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# Book Reviews

## **Agricultural Policy and Trade: Adjusting Domestic Programs in an International Framework: A Task Force Report to the Trilateral Commission**

**Reviewed by Nicole S. Ballenger**

*D Gale Johnson, Kenzo Hemmi, and Pierre Lardinois,  
New York New York University Press, 1985, 132 pp ,  
\$25 00*

In September 1986, ministers to the General Agreement on Tariffs and Trade (GATT) met in Punta del Este, Uruguay, where they successfully bridged their disagreements and forged a broad agenda for the eighth round of multilateral trade negotiations (MTN) held since the GATT was established. Hard bargaining is expected to be under way this spring, and agriculture will receive notably greater attention in this round than ever before. Agricultural subsidies are a particularly contentious issue. Reaching an agreement on the language on subsidies contained in the agenda was one of the major stumbling blocks to launching the new round. At the top of U.S. Trade Representative Clayton Yeutter's list of U.S. priorities for the trade talks was "an end to export subsidies in farm trade" (*The Washington Post*, Sept. 9, 1986). The contracting parties to the GATT have agreed to a broader goal to increase discipline on the use of all direct and indirect subsidies and other measures directly or indirectly affecting agricultural trade. The big question raised by many observers is by how much the United States will agree to adjust its own extensive farm price and income support programs to induce the Europeans to rein in their controversial Common Agricultural Policy, whose 1986 farm export subsidies exceeded \$8 billion.

For economists and noneconomists alike who will be following (possibly for several years) the upcoming talks on agriculture, *Agricultural Policy and Trade* is excellent background reading. The intent of the book, which was prepared under the auspices of the Trilateral Commission, is to recommend "internationally constructive" changes in the agricultural policies in each of the Trilateral partners (the United States, the European Community, Canada, and Japan).

Internationally constructive changes, according to the authors, are those that would reduce the distortions that permeate agricultural production and trade and that limit the adverse international trade effects of domestic farm programs. The authors argue that, given the Trilateral countries' awareness of the costliness of their policies in terms of prices to consumers, budget deficits, and the health of the international trading system, the stage is now set for progress in this direction and that "the new GATT Round provides an opportunity which should not be lost" (p. 56). They also suggest that GATT rules regarding agriculture be changed to provide effective multilateral discipline over the agricultural trade and domestic policies of GATT-member countries.

This book is remarkably short and is clearly and concisely written. In 56 pages of text the authors give an overview of four main topics: (1) the current domestic farm programs of the Trilateral partners, (2) the implications of these policies for international trade and the inadequacies of the GATT in dealing with their impacts, (3) the adjustments involved in making the transition to more market-oriented policies, and (4) the authors' priority recommendations for each country and for GATT revisions. The coverage of the first two topics is particularly good. The authors unravel and present in lay terms the essential features and workings of the Trilateral countries' highly complex farm programs. The descriptions of the farm policies and their economic impacts will be useful to both agricultural and general economists, but will not alienate noneconomists.

The welcome simplicity with which agricultural policy issues are discussed, however, signals one of the book's weaknesses: the authors make trade liberalization sound awfully easy even though they know otherwise. The crux of their recommendations is that domestic farm price relationships should more closely reflect international price relationships and that domestic farm programs should not be allowed to distort or destabilize international markets. For ex-

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ample, in the case of the United States, they suggest that U S "deficiency payments for grains and cotton need to be gradually eliminated" and that "dairy price supports should be reduced to a level that would eliminate domestic production in excess of domestic consumption and then be further reduced to determine if U S dairy producers could compete with unsubsidized dairy exports from other producing areas" (p 47) The authors compiled data and analyses (which are offered in an appendix in support of their recommendations) from existing studies of agricultural policy and trade liberalization These studies generally indicate that, in the absence of protectionism, world agricultural prices would have been higher and less volatile They also indicate that costs to many countries' consumers, as well as to taxpayers, would have been lower However, they do not show clear gains for U S farmers For example, studies indicate that U S dairy, sugar, wheat, peanut, and rice farming could be less profitable The results the authors present do not clearly indicate that liberalization would help the United States recapture its recently lost world market shares In short, the book's recommendations would be much easier for the reader to accept if the authors provided a convincing eco-

nomic rationale that individual, politically powerful commodity groups could also accept

The lengthy appendix supporting the text is a useful reference source and handbook for anyone researching agricultural trade and policy issues related to the United States, Canada, the European Community, or Japan It adds detail to the discussion of the agricultural policies of these countries, provides numerous tables of supporting data, and reviews the results of previous studies of agricultural trade liberalization Data reported in the appendix include government expenditures on agricultural programs, selected estimates of nominal and effective rates and protection, estimates of costs of farm programs to taxpayers and consumers, estimates of the effects of protection on the agricultural trade balance, and other general agricultural statistics for the countries covered by the report It is unfortunate that, because the data are drawn from so many unrelated sources, little of the policy information can be compared directly across countries This flaw is an indication, duly noted by the authors, that considerable work still needs to be done in support of an MTN for agriculture