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1988

RELEVANT INTERNATIONAL ISSUES FOR EXTENSION ECONOMISTS

by

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Paper presented at the Symposium on International Issues in Extension: Problems and Potentials, American Agricultural Economics Association Annual Meeting, Knoxville, TN, August 1988.

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Most Americans are acutely aware that we are an integrated part of the world economy. One only has to consider automobiles or electronic equipment to realize how important imports are in satisfying U.S. consumer demand. U.S. agriculture is also wedded to the international market. Nearly 40 percent of U.S. wheat and one-third of our cotton, soybeans, and tobacco produced each year are exported. Even so, we have large surpluses of most of our major products.

My charge today is to address relevant international trade issues. These include U.S. competitiveness, the GATT negotiations now nearing its mid-term, the Canadian-U.S. Free Trade Agreement, the Caribbean Basin Initiative, third world debt and its impact on debtor nations as well as Agricultural producers in the U.S., and the effect of U.S. aid and assistance to low income countries. However, for this session, even more a generic issue is how do we as extension economists stay informed on such broad and often complex issues in the international area, and further how do we deliver information to our clientele in a usable and understandable form, once we have identified who our clientele are.

To give an example, consider the tough question that extension specialists and agents often face, why should the U.S. give technical assistance in agriculture to low income countries, particularly when all this does is create new competitors. The answer lies in the fact that they are low-income nations and, as such, have a high responsiveness to income changes which largely translates into increased demand for food products. My own research indicates that when income increases in a country such as Mali, over 70 percent of the increase is spent on food. In European countries, less than one-third of the increased income would be spent on food (Theil, Chung, and Seale, forthcoming). This combined with large population growth suggests that the agricultural sectors of low-income countries could not meet the increased food demand if incomes were to increase and be sustained at even two percent annually. Accordingly, their import of food would grow. Since 1970, U.S. agricultural exports dropped from 66 percent of total agricultural exports to 53 percent in 1986, while agricultural exports from the U.S. to less developed economies increased from 29 to 41 percent over the same period (Harris and Benson, 1988). The complexity of the problem stems from the fact that the majority of people in most low income countries are in the agricultural sector and any significant per capita income increases must come from increased agricultural productivity.

Another example that could have immediate impact on at least some producers is the Canadian-U.S. Free Trade Agreement. This legislation, if approved, would go into effect January 1, 1989 and would eliminate all agricultural tariffs between the U.S. and Canada within 10 years. The exception would be for vegetables and fresh fruits which could take up to 20 years (Seale, Fairchild, and Paggi, 1988). There has been much discussion on this agreement, but little if any information is reaching clientele through the extension service.

Government involvement permeates international trade in all countries. For agricultural trade, government policies are often the main driving force. For example, the U.S. and the EC have agricultural policies that encourage greater production than their economies or the international markets can absorb. As a result, their agricultural trade policies are residuals of their price support policies and have lead to massive dumping on international markets at below cost prices. Much of the dumping takes place in low-income countries. This generally subsidizes urban consumers, but greatly lowers the earning power of farmers, usually the majority of the people. Essentially, the current GATT talks are a result of our over-pricing policies. If tariffs can be eliminated on agricultural products through GATT (along with production subsidies), both North American and European agriculture will go through significant change. Are we as extension economists going to have the expertise and information to educate our clientele as to the potential impacts on their businesses?

The above question brings me to my closing comments. As researchers and extension economists, we have only recently as a profession become involved with international trade issues. Few agricultural economists have formal training in international economics. Too often we are like our medical friends who tell us in one article that moderate consumption of alcohol causes breast cancer and in another that it does not. Yet, even when we have good, solid, and useful information to share with our clientele, we do not have an effective delivery system to reach producers, consumers, policy makers, or even our own colleagues. Again, the most relevant issue for extension economists is how do we build a program to reach our clientele with useful information in the international area and, again, how do we identify this clientele.

FOOTNOTES AND REFERENCES

1. Theil, H.; Chung, C. -F.; and Seale, J. L., Jr. International Evidence on Consumption Patterns. Forthcoming, JAI Press Inc., 1989.

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3. Seale, J. L., Jr.; Fairchild, G. F.; and Paggi, M. S. Government Intervention in Agricultural Trade. Mississippi State, MS: Southern Rural Development Center No. 106-5, 1988.