COMMENTARY

...John R. Block's Viewpoint

FARM EXPORTS: U.S. GATT PROPOSAL ESSENTIAL TO THEIR EXPANSION

In July 1987, in Geneva, the United States formally proposed under the General Agreement on Tariffs and Trade (GATT) that all direct and indirect subsidies that affect agricultural trade and all import barriers be eliminated over a 10-year period.

This was a radical departure from international business as usual, and it took many by surprise including some in the EC, as well as in the United States.

U.S. farm groups should support this unusual proposal because if it is accepted by the major trading partners of the world, agricultural trade will expand dramatically, and the American farmer will be the winner.

We Must Stay With Exports

The dominant public issue of the 1970s was energy. With OPEC and long gas station lines, energy policy decisions made by different countries affected virtually everyone in the world because energy was truly a global issue.

Trade has been a dominant global issue in the 1980s and will continue to be dominant through the 1990s. The similarity lies in the realization that we live in a global economy where decisions made in one country often impact everyone else in the world.

This internationalization is particularly true with food. The ability of the United States to gain and maintain export markets is of vital concern to U.S. farmers, processors, shippers, and millions of others who directly or indirectly depend on the health of U.S. agriculture for their livelihood. This includes input industries such as fertilizer and farm equipment. It also

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includes maritime and transportation industries and, in a larger sense, our entire economy. If agriculture hurts, the rural economy hurts. If that happens, there is reduced consumer demand from over 26 million people—something that GE and Ford and all the other corporate entities feel.

One of every four U.S. harvested acres is bound for export. Consequently, we *must* realize that trade issues are basic pocketbook issues. Under the guise of reducing production some in Congress advocate agricultural tariff walls to "protect the family farmer." However, dismantling our agricultural base is out of the question. We can't go back. We have gone too far into the international marketplace to turn back. Like it or not, we must do whatever is necessary to maintain and expand farm exports. A short-sighted domestic policy like supply management runs counter to this need. Theoretically, it is possible to restrict U.S. farm production to levels that would raise farm prices significantly, but that would also result in the abandonment of export markets. Further, the capacity of U.S. agriculture is so large and the ingenuity of producers so great that administratively and politically it is impossible to abandon export markets.

U.S. Is More Competitive

Despite early prognoses to the contrary, the 1985 Farm Bill is working. U.S. farm products are becoming more competitive in international markets. The volume of U.S. farm exports has increased. Long underrated, U.S. value-added exports are taking on new importance. The U.S. Government is buying fewer dairy products because the incentive to dairy farmers to overproduce has been reduced. Millions of acres have been reserved for conservation, not production purposes. Admittedly, some groups may disagree on certain aspects of the 1985 law. For example, the fertilizer industry is less than enthusiastic about idling acres, however, there is no question that the legislation has facilitated increases in U.S. farm exports.

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The eyes of the world have been opened by a farm program designed to win back lost export markets. We are fighting fire with fire using export subsidies to compete with other countries that use export subsidies—in particular, the European Community. Our aggressive program has caused great concern throughout the world raising such questions as "Where do we go from here?" and "Will there be a global trade war?"

The world is clamoring for the United States and EC to end the dispute before the elephants trample the little players. That is the kind of atmosphere that we needed to set the stage for GATT's reform of agriculture trading rules.

Trade Proposals Gain Support

Now, with the GATT proposal, President Reagan has proposed elimination of trade subsidies by the year 2000. Most U.S. farm groups are expressing qualified support. Of course, we cannot expect the support of the NFO and NFU farm organizations historically wedded to supply management.

The American Farm Bureau Federation generally has supported the concept, as have major commodity groups such as the U.S. Feed Grains Council. Even the U.S. sugar industry endorsed the Administration's proposal to liberalize trade completely over a 10-year period—a surprise since the United States artificially supports an American sugar price that is five times higher than the world price. Acceptance by the EC of the U.S. proposal would benefit both sides. The EC would see a return to solvency as their agricultural trade subsidies

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decrease. The U.S. would benefit from a level playing field where quality of product and supply/demand relationships, not artificial governmental policies, decide sales. And this does not mention our own budget savings.

EC Response In Question

America must avoid being in the position of Charlie Brown when Lucy absolutely promises that this time she won't pull the football away and, of course, does anyway. We don't want to fall flat on our faces like Charlie Brown again. It is an important concern and one to which I subscribe. For free trade and open competition to work, there must be reciprocal response.

The finger is pointing at all of the competition. Will the EC accept the U.S. proposal to liberalize agricultural trade? Is Japan ready? Are the developing countries ready? No one knows the answer to these questions. The leaders in all countries concerned realize the tremendous budgetary sacrifices that farm subsidies cause. They also recognize the political power of agricultural interests which fear losing out under a no-subsidy plan.

Despite opposition from some domestic quarters, larger interests can still prevail if negotiations look at the long-term beneficial effects of trade policy. When President Reagan and Canadian Prime Minister Brian Mulroney started negotiating for free trade, there was opposition from some agricultural interests. Maine potato growers feared Canadian dumping. Canadian egg producers worried about cheaper U.S. eggs displacing them as primary providers to their domestic markets. Still, Reagan and Mulroney showed statesmanship and courage which let them forge a free trade pact. Cannot the leaders of the trading countries of the world show the same resolve? Of course they can.

Leaders must face down their agricultural constituencies who benefit from subsidies. They must do what is best for their entire countries and for the world in the long run. I have met with scores of both public and private sector leaders who acknowledge that something must be done. EEC Agriculture Commissioner Frans Andriessen and Trade Commissioner Willy De Clerq even publicly noted that the EEC "agreed on the need for a progressive reduction of government support in agriculture."

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Their statement would have been unthinkable just a few years ago just as similar statements in the United States ten years ago would have been denounced as heresy even though support reduction is what has taken place under the 1985 Farm Bill.

I hope the countries of the world, and the EC in particular, come to grips with the problems inherent in over-subsidizing agriculture. Non-acceptance of the U.S./GATT free trade proposal invites a trade war where the deepest pockets win. The United States has the land, the people, the capital infrastructure, and the political will not to get taken advantage of again. Our pockets are very, very deep. We would all be losers in such a trade bloodbath, and the elephants would surely trample many innocent victims.

Old policy, where U.S. reduces production while others increase production, is on its way out. It is a whole new ball game. With decoupling legislation being considered by the Congress, the United States will guarantee a competitive price at all times.

I urge the trading countries of the world to accept the U.S./GATT proposal to eliminate direct and indirect subsidies, as well as import barriers over 10 years.