

STATEMENT
OF
GARY S. MISCH
ASSOCIATE ADMINISTRATOR
FOR
MARKETING AND DOMESTIC ENTERPRISE

ON

BEHALF OF

THE

MARITIME ADMINISTRATION
DEPARTMENT OF TRANSPORTATION

BEFORE THE

SUBCOMMITTEE ON MERCHANT MARINE
HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE

ON THE APPLICATION OF THE
CARGO PREFERENCE LAWS TO THE EXPORT ENHANCEMENT PROGRAM OF THE
DEPARTMENT OF AGRICULTURE

JULY 16, 1985

STATEMENT OF GARY S. MISCH, ASSOCIATE ADMINISTRATOR FOR MARKETING AND DOMESTIC ENTERPRISE, MARITIME ADMINISTRATION, DEPARTMENT OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON MERCHANT MARINE, HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE, ON THE APPLICATION OF THE CARGO PREFERENCE LAWS TO THE EXPORT ENHANCEMENT PROGRAM OF THE DEPARTMENT OF AGRICULTURE.

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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE ON MERCHANT MARINE. MY NAME IS GARY S. MISCH, AND I AM THE ASSOCIATE ADMINISTRATOR FOR MARKETING AND DOMESTIC ENTERPRISE OF THE MARITIME ADMINISTRATION. I AM PLEASED TO APPEAR THIS MORNING AND PRESENT THE VIEWS OF THE ADMINISTRATION WITH RESPECT TO THE APPLICATION OF THE CARGO PREFERENCE LAWS TO THE RECENTLY ANNOUNCED EXPORT ENHANCEMENT PROGRAM OF THE DEPARTMENT OF AGRICULTURE (USDA).

MR. CHAIRMAN. AS YOU KNOW, THERE ARE THREE STATUTES THAT ARE GENERALLY REFERRED TO AS THE CARGO PREFERENCE LAWS: THE CARGO PREFERENCE ACT OF 1904; PUBLIC RESOLUTION 17, ENACTED IN 1934; AND THE CARGO PREFERENCE ACT OF 1954.

ALTHOUGH THESE CARGO PREFERENCE LAWS HAVE BEEN IN PLACE FOR A NUMBER OF YEARS PRIOR TO THE ENACTMENT OF THE MERCHANT MARINE ACT OF 1970 (PUBLIC LAW 91-469, APPROVED OCTOBER 21, 1970), EACH SHIPPING AGENCY ADMINISTERED ITS OWN PROGRAMS INDEPENDENTLY. AS A RESULT, THERE WAS A LACK OF UNIFORMITY IN THE APPLICATION OF THE CARGO PREFERENCE LAWS.

IN ORDER TO REMEDY THIS SITUATION, THE MERCHANT MARINE ACT OF 1970 ADDED PARAGRAPH (2) TO SECTION 901(B) OF THE MERCHANT MARINE ACT, 1936, WHICH REQUIRED EACH AGENCY HAVING RESPONSIBILITIES UNDER THAT SECTION TO ADMINISTER ITS PROGRAMS IN ACCORDANCE WITH REGULATIONS PROMULGATED BY THE SECRETARY OF TRANSPORTATION. THE

1970 ACT ALSO REQUIRES THE MARITIME ADMINISTRATION TO REVIEW THE ADMINISTRATION OF THE CARGO PREFERENCE LAWS AND REPORT TO THE CONGRESS. WE ISSUED IMPLEMENTING REGULATIONS IN THE EARLY 1970'S, AND DILIGENTLY ATTEMPTED TO ENSURE COMPLIANCE WITH THESE LAWS. I AM PLEASED TO BE ABLE TO INFORM THE SUBCOMMITTEE THAT COMPLIANCE HAS GENERALLY BEEN GOOD SINCE THAT TIME.

UNFORTUNATELY, THE EXPORT OF AGRICULTURAL COMMODITIES HAS DECLINED FOR THE PAST DECADE. FOR EXAMPLE, IN 1980, THE UNITED STATES SUPPLIED NEARLY 60 PERCENT OF THE WORLD'S AGRICULTURAL IMPORT NEEDS. THIS YEAR, THE U.S. WILL SUPPLY LESS THAN 45 PERCENT. THERE ARE A NUMBER OF REASONS FOR THIS DECLINE IN U.S. AGRICULTURAL EXPORTS. ONE OF THE MAJOR REASONS IS THE LOSS OF OUR MARKETS TO FOREIGN SUPPLIERS BY MEANS OF UNFAIR TRADE PRACTICES, INCLUDING THE USE OF SUBSIDY.

IN RESPONSE TO THIS VERY SERIOUS SITUATION, THE ADMINISTRATION HAS ANNOUNCED THE CREATION OF AN EXPORT ENHANCEMENT PROGRAM, PURSUANT TO WHICH UP TO \$2 BILLION WORTH OF COMMODITY CREDIT CORPORATION (CCC) INVENTORY COMMODITIES HAVE BEEN COMMITTED AS BONUSES TO U.S. EXPORTERS IN ORDER TO EXPAND THE SALES OF SPECIFIED U.S. AGRICULTURAL COMMODITIES IN TARGETED MARKETS OVER THE NEXT THREE YEARS. BY MEANS OF THIS PROGRAM, THE ADMINISTRATION HOPES NOT ONLY TO INCREASE U.S. FARM PRODUCT EXPORTS, BUT ALSO TO ENCOURAGE OUR TRADING PARTNERS TO BEGIN SERIOUS NEGOTIATIONS ON AGRICULTURE TRADE PROBLEMS.

PURSUANT TO THE EXPORT ENHANCEMENT PROGRAM, THE USDA WILL PERIODICALLY ANNOUNCE THE TERMS AND CONDITIONS OF EXPORT INITIATIVES, EACH OF WHICH WILL BE COMMODITY AND DESTINATION

SPECIFIC. EACH INITIATIVE WILL BE REVIEWED BY A SENIOR INTERAGENCY GROUP TO DETERMINE THAT IT MEETS THE FOLLOWING CRITERIA:

A. SALES MUST INCREASE U.S. AGRICULTURE EXPORTS ABOVE WHAT WOULD HAVE OCCURRED IN THE ABSENCE OF A PROGRAM.

B. SALES WILL BE AIMED AT SPECIFIC MARKET OPPORTUNITIES, ESPECIALLY THOSE THAT CHALLENGE COMPETITORS WHICH SUBSIDIZE THEIR EXPORTS.

C. SALES SHOULD RESULT IN A NET PLUS TO THE OVERALL ECONOMY.

D. SALES SHOULD NOT INCREASE BUDGET OUTLAYS BEYOND WHAT WOULD HAVE OCCURRED IN THE ABSENCE OF THE PROGRAM.

AS FOR THE ACTUAL MECHANICS OF THE EXPORT ENHANCEMENT PROGRAM, THE WITNESS FROM THE USDA IS PREPARED TO COMMENT IN GREATER DETAIL.

MR. CHAIRMAN, THE PRIMARY INTEREST OF THE DEPARTMENT OF TRANSPORTATION IN THE EXPORT ENHANCEMENT PROGRAM CONCERNS THE APPLICATION OF OUR CARGO PREFERENCE LAWS. AS YOU KNOW, THE ADMINISTRATION STRONGLY SUPPORTS OUR EXISTING CARGO PREFERENCE LAWS, AS INTERPRETED PRIOR TO THE COURT'S DECISION IN TRANSPORTATION INSTITUTE V. DOLE, AND OPPOSES ANY EXPANSION OR CONTRACTION OF THESE LAWS.

AFTER A CAREFUL REVIEW OF THE PURPOSE AND PROCEDURE TO BE FOLLOWED UNDER THE EXPORT ENHANCEMENT PROGRAM, WE BELIEVE THAT IT DOES NOT COME WITHIN ANY OF THE FOUR CRITERIA SPECIFIED IN THE CARGO PREFERENCE ACT OF 1954: (A) GOVERNMENT PROCUREMENT, (B) FURNISHING COMMODITIES TO OR FOR THE ACCOUNT OF A FOREIGN NATION

WITHOUT PROVISION FOR REINBURSEMENT, (C) ADVANCING FUNDS OR CREDITS, OR (D) GUARANTEEING THE CONVERTIBILITY OF FOREIGN CURRENCIES. THEREFORE, WE HAVE CONCLUDED THAT THE CARGO PREFERENCE LAWS DO NOT APPLY TO THIS PROGRAM.

MR. CHAIRMAN, THAT CONCLUDES MY PREPARED STATEMENT. I WILL BE PLEASED TO ANSWER ANY QUESTIONS THAT YOU OR THE MEMBERS OF THE SUBCOMMITTEE MAY HAVE.