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(REC'D 7 JUN 69)

Dear Friend:

The enclosed booklet, "U.S. Subsidy to South Africa: The Sugar Quota" marks the occasion of the introduction of two Congressional amendments to the U.S. Sugar Act calling for the revocation of South Africa's sugar quota. The bi-partisan amendments, introduced by Senator Edward M. Kennedy (S-1858) and Representative Jonathan Bingham (HR 10239) are important not only in the campaign to end America's sugar subsidy to South Africa but also as first legislative stages for a program of U.S. disengagement from South Africa. Therefore these bills must be supported from constituencies in order to have them seriously considered both by the Executive and by the whole Congress when the Sugar Act comes up for review in 1970. A list of suggested actions are enclosed in the booklet.

Please act quickly in writing letters on these amendments to the Sugar Act. We would appreciate copies of your correspondence. To order more copies of the booklet, fill out the attached blank.

Sincerely,

Janet I. MacLaughlin

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To: American Committee on Africa
164 Madison Avenue
New York, New York 10016

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U. S. Subsidy

to South Africa:

THE SUGAR QUOTA

American Committee on Africa
164 Madison Avenue
New York, N. Y. 10016

INTRODUCTION

The call to revoke the sugar quota awarded to South Africa in 1962 is not an isolated event. It is part of a larger program which calls for U.S. disengagement from South Africa in both the private and official sectors.

But the sugar quota awarded to South Africa is especially significant because it represents official support of the South African system through a financial subsidy by the American government.

There are three basic reasons for opposing the South African sugar quota. The first is the basic contradiction in American policy if there is a continuation of economic assistance to a developed nation such as South Africa whose racial policies the United States has condemned. The second is that the racial and labor conditions in South Africa contradict the basic philosophy of the Sugar Act of 1948. The third is that additional aid through larger quotas to countries in independent Africa will better conform with the declared objectives of our foreign policy and the traditions of our society.

THE QUOTA PREMIUM

According to material prepared by the U.S. Department of Agriculture, the quota system assures the United States of adequate supplies of sugar at reasonable prices in those periods when sugar prices have been extremely high in the world free market for various reasons. But under normal circumstances, the sugar quotas, by limiting the total amount of sugar marketed in the U.S., protect the American sugar industry from foreign competition. In so doing, the quota system awards a premium price to the foreign sugar industries by allowing them to sell their sugar in the U.S. at the domestically protected price which normally is considerably higher than the free market price. This difference is called the "quota premium."

For the last 12 months the domestic price for sugar at New York port has been 7.57 cents per pound. The so-called "world price," an average of various national prices as calculated by the Department of Agriculture, was 2.13 cents per pound. Therefore, the quota premium was 4.45 cents per pound. The over-all average premium for 1968 was 4.56 cents per pound. For 1967 it was 4.33 and the average for 1964-68 was 3.37 cents per pound. It is clear that this premium price, viewed as a subsidy, has therefore been increasing in recent years. This makes the continuation of the sugar quota for South Africa even more alarming. Even as its policies become more oppressive, American aid to South Africa increases!

The basic quota for South Africa is 48,000 short tons. Figured conservatively at 4 cents a pound (or $80.00 per ton), our annual sugar subsidy to South Africa is guaranteed to be nearly $4 million.

But in every year since 1965, when the current quotas were adopted, final adjusted quotas involving various prorations have been higher than this basic quota. The figures were:

Year	*Final Adj. Quota*	*Quota Premium*
1966	55,292 tons	4.18 cents
1967	56,103 tons	4.33 cents
1968	59,854 tons	4.56 cents
1969	56,240 tons	

Acccording to the U.S. Department of Agriculture, the actual South African quota premium is said to be about 0.25 cents a pound less than the world average because of South Africa's above average selling price. If this adjustment is accepted, the U.S. subsidy to South Africa has totaled around $5 million a year.

For instance:

1966	$4,386,000
1967	$4,498,000
1968	$5,159,000

AID OR TRADE OR WHAT?

Our purchases of sugar from South Africa under our quota system are something besides just "normal" trade. The sugar quota system is even more than aid-through-trade. The U.S. sugar quota system is a subsidy system which, at the expense of higher prices to the American consumer, provides a substantial bonus to foreign as well as domestic sugar producers. Decisions about foreign sugar quotas are more than just foreign policy decisions. They are foreign *assistance* policy decisions.

It must be made quite clear that our foreign sugar quota system has always been interpreted as a form of foreign assistance. For instance, back in 1962, Lawrence Myers, then Director of the Sugar Division of the Agriculture Department, told the Sugar Club in New York that the premium paid to foreign sugar producers was a form of foreign aid which was charged to the American consumer through higher prices, and haphazardly distributed according to no valid criteria.[1]

In 1965, during the hearings before the Committee on Finance of the United States Senate, the aid versus trade and the aid-through-trade issue was raised continuously, usually with reference to variations in the size of quotas to individual countries, and why developed countries like South Africa and Australia were receiving such aid. When such embarrassing anomalies come up, representatives of the Department of Agriculture and State tend to slide off into vague references to trade discrimination. The duplicity of motives finally led Senator Fulbright to exclaim in exasperation:

> I do not see any analogy between a premium price, a subsidy and normal trade. The most favored nation treatment is a policy developed with regard to normal trade. It seems to me it is a false analogy to say that this also applies to handouts.
>
> We do not do that in the aid program. We certainly pick and choose between them . . . I agree most of these countries . . . are recipients of aid, and if you are going to give them aid, it is probably a little better to give it this way . . . .
>
> I am willing to go along with you on the argument that it is in the place of aid. But how can you justify it in countries like South Africa, the largest producer of gold and diamonds in the world?

[1] The policy of the Kennedy administration at that time was to remove the "quota premium" through an import tax on sugar, the proceeds from which would be earmarked for foreign funds for the exporting countries.

The answer provided to this line of questioning by Thomas Mann, then Undersecretary of State for Economic Affairs, was most unsatisfactory. He said at one point:

> Most of them are developing countries. South Africa plays a small part in this . . .

But why was a developed country like South Africa, with its odious system, allowed even a small part in this? Why a subsidy? Who was, and is, trying to provide aid to South Africa and why?

The basic contradiction in America's policy is further illuminated by statements from the Department of Agriculture which point out that:

> The U.S. sugar system also enables the U.S. to carry out the role of a good neighbor to many foreign sugar producing areas, particularly in the Western Hemisphere.

Other statements give the need to aid "nearby friendly nations."

South Africa is obviously neither a "neighbor" nor "nearby." It is also obvious that, with its racial dictatorship, it is not a "good" nation.

It is also true that its vicious system of apartheid clearly sets South Africa off from that group of countries with which the U.S. would want to be "friendly."

No American of conscience and of foresight can support the sugar quota allocated to South Africa. This quota is not "normal trade;" it is aid! It is a subsidy to the South African sugar industry and a boon to its quest for foreign exchange.

Aid to South Africa is not only morally indefensible, it is historically unwise. It is an insult to twenty million black Americans. It also exposes our foreign policy with respect to the black independent countries of Africa which are already sorely neglected by the American foreign aid program.

LABOR CONDITIONS IN THE SUGAR INDUSTRY OF SOUTH AFRICA

The second reason for opposing the sugar quota for South Africa is because of the abominable conditions which exists in the South African sugar industry.

Under Title III of the U.S. Sugar Act, stringent conditions are set for our domestic sugar workers which include hours, age limits and "fair and reasonable wages." Although Title III applies only to domestic producers, it is hypocritical that the U.S. is willing to import sugar produced under the South African apartheid system where non-white workers are denied any kind of economic and political participation which would enable them to gain a more equitable distribution of the proceeds from their labor.

According to a report filed by our Agricultural Attache in Pretoria on August 24, 1965 in reference to the claims of the South African sugar industry:

> It has been estimated by one professional economist in Durban that the average field worker's wage, including rations and value of housing, is about 86.6 U.S. cents per day.

In absolute terms this figure of 86 cents a day seems appalling. It clearly reflects what has happened in the South African society where (1) the non-white population is denied every and any kind of political and economic rights, and (2) the white minority has one of the highest standards of living anywhere in the world. [Our subsidy, and the labor of the non-white South African, support that standard of living for the white South African.]

To further illuminate the degraded conditions faced by the workers on the sugar plantations, another writer has described the tot system:

> The South African farmer, apart from the reserves, was able to invent a unique system of his own to pay his field laborers. This was the tot system, by which African field hands would queue up a few times a day and receive a tot of alcohol to keep him going, in lieu of wages of course. After a few weeks of this, the African becomes a sudden automaton, dependent upon his daily tot.

All the evidence supports the claim of Senator John Sherman Cooper, who stated as U.S. Representative to the 23rd Session of the UN General Assembly, that:

> It can not be challenged, I believe, that the apartheid policy practiced by the Government of South Africa represents one of the most callous and inhuman forms of discrimination. . . .

It should be clear that the social, political and economic structure of the apartheid state precludes the non-white laborer from benefiting from any of the largess provided to his master, the white South African, by the U.S. government through our sugar quota system.

The sugar quota system is providing a subsidy, not to the field laborers toiling on the plantations, but to a handful of sugar barons and to the racists of South Africa.

ANOTHER ANOMALY

Before considering some alternative courses of action with respect to the South African sugar quota, it is interesting to note another contradiction which also indicates the desirability of ending our subsidy to South African sugar.

In 1965, the Republic of South Africa, suffering from a poor crop year, had to import 137,000 tons of sugar even though she remained a net exporter of sugar. Two cargoes of about 10,000 tons each were purchased from the Dominican Republic and from Brazil at the world price in the free market, and sold where South Africa had its quotas at the premium price.

SOME ALTERNATIVES

The sugar subsidy to South Africa can be eliminated in various ways. The President can revoke or withhold South Africa's quota. Congress can amend the Sugar Act, revoking the quota for South Africa and reallocating South Africa's share of our sugar imports.

PRESIDENTIAL ACTION

According to sub-section (d) (1) (B) or Section 202 of the Sugar Act of 1948 as amended:

> Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted.

The same section also stipulates that any quota so withheld or suspended shall be prorated to the sugar quota countries in the Western Hemisphere.

To students and specialists in African affairs and citizens concerned about racism, economic assistance to South Africa is clearly not in the national interest of the United States. We therefore urge that the President should withhold the sugar quota from South Africa. It is hoped that the legislative committees so concerned, upon the conclusions of their investigations, will report their findings to the President so that his findings can be aided by the advice of Congress.

LEGISLATIVE ACTION

Depending upon what action the President might take in this matter, and because any quota withheld by the President is immediately prorated among the Western Hemisphere countries, Congress might also want to consider various alternatives in terms of amendments to the Sugar Act for increasing or adding quotas for African nations.

> An amendment might revoke the South African quota and have the amount of that quota prorated among other countries in the Eastern Hemisphere.
>
> Or, an amendment revoking the South African quota might reallocate the amount of that quota on a prorated basis to the other African countries currently holding sugar quotas.
>
> Or, an amendment revoking the South African quota could reallocate that amount in a stipulated fashion among the *new* sugar exporters in Africa.
>
> Yet another alternative is to make the amount or quota withheld from South Africa available on a first-come first-served basis to the new sugar exporters of Africa.

SUGAR IN AFRICA

The relative significance of these alternative possibilities of Congressional action should be examined relative to the state of the sugar industry in Africa.

According to one authority, "Africa has the potential to become the world's sugar bowl." [2] In 1954, 14 countries in Africa produced 1.9 million tons. By 1966 there was more than a 100 per cent increase as 22 countries produced 3.9 million tons. Much of the land in tropical Africa is very suitable for sugar production. The only limit to the rate of expansion of the sugar industry is a lack of capital needed to provide the facilities for controlled irrigation and the physical plant for refining.

In 1967 the independent countries in Africa exported sugar to the extent indicated below:

Country	*Production*	*Exports*
	(in metric or long tons)	
1. Mauritius	674,387	561,433
2. Swaziland	172,971	149,904
3. Uganda	137,415	35,315
4. Malagasy Republic	110,000	51,484
5. Congo (B)	98,730	100,388
6. Morocco	32,919	2,784
7. Malawi	19,565	4,913
8. Tunisia	6,865	1,986

Of these, Morocco, Malawi and Tunisia were not *net* exporters as they imported more than they exported. But production in these countries is rising and could be spurred by a U.S. sugar quota.

The other sugar exporters in Africa are colonial territories such as Angola and Reunion.

Exports under the quota system by the African countries to the United States for 1969 will be:

South Africa	56,240 short tons
Mauritius	17,509 short tons
Malagasy Republic	9,018 short tons
Swaziland	6,898 short tons

[2] World Sugar Statistics. B. W. Dyer and Co., New York, 1968.

According to the 1965 amendment to the Sugar Act of 1948, South Africa was awarded a "permanent" quota of 1.06 per cent of the established tonnage.

Other countries in Africa were awarded quotas as follows:

> Mauritius .33; Malagasy Republic .13; Swaziland .13; Rhodesia .13 (now withheld).

No quotas were established for the other countries which have become net exporters of sugar. Some of these countries have only become net exporters since 1965. Several other countries in Africa have also established sugar industries since then but are still some time away from becoming net exporters.

If the aid-by-subsidy system of the sugar quota is any guide to foreign policy in Africa, it appears that South Africa ranks the highest in United States favor over the black, independent states which are sugar exporters. [See Appendix I.]

On the basis of these figures one approach to a equitable African quota system for U.S. sugar imports might be comprised like this:

This particular allocation may not be perfect. Others could be proposed. Perhaps a better one could be devised. But several features of this one should be noted:

(a) It provides for the greatest increase to be awarded to sugar rich Mauritius, strategically located in the Indian Ocean.

(b) It makes new sugar quota awards to 5 countries in Africa. Such new awards would not only give a boost to the new sugar industries in these countries, but would also be a statement of the U.S. commitment to the independence and progress of the countries of independent Africa.

Country	Current Sugar Exports U.S. 1969 (in short tons)	Proposed	Change	Current Per Centum	Proposed Per Centum	Change
South Africa	56,100	0	—56,100	1.06	0	—1.06
Mauritius	17,500	35,000	17,500	.33	.66	.33
Malagasy	9,000	17,500	8,500	.17	.33	.16
Swaziland	9,600	17,500	10,600	.13	.33	.20
Congo (B)	0	9,000	9,000	0	.17	.17
Uganda	0	9,000	9,000	0	.17	.17
Malawi	0	500	500	0	.01	.01
Tunisia	0	500	500	0	.01	.01
Morocco	0	500	500	0	.01	.01
			56,100			1.06

(c) It increases the award to Swaziland and makes a new award to Malawi. These are countries which, as economic hostages to South Africa, are besieged politically by the South African racists.

(d) There is a minor question as to whether some of these new exporters will be able to furnish sugar on a regular basis. The actual quantities involved are not large in comparison with our sugar imports from elsewhere and could easily be made up.

CONGRESSIONAL ACTION:

THE KENNEDY-BINGHAM AMENDMENT

On April 18, 1969 Senator Edward Kennedy and 11 other Senators introduced a bill to amend the Sugar Act of 1948. Their amendment (S. 1858) provides for the revocation of the Sugar Quota for South Africa. A quantity of sugar equal to the amount of that quota is to be reallocated in a pro rata fashion as provided by Section 204 of the bill.

Kennedy, in introducing the bill, said:

> The bill is not an attempt to place economic quarantine or trade isolation on that nation. Its sole purpose is to withdraw a positive privilege now bestowed on South Africa. . . .
>
> Although the goal of the bill is narrow, its principle is important. At a time when other types of disengagement from South Africa are finding increasingly broad support in this country, I believe we in Congress can at least reach wide and bipartisan agreement on the principle that the United States should not now be conferring a direct economic benefit on a nation whose basic policies are at war with the fundamental values of mankind. We must recognize that the Sugar Act is foreign aid, not foreign trade, and we must act to adjust our policies accordingly.

Co-sponsoring the bill with Senator Kennedy were Edward W. Brooke (R-Mass.), Alan Cranston (D.-Cal.), Charles Goodell (R-N.Y.), Philip A. Hart (D-Mich.), Jacob Javits (R-N.Y.), Walter Mondale (D-Minn.), Karl E. Mundt (R-S.D.), Claiborne Pell (D-R. I.), Harrison A. Williams, Jr. (D-N.J.), Milton R. Young (R-N.D.), and Hugh Scott, the Assistant Minority Leader (R-Pa.) Associating himself with the bill was Senator Sherman Cooper (R-Ky.).

On the previous day, April 17, Jonathan Bingham (D-N.Y.) and 24 other Congressmen introduced similar legislation as HR 10239. The other Congressmen included Frank J. Brasco (D-N.Y.), George E. Brown, Jr. (D-Cal.), William "Bill" Clay (D-Mo.), John C. Culver, (D-Iowa), Charles C. Diggs, Jr. (D-Mich.), Thaddeus J. Dulski (D-N.Y.), Don Edwards (D-Cal.), Leonard Farbstein (D-N.Y.), Donald M. Fraser (D-Minn.), William J. Green (D-Pa.), Robert W. Kastenmeier (D-Wisc.), Edward I. Koch (D-N.Y.), Allard K. Lowenstein (D-N.Y.), Richard D. McCarthy (D-N.Y.), Abner J. Mikva (D-Ill.), Richard L. Ottinger (D-N.Y.), Bertram L. Podell (D-N.Y.), Ogden R. Reid (R-N.Y.), Peter W. Rodino, Jr. (D-N.J.), Benjamin S. Rosenthal (D-N.Y.), William F. Ryan (D-N.Y.), Fernand J. St. Germain (D-R.I.), James H. Scheuer (D-N.Y.), and Robert O. Tierman (D-R.I.).

In introducing the legislation, Bingham indicated that he has had correspondence with the White House over the possibility of presidential action, but that so far his proposal has received only a promise of "careful scrutiny."

Bingham described the South Africa sugar quota as:

> . . . a subsidy paid by unknowing American consumers to South African sugar plantation owners — a subsidy which strengthens the base of an apartheid policy which is totally repugnant to most of those who pay it.

As the first major Congressional effort aimed at the revocation of the South African sugar quota, this bipartisan action is an important example of support for an American policy of disengagement from South Africa and the end of a U.S. subsidy to South African apartheid.

APPENDIX I

Note which of the net exporters of sugar from independent Africa would be able to export larger amounts of sugar to this country if the South Africa quota is revoked.

According to figures provided in 1968, stocks of sugar-on-hand at the end of 1967 held by several exporting countries were approximately as follows:

	Ending Stocks Dec. 31, 1967 (in metric tons)	1967 Total Exports
1. Mauritius	137,400	561,400
2. Morocco	55,680	2,780
3. Uganda	33,800	35,300
4. Malagasy Republic	32,580	51,480
5. Congo (B)	32,500	100,380
6. Tunisia	22,850	2,000
7. Swaziland	15,630	149,900
8. Malawi	3,000	4,900

Prepared by Gary Gappert, Washington Office
ACOA

WHAT CAN BE DONE TO SUPPORT THE END OF THE SOUTH AFRICA SUGAR QUOTA ?

1. Letters should be written to the White House asking the President to revoke the quota for South Africa. (Send correspondence to Bryce N. Harlow, Assistant to the President.)

2. The Congressional Amendments (see booklet for a total list of co-sponsors) should be supported specifically in letters to your own Senators and Congressman (include the titles of the amendments in your letters).

3. At present the bills rest in Committees: in the Senate Finance Committee chaired by Senator Russell B. Long (D-La.), 217 Old Senate Office Building, Washington, D.C.; and in the House Agriculture Committee chaired by W.R. Poage (D-Tex.), 2107 Rayburn House Old Building, Washington, D.C. These gentlemen should also be urged through letters to act by holding hearings on the amendments.

4. Even if hearings are not held, it might be possible to have the bill brought up on the floor of the Congress as a rider to another bill. This could result in a roll call vote which would then reveal the composition of Congress on a South African issue which would be useful data in the 1970 Congressional elections. Letters supporting this course of action of attaching the Sugar Quota amendment as a rider to another bill should be sent to Senator Edward M. Kennedy, 432 Old Senate Office Building, Washington, D.C., and to Congressman Jonathan Bingham, 1127 Longworth House Office Building, Washington, D.C.

5. Direct action against South African sugar imports could be taken at import locations such as the ports of New York, Philadelphia, and New Orleans. These ports normally receive South African sugar in the months of January, February, August and November. Philadelphia unloaded 34,000 tons of South African sugar in 1967. Details on arrival dates and vessels with the quantity of their cargo can be obtained from the Collector of Customs in the various cities a week or so ahead of arrival.

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