

# **AARQ** Association for the Administration of Rice Quotas, Inc.

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July 14, 2005

Antitrust Modernization Commission  
Attn: Public Comments  
1120 G Street, N.W.  
Suite 810  
Washington, DC 20005

Dear Ms. Garza and Mr. Yarowsky:

I am writing you as Chairman of the Association for the Administration of Rice Quotas, Inc. (AARQ) in response to the Federal Register notice of May 19, 2005 requesting comments on issues being studied by the Commission. AARQ would like to voice its support for the Export Trading Company Act (ETCA), 15 U.S.C. § § 4001-21. We strongly urge the Commission to recommend that Congress retain the ETCA. As explained in more detail below, the ETCA has unique application in the implementation of certain trade agreements negotiated between the United States and foreign governments and enables U.S. industries to obtain the intended benefit of export quotas.

### *About the AARQ*

In 1995, when Austria, Finland and Sweden acceded to the European Union (EU), their relatively low rice tariffs increased to the prohibitive levels mandated by the EU, thereby effectively eliminating them as viable markets for U.S. rice. To compensate the United States for this loss of market access, the United States and the EU agree to tariff-rate quotas (TRQs) as part of the U.S. – EU Enlargement Agreement of 1996 (Enlargement Agreement). These TRQs allow U.S. rice industry participants to maintain market access to the EU. AARQ was created as a not-for-profit membership corporation in 1997 for the express purpose of managing the agreed upon TRQs under the Enlargement Agreement.

AARQ obtained an Export Trade Certificate of Review (ETCR) in January 1998 with approvals from the U.S. Departments of Commerce and Justice, which gave it limited antitrust immunity and authorization to manage TRQs for brown and milled rice granted by the EU to the United States under the Enlargement Agreement. AARQ's membership comprises over 40 rice millers and exporters located in 15 states. AARQ auctions the TRQs for brown and milled rice to any U.S. bidder through an open tender process. This system has benefited U.S. industry participants by maintaining competitive market access for U.S. rice in the face of prohibitive EU tariffs. AARQ also benefits U.S. rice farmers by distributing 22% of its yearly proceeds through The Rice Foundation to research and development projects for the improvement of rice production and equipment. AARQ disburses the balance of its proceeds, after minimal administrative expenses, to its Members based on their percentage shares by volume of exports worldwide.

AARQ would not be able to carry out its mission without the imprimatur of the U.S. Government provided by the ETCA. To ensure that the U.S. rice farmers, millers, and exporters that are the intended beneficiaries of the TRQs obtain those benefits, the United States negotiated with the EU for U.S. management of the export quota. However, because the U.S. Government does not have legal authority to manage export quotas and is unlikely to seek or obtain it in light of the advantages to leaving such activity in the private sector, management of export quotas is entrusted to the U.S. industry, operating under an Export Trade Certificate of Review approved under the ETCA by the U.S. Departments of Commerce and Justice. The ETCA is the only mechanism currently available under U.S. law that provides antitrust immunity and authority for U.S. industry management of export quotas. In the case of AARQ, the imprimatur of the U.S. Government was an essential component to the EU's acceptance of a U.S. industry-managed quota system.

#### *Economic Benefits of AARQ's Quota Management*

AARQ, like other ETCs, benefits the American economy as well as state and local economies, while helping to offset America's growing trade deficit. In particular, AARQ benefits the national economy by auctioning rice quotas for shipments of U.S. rice to the EU. Additionally, AARQ allocates millions of dollars annually through The Rice Foundation to national and rice-producing-state research and development funds. These funds support a multitude of projects, such as the development of environmentally sound rice management practices, the enhancement of uniformity and stability in rice grain quality, and the identification of gene variation impacting rice and end-use quality. Without the ETCR under which the AARQ operates, the U.S. rice industry would not reap the intended benefits of the TRQ.

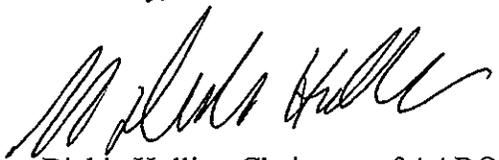
#### *AARQ's Quota Management System Is Pro-Competitive*

AARQ's operations under the ETCA foster export competition. They have no impact on domestic competition and involve no joint export activity. AARQ's ETCR allows all U.S. rice industry participants to retain access to critical European markets and ensures that the U.S. rice industry obtains the benefit of the TRQs. U.S. rice industry participants – including many small and medium-sized firms – consequently remain or become competitive exporters, contributing to the health and sustainability of America's agricultural trade. Under the ETCR, the TRQ system is managed by an independent third-party administrator, who must maintain the confidentiality of any competitive information.

In sum, the ETCA has been instrumental for U.S. industries, and the rice industry in particular, in gaining U.S. government authorization and limited antitrust immunity for industry management of export quotas, thereby allowing U.S. industries to obtain the intended benefits of negotiated market access. Elimination of the only workable mechanism through which the U.S. Government can provide its official sanction for industry management of export quotas would cause economic harm to AARQ as well as any U.S. industry that may need to manage export quotas under future market access agreements. We therefore urge the Commission to recommend that Congress retain the ETCA.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Dickie Hollier". The signature is fluid and cursive, with the first name "Dickie" being more prominent than the last name "Hollier".

Dickie Hollier, Chairman of AARQ

cc:

Office of the United States Trade Representative  
United States Department of Agriculture  
United States Department of Commerce  
United States House of Representatives Committee on the Judiciary  
United States House of Representatives Committee on Ways and Means  
United States Senate Committee on the Judiciary  
United States Senate Finance Committee