

EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR				
4	D/ICS				
5	DDI		X		
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt		X		
13	D/OLL				
14	D/PAO				
15	VC/NIC				
16	NIO/ECON		X		
17	D/OGI/DI		X		
18					
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	SUSPENSE _____				
			Date		

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Remarks
Identical ltr also to Director Stockman, OMB.

Executive Secretary
8 Jul 85
Date

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Executive Registry

85-
2653THE SECRETARY OF STATE
WASHINGTON

July 5, 1985

Dear Jack:

I am writing to you and to Dave Stockman about the domestic price support program for sugar now before the Congress as Title IX of the proposed Agricultural Adjustment Act of 1985. This program has important implications for our foreign relations and security interests.

Our imports of sugar are declining sharply. For 1985, our imports are estimated to be about 2.1 million tons, roughly half of what they were traditionally, before enactment of the present price support program in 1981. Some experts estimate that, if we continue our sugar support program unchanged, our imports will continue to decline and may disappear entirely by the end of the decade.

Given the disastrous condition of the world sugar market, this reduction in our imports is further weakening the already depressed economies of certain regions and countries that are strategically important to the United States. For example, sugar has long been the third largest export to the U.S. from Latin America. It is a key foreign exchange earner for the countries of Central America and the Caribbean, and for such major debtor countries as Brazil and Argentina.

I know that sugar is a very difficult and many-sided issue, and that our program is not the primary cause of the disarray in the world sugar economy. Indeed, to a large extent, our program is a response to the distortions caused by other countries, including the EC's agricultural subsidies. I fully understand the importance of sugar to the U.S. agricultural community. I also fully realize that the Administration must look at any possible revision of this program in the light of overall farm policy and the impact on budgetary and other economic goals.

The Honorable
John R. Block,
Secretary of Agriculture.

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- 2 -

At the same time, the way we structure our sugar program for the remainder of this decade will have a major impact on many countries important to the U.S.

We have a major national interest in revitalizing the economies of the strategically important Caribbean Basin and in continuing to provide export opportunities to those countries which are struggling to repay their external debts. The contraction of the U.S. sugar market, and the continued downward pressure on world sugar prices, could mean a continuation of major economic, and hence political, stress in these countries. The need for U.S. economic assistance, especially balance-of-payments support, will likely increase, and the arguments for extending that aid will become more compelling. Similarly, access to the U.S. market for other traditional and new exports from friendly sugar suppliers will be increasingly important.

I hope that you will keep these factors in mind as you follow the progress of the sugar portion of the farm legislation through the Congress, and as you consider other relevant economic decisions affecting these countries.

Sincerely yours,



George P. Shultz

cc: Secretary Baker
Secretary Baldrige
Ambassador Smith
Mr. McFarlane
Mr. Casey

COPY

THE SECRETARY OF STATE
WASHINGTON

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The Honorable
David A. Stockman,
Director,
Office of Management and Budget.

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