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A Look At Future U.S. Export Policy In 2012...

SECRETARY OF FOOD, AGRICULTURE, AND NATURAL RESOURCES SPEAKS TO AMERICAN FARMERS

by Dale Hathaway

Club Med, Havana, Cuba, January 12, 2012 — The U.S. Secretary of Food, Agriculture, and Natural Resources delivered a stinging attack on the Common Agrarian Policy (CAP) of the East European Commonwealth (EEC), charging that it constituted unfair competition for American producers in world markets. She promised that the administration would recommend an Emergency Export Expansion Program (EEEP) to counter the unfair practices of the EEC and provide American agribusiness with a level playing field. In general, the audience applauded the tough talk, although many said it was too little and too late.

The complete text of the Secretary's speech follows.

Fair Trade In Turbulent Times

I am delighted to be with you this morning to tell you of our interests and our concerns in this crucial year for U.S. agribusiness. I have worked with and for American agribusiness since I first joined the staff of Congressman Jones as his agricultural assistant immediately after finishing my MBA at Texas A&M. When I was first elected to Congress to fill the seat left vacant by Congressman Jones' untimely death at the age of 93, I immediately

requested a seat on the agricultural committee, and I remained there working on your behalf until the President appointed me to my position as Secretary last year. I can assure you that the President and her entire administration will continue to do whatever is necessary to provide you with a level playing field in the international arena.

I know you are especially concerned with the unfair policies and practices of the East European Commonwealth (EEC) and their impact upon world trade in agricultural, food, and forest products. I want to assure you we share your concerns and we will take action to get them to stop the unfair practices that are destroying our markets.

Let me remind you of some facts about the world trade situation. In the year 1984/85 the old Soviet Union which now makes up the EEC (Eastern Economic Community) imported 55 million metric tons of grains. This year, 28 years later, they will export an

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(As policy analyst, I have felt it necessary to be aware of current events and new approaches in the policy arena. Recently I speculated as to the policy issues likely to be current 20 years from now as expressed in the daily news reports — Author:).

estimated 45 million tons. That is a turnaround of 100 million tons, which is 100 million tons which has been "stolen" from U.S. markets by unfair EEC subsidies. In addition, the old union was the world's largest importer of butter, dried milk, and sugar, and the second largest of beef. Now they are self-sufficient in dairy products and beef and are major exporters of sugar, cotton, and wood products.

We believe that this huge and continuing expansion of agricultural and forest output is the result of their Common Agrarian Policy (CAP) and other illegal subsidies. Let me give some examples. Their deficiency payments are based on target prices which are anywhere from 50 to 100 percent above the world market prices, and they have refused to adopt payment limitations because they say it smacks of socialism. Thus, they continue to provide incentives to expand output and exports in competition with our producers.

But, the subsidies do not stop there. As you know, U.S. law defines use of U.S. banned pesticides and heavy applications of fertilizers as subsidies, and we followed the European Community in defining the use of most growth hormones as illegal subsidies. We do not accept the argument that just because the old USSR was chronically short of fertilizers, pesticides, and growth hormones, the new EEC should have the right to catch up with us and Western Europe before they limit the use of these output-increasing unsustainable practices.

We think there are other unfair subsidies in their system. For instance, the railroads are still owned by the governments, and we believe that the low price charged to get exports to port is a form of export subsidy. Moreover, no one is paying for the huge cost of establishing and maintaining the internal water transport system.

Finally, we think there are huge subsidies in the production system. We believe that the privatization process followed in the 1990s sold the farmland and related facilities at far less than cost

or true market value, and thus constitutes a production subsidy. In addition, we suspect that the Japanese government subsidized the funds used by the Japanese investors to buy large areas of EEC farmland and food processing facilities. It also appears that the Japanese producers of farm machinery may have been subsidized in their takeover and operation of most of the EEC farm machinery production capacity. It is not relevant that back in the 1990s President Bush asked these other countries to aid the emerging EEC. A subsidy is a subsidy and should be treated as such regardless of its source or the reason it was started.

The President and I are not going to stand by and let American agriculture suffer from these unfair actions. We are asking Congress to authorize an Emergency Export Expansion Program (EEEP) to fight fire with fire. At the same time we are calling for a new GATT round to bring these unfair practices in agriculture to a halt and restore the level playing field you deserve. I can promise you that in this round we will not make the mistake that we made in the Uruguay Round of 1993 when we agreed to allow deficiency payments to escape reduction just to please the European Community and our own State Department. We also will undo the excessively favorable treatment we allowed the EEC in 2001 when they joined GATT and we gave them 25 years to come into conformity with the subsidy code.

I am sure that other exporters will understand and support the U.S. action in this regard. They also have been hurt by the unfair policies of the EEC and will benefit by having them ended. Of course, we will only target the markets where the unfair competition is taking place, and it will only be a temporary program until the EEC agrees to abide by the same rules as everyone else.

I have enjoyed the opportunity to meet with you today and tell you how this administration plans to help you meet the challenges of the world ahead. We look forward to working with you on the Food, Fiber and Sustainable Environment bill of 2013. 