1/20/78 [2]

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Letter	O. Torrijos (Panama) to Pres. Carter, 5 pp.	1/20/78	A
Memo	Dick Moe to Pres. Carter, 3 pp., re: Senate vacancies	1/19/78	C

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of the Staff Sec.-Pres. Handwriting File 1/20/78 [2] BOX 69

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THE WHITE HOUSE
WASHINGTON

January 20, 1978

Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder
Zbig Brzezinski

SUGAR PROCLAMATION

THE WHITE HOUSE
WASHINGTON

1/17/78

Mr. President:

Stu has incorporated all staff comments into his memo.

Jim Fallows' staff cleared the proposed letter and proclamation.

<u>TWO SIGNATURES REQUESTED</u>:

A on the letter to Minchew if you approve USDA/DPS recommendation #4

B on the proclamation if you approve all other DPS/USDA recommendations.

Rick

THE WHITE HOUSE

WASHINGTON

January 18, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT Stu
LYNN DAFT

SUBJECT: Sugar Proclamation

The attached proclamation reflects the decision you made yesterday regarding the level at which import fees are to be set on raw and refined sugar. Your signature is required to make it effective. The fees have been recomputed to conform with your decision.

THE WHITE HOUSE

WASHINGTON

January 16, 1978

C

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT Stu
LYNN DAFT LD

SUBJECT: Implementation of the Sugar Price Support Program

In the attached memorandum, Acting Secretary White describes the problems they have encountered in trying to implement the sugar price support program and asks for your approval of measures to correct these problems. Since one of these shortcomings allows refined sugar to be imported at prices that place domestic refiners at a competitive disadvantage, prompt action is required.

Your decision on six issues is sought. A summary of each issue together with agency recommendations follows. A more detailed discussion appears in the USDA memorandum.

(1) Should the price objective for imported raw sugar be raised from 13.5 cents per pound to 13.8 cents per pound?

Under the price support program, processors can obtain non-recourse loans at 13.5 cents per pound, raw value. However, if sugar producers choose to repay their loans and redeem their sugar stocks, they are required to pay an interest charge of 0.0675 cents per month in addition to repayment of the principal. Thus, the market price for sugar can be at or slightly above the 13.5 cent support level and still be lower than the total payment required for redemption of the loan. Under this circumstance, there would be an incentive for the processor to default on the loan and to acquire needed stocks at the lower market price.

To avoid creating this incentive, the USDA recommends that the price objective for imported raw sugar be raised above the 13.5 cent loan level sufficient to compensate for this charge. The loan level would remain unchanged at 13.5 cents. They estimate that a price objective of 13.8 cents per pound will be required to encourage repayment of loans and help avoid CCC take-over

of stocks during the first third of 1978. To date, loans of $24 million have been made. To the extent this higher import price objective helps avoid defaults of CCC loans, it will reduce budget exposure. Unfortunately, it is not possible to estimate the magnitude of this exposure with any precision. There will also be a marginal political advantage for domestic sugar interests in that the higher price objective will further tip the competitive balance in favor of domestically produced sugar.

The principal drawback to the higher price objective is that the higher tariff it requires will tend to cause domestic prices to rise faster, though the very large stocks that have accumulated over the past few months in anticipation of the higher tariff will serve as a brake to this increase.

OMB concurs in the USDA recommendation in the interest of holding budget costs down. We consider this a close call. Though we are concerned with the incremental inflationary impact, DPS feels that the budgetary threat is more immediate and therefore concurs with the USDA/OMB recommendation.

CEA, State, STR, and Treasury feel the price objective should remain at 13.5 cents. CEA argues that once the existing excess stocks are worked down, the domestic and imported price will be equalized, leaving no reason for processors to place sugar under loan except as an interim cash flow aid. They go on to argue that this is a service for which processors should be required to pay, especially since the 6 percent interest rate well below commercial rates, already represents an advantageous subsidy. Treasury feels that there is a low risk of CCC take-over of stocks with a price objective of 13.5 cents. State argues that raising the price objective would be costly to consumers and would be perceived internationally as a protectionistic action.

DECISION

________ Raise price objective to 13.8 cents (USDA, OMB, DPS)

✓ Maintain 13.5 cent price objective (CEA, STR, State, Treasury)

(2) Should the variable fee provided in Proclamation 4538, which you issued on November 11, 1977, be replaced with a fixed fee?

USDA concludes that the variable fee now in use suffers from two major problems: (1) it is susceptible to manipulation and fraud and (2) it is exceedingly difficult to administer, given the valuation procedures used by Customs. As a result, USDA recommends adoption of a fixed fee of 3.0 cents per pound for raw sugar. They estimate that a fee of this magnitude would bring the price of imported raw sugar to the 13.8 cent price objective they recommend for the first four months of 1978. This fee is based on the average spot prices quoted during mid-August to mid-December of last year for sugar to be delivered in the first quarter of this year. The level of this fee will be changed in the future, consistent with changes in market price. To the extent this is required, it will necessitate additional Presidential proclamations.

OMB and DPS concur with the USDA recommendation of a fee fixed at 3.0 cents. Treasury and State agree that a fixed fee should be used but that it should be set lower. Treasury recommends a fee of 1.7 cents per pound; State recommends 1.5 cents. These lower fees are consistent with the lower price objective they recommend and with their judgment that the appropriate world reference price is somewhat above that assumed by the USDA. STR favors use of a fixed fee, though they believe it should be based on a formula and adjusted periodically. CEA still considers the variable fee as being the most logical, but recognizes the difficulties in its administration. CEA thinks a 3 cent fee is too high and would further add to consumer costs. Also, it is unnecessary to protect the CCC loan program.

DECISION

________ Fixed fee of 3.0 cents (USDA, OMB, DPS)

________ Fixed fee of 1.7 cents (Treasury) modify to

________ Fixed fee of 1.6 cents (CEA) meet 13½ ¢

________ Fixed fee of 1.5 cents (State)

(3) What level of import fee protection should be provided for refined sugar?

The proclamation that is now in effect makes no distinction between raw and refined sugar. As a result, refined sugar imports have escaped the fee, placing domestically refined sugar at a competitive disadvantage. The USDA proposes to correct this by imposing a fixed fee of 3.35 cents per pound. As with the fee on raw sugar, this fee is designed around a 13.8 cent price objective, raw basis. It assumes U.S. refining costs of 4.0 cents per pound. Excluding refining loss (which is calculated at 8 percent of the raw sugar price), this fee also assumes that refining costs, on balance, are about the same in other parts of the world as in the United States.

OMB, CEA, STR, and DPS concur with this recommendation. However, State recommends the fee be 1.85 cents and Treasury recommends that it be 1.94 cents. Though the domestic refining industry, which has been seeking a zero quota on refined sugar imports, will not be happy with a fee of even 3.35 cents, your advisors are agreed that it offers ample protection against foreign competition. To help ease the problem refiners will have with this decision, USDA proposes that: (1) we emphasize the emergency nature of the authorities being used; (2) that we ask Customs to report values on a daily basis so that we can closely monitor the price at which any imports are entering; and (3) that we announce that dumping will not be tolerated and if we find evidence of dumping, prompt action will be taken to curb it.

DECISION

✓ 3.35 cent fee (USDA, OMB, CEA, STR, DPS) recompute

____ 1.85 cent fee (State)

____ 1.94 cent fee (Treasury)

(4) Should the International Trade Commission be directed to expand its ongoing investigation to include sugar-containing products?

The existing and proposed fees on imports of raw and refined sugar create a strong economic incentive for importers to seek ways of importing sugar in forms that would not be subject to the import fees. The USDA therefore recommends that you direct the International Trade Commission to expand its ongoing investigation to include sugar-containing products.

All commenting agencies concur in this recommendation which can be accomplished by signing the attached letter to the Chairman of the ITC.

DECISION

✓ Approve (USDA, OMB, Treasury, STR, DPS)

_____ Disapprove

(5) Is an exception to be granted for a Malawi shipment delayed in transit?

State has recommended that a limited exception be provided for a cargo of 10,000 tons of Malawian sugar that has been delayed in transit. The cargo was contracted in August for delivery in 1977 but was delayed by a breakdown in rail service between land-locked Malawi and the Mozambique port of export. The cargo, which normally would have easily fallen within the forward contract exemption of the earlier proclamation, should now arrive in January. Assessment of the fees would largely wipe out the 1977 profit for Malawi's sugar industry. Given the relative magnitude of the loss to Malawi and the slight effect of U.S. interests, State and DPS recommends the exemption. No other agencies commented.

DECISION

✓ Grant exemption (State, DPS)

_____ Deny exemption

(6) Is an exception to be granted for any other shipments that might have been delayed entry by January 1, 1978 due to adverse weather conditions?

Senator Sparkman brought to our attention three other cargoes that are in very much the same situation as the Malawian cargo. Customs has since confirmed his report. Two of the vessels were bound to the Port of New Orleans from the Dominican Republic with cargoes for Colonial Sugar. Another was due in New Orleans from Guatemala with a cargo for Continental. They arrived offshore on December 28, 1977, but were delayed by a heavy fog at the Southwest Pass entrance to the Mississippi River. Because of the fog, they were unable to enter the jurisdictional limits of the Port of New Orleans in time to avoid payment of the additional duty, which took effect January 1.

Senator Sparkman would be genuinely grateful and it would win us points with Senators Long and Johnston if this exception were granted. Frank Moore recommends approval and we concur. The necessary wording has been added to the proclamation to take care of this situation and any others that might have occurred of a similar nature.

DECISION

✓ Grant exemption (Frank Moore, DPS)

_____ Deny exemption

THE WHITE HOUSE

WASHINGTON

To Chairman Daniel Minchew

Pursuant to Section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture that there is reason to believe that the sugars, sirups, and molasses provided for in items 155.35 and 155.75 of the Tariff Schedules of the United States (TSUS) and articles provided for in items 156.25, 156.45, and 157.10 and 182.98 of the TSUS if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75 of the TSUS are being or are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from domestic sugar.

I agree with him.

The United States International Trade Commission is directed to expand the investigation requested in my letter of November 11, 1977, under Section 22 of the Agricultural Adjustment Act, as amended, to determine whether the above described articles are being, or are practically certain to be, imported under such conditions and quantities as to render or tend to render ineffective or materially interfere with the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets, and to report its findings and recommendations to me at the earliest practicable date.

Because of the urgency of this matter, it would be very much appreciated if you could report to me by March 15, 1978.

Sincerely,

Jimmy Carter

The Honorable Daniel Minchew
Chairman
United States International Trade Commission
Washington, D.C. 20436

IMPORT FEES ON SUGAR, SIRUPS, AND MOLASSES

- - - - - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

By Proclamation No. 4538 of November 11, 1977, I imposed import fees on certain sugars, sirups, and molasses. I also requested the United States International Trade Commission to make an immediate investigation with respect to this matter pursuant to section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), and to report its findings and recommendations to me as soon as possible.

The Secretary of Agriculture has since informed me that the fees established by Proclamation No. 4538 are insufficient. He has again advised me that he has reason to believe that sugars, sirups, and molasses, derived from sugar cane or sugar beets, classified under items 155.20 and 155.30, of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202), hereinafter referred to as "sugars", are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or to materially interfere with the price support operations now being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar beets and sugar cane. The Secretary of Agriculture has reaffirmed his determination that the condition requires emergency treatment.

I agree there is reason for these beliefs and I find and declare that:

(a) Sugars, described below by use and physical description, are being imported, or are practically certain to be imported, into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or reduce substantially the amount of any product processed in the United States from domestic sugar beets or sugar cane;

(b) A condition exists which requires the immediate imposition of the import fees hereinafter set forth, without awaiting the report and recommendations of the United States International Trade Commission.

(c) The imposition of the import fees hereinafter proclaimed is necessary in order that the entry, or withdrawal from warehouse, for consumption of such sugars will not render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar beets and sugar cane, or reduce substantially the amount of products processed in the United States from such domestic sugar beets or sugar cane.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, acting under the authority vested in me by the Constitution and Statutes of the United States of America, including section 22 of the Agricultural Adjustment Act, as amended, do hereby proclaim that Part 3 of the Appendix to the TSUS is amended as follows:

1. Headnote 4 is amended to read as follows:

4. Sugar, sirups, and molasses

(a) Licenses may be issued by the Secretary of Agriculture or his designee authorizing the entry of articles exempt from the fees provided for in items 956.05, 956.15, and 957.15 of this part on the condition that such articles will be used only for the production (other than by distillation) of polyhydric alcohols, except polyhydric alcohols for use as a substitute for sugar in human food consumption. Such licenses shall be issued under regulations of the Secretary of Agriculture which he determines are necessary to insure the use of such articles only for such purposes.

(b) "Not to be further refined or improved in quality" as used in item 956.05 means not to be further refined or improved in quality by being subjected substantially to the processes of (1) affination or defecation, (2) clarification, or (3) further purification by absorption or crystallization.

2. Items 956.10, 956.20, 957.10, and 957.20 are deleted.

3. The following new items, in numerical sequence, are added following item 955.06:

Item	Articles	Rates of Duty (Section 22 Fees)
	Sugars, sirups, and molasses, derived from sugar cane or sugar beets, except those entered pursuant to a license issued by the Secretary of Agriculture in accordance with headnote 4(a):	
	Principally of crystalline structure or in dry amorphous form, provided for in item 155.20, part 10A, schedule 1:	
956.05	Not to be further refined or improved in quality	3.22¢ per lb., but not in excess of 50% ad val.
956.15	To be further refined or improved in quality	2.70¢ per lb., but not in excess of 50% ad val.
957.15	Not principally of crystalline structure and not in dry amorphous form, containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6% or less by weight of the total soluble solids, provided for in item 155.30, part 10A, schedule 1	3.22¢ per lb. of total sugars, but not in excess of 50% ad val.

With the following exceptions, this proclamation applies to articles entered, or withdrawn from warehouse, for consumption after 12:01 a.m. (Eastern Standard Time) on the day following its issuance. One exception shall be for the sugars of Malawian origin which entered the United States before February 15, 1978, pursuant to contracts for delivery to the United States entered into before November 11, 1977. Further, if it is established to the satisfaction of the Commissioner of Customs that articles subject to proclamations 4538 and 4539 exported to the United States before November 11, 1977, or imported to fulfill forward contracts for delivery to the United States entered into before November 11, 1977, could have been, but were not, entered for consumption on or before January 1, 1978, as a result of the delay in transportation to a point within the limits of a Customs port of entry of the United States because of windstorm, fog, or similar stress of weather, the provisions of proclamations 4538 and 4539 shall not apply to the articles even though they are entered for consumption after January 1, 1978 nor shall the provisions of this proclamation be applicable to them. The proclamation shall continue to apply until I have acted on the Report of the United States International Trade Commission.

IN WITNESS WHEREOF, I have hereunto set my hand this day of January, in the year of our Lord nineteen hundred and seventy-eight, and of the Independence of the United States of America the two hundred and second.

Jimmy Carter

780051

THE WHITE HOUSE

WASHINGTON

Date: January 10, 1978

MEMORANDUM

FOR ACTION:

Frank Moore (Les Francis)
Jim Fallows

FOR INFORMATION:

The Vice President
Bob Lipshutz
Jim McIntyre
Charles Schultze

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat memo dated 1/9/78 re Implementation of the Sugar Price Support Program

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 12:00 Noon

DAY: ~~Thursday~~

DATE: January 12, 1978

Joe in touch Griffin Smith will talk to Sugar Dept

ACTION REQUESTED:

X Your comments

Other:

STAFF RESPONSE:

____ I concur. ____ No comment.

Please note other comments below:

proclamation of Pres goes along w/ USDA
1, 2, 3, 5

letter
4

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

January 16, 1978

NOTE TO: RICK HUTCHESON

FROM: KATHY CORCORAN Kathy C

Lynn asked me to forward the attached to you. It is an updated press release on the imported sugar. Please let me know if you have any questions, otherwise insert this new draft in place of the one you now have.

Attachment

DRAFT PRESS RELEASE
ANNOUNCING TEMPORARY PROGRAM ON IMPORTED SUGAR

On the recommendation of Secretary of Agriculture Bob Bergland, and in consultation with other federal agencies, I am announcing the following actions:

-Effective (date of proclamation) _______________, 1978, all imported sugar will be subject to fixed fees of 3.0 cents per pound for raw sugar and 3.35 cents per pound for refined sugar, not to exceed 50 percent of the value of imported sugar.

-Instructions have been given to the Customs Service to make a daily report on their initial determination of value of imported sugar from January 2, 1978 with comparisons to the values reported between November 11, 1977 and January 1, 1978.

-Directions have been given to the International Trade Commission to expand its investigation in imported sugar to determine whether sugar-containing products are being or will be imported in quantities and under conditions that will result in national interference to the sugar price support operations being conducted by the Department of Agriculture. I have asked that their report be completed as soon as possible and be accompanied by specific recommendations for corrective actions.

My decisions today address critical problems that have arisen since the issuance of my November 11 Proclamation:

-Our price objectives for imported sugar is protected. Our objective on imported refined sugar is 4.0 cents a pound above the imported raw sugar price objective, an amount equal to the refining loss and refining costs.

-Current and prospective market conditions indicate that had we continued the system of variable fees, imported refined sugar would not be subject to import fees, and there would be strong incentives to import sugar in refined, rather than raw form. Refined sugar has been entering the United States at an unprecedented rate.

-Because I have instructed the International Trade Commission to conduct an investigation and report to me their recommendations, the fixed fees that I have announced are being implemented in a temporary program under emergency authorities.

-The fixed fee system eases the administrative burden, reduces the potential for price manipulation, and is familiar to the trade.

-If I find, based on the new fixed fee system, that efforts continue to be made to take advantage of the system, I will not hesitate to take even more stringent actions. The dumping of imported sugar on our domestic market will not be tolerated.

THE WHITE HOUSE

WASHINGTON

/	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
	/	MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
	/	LIPSHUTZ
/		MOORE
		POWELL
		WATSON
	/	McINTYRE
	/	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

		ARAGON
		BOURNE
		BRZEZINSKI
		BUTLER
		CARP
		H. CARTER
		CLOUGH
/		FALLOWS
		FIRST LADY
		HARDEN
		HUTCHESON
		JAGODA
		GAMMILL

		KRAFT
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

THE WHITE HOUSE

WASHINGTON

January 9, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
LYNN DAFT LD

SUBJECT: Implementation of the Sugar Price Support Program

In the attached memorandum, Acting Secretary White describes the problems they have encountered in trying to implement the sugar price support program and asks for your approval of measures to correct these problems. Since one of these shortcomings allows refined sugar to be imported at prices that place domestic refiners at a competitive disadvantage, prompt action is required.

Your decision on five issues is sought. A summary of each issue together with agency recommendations follows. A more detailed discussion appears in the USDA memorandum.

(1) Should the price objective for imported raw sugar be raised from 13.5 cents per pound to 13.8 cents per pound?

Under the price support program, processors can obtain non-recourse loans at 13.5 cents per pound, raw value. However, if sugar producers chose to repay their loans and redeem their sugar stocks, they are required to pay an interest charge of 0.0675 cents per month in addition to repayment of the principal. Thus, the market price for sugar can be at or slightly above the 13.5 cent support level and still be lower than the total payment required for redemption of the loan. Under this circumstance, there would be an incentive for the processor to default on the loan and to acquire needed stocks at the lower market price.

To avoid creating this incentive, the USDA recommends that the price objective for imported raw sugar be raised above the 13.5 cent loan level sufficient to compensate for this charge. The loan level would remain unchanged at 13.5 cents. They estimate that a price objective of 13.8 cents per pound will be required to encourage repayment of loans and help avoid CCC take-over

of stocks during the first third of 1978. To date, loans of $24 million have been made. To the extent this higher import price objective helps avoid defaults of CCC loans, it will reduce budget exposure. Unfortunately, it is not possible to estimate the magnitude of this exposure with any precision. There will also be a marginal political advantage for domestic sugar interests in that the higher price objective will further tip the competitive balance in favor of domestically produced sugar.

The principal drawback to the higher price objective is that the higher tariff it requires will tend to cause domestic prices to rise faster, though the very large stocks that have accumulated over the past few months in anticipation of the higher tariff will serve as a brake to this increase.

OMB concurs in the USDA recommendation in the interest of holding budget costs down. We consider this a close call. Though we are concerned with the incremental inflationary impact, DPS feels that the budgetary threat is more immediate and therefore concurs with the USDA/OMB recommendation.

CEA, State, STR, and Treasury feel the price objective should remain at 13.5 cents. CEA argues that once the existing excess stocks are worked down, the domestic and imported price will be equalized, leaving no reason for processors to place sugar under loan except as an interim cash flow aid. They go on to argue that this is a service for which processors should be required to pay, especially since the 6 percent interest rate well below commercial rates, already represents an advantageous subsidy. Treasury feels that there is a low risk of CCC take-over of stocks with a price objective of 13.5 cents. State argues that raising the price objective would be costly to consumers and would be perceived internationally as a protectionistic action.

DECISION

________ Raise price objective to 13.8 cents (USDA, OMB, DPS)

________ Maintain 13.5 cent price objective (CEA, STR, State, Treasury)

(2) Should the variable fee provided in Proclamation 4538, which you issued on November 11, 1977, be replaced with a fixed fee?

USDA concludes that the variable fee now in use suffers from two major problems: (1) it is susceptible to manipulation and fraud and (2) it is exceedingly difficult to administer, given the valuation procedures used by Customs. As a result, USDA recommends adoption of a fixed fee of 3.0 cents per pound for raw sugar. They estimate that a fee of this magnitude would bring the price of imported raw sugar to the 13.8 cent price objective they recommend for the first four months of 1978. This fee is based on the average spot prices quoted during mid-August to mid-December of last year for sugar to be delivered in the first quarter of this year. The level of this fee will be changed in the future, consistent with changes in market price. To the extent this is required, it will necessitate additional Presidential proclamations.

OMB and DPS concur with the USDA recommendation of a fee fixed at 3.0 cents. Treasury and State agree that a fixed fee should be used but that it should be set lower. Treasury recommends a fee of 1.7 cents per pound; State recommends 1.5 cents. These lower fees are consistent with the lower price objective they recommend and with their judgment that the appropriate world reference price is somewhat above that assumed by the USDA. STR favors use of a fixed fee, though they believe it should be based on a formula and adjusted periodically.

CEA supports continued use of the fully variable fee which we have already announced arguing that the administrative problems are manageable, that a variable fee avoids problems of "overshooting" or "undershooting" the world price, and that use of the variable fee minimizes the need for issuing more Presidential proclamations.

DECISION

________ Fixed fee of 3.0 cents (USDA, OMB, DPS)

________ Fixed fee of 1.7 cents (Treasury)

________ Fixed fee of 1.5 cents (State)

________ Variable fee (CEA)

(3) What level of import fee protection should be provided for refined sugar?

The proclamation that is now in effect makes no distinction between raw and refined sugar. As a result, refined sugar imports have escaped the fee, placing domestically refined sugar at a competitive disadvantage. The USDA proposes to correct this by imposing a fixed fee of 3.35 cents per pound. As with the fee on raw sugar, this fee is designed around a 13.8 cent price objective, raw basis. It assumes U.S. refining costs of 4.0 cents per pound. Excluding refining loss (which is calculated at 8 percent of the raw sugar price), this fee also assumes that refining costs, on balance, are about the same in other parts of the world as in the United States.

OMB, CEA, STR, and DPS concur with this recommendation. However, State recommends the fee be 1.85 cents and Treasury recommends that it be 1.94 cents. Though the domestic refining industry, which has been seeking a zero quota on refined sugar imports, will not be happy with a fee of even 3.35 cents, your advisors are agreed that it offers ample protection against foreign competition. To help ease the problem refiners will have with this decision, USDA proposes that: (1) we emphasize the emergency nature of the authorities being used; (2) that we ask Customs to report values on a daily basis so that we can closely monitor the price at which any imports are entering; and (3) that we announce that dumping will not be tolerated and if we find evidence of dumping, prompt action will be taken to curb it.

DECISION

________ 3.35 cent fee (USDA, OMB, CEA, STR, DPS)

________ 1.85 cent fee (State)

________ 1.94 cent fee (Treasury)

(4) Should the International Trade Commission be directed to expand its ongoing investigation to include sugar-containing products?

The existing and proposed fees on imports of raw and refined sugar create a strong economic incentive for importers to seek ways of importing sugar in forms that would not be subject to the import fees. The USDA therefore recommends that you direct the International Trade Commission to expand its ongoing investigation to include sugar-containing products.

All commenting agencies concur in this recommendation which can be accomplished by signing the attached letter to the Chairman of the ITC.

DECISION

________ Approve (USDA, OMB, Treasury, STR, DPS)

________ Disapprove

(5) Is an exception to be granted for a Malawi shipment delayed in transit?

State has recommended that a limited exception be provided for a cargo of 10,000 tons of Malawian sugar that has been delayed in transit. The cargo was contracted in August for delivery in 1977 but was delayed by a breakdown in rail service between land-locked Malawi and the Mozambique port of export. The cargo, which normally would have easily fallen within the forward contract exemption of the earlier proclamation, should now arrive in January. Assessment of the fees would largely wipe out the 1977 profit for Malawi's sugar industry. Given the relative magnitude of the loss to Malawi and the slight effect of U.S. interests, State and DPS recommend the exemption. No other agencies commented.

DECISION

________ Grant exemption (State, DPS)

________ Deny exemption

BERGLAND LETTER

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

DEC 29 1977

MEMORANDUM TO THE PRESIDENT

SUBJECT: Sugar Import Duties and Fees

This memorandum contains:

a review of our efforts to protect the price support loan program and the domestic sugar industry through a system of duties and fees on sugar;

identifies the problems that have become evident with respect to the proposed fee schedule;

and seeks your approval of measures to overcome these problems.

Background

The final regulations for the interim payment program were published in the October 7, 1977, Federal Register. As subsequently amended, the payment program covers sugar marketed from the start of the 1977 harvest through November 7, 1977, the day before the loan (de la Garza) program was announced. The term "marketed" was amended December 23, with OMB concurrence, to include sugar contracted prior to November 8 for later delivery. The interim payment program will cover approximately 5.4 billion pounds of sugar, requiring budget outlays of $180 to $220 million, with the exact amount dependent upon domestic sugar prices.

On November 8, 1977, we announced regulations for the price support loan program required by the Food and Agriculture Act of 1977. The minimum support price is 13.5 cents a pound, raw value. To date, $24 million has been loaned. These 6 percent loans mature after 11 months, but many will be redeemed earlier.

On November 11, 1977, you issued Proclamations imposing import duties and fees on sugar, sirups and molasses, to protect the price support loan program and the domestic sugar industry. The emergency provisions of Section 22(b) of the Agricultural Adjustment Act were used to impose fees on imported sugar. You also directed the International Trade Commission to undertake an investigation of the need for the imposition of import restrictions, and to report its findings and recommendations at the earliest practicable date.

Sugar on the high seas by November 11 or imported prior to January 2 to fulfill forward contracts entered into before November 11 was exempt from the increase in the duties and from the fees. The sugar trade anticipated this, and an abnormally large quantity of sugar is entering the United States this month.

Effective January 2 all imported sugar will be subject to the higher duties and the fees. The duty is a fixed amount, 2.98125 cents a pound for refined sugar and 2.8125 cents for raw sugar. The fee varies inversely with the world price, from 0 to 3.32 cents as the world price declines from 10 to 6.67 cents a pound. A world price below 6.67 cents requires a comparable reduction in the fee, because it cannot exceed 50 percent of the value. In combination, the duty and the fee (plus freight, insurance and other costs associated with importing sugar) were designed to keep the price of imported raw sugar at 13.5 cents a pound. This price objective will not be realized when the world raw sugar price is below 6.67 cents and would be exceeded with a world price of 10 cents a pound or more.

Fee Schedule Problems

There are several problems associated with the fee schedule in Proclamation 4538:

> The 13.5 cent price objective for imported raw sugar should be increased to 13.8 cents for early 1978, to protect the loan program.
>
> The loophole that permits refined sugar to escape the fee when the value is 10 cents a pound or more must be closed, to prevent disaster for domestic refiners.
>
> The daily variable fee should be replaced with fixed fees, at least until after the International Trade Commission reports to you, to minimize the potential for fraud and ease the administrative burden.
>
> The International Trade Commission should be asked to broaden its investigation to include sugar-containing products, so this potential loophole can be addressed.

These problems can be overcome by the issuance of the attached Proclamation and by sending the attached letter to the International Trade Commission.

Price Objectives

The price objective for imported raw sugar should be above the loan price for U.S. produced sugar by at least the interest on the loan because the processor need not pay the interest if he turns the sugar over to CCC. Interest amounts to 0.0675 cents a month, so in April the processor will need a price in excess of 13.77 cents a pound to encourage repayment of the loan. To protect the loan program our price objective for imported raw sugar should be 13.8 cents a pound for the first third of 1978.

The price objective for imported refined sugar must be above the raw sugar price objective by an amount equal to the cost of refining sugar. Current data show such costs to be centered on 4.0 cents a pound for bulk sugar. Therefore, the price objective for refined bulk sugar should be 17.8 cents a pound for the first third of 1978.

The Refined Sugar Loophole

Unfortunately, refined sugar can enter the United States at a price more than 3.0 cents a pound below the 17.8 cent price objective according to the provisions of Proclamation 4538. Proclamation 4538 makes no distinction between raw and refined sugar, and, therefore, as long as the world price of refined sugar is in excess of 10 cents a pound there is a zero fee on imported refined sugar. Since November 11, the value of imported refined sugar has exceeded 10 cents a pound, and thereby escapes the fee. The world price of sugar has risen since early November, and even though it may decline early in 1978, the value of imported refined sugar is expected to remain above 10 cents a pound.

Imposing a fee on raw sugar but permitting refined sugar to escape the fee already is creating problems. Refined sugar is entering the United States at an unprecedented rate. This will become intolerable in January, when the gap between the price of imported raw and refined sugar will narrow to about 1 cent a pound while domestic refining costs are about 4 cents. This loophole must be closed.

Variable Fees

Proclamation 4538 provides for a fee that would change daily, to offset changes in the world price. This system has advantages, but also disadvantages.

The price of imported sugar to the domestic user remains constant, unless the world price is very low or quite high. Realizing our price objective, even though the world price moves over a relatively broad range, provides firm protection to the loan program. It also minimizes attempts to capture a lower fee by varying sugar delivery schedules.

But there is potential for manipulation and fraud. Customs intends to use the voucher for each shipment to determine value which in turn is used to determine the fee. The price paid for sugar by the firm selling to the U.S. buyer will be the value. Since a value above a specified amount escapes the fee there will be great pressure to report a transaction price at the specified amount on all shipments. The shippers choice is to pay a fee to the Treasury, or pay it to the firm or country from which he makes the purchase. Few are expected to opt for paying the fee to the Treasury.

In addition to this basic problem, a totally flexible fee is foreign to the sugar trade. They are accustomed to a fixed fee (the duty). Also, it is more difficult to administer a variable fee than a fixed fee. With the variable fee each shipment must be valued to determine the appropriate fee, and if the fee exceeds 50 percent of the value. With a fixed fee each shipment must be valued, but only to determine if the fee exceeds 50 percent of the value. This normally is a much less complex process. A fixed fee shifts the burden of proof that the fee is inappropriate to the importer; a variable fee places the burden of proof that the fee is appropriate upon Customs.

The flexible fee system has been imposed through the use of emergency powers. The International Trade Commission will be making their report as soon as possible, hopefully in March. Then the options will again have to be reviewed. Establishing an unfamiliar and administratively cumbersome fee system under these circumstances does not appear to be in our best interests.

For these reasons we have come to the conclusion that a less complex system should be put in place effective January 2. Our price objectives for both raw and refined sugar can, we believe, be protected by a fixed fee that would remain in place until after the International Trade Commission has made its report to you, and the options have again been assessed.

Proposed Raw Sugar Fee

The fixed fee we propose for raw sugar is 3.0 cents a pound. The average world price for raw sugar was about 7.3 cents a pound from mid-August to mid-December, the time when most of the sugar to be imported into the United States during the first four months of 1978 was purchased.

A 7.3 cent world price for raw sugar, plus the fee of 3.0 cents, the duty of 2.81 cents, and freight insurance, etc., of about 0.69 cents, brings the price of imported raw sugar to 13.8 cents a pound, exactly equal to our price objective.

At present the world raw sugar price is about 8 cents a pound. Future prices support the view that the International Sugar Agreement, with an 11 cent minimum, will pull prices upwards as we move through 1978. The March 1978 contract is around 9 cents; the October 1978 contract just over 10 cents.

Sugar purchased yesterday at the London spot price with a 3.0 cent fee plus the duty and other costs, would cost the U.S. user about 14.5 cents. This would be above our price objective, and above current domestic prices, so sugar is not likely to enter the United States early in 1978 unless the world price declines.

Although the futures indicate higher world prices, they may decline early in 1978. The incentive to bring sugar into the United States prior to January 2 resulted in a record quantity being imported during December. This abnormal demand will not be present early in 1978. In fact, the demand for imported sugar from U.S. users with the proposed fee schedule in place will be abnormally weak. Both the imposition of the fee itself and the reduced quantity moving to the U.S. will place downward pressure on world prices.

Proposed Refined Sugar Fee

The fixed fee we propose for refined sugar is 3.35 cents a pound. It appears that world raw price of 7.3 cents a pound justifies a world price for refined sugar on the order of 10.8 cents a pound, but data on refining costs in other countries are not as firm as we would like. Adding duty, freight, insurance, etc., and a fee of 3.35 cents to a base price of 10.8, however, brings the price of imported refined sugar to 17.83 cents. This is our price objective for refined sugar. It is exactly the same as the cost of refining raw sugar in the United States, given an imported raw price of 13.8 cents a pound, and refining costs of 4.0 cents a pound. This will protect U.S. refined sugar prices unless refining costs are lower than our estimate or refined sugar sells below costs in world markets. If this happens, we will have to deal with it later.

Sugar-Containing Products

Finally, some sugar-containing products that are not subject to the fees imposed by the existing or proposed Proclamation are likely to be imported in abnormally large quantities. There is strong economic incentive for finding ways to import sugar in forms which would not be subject to the import fees. We recommend that you direct the International Trade Commission to expand its ongoing investigation to include sugar-containing products.

The formal letter from the Secretary, the Proclamation and a draft letter to the International Trade Commission are attached. Issuing the Proclamation, and sending the proposed letter to the International Trade Commission will resolve these problems in the manner described above.

John C. White

JOHN C. WHITE
Acting Secretary

Attachments

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

DEC 29 1977

The President
The White House

Dear Mr. President:

My letter of November 8, 1977, recommended that, under the emergency provisions of Section 22(b) of the Agricultural Adjustment Act, as amended, you impose fees on imports of sugar, sirups, and molasses in order to prevent such imports from interfering with the Department's price support operations for sugar cane and sugar beets. You did so on November 11 by issuance of Presidential Proclamation 4538. You also directed the International Trade Commission to undertake an investigation as to the need for the imposition of import restrictions on sugar, sirups and molasses, and to report its findings and recommendations at the earliest practicable date.

On the basis of subsequent developments, I believe that further measures should be taken in order to more effectively protect the Department's price support operations for sugar cane and sugar beets from interference by imports. Separate fees should be provided for refined sugar because of differences in price. In addition, I believe that the fees, which at present may vary with each shipment, depending on the value thereof, should be changed to fixed amounts. Fixed fees would simplify both the negotiation of contracts by the import trade and the collection of fees by the Customs Service.

Proclamation 4538 imposes a schedule of import fees applicable to imports valued at less than 9.99 cents per pound. This schedule is keyed to the Department's price support operations for sugar cane and sugar beets and, accordingly, to prices for imported raw sugar, which account for the overwhelming portion of sugar imports. There is also, however, trade in refined sugar at prices normally 3 to 4 cents per pound above prices for raw sugar. Such imports are historically comparatively small.

Current and prospective market conditions indicate that refined sugar imports will be valued at 9.99 cents or more per pound, and therefore, will not be subject to the import fees provided for in Proclamation 4538. The absence of fees for refined sugar parallel to those for raw sugar thus creates strong incentives for importing sugar in refined form rather than raw. Such shifts in trade obviously would be prejudicial to achievement of the Department's price support program objectives, as specified in Section 201 of the Agricultural Act of 1949, as amended by Section 902 of the Food and Agriculture Act of 1977. Action should be taken to prevent this situation from developing.

I have reason to believe that sugars, both raw and refined, as well as sirups and molasses described in items 155.20 and 155.30, part 10A, Schedule 1, of the Tariff Schedules of the United States (TSUS), are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations for sugar cane and sugar beets undertaken by the Department of Agriculture, or to reduce substantially the amount of products processed in the United States from domestic sugar. Accordingly, I have concluded that under the authority of Section 22 of the Agricultural Act, as amended, it is necessary to impose import fees which would be applicable to all sugars, sirups and molasses and that such fees should be expressed in fixed amounts. Such fees, of course, would have to be limited so as not to exceed 50 percentum ad valorem, as required by Section 22.

I have been advised that the business operations of the sugar importing trade, including contracting for sugar shipments, would be facilitated and simplified if the import fees were specified in fixed amounts instead of varying in relation to the value of the shipment. In many instances the final value of a shipment is determined subsequent to its entry. In addition, a fixed fee would remove any incentive to arrange contracted prices so as to minimize the actual amount of the fee. The Customs Service could collect the fixed fee for preliminary entry purposes, with the amount of the fee subject to adjustment on the basis of the determination of the statutory value. Accordingly, I recommend that effective January 2, 1978, the import fees be changed to a fixed basis, but not to exceed 50 percent ad valorem.

Because of the threat that large amounts of sugars, sirups and molasses could be imported into the United States without delay, and since I have reason to believe that such importations are practically certain to be made under such conditions, at such prices, and in such quantities as to materially interfere with the price support operations being conducted by this Department for sugar cane and sugar beets, I have determined that a condition exists which requires emergency treatment. I therefore recommend that, under the authority of Section 22 (b) of the Agricultural Adjustment Act, as amended, you immediately issue a Presidential Proclamation thereunder imposing import fees, as set forth in the attached draft of an emergency Proclamation, these fees to remain in effect pending your action upon receipt of the report and recommendation of the International Trade Commission with respect to imports of sugar, sirups, and molasses.

In addition to the immediate action recommended above, I have reason to believe that articles containing sugar, covered by tariff categories hereinafter specified, which are not subject to the fees imposed by Proclamation 4538 or the additional Proclamation I have herein recommended, are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with the Department's price support operations for sugar cane and sugar beets. Sugar is readily mixed or combined with other articles into a wide variety of sugar-containing products. With world sugar supplies likely to remain substantially in excess of commercial demand, there will be strong incentives for finding ways to import sugar in forms which would not be subject to the import fees. Accordingly, I recommend that you direct the International Trade Commission to expand its investigation to determine whether sugars, sirups and molasses provided for in items 155.35 and 155.75 of the Tariff Schedules of the United States (TSUS) and articles provided for in items 156.25, 156.45, 157.10 and 182.98 of the TSUS if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75, are being or are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from domestic sugar. Enclosed is a suggested letter to the International Trade Commission.

Respectively,

Bob Bergland

BOB BERGLAND
Secretary

Enclosures

PROCLAMATION

THE WHITE HOUSE

IMPORT FEES ON SUGAR, SIRUPS, AND MOLASSES

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. By Proclamation No. 4538 of November 11, 1977, I imposed import fees on certain sugars, sirups, and molasses, derived from sugar cane or sugar beets, classified under items 155.20 and 155.30, of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202), in order that the entry, or withdrawal from warehouse, for consumption of such articles would not render or tend to render ineffective, or materially interfere with the price support operations now being conducted by the Department of Agriculture for sugar cane and sugar beets, or reduce substantially the amount of any product being processed in the United States from such domestic sugar beets and sugar cane.

2. Such action was taken pursuant to the authority vested in the President by the Constitution and Statutes of the United States, including section 22 of the Agricultural Adjustment Act of 1933, as amended (7 U.S.C. 624).

3. By letter dated November 11, 1977, I requested the United States International Trade Commission to make an immediate investigation with respect to this matter pursuant to section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), and to report its findings and recommendations to me as soon as possible.

4. The Secretary of Agriculture has advised me by letter dated December 29, 1977, that he has reason to believe that the fees established by Proclamation No. 4538 are not adequate with respect to certain sugars, sirups, and molasses, derived from sugar cane or sugar beets, classified under items 155.20 and 155.30, of the Tariff Schedules of the United States (TSUS)

(19 U.S.C. 1202), to prevent the entry of such articles under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with the price support operations now being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar beets and sugar cane, especially sugar not to be further refined or improved in quality and sirups and molasses, and the fees previously imposed should be modified as hereinafter proclaimed.

5. The Secretary of Agriculture, in his letter of December 29, 1977, has again advised me that he has reason to believe that certain sugars, sirups, and molasses, derived from sugar cane or sugar beets, classified under items 155.20 and 155.30, of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202), hereinafter referred to as "sugars", are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or to materially interfere with the price support operations now being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar beets and sugar cane, and I agree there is reason for such belief.

6. The Secretary of Agriculture has reaffirmed his determination and reported to me that a condition exists with respect to sugars which requires emergency treatment, and that import fees on sugars, as hereinafter proclaimed, should be imposed without awaiting the report and recommendations of the United States International Trade Commission.

7. I find and declare that:

(a) Sugars, described below by use and physical description, are being imported, or are practically certain to be imported, into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations now being conducted by the Department of Agriculture for sugar cane or sugar beets, or reduce substantially the amount of any product processed in the United States from domestic sugar beets or sugar cane;

(b) A condition exists which requires the immediate imposition of the import fees hereinafter set forth, without awaiting the report and recommendations of the United States International Trade Commission;

(c) The imposition of the import fees hereinafter proclaimed is necessary in order that the entry, or withdrawal from warehouse, for consumption of such sugars will not render or tend to render ineffective, or materially interfere with, the price support program now conducted by the Department of Agriculture for sugar beets and sugar cane, or reduce substantially the amount of products processed in the United States from such domestic sugar beets and sugar cane.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, acting under the authority vested in me by the Constitution and Statutes of the United States of America, including section 22 of the Agricultural Adjustment Act, as amended, do hereby proclaim that Part 3 of the Appendix to the TSUS is amended as follows:

1. Headnote 4 is amended to read as follows:

4. Sugar, sirups, and molasses

(a) Licenses may be issued by the Secretary of Agriculture or his designee authorizing the entry of articles exempt from the fees provided for in items 956.05, 956.15, and 957.15 of this part on the condition that such articles will be used only for the production (other than by distillation) of polyhydric alcohols, except polyhydric alcohols for use as a substitute for sugar in human food consumption. Such licenses shall be issued under regulations of the Secretary of Agriculture which he determines are necessary to insure the use of such articles only for such purposes.

(b) "Not to be further refined or improved in quality" as used in item 956.05 means not to be further refined or improved in quality by being subjected substantially to the processes of (1) affination or defecation, (2) clarification, or (3) further purification by adsorption or crystallization.

2. Items 956.10, 956.20, 957.10, and 957.20 are deleted.

3. The following new items, in numerical sequence, are added following item 955.06:

Item	Articles	Rates of Duty (Section 22 Fees)
	Sugars, sirups, and molasses, derived from sugar cane or sugar beets, except those entered pursuant to a license issued by the Secretary of Agriculture in accordance with headnote 4(a):	
	Principally of crystalline structure or in dry amorphous form, provided for in item 155.20, part 10A, schedule 1:	
956.05	Not to be further refined or improved in quality	3.35¢ per lb., but not in excess of 50% ad val.
956.15	To be further refined or improved in quality	3.00¢ per lb., but not in excess of 50% ad val.
957.15	Not principally of crystalline structure and not in dry amorphous form, containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6% or less by weight of the total soluble solids, provided for in item 155.30, part 10A, schedule 1	3.35¢ per lb. of total sugars, but not in excess of 50% ad val.

The provisions of this proclamation and the fees established by items 956.05, 956.15 and 957.15 shall apply to articles entered, or withdrawn from warehouse, for consumption on and after the date of this proclamation, except that such provisions and fees shall not apply to sugar of Malawian origin entered prior to February 15, 1978 pursuant to contracts for delivery to the United States entered into prior to November 11, 1977; and shall continue to apply to such articles pending the report and recommendations of the United States International Trade Commission and action that I may take on them.

IN WITNESS WHEREOF, I have hereunto set my hand this ____________ day of January, in the year of our Lord Nineteen hundred and Seventy-Eight, and of the Independence of the United States of America the two hundred and second.

CHAIRMAN LETTER

THE WHITE HOUSE

WASHINGTON

Dear Chairman Minchew

Pursuant to Section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that the sugars, sirups, and molasses provided for in items 155.35 and 155.75 of the Tariff Schedules of the United States (TSUS) and articles provided for in items 156.25, 156.45, and 157.10 and 182.98 of the TSUS if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75 of the TSUS are being or are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from domestic sugar.

The United States International Trade Commission is directed to expand the investigation requested in my letter of November 11, 1977, under Section 22 of the Agricultural Adjustment Act, as amended, to determine whether the above described articles are being, or are practically certain to be, imported under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets, and to report its findings and recommendations to me at the earliest practicable date.

Because of the urgency of this matter, it would be very much appreciated if you could report to me by March 15, 1978.

Sincerely,

The Honorable Daniel Minchew
Chairman
United States International
Trade Commission
Washington, D.C. 20436

Dear Chairman Minchew

Pursuant to Section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that the sugars, sirups, and molasses provided for in items 155.35 and 155.75 of the Tariff Schedules of the United States (TSUS) and articles provided for in items 156.25, 156.45, and 157.10 and 182.98 of the TSUS if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75 of the TSUS are being or are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from domestic sugar.

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SE:LD:kc

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Chairman
United States International
Trade Commission
Washington, D.C. 20436

SE:LD:kc

SUBSTITUTE FOR PAGE 4

With two exceptions, this proclamation applies to articles entered, or withdrawn from warehouse, for consumption after 12:01 a.m. (Eastern Standard Time) on the day following its issuance. One exception shall be for the sugar of Malawian origin which enters the United States before February 15, 1978, pursuant to contracts for delivery entered into before November 11, 1977. A second exception shall be as follows: if it is established to the satisfaction of the Commissioner of Customs that articles, subject to proclamation 4538 and 4539, and imported to fulfill forward contracts for delivery to the United States entered into before November 11, 1977, could have been, but were not, entered for consumption on or before January 1, 1978, as a result of the delay in transportation to a point within the limits of a Customs port of entry of the United States because of windstorm, fog, or similar stress of weather, the provisions of proclamations 4538 and 4539 shall not apply to the articles even though they are entered for consumption after January 1, 1978 nor shall the provision of this proclamation be applicable to them. The proclamation shall continue to apply until I have acted on the Report of the United States International Trade Commission.

IN WITNESS WHEREOF, I have hereunto set my hand this ________________ day of January, in the year of our Lord Nineteen hundred and seventy-eight, and of the Independence of the United States of America the two hundred and second.

Date: January 10, 1978

MEMORANDUM

FOR ACTION:

Frank Moore (Les Francis)
Jim Fallows

FOR INFORMATION:

The Vice President
Bob Lipshutz
Jim McIntyre
Charles Schultze

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat memo dated 1/9/78 re Implementation of the Sug
Price Support Program

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 12:00 Noon

DAY: Thursday

DATE: January 12, 1978

ACTION REQUESTED:

X Your comments

Other:

STAFF RESPONSE:

___ I concur. ___ No comment.

Please note other comments below:

revised draft of proclamation (approved by Agri, State, STR, and Justice) is attached.

revised draft of [illegible] letter also attached.

[illegible]

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

January 9, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
LYNN DAFT

SUBJECT: Implementation of the Sugar Price Support Program

In the attached memorandum, Acting Secretary White describes the problems they have encountered in trying to implement the sugar price support program and asks for your approval of measures to correct these problems. Since one of these shortcomings allows refined sugar to be imported at prices that place domestic refiners at a competitive disadvantage, prompt action is required.

Your decision on five issues is sought. A summary of each issue together with agency recommendations follows. A more detailed discussion appears in the USDA memorandum.

(1) Should the price objective for imported raw sugar be raised from 13.5 cents per pound to 13.8 cents per pound?

Under the price support program, processors can obtain non-recourse loans at 13.5 cents per pound, raw value. However, if sugar producers chose to repay their loans and redeem their sugar stocks, they are required to pay an interest charge of 0.0675 cents per month in addition to repayment of the principal. Thus, the market price for sugar can be at or slightly above the 13.5 cent support level and still be lower than the total payment required for redemption of the loan. Under this circumstance, there would be an incentive for the processor to default on the loan and to acquire needed stocks at the lower market price.

To avoid creating this incentive, the USDA recommends that the price objective for imported raw sugar be raised above the 13.5 cent loan level sufficient to compensate for this charge. The loan level would remain unchanged at 13.5 cents. They estimate that a price objective of 13.8 cents per pound will be required to encourage repayment of loans and help avoid CCC take-over

of stocks during the first third of 1978. To date, loans of $24 million have been made. To the extent this higher import price objective helps avoid defaults of CCC loans, it will reduce budget exposure. Unfortunately, it is not possible to estimate the magnitude of this exposure with any precision. There will also be a marginal political advantage for domestic sugar interests in that the higher price objective will further tip the competitive balance in favor of domestically produced sugar.

The principal drawback to the higher price objective is that the higher tariff it requires will tend to cause domestic prices to rise faster, though the very large stocks that have accumulated over the past few months in anticipation of the higher tariff will serve as a brake to this increase.

OMB concurs in the USDA recommendation in the interest of holding budget costs down. We consider this a close call. Though we are concerned with the incremental inflationary impact, DPS feels that the budgetary threat is more immediate and therefore concurs with the USDA/OMB recommendation.

CEA, State, STR, and Treasury feel the price objective should remain at 13.5 cents. CEA argues that once the existing excess stocks are worked down, the domestic and imported price will be equalized, leaving no reason for processors to place sugar under loan except as an interim cash flow aid. They go on to argue that this is a service for which processors should be required to pay, especially since the 6 percent interest rate well below commercial rates, already represents an advantageous subsidy. Treasury feels that there is a low risk of CCC take-over of stocks with a price objective of 13.5 cents. State argues that raising the price objective would be costly to consumers and would be perceived internationally as a protectionistic action.

DECISION

_________ Raise price objective to 13.8 cents (USDA, OMB, DPS)

_________ Maintain 13.5 cent price objective (CEA, STR, State, Treasury)

(2) Should the variable fee provided in Proclamation 4538, which you issued on November 11, 1977, be replaced with a fixed fee?

USDA concludes that the variable fee now in use suffers from two major problems: (1) it is susceptible to manipulation and fraud and (2) it is exceedingly difficult to administer, given the valuation procedures used by Customs. As a result, USDA recommends adoption of a fixed fee of 3.0 cents per pound for raw sugar. They estimate that a fee of this magnitude would bring the price of imported raw sugar to the 13.8 cent price objective they recommend for the first four months of 1978. This fee is based on the average spot prices quoted during mid-August to mid-December of last year for sugar to be delivered in the first quarter of this year. The level of this fee will be changed in the future, consistent with changes in market price. To the extent this is required, it will necessitate additional Presidential proclamations.

OMB and DPS concur with the USDA recommendation of a fee fixed at 3.0 cents. Treasury and State agree that a fixed fee should be used but that it should be set lower. Treasury recommends a fee of 1.7 cents per pound; State recommends 1.5 cents. These lower fees are consistent with the lower price objective they recommend and with their judgment that the appropriate world reference price is somewhat above that assumed by the USDA. STR favors use of a fixed fee, though they believe it should be based on a formula and adjusted periodically.

CEA supports continued use of the fully variable fee which we have already announced arguing that the administrative problems are manageable, that a variable fee avoids problems of "overshooting" or "undershooting" the world price, and that use of the variable fee minimizes the need for issuing more Presidential proclamations.

DECISION

_________ Fixed fee of 3.0 cents (USDA, OMB, DPS)

_________ Fixed fee of 1.7 cents (Treasury)

_________ Fixed fee of 1.5 cents (State)

_________ Variable fee (CEA)

(3) What level of import fee protection should be provided for refined sugar?

The proclamation that is now in effect makes no distinction between raw and refined sugar. As a result, refined sugar imports have escaped the fee, placing domestically refined sugar at a competitive disadvantage. The USDA proposes to correct this by imposing a fixed fee of 3.35 cents per pound. As with the fee on raw sugar, this fee is designed around a 13.8 cent price objective, raw basis. It assumes U.S. refining costs of 4.0 cents per pound. Excluding refining loss (which is calculated at 8 percent of the raw sugar price), this fee also assumes that refining costs, on balance, are about the same in other parts of the world as in the United States.

OMB, CEA, STR, and DPS concur with this recommendation. However, State recommends the fee be 1.85 cents and Treasury recommends that it be 1.94 cents. Though the domestic refining industry, which has been seeking a zero quota on refined sugar imports, will not be happy with a fee of even 3.35 cents, your advisors are agreed that it offers ample protection against foreign competition. To help ease the problem refiners will have with this decision, USDA proposes that: (1) we emphasize the emergency nature of the authorities being used; (2) that we ask Customs to report values on a daily basis so that we can closely monitor the price at which any imports are entering; and (3) that we announce that dumping will not be tolerated and if we find evidence of dumping, prompt action will be taken to curb it.

DECISION

________ 3.35 cent fee (USDA, OMB, CEA, STR, DPS)

________ 1.85 cent fee (State)

________ 1.94 cent fee (Treasury)

(4) Should the International Trade Commission be directed to expand its ongoing investigation to include sugar-containing products?

The existing and proposed fees on imports of raw and refined sugar create a strong economic incentive for importers to seek ways of importing sugar in forms that would not be subject to the import fees. The USDA therefore recommends that you direct the International Trade Commission to expand its ongoing investigation to include sugar-containing products.

All commenting agencies concur in this recommendation which can be accomplished by signing the attached letter to the Chairman of the ITC.

DECISION

________ Approve (USDA, OMB, Treasury, STR, DPS)

________ Disapprove

(5) Is an exception to be granted for a Malawi shipment delayed in transit?

State has recommended that a limited exception be provided for a cargo of 10,000 tons of Malawian sugar that has been delayed in transit. The cargo was contracted in August for delivery in 1977 but was delayed by a breakdown in rail service between land-locked Malawi and the Mozambique port of export. The cargo, which normally would have easily fallen within the forward contract exemption of the earlier proclamation, should now arrive in January. Assessment of the fees would largely wipe out the 1977 profit for Malawi's sugar industry. Given the relative magnitude of the loss to Malawi and the slight effect of U.S. interests, State and DPS recommend the exemption. No other agencies commented.

DECISION

_________ Grant exemption (State, DPS)

_________ Deny exemption

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

DEC 29 1977

MEMORANDUM TO THE PRESIDENT

SUBJECT: Sugar Import Duties and Fees

This memorandum contains:

a review of our efforts to protect the price support loan program and the domestic sugar industry through a system of duties and fees on sugar;

identifies the problems that have become evident with respect to the proposed fee schedule;

and seeks your approval of measures to overcome these problems.

Background

The final regulations for the interim payment program were published in the October 7, 1977, Federal Register. As subsequently amended, the payment program covers sugar marketed from the start of the 1977 harvest through November 7, 1977, the day before the loan (de la Garza) program was announced. The term "marketed" was amended December 23, with OMB concurrence, to include sugar contracted prior to November 8 for later delivery. The interim payment program will cover approximately 5.4 billion pounds of sugar, requiring budget outlays of $180 to $220 million, with the exact amount dependent upon domestic sugar prices.

On November 8, 1977, we announced regulations for the price support loan program required by the Food and Agriculture Act of 1977. The minimum support price is 13.5 cents a pound, raw value. To date, $24 million has been loaned. These 6 percent loans mature after 11 months, but many will be redeemed earlier.

On November 11, 1977, you issued Proclamations imposing import duties and fees on sugar, sirups and molasses, to protect the price support loan program and the domestic sugar industry. The emergency provisions of Section 22(b) of the Agricultural Adjustment Act were used to impose fees on imported sugar. You also directed the International Trade Commission to undertake an investigation of the need for the imposition of import restrictions, and to report its findings and recommendations at the earliest practicable date.

Sugar on the high seas by November 11 or imported prior to January 2 to fulfill forward contracts entered into before November 11 was exempt from the increase in the duties and from the fees. The sugar trade anticipated this, and an abnormally large quantity of sugar is entering the United States this month.

Effective January 2 all imported sugar will be subject to the higher duties and the fees. The duty is a fixed amount, 2.98125 cents a pound for refined sugar and 2.8125 cents for raw sugar. The fee varies inversely with the world price, from 0 to 3.32 cents as the world price declines from 10 to 6.67 cents a pound. A world price below 6.67 cents requires a comparable reduction in the fee, because it cannot exceed 50 percent of the value. In combination, the duty and the fee (plus freight, insurance and other costs associated with importing sugar) were designed to keep the price of imported raw sugar at 13.5 cents a pound. This price objective will not be realized when the world raw sugar price is below 6.67 cents and would be exceeded with a world price of 10 cents a pound or more.

Fee Schedule Problems

There are several problems associated with the fee schedule in Proclamation 4538:

> The 13.5 cent price objective for imported raw sugar should be increased to 13.8 cents for early 1978, to protect the loan program.
>
> The loophole that permits refined sugar to escape the fee when the value is 10 cents a pound or more must be closed, to prevent disaster for domestic refiners.
>
> The daily variable fee should be replaced with fixed fees, at least until after the International Trade Commission reports to you, to minimize the potential for fraud and ease the administrative burden.
>
> The International Trade Commission should be asked to broaden its investigation to include sugar-containing products, so this potential loophole can be addressed.

These problems can be overcome by the issuance of the attached Proclamation and by sending the attached letter to the International Trade Commission.

Price Objectives

The price objective for imported raw sugar should be above the loan price for U.S. produced sugar by at least the interest on the loan because the processor need not pay the interest if he turns the sugar over to CCC. Interest amounts to 0.0675 cents a month, so in April the processor will need a price in excess of 13.77 cents a pound to encourage repayment of the loan. To protect the loan program our price objective for imported raw sugar should be 13.8 cents a pound for the first third of 1978.

The price objective for imported refined sugar must be above the raw sugar price objective by an amount equal to the cost of refining sugar. Current data show such costs to be centered on 4.0 cents a pound for bulk sugar. Therefore, the price objective for refined bulk sugar should be 17.8 cents a pound for the first third of 1978.

The Refined Sugar Loophole

Unfortunately, refined sugar can enter the United States at a price more than 3.0 cents a pound below the 17.8 cent price objective according to the provisions of Proclamation 4538. Proclamation 4538 makes no distinction between raw and refined sugar, and, therefore, as long as the world price of refined sugar is in excess of 10 cents a pound there is a zero fee on imported refined sugar. Since November 11, the value of imported refined sugar has exceeded 10 cents a pound, and thereby escapes the fee. The world price of sugar has risen since early November, and even though it may decline early in 1978, the value of imported refined sugar is expected to remain above 10 cents a pound.

Imposing a fee on raw sugar but permitting refined sugar to escape the fee already is creating problems. Refined sugar is entering the United States at an unprecedented rate. This will become intolerable in January, when the gap between the price of imported raw and refined sugar will narrow to about 1 cent a pound while domestic refining costs are about 4 cents. This loophole must be closed.

Variable Fees

Proclamation 4538 provides for a fee that would change daily, to offset changes in the world price. This system has advantages, but also disadvantages.

The price of imported sugar to the domestic user remains constant, unless the world price is very low or quite high. Realizing our price objective, even though the world price moves over a relatively broad range, provides firm protection to the loan program. It also minimizes attempts to capture a lower fee by varying sugar delivery schedules.

But there is potential for manipulation and fraud. Customs intends to use the voucher for each shipment to determine value which in turn is used to determine the fee. The price paid for sugar by the firm selling to the U.S. buyer will be the value. Since a value above a specified amount escapes the fee there will be great pressure to report a transaction price at the specified amount on all shipments. The shippers choice is to pay a fee to the Treasury, or pay it to the firm or country from which he makes the purchase. Few are expected to opt for paying the fee to the Treasury.

In addition to this basic problem, a totally flexible fee is foreign to the sugar trade. They are accustomed to a fixed fee (the duty). Also, it is more difficult to administer a variable fee than a fixed fee. With the variable fee each shipment must be valued to determine the appropriate fee, and if the fee exceeds 50 percent of the value. With a fixed fee each shipment must be valued, but only to determine if the fee exceeds 50 percent of the value. This normally is a much less complex process. A fixed fee shifts the burden of proof that the fee is inappropriate to the importer; a variable fee places the burden of proof that the fee is appropriate upon Customs.

The flexible fee system has been imposed through the use of emergency powers. The International Trade Commission will be making their report as soon as possible, hopefully in March. Then the options will again have to be reviewed. Establishing an unfamiliar and administratively cumbersome fee system under these circumstances does not appear to be in our best interests.

For these reasons we have come to the conclusion that a less complex system should be put in place effective January 2. Our price objectives for both raw and refined sugar can, we believe, be protected by a fixed fee that would remain in place until after the International Trade Commission has made its report to you, and the options have again been assessed.

Proposed Raw Sugar Fee

The fixed fee we propose for raw sugar is 3.0 cents a pound. The average world price for raw sugar was about 7.3 cents a pound from mid-August to mid-December, the time when most of the sugar to be imported into the United States during the first four months of 1978 was purchased.

A 7.3 cent world price for raw sugar, plus the fee of 3.0 cents, the duty of 2.81 cents, and freight insurance, etc., of about 0.69 cents, brings the price of imported raw sugar to 13.8 cents a pound, exactly equal to our price objective.

At present the world raw sugar price is about 8 cents a pound. Future prices support the view that the International Sugar Agreement, with an 11 cent minimum, will pull prices upwards as we move through 1978. The March 1978 contract is around 9 cents; the October 1978 contract just over 10 cents.

Sugar purchased yesterday at the London spot price with a 3.0 cent fee plus the duty and other costs, would cost the U.S. user about 14.5 cents. This would be above our price objective, and above current domestic prices, so sugar is not likely to enter the United States early in 1978 unless the world price declines.

Although the futures indicate higher world prices, they may decline early in 1978. The incentive to bring sugar into the United States prior to January 2 resulted in a record quantity being imported during December. This abnormal demand will not be present early in 1978. In fact, the demand for imported sugar from U.S. users with the proposed fee schedule in place will be abnormally weak. Both the imposition of the fee itself and the reduced quantity moving to the U.S. will place downward pressure on world prices.

Proposed Refined Sugar Fee

The fixed fee we propose for refined sugar is 3.35 cents a pound. It appears that world raw price of 7.3 cents a pound justifies a world price for refined sugar on the order of 10.8 cents a pound, but data on refining costs in other countries are not as firm as we would like. Adding duty, freight, insurance, etc., and a fee of 3.35 cents to a base price of 10.8, however, brings the price of imported refined sugar to 17.83 cents. This is our price objective for refined sugar. It is exactly the same as the cost of refining raw sugar in the United States, given an imported raw price of 13.8 cents a pound, and refining costs of 4.0 cents a pound. This will protect U.S. refined sugar prices unless refining costs are lower than our estimate or refined sugar sells below costs in world markets. If this happens, we will have to deal with it later.

Sugar-Containing Products

Finally, some sugar-containing products that are not subject to the fees imposed by the existing or proposed Proclamation are likely to be imported in abnormally large quantities. There is strong economic incentive for finding ways to import sugar in forms which would not be subject to the import fees. We recommend that you direct the International Trade Commission to expand its ongoing investigation to include sugar-containing products.

The formal letter from the Secretary, the Proclamation and a draft letter to the International Trade Commission are attached. Issuing the Proclamation, and sending the proposed letter to the International Trade Commission will resolve these problems in the manner described above.

John C. White

JOHN C. WHITE
Acting Secretary

Attachments

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

DEC 19 1977

The President
The White House

Dear Mr. President:

My letter of November 8, 1977, recommended that, under the emergency provisions of Section 22(b) of the Agricultural Adjustment Act, as amended, you impose fees on imports of sugar, sirups, and molasses in order to prevent such imports from interfering with the Department's price support operations for sugar cane and sugar beets. You did so on November 11 by issuance of Presidential Proclamation 4538. You also directed the International Trade Commission to undertake an investigation as to the need for the imposition of import restrictions on sugar, sirups and molasses, and to report its findings and recommendations at the earliest practicable date.

On the basis of subsequent developments, I believe that further measures should be taken in order to more effectively protect the Department's price support operations for sugar cane and sugar beets from interference by imports. Separate fees should be provided for refined sugar because of differences in price. In addition, I believe that the fees, which at present may vary with each shipment, depending on the value thereof, should be changed to fixed amounts. Fixed fees would simplify both the negotiation of contracts by the import trade and the collection of fees by the Customs Service.

Proclamation 4538 imposes a schedule of import fees applicable to imports valued at less than 9.99 cents per pound. This schedule is keyed to the Department's price support operations for sugar cane and sugar beets and, accordingly, to prices for imported raw sugar, which account for the overwhelming portion of sugar imports. There is also, however, trade in refined sugar at prices normally 3 to 4 cents per pound above prices for raw sugar. Such imports are historically comparatively small.

Current and prospective market conditions indicate that refined sugar imports will be valued at 9.99 cents or more per pound, and therefore, will not be subject to the import fees provided for in Proclamation 4538. The absence of fees for refined sugar parallel to those for raw sugar thus creates strong incentives for importing sugar in refined form rather than raw. Such shifts in trade obviously would be prejudicial to achievement of the Department's price support program objectives, as specified in Section 201 of the Agricultural Act of 1949, as amended by Section 902 of the Food and Agriculture Act of 1977. Action should be taken to prevent this situation from developing.

I have reason to believe that sugars, both raw and refined, as well as sirups and molasses described in items 155.20 and 155.30, part 10A, Schedule 1, of the Tariff Schedules of the United States (TSUS), are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations for sugar cane and sugar beets undertaken by the Department of Agriculture, or to reduce substantially the amount of products processed in the United States from domestic sugar. Accordingly, I have concluded that under the authority of Section 22 of the Agricultural Act, as amended, it is necessary to impose import fees which would be applicable to all sugars, sirups and molasses and that such fees should be expressed in fixed amounts. Such fees, of course, would have to be limited so as not to exceed 50 percentum ad valorem, as required by Section 22.

I have been advised that the business operations of the sugar importing trade, including contracting for sugar shipments, would be facilitated and simplified if the import fees were specified in fixed amounts instead of varying in relation to the value of the shipment. In many instances the final value of a shipment is determined subsequent to its entry. In addition, a fixed fee would remove any incentive to arrange contracted prices so as to minimize the actual amount of the fee. The Customs Service could collect the fixed fee for preliminary entry purposes, with the amount of the fee subject to adjustment on the basis of the determination of the statutory value. Accordingly, I recommend that effective January 2, 1978, the import fees be changed to a fixed basis, but not to exceed 50 percent ad valorem.

Because of the threat that large amounts of sugars, sirups and molasses could be imported into the United States without delay, and since I have reason to believe that such importations are practically certain to be made under such conditions, at such prices, and in such quantities as to materially interfere with the price support operations being conducted by this Department for sugar cane and sugar beets, I have determined that a condition exists which requires emergency treatment. I therefore recommend that, under the authority of Section 22 (b) of the Agricultural Adjustment Act, as amended, you immediately issue a Presidential Proclamation thereunder imposing import fees, as set forth in the attached draft of an emergency Proclamation, these fees to remain in effect pending your action upon receipt of the report and recommendation of the International Trade Commission with respect to imports of sugar, sirups, and molasses.

In addition to the immediate action recommended above, I have reason to believe that articles containing sugar, covered by tariff categories hereinafter specified, which are not subject to the fees imposed by Proclamation 4538 or the additional Proclamation I have herein recommended, are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with the Department's price support operations for sugar cane and sugar beets. Sugar is readily mixed or combined with other articles into a wide variety of sugar-containing products. With world sugar supplies likely to remain substantially in excess of commercial demand, there will be strong incentives for finding ways to import sugar in forms which would not be subject to the import fees. Accordingly, I recommend that you direct the International Trade Commission to expand its investigation to determine whether sugars, sirups and molasses provided for in items 155.35 and 155.75 of the Tariff Schedules of the United States (TSUS) and articles provided for in items 156.25, 156.45, 157.10 and 182.98 of the TSUS if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75, are being or are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from domestic sugar. Enclosed is a suggested letter to the International Trade Commission.

Respectively,

Bob Bergland

BOB BERGLAND
Secretary

Enclosures

THE WHITE HOUSE

IMPORT FEES ON SUGAR, SIRUPS, AND MOLASSES

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. By Proclamation No. 4538 of November 11, 1977, I imposed import fees on certain sugars, sirups, and molasses, derived from sugar cane or sugar beets, classified under items 155.20 and 155.30, of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202), in order that the entry, or withdrawal from warehouse, for consumption of such articles would not render or tend to render ineffective, or materially interfere with the price support operations now being conducted by the Department of Agriculture for sugar cane and sugar beets, or reduce substantially the amount of any product being processed in the United States from such domestic sugar beets and sugar cane.

2. Such action was taken pursuant to the authority vested in the President by the Constitution and Statutes of the United States, including section 22 of the Agricultural Adjustment Act of 1933, as amended (7 U.S.C. 624).

3. By letter dated November 11, 1977, I requested the United States International Trade Commission to make an immediate investigation with respect to this matter pursuant to section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), and to report its findings and recommendations to me as soon as possible.

4. The Secretary of Agriculture has advised me by letter dated December 29, 1977, that he has reason to believe that the fees established by Proclamation No. 4538 are not adequate with respect to certain sugars, sirups, and molasses, derived from sugar cane or sugar beets, classified under items 155.20 and 155.30, of the Tariff Schedules of the United States (TSUS)

(19 U.S.C. 1202), to prevent the entry of such articles under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with the price support operations now being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar beets and sugar cane, especially sugar not to be further refined or improved in quality and sirups and molasses, and the fees previously imposed should be modified as hereinafter proclaimed.

5. The Secretary of Agriculture, in his letter of December 29, 1977, has again ? advised me that he has reason to believe that certain sugars, sirups, and molasses, derived from sugar cane or sugar beets, classified under items 155.20 and 155.30, of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202), hereinafter referred to as "sugars", are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or to materially interfere with the price support operations now being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar beets and sugar cane, and I agree there is reason for such belief.

meaning everything listed in these items?

6. The Secretary of Agriculture has reaffirmed his determination and reported to me that a condition exists with respect to sugars which requires emergency treatment, and that import fees on sugars, as hereinafter proclaimed, should be imposed without awaiting the report and recommendations of the United States International Trade Commission.

7. I find and declare that:

(a) Sugars, described below by use and physical description, are being imported, or are practically certain to be imported, into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations now being conducted by the Department of Agriculture for sugar cane ~~or~~ sugar beets, or reduce substantially the amount of any product processed in the United States from domestic sugar beets or sugar cane;

(b) A condition exists which requires the immediate imposition of the import fees hereinafter set forth, without awaiting the report and recommendations of the United States International Trade Commission;

~~(c) The imposition of the import fees~~ hereinafter proclaimed ~~is necessary~~ in order that the entry, or withdrawal from warehouse, for consumption of such sugars will not render or tend to render ineffective, or materially interfere with, the price support program now conducted by the Department of Agriculture for sugar beets and sugar cane, or reduce substantially the amount of products processed in the United States from such domestic sugar beets and sugar cane.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, acting under the authority ~~vested in me by the Constitution and Statutes of the United States of America, including~~ section 22 of the Agricultural Adjustment Act, as amended, do hereby proclaim that Part 3 of the Appendix to the ~~TSUS~~ Tariff Schedules of the United States is amended as follows:

1. Headnote 4 is amended to read as follows:

4. Sugar, sirups, and molasses

(a) Licenses may be issued by the Secretary of Agriculture or his designee authorizing the entry of articles exempt from the fees provided for in items 956.05, 956.15, and 957.15 of this part on the condition that such articles will be used only for the production (other than by distillation) of polyhydric alcohols, except polyhydric alcohols for use as a substitute for sugar in human food consumption. Such licenses shall be issued under regulations of the Secretary of Agriculture which he determines are necessary to insure the use of such articles only for such purposes.

(b) "Not to be further refined or improved in quality" as used in item 956.05 means not to be further refined or improved in quality by being subjected substantially to the processes of (1) affination or defecation, (2) clarification, or (3) further purification by adsorption or crystallization.

2. Items 956.10, 956.20, 957.10, and 957.20 are deleted.

3. The following new items, in numerical sequence, are added following item 955.06:

Item	Articles	Rates of Duty (Section 22 Fees)
	Sugars, sirups, and molasses, derived from sugar cane or sugar beets, except those entered pursuant to a license issued by the Secretary of Agriculture in accordance with headnote 4(a):	
	Principally of crystalline structure or in dry amorphous form, provided for in item 155.20, part 10A, schedule 1:	
956.05	Not to be further refined or improved in quality	3.35¢ per lb., but not in excess of 50% ad val.
956.15	To be further refined or improved in quality	3.00¢ per lb., but not in excess of 50% ad val.
957.15	Not principally of crystalline structure and not in dry amorphous form, containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6% or less by weight of the total soluble solids, provided for in item 155.30, part 10A, schedule 1	3.35¢ per lb. of total sugars, but not in excess of 50% ad val.

~~The provisions of~~ This proclamation ~~and the fees established by items 956.05, 956.15 and 957.15 shall~~ applies to articles entered, or withdrawn from warehouse, for consumption on and after ~~the~~ its date ~~of this proclamation~~, except that ~~they~~ it does ~~such provisions and fees shall~~ not apply to sugar of Malawian origin ~~entered~~ which enters the United States prior to February 15, 1978 pursuant to contracts for delivery ~~to the United States~~ entered into prior to November 11, 1977. ~~and~~ It shall continue to apply ~~to such articles~~ pending my action on the report ~~and recommendations~~ of the United States International Trade Commission. ~~and action that I may take on them.~~

IN WITNESS WHEREOF, I have hereunto set my hand this

______________ day of January, in the year of our Lord Nineteen hundred and Seventy-Eight, and of the Independence of the United States of America the two hundred and second.

THE WHITE HOUSE

WASHINGTON

Dear Chairman Minchew

Pursuant to Section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture~~, and I agree with him,~~ that there is reason to believe that the sugars, sirups, and molasses provided for in items 155.35 and 155.75 of the Tariff Schedules of the United States (TSUS) and articles provided for in items 156.25, 156.45, and 157.10 and 182.98 of the TSUS if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75 of the TSUS are being or are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from domestic sugar.

I agree with him.

The United States International Trade Commission is directed to expand the investigation requested in my letter of November 11, 1977, under Section 22 of the Agricultural Adjustment Act, as amended, to determine whether the above described articles are being, or are practically certain to be, imported under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets, and to report its findings and recommendations to me at the earliest practicable date.

Because of the urgency of this matter, it would be very much appreciated if you could report to me by March 15, 1978.

Sincerely,

The Honorable Daniel Minchew
Chairman
United States International
Trade Commission
Washington, D.C. 20436

Draft Press Release

Announcing Temporary Program on Imported Sugar

On the recommendation of Secretary of Agriculture Bob Bergland, and in consultation with other Federal agencies, I am announcing the following actions:

-Effective January 2, 1978, all imported sugar will be subject to fixed fees of 3.0 cents per pound for raw sugar and 3.35 cents per pound for refined sugar not to exceed 50 percent of the value of imported sugar.

-Instructions have been given to the Customs Service to make a daily report on the values of imported sugar from January 2, 1978 as compared to the values reported between November 11, 1977 and January 1, 1978.

-Directions have been given to the International Trade Commission to expand its investigation on imported sugar to determine whether sugar or sugar-containing products are being or will be imported in quantities that will result in serious damage to our domestic sugar industry and/or the sugar price support programs being operated by the Department of Agriculture. I have asked that their report be completed as soon as possible and be accompanied by specific recommendations for corrective actions.

My decisions today address critical problems that have arisen since the issuance of my November 11 Proclamation:

-We will now be able to meet our price objectives for imported raw and refined sugar. Our objective on imported refined sugar is that the price must be above the raw sugar price objective by an amount equal to the cost of refining sugar. With a price objective on imported raw sugar at 13.8 cents per pound, the price objective on imported refined bulk sugar will be 17.8 cents per pound, with the difference equal to the average cost of refining raw sugar in the United States.

-Current and prospective market conditions indicate that had we continued the current system of fees, refined sugar imports valued at 10 cents per pound or more would not be subject to import fees. This would result in strong incentives to import sugar in refined, rather than raw form. Refined sugar is already entering the United States at an unprecedented rate.

-Because I have instructed the International Trade Commission to conduct an investigation on imported sugar and make a report to me on long-term recommendations, the fixed fees that I have announced are being implemented in a temporary program under emergency authorities.

The variable fee system was difficult to administer and difficult for the sugar trade to work with. In addition, the fixed fee system reduces the potential for price manipulation and fraud.

-If I find, based on the new fixed fee system, that efforts continue to be made to take advantage of the system, I will not hesitate to take even more stringent actions. The dumping of imported sugar on our domestic market will not be tolerated.

THE WHITE HOUSE

WASHINGTON

January 16, 1978

STU: OK

Attached is a draft press release for use by the White House Press Office if the proclamation is approved by the President in its present form.

LYNN

Attachment

CONGRESSIONAL LIAISON
ON EIZENSTAT SUGAR PRICE SUPPORT MEMO

COMMENT ON PARAGRAPH 5

Senator Sparkman has brought to our attention three other cargoes that are in very much the same situation as the Malawian cargo. If legal analysis and investigation by appropriate agencies confirms the equities are the same, we recommend the exception apply to these three vessels as well. Senator Sparkman would be genuinely grateful and it would win us points with Senators Long and Johnston.

Two of the vessels were bound to the Port of New Orleans from the Dominican Republic with cargoes for Colonial Sugar. Another was due in New Orleans from Guatemala with a cargo for Continental. They arrived offshore on December 28, 1977, but were delayed by a heavy fog at the Southwest Pass entrance to the Mississippi River. Because of the fog, they were unable to enter the jurisdictional limits of the Port of New Orleans in time to avoid payment of the additional duty, which took effect January 1.

Please note we are recommending that the additional exceptions be granted only if agency investigations verify the facts briefly described above. The vessels in question are the SS MINI LOT, the SS CRUZ DEL SUR, and the SS DIMITROS.

Dept study on this

THE WHITE HOUSE

The Honorable Daniel Minchew
Chairman
United States International
  Trade Commission
Washington, D.C. 20436

THE WHITE HOUSE
WASHINGTON

2/6/78

rick--

found this in the president's trip book for the january 20 fundraiser in atlanta

-- susan

MR. PRESIDENT,

I BELIEVE THIS WILL GIVE YOU SOME FOOD FOR THOUGHT. I WOULD NOT USE THE ANTI-REPUBLICAN STUFF, BUT I WOULD MAKE A STRONG PITCH FOR HELP AND SUPPORT FROM YOUR NATIVE REGION IN GETTING YOUR PROGRAMS PASSED AND GOVERNING THE NATION.

I THINK THE PEOPLE BACK HOME ARE READY TO SHOW THEIR SUPPORT FOR YOU IN THE FACE OF SOME OF THE CRITICISM THAT IS CLEARLY HARSH. YOUR SPEECH LAST NIGHT SEEMS TO BE QUITE WELL RECEIVED AND WILL HAVE EVERYONE IN AN UPBEAT MOOD.

OF YOUR MAJOR PROGRAMS, ENERGY AND THE ECONOMY ARE MANDATORY TO MENTION ANY TIME YOU MAKE A PITCH FOR SUPPORT. IN ADDITON, IT SEEMS TO ME THAT CIVIL SERVICE ~~REFORM WOU~~X WOULD BE WELL RECEIVED.

THERE HAS BEEN A GOOD ~~REACTION~~ REACTION TO THE APPEAL FOR CONCERN FOR THE COMMON GOOD. THIS HAS SOME PARTICULAR RELEVANCY FOR THE SOUTH IN TERMS OF THE DANGERS OF BECOMING DIVIDED ~~ALONG~~X INTO COMPETING GROUPS. THIS THEME ALSO SEEMS TO ME TO COME AS CLOSE AS ANY TO REPRESENTING YOUR APPROACH TO GOVERNMENT. YOU MAY WISH TO GIVE ~~SOME THOUGHT TO~~X THOUGHT TO WEAVING IT INTO YOUR SPEECH TONITE.

JODY JP

Doolittle
1/19/78
Democratic Fundraising Dinner

1. Joe Califano is taking a lot of heat he doesn't deserve over this non-smoking business. Actually I ordered it myself, as a symbolic gesture. It's time politics got rid of the smoke-filled room.

NO

2. I'm pleased to see how well Governor Busbee is doing at attracting business to the State. There's been particularly heavy investing in my own little town of Plains. By Larry Flynt ....

?

3. Funny how things change. When I was a kid in Plains, folks even covered up the navels on the oranges.

NO

4. I'm delighted by Bert's new career in TV. There's always room at the top, now that Walter Cronkite has become Secretary of State.

5. We're creating a new position, actually. Anchorman of State.

6. I ~~decided to~~ I'M glad to be back home so I can speak without an interpreter ~~tonight~~ ....

7. Although, as a matter-of-fact, the translation in Warsaw was accurate. I had already told Playboy earlier I had lust in my heart. I just didn't say for who.

8. My Administration has been criticized for not getting around enough in Washington social circles. The truth is, I'm just too busy myself. And I tried sending Hamilton out

for me, but that didn't work out too well ....

No

9. They're selling a Hamilton Jordan doll in Washington now. Wind it up, and it creates an international incident.

10. We're having a certain amount of trouble converting some of the folks in the Senate to our point of view on energy. I was thinking of having my sister, Ruth, pay a visit to Russell Long.

11. Can you hear me all right out there? Is this mike live? I noticed in India they all were ....

No

12. Prime Minister Desai was so upset about that, he sent a man after me with a fly swatter.

13. We had a wonderful first Christmas in the White House, except for one mix-up. I got the dollhouse, and Amy got the chainsaw.

No

14. I think Bert has arranged a program tonight that you'll all enjoy. As you know, this is the night we match the contributors with the ambassadorships.

No

15. In my State of the Union speech yesterday, I told Congress that our economy was still basically sound. After all, where else in the world can demonstrators ride tractors?

# # #

ACTUALLY WE ARE TRYING TO DO BETTER BY THE WASHINGTON SOCIAL ELITE. JUST THE ~~XXX~~ OTHER NIGHT WE HAD SOME OF THE MOST WELL-KNOWN EDITORS AND COLUMNISTS IN THE NATION TO THE WHITE HOUSE FOR A FINE SEVEN COURSE DINNER - - - ~~xxxxxx~~ MOST OF THEM HAD NEVER HAD A 'POSSUM AND A SIX PACK BEFORE.

I'M ~~XXXX~~ QUITE INTERESTED IN BERT'S NEW OCCUPATION. I'M NOT REALLY SURE HOW SUCCESSFUL HE'S ~~XXXX~~ GOING TO BE THOUGH. IT JUST NEVER HAS SEEMED TO ME THERE WAS MUCH CALL IN THAT PROFESSION FOR AN HONEST MAN WHO KNOWS WHAT HE'S TALKING ABOUT. ACTUALLY HE DOES HAVE A FEW GOOD IDEAS THOUGH. I UNDERSTAND HIS FIRST MAJOR ~~XXXXX XXXX~~ EFFORT IS AN INVESTIGATIVE SERIES ON THE USE OF CORPORATE AIRCRAFT AND EXPENSE ACCOUNTS BY NEWS EXECUTIVES. (ON SECOND THOUGHT, THIS IS A LITTLE POINTED. USE ONLY IF YOU THINK YOU CAN BRING IT OFF WITH A VERY LIGHT TOUCH.)

I'VE BEEN READING THAT IF WE ALL WENT TO MORE WASHINGTON COCKTAIL PARTIES WE WOULD BE MORE SUCCESSFUL IN GETTING LEGISLATION THRU CONGRESS. I DON'T TAKE THAT TOO SERIOUSLY, BUT I UNDERSTAND ONE MEMBER OF MY STAFF WENT OUT A WEEK OR SO AGO AND TRIED TO PASS THE LEGISLATIVE AGENDA FOR THE ENTIRE FOUR YEARS IN ONE NIGHT.

Mr. Pres.
A few more — not much better.
Jody

Nesmith
1/19/78

DEMOCRATIC FUND RAISER

When I was growing up, and even when I entered politics, we didn't have to join the Democratic Party in Georgia. We were born into it. It was part of our heritage. There was a Republican Party here even then, but it was kind of like the gnats -- always there, but kind of small and didn't seem to do much harm.

Things changed a little, and some of our people abandoned their heritage. Some got so prosperous they thought they were Republicans, and some had been thinking like Republicans all along and finally decided to become Republicans, which was probably just as well. But a lot of good Democrats also voted Republican for the wrong reasons -- they voted their fears and their prejudices, as too many Democrats in the South had done for years.

Now Georgia's back in the Democratic fold where we belong. Only there is a difference. We came back together -- black and white, businessmen and labor, teachers and farmers and social workers and housewives and college students. The South is back to participate fully in our society and our government. Georgia and the South came back to the National Democratic Party, not just as Southern Democrats, not as Dixiecrats with no place left to go, but as Democrats in the fullest and best sense.

The Democractic Party has always been the party that believed in the people. Jefferson had faith in their ability to run the government and to make wise decisions, and he believed that the government could and should make it possible for people to have better lives.

~~Republicans never had much faith in the common people -- that's why so few are Republicans. The Republicans tend to believe the government can't help people much -- except maybe a few at the top -- so they always try to hold back. Government can't do everything but it can do a great deal to make sure that people are treated fairly and given the opportunities they need. But to do that, we have to work together.~~

We have a Democratic majority in both Houses of Congress, but it is not true to say that the Democratic Party controls the Congress. Nobody controls the Democrats in the U.S. House and Senate. They represent the widest possible divergency of people and needs and concerns, and that is as it should be. But they have one overriding thing in common. They were elected to serve the best interests of all the people in this country -- the people in their districts and states, in particular, but also all of the people. And when we remember our commitment to the best interests of the whole nation, I think we can always work together, not because we are all Democrats, but because we are all Americans.

I've said many times that the civil rights movement freed not only the black South but also the white South. We were free at last to participate in our national life as equals, no longer having to waste our talents, and what political power we could muster, on keeping a portion of our people down. We were free of the hatred and separation, free to get on with the business of solving our real problems. And we were free at last to use whatever skills and talents and energy our people had -- black or white -- to make our solutions work.

I could not have been elected President without that freedom, without the South coming together and the nation coming together at last. And I think it gives me a special responsibility to tackle some of the hard problems that have gone unsolved too long.

So much is going well in our society. We are at peace with the world and with each other. A record number of jobs were created last year without heating up inflation. Individual real income and business profits were up. But there is an underlying discomfort for many people. I think that discomfort comes from knowing that there is still a large group of our people who are not sharing in all this, who are apart from it. They may cite crime statistics or urban decay or alienation or youth and minority unemployment or regional shifts. But they are talking about the people who are left out, and the damage that does to them and to our society.

The problem is not snowbelt versus sunbelt, old cities versus new ones. The problem is the lack of jobs. The problem is poverty and the lack of education and the lack of health care, the lack of opportunity and lack of hope and lack of control over their lives that passes poverty from one generation to another. We are facing the problems our parents did not solve.

For a long time our biggest export from the South was our young people. Over 3 million whites and nearly 5 million blacks left the South from 1940 until 1970. As Abraham Lincoln pointed out, "People of any color seldom run unless there be something to run from." They ran from poverty and ignorance and bigotry and lack of opportunity.

Our writers saw it and tried to tell us their dilemma. It is in the heart and soul of our music. If the rest of the nation did not always understand a lot of things about the South, it understood the longing and hurt and the hope of the music that came out of the cottonfields and mountain cabins, from the backwoods churches and the New Orleans funeral marches.

We are no longer exporting our best brains and talents. There are opportunities now for them at home. And we are no longer exporting our problems -- the people who are too poor and too uneducated and too old or too young or too sick to provide for themselves. Black and white are seeking opportunities in the cities of the South, just as they and waves of immigrants from other lands sought them in the cities of the North and Midwest for generations. Many are finding ways to work themselves out of that cycle of poverty and lack of opportunity. But too many are still left out of our system.

Whether in the cities of the North or the cities of the South or on the lonely backroads of our rural areas, the problem is both a personal and a national one. We will prosper or fail together, as we always have. We must solve the problems where we find them now or our children will find there is a whole generation that has never held regular jobs, never been able to support their families, never been able to plan or realistically hope, never been a part of the American dream.

I don't have any easy solutions, but I do know there are things we can do. Young people can't learn marketable skills or go on to further education if they don't have basic reading and writing and mathematical skills. So we will propose a major initiative in education to improve the basic skills of our children.

We have already begun two programs for child health. One is to immunize children against preventable diseases so hundreds of our youngsters won't end up every year with needless physical and mental disabilities from diseases they need never have. The other program is to provide poor children with adequate screening of health problems, and follow-up care where it is needed.

We will enlarge public programs to give the unemployed and unskilled work to do, and encourage business to give young people and minorities and others who have been outside our system a chance to learn skills, to hold a decent job and be independent. We will try to keep the overall economy growing steadily with tax cuts for individuals and business, and we will present an urban policy to target aid where it is needed.

When I was growing up on the farm the work was hard, but we could see at the end of the day what we had accomplished. Even as small children we knew what we did related directly to what was on the dinner table and whether we had enough firewood to keep out the night chill, or enough water to wash. Many young people today find it much harder to see how they fit into things, how what they do counts. Many people of all ages feel they don't have a voice, that they can't make a difference in what happens in our society, that they can't do anything through government to change things they don't like.

Willy Brandt, the former Mayor of Berlin, was asked recently about the alienation of many young people in the industrial West today. He said that modern democratic societies do not seem to ask enough of their people.

Sometimes we don't, but we must. We need the best efforts of our best minds, the energy and enthusiasm and caring of our young people, the experience and accumulated wisdom of our older citizens.

If the last 20 years have shown us anything in this country, it is that individuals can make a difference, that when they get together they can change things dramatically. The South has changed, not because of some cosmic force, but because enough people rose up and said, "This has gone on long enough." And they overcame all opposition. They loved down their enemies and made the unconcerned care.

There were great leaders like Dr. Martin Luther King Jr. who was willing to stand up before the world and take the abuse and ultimately to die for his willingness to lead his people. But the leaders were only a part of it. There were thousands of young people who had been told they were too young to make any difference yet; and old people who had been told they never would be able to make any difference; middle-aged people who were too tired and too busy and had too much to lose, but who made the effort anyway; even little children who understood only that something important was happening. They got together and stood together. And the walls of prejudice and separation fell before the weight of their conviction.

A lot of people came to feel that we were fighting a war we could not win. Others saw things going on in high places that they could not accept. And they stood up and changed things. There were great names we will all remember, but there were a lot of little people, too, who did what they thought they had to do without much hope that it would make any difference. And it made <u>all</u> the difference.

That's the kind of thing I think Robert E. Lee was talking about when he wrote his son, "Duty is the sublimest word in our language. Do your duty in all things. You cannot do more. You should never wish to do less." And even people who disagreed with what he saw as his duty could not fault him for the way he tried to do it.

I'm impressed by how far we have come. I'm amazed, sometimes, how much individual people who set their minds to it can do. It's not easy, sometimes it hurts and we are so tired and so lonely and we wonder if anybody in the whole world really cares if we try to do our best.

"Sometimes we are like the children of Israel complaining to Moses in the wilderness, "We remember the fish, which we did eat in Egypt freely, the cucumbers and the melons, and the leeks and the onions and the garlic. But now our soul is dried away: there is nothing, nothing at all besides this manna before our eyes." (Numbers 11:5 and 6)

We forget so easily the evils of the past. There was much that was good and healthy in our past, much that was honorable and right, and I cherish it. But I don't want to forget that we have been led out of our bondage, back to the promised land.

Some of you may remember while they were in the wilderness there was a battle and God instructed Moses to hold up his hands to heaven. (Ex.17) As long as Moses held his arms up, the Israelites prevailed. When he let them fall, they began to lose. Sometimes when my responsibilities get heavy I think of that passage and I remember that when Moses' arms got too heavy his brother Aaron, and his friend Hur came and held Moses' arms up and the Israelites won the battle.

I hope, when my arms get heavy, that my friends from Georgia who have always supported me when I needed you, will be there to help me hold them up.

# # #