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Wed. March 31, 1970

To : Congressman Diggs
From: Congressman Bingham

Re: H.R. 600; Structure of Argumentation

H.R. 600 calls for the termination of South Africa's sugar quota which is presently registered at over 60,000 tons. Subsequently, this quota should be redistributed to less-developed black African states including Mauritius, Malagasy Republic, Swaziland, and Uganda.

At present, the former three states are quota recipients. But, they share a combined quota of only .63% of the total foreign allotment.

H.R. 600 addresses itself specifically to section 202(c) of the Sugar Act of 1948. This subsection enumerates specific allocations to all foreign quota recipients.

Purposes of the Sugar Act:

According to the House Committee on Agriculture, the Sugar Act is intended to do three things. 1) To make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within the U.S. by protecting the welfare of those engaged in producing sugar; 2) To assure the U.S. consumers of a plentiful supply of sugar at reasonable prices; and 3) To PERMIT FRIENDLY, FOREIGN COUNTRIES TO PARTICIPATE EQUITABLY IN SUPPLYING OUR MARKET FOR THE DOUBLE PURPOSE OF PROMOTING EXPORTS OF AMERICAN PRODUCTS AND ASSURING A STABLE AND ADEQUATE SUPPLY OF SUGAR.

We believe that if the U.S. terminates South Africa's sugar quota, she frees an allotment which brings nearly ~~$mill~~ $4 million profit from sugar sales. If we then distribute this quota to less developed black African states we can, in fact, provide new economies with capital to expand present import bases. The U.S. can profit by priming "potential" markets of U.S. commodities. This, then, fulfills the third purpose of the Sugar Act.

Criteria Applicable for Allocating Foreign Quotas:

While Modern sugar legislation spans nearly forty years, never has Congress specifically stated what criteria determine who will receive a sugar quota. To this date, no clear-cut standard exists. Undoubtably, such an absence creates difficulties when Congress, as it must this year, scrutinizes individual requests for foreign sugar quotas.

In 1965, the House Committee on Agriculture commissioned a Special Subcommittee on Sugar to, among other things, investigate factors which determine the allocation of sugar quotas. The subcommittee's membership included former Agriculture Chairman Cooley and present panel head Poage. The subcommittee enumerated nine criteria applicable to quota allocation. These are not absolute standards, but they indicate possible imputs for decision-makers.

1) the ability to supply the U.S. with stipulated amounts of sugar;
2) the ability to carry reserves of up to 30% for emergency demand;
3) the ready availability of a sugar supply;
4) the stability of the sugar supply, including local government stability;
5) the economoc need of a country for a sugar quota; and the relative value of a quota to that country;
6) the purchase of, and the potential market for U.S. agricultural commodities; including the balance of trade relationship with the U.S.;
7) the relations of national policy and strategy, including unusual strategic policy and position;
8) friendliness of the government, and support of U.S. foreign policy;
9) the record of deliveries of sugar during 1962,3 and 4

In addition to these criteria, a most recent House Committee on Agriculture publication has cited six generalized factors for allocating quotas. In terms of its recent date and its authoritative character, it apparently supercedes 1965's criteria. Nevertheless, these six standards are apparently constructed upon 1965's base. Three of the six criteria overlap earlier requirements. Three others, though, reveal new factors.

These Are:

1) Friendly government to government relations INCLUDING NON-DISCRIMINATION OF U.S. CITIZENS IN THE QUOTA COUNTRY:

2) Need of the country for a premium priced market, including its RELATIVE DEPENDENCE ON SUGAR AS A SOURCE OF FOREIGN TRADE:

3) Extent to which the benefits of participation in this sugar market proves to be shared by workers , as well as THE SOCIO-ECONOMIC PO POLICIES OF THE QUOTA COUNTRY.

see: The Sugar Program of the US, Dec. 1970

Taking these most recent factors into consideration, South Africa proves significantly deficient, and fails to qualify for a quota under each count.

And, while South Africa meets requirements 1,2,3,4,5,7,8, and 9 of the subcommittee report of 1965, so do every other non-Western Hemispheric quota recipient.

We agree that since South Africa meets these criteria, it deserves some credit. But not a quota.

1) FRIENDLY GOV. TO GOV. RELATIONS INCLUDING NON-DISCRIMINATION...

In March 18,1971/s Record I cited South Africa's exclusion of tennis player, Arthur Ashe, from competition in its national championships.

This is a dramatic example of discrimination. Alone, this case does not justify terminating a sugar quota. But, combined with other arguments, it is noteworthy.

2) RELATIVE DEPENDENCE ON SUGAR FOR FOREIGN EXPORT:

Statistics reveal that, beyond the Western Hemisphere, South Africa ranks next to last in dependence on sugar for foreign export among quota recipients. Only India relies less heavily on sugar. While a sugar-dependent state such as Mauritius exports sugar for 90% of her total, South Africa depends on sugar for only 2.2%.

3) THE EXTENT TO WHICH BENEFITS OF PARTICIPATION IN THIS SUGAR MARKET ARE SHARED BY WORKERS; THE SOCIO-ECONOMIC POLICIES OF THE QUOTA COUNTRY:

Statistics further reveal that sugar workers do not, in fact, share in the profits of nearly $4 million received from sale of sugar to the U.S.

Furthermore, statistics show that in every occupation, the black worker receives far less wage than the average white. This situation exists not only in agriculture, but in manufacture, construction and mining.

Also, education statistics indictate that South Africa's blacks have less opportunity to reach a labor plateau which demands higher wages.

Discrepancies between African and white populations, we believe, disqualify South Africa under the above-cited criteria. Policies rooted in Apartheid must be reviewed given the Ag. Committee's inclusion of "the socio-economic policies of a country" as a determiner of sugar quotas.

4) THE ECONOMIC NEED OF A COUNTRY FOR A QUOTA: AND THE RELATIVE VALUE OF THAT QUOTA:

Economic need must be determined by distinguishing between a developed and a developing state. In relation to other third world powers, ~~as well as African states specifically and together~~, South Africa is far more developed.

She proves to be far more sophisticated and Western-oriented in terms of GNP, national income, transportation, communication, public health, and education-- most if not all developmental indices.

South Africa depends on gold for 43% of her total export. Such a mineral-rich state must be compared with other African states, mostly all agricultually-oriented. In terms of agriculture, South Africa devotes less than 10% of her GNP to this sector. The appr. average of other African states is 30%.

Given the limited fund available, the U.S must carefully distinguish between individual state's needs and development. Then, the fund must be allocated appropriately.

Conclusion:

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Because South Africa fails to satisfactorily meet criteria established by the House Committee on Agriculture, we believe her total 60,000 plus allotment should be terminated.

As it is the U.S.'s repsonsibility to PERMIT FRIENDLY FORIEGN COUNTRIES TO PARTICIPATE EQUITABLY IN SUPPLYING OUR MARKET FOR THE DOUBLE PURPOSE OF PROMOTING EXPORTS OF AMERICAN PRODUCTS AND ASSURING A STABLE AND ADEQUATE SUPPLY OF SUGAR, the U.S. should redistribute this quota to Mauritius, Malagasy Rep. Swaziland and Uganda.

By so doing, we PRIME THE POTENTIAL MARKET FOR U.S. IMPORTS. We also fortify our position vis-a-vis black Africa for 1) healthier relations with continental Africa, and 2) securer positions along the Indian Ocean frontier.

We also present friendly, pro-Western states(Uganda possibly being a future excpetion) with a means to:

1) REMAIN PRO-WEST, AND ANTI-COMMUNIST
2) ACCUMULATE CAPITAL TO BUY GREATER VOLUMES OF U.S. IMPORTS
3) ACCUMULATE CAPITAL TO DEVELOP NEW PLANS FOR THEIR SUGAR INDUSTRY
4) ACCUMULATE CAPITAL TO DIVERSIFY INDUSTRY AND AGRICULTURE
5) ACCUMULATE CAPITAL TO BETTER PRESENT LIVING STANDARDS