SUGAR ACT
OF 1948 (7 USCA 1119)

Title II - Quota Provisions

* * *

"Prohibited Acts.

"Section 209. All persons are prohibited

* * *

"(b) From bringing, importing or receiving into the continental United States from foreign countries any raw sugar within the applicable quota, or the proration of any such quota, or dealing in such sugar, unless the weight thereof upon arrival and final discharge into the continental United States has been certified to the Secretary by a person primarily engaged in weighing commodities but not directly or indirectly engaged in the buying or selling of sugar."

(remaining subsections of Section 209
should be redesignated as (c)(d)(e)(f).)

EXHIBIT B

WEIGHING CONSIDERATIONS
FOR FOREIGN SUGARS
DELIVERED TO THE
UNITED STATES

About 4,600,000 tons of raw sugar are imported each year into the United States from foreign countries. The cost of this sugar averages about \$180 per ton, and thus an aggregate of over \$828,000,000 of foreign sugars normally enters the United States each year under quotas determined by Congress.

Duty is imposed on these foreign sugars at a rate of 62-1/2 cents per hundred weight, except for Philippine Island sugar which is presently subject to a lower rate. These quota sugars account for about \$50,000,000 or more of duty paid to the United States government each year.

It would appear obvious that, both because of quota and duty considerations, the weighing at the United States port of discharge of this important and valuable commodity is most important. It would likewise appear self-evident that foreign sugars, subject to both the quota and duty, should be weighed by independent and qualified weighmasters wholly unrelated, directly or indirectly, to any parties to the purchase and sale of these foreign sugars. At the present time, however, a substantial portion of these quota and dutiable sugars is not weighed by independent weighmasters. About 25% of the annual foreign sugar imports are now weighed by other than independent weighers. A non-independent weigher (dependent weigher) is an organization that is

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controlled, through affiliation, ownership or otherwise, by a buyer or seller of the imported foreign raw sugar.

This memorandum will discuss and illustrate some of the dangers, actual and potential, to the maintenance of required quotas and to the collection of proper duties as a result of the importation of foreign sugars which are not weighed by independent weighmasters.

Background

The quota system under which sugar is imported from certain foreign countries is established by Congress and administered by the Department of Agriculture.

Collection of duty on this foreign sugar is administered by the Treasury Department.

Producers of sugar located in foreign countries sell their raw sugar to operators located mostly in New York. The operators in turn sell the sugar to ultimate customers in the United States, usually refiners.

The sale of sugar by foreign producers to the operators and thence to the refiners is based upon the value of that sugar; final payments are dependent upon the determination of that value.

Value of the sugar is arrived at by considering three factors:

1. Weight - as determined at the U.S. port of discharge.
2. Polarization - the determination of the

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sucrose-content of the sugar at the U.S. port.

3. Price - contractual amount agreed upon between the buyer and seller.

The ultimate value, or amount paid for the cargo by the refiner to the operator and by the operator to the producer, is determined by:

- a. Applying the polarization result to the stated contract price, giving an adjusted price which in most cases is higher than the stated contract price; and then
- b. Multiplying the discharge weight at the refinery by the adjusted price.

In substantially all cases, foreign sugar is sold under two contracts. The first covers the purchase by an operator of the foreign producer's sugar, and the second covers the operator's resale of that sugar to the refiner. The value of the sugar covered by each contract is determined once, in the manner set forth above. In other words, the sugar is weighed and polarized only once, at the port of discharge, and these constant factors are then applied to the different stated prices set forth in each contract.

Quota

The quota is based on value of the sugar, i.e., a particular country is allocated a certain number of tons under the quota at a fixed raw value basis, i.e., at a fixed polarization. Naturally, the weight of a cargo of sugar determined at

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the port of discharge, if incorrect, will affect the gross tonnage under the quota.

Duty

The Duty is imposed on the basis of weight and polarization in the same way as quota. Incorrect weight determination will also affect the amount of duty collected on the imported foreign sugar.

Weight

The weight of sugar upon arrival in the United States is clearly the first and primary factor for determination in order to implement the quota system and to impose statutory duty. If foreign sugar cargoes are not precisely, carefully and accurately weighed, the quota system cannot function as contemplated by Congress, and raw sugar duty payments may be subject to question.

The interest of the operator in protecting against weight errors on the low side, when compared to a true weight which might be higher, is minimal. The operator's profit reflects a mark-up in price on total tonnage involved in any given contract transaction, between the amount the operator must pay under his contract of purchase from the producer and the amount he will receive under his contract of resale to the refiner. Any weight loss coming from weighing error will result only in a relatively minor reduction of the operator's resale mark-up profit. On the

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other hand, the same weight loss will inflict a substantial loss on the producer. For example, on a 20,000 ton cargo purchased from one producer at \$170.24 per ton and agreed to be resold at \$171.36 per ton, a weight loss of one percent resulting from inaccurate or inattentive weighing procedures would reduce the operator's anticipated profit by \$222.40. In the same example, the producer would suffer a loss of \$34,048.00 (\$170.24 per ton times 200 tons, or one percent, of the 20,000 ton cargo), or 152 times the operator's reduction of profit, on the same cargo and attributable of the same weighing error.

To put it another way: For each ton of sugar that is lost by improper weighing procedures, the operator would suffer a profit-loss of \$1.12 but the producer would lose about \$170 on that lost ton of sugar.

In view of the relatively inconsequential loss to the operator and the corresponding importance to him of maintaining a continuing satisfactory relationship with his customer-refiner, the operator's interest undoubtedly is to facilitate the final acceptance of the cargo by the refiner without interposing any claims or objections that the weight is too low. The amount of profit that the operator might save himself by pressing a claim or objection based on weight loss would be much too small to risk losing a valued customer-refiner as a result of making disturbing claims or objections.

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As indicated, having a party who is not primarily interested in insuring that true full weight of sugar is determined, such as an operator, in charge of weighing (by nominating the party to do the weighing), can have obvious negative consequences to the quota and the collection of duty. The simple solution would be to require that all quota and dutiable foreign sugars be weighed by independent weighmasters, totally unaffiliated by ownership or direct relationships with operators. This would insure independent objectivity because he would disclose any discrepancies to all parties concerned, e.g., the refiner, the operator and the producer. The independent weighmaster would also be obligated to submit weight certificates, and all data regarding discrepancies, to the governmental authorities administering the quota and collecting the duty.

In 1970, the weight of about 25% of imported quota foreign sugar was not determined by independent parties. As to this sugar, there must be doubt whether true weight was determined, with obvious corresponding questions regarding the quota and duty. The non-independent weigher was affiliated, by direct ownership and otherwise, with the operator. Although paid by the producer, the dependent affiliated weigher could be expected to reflect principally the interest of the operator that owns and controls the weigher. Under the circumstances, that interest might not be geared to true weight, but more toward maintenance of continuing relationships between the operator and customer-refiner.

In addition to insuring true weight and avoiding even

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potential conflict of interest, an important protection that would result from requiring the use of independent weighmasters is the prevention of the expanded use of dependent weighers.

All the dangers noted above and illustrated below can be expected to multiply in the future if the present trend in the industry is allowed to continue. All operators do not now own or control, or maintain an affiliation with, a dependent weigher, but more operators in the future may decide to organize and operate an affiliated dependent weighing firm, if only because they may find it competitively necessary to have their sugar cargoes handled in exactly the same way as those operators who are using dependent weighers. At present about 25% of imported foreign sugar is handled by dependent weighers. Naturally the scope of the quota and duty questions resulting from use of dependent weighers would greatly increase if that percentage were enlarged because additional operators adopt the practice of using only their respective dependent weighing organizations.

All these problems can be avoided by requiring that weights of foreign sugars be determined by truly independent weighmasters, unaffiliated with buyers or sellers of that sugar. Besides protecting all parties to the importation of the foreign sugar, by accurate determination of true weight, the use of independent weighmasters will protect the Congressional purpose in establishing the quota system, and will also protect the revenues represented by the duty payable on quota sugar.

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Illustrations

The foregoing discussion clearly shows that true and accurate weight is critical to the proper functioning of the quota and the collection of duty, and further that independent weighmasters are the only reliable parties to determine such true weight. It is recognized, nevertheless, that absolute proof to show pound-for-pound that independent weighmasters will arrive at weights different from those determined by dependent affiliated weighers cannot be demonstrated on a practical basis; to do so would require the reweighing of all sugars handled by dependent weighers, which obviously would be impossible and impracticable. It is submitted, however, that the very activities and interest of an operator and its dependent, controlled weigher establish the necessity of requiring the use of independent weighmasters. Moreover, examples of discrepancies discovered and pressed by an independent weighmaster in the recent past show the absolute importance of independence, when compared to the failure of a dependent weigher either to note a weight loss discrepancy or to press a weight loss claim.

Example I

In 1968, a particular customer-refiner received substantial tonnage of quota sugar. An independent weighmaster noted a seeming large weight loss upon discharge at the refinery when compared to customary prior weight losses on

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cargoes from the same foreign country. This observation led the weighmaster to stop the weighing of the cargo and to check the components of the scale with the scale-manufacturer. This check uncovered malfunctions that were affecting accuracy of the scale on the down-side. The buyers and sellers of the sugar were informed of the discrepancy and the independent weighmaster withheld his weight certificate.

A claim, based on the information regarding the discrepancy supplied by the independent weighmaster, was asserted by the producer. The claim was ultimately arbitrated and, principally because of the evidence developed by the independent weighmaster, a substantial award resulted. This incident involved a claim of weight loss worth \$50,000. The ultimate settlement was worth \$25,000.

In the development of evidence to support this claim, the independent weighmaster discovered that many cargoes previously had been delivered to the same refinery where weight losses were at least as excessive as in the instant case. However, in these earlier instances, a dependent affiliated weigher was functioning and no investigation was undertaken or claim initiated. Naturally, it is impossible to state that the same malfunctions would have been discovered earlier had the dependent weigher performed on the previous cargoes with the same attention to and interest in accuracy of the

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weights as had been pursued later by the independent weighmaster. It is interesting, nevertheless, that in a period November to April (when the discrepancy was discovered) involving this one refinery, there was delivered a total of 215,000 tons of sugar and the earliest November shipment showed as large a weight loss discrepancy as in the case investigated by the independent weighmaster. It is fair to assume that the independent weigher would have initiated a similar investigation in November and thus would have corrected the weights for the ensuing 215,000 tons. The dependent weigher did not do so, and the weight of the entire 215,000 tons is open to question, but the accuracy can never be fully known since the dependent weigher did not undertake any investigation by choice or because of inadequate procedures.

Example II

At each refinery receiving quota sugar, there is maintained a set of test weights (cannisters). These test weights are used to check out the accuracy of the weighing scale each day or prior to the unloading of each discharging ship. Obviously, test weights themselves must be accurate in order to insure that the scales are accurate. These test weights are checked semi-annually. This operation is sophisticated and important -- it takes about two days to check the accuracy of test weights. In performing this function

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over many years, an independent weighmaster has discovered that test weights regularly require adjusting. In one particular case, for instance, test weights were found to be incorrect by as much as 37 pounds.

A dependent weigher has not as great interest in performing the check of test weights so as to assure the determination of true accuracy. In one case a dependent weigher did not even appear at the time appointed for the checking of test weights, and that job was performed by an independent weighmaster who happened to be on the scene. Since this check takes place only twice a year at every scale, any error in calibrating the accuracy of the test weights and in making required adjustments can have far-reaching effects on tonnage determinations, and thus on quota and duty.

Example III

An independent weighmaster, in the regular course of his weighing procedures (involving about 25% of the imported quota sugar), finds it necessary to adjust the weighing scale with respect to about 20% of the sugar he handles. These adjustments arise because of a variety of scale deficiencies that occur regularly (about once every five days). The adjustments are absolutely essential to insure true weight.

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It is highly probable, because of the same lesser interest on the part of dependent weighers that the need to adjust the scales may not be observed by the dependent weigher, or, even more important, if observed, that adjustments will not be made with the same attention to detail and accuracy as would be the case with an independent weighmaster.

Example IV

Scale accuracy is fundamental. The U.S. Bureau of Standards permits a tolerance of 1/10 of one percent in setting accuracy. An independent weighmaster insists on scale adjustments that test to zero tolerance.

It is possible that a scale can regularly be weighing within the accuracy tolerance, but consistently be showing low-weight within the 1/10 of one percent tolerance. Hypothetically, in one year this could result in the weight loss of tonnage having a value of about \$810,000. It should be noted that this possibility is not as remote as it might seem. Scale tolerances never average out to zero, because the refiner, concerned with never paying for undelivered non-existent sugar, observes all scale settings and never accepts any that are to any degree above zero, even if within the 1/10 of one percent tolerance -- the refiner is not

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concerned about any low weighing scales and thus all tolerated errors would be on the low-side. Dependent weighers have no particular reason to insist on zero tolerance, and might well be satisfied (as opposed to an independent weighmaster) with a tolerance on the down-side.

Example V

The weighing of dutiable sugar (including quota sugar) is observed by representatives of the U.S. Customs. The interest of these representatives is that weights are substantially correct. Since they are not engaged in the actual weighing operations and cannot be expected to be knowledgeable regarding accuracy of bill of lading weights and weight history of the foreign source of a given sugar cargo, it is understandable that true accuracy cannot be insured by these observers. Of course, egregious errors on weights or procedures would be noticed and corrected by these representatives. Nevertheless, in the practical world smaller but important weight losses would probably not come to their attention. The interest of the independent weighmaster is in each particular cargo he is weighing. His responsibility to arrive at true weight is of overriding importance to both the refiner and the producer (the refiner not wanting high weights and the producer not

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wanting low weights), and his objective and utmost attention would be to prevent all errors, not just those that might or might not be noted by the customs representative.

Example VI

In July 1970, an independent weighmaster noted that the unloading procedures leading to the weighing of a cargo of foreign sugar were deficient so that substantial amounts of sugar were being lost and unweighed. This discrepancy was immediately brought to the attention of the customer-refiner, the operator and the producer. The independent weighmaster initiated estimating procedures to ascertain the amounts of the unweighed sugar being lost, and checked these estimates with an independent third party.

The same estimating procedures were followed on later cargoes. The later facts were also transmitted to all parties interested in the sugar by the independent weighmaster and steps have been taken to initiate claims based on these facts.

The total estimates of lost sugars aggregated about 750,000 pounds, worth approximately \$60,000.

After the losses were originally discovered and ascertained by the independent weighmaster, a dependent, affiliated weigher weighed certain sugars at the same refinery,

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but did not check his estimating procedures with an outside third party and his estimates were so questionable that it is unlikely a claim can be asserted as to the losses on the cargoes handled by the dependent weigher.

In addition, the same dependent weigher on other cargoes weighed by him at the same refinery did not bring the sugar loss discrepancies to the attention of the selling producers for more than four months following the sugar-loss events originally discovered by the independent weighmaster. As a matter of fact, the information became known to the producers selling to the dependent weigher's controlling operator only because of activities of the independent weighmaster in developing the claim for the producers of the cargoes weighed by it.

The foregoing examples are only illustrative of the weight losses which may actually be occurring -- to the possible detriment of the quota and the duty -- because the tonnage handled by the dependent controller weigher in most cases is not subject to weight checking by an independent weighmaster.

Trade Practice

Operators themselves appear to recognize that the use of dependent weighers is not the most reliable way to determine true weight. The practice in the trade is that a dependent weigher can only weigh sugar purchased by his affiliated,

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controlling operator. A dependent weigher affiliated with one operator does not weigh cargoes belonging to another operator, presumably because one operator would not allow another operator to be in control of the weighing functions by using the other operator's dependent weigher. This probably reflects recognition that (a) weighing is very important, (b) weighing can be done with care and accuracy, or with inattention to proper procedures, and (c) there is no built-in assurance that a weigher affiliated with another operator will determine accurate weight. Thus, in practice, operators will use an independent weighmaster rather than another operator's dependent weigher. The same considerations, representing hard-nosed economic trade reality, would appear to argue persuasively that weights for quota and duty purposes should always be determined by an independent weighmaster.

Conclusion

The quota and duty are not protected and implemented in the manner intended by Congress when dependent, affiliated weighers supervise the weighing operations on foreign sugars delivered to the United States.

The simple, fair and effective way to determine true and accurate weight of foreign sugar, in the interest of the quota and duty and all parties concerned, is to require the use of only independent weighmasters.

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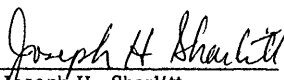
STATEMENT OF JOSEPH H. SHARLITT, WASHINGTON COUNSEL
TO SEAWAY LINES, INC., REGARDING A DISPUTE
WITH THE DOMINICAN REPUBLIC

This statement is filed in the record of the Senate Finance Committee to apprise the Committee of a dispute between Seaway Lines, Inc. ("Seaway"), a Florida Corporation, and the Government of the Dominican Republic. This dispute involves a taking by the Dominican Government of property belonging to Seaway. It is Seaway's position that this taking was in violation of its rights under International Law and in violation of due process of law.

In response to the efforts of the Department of State for use of its good offices in the settlement of this dispute, the Government of the Dominican Republic has, by letter dated June 22, 1971, invited representatives of Seaway to meet with representatives of that Government in an attempt at a negotiated settlement of this matter. Pending the commencement of these negotiations and a determination of whether they will in fact be meaningful, it serves no useful purpose to spread the facts of this dispute on the record of this Committee.

Seaway, however, respectfully requests leave of this Committee to file a statement containing an exposition of the facts of this dispute if it is determined at the outset of these talks (which will commence within one week in Santo Domingo), that a substantive settlement of this matter is not intended by the

Government of the Dominican Republic. Assuming this leave is granted, such a statement will be filed (if the Santo Domingo discussions prove meaningless from their outset), within ten days from this date. If leave is not granted, Seaway intends to provide each member of this Committee with a written delineation of the details of this dispute prior to Committee action, assuming again that negotiations prove abortive.



Joseph H. Sharlitt
Washington Counsel to Seaway Lines, Inc.

June 23, 1971

STATEMENT OF MR. SAM TAYLOR, PRESIDENT,
RIO GRANDE VALLEY SUGAR GROWERS, INC.

The Lower Rio Grande Valley of Texas is an area some 65 miles long, east and west, along the Rio Grande River just above the point of its entry into the Gulf of Mexico. The area is approximately 40 miles wide. It is an irrigated, agricultural region, producing primarily citrus, cotton, feed grains and vegetables. It is one of the major diversified agricultural areas in our state.

Like other such areas, many of the crops produced there are either declining or erratic in the economic return they bring the producer. The result is that the Lower Rio Grande Valley's agricultural base is being eroded. Since agriculture is the main economic support of this area, it is of paramount importance that a new crop such as sugar cane be made available to return economic strength to the area's agriculture.

The production of sugar cane is not new to the Lower Rio Grande Valley of Texas. Small plantings for home use are known to have been made there as early as 1830. By 1858 a mill was constructed. Five mills were in operation in the early 1900s and commercial production and milling operations continued until 1922. The collapse of the sugar prices following World War I were responsible for the death of the sugar operations in the Valley. The void was filled by cotton and other crops.

Many years ago the agricultural interests in the Lower Rio Grande Valley began to restudy the entire question of sugar cane production. Extensive field tests and growing tests have been conducted and a full feasibility study has been completed.

The results of the survey reflect that a sugar cane operation would provide the Lower Rio Grande Valley area with both a dependable crop and an industrial facility to stimulate the economy of the area.

Climatic conditions, particularly the probability of severe freezes, are very important in evaluating the feasibility of cane production in any area of the continental United States. A high probability of severe and early freezes limits the processing season to about 65 days in Louisiana and results in an industry whose profits are small. The reduced incident of early and severe freezes results in higher yields and a longer processing season in Florida and a more profitable industry. The Valley Area of Texas has slightly lower freeze probabilities than the cane area of Florida and should be equally as profitable as the Florida industry.

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Field and laboratory studies on sugar cane culture were conducted in the Valley on a limited scale from 1961 to 1964, and in more comprehensive detail since 1968. The potential for yield of cane and sugar indicated by these studies compare most favorably with those reported from the production areas of Louisiana and Florida. The results of 15-year averages for Louisiana and Florida, respectively, were 23.6 tons of cane per acre and 171 pounds of sugar per ton of cane, and 34.5 tons of cane per acre and 202 pounds of sugar per ton of cane. Test results in the Valley averaged approximately 60 tons of cane per acre and 217 pounds of sugar per ton of cane. In the report a conservative average yield of 42 tons of cane per acre and 210 pounds of sugar per ton of cane was assumed.

The factory has been designed for an initial capacity to process an average of 7500 tons of cane per day and for an annual production of about 100,000 tons of raw sugar and 6,000,000 gallons of molasses from 1,000,000 tons of sugar cane. Approximately 31,500 acres will be required for the sugar cane operation.

If a quota can be obtained, the proposed operation should be attractive. The operation will require the total investment of approximately \$30.7 million, including \$20 million for the factory. The operation will bring over \$17 million per year into the area, provide approximately 300 industrial and 1400 agricultural jobs in an area desperately needing additional employment opportunities. Land values and tax revenues would increase as the total agri-business economy is improved. The pre-tax profit to the grower should approximate \$269 per acre, not counting his participation in the factory profits. This is summarized as follows:

	<u>Total</u>	<u>\$ per net acre harvested</u>
Capital Investment:		
Factory	\$20,000,000	\$840
Farm	6,900,000	290
Cane harvesting, loading, and transporting	<u>3,800,000</u>	<u>160</u>
TOTAL	\$30,700,000	\$1260
Savings or Profits before Income Taxes:		
Factory	\$ 1,544,000	\$ 65
Farm	<u>6,400,000</u>	<u>269</u>
TOTAL	\$ 7,944,000	\$ 334

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It is probably that the factory will be operated as a cooperative. It is estimated that the cane sugar factory would have a pay-out of about 7.5 years, which is reasonable. The projected farm return has a 2-year pay-out. Overall pay-out on the investment would be about 4 years.

Texas, with a population of some 11 million, provides a market for about 550,000 tons of sugar annually. A small fraction of the sugar consumed in the state is being produced by a beet sugar operation in the Hereford, Texas area. Texas seeks nothing more than an equitable and critically needed sugar quota to produce a part of the United States sugar requirement.

One of the major goals of the United States Sugar Act is to assure consumers of adequate supplies of sugar at reasonable prices. The climatic and agricultural conditions in the Valley are well suited for sugar cane culture and the growers have the capabilities and financing to carry out the project. A sugar industry in the Lower Rio Grande Valley of Texas can and will be a dependable supply of sugar to the U. S. market at reasonable prices.

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[Telegram]

Senator RUSSELL B. LONG,
Committee on Finance,
Washington, D.C.

The impact of the final resolution of the Dominican sugar problem which we hope you will make will have an effect on all social and economic levels and will show the world once again that you have always had farsighted and sensitive individuals capable of great decision.

If the situation is not resolved in this manner, how will we explain to all of our agricultural associations the irony of the fact that on the 22nd of June a commission of the highest level from the Bank of International Development will come to Santo Domingo to hear our representative and debate the question of our agricultural stability with the aim of resolving our urgent problems of agricultural development.

As sugar is now principal agricultural product, how can we explain to the rice growers, cane growers and other farmers that the Bank of International Development is coming to help us? We are trying to help BID and the Dominican Republic.

NATIONAL COMMISSION OF RICE GROWERS.

[Telegram]

Senator RUSSELL B. LONG,
Committee on Finance,
Washington, D.C.

The Dominican Republic Industrial Association, Inc., a body which represents private industry, solicits an increase in the sugar quota assigned to the Dominican Republic to at least 700,000 fixed tons in the North American preferential market because we merit just treatment due to our having been traditional and efficient providers to the U.S. The assignment of this quota will make a notable impact on the general economy of our country and will permit the D.R. to plan its economic and social future.

[Telegram]

SANTIAGO DE LOS CABALLEROS.

RUSSELL B. LONG,
Committee on Finance,
Washington, D.C.

This commercial body thanks the Senators who are well aware of our situation for their words in favor of the maintenance of our sugar quota and is confident that the Senate will finally approve the treaty which will assign seven hundred thousand tons of sugar to the Dominican Republic which has been a traditional and efficient provider of sugar to your country.

Sincerely,

ALEJANDRO SANTELISES,
President, Commercial Council, Agriculture and Industry.

RUSSELL B. LONG,
Committee on Finance,
Washington, D.C.

The Legis'ative Assembly of Costa Rica in today's session decided to direct this communication to the United States Senate in hopes that it will reconsider its decision to reduce our sugar quota in view of the fact that this reduction will represent an enermous economic and social problem for our country.

DANIEL ODUBER QUIROS,
President of the Legislative Assembly.

[Telegram]

JUNE 17, 1971.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.:

In name of all U.S. business in Colombia respectfully urge more equitable increase Colombia's sugar quota. Prior quota was lowest percentage of exportable surplus of any hemisphere country. As staunch friend of United States, good trading partner and defender of democratic institutions Colombia by any standard deserves better treatment.

COLOMBIAN-AMERICAN CHAMBER
OF COMMERCE,
OSCAR A. BRADFORD,
Executive Director.

[Telegram]

RIO DE JANEIRO, June 18, 1971.

U.S. SENATE,
Finance Committee,
Washington, D.C.:

Prof. Joseph Page's of Georgetown University Law Center suggestion that Brazil's sugar quota be eliminated due to subhuman conditions of sugar mill workers is the most stupid imbecility I have ever heard. Cutting back Brazil's sugar quota would in relative terms affect the workers more than the so-called sugar barons. By the way, American consumer is subsidizing American-controlled sugar industry not Brazilians.

WILLY DAHL,
*Swedish citizen living in Brazil at
Avenida Rio Branco, 156 Rio de Janeiro.*

THE PHILIPPINE AMERICAN CHAMBER OF COMMERCE, INC.,
New York, N.Y., June 21, 1971.

Hon. RUSSELL B. LONG,
Chairman of the Senate Committee on Finance,
Washington, D.C.

DEAR SENATOR LONG: We are taking the liberty of writing to you in reference to your deliberations, and those of your committee, on the future of the U.S. sugar quota for the Philippines.

But first, may we describe the Philippine American Chamber of Commerce which was incorporated in the State of New York some 51 years ago in November 1920. It is composed of 134 member firms with primary or contingent business and industrial interests in the Republic of the Philippines. The member interests are diverse, but collectively they touch every important phase of the Laurel-Langley Agreement, the only treaty governing economic and trade relations between the United States and a foreign country which originated first as legislation in both Houses of the Congress of the United States and of the Philippines.

Combined investments in the Philippines of our chamber members are now more than a billion dollars. The members also account for a substantial share of the import-export trade between the United States and the Philippines, which amounts to approximately \$750 million annually. Some of our member firms have been established in the Philippines as far back as the turn of the century, and most of the larger firms were established there before Philippine independence was granted in 1946.

We in the Philippine Chamber are keenly aware of the extremely comprehensive and complex nature of the Sugar Act. And in view of you and your committee's extensive comprehension of the U.S. sugar program, we are sure it is not necessary to recall the unusually long tenure of the Philippines as a traditional supplier of sugar to the United States.

Although our chamber has worked with member interests in the Philippine sugar industry over the past 50 years, we are aware that long before our chamber was born, the Philippines was an important sugar supplier to the United States.

If you will pardon our digression, for over the past 50 years the chamber has been holding our board of directors meetings in the same India House on Hanover

Square in New York City where once the captains and owners of square-rigged *Yankee Clipper* ships met to discuss their voyages. It is these same ships that carried Philippine sugar to America as far back as the days when Ulysses S. Grant was serving his second term as President. It is indeed vicariously exciting to us to remember that as early as 1872, American merchantmen vessels carried 140,000 tons a year of Philippine sugar around the Cape of Good Hope and up the South Atlantic to the Eastern United States, a long and arduous voyage. It is a far cry from then to today's modern merchant vessels which bring sugar from the Philippines in about 4 weeks to those same east coast ports.

As you know, the long tenure of the Philippines as a sugar supplier was disrupted by World War II, with its attendant extensive devastation and destruction to the country. In the post-war years, the fields were rehabilitated, new equipment was obtained, mostly from the United States, and the sugar mills were rebuilt. Sugar production increased, as the newly sovereign war-torn Philippines started to rebuild its shattered economy.

There have been many criticisms of the Philippines, we know, but whatever they may be, we as Americans also know that during the tenure of the American flag over that—country of 7101 islands—democracy, freedom of the press, and of speech, education, a fine system of better health and other nation-building needs were instituted. What is equally important to us today is that democracy still reigns, that six times in 25 years new and different administrations have peacefully taken over the reins of government. In today's world of coups and counter-coups this is extraordinary. Our American heritage of a free press enjoys an uninhibited and wide-ranging scope of journalism activities—free from censorship.

It is noteworthy that no foreign firm has ever been expropriated or nationalized, that education takes more of the national budget than any other item, that in health care the nation has made important advances—this in spite of a rapidly growing population that now totals about 39 million people.

The Philippines has been trying to increase its exports. For instance, in sugar, the country has invested heavily in expansion, to meet the acquired supplier responsibilities that were established in the 1965 U.S. Sugar Act.

Unfortunately, nature did add a delaying factor when unprecedented drought and typhoon damage set the industry back from its hoped-for goals in 1968 and 1969. However, it is now evident that with the dawn of 1971 the Philippines is producing her entire basic quota plus the total potential deficit quota totalling 1.5 million tons of sugar in addition to being able to meet its own domestic needs without problems. It is good to know that they will not be able to store in warehouses the additional amount of sugar that is called for in the Sugar Act.

That fact, at this time, is a vitally important development for the Philippines. Early last year the foreign exchange position of the Philippines reached its lowest level in many decades, while at the same time many millions of dollars of short-term credits and loans were due to be paid.

Happily, the Filipinos faced up to the problem and tightened their belts. Non-essential imports were curbed, travel restricted, and many unpalatable but necessary economic measures, such as the reduction in the value of the peso were instituted. It was not easy for the Filipinos.

Their austerity actions achieved results for instance, as of today, they have been able to rebuild some of their foreign exchange reserves to a stronger position. Last year they were able to pay off a half billion dollars in debts to foreign and international financial institutions. They have also markedly increased their exports to all their normal trading partners.

However, the Philippines are far from out of the woods. Much has been accomplished. More than many believed possible in the year and 5 months since the nation faced really serious economic difficulties.

This has been possible because the Philippines had the courage to undertake the remedies needed. This courage, combined with the help of American financial and business institutions, the active cooperation of the International Monetary Fund and the concerned assistance of the U.S. Government is achieving gains that confirm our confidence for the future of the Philippines.

The next 2 to 3 years of continued self-restraints and careful husbanding of foreign exchange are needed to set the stage for a stronger and more viable economy. If this is achieved then the Philippines can and will grow as an increasingly important trading partner of the United States.

Mr. Chairman, you and your committee's decisions on the future of the Philippine sugar quota will help to tip the scales, to assure that that nation is successful in the struggle for economic security. We in the Philippine American Chamber of Commerce most respectfully urge that the Philippines be permitted to have a sugar quota consistent with its traditional supplier percentage of consumption that was established over 35 years ago. At that time the Philippines supplied 15.41 percent of annual U.S. consumption. We hope that ways can be found to hold, at least, the current quota level of 1.5 million tons which is so very important to the Philippine economy.

We hope and trust that the U.S. Senate will review this situation and restore the 1965 established quotas to the Philippines.

We are very thankful to you for the opportunity of presenting our opinion on the U.S. sugar quota for the Philippines.

Respectfully yours,

TRISTAN E. BEPLAT,
President.

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Appendix B

(Communication From the Department of State Transmitting a Brief Outline of the Commonwealth Sugar Agreement, the EEC's Common Agricultural Policy for Sugar, and the Japanese Sugar Program)

DEPARTMENT OF STATE,
Washington, D.C., June 24, 1971.

Mr. THOMAS VAIL,
*Chief Counsel, Committee on Finance,
New Senate Office Building, Washington, D.C.*

DEAR TOM: Enclosed are copies of the reports you have requested for the committee's use in its deliberations on the sugar legislation, H.R. 8866. These reports cover: The Commonwealth Sugar Agreement; the EEC's Common Agricultural Policy for Sugar; and the Japanese Sugar Program.

I hope the committee will find these useful.

Sincerely yours,

JULIUS L. KATZ,
*Deputy Assistant Secretary for International Resources
and Food Policy.*

THE COMMONWEALTH SUGAR AGREEMENT

I. HISTORY

For many years prior to World War II the sugar industries of the British Commonwealth countries were granted a small price premium on their exports to the United Kingdom and Canada. During the war the United Kingdom Government abolished the premium but purchased all the sugar exported by these countries, at negotiated prices which were much higher than the prewar prices but generally much lower than the prevailing wartime prices. In the years immediately after the war this arrangement continued, although the prices paid under it continued to be well below the world prices paid by the United Kingdom to its other suppliers.

In 1948 negotiations were begun to overhaul this arrangement. The sugar producers in the Commonwealth countries pressed for higher prices, above the world price levels and high enough to enable them to rehabilitate and expand their industries. The United Kingdom Government was amenable because it desired to increase its imports of sugar from the sterling area, for balance-of-payments reasons, and to lift its sugar rationing program which was still in effect. The negotiations lasted for 3 years, and culminated in the signing of an agreement on December 21, 1951.

II. PARTICIPANTS

The signatories of the agreement are the United Kingdom Government, as the importing party, and the organizations listed in the next section, below, as the exporting parties. It should be noted that these are nongovernmental or quasi-governmental organizations—they represent the sugar industries and exporters of the respective countries, rather than the governments.

(For arrangements concerning the other importing countries of the Commonwealth—Canada and New Zealand—and Ireland, none of which are signatories to the agreement, see the final section below.)

III. NEGOTIATED PRICE QUOTAS

The Commonwealth Sugar Agreement (CSA) at present establishes the following Negotiated Price Quotas (NPQ) for sugar from the CSA suppliers to the United Kingdom:

Country	Signatory organization	Quota (short tons)	Actual supplies under quota (1969; latest data)
Australia.....	Queensland Sugar Board.....	375,200	417,760
West Indies ¹	West Indies Sugar Association.....	812,000	754,880
Mauritius.....	Mauritius Sugar Syndicate.....	425,600	411,040
Fiji.....	Colonial Sugar Refining Co., Ltd.....	156,800	189,280
India.....	Indian Sugar Mills Association.....	28,000	28,000
British Honduras.....	Belize Sugar Industries, Ltd.....	22,960	15,680
Swaziland.....	Swaziland Sugar Association.....	95,200	109,760
Kenya, Uganda, and Tanzania ²	East Africa community.....	7,840	0
Rhodesia ³	Rhodesian Sugar Association.....		
Total.....		1,923,600	1,926,400

¹ The "West Indies" comprises Antigua, Barbados, Guyana, Jamaica, St. Kitts, and Trinidad and Tobago.

² The "East African" quota cannot be utilized unless these 3 countries together have a net export surplus of sugar. They do not have such a surplus.

³ The Rhodesian quota has been suspended since 1965.

Apart from the negotiated price feature detailed in the next section below, the CSA quota system differs from the U.S. sugar quota system in two other key respects, which explain the apparent discrepancies between the two columns above.

Under the CSA, when a supplying country is unable to fulfill its quota in a particular year, the supplying country has the responsibility for covering the shortfall; it does this by entering into an arrangement with one or more of the other CSA suppliers to ship the required amount.

Also, if a supplying country suffers a shortfall because of force majeure, it is permitted to make it up by shipping an equivalent extra amount in the following year (in addition to arranging for other CSA suppliers to cover its shortfall in the current year).

The United Kingdom's imports under the NPQ's account for some 80 percent of the United Kingdom's total raw sugar imports annually. They account for over 90 percent of the United Kingdom's net imports of sugar, because most of the imports from non-Commonwealth suppliers are reexported.

IV. PRICES

The agreement requires the NPQ price to be reasonably remunerative to efficient producers. It is fixed by negotiation every 3 years (the next negotiation is due to be held in late 1971). It is based on annual data concerning the CSA suppliers' actual costs of producing sugar during the 3 years preceding the negotiation year.

The NPQ price is the same for all the exporting countries, except that Australia, as the only developed country among the CSA suppliers, does not receive the portion which is designated as a supplementary payment for less-developed countries.

The basic portion of the NPQ price has been fixed at £43.10.00 per long-ton since 1965 (not changed in the subsequent negotiations); this was equivalent to 5.44 U.S. cents per pound prior to the devaluation of sterling in November 1967, which reduced it to the current value of 4.66 cents. The supplementary payments are on a sliding scale, geared to the average world price during the 12 months ending March 31 of the year concerned; they range from the equivalent of about 0.43 cents per pound (when the world price is below 3.33 cents) to 0.116 cents (when the world price rises above 4.19 cents). These prices are f.o.b., stowed, on the basis of bulk sugar at 96 degrees polarization.

Thus, the total price paid under the negotiated price quotas varies from 4.82 to 5.09 cents per pound, except that the price paid to Australia under its quota is the flat basic portion, 4.66 cents per pound.

The Commonwealth suppliers' shipments of sugar to the United Kingdom market over and above the NPQ receive only the prevailing world price.

V. TARIFF PREFERENCE

Although the agreement does not specifically require tariff preferences, the United Kingdom Government imposes no import duty on Commonwealth sugar. The MFN rate for other sugar is equivalent to 0.41 cent per pound.

VI. MARKETING ARRANGEMENTS

The sugar exported under the negotiated price quotas is purchased by the quasi-governmental United Kingdom Sugar Board, which then sells it to the British importers. (Both the purchase and the resale are effected at the point of shipment from the supplying country.)

Although the board purchases at the negotiated price, it resells the sugar at the prevailing world price, which is normally lower. The resultant loss is made good by a surcharge levied on all sugar, including non-Commonwealth sugar, entered into the United Kingdom market for human consumption.

VII. PROVISIONS FOR CHANGES IN AGREEMENT

The agreement originally was for an 8-year period ending in 1959. It was reviewed and extended by negotiation annually thereafter until the 1965 negotiation, which extended it for 3 years. In the ensuing 1968 negotiation, the article concerning review and extension was amended to provide that:

(a) The agreement is to be of indefinite duration, subject to review every 3 years.

(b) During each triennial review, starting in 1971, the United Kingdom Government may serve notice of its intent to change the agreement. It is to engage in full consultations with all the participants in an endeavor to reach agreement on the change. The change is to become effective at the end of 3 years, computed from the first day of the next calendar year after the review—except that if the change would affect the negotiated price quotas of the less-developed Commonwealth countries, then in that regard it would not become effective until 6 years after the start of the next calendar year.

(c) However, if the United Kingdom Government successfully completes negotiations for accession of the United Kingdom to the EEC, then the United Kingdom Government cannot be committed to continuing contractual obligations under the agreement after December 31, 1974, but the United Kingdom Government shall consult with the other parties to the agreement with a view to seeking means to fulfilling the objectives which these obligations would otherwise fulfill. The obligations (or actually, the agreement itself) could be terminated before the end of 1974 if all the other participants consented to this.

VIII. ARRANGEMENTS FOR OTHER COMMONWEALTH IMPORTERS AND IRELAND

Canada and New Zealand are not parties to the agreement (neither the governments nor the industries). However, the agreement fixes overall quotas which define the volumes that the exporting countries are to ship annually in total to the United Kingdom plus these countries. These quotas have virtually no bearing on prices, but rather are intended to assure the importing countries of ample supplies. The overall quotas should not be confused with the negotiated price quotas described above.

Prior to the Commonwealth sugar agreement, the United Kingdom Government had the responsibility for arranging all exports of sugar from Commonwealth countries to the Canadian and New Zealand markets. The agreement terminated this. It stipulates that such exports are to be arranged and conducted through normal commercial channels between the suppliers and the Canadian or New Zealand importers.

The agreement also stipulates that the exporters are to grant priority to the Canadian market, as well as the United Kingdom, in supplying their foreign markets.

Canada and New Zealand, independently of the agreement, each grant a preferentially low tariff on their sugar imports from Commonwealth suppliers.

Ireland has an agreement with the United Kingdom, government-to-government, signed in 1963 and renewed in 1967 for a indefinite duration. This stipulates that all sugar imported into Ireland each year must be sugar obtained through the United Kingdom Sugar Board from Commonwealth suppliers—except an amount equal to Ireland's exports of sugar (refined or in manufactures) in the preceding year outside the United Kingdom market (the only such

exports are to the U.S. market). The quasi-governmental Irish Sugar Company Ltd., must sell 10,000 long tons (11,200 short tons) of refined sugar each year to the United Kingdom Sugar Board at a price equivalent to the NPQ prices; but this is a paper transaction, as the sugar is then resold by the United Kingdom Sugar Board back to the Irish company at the lower world price, for production of sugar-containing manufacturers for export to the United Kingdom. This transaction nets a substantial financial gain for the Irish Sugar Board annually.

THE EEC COMMON AGRICULTURAL POLICY FOR SUGAR

I. SUMMARY

The European Economic Community's common agricultural policy (CAP) for sugar has been in effect since July 1, 1968.

It is designed to protect the sugar industries of the six countries including France's Overseas Departments (but not any of the EEC's associated African states). It does this through (a) a system of price supports for sugar beets, for raw sugar and for refined sugar, (b) the imposition of a variable levy, in lieu of a fixed duty, on imports of raw and refined sugar from outside the EEC, and (c) the payment of export subsidies for shipments of raw and refined sugar to markets outside the EEC.

To restrain overproduction, the CAP sets quotas for production of refined sugar in each member country, and the countries in turn divide these into quotas for each of their refineries. Refiners who exceed their quotas must pay an assessment for the excess amount up to 35 percent over their quota level; and their suppliers of beets or raw cane sugar must share this expense. For any further excess amounts the refiners pay no assessment but must either put these amounts into storage or export them outside the EEC without benefit of the export subsidy.

To restrain the subsidized sugar exports, the CAP provides a denaturing subsidy on sugar that is converted into livestock feed, and a chemical subsidy on sugar that is utilized in chemical industries.

To finance the net costs of the CAP, a tax is imposed on all refined sugar marketed within the EEC.

II. OPERATIONS

All the growers in the EEC countries are sugar beet growers, except that those in the French Overseas Departments (the French West Indies and Reunion) are sugarcane growers.

Most of the refineries in the EEC countries process beets, but some process raw sugar (that is, semiprocessed cane sugar).

A. *Production of refined sugar*

The CAP establishes production quotas for refined sugar¹ in each of the member countries. The respective governments in turn fix a basic quota for each refinery (by plant, or by company).

¹The production quotas are (in million short tons): France—2.64; Germany—1.93; Italy—1.35; Netherlands—0.61; and the Belgian-Luxembourg Economic Union—0.61.

The beet refineries fill their basic quotas by purchasing beets from the growers at the minimum beet price. If a refinery exceeds its quota by up to 35 percent—a level termed the maximum quota—it must pay an assessment for each excess kilogram. However, the refinery is permitted to recover all or part of the cost of the assessment by paying its beet suppliers less than the minimum beet price for the beets from which the excess is produced. If a refinery exceeds its maximum quota, it pays no assessment on this further excess, but it is not permitted to market it within the EEC; see below.

The cane-sugar refineries fill their basic quotas by importing raw cane sugar from the French Oversea Departments—that is, the French West Indies (Guadeloupe and Martinique) and Reunion—or from non-EEC countries. The raw sugar from the Oversea Departments enters the country free of duty, while raw sugar imported from non-EEC countries (including the Associated African and Malagasy States) is subjected to a variable levy on raw sugar imports² which allowing for costs of refining, raises the c.i.f. price to the “threshold level (defined below). If the prevailing price for raw sugar in the importing EEC country falls below the level of the intervention price for raw sugar,³ an intervention agency established by the government in that country is obliged to pay the intervention price for the raw sugar supplied by the French Overseas Departments, so long as the particular Oversea Department’s shipments are within its current annual trade quota for Oversea Departments.⁴ (Shipments by an Oversea Department in excess of its trade quota enter the EEC metropolitan market at the world price, but still free of the variable levy.)

The intervention agency then offers the raw sugar for sale at a price higher than the intervention price. If the refineries or other customers refuse to buy at this price, they may buy at a price lower than the intervention price but in that case they must earmark the sugar for exportation out of the EEC (either as is, or after having refined it, and/or as an ingredient of a sugar-containing product) or else they must earmark it to be rendered unfit for human consumption (by denaturing it into livestock feed, or using it as a chemical raw material).

The intervention agencies also offer an intervention price for refined sugar,⁵ if the price for refined sugar within the EEC falls below this level, the agencies buy at this level from the refineries, and sell it at a higher level or, as in the case of raw sugar, sell at a lower level if the purchaser agrees to export the sugar or to render it unfit for human consumption.

The cane refineries that exceed their basic quota by up to 35 percent (the maximum quota level) must pay the same assessment as beet refineries pay for such excesses, and like the beet refineries are permitted to recoup much of this from their suppliers—in this case, the

² In 1970 this averaged an estimated 6.4 cents per pound.

³ For 1971–1972, the intervention price for raw sugar is fixed as follows (in cents per pound): 8.8 within the French Overseas Departments; 9.3 within Italy; and 8.7 within all other EEC areas.

⁴ In recent years the annual quotas (and actual supplies in 1970—shown in parentheses) have been, in short tons: Guadeloupe—194,700 (176,000); Martinique—68,079 (30,800).

⁵ For 1971–1972, the intervention price for refined sugar is fixed at, per pound, 10.9 cents within Italy, 10.1 cents within the French Oversea Departments, and 10.3 cents within the other EEC areas.

raw cane sugar suppliers in the French Oversea Departments or in non-EEC countries; but since the non-EEC suppliers are beyond the jurisdiction of the EEC, the refineries cannot recoup the assessment if the foreign supplier is unwilling to pay it (that is, to offer a rebate on part of his price), and therefore the EEC refiners prefer to obtain these excess supplies from the French Oversea Departments.

Like the beet refineries, the cane refineries pay no assessment on amounts produced over their maximum quota; but while beet refineries continue at such super-levels to be permitted to pay less than the minimum beet price for the beets used in the excess production, the cane sugar refineries at those super levels pay the prevailing raw sugar price in full (this benefits the suppliers in the French Oversea Department).

However, beet refineries and cane-sugar refineries alike are prohibited from marketing within the EEC during the current year any amounts they produce over their maximum quota. They must either put such amounts into storage, at their own expense, or export them outside the EEC without benefit of the export subsidy described below. They may, however, market within the EEC in the following year a portion of the super excess—namely, an amount equal to not more than 10 percent of their basic quota—after they have held that amount in storage at their own expense for 1 year, and the amounts so disposed are charged against the refinery's annual quota in effect during that ensuing calendar year.

B. Protection against imports of refined sugar

To protect the refineries' markets within the EEC, the CAP imposes a variable levy on refined sugar imports.⁶ This levy, like the levy on raw sugar imports mentioned above, may vary daily, and it keeps the price of the imports up to the level of the threshold price.⁷ The threshold price is defined as the sum of (a) the target price⁸ for refined sugar sold in the EEC's zone of greatest surplus (which is northern France) plus (b) the transportation costs from that zone to the farthest distant zone of deficit consumption (which is southern Italy). In other words, the threshold price is the highest c.i.f. price actually prevailing for EEC-produced refined sugar within the EEC; and the variable levy assures that sugar imports from non-EEC countries will enter the EEC at prices at least as high as the prices of the EEC's own sugar.

C. Export subsidies

To further assist the refineries, the CAP provides an export subsidy for refined sugar,⁹ and to assist the suppliers in the French Oversea Departments, it provides an export subsidy for raw sugar.⁹ In both cases, the export subsidy usually covers the difference between the price paid for the commodity within the EEC and the lower price available abroad (normally, the world price). However, export subsidies in some cases may be determined by competitive bidding—the bidder who accepts the lowest subsidy level is awarded the contract for the export sale.

⁶ In 1970 this averaged an estimated 6.5 cents per pound.

⁷ For 1971-72, the threshold price for refined sugar is fixed at 11.9 cents per pound, and for raw sugar is fixed at 10.5 cents per pound.

⁸ For 1971-72, the target price is fixed at 10.8 cents per pound.

⁹ Data on these subsidies are not available, but in each case they are estimated to have averaged roughly 6.3 cents per pound in 1970.

In the event that world prices rise above the EEC levels, export levies (rather than subsidies) are to be applied, and import subsidies (rather than levies) may also be installed.

D. Other subsidies

In response to foreign resentments against these subsidized EEC sugar exports, the CAP provides that, in lieu of exporting raw or refined sugar, the owner of the sugar may convert it to livestock feed by denaturing it (that is, mixing it with meat wastes or fishmeal) and receive for it a denaturing subsidy;⁹ or the owner may sell it as a chemical raw material, and receive a chemical subsidy.⁹

E. Financing the CAP

The expenses of the CAP for subsidies, for purchases at the intervention prices and for other governmental operations are financed by the assessments on excess production, by the profits (if any) on sugar sold by the intervention agencies, and by a tax on all refined sugar marketed within the EEC.

THE JAPANESE SUGAR PROGRAM

I. SUMMARY

Under its sugar price stabilization law, which took effect on October 1, 1965, the Japanese Government collects surcharges on imports of raw cane sugar and uses the proceeds to pay subsidies to the Japanese sugar industry. Prices for beets, cane, raw cane sugar, and refined beet sugar are all fixed by the government, at levels derived from the average price of the imported raw sugar.

This program enables the Japanese growers and millers to supply roughly one-fourth of the domestic requirements for raw sugar, while the Japanese refineries supply nearly all the domestic requirements for refined sugar. The government seeks to restrain domestic production by jawbone controls, which until recently were supported by the industry; but in the face of a sharp rise in consumption in 1970 as the result of a ban on cyclamates, refiners apparently are not proceeding with earlier plans to rationalize the industry by closing down a large number of plants.

II. OPERATIONS

A. Protection for domestic beet and cane growers

Domestic growers of sugar beets or cane sell their crops to the domestic plants which process beets into refined sugar or cane into raw sugar. These sales are at price levels fixed by the Government, on the basis of data on actual costs of production. The levels are intended to provide a reasonable profit to domestic growers and to enable them to supply roughly 30 percent of the raw materials required for Japan's total production of refined sugar. (The remainder is imported mainly from Cuba, Australia, and South Africa.)

Included in this program, under special and slightly different arrangements, are the growers on Okinawa and the other Ryuku Islands. These supply some 40 percent of Japan's total domestic supplies.

⁹ Data on these subsidies are not available, but in each case they are estimated to have averaged roughly 6.3 cents per pound in 1970.

B. Protection for domestic millers and refiners

The beet processing plants, which produce refined sugar, and the cane milling plants, which produce raw sugar, each sell their output to the SPSC¹⁰ but then immediately buy it back at a lower price—this selling and buying is thus essentially a paper transaction, which results in a net gain (subsidy) for the plants.

The cane milling plants then sell their raw sugar to refineries. The prices at which they sell are not fixed by the Government, but are protected against competition from imported raw sugar because these imports, which are usually at the relatively low world price, are in effect subjected to a surcharge. (Actually, the surcharge, like the subsidy mentioned above, is effected through a procedure under which the importer sells the raw sugar to the SPSC and then buys it back—he sells it at the world price buy buys it back at a higher price, before finally selling it to a refinery.)

The cane-sugar refineries must thus pay high price for their raw sugar supplies, both from domestic and foreign sources; but this is in effect offset when they sell their refined sugar at the high prices resulting from the SPSC's subsidy to the beet-sugar refineries.

Japanese production of raw and refined sugar is for the domestic market—the Government offers no export subsidies, and only insignificant quantities are sold outside Japan each year.

C. Voluntary controls on production

The Government sets a guide post for production of refined sugar, but refiners are free to produce above that level if they are able and willing to do so. Available data indicate that production in 1965 through 1970 was only slightly above the guidepost level.

The Government also has exercised jawbone control by requesting the cane sugar refiners to cut back their production capacities. The major private association representing these refineries devised a plan in 1968 under which total capacity would be cut by some 30 percent, through destruction or closing down of numerous refineries' facilities. The refiners who thus rationalize their facilities would be compensated, at least partially, by voluntary payments from other suppliers. The plan originally received widespread support among the refiners, especially as they had been operating at only about 50 percent of their production capacity in 1968. However, latest available information indicates that the plan has not been implemented to any significant extent, if at all; and prospects for implementation worsened in 1970, when Japan's sugar consumption increased considerably as a result of the Government's ban on the use of cyclamates.

D. Import policies

The Government apparently contemplates that the growth of the Japanese sugar market is to be covered mainly by foreign suppliers, as recent changes in the controlled prices tend to favor imports. Japan's imports of raw sugar in recent years have come mainly from Cuba, Australia, South Africa, and, to a much lesser extent, the Republic of China, with other countries each supplying relatively small amounts. This pattern of supply is not expected to change in coming years, so long as the major foreign suppliers prove able to increase their shipments so as to keep pace with the anticipated growth of the Japanese market.

¹⁰ Sugar Price Stabilization Corporation.