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INTERNATIONAL TRADE

To Be Negotiated Bilaterally And Regionally In Next Century: U.S. Farm Exports To Hold Up Well

by Harold F. Breimyer

Amid all the uncertainties in foretelling human affairs, whether of a day or a millennium, one thing is constant. The future, like the present, will be determined by how well human beings use their ingenuity and moral capacity to manage—develop, utilize, protect—the physical ("natural") resources at their disposal.

This concept is scarcely more than an aphorism. It does not itself specify what is likely to occur in any targeted time period such as the century that will begin within a very few years.

However, the new century, the 21st, will not start from scratch. It will begin where the 20th left off. The reliability of any forecast for the new century depends on how perceptively the features of the 20th century, especially the final years, are viewed.

The 20th century has been distinctive in several respects. It surely will go down in history as the petroleum century, the century of unprecedented high technology, and the century when the nation-state was the basic political unit.

These characteristics still prevail widely today, but are subject to stresses and instabilities. Petroleum is proxy for all depletable natural resources whose rampant use gives rise to dual concerns—the inevitability of running out of these resources, and the contemporary damage of their consumption on the environment.

As the 20th century ends, the wonders of technology are still being glorified. Yet the "science will save us" doctrine is winning fewer adherents as questions arise about our capacity to manage the newest technologies such as those related to the atom and genetic manipulation.

The nation-state remains the dominant political institution at the 20th century's close. However, the image of absolute hegemony was always false, as nations entered into various formal and informal alignments. In the early 1990s many alignments are in flux. Older bonds are loosening; ethnic and religious factionalism is rife; and open trading among all nations, never really attained, is giving way to bilateral and regional compacts.

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➢ International trade has devolved in the 20th century into climate- and resource-controlled exchange between temperate and tropical zones, and intra-temperate zone trade dominated by technology. Nations of temperate zones have been highly inventive of trade-influencing devices. Prospects are that ineffectual efforts to ease trade barriers multilaterally will give way to bilateral and regional trade compacts, which will mark the early 21st century. Later in the century, raw material shortages will scramble relations among nations, including those of trade. Technology yet to be developed could affect the balance among nations, even dramatically.

Trade Patterns

As of the latter part of the 20th century, international trade has taken on a characteristic pattern. Broadly, the world's mineral resources remain available at little more than their extraction and transportation cost. OPEC's effort to cartelize supplies and prices of petroleum has been only briefly and partially effective. A few countries, but not many, have been enriched by exports of their raw materials. But, by and large, mineral deposits have been only a secondary factor shaping world trade.

Ever since ancient times, climate has been a controlling factor. One historic trade pattern has been exchange between countries of temperate zones and tropical ones. Few restrictions are imposed. Thus, the United States is glad to trade its soybeans and industrial products for Central America's coffee and bananas.

Raw materials and climate are regional factors in trade. By contrast, technology has no implicit regional boundaries. Moreover, it can be employed to counteract natural disadvantages, and in doing so technology can serve as a leveler among nations possessing it. But it also leads to its own contests—rivalries for technological superiority that are clearly visible in our time among temperate-zone nations.

Implications

One implication to be drawn from the role of technology is that the United States, or any ambitious country, has cause to emphasize education and, not least of all, the work ethic.

A second implication is almost the opposite—any technological superiority is likely to prove fleeting.

Thirdly, a human paradigm that goes far to account for trade policy disputes: where natural factors no longer govern trade, as is true in much of the world's temperate zones, it becomes tempting to cook up man-made ones. So it is that nations subscribing to free trade in principle devise not only tariffs but non-tariff barriers and, nowadays, ingenious and extremely costly export subsidies. Then they engage in GATT (General Agreement on Tariffs and Trade) discussing how to undo their trade-restrictive handiwork. Their recent efforts at GATT's Geneva session have not been notably successful in reducing the barriers to trade.

But there is more to the story. High technology is essentially labor-saving. But for all its near-magic it has a limited reach. Some processes in manufacturing and in agriculture too lie outside its scope; they remain labor-intensive. The latest practice is for industrial nations to "put out" arduous tasks to suppliers in overpopulated, low wage countries. Japan particularly likes to turn to China; and the most publicized instance in the United States is our drawing on maquiladora in northern Mexico where hand-labor chores can be performed by workers earning near-starvation wages.

This, then, is the picture of international trade patterns as the 20th century nears its end. It is the starting point for the 21st century.

Prospects

Opening years of the new century will see no lessening in the volume of trade among nations or the importance of trade to its participants. But the dream of moving toward relatively free and open trading among individually sovereign nations will remain a dream. Because natural advantage is no longer instrumental, and technological contests can be chaotic, nations will enter into trade compacts of varying scope—bilateral, trilateral, regional.

Trade will continue to be relatively open where developed temperate-zone countries buy and sell with less developed nations in the tropics. The latter, vastly overpopulated, will have little recourse other than to supply tropical products, whatever minerals they possess, and their "put-out" labor—all at low prices.

Developed nations in temperate zones will compete among themselves for markets and the latest technologies. Governments and private international trade firms will alternately collaborate and bicker as they take part in the fray. Governments of developed nations will negotiate trade compacts that give a degree of stability in trade relationships among major nations. The emerging picture will resemble the mercantilism of several centuries ago.

Where will the United States stand? Right in the middle. It will dominate its own regional trading bloc, likely composed of countries of the Western Hemisphere. Its commercial intercourse with other trading blocs will be politically arranged.

Both regionally and internationally, agricultural trade will be the U.S. mainstay; our capacity to produce food and fiber will, as in the past, be an asset of immense worth.

Even in trade in manufactured products, the United States will not do badly. However, our nation may as well reconcile itself to losing, permanently, the dominance it once had. High technology is too widely dispersed over the world for old glories to be recaptured. But even so, our country's relatively favorable natural resource base, including fertile soil, is a positive asset.

Such is the prospect for the world and our nation in opening decades of the 21st century.

Radical Changes Possible

As the world's reserves of raw materials diminish in the latter part of the 21st century, drastic, dramatic, and dangerous contests and realignments among nations can be expected. The more advanced civilizations on the planet have rested so crucially on ready access to depletable minerals that their shrinking reserves will inescapably recast relationships among people and nations.

The first inference to be drawn is that those nations that hold residual supplies of raw materials will be in the international driver's seat. Best off of all are nations that have drawn on their resources least intensively. These would include some of the former Soviet Union, the United States, Australia-New Zealand, and some countries of Africa. Asia and Latin America, in contrast, may be most at risk as the latter part of the 21st century unfolds.

But wait! Technology is never a constant, a parameter. It is a variable. On the one hand, it would be inexcusably foolish to hold to the maxim about science's saving us from the contests among peoples that appear likely as the next century moves forward. An equivalent error, however, would deny or disregard all conceivable breakthroughs. Nuclear fusion might materialize. And mining of the oceans. Perhaps so. And perhaps not. Forecasting could easily turn into pure conjecture; and to some degree that is where any presentiments stand as to what lies ahead as time marches on toward the 22nd century. C

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