Order Code RL30108

CRS Report for Congress

Received through the CRS Web

Economic Sanctions and U.S. Agricultural Exports

Updated March 20, 2000

Remy Jurenas
Specialist in Agricultural Policy
Resources, Science, and Industry Division

ABSTRACT

This report identifies the countries currently subject to U.S. economic sanctions that restrict or prohibit shipments of agricultural and food products. It presents data on the agricultural products that these countries import, lays out estimates of the extent to which U.S. agricultural exports were reduced in 1996 as a result of these sanctions, and briefly analyzes the impact of these "lost export sales" on the U.S. agricultural sector and national economy. The report summarizes legislative activity in the 105th Congress and in the 106th Congress relating to sanctions on U.S. agricultural exports, the Clinton Administration's July 1999 policy change exempting food and medicine from sanctions imposed on some countries, and arguments made for and against exempting or treating food differently in carrying out U.S. sanctions policy. This report will be updated to reflect major congressional action or significant policy decisions announced by the Administration on this issue.

Economic Sanctions and U.S. Agricultural Exports

Summary

Various statutes and regulations authorize the President to restrict or prohibit trade with targeted countries for national security or foreign policy reasons. The exercise of these authorities has resulted in restrictions or prohibitions at times being placed on the export of U.S. agricultural commodities and products. The U.S. government currently restricts exports of agricultural products as part of *across-the-board* economic sanctions imposed on Cuba and Iraq. Exceptions are made for humanitarian reasons, allowing food to be sold or donated to these two countries.

The Clinton Administration moved last year to lift prohibitions on U.S. commercial sales of most agricultural commodities and food products to four other countries. The U.S. Department of Treasury on July 27, 1999, issued export licensing regulations to implement the Administration's policy decision to exempt sales of food and medical products from future, and some current, sanctions. This will allow sales that meet specified conditions and safeguards to be made to Iran, Libya, and Sudan. Since this policy went into effect, Treasury has approved licenses allowing for U.S. exports of corn to Iran and durum wheat to Libya. A separate September 17th White House announcement on easing sanctions against North Korea likely means that sales of agricultural products will be allowed under a less restrictive licensing policy. A USDA analysis estimates that U.S. economic sanctions on these countries "reduced U.S. agricultural exports by roughly $500 million in 1996." The likely impacts, according to a CRS analysis presented in this report, suggest that these "lost export sales" may have in 1996 reduced farm income by $150 million.

Those in favor of changing U.S. sanctions policy to exempt agricultural exports argue that restricting exports only hurts U.S. farmers and business, undermines our reputation as a "reliable supplier," and does not change targeted countries' behavior. Those opposed to change argue that current law gives the President flexibility to permit food to be shipped for humanitarian reasons and that U.S. food, if sold, could be misused by foreign governments and/or not made available to those in need. Because of concern about declining farm exports, Congress in recent years has focused increased attention on exempting food from U.S. sanctions. In 1998, the 105th Congress overrode nonproliferation sanctions to permit USDA financing of U.S. wheat sales to Pakistan (P.L. 105-194). In 1999, the House and Senate approved bills that differ in their approach to sanctions. H.R. 17 (adopted by the House June 15, 1999) lays out congressional procedures to approve or disapprove a future embargo on agricultural products that is not part of an embargo on all products to a country. Senate action proposed changes to current as well as future embargoes. It approved an amendment to its FY2000 agriculture appropriations bill (S.1233) exempting commercial sales of agricultural and medical products from all current U.S. unilateral sanctions, and from future unilateral sanctions proposed by the President, unless Congress first approves. This provision was dropped in conference because of objections by those opposing any commercial sales to Cuba and because it represented a significant change in U.S. sanctions policy. The Senate plans to consider H.R. 17 during the week of March 20th. The Senate Foreign Relations Committee also reportedly will include food exemption language similar to last year's floor amendment in a foreign trade and assistance bill to be considered on March 23.

Contents

List of Tables

Economic Sanctions and U.S. Agricultural Exports

Background

Presidents have used broad statutory authorities to impose embargoes, or economic sanctions, on U.S. trade when actions by targeted countries have endangered national security or have undermined foreign policy objectives, or are needed because of short domestic supply. On occasion, Congress has passed specific legislation to require the President to announce sanctions when foreign governments take certain actions and to limit his discretion in conducting sanctions policy with respect to a specific country.[1] This at times has resulted in prohibitions or restrictions placed on U.S. agricultural exports.

Some embargoes have been *selective* in nature (e.g., restricting sales of commodities and food products but not of other exports). The most often-mentioned example is the 1980-81 grain embargo imposed on the Soviet Union following its invasion of Afghanistan. In other cases, exports of farm commodities have been, or are currently, prohibited or limited as part of an *across-the-board* embargo applicable to all U.S. trade. In implementing these statutes, the Executive Branch has at times drawn distinctions in the type of agricultural shipments prohibited or curtailed. For example, *commercial export sales* might be prohibited, while *shipments of food for humanitarian reasons* (i.e., food aid) are allowed under certain circumstances.

---

[1]General authority to restrict U.S. trade is found in the Trading with the Enemy Act, the International Economic Emergency Powers Act (IEPA), and the Export Administration Act (EEA). Though the EEA, which authorizes export controls, expired in 1994, its authorities continue pursuant to IEPA. Laws that further prescribe the President's authority to restrict trade include the International Security and Development Cooperation Act, the Cuban Democracy Act, the Cuban Liberty and Democratic Solidarity Act, and the Arms Export Control Act. For additional information on these laws and related authorities and their use, see CRS Report 97-949, *Economic Sanctions to Achieve U.S. Foreign Policy Goals: Discussion and Guide to Current Law*, by Dianne E. Rennack and Robert D. Shuey, May 14, 1999; CRS Report 98-116, *Nuclear, Biological, Chemical, and Missile Proliferation Sanctions: Selected Current Law*, by Dianne E. Rennack, May 27, 1998; CRS Report 95-248, *Cuba: U.S. Economic Sanctions*, by Mark P. Sullivan and Dianne E. Rennack, November 21, 1996; and CRS Report 98-486, *Nuclear Sanctions: Section 102(b) of the Arms Export Control Act and its Application to India and Pakistan*, by Jeanne J. Grimmett, August 2, 1999.

Countries Subject to U.S. Sanctions

The U. S. government prohibits or restricts commercial exports of agricultural products as part of *across-the-board* economic sanctions currently imposed on two countries for foreign policy or national security reasons: Cuba and Iraq. Sanctions on Cuba are imposed on a unilateral basis. With respect to Iraq, the United States participates in a multilateral sanctions regime authorized by United Nations (UN) resolutions, which supercedes unilateral action taken in 1990 to prohibit U.S. trade following Iraq's invasion of Kuwait. At present, there is no *selective* U.S. trade embargo that singles out agricultural exports, nor is there one imposed for reasons of short domestic supply.

In a policy change formalized on July 26, 1999, the U.S. government now licenses commercial sales of most agricultural commodities and food products to Iran, Libya and Sudan (under the conditions and safeguards laid out in implementing regulations - for details, see **Clinton Administration's Position** below). In a separate announcement on September 17, 1999, the Administration announced an easing of sanctions against North Korea. Restrictions on the export by U.S. firms of non-sensitive goods, including most consumer goods, will be lifted. Commercial sales of agricultural products are expected to be allowed under export licensing regulations (likely to be similar to those announced for the other three countries) to be issued in 2000.[2]

Food Exceptions to U.S. Sanctions

The Executive Branch has at times exercised discretionary authority that allows exceptions for humanitarian food shipments. This has allowed U.S. agricultural products to be exported (usually under license) to four of the six countries subject to sanctions as of mid-1999. Licensed or permitted agricultural exports to these countries totaled $107 million in calendar 1998 (table 1). In recent years, shipments covered by exceptions have included: (1) commercial sales to Iraq under the UN-sponsored "oil-for-food" program,[3] (2) donations and sales to eligible non-

---

[2]White House, Office of the Press Secretary, "Fact Sheet: Easing Sanctions Against North Korea," September 17, 1999.

[3]U.S. firms are authorized to sell (under a specific license issued by the U.S. Department of Treasury's Office of Foreign Assets Control - OFAC) agricultural commodities and food products to Iraq only for essential civilian needs. OFAC-licensed sales must conform with UN Security Council Resolution 986 (April 14, 1995), which established the "oil-for-food" program, and meet other UN requirements and procedures. Under the program, U.S. agricultural exports (primarily wheat and dried beans) totaled $81.9 million in 1997, $96.2 million in 1998, and $9.3 million in early 1999. U.S. exporters are currently eligible to bid on Iraqi-planned purchases of commodities and food (paid for out of the revenues generated by permitted oil sales) under Phase VI authorized by Security Council Resolution 1242 (May 21, 1999), covering the May 25 to November 21, 1999, period. Iraq indicated in early 1999, though, that it will no longer buy from U.S. and three other countries' firms, preferring to do business with other countries that support its demand for lifting UN sanctions (Associated

(continued...)

governmental entities and private businesses in Cuba,[4] and (3) wheat and wheat flour shipments to North Korea[5] and Sudan.[6] Under the UN program, Iraq in the 1997/98 marketing year was the seventh largest market for U.S. wheat. Shipments to North Korea and Sudan were financed by the U.S. Department of Agriculture's (USDA)

---

[3](...continued)
Press, "Iraq might ban U.S., British imports," February 23, 1999). For additional perspective, see CRS Report 98-680, *Iraq: Humanitarian Needs, Impact of Sanctions, and the "Oil for Food" Program*, by Lois McHugh, August 13, 1998, and CRS Issue Brief 92117, *Iraqi Compliance with Cease-Fire Agreements*, by Kenneth Katzman, updated regularly.

[4]Regulations administered by the U.S. Department of Commerce's Bureau of Export Administration (BXA) prohibit most exports of U.S. origin to Cuba. Three exceptions apply to agricultural-related shipments. First, regulations allow U.S. individuals to ship gift parcels of food, seeds, veterinary medicines and supplies, among other specified items, to individuals in Cuba without a license. Eligible U.S. charitable organizations with an established record in delivering humanitarian donations in Cuba may also export food without license. Exports of "commingled food products donated for relief" (HTS# 980210) totaled $140,457 in 1997, $62,834 in 1998, and none in 1999 to date (January-July). Second, BXA regulations require an export license, issued on a case-by-case basis, for the shipment of donated food (among five other categories) for humanitarian purposes to eligible beneficiaries in Cuba. Exports apparently covered by such licenses totaled $12,681 in 1997 (corn seed and cardamom), none in 1998, and $3,730 in 1999(agar-agar, derived from vegetable products). Third, the President announced on January 5, 1999, that U.S. policy will now allow "the sale of food and agricultural inputs to independent non-governmental entities, including religious groups and Cuba's emerging private sector." The BXA's final rule authorizes export licenses to be issued for the sale of permitted products to eligible recipients in Cuba and the procedures to be followed in transporting such exports (*Federal Register*, May 13, 1999, pp. 25807-25808). For additional perspective, see CRS Issue Brief 94005, *Cuba: Issues for Congress*, by Mark Sullivan, updated regularly.

[5]Regulations generally prohibit exports to North Korea, unless licensed by the BXA. Exports of commercially-supplied goods (including food) to meet basic human needs may be authorized on a case-by-case basis under BXA-issued validated licenses. During 1998, the United States donated 500,000 metric tons (MT) of food aid, primarily wheat, to North Korea. In 1999, the United States committed 600,000 MT (100,000 MT which is being shipped, 100,000 MT for a pilot agricultural project to help improve the country's potato yield and rebuild its damaged agricultural infrastructure, and 400,000 MT to cover expected needs in the July 1999-June 2000 period) (USDA News Release No. 0215.99, May 17, 1999). Though the White House announced on September 17, 1999, that U.S. trade sanctions will be eased, the degree to which licensing procedures pertinent to agricultural exports are revised will not become clear until final regulations are issued sometime in 2000. For background and additional perspective, see CRS Report 97-551, *North Korean Food Shortages: U.S. and Allied Responses*, by Larry A. Niksch, May 30, 1997, and CRS Issue Brief 91141, *North Korea's Nuclear Weapons Program*, by Larry A. Niksch, updated regularly.

[6]U.S. exports to Sudan were prohibited from November 1987 until late July 1999, unless OFAC specifically issued a license. Regulations during this period allowed donated articles (such as food) intended to relieve human suffering to be shipped without a license. Under a food aid initiative, USDA planned to ship 91,930 metric tons of wheat, flour and bulgur (estimated at $14 million) in the December 1998-July 1999 period. For additional perspective, see CRS Issue Brief 98043, *Sudan: Humanitarian Crisis, Peace Talks, Terrorism, and U.S. Policy*, by Ted Dagne, updated regularly.

section 416(b) overseas donations program and the U.S. Agency for International Development's P.L. 480 Title II program. Food donations to these two countries are distributed through the UN's World Food Program.

Reflecting the 1999-announced change in export licensing policy (see **Clinton Administration's Position** below), agricultural and food exports in calendar 1999 totaled $72 million (table 1). Under this policy, 551,000 MT of corn (valued at $47.6 million) were sold to Iran, the first since 1995.

Table 1. U.S. Agricultural Exports to Countries Under Exceptions to U.S. Sanctions Regimes

CALENDAR YEAR	1994	1995	1996	1997	1998	1999
$ in thousands						
Cuba	135	62	7	153	63	4
Iran	85,537	136,410	0	0	0	47,680
Iraq	460	9	2,720	81,944	96,161	9,252
Libya	0	0	0	0	0	0
North Korea	0	4,220	36	1,588	4,044	7,039
Sudan	38,142	10,474	15,869	11,041	6,495	8,399
Total	124,274	151,175	18,632	94,726	106,763	72,370

Note: Restrictions or prohibitions on U.S. exports to these countries were imposed on Cuba in 1962, on Iran in 1995, on Iraq in 1990, on Libya in 1986, on North Korea in 1950, and on Sudan in 1997. Prohibitions on commercial U.S. agricultural exports to Iran, Libya, and Sudan were lifted to reflect a U.S. policy change, effective late July 1999.

Source: USDA, Foreign Agricultural Service

Sanctioned Countries' Share of World Agricultural Trade

The six countries affected by U.S. economic sanctions account for a small share of world agricultural trade. Table 2 shows that these countries imported almost $7.7 billion in agricultural imports in 1998, or 1.9% of worldwide imports (excluding the United States) that totaled $415 billion. Iran, Iraq and Libya accounted for 83% of the six-nation total, purchasing almost $6.4 billion.

The top commodities (in quantity terms) imported by these countries are wheat and flour, rice, corn and vegetable oils (table 3). These countries presently account for about 10% of projected world imports of both rice and wheat.

Table 2. Agricultural Imports of the Six Countries Affected by U.S. Economic Sanctions, Total and Share of World

CALENDAR YEAR	1996	1997	1998
$ in millions			
Cuba	707.1	719.5	655.9
Iran	2,998.3	3,254.5	3,550.7
Iraq	939.7	1,487.5	1,718.5
Libya	1,252.6	1,245.0	1,114.7
North Korea	387.4	455.2	334.0
Sudan	282.2	327.6	308.0
Six-Country Total	6,557.3	7,489.3	7,681.8
All Countries [1]	440,355.8	426,937.0	414,977.9
percent			
Six-Country Share of World Agricultural Imports [1]	**1.49**	**1.75**	**1.85**

[1] Excluding United States.

Source: Derived from the UN's Food and Agriculture Organization's FAOSTAT database

Sanctions' Impact on U.S. Agricultural Exports

USDA's Foreign Agricultural Service (FAS) estimates that U.S. economic sanctions on these six countries "reduced U.S. agricultural exports by roughly $500 million in 1996."[7] To place into context, this amount would have represented 0.8% of U.S. agricultural exports in 1996, if added to recorded agricultural export sales totaling $60.4 billion that year. FAS broke out these lost sales as $275 million in bulk commodities (primarily corn and wheat), and $225 million in all other (processed and consumer-ready) commodity and food products. FAS arrived at this estimate using two assumptions: (1) U.S. exports would be as competitive in these markets as they are in world agricultural trade, and (2) trade would be diverted to other destinations if U.S. exports to these six countries were permitted.[8] One analyst commented that

[7]"Economic Analysis of the Impact of U.S. Trade Sanctions on U.S. Agricultural Exports," Informational Memorandum for the Under Secretary from Lon Hatamiya, FAS Administrator, May 18, 1998.

[8]As further explanation, if U.S. agricultural exporters could sell to these "closed" markets, U.S. farm exports to the rest of the world in the immediate period would fall somewhat. This would occur because other agricultural exporting countries — as they see their sales to these six country markets decline because of the competition posed by new U.S. sales — would sell elsewhere, a development which would displace U.S. sales.

the FAS "lost sales" estimate is a conservative one that does not fully take into account other variables that would likely come into play if U.S. sanctions were lifted.[9]

Table 3. 1998/99 Trade in Selected Agricultural Commodities: Imports by the Six Countries Currently Subject to U.S. Economic Sanctions [1]

Commodity	Quantity Imported by these six countries	Six-Country Share of World Imports [2]
	1,000 metric tons	*percent*
Wheat & Flour	8,950	9.7
Corn	1,600	2.5
Barley	1,000	6.8
Rice	2,160	10.0
Vegetable Oils	1,512	5.2
Cotton	41	0.8
Tobacco Leaf	10	0.6

[1] 1998/99 marketing year for all commodities except rice (calendar 1999) and tobacco leaf (calendar 1997).

[2] U.S. imports are excluded in deriving these shares.

Source: USDA, FAS commodity circulars (May 1999), and ERS' Production, Supply, and Distribution (PS&D) database; FAO's FAOSTAT database for tobacco leaf imports

A survey conducted by the U.S. International Trade Commission (ITC) "found the costs and effects of U.S. unilateral economic sanctions on the U.S. agricultural sector to be minimal," because the affected six countries are small, low-income economies that import relatively small volumes of higher-value agricultural products. Respondents indicated that current sanctions "have minimal impact on U.S. producers of soybeans, alcoholic beverages, leaf tobacco, seeds, meat, dairy, fish, and forest products" but "may affect trade in some products, in some markets, and during some time periods." In responses to the ITC survey, the U.S. Wheat Associates (a nonprofit trade promotion association) estimated that sanctions have resulted in annual losses of $320 million in sales of wheat products over the last 10 years. Separately, the North American Export Grain Association (a trade association of grain trading companies) estimated that sanctions have reduced U.S. corn and wheat exports by about $200 million annually.[10] [11]

---

[9]"USDA Puts a Price Tag on Sanctions" by Greg Doud, in World Perspectives, Inc., "Ag Perspectives," July 1, 1998, p. 7.

[10]USITC, *Overview and Analysis of Current U.S. Unilateral Economic Sanctions*, Publication 3124, August 1998, p. 3-5.

[11]The lost sales estimates presented by the U.S. Wheat Associates and the North American Export Grain Association overlap in commodity coverage and differ in other respects. This likely reflects each association's use of different methodologies, assumptions, and time periods. The derivation of their estimates also appears to follow an approach different than that used by USDA's Foreign Agricultural Service to develop its reduced agricultural exports (continued...)

Economic Impact of "Reduced" Agricultural Exports

It is difficult to quantify the impact of sanctions on the U.S. economy and the agricultural sector in particular, because of the complexity involved in weighing numerous market factors and the policies of affected countries' that may change their agricultural output and redirect trade flows. One approach to calculating the impact is to apply appropriate trade-related economic and employment multipliers developed by USDA's Economic Research Service (ERS) to FAS' estimate of $500 million in lost sales in 1996. Such an analysis would suggest that these lost sales in that year may have reduced farm income by about $150 million, lowered overall U.S. economic activity by an estimated $1.2 billion, and reduced U.S. job creation by about 7,600 — 2,600 less in the farm sector, 5,000 in all other sectors.[12] [13]

Legislative Actions in the 105th Congress

Farm state members' concerns that nonproliferation sanctions imposed on Pakistan following its nuclear weapons test on May 30, 1998, would result in that country's loss of access to USDA export credit guarantees to finance wheat purchases served to focus attention on the impact that U.S. sanctions policy has on U.S. agricultural exports. Concern that U.S. exporters would lose out on bidding on Pakistan's wheat tender in mid-July 1998 prompted Congress to move quickly, with Administration support, to pass the *Agriculture Export Relief Act of 1998* (P.L. 105-

---

[11](...continued)
estimate.

[12] The farm income loss estimate is based on ERS' finding that 45% of every dollar of bulk commodity exports and 26% of each dollar of all other agricultural exports returns to the farm as income. The estimate of lower U.S. economic activity is based on ERS' multiplier that $1 of bulk exports generates 85 cents of additional business activity, and that each dollar of all other agricultural exports generates $1.35 elsewhere in the economy. Additional economic activity is generated as agricultural commodities are transported, processed, and merchandised to buyers, and includes activity associated with farm purchases of inputs and equipment needed for agricultural production. The jobs estimate is based on ERS' finding that each billion dollars in agricultural exports generates about 14,200 jobs. The multipliers used by CRS to develop these calculations are taken from "U.S. Agricultural Trade Boosts Overall Economy," by William Edmondson, in ERS, *U.S. Agricultural Trade Update*, January 1998.

[13]To place into context, the $150 million in reduced farm income would have represented about one-quarter of 1% of U.S. farm income in calendar 1996, if added to farm income totaling $53.4 billion (using ERS' definition) or $66.9 billion (using the Department of Commerce Bureau of Economic Analysis' definition). The $1.2 billion in lower economic activity would have represented a small fraction of 1% of gross domestic product (GDP), if added to the almost $7.7 trillion in 1996 GDP. The 7,600 fewer jobs estimate would have represented a very small fraction of 1% of U.S. total employment, if added to U.S. civilian employment of 126.7 million in 1996.

194). Signed into law on July 14, 1998, this Act exempts USDA credits, guarantees and financial assistance from these sanctions through September 30, 1999.[14]

Advocates favoring changes to U.S. sanctions laws seized on the above issue to highlight the "unintended" impact that sanctions can have on U.S. agriculture. Extensive debate followed in the Senate on other proposals to exempt food from economic sanctions imposed on other countries and to change the scope of U.S. sanctions policy in general.[15] During debate on S. 2159 (FY1999 agricultural appropriations), the Senate on July 15, 1998, adopted by voice vote an amendment offered by Senator Dodd (after a motion to table it failed, 38-60) to exempt the sale of food, fertilizer, medicine and medical equipment from current and future unilateral sanctions. Because of concern that such a policy change would loosen the U.S. trade embargo with Cuba and other countries, Senator Torricelli offered an amendment preventing Dodd's amendment from applying to any country that supports international terrorism or that systematically denies access to food and medicine for political reasons or as a means of coercion or punishment. The Senate adopted by voice vote this amendment, after rejecting a motion to table it on a 30-67 vote. House-Senate conferees later dropped both amendments, largely over differences of opinion over the Torricelli provisos. Most observers acknowledged that the Torricelli text would have had the effect of not allowing food to be exempt from the sanctions currently imposed on the six countries, because all are on the State Department's list of terrorist states.[16] Another amendment, offered by Senator Lugar (the same text as his bill S. 1413, the Sanctions Policy Reform Act), would have required that a cost-benefit analysis be prepared before any future sanction is imposed and placed a 2-year limit on any sanctions unless Congress acted to renew them. This was tabled on a 53-46 vote after extensive floor debate.

The deteriorating outlook for commodity prices and farm income during the summer of 1998 prompted other lawmakers to focus on sanctions policy. The House passed H.R. 4647 (Selective Agricultural Embargoes Act) on October 5 (see discussion of H.R. 17 in following section). Meanwhile, report language found in the agriculture appropriations portion of the *FY1999 Omnibus Appropriations Act* (P.L. 105-277) stated that the $3.057 billion authorized for "market loss payments" was to compensate grain, cotton and dairy farmers for the loss of income in 1998 caused by

---

[14]For more information, see CRS Report 98-770, *U.S. Agricultural Exports and the Nuclear Nonproliferation Sanctions on India and Pakistan*, by Remy Jurenas, July 21, 1998.

[15]1998 was not the first year that Congress has weighed in on this issue. Bills to lift the food and medical restrictions on sales to Cuba have been introduced for several years now. Press accounts of the famine in North Korea and the impact of UN sanctions on the civilian population of Iraq have in recent years also elevated the food/sanctions issue in the public's eye.

[16]*Inside U.S. Trade*, "House conferees to offer alternative to Dodd food, medicine amendment," September 4, 1998, pp. 5-6; "Farm appropriators strike meat, produce labeling provisions," October 2, 1998, pp. 5-6. *Washington Times*, "Senate keeps Cuba embargo intact; amendment had humanitarian aim, sponsor Dodd says," July 17, 1998, p. A15.

"unilateral trade sanctions," along with "regional economic dislocation" and "the failure of the government to pursue trade opportunities aggressively."[17]

Legislative Activity in the 106th Congress

The current Congress has increased the level of activity on the issue of sanctions and their impact on the agricultural sector. To date, the House has passed one sanctions measure (H.R. 17). The Senate also approved an amendment to its FY2000 agriculture appropriations bill (S. 1233/H.R. 1906) that would have made farther-reaching changes to sanctions policy than the House bill. The Senate amendment would have eased the trade embargo on Cuba. Because of strong opposition, this language was dropped from the conference agreement on the FY2000 spending measure.

Members also have introduced some 20 pertinent bills, five committees have held hearings,[18] a Senate committee reported out a bill that is similar in some respects to the Senate-passed amendment to S. 1233, and a House committee defeated an amendment to exempt agricultural and medical products from current sanctions. Some of the legislative proposals offered go further and are broader in coverage than the Administration's policy change announced in late April 1999 (see **Clinton Administration's Position** below).

Floor Action

The House and Senate have passed measures that differ in how each proposes to exempt agricultural exports from U.S. sanctions policy. The House on June 15, 1999, passed H.R. 17 (Selective Agricultural Embargoes Act of 1999) under suspension of the rules.[19] This measure lays out procedures for Congress to approve or disapprove of an embargo on agricultural products that is not a part of a future embargo on all products to a particular country. If Congress in a joint resolution

---

[17]Title XI-Emergency and Market Loss Assistance, in section 101(a) of H.Rept. 105-825 filed for H.R. 4328, printed in the *Congressional Record*, October 19, 1998, p. H11302.

[18]The Senate Agriculture Committee held a hearing on S. 566 on May 11, 1999; the Senate Foreign Relations Committee heard testimony also on May 11; the House Ways and Means Committee held a hearing on H.R. 1244 on May 27; the House Agriculture Committee on June 9; the House Small Business Committee's Subcommittee on Tax, Finance, and Exports held a hearing on June 24; and the Senate Foreign Relations Committee held two followup hearings (to hear an Administration witness on July 1, and to receive testimony on July 21 from four senators who introduced bills on this issue). In hearings held on re-authorizing the Export Administration Act, the Senate Banking Committee received testimony on the issue of agriculture and sanctions on June 23 and 24.

[19]Introduced January 6, 1999, by Representative Ewing. The House Agriculture Committee on February 10 ordered H.R. 17 to be reported without amendment on a voice vote. The Committee filed its report (H. Rept. 106-154, Part 1) on May 20. This bill was also referred to the House International Relations Committee, which ordered it to be reported by voice vote on June 10 (H. Rept. 106-154, Part II, filed June 14). An identical bill (S. 315) was introduced on January 27 by Senator Ashcroft.

disapproves of the President's action, the embargo automatically ends 105 days after an embargo is announced. If Congress approves the embargo within a 100-day window after receiving the President's report on why the embargo was imposed, the embargo ends on: (1) the date determined by the President, or (2) one year after the resolution is enacted, whichever is earlier.

H.R. 17 specifically addresses the type of sales restriction illustrated by President Carter's decision in 1980 to impose an embargo on only sales of grain and soybeans to the Soviet Union. If enacted, these provisions would apply only to any future decision by the President to selectively embargo agricultural and food products exported to a targeted country. It would not alter the trade restrictions imposed on agricultural exports under current economic sanctions. Senate leadership have indicated that H.R. 17 will be considered on the floor during the week of March 20.

On August 4, 1999, the Senate adopted an amendment (offered by Senators Ashcroft and Hagel) to its version of the FY2000 agriculture appropriations bill (S. 1233/H.R. 1906) proposing to exempt commercial sales of agricultural commodities, food products, medicine, and medical products from current U.S. unilateral sanctions. This amendment would have allowed the President to withdraw this exemption from current sanctions (i.e., add sanctions back) current sanctions, or to include agricultural commodities in future sanctions. Presidential decisions would only take effect if Congress votes in advance (following specified procedures and a timetable) in favor of such action. A motion to table the amendment (offered by Senators Helms and Torricelli) was defeated on a 29-70 vote. There was not comparable provision in the House--passed appropriations bill (H.R.1906). Strong opposition by some members in the House to the Senate amendment (particularly because of its easing of the U.S. trade embargo on Cuba) threatened conference agreement between the House and Senate. Ultimately, the embargo provisions were dropped from the conference agreement, following leadership intervention and heavy pressure to get additional money out to the farm sector as quickly as possible. As part of the agreement to drop the sanctions language, Senate sponsors got a commitment from their leadership that they would be given an opportunity to bring a sanctions exemptions bill to the Senate before the end of the session.

The Senate-passed amendment (in H.R. 1906) would have gone beyond the Administration's policy change (see **Clinton Administration's Position** below) by allowing commercial sales of agricultural products also to Cuba and North Korea (currently strictly limited by the Cuban Liberty and Democratic Solidarity Act -- P.L. 104-114 -- and restricted by other statutes, respectively[20]). This amendment, though, would not effectively apply to Iraq, which is presently subject to a multilateral sanctions regime administered by the United Nations. The language expanded coverage of the agricultural products covered by this exemption to include non-food commodities (e.g., cotton and tobacco) and appeared to provide for a more streamlined export licensing process for commercial sales of these products. Some in the Administration signaled their opposition to the amendment, arguing that requiring the President to secure congressional approval of sanctions (which could

---

[20]See footnote 1.

include restricting exports of farm commodities) would limit the President's flexibility in using sanctions as a tool to advance foreign policy and national security objectives.

Committee Activity

On May 26, 1999, the Senate Agriculture Committee reported a bill (S. 566) that would exempt commercial sales of agricultural commodities, livestock, and value-added products from current and future U.S. unilateral economic sanctions.[21] In an amendment offered by Senator Conrad during markup, the bill was revised to allow the President to review each exemption to a current sanction on a country. The President could include agricultural products in sanctions in only two instances: (1) when war is declared, and (2) when included for national interest reasons and Congress fails to enact a resolution of disapproval. If enacted, commercial sales of agricultural products to countries subject to sanctions would be allowed, unless the President determines that such sales should be included in a sanctions regime on a specific country and Congress does not override that decision. The Committee approved S. 566 on a 17-1 vote, and filed its report on the bill (S. Rept. 106-157) on September 13.

During House Appropriations Committee markup of the FY2000 agriculture appropriations bill (H.R. 1906) on May 19, 1999, an amendment offered by Representative Nethercutt to exempt commercial sales of food, other agricultural products, medicine and other medical products from current and future U.S. unilateral economic sanctions was defeated on a 24-28 vote. An amendment to preclude Cuba from benefitting from the proposed exemption, offered by Representative DeLay, was considered but subsequently withdrawn.

The Senate may address the food exemption from sanctions issue in considering the Export Administration Act of 1999 (S. 1712), possibly this spring. Title IV of this bill as reported last October by the Senate Banking Committee would exempt agricultural commodities, medicine, and medical supplies from the application of the foreign policy export controls laid out in the bill, but not from controls imposed in response to national security threats. The bill's language further requires the President to terminate any export control on these products mandated by other laws, except for a control that future law specifically reimposes. Title IV's proposed exemption, though, would not apply to a country subject to an embargo imposed under the Trading with the Enemy Act (specifically Cuba and North Korea).

The Senate Foreign Relations is expected to include sanctions provisions in a major foreign aid and reauthorization bill scheduled for mark up on March 23. Indications are that this language will closely parallel that adopted as an amendment by the Senate last August to the FY2000 agriculture appropriations measure (see **Floor Action** above).

---

[21] Section 3 of S. 566 (Agricultural Trade Freedom Act, introduced March 8, 1999, by Senator Lugar) contains the pertinent provisions.

Other Bills

Farm groups view U.S. sanctions policy as undermining the widely-held farm policy goal of promoting U.S. agricultural exports. Others see the sanctions issue as a way to influence U.S. foreign policy towards specific countries. Reflecting these positions, lawmakers have introduced some 20 bills to exempt food and medicine from U.S. economic sanctions and to change the way that such sanctions can be imposed. These bills, summarized below, are grouped according to their primary objective: (1) exempt food exports from economic sanctions, (2) change broad U.S. sanctions policy and its use, and (3) address country-specific sanctions.

Exempting Food from Sanctions. Five bills (H.R. 212, H.R. 817, H.R. 2743, S. 327, and S. 425) would generally exempt exports of food and other agricultural products from U.S. unilateral sanctions imposed against a foreign government.[22] H.R. 212, H.R. 2743, and S. 327 would change policy with respect to *current* and also future sanctions. H.R. 817 and S. 425 would apply only to *future* sanctions. Provisions (among others) found in these bills:

- give the President authority to add food back into any current sanctions imposed on U.S. exports to a foreign country for national security and/or foreign policy reasons;
- allow the President to include food in any new sanction imposed if Congress has declared war or the President has declared a national emergency;
- restrict exports when domestic shortages of an agricultural commodity exist;
- specify the date by which the food exemption is to become effective (ranging from date of enactment up to 180 days after enactment unless the President decides to include food in any announced sanctions decision);
- exempt the export of other products, such as agricultural inputs (i.e., fertilizer), medicines and medical equipment, from sanctions;
- exclude or include (depending on the bill) exports facilitated by USDA credit and food aid programs in the food exception to sanctions;

---

[22]H.R. 212 (Freedom to Market Act, introduced January 6, 1999, by Representative Nethercutt), section 4 of H.R. 817 (United States Agricultural Trade Act of 1999, introduced February 17 by Representative Ewing), title III of H.R. 2743 (Farm and Ranch Emergency Assistance Act of 1999, introduced August 5 by Representative Emerson), S. 327 (Food and Medicine Sanctions Relief Act of 1999, introduced January 28 by Senator Hagel), and S. 425 (Food and Medicine for the World Act of 1999, introduced February 11 by Senator Ashcroft).

- require congressional approval of any new sanction affecting agricultural exports; and

- set timetables for the President and other federal departments to submit reports to Congress on any sanctions imposed on a foreign country and specify what these reports are to include (e.g., explanations of why each decision was made, an analysis of the impact on the U.S. agricultural sector of including food in any sanctions decision).

Two of these bills (H.R. 212 and S. 327) could permit U.S. agricultural and food exports to resume largely without any restriction to any country still subject to across-the-board U.S. economic sanctions (subject to the degree of discretion given to the President and differing timetables and/or reporting requirements).

Separately, a provision in H.R. 1299 expresses the sense of Congress that federal prohibitions or restrictions on the sale or provision of agricultural commodities to foreign countries should be maintained only if essential to U.S. national security. It requires the President to conduct a study each year to determine (1) whether or not they are essential to such U.S. interests, and (2) their impact on U.S. agriculture.[23]

Changing U.S. Sanctions Policy. Four bills are much broader in scope, but still address matters of concern to the agricultural sector. H.R. 1244 and S. 757 seek to reform the process by which future unilateral economic sanctions are imposed, but differ in some details of the framework that is to apply in considering congressional- and executive branch- initiated sanctions, respectively. In general terms, these measures detail guidelines to be followed in formulating sanctions; allow the President to adjust the timing and extent of executive branch sanctions; limit executive branch sanctions to 2 years, unless extended by the President for national security and foreign policy reasons; require the President, the Secretary of Agriculture, the Congressional Budget Office, and the U.S. International Trade Commission to file reports assessing the costs of a sanction relative to desired objectives). One provision authorizes USDA to increase export assistance and promotion programs whenever farm commodities are subject to sanctions.[24] S. 1161 similarly establishes procedures for considering and enacting unilateral economic sanctions legislation and lays out a framework for their use in support of U.S. national interests while minimizing the sanctions' adverse effects on the U.S. economy. Separately, S. 927 has implications for the agricultural sector in the flexibility it gives to the Executive Branch in changing the scope of current sanctions. It authorizes the President to delay, suspend, or

---

[23]Section 7 of H.R. 1299 (Restore Agriculture Productivity Act of 1999, introduced March 25 by Representative Berry).

[24]H.R. 1244 (Enhancement of Trade, Security, and Human Rights through Sanctions Reform Act, introduced March 24, 1999, by Representative Crane), and S. 757 (Sanctions Reform Act, introduced March 25 by Senator Lugar).

terminate any economic sanction on a foreign country if he determines and reports to Congress that it does not serve U.S. national interests.[25]

Country-Specific Proposals. In addition to the broad legislative initiatives, 10 bills would change how U.S. sanctions policy is applied to individual countries. Six measures pertain to Cuba. H.R. 230, H.R. 1644, and S. 926 propose to exempt U.S. food and other specified exports (e.g., medicine and medical equipment) from the comprehensive U.S. trade embargo currently in force with respect to Cuba. H.R. 229, H.R. 256, and H.R. 1181 are much broader in scope, proposing to completely lift the trade embargo on Cuba or significantly modify its application.[26]

Two measures address U.S. sanctions policy toward Iraq. H.Con.Res. 39 advises on U.S. policy with respect to the UN's "oil-for-food" program with Iraq. H.R. 3825 proposes to end current U.S. sanctions imposed on Iraq to allow the export of food, other agricultural products (including fertilizer), medicine, and other medical products for humanitarian reasons.[27]

The Senate, in completing consideration on June 8, 1999, of the FY2000 Department of Defense appropriations bill (S. 1122), adopted by voice vote an amendment that suspends the application of the non-military nonproliferation sanctions imposed on India and Pakistan (including each country's loss of access to USDA credit guarantees) for 5 years.[28] Section 707 of H.R. 973, which the House passed under suspension of the rules on June 15, would make permanent the change made by the Agriculture Export Relief Act of 1998 (P.L. 105-194), which temporarily exempted USDA export assistance from the nonproliferation sanctions mandated by the Arms Control Act.[29] Section 1707 of H.R. 2415 is an identical provision.[30] These House provisions would continue India's and Pakistan's eligibility (if program criteria

---

[25]Respectively, the Economic Sanctions Reform Act of 1999, introduced May 27, and the Sanctions Rationalization Act of 1999, introduced April 29, both by Senator Dodd.

[26]H.R. 230 (Cuban Humanitarian Trade Act of 1999, introduced January 6, 1999, by Representative Rangel); H.R. 229 (Free Trade With Cuba Act, introduced January 6 by Representative Rangel); H.R. 256 (Cuba Reconciliation Act, introduced January 6 by Representative Serrano); H.R. 1181 (introduced March 18 by Representative Paul); and H.R. 1644 / S. 926 (Cuban Food and Medicine Security Act of 1999, introduced April 29 by Representative Serrano and Senator Dodd). For more information and background, see CRS Issue Brief 94005, *Cuba: Issues for Congress*, by Mark P. Sullivan, updated regularly, and CRS Report 98-118, *Cuba: Initiatives to Ease Restrictions on U.S. Food and Medical Exports*, by Mark P. Sullivan and Dianne E. Rennack, February 11, 1998.

[27]H.Con.Res. 39 was introduced March 2, 1999, by Representative Watkins. H.R. 3825 (Humanitarian Exports Leading to Peace Act of 2000) was introduced by Representative Conyers on March 2, 2000.

[28]Title X, as inserted into the text of H.R. 2561 and passed by the Senate on July 28, 1999. Conference action is pending.

[29]Security Assistance Act of 1999, introduced March 4, 1999, by Representative Gilman.

[30]American Embassy Security Act of 1999, introduced July 1, 1999, by Representative Christopher Smith. The Senate did not include this provision in passing its version of this measure on August 3, 1999.

are met) to access USDA's export programs (e.g., direct credits and credit guarantees) to purchase U.S. agricultural commodities after September 30, 1999.

Clinton Administration's Position

Statements made in the May-September 1998 period suggested that the Clinton Administration was contemplating a possible shift in policy with respect to restricting exports of agricultural and food products in its exercise of overall U.S. sanctions policy. Low commodity prices and falling agricultural exports, combined with mounting congressional pressure for a policy change, appear to largely explain the Administration's increased focus on this issue. To illustrate, inter-agency efforts to formulate a U.S. government response on implementing the nonproliferation sanctions imposed on India and Pakistan following their nuclear tests led the Administration to conclude that the Arms Control Act required cutting off USDA financial backing of substantial wheat exports to Pakistan, the third largest market for U.S. wheat. As congressional pressure built for the Administration to exclude USDA export credit guarantees from the sanctions, President Clinton on June 10, 1998, signaled that U.S. policy is to try, "wherever possible, to minimize the humanitarian impact on the people of those [two] countries" and stated that "we have long believed that food should not be used as a weapon to influence other nations." In radio remarks, the President announced his support of legislation (subsequently enacted as P.L. 105-194 on July 14, 1998) "to ensure that American farmers can continue to export wheat to Pakistan and India under [USDA's] export credit program."[31]

Until late April 1999 (when an exception to including food and medicine in sanctions policy was announced — described below), the Administration appeared to be handling decisions on liberalizing food and agricultural exports to the currently-sanctioned countries on an ad hoc, case-by-case basis. First, the President announced in early January 1999 that sales to Cuba would be allowed of U.S. food products to non-governmental entities (i.e., religious groups and private restaurants) and of agricultural inputs to private farmers and farmer cooperatives producing food for sale in private markets.[32] Regulations to implement this decision (among others with respect to Cuba) were recently issued. Second, the Niki Trading Corporation (a U.S. firm) in late 1998 submitted a request to the Administration to sell $500 million in U.S. agricultural commodities (2 million MT of wheat, plus smaller amounts of corn, sugar, rice, and soybean meal) to Iran. Though a preliminary, staff-level report to the White House in mid-January 1999 reportedly recommended that this request be rejected, the Department of Treasury will consider Niki's application along with possible others now that regulations to implement the Administration's policy change allowing commercial food sales to Iran have been issued (see below).[33]

---

[31] Associated Press, "Clinton endorses Pakistan wheat bill amid GOP criticism," June 13, 1998.

[32] The White House, Office of the Press Secretary, "Statement by the President," January 5, 1999.

[33] *Washington Post*, "Iran requests $500 million in food items," January 19, 1999, p. A13; (continued...)

April 1999 Announcement of Policy Change[34]

The Administration on April 28, 1999 "codified" presidential statements made last year not to use food as a tool to conduct foreign policy with a White House announcement that the United States "will exempt commercial sales of agricultural commodities and products, as well as medicine and medical equipment from future unilateral Executive Branch economic sanctions regimes, unless [the President] determines that our national interest requires otherwise." Its statement announced that this policy will extend also to existing sanctions regimes, where the discretion to do so exists, "by modifying licensing policies to permit case-by-case review of specific proposals." An inter-agency effort will develop "country-specific licensing criteria to guide the case-by-case review process so that sanctioned governments do not gain unjustified or unwarranted benefits."

Undersecretary of State Stuart Eizenstat highlighted the criteria that will be followed in granting a license under this change. These will include:

- the requirement that all sales contracts be fully negotiated at the time a license is applied for,
- the requirement that all sales be made at prevailing market prices, and
- a restriction that all sales be made to non-governmental entities.

Extraordinary circumstances spelled out in the announcement that would prompt the Administration to make an exception to this exemption include:

- actual or potential armed conflict involving the United States or its allies,
- a situation where a regime is diverting imports of food, medicine, or medical equipment to its military or its political supporters, or
- a situation in which the import of such items would provide unjustified economic benefit to a regime or its officials.

Officials stated this announcement was part of an Administration effort to reform the process for imposing and maintaining unilateral economic sanctions. The change exempting agriculture and medicine reflects the outcome of a debate that any

---

[33](...continued)
Pro Farmer Headline News, "National Security Council reportedly okays exempting U.S. ag trade sanctions on Iran," March 9, 1999.

[34]This section is based on the following sources: White House, Office of the Press Secretary, "Humanitarian Exemptions from Sanctions," April 28, 1999; U.S. Department of State, Office of the Spokesman, Press Briefing on Economic Sanctions, April 28, 1999; and USDA, "Remarks of Secretary Dan Glickman [on] Change in U.S. Economic Sanctions Policy" and "Sanctions Reform Fact Sheet," April 28, 1999.

sanctions imposed should be effective and that the cost of their imposition on U.S. interests should be minimized.

Briefings at USDA and the Department of State confirmed that this policy change will apply to the sanctions currently in place with respect to Iran, Libya, and Sudan. This change, though, will not apply to sanctions now imposed on Cuba, Iraq, and North Korea, which are authorized by statute and/or are governed by regulations that provide for the export licensing (if specific criteria are met) of U.S. agricultural commodities and food products.[35] Further, the new policy "will not affect current statutory or other restrictions on U.S. government funding, financing or guarantees in support of such sales."

Regulations Issued to Implement Policy Change

The White House, the Department of Treasury, and the USDA on July 26, 1999, announced the release of regulations to implement the Administration's new policy permitting the commercial sale of food and medical products to countries still subject to broad economic sanctions. Officials stated that these regulations: (1) codify the humanitarian-based principle that sanctions should not be used as a foreign policy tool to deny importing countries the ability to buy these products, except in the most compelling circumstances, and (2) will provide U.S. agriculture and business with the opportunity to compete on a predictable basis in more markets.[36] Effective immediately, Treasury's Office of Foreign Assets Control (OFAC) will administer a new export licensing policy with respect to the commercial export of these products (subject to specified safeguards) to Iran, Libya, and Sudan. The main provisions that are pertinent to agriculture:

- specify that licenses will be issued for the sale of agricultural commodities and products intended for ultimate consumption as food by humans or animals (non-food commodities, such as cotton and tobacco, are not included in, or covered by, this policy change),

- allow sales only to approved buyers (e.g., private individuals acting for their own account, non-governmental entities, and government

[35]U.S. economic sanctions on North Korea were not affected by this policy change when announced in late April. The Administration's easing of sanctions against North Korea, announced September 17, 1999, are expected to result in a revision of export licensing regulations that are similar in content to the regulations issued for licensing commercial sales of agricultural products to Iran, Libya, and Sudan. These regulations are not likely to be issued until well into the year 2000.

[36]White House, Office of the Press Secretary, "Implementing Humanitarian Exemptions from Sanctions;" U.S. Department of Treasury, "Treasury Deputy Secretary Stuart E. Eizenstat Statement on Sanctions" (LS-29); and USDA, "Statement by Secretary of Agriculture Dan Glickman on New Regulations Providing Sanctions Relief for Agriculture" (Release No. 0304.99).

procurement bodies that are not affiliated with "coercive organs of the state),[37]

- require that all covered sales be subject to specific OFAC licenses under one of two procedures:

(1) an expedited process designed for sales of listed **bulk agricultural commodities** (i.e., one license that is in effect over a specified time period that authorizes an exporter to respond to requests for bids, enter into binding contracts, and perform under these contracts, subject to certain conditions), or

(2) a two-step procedure for **all other food items** (the *first* step requires a seller to obtain a general export license to enter into contracts that make performance contingent upon final OFAC approval, disclose all parties with an interest in the sale, and lay out all terms of the sale; the *second* step requires the prospective seller to apply to OFAC for a specific license (granted after a case-by-case contract review) that authorizes performance under the contracts),

- lay out payment and financing terms that differ by the type of license issued:

(1) under a **general** license, such terms include cash in advance, sales on open account with certain limitations, or financing by third country banks that are neither U.S. individuals nor entities of the governments of Iran, Libya or Sudan. U.S. banks would be permitted to advise or confirm letters of credit issued by third country banks.

(2) under a **specific** license, OFAC will consider applications from U.S. banks to participate in financing sales on a case-by-case basis, where such financing arrangements would not undermine overall compliance with U.S. sanctions.[38]

Sales under the New Policy

Secretary of Agriculture Dan Glickman in testimony before the House Agriculture and Senate Foreign Relations Committees indicated that, as a result of this change, U.S. exports of wheat and corn each could increase by as much as 1 million tons to the three affected countries. He mentioned this change also improved the prospects for making sales of rice to countries that once were major markets.

---

[37]OFAC has identified them to be: in Iran, the Government Trading Corporation (GTC) and the State Livestock and Logistics Co. (SLAL), and in Libya, the National Supply Corporation (NASCO).

[38]OFAC's regulations were published in the *Federal Register* on August 2, 1999 (pages 41784-41794), and are available on the Web at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=1999_register&docid=99-19628-filed].

Traders view Iran as having the best market potential for sales under the policy change. Iran is the largest food importer of the three countries affected by this shift in U.S. policy, importing close to $3 billion in agricultural commodities and food products in each of 1996 and 1997. Top 1997 imports were wheat ($618 million), sugar — primarily refined ($518 million), rice ($420 million), soybean oil ($211 million), and corn ($179 million). The country's commodity import needs are expected to increase substantially over the coming year, because of a serious drought affecting the region. USDA in late 1999 projected that Iran will need to import 6 million metric tons (MT) of wheat, 1.2 million MT of corn, 1 million MT of barley, and 900,000 MT of rice to cover production shortfalls. USDA Undersecretary Schumacher stated in an interview that the United States could become "a major supplier" to Iran at current market prices, as U.S. wheat, corn, soybeans and rice "are very export competitive." He added that the United States can compete with Europe for sales of wheat to Iran, but said the USDA's export credit guarantee program will not be available (reflecting the Administration's policy position) to facilitate U.S. sales.[39]

Reported Sales. Since the Administration's policy change went into effect, U.S. exporters have sold 551,000 metric tons (MT) of corn to Iran and a small quantity of animal feed. During this period, wheat trade associations and lawmakers from wheat producing states have urged the Administration to make USDA credit guarantees available to facilitate the sale of U.S. wheat to Iran. They note that Iran in the fall of 1999 purchased large quantities of wheat (about 1 million MT from the European Union since early August, and 1 million MT from Canada on August 24, 1999, reportedly under a credit line provided by the Canadian Wheat Board). They also argue that U. S. exporters will lose out on wheat sales unless the Administration further revises its policy to allow the use of U.S. Government credit programs to facilitate sales to previously-sanctioned countries. Press accounts report that the Administration opposes making USDA credit guarantees available to Iran because of its Government's support of terrorism; Secretary Glickman though indicates that this issue is still under review.

U.S. exporters in mid-February 2000 reported sales of 16,200 MT of durum wheat to Libya, taking advantage of the policy change.

Debate on Agricultural and Food Exports in U.S. Economic Sanctions Policy

Many farm organizations, agricultural commodity associations, and agribusiness firms favor changing U.S. policy to exempt export sales of agricultural commodities, food products, and agricultural inputs from the broad economic sanctions currently imposed on targeted countries. They have joined with firms in the pharmaceutical and manufacturing sectors to call for a comprehensive review of the economic impact of

[39]FAO for data on Iran's commodity imports data; *Pro Farmer Headline News*, "U.S. trade sanctions for food and medicine lifted against Iran, Libya and Sudan," July 26, 1999; USDA, FAS, Grains: World Markets and Trade, September 13, 1999.

these sanctions and for limits on the executive branch's use of sanctions to restrict trade.[40]

Opposition to exempting sales of agricultural commodities and food products from current sanctions is, by contrast, somewhat more diffuse. Except for those that publicly favor continuing the comprehensive trade embargo on Cuba (which prohibits the sale of agricultural commodities and food products along with almost all other commercial trade involving Cuban government entities),[41] advocates of the use of sanctions as a "legitimate and effective" policy tool are scattered throughout the foreign policy and defense community. Most have no financial stake in the debate, and frequently draw little distinction between prohibiting sales of food and prohibiting exports of all other products.

Those in favor of exempting U.S. agricultural commodities and food products from economic sanctions imposed for foreign policy and national security reasons argue that:

- Sales lost because of these decisions have had a disproportionate economic impact on the U.S. agricultural sector, which now depends more heavily on exports to generate income than before.[42] The agricultural community frequently expresses the view that the imposition of sanctions undermines the more market-oriented farm policy objectives laid out in the 1996 Freedom to Farm Act that assumed continued and increased access to foreign markets.

- These prohibitions undermine the credibility and reputation of the United States as a reliable supplier to foreign customers. Proponents of a change in U.S. policy point out that agricultural exporting competitors (Argentina, Australia, Canada, and the European Union) benefit from increased sales to these lost markets, and claim that over the long term, the countries targeted by U.S. sanctions tend to

---

[40]The American Farm Bureau Federation, American Soybean Association, Cargill, ConAgra, Farmland Industries, Fertilizer Institute, Grocery Manufacturers of America, Illinois Corn Growers Association, National Cattlemen's Beef Association, National Grange, and North American Export Grain Association, among others in the agricultural and food sectors, are members of USA*ENGAGE [http://www.usaengage.org]. This is a coalition of small and large businesses, trade associations, and agriculture groups "working to oppose the use of new unilateral economic sanctions by the U.S. Government and to establish a standard of accountability for any future unilateral sanctions."

[41]One organization advocating this view is the Cuban American National Foundation [http://www.canfnet.org], which is opposed to legislative efforts to lift portions of the U.S. embargo on Cuba ("CANF Addresses Corporation Lobbying Against U.S. Embargo," press release issued March 17, 1998).

[42]In 1996, exports accounted for 21.4% of the value of agricultural production, compared to 15.9% in 1988. Some of the major commodities are even more dependent on export markets to generate income. For example, in 1996, 53.5% of the wheat, 48.1% of the rice, and 42% of the cotton produced was exported. USDA, ERS, *Foreign Agricultural Trade of the United States*, January/ February/March 1997, p. 28.

diversify their sources of agricultural imports and/or seek to become more self- sufficient. They also mention that there is a longer-term impact (beyond the period during which sanctions are employed) on U.S. export competitiveness in these markets.

- Food should not be used as an instrument of U.S. foreign policy to influence the behavior of "rogue" nations, because such a policy is immoral. Some argue that withholding food results in malnutrition and possible starvation among the poor in the affected nations but generally does not affect the elites' and leaderships' standard of living.

Those opposed to explicitly exempting food, or granting the President discretion to exclude food, from U.S. economic sanctions policy argue that:

- Comprehensive sanctions are an essential tool in U.S. efforts to bring about a change in a country's policies and practices, particularly when its actions conflict with U.S. foreign policy and national security objectives (i.e., fighting terrorism, limiting nuclear proliferation, thwarting aggressive action against neighboring countries that are U.S. allies, etc.). Accordingly, the President should have maximum flexibility to determine the most effective use of sanctions (i.e., neither requirements for specific inclusions nor prohibitions against specific exemptions).

- Exempting food exports from sanctions' coverage can result in the leadership of a targeted country using food imported or received from the United States as a political tool to reward those supportive of the policies that prompted the sanction or to coerce others to accept those policies.

- U.S. economic sanctions do not limit the ability of the President to permit food to be sold or donated for humanitarian reasons. Current statutory authorities have allowed the executive branch to approve U.S. commodity sales to Iraq under the UN's "oil-for-food" program, the mailing of food parcels and the limited donation and sale of food and other agricultural products to Cuba, and U.S. food aid shipments to North Korea and Sudan.