



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*



Lee Hamilton has represented the Ninth District of Indiana for fifteen terms. He is currently chairman of the Foreign Affairs Committee of the House of Representatives and has previously been chairman of the Joint Economic Committee of Congress, the House Intelligence Committee and several other select committees. He is widely recognized for his knowledge of foreign affairs and economic issues. The Ninth District covers almost the entire southeast quarter of Indiana and, as Mr. Hamilton notes, it is the most rural of Indiana's congressional districts. He maintains a longstanding interest in agricultural and rural conditions and policies.

An interview with Lee Hamilton

by David Freshwater
 David Freshwater interviewed Congressman Hamilton this fall to get his views on foreign trade and aid policies for American agriculture, and on the political influence of farmers.

Freshwater: Everybody accepts that an export focus is increasingly important to American agriculture. What is your perspective on the importance of trade agreements?

Hamilton: Agreements such as GATT and NAFTA are enormously important to the entire American economy and will have a major impact on agriculture. Despite the short-term implementation problems of NAFTA, I think the overall experience from this trade agreement shows considerable benefits for agriculture and other industries. For example, increased exports of corn and hogs to Mexico since NAFTA are particularly important for farmers in Indiana.

There is an increasing awareness by members of Congress of the importance of open trading systems, not just for agriculture but for the economy as a whole. As a result, I think that GATT will be approved and I hope that it will be this year. I do think that since agriculture remains a highly risky industry, we need to continue to provide some stability to agriculture, so I am opposed to cutting agricultural outlays to pay for the short-term costs

of implementing GATT.

I am also concerned that the current round of GATT amendments is going to be approved by the Congress without the inclusion of new fast-track authority. Losing fast-track authority will have major implications for future trade policy agreements. While there are no new pending agreements under consideration at this time—so there is no immediate impact—without renewed fast-track authority the Congress won't likely approve any more trade agreements. This will greatly harm future efforts to further open trade.

Freshwater: It seems agricultural trade disputes have increased since NAFTA. Does formalizing trade agreements create a better environment for international conflict?

Hamilton: I think that trade agreements today have become a lot more than just trade agreements—they include things like environmental and labor issues as well as direct trade provisions. This makes them much more complicated documents. Instead of the several hundred page agreements of the past, we now must deal with several thousand page documents. And, when you have a much more complicated document you have much greater potential for disagreement.

This makes the inclusion of dispute resolution

mechanisms terribly important, and this is of course one of the major sticking points of GATT. Some see binding dispute resolution mechanisms as resulting in a loss of sovereignty. My response is that in a complicated world trading system you must have dispute resolution mechanisms built into the agreement or everything bogs down. As long as the mechanism itself is developed within the agreement I don't think you lose sovereignty, because if you don't like the mechanism you can reject the entire agreement.

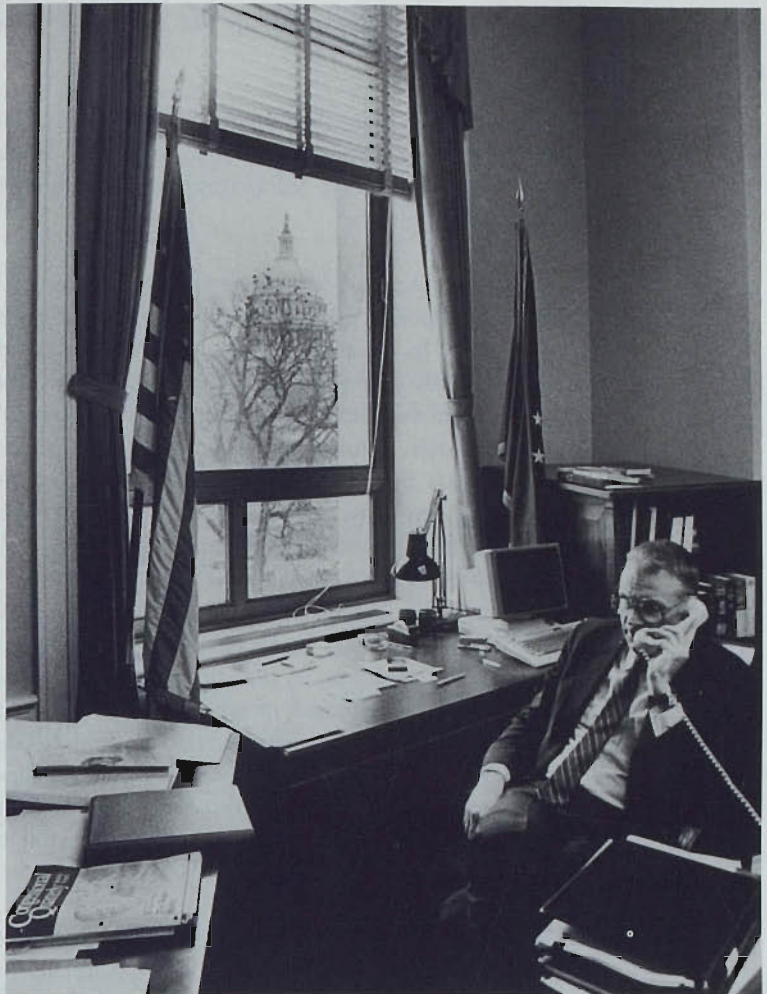
I do think that trade will become more and more a focus of contention among the nations of the world. It is too simple to say that the tensions in the past were related to national security and the tensions of the future will be related to economics, but there is a lot to that. In other words, the future frictions that will develop between Japan and the United States, and between the European Union and the United States, will most likely be over trade issues. Likewise, the trouble we have under NAFTA is going to be very heavily focused on agricultural trade, especially with the Canadians. I think this is almost inevitable and I don't think we will be able to avoid it.

Freshwater: Do you think that we are reaching a point in trade negotiations where American agricultural interests will be sacrificed for the "greater good"?

Hamilton: Well, I think that you can already see from NAFTA and particularly the GATT negotiations that agriculture has a hard time keeping its once dominant place at the table. What you now see are some very powerful new groups, like the entertainment industry, that are a major force in trade discussions and are major contributors to our trade balance. The point is that only a few years ago nobody thought of the entertainment industry in terms of trade discussions—it was agriculture, airplanes, and few other industries. I wouldn't say that agriculture has lost its place at the table, its just that there are a lot more people at the table. But agriculture is still terribly important to the American trade picture and to our economy.

Freshwater: Switching to the Former Soviet Union, why do we continue to pretend we are making commercial grain sales to Russia and the other countries when they have fallen so far behind in their repayment of past loans and their short-term economic prospects are so shaky? Isn't this really a form of aid?

Hamilton: I think most of us feel that our relationship with Russia and our relationships with the



other newly independent states is still the most important relationship that we have in the world, and that we recognize the extremely difficult changes that are taking place in those countries. How that struggle comes out has immense political and security implications for the United States, so that much of what we do to help the states of the former Soviet Union has a political rationale, not an economic rationale.

It is aid, and we recognize it as aid, but we think it is in the American national interest because we want to see them succeed. The world is going to be a very different and better place if democracy and market economies prosper in those countries. And if they don't, the world is going to be a much more ominous place. So Russian aid has a very heavy political motivation driving it, making it much more than a direct economic exchange.

American businessmen who come to see me think money can be made in Russia. I hope they are right, and I can point to some current success cases, but overall I think it will be pretty tough to make money in Russia during the next few years. A longer term perspective is needed. But, I do hope American businesses continue to invest in Russia because that can only help speed up the transition to a

that can only help speed up the transition to a market economy.

Freshwater: Other than trade, we export American agricultural products through food aid. What role do you see food aid playing in U.S. foreign policy in the future?

Hamilton: Food aid is an important tool of American foreign policy. It gives us an entree and it gives us leverage. In certain countries, such as Egypt and some African countries, it is a terribly important part of our relationship, although in most countries it is not. Global economic growth and improved trade flows have made commercial sales increasingly dominant in our agricultural exports so we often forget food aid programs.

However, if we continually face humanitarian crises around the world, the question becomes how does the United States intervene and to what extent? Somalia and Rwanda are the two most visible examples of the importance of emergency food aid. In addition, a significant number of poor countries have persistent food deficits and depend on the humanitarian response of the American people to prevent famine. In these cases food aid certainly remains a very important part of American foreign policy.

Freshwater: Do you have a hard time justifying appropriations for food aid to your constituents in Indiana, particularly farmers?

Hamilton: I don't think that Hoosier farmers recognize their interest in the foreign aid food programs. We probably need to do a better job of letting them know the importance of aid programs to the American farmer. Interestingly, farmers don't often speak to me about food aid programs. Maybe they aren't aware of their importance, or perhaps they see other issues as more important.

Freshwater: We spoke earlier of the increased difficulty farmers have in maintaining their position in trade negotiations, but one could also ask how it is that farmers remain such a potent political force, given their diminished numbers and the relatively small contribution of agriculture to the national economy?

Hamilton: Nostalgia. We as a country have grown away from our agricultural roots, but not very far away. Americans think back to past close ties to the farm and they remember them with nostalgia. The American farmer is enormously popular in the Congress and in the executive branch as well. And even though farmers are a very small percentage of the population, and one that is getting smaller ev-

ery year, they retain political clout that far exceeds their numbers. Farmers are well organized, and because they are geographically concentrated, they can exert more influence than their absolute numbers would suggest. Now, most farmers will not acknowledge this, and probably not even like it to be said.

Of course the other point is an obvious one and we all recognize how important food is. The farmer grows the food so when you talk about essential industries, agriculture remains the most essential industry.

Freshwater: What are the implications of falling farm numbers for the political process and the future development of agricultural policy?

Hamilton: The shift in power in the House of Representatives is not as most people think, from rural to urban. The shift is from rural and urban America to suburban America. The suburban members have now become the balance of power and it is suburban interests that now drive the legislative agenda. The number of members of Congress who directly represent agricultural constituencies is very, very small. A lot more represent rural interests, but they are still a relatively small group.

One of the things that strikes me is that I represent the least densely populated district in Indiana and therefore the most rural district, but it does not have the best agriculture in the state. If you go through the counties of the Ninth District and you ask how many full-time farmers there are, you don't find many. There are a lot of farm families in the district, many of which would like to be full-time farmers, but the bulk of their income comes from off-farm employment. So even with the least densely populated district in Indiana, I have very few full-time farmers as constituents.

Freshwater: Does this mean that the most important policy for the farmers of Indiana is rural development, rather than agricultural policy, per se?

Hamilton: I really don't separate the two. I think of agricultural policy and the commodity programs as being part of rural development. In my district, even though you have a relatively small number of full-time producers, you have a lot of producers. Beyond this there is a lot of related economic activity—processors, transportation, grain elevators and so on. So there is a lot of economic activity that is linked to farming. Agriculture is an important part of the economic base and we must continue to work to improve it. But at the same time, it is clear that most of the farmers in the Ninth District, and in the nation, will depend primarily on nonfarm sources of income, so other forms of economic development are vital too. ◻

David Freshwater is an associate professor in the Department of Agricultural Economics, University of Kentucky. He was previously a senior economist on the staff of the Joint Economic Committee of Congress with responsibility for agricultural and rural policy.