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HEARINGS

Before the

Committee on Finance

UNITED STATES SENATE

MARKUP OF S. RES. 95, TO EXPRESS THE SENSE OF THE SENATE

THAT THE PRESIDENT SHOULD INITIATE NEGOTIATIONS ON A

NEW LONG-TERM AGREEMENT ON AGRICULTURAL TRADE

WITH THE SOVIET UNION

Washington, D.C.

Thursday, May 5, 1983



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1 MARKUP OF S. RES. 95, TO EXPRESS THE SENSE OF THE SENATE
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8 United States Senate
 9 Committee on Finance
 10 Washington, D. C.

11 The Committee met, pursuant to notice, at 10:32 a.m., in
 12 Room SD-215, Dirksen Senate Office Building, the Honorable
 13 Robert J. Dole (Chairman of the Committee) presiding.

14 Present: Senators Dole, Symms, Moynihan, Baucus, and
 15 Pryor.

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17 The Chairman: We are here to mark up S. Resolution 95,
 18 which will reinforce the President's recent announcement that
 19 he proposed negotiations to the Soviet Union on a new
 20 long-term agricultural trade agreement.

21 I would ask that my statement be made part of the
 22 record.

23 [The prepared statement of Senator Dole follows:]

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STATEMENT OF SENATOR DOLE

I AM PLEASED TODAY TO MARK UP S. RES. 95, WHICH WILL REINFORCE THE PRESIDENT'S RECENT ANNOUNCEMENT THAT ~~THE~~ PROPOSED NEGOTIATIONS TO THE SOVIET UNION ON A NEW LONG-TERM AGRICULTURAL TRADE AGREEMENT. PRESIDENT REAGAN'S ANNOUNCEMENT WAS ANOTHER IMPORTANT STEP TOWARDS A RETURN TO STABILITY IN OUR COMMODITIES TRADE. I AM SURE SENATOR PERCY AND THE 45 OTHER COSPONSORS OF S. RES. 95 ARE JOINED BY AMERICA'S FARMERS IN WELCOMING THE PRESIDENT'S INITIATIVE AT SUCH A CRUCIAL TIME.

DESPITE THE PRESIDENT'S ANNOUNCEMENT, I BELIEVE WE SHOULD MOVE FORWARD WITH THE RESOLUTION BECAUSE IT WOULD PLACE THE SENATE FIRMLY ON RECORD IN SUPPORT OF SEVERAL SPECIFIC OBJECTIVES THAT A NEW LONG-TERM AGREEMENT MIGHT ACCOMPLISH. IN PARTICULAR, S. RES. 95 CALLS FOR HIGHER MINIMUM SUPPLY GUARANTEES AND THE ADDITION OF VALUE-ADDED OR PROCESSED PRODUCTS IN ANY NEW AGREEMENT. AN LTA BROADENED IN THESE WAYS WOULD BENEFIT BOTH U.S. EXPORTERS AND SOVIET PROCUREMENT OFFICIALS BY PROVIDING A FLEXIBLE FRAMEWORK IN WHICH PURCHASES OF THESE PRODUCTS WOULD BE ACCOMPLISHED IF MARKET CONDITIONS WARRANTED.

I INTEND TO OFFER TWO TECHNICAL AMENDMENTS TO S. RES. 95 THAT WILL CORRECT ITS LANGUAGE IN RECOGNITION OF THE PRESIDENT'S ANNOUNCEMENT. I HOPE THE COMMITTEE WILL THEN JOIN ME IN SUPPORTING THE RESOLUTION SO THAT WE CAN REPORT IT TO THE SENATE FOR EXPEDITIOUS CONSIDERATION.

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[The prepared statement of Senator Grassley follows:]

OPENING STATEMENT BY SENATOR GRASSLEY
BEFORE THE
SENATE FINANCE COMMITTEE

S. RES. 95

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MR. CHAIRMAN, I AM PLEASED THAT THE COMMITTEE IS MOVING AHEAD TODAY TO MARK-UP S. RES. 95, A RESOLUTION IN SUPPORT OF NEGOTIATIONS FOR A NEW LONG-TERM AGREEMENT IN AGRICULTURE TRADE WITH THE SOVIET UNION. NOTWITHSTANDING THE PRESIDENT'S ANNOUNCEMENT ON APRIL 22 THAT HE HAS PROPOSED NEW NEGOTIATIONS WITH THE SOVIETS, IT IS IMPORTANT TO PUSH FORWARD WITH A MODIFIED RESOLUTION IN ORDER TO SEND A CLEAR SIGNAL TO BOTH THE PRESIDENT AND THE SOVIETS THAT THE U.S. SENATE WANTS A NEW LONG-TERM AGREEMENT. THIS IS WHY I CO-SPONSORED S. RES. 95 AND AM READY TO VOTE IT OUT OF COMMITTEE.

I APPLAUDED PRESIDENT REAGAN'S ANNOUNCEMENT OF TWO WEEKS AGO, AND I AM CERTAIN THAT HE WILL SOLIDIFY HIS SUPPORT AMONG FARMERS IF HE CAN DELIVER A NEW AGREEMENT TO ADD TO HIS SUCCESSFUL PIK PROGRAM.

THERE IS LITTLE QUESTION THAT THE SOVIET GRAIN EMBARGO WAS A BIG MISTAKE ON THE PART OF THE CARTER ADMINISTRATION. IT COST OUR NATION BILLIONS OF DOLLARS AND HUNDREDS OF THOUSANDS JOBS, YET HAD LITTLE IMPACT ON THE SOVIETS. IN FACT, IF ANYTHING, IT HELPED THE SOVIETS DIVERSIFY THEIR SOURCES OF AGRICULTURAL PRODUCTS - ALL TO THE DISADVANTAGE OF U.S. FARMERS. OUR AGRICULTURE SECTOR IS STILL SUFFERING FROM THIS MISGUIDED FOREIGN POLICY INITIATIVE.

DURING MY MEETINGS EARLIER THIS YEAR WITH SOVIET OFFICIALS IN MOSCOW, IT BECAME CLEAR THAT THE SOVIETS WOULD PREFER TO CONTINUE TO UTILIZE AMERICAN AGRICULTURE TRADE AS A LAST RESORT. IT'S UP TO THE UNITED STATES TO AGGRESSIVELY PURSUE THE RUSSIAN MARKET IN HOPE OF RESTORING OUR EARLIER POSITION. THE SOVIETS IMPORT NEEDS ARE GREAT AND WE MUST ^{NOT} LET THIS OPPORTUNITY TO PASS FROM OUR HANDS.

1 The Chairman: I understand that we have two technical
2 amendments that we want to consider and also that Senator
3 Long has an amendment. I do not see any problem with his
4 amendment.

5 Let us take the technical amendments. Do you want for
6 the record to indicate where they come and what they do?

7 Mr. Kassinger: Yes, sir, Mr. Chairman.

8 The Chairman: It just changes dates, as I understand
9 it.

10 Mr. Kassinger: That is correct.

11 The President announced after the introduction by you and
12 Senator Percy of S. Res. 95 that he had proposed to the
13 Soviet Union that a new long-term agreement be negotiated.
14 In the first resolution, on page two, paragraph one, the
15 resolution requests that the President report to the Congress
16 his intention to initiate negotiations.

17 I believe that you intend to propose deleting the
18 language "report to the Congress his intention to", so that
19 paragraph one will read: "as soon as practical after the
20 date of the adoption of this resolution initiate
21 negotiations".

22 Your second amendment, as I understand it, would also
23 correct the timing. On page three, line eight of the
24 resolution it requests a report to the Congress no later than
25 April 30, 1983. I believe you want today to say "as soon as

1 practical report to the Congress".

2 The Chairman: And then, Mr. Lang, do you want to explain
3 Senator Long's amendment?

4 Mr. Lang: Yes, Mr. Chairman. The amendment is actually
5 Senator Long's and Senator Pryor's as well.

6 It would add on page three, line seven, after the words
7 "export of", the words "additional bulk commodities". The
8 purpose of the amendment is to assure that the paragraph two
9 responsibilities would extend to rice, soybeans and other
10 value-added products.

11 The Chairman: Okay. I do not know what we need to have
12 to do business here, because I know we are not going to have
13 anyone here.

14 Mr. DeArment: Mr. Chairman, we expected, based on phone
15 calls, to have several Democratic members to come by. If we
16 have a Democratic member, maybe we could just agree to poll
17 the resolution out.

18 The Chairman: I think Senator Long is coming. I do not
19 want to pull him out of the Commerce Committee if there is no
20 problem with the amendment.

21 Mr. Lang: He called from the Commerce Committee a few
22 minutes ago and said he was finishing up with a witness and
23 was on his way.

24 The Chairman: Are there any other changes we need to
25 make in the resolution other than those three amendments?

1 Mr. Kassinger: No, sir, Mr. Chairman.

2 The Chairman: As I understand, we could file a fairly
3 short report. We would like to get this passed fairly soon.

4 Mr. Kassinger: We can get that out today -- this morning
5 in fact. Fourteen of the Committee Members are co-sponsors
6 of the resolution, and I understand Senator Simpson also
7 added his name today to bring the total to 48.

8 Mr. DeArment: Well, if there is no objection, why don't
9 we just poll it out?

10 The Chairman: I will wait a few minutes for Senator
11 Long. He may want to say something on his amendment. But I
12 have no objection to the amendment, so why do we not make the
13 technical changes, add Senator Long's amendment, and then
14 perhaps if he arrives -- we do not want to stretch the rules
15 too much.

16 We could stick "withholding" in there.

17 [Laughter]

18 The Chairman: Let us recess while we wait.

19 [Recess]

20 The Chairman: What we have done, Pat, is Senator Long
21 has an amendment which we have no objection to and there are
22 a few technical amendments. It is this long-term grain
23 agreement resolution urging the Administration to pursue a
24 long-term grain agreement.

25 Russell had an amendment to the bulk commodities which

1 was essentially rice -- Senator Pryor and Senator Long. So
2 what we thought we might do if there was no objection is
3 accept the amendments and then poll out the resolution.

4 Senator Moynihan: Could I offer the amendments of
5 Senator Long in that regard?

6 The Chairman: We have already agreed to them.

7 Here is Senator Pryor, the co-sponsor of the amendment we
8 have adopted.

9 Senator Pryor: I would like to say, Mr. Chairman, I am
10 very proud that this amendment has been adopted. I hope we
11 can call attention to our colleagues to the need to include
12 this, and I think certainly it is going to be of great
13 value.

14 I do have a statement I would like to submit for the
15 record at the appropriate time, Mr. Chairman.

16 The Chairman: This would be the appropriate time.

17 Senator Pryor: Then I will submit it. Thank you very
18 much.

19 [The prepared statement of Senator Pryor follows:]

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Sen. Pryor 6

TALKING POINTS

SENATE RESOLUTION 95

1. Mr. Chairman, I am pleased to be a cosponsor of this Sense of the Senate Resolution calling for a new long-term grain agreement with the Soviet Union. You are to be commended for your leadership and I appreciate your holding this committee meeting today to consider this measure.

2. A new agreement will certainly be welcomed by the hardworking farmers of this country who've borne the brunt of our foreign policy against the Soviet Union the last few years. They had the embargo in January of 1980, then a severe drought that summer, and the last two years they've seen very depressed commodity prices. A new agreement would give them some hope that better times are on the way.

3. The current agreement, entered into when President Ford was in office, worked well while it was in existence. The extensions we've had the last two years, however, haven't gotten us back into the Soviet market. In testimony before the Senate Agriculture Committee on February 17, 1983, William Gaston, President of Goldkist, Inc., stated that our share of the Soviet grain market went from 70% in late 1977 to 17% after the 1980 embargo. Last year it had increased slightly to about 30%. I'm afraid that if we

don't negotiate a new agreement shortly, we're going to be a "secondary source" for a long time to come. If this happens, the big losers are going to be the farmers of this country, not the Soviets.

4. Mr. Chairman, I hope this resolution, as well as the President's recent announcement will show other countries, including the Soviet Union, that we are once again "reliable suppliers." The contract sanctity provision contained in the Commodity Futures reauthorization bill last year will help, but we simply must get on with these negotiations.

5. One thing I would like to add, Mr. Chairman, is that I would encourage the President, Ambassador Brock, and our negotiators to also consider rice and soybeans in these negotiations. Rice and soybean meal are both "value-added products" and I know there is language in S. Res. 95 encouraging their use under any agreement. The Soviet Union is the largest importer of rice in the world (1982 imports were between 850 to 1 million metric tons). However, they ^(buy) virtually no rice from this country. The lion's share of their rice comes from India, a country with which they have a barter agreement for oil. I joined several of my colleagues in February in a letter to the President urging him to consider rice in this negotiations and I want to reiterate it at this time. Including rice and soybeans (or soybean products) would

provide a big boost to our producers in this country. Our producers are facing a crisis and, since 65% of each year's rice crop is for export, gaining a share of the Soviet market would be very important.

1 The Chairman: Can we go ahead and agree to accept the
2 amendments and then not only poll the Committee on the
3 amendments but on the reporting out of the bill?

4 Mr. DeArment: Yes, sir. Mr. Chairman, if there is no
5 objection, then, we will poll the Committee members on
6 reporting out the resolution, as amended.

7 The Chairman: There is no objection.

8 Senator Long and Senator Baucus are on their way, but I
9 do not see any reason to detain anyone any longer.

10 [Pause]

11 The Chairman: We have taken action. Senator Baucus'
12 statement is made part of the record.

13 [The prepared statement of Senator Baucus follows:]

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SENATOR MAX BAUCUS

MAY 5, 1983

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SENATE RESOLUTION 95

MR. CHAIRMAN, I AM PLEASED TO BE A COSPONSOR OF SENATE RESOLUTION 95. FROM THE OVERWHELMING NUMBER OF COSPONSORS -- 45 AT LAST COUNT -- IT IS APPARENT THAT CONGRESS FEELS STRONGLY ABOUT THE NEED FOR THE UNITED STATES TO NEGOTIATE A NEW LONG-TERM GRAIN AGREEMENT WITH THE SOVIET UNION.

U.S. FARMERS HAVE BEEN DISCOURAGED BY DECLINING FARM EXPORTS. IN THE FIRST HALF OF 1982, U.S. FARM EXPORTS FELL 10 PERCENT IN VALUE AND 3 PERCENT IN VOLUME FROM THE SAME PERIOD A YEAR AGO. THIS DECLINE OCCURRED DESPITE THE LIFTING OF THE SOVIET GRAIN EMBARGO BY PRESIDENT REAGAN IN 1981.

THE SOVIET UNION OFFERS A SIZABLE MARKET FOR U.S. GRAINS. PRIOR TO THE EMBARGO, THE UNITED STATES WAS SELLING 23 MILLION METRIC TONS OF GRAIN PER YEAR TO THE SOVIETS, WHICH REPRESENTED 75 PERCENT OF THE SOVIET UNION'S OVERSEAS PURCHASES. TODAY, THE U.S. SHARE OF SOVIET GRAIN PURCHASES IS ONLY 20 TO 30 PERCENT.

THE UNITED STATES NEEDS TO RE-ESTABLISH ITS STATUS AS A RELIABLE SUPPLIER TO THE SOVIET UNION. SEEKING A NEW LONG-TERM GRAIN AGREEMENT IS THE RIGHT WAY TO REGAIN THE SOVIETS' CONFIDENCE.

THE PRESIDENT'S DECISION TO PURSUE A NEW AGREEMENT IS GOOD NEWS FOR AMERICA'S FARMERS. BUT THE NEXT STEP -- THE ACTUAL NEGOTIATION AND SIGNING OF AN AGREEMENT -- IS JUST AS IMPORTANT. SENATE RESOLUTION 95 WILL SEND A CLEAR MESSAGE TO THE PRESIDENT

THAT CONGRESS FAVORS SPEEDY COMPLETION OF AN AGREEMENT.

I STRONGLY BELIEVE THAT CONGRESS SHOULD URGE U.S. NEGOTIATORS TO PUSH FOR A HIGHER MINIMUM PURCHASE LEVEL IN THE NEW LONG-TERM AGREEMENT. A GOOD MINIMUM LEVEL TO START WITH WOULD BE 12 MILLION METRIC TONS -- DOUBLE THE LEVEL IN THE CURRENT AGREEMENT.

MR. CHAIRMAN, I KNOW HOW DILIGENTLY YOU HAVE WORKED ON GETTING THE NEGOTIATIONS UNDERWAY. I OFFER MY SUPPORT FROM THIS SIDE OF THE COMMITTEE. WE NEED TO DO WHATEVER IT TAKES TO ACHIEVE A NEW LONG-TERM AGREEMENT WITH THE SOVIETS.

1 The Chairman: If Senator Long has a statement, it will
2 be part of the record.

3 Is there any other business to come before the
4 Committee? We would like to get busy on the Caribbean Basin
5 and some of the other matters that are hanging around here.
6 Things will slow down in the next couple of weeks and Senator
7 Moynihan has suggested that there be a hearing involving the
8 IRS on whether or not to add enough funds to collect taxes,
9 and I am advised that there is a hearing at the Subcommittee
10 level scheduled, so maybe they can cover that.

11 Senator Long has no objection, so I think there is no
12 need to detain anybody any longer.

13 Senator Moynihan: Mr. Chairman, can I just say I hope in
14 that list of things to come that we might take up the tuition
15 tax credits.

16 The Chairman: Oh, yes, that was an oversight. I guess I
17 failed to mention that.

18 Senator Moynihan: You had mentioned that earlier.

19 Senator Symms: We voted this out?

20 The Chairman: Yes.

21 Senator Symms: I want to vote for it.

22 The Chairman: Thank you.

23 [Whereupon, at 10:50 o'clock a.m., the Committee
24 adjourned, to reconvene upon the call of the Chair.]

25

Statement by Senator Lloyd Bentsen

I am cosponsor of Senate Resolution 95, and I strongly support its passage. This resolution was introduced well before the Administration's recent announcement that they are willing to negotiate a new long term grain agreement with Russia. The resolution urges the Reagan Administration to negotiate a new, long term, grain agreement with Russia. It also calls for higher minimum purchase levels and for increased exports of value-added agricultural products.

The Russian market was once very important to American farmers. We once had 70 percent of that market, but that market share plummeted to less than 30 percent as a result of the embargo, which was imposed by the Carter Administration and then continued by the Reagan Administration until May of 1981. I opposed that embargo, as I have opposed all agricultural embargoes. It took a tremendous struggle to force the lifting of that embargo, and those of us who care about our farm situation has been struggling ever since then to get the Reagan Administration to take this next step, to start re-opening that market for American farmers.

U.S. farmers need a long term Russian grain agreement, not the one-year extensions that the Reagan Administration has so far insisted on. The need of American farmers for long-term planning and added market stability is important, and it should not be so lightly thrown away as a symbolic foreign policy gesture.

Also, the failure to negotiate higher minimum purchase levels has effectively frozen U.S. farmers out of any increase at a time when Russia is the fastest-growing market for agricultural products in the world. As a result our market share has plummeted, and five other major grain exporting countries have now signed long term grain sales agreements with the Soviet Union. American farmers are now at the back of that long line.

The details of any long term agreement are also of considerable importance. This is why I have joined with my distinguished colleagues Senator Long and Senator Pryor in offering an amendment which will direct the President to seek expansion of the agreement to include other bulk commodities, such as rice and soybeans.

The U.S. has, until this year, been the number one rice exporter in the world. We are number one no longer. Russia is the largest rice importer in the world, but we export no rice to Russia. About 2/3 of the U.S. rice crop is exported, so the loss of important export markets, or the denial of access to important rice export markets, is very damaging to rice farmers in Texas and other major producing states.

Last year I wrote to President Reagan and urged him to add rice to the commodities included in the Russian grain agreement. This letter was cosigned by 9 other Senators, including two distinguished members of this committee, Senators Long and Pryor. Unfortunately, no changes were made and the old agreement was

simply extended for one year. This year, hopefully, a new agreement will be negotiated. It should be long-term, it should have higher minimum purchase levels, it should include value-added exports, and it should include important additional commodities such as rice and soybeans.

This resolution, as now amended, puts the Senate squarely on record once again in support of this needed long term Russian grain agreement. This is an important statement of trade policy which should be adopted by the Senate and heeded by the Administration.