

Bush Approves Sale of Wheat To Soviet Union

By GERALD F. SEIB
And BRUCE INGERSOLL

Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON — President Bush, resolving a split among his top advisers, approved the sale of 1.5 million metric tons of subsidized wheat to the Soviet Union.

The sale had been pushed hard by the Agriculture Department and farm-state legislators, and Mr. Bush's announcement came hours after top Republican lawmakers urged him at a White House meeting to approve the transaction. But other Bush administration officials opposed the sale, some maintaining that drought conditions raised questions about whether U.S. wheat supplies will be adequate this year, and others arguing it would provide unwarranted help to the Soviet economy.

Administration officials have said the Soviets proposed buying 1.5 million metric tons of subsidized U.S. wheat for delivery in May and June. The Soviets also proposed buying another 1.5 million tons without any subsidy late this summer.

Administration officials said that U.S. relations with Soviet leader Mikhail Gorbachev weren't a big factor in the debate over the sale. But Mr. Bush and other officials have insisted in recent days that they want to see Mr. Gorbachev and his program of economic reform succeed in the Soviet Union.

Mr. Bush approved the subsidized sale even though he has proclaimed that he would like to see such agricultural subsidies eliminated world-wide. The president also has maintained, though, that he wouldn't "disarm unilaterally" in agricultural sales by eliminating U.S. subsidies before other agricultural-exporting nations eliminate theirs.

Yesterday, the White House even argued that approving this subsidized sale would help achieve Mr. Bush's goal of eliminating subsidies. The sale to the Soviets "is intended to support our efforts to negotiate an international understanding on the removal of subsidies and other impediments to trade in agriculture," the White House said in a statement.

The sale will be made under the so-called export enhancement program. Under that program, exporters sell U.S. grain to customers overseas at prices below U.S. market prices, then collect subsidies, or "bonuses," in the form of surplus government-owned commodities from the Agriculture Department to make up the difference.

The Soviet Union, China, Egypt and Mo-

rocco have been major customers under the program. The Soviets already have bought more than four million tons of subsidized U.S. wheat for delivery in 1988-89 under a long-term grain-trade agreement. In addition, they have purchased more than 14 million tons of unsubsidized corn for 1988-89.

Mr. Bush's approval of a 1.5 million-ton subsidy makes it likely that the Soviets will eclipse their corn-and-wheat buying record of 18.6 million tons, set in the 1984-85 agreement year.

Yesterday's announcement was welcomed by the National Association of Wheat Growers, farm groups and farm-state lawmakers. Sen. Robert Dole of Kansas, the Senate's Republican leader, said the sale sends "a strong signal America is playing to win in the international marketplace. This action is welcome news for our farmers."

But some farm analysts said the Bush administration should have waited until the Agriculture Department's May 11 report on the winter wheat crop, which will assess the extent of drought damage this spring.

"It's outrageous," asserted Frederick Potter, a Washington-based analyst and consultant to the ethanol industry. "We're subsidizing the standard of living in the Soviet Union. Meanwhile, we've got ethanol plants sitting idle in the U.S. for want of low-cost grain."

Bush OKs deal to sell wheat to the Soviets

By Jessica Lee
USA TODAY

President Bush, who has opposed trade subsidies, approved a plan Tuesday for farmers to sell 1.5 million tons of wheat to the Soviet Union at subsidized rates.

Sen. Bob Dole, R-Kan., hailed Bush's approval as "welcome news for our farmers" that sends "a strong signal that America is playing to win in the international marketplace."

Farm states, backed by the Agriculture Department, originally sought federal aid for the sale of 3 million tons.

Bush halved the amount in a bid to balance the conflicting implications for foreign policy, deficit reduction and national security.

It was Bush's first decision under a 1985 law giving government grants to farmers who need help selling crops abroad. It reversed a stance Bush held during his presidential campaign.

The announcement came a day after Bush publicly reassured Soviet leader Mikhail Gorbachev that the Bush administration wants *perestroika* to succeed. The sale is tangible recognition the United States can help Gorbachev's reform effort.

Congress members lobby president



By Joe Marquette, UPI

LAST MINUTE PITCH: President Bush met with congressional leaders at the White House Tuesday, including Senate Minority Leader Bob Dole, R-Kans., and Sen. Alan Simpson, R-Wyo. They urged him to OK a grain sale to the Soviets. Bush didn't reveal his position, but later approved it.

Bush Agrees to Sell Soviets 1.5 Million Tons of Wheat

By David Hoffman
Washington Post Staff Writer

President Bush settled an intense internal policy battle yesterday by approving a subsidized sale of 1.5 million tons of wheat to the Soviet Union, half the amount suggested by the Agriculture Department.

The wheat, intended for delivery in May and June, is being sold under the Export Enhancement Program, which the administration recently suspended as part of a budget review. Under the program, buyers of U.S. grain and other products are subsidized with bonus quantities from government stockpiles as part of the sale arrangement.

However, the decision was criticized by Rep. David R. Nagle (D-Iowa), who said the sale was far short of what he has been told the Soviets wanted to purchase. "When scaled back to this meager amount, half of what we could have done, we told the Soviets we will not be a reliable supplier," he said.

The sale had split the administration, with the Agriculture Department and key farm state lawmakers supporting it as an expansion of U.S. grain sales to Moscow, and opposition coming from the National Security Council and the Office of Management and Budget for foreign policy and budget reasons.

Bush made the decision after Republican congressional leaders appealed to him to support the sale at a White House meeting. Senate Minority Leader Robert J. Dole (R-Kan.) praised the decision in a statement, saying it would be "a strong signal America is playing to win in the international marketplace. This action is welcome news for our farmers."

Nagle was not happy. "Unless there is a policy reversal, we have closed the door on future sales. People close to the Soviet delegation say they are deeply disappointed," he said. "It isn't what we got, it's what we lost."

Bush, like President Reagan, has called for eventual elimination of farm subsidies. But he had also endorsed this particular subsidy program, which is designed to help American farmers compete in international markets where other nations are also heavily subsidizing their farm products. The point of the program was to help move toward wiping out subsidies.

In a brief written statement announcing the sale yesterday, the White House said Bush "concluded that the dual objectives of maintaining market share for our farm exports and advancing international negotiations warrant the use of" the export program.

Rep. Dan Glickman (D-Kan.), chairman of a House subcommittee on wheat, soybean and feed grains, said the announcement was a "mixed blessing." He said that while it is "always good for the U.S. to sell more grain" to the Soviets, the deal "in no way quells the concern about the future" of the export subsidy program.

Glickman said "there is some concern amongst congressional agriculture leaders that this announcement is being used by the administration as a smoke and mirror plot to divert attention [from] their efforts to undermine" the export program.

Bush's decision was made after a high-level debate over the issue in his economic policy council. The approval comes in the same week in which Bush announced that he wants to see Soviet leader Mikhail Gorbachev's internal reforms meet with success.

Grain Subsidies Approved on Soviet Sales

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last week that one million metric tons of wheat would be shipped to the Soviet Union by the end of June. The schedule for delivery of the remaining 500,000 tons will be decided later, he said. A metric ton is about 2,205 pounds.

Mr. Bush received conflicting advice on whether to approve the subsidized sale to the Soviet Union, Administration officials said. The Agriculture Department and members of Congress from farm states urged him to go ahead with the deal.

Administration officials said the staff of the National Security Council, however, had quietly opposed the deal, apparently on the ground that the United States should not rush to help the Soviet Union overcome its economic difficulties. The Office of Management and Budget was also said to have opposed the deal, ar-

guing that the subsidies would increase the Federal budget deficit.

Mr. Bush was swayed, however, by last-minute appeals made this week by members of Congress from both parties.

The budget director, Richard G. Darman, asked the Agriculture Department last month to defer action on export subsidies while he reviewed the cost of the program. The State Department did not argue strongly for or against the Soviet grain deal, but the Soviets are likely to express appreciation when Secretary of State James A. Baker 3d visits Moscow next week.

Congressional Pressure

Mr. Bush's decision came after Republican leaders from both houses of Congress urged him at a White House meeting today to approve the wheat export subsidies. The Senate minority leader, Bob Dole, Republican of Kansas, applauded the decision, saying it was "a strong signal that America is

playing to win in the international marketplace."

Under the export-enhancement program, the United States gives away Government-owned surplus commodities as bonuses to stimulate foreign buying of American farm products. Sales are made by private companies, not by the Government. Prospective exporters apply to the Agriculture Department for a subsidy, or bonus, needed to permit the sale of farm goods at reduced prices.

Biggest Customer

In recent years, the Soviet Union has been the United States' biggest customer for wheat, and the United States was the biggest foreign supplier of agricultural commodities to the Soviet Union.

Soviet agriculture is plagued by profound structural problems, and Soviet officials have candidly acknowledged those problems in the last year.

SUBSIDY ON WHEAT FOR SOVIET SALES APPROVED BY BUSH

SHIFT BY ADMINISTRATION

One Goal, White House Says, Is Advancing Global Talks to Cut Farm Supports

By ROBERT PEAR

Special to The New York Times

WASHINGTON, May 2 — President Bush, who has argued against farm trade subsidies and urged that they be curtailed worldwide, approved Government subsidies today on the sale of 1.5 million metric tons of wheat to the Soviet Union.

It was the first time the Bush Administration has authorized the use of such export subsidies. The decision was supported by those members of Congress who had lobbied heavily for the sale, but there was intense debate within the Administration over the economic merits and foreign-policy implications of the deal.

The White House said Mr. Bush had approved the subsidies to meet "the dual objectives of maintaining market share of our farm exports and advancing international negotiations" to reduce farm subsidies that are provided by European nations.

Worth Up to \$270 Million

Administration officials said they could not immediately state the precise value of the sale or of the subsidy. But Agriculture Department officials estimated that the wheat was worth \$240 million to \$270 million at current world prices. In the past, subsidies have typically ranged from 10 percent to 20 percent of the value of the wheat, the officials said.

The subsidies will be paid under a Federal program that Congress and the Reagan Administration established in 1985. The program, meant to help American exporters compete with farmers in other countries who receive subsidies from their governments, was established chiefly to fight subsidies provided by members of the European Community.

Conflicting Advice

Kelly Shipp, a spokeswoman for Agriculture Secretary Clayton K. Yeutter, said tonight, "We would like all farm subsidies to be eliminated." But as long as they exist in some nations, she said, "we will use the export-enhancement program as a strategic tool so we can increase U.S. market share, open foreign markets and compete with other countries offering subsidies."

Richard T. Crowder, the Under Secretary of Agriculture for international affairs and commodity programs, said Soviet and American officials agreed

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AP-BUSH-SOVIETS

BY DIANE DUSTON

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WASHINGTON (AP) -- PRESIDENT BUSH'S ANNOUNCED PLAN TO SELL 1.5 MILLION METRIC TONS OF SUBSIDIZED WHEAT TO THE SOVIET UNION WAS PRAISED IN CONGRESS, BUT DIDN'T SETTLE CONCERNS ABOUT THE FUTURE OF THE EXPORT BONUS PROGRAM.

SENATE REPUBLICAN LEADER BOB DOLE, WHO HAD PRESSED THE PRESIDENT TO USE EXPORT SUBSIDIES IN THE SOVIET SALE, SAID BUSH'S DECISION TUESDAY SENDS "A STRONG SIGNAL AMERICA IS PLAYING TO WIN IN THE INTERNATIONAL MARKETPLACE."

"THIS ACTION IS WELCOME NEWS FOR OUR FARMERS," HE SAID.

"I APPLAUD IT," SAID REP. DAN GLICKMAN, A KANSAS DEMOCRAT WHO CHAIRS THE HOUSE SUBCOMMITTEE ON WHEAT, SOYBEANS AND FEED GRAIN. "BUT IN ANNOUNCING THIS DEAL THE ADMINISTRATION DID NOT QUELL THE CONCERN ABOUT THE FUTURE OF THE EXPORT ENHANCEMENT PROGRAM."

SENATE AGRICULTURE COMMITTEE CHAIRMAN PATRICK LERHY, D-UT., SAID HE TALKED TO THE PRESIDENT BY TELEPHONE MONDAY NIGHT AND URGED HIM TO APPROVE THE DEAL.

"THERE SHOULD BE GRAIN SALES TO THE SOVIETS," HE SAID. "I'M A STRONG SUPPORTER OF USING THE EXPORT ENHANCEMENT PROGRAM WHEN IT MAKES SENSE."

COMPETITION IN THE INTERNATIONAL WHEAT MARKET IS STRONG, WITH MANY OTHER COUNTRIES USING HEAVY SUBSIDIES TO LURE BUYERS. THE EXPORT ENHANCEMENT PROGRAM HAS BEEN THE U.S. RESPONSE TO THE COMPETITION, BUT ITS FUTURE HAS BEEN IN DOUBT.

THE BUSH ADMINISTRATION, FOLLOWING THE LEAD OF THE REAGAN ADMINISTRATION, HAS CALLED FOR EVENTUAL ELIMINATION OF ALL EXPORT SUBSIDIES WORLDWIDE, THOUGH THE PRESIDENT HAS SAID HE WOULD NOT DO AWAY WITH EEP UNLESS OTHER COUNTRIES DID LIKEWISE.

NEVERTHELESS, NO EEP SALES HAVE BEEN PROCESSED SINCE THE END OF FEBRUARY AND CONGRESS HAS BEEN AFTER THE ADMINISTRATION TO START MOVING.

"THEY WERE REACTING TO CONGRESSIONAL PRESSURE," GLICKMAN SAID OF THE PRESIDENT'S ANNOUNCEMENT.

AT A SENATE SUBCOMMITTEE HEARING LAST MONTH, AN AGRICULTURE DEPARTMENT OFFICIAL SAID THE PROGRAM HAD BEEN SUSPENDED PENDING A BUDGET REVIEW.

IN A LETTER TO BUSH EARLIER THIS WEEK, DOLE SAID, "IT'S CLEAR THAT ANY BUDGET REVIEW OF THE PROGRAM IS NOT AN APPROPRIATE REASON TO SUSPEND NEW OFFERS AT THIS TIME."

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