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**SPEECH FOR THE 8TH INTERNATIONAL FARM
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**OWEN JENNINGS, PRESIDENT, FEDERATED FARMERS OF
NEW ZEALAND.**

Farmers have many splendid advantages living and working in the open spaces, natural surroundings and the privilege of managing living things.

Our custodianship of the delicate cloak of soil spread thinly around this planet gives us a keen appreciation of the quality of life. There are few places in the world where these advantages can be better demonstrated than New Zealand.

Those of you who are first time visitors to this beautiful country will come to agree that we have a delightful green countryside, edged by crystal clear waters and back-dropped by outstanding mountains. It is the equable climate that makes this such a fine place to grow grass and produce competitively priced meat, milk and fibre.

In an age dominated by the computer and the cost accountant, it raises the question - Is our standard of living measured by the number of television sets per capita or the quality of our water and air?

These are the attributes that give New Zealand its comparative advantage - its our coal for industry, our iron ore for steelmaking. This country's contribution to the international trade pool is our countryside and its climate and the natural protein products that flow from them.

Thirty years ago that contribution was appreciated and accepted. We accessed the rich markets of the world and bought their manufactured goods in return. Our standard of living, by any measure, ranked alongside the United States, Canada and Switzerland. The welfare system gave protection from the cradle to the grave, with high quality free health and education facilities and payments to children and pensioners.

Under an eminently sensible trading system we excelled at what we did best, leading the world in pastoral products, butter, cheese, sheepmeat, beef and wool. In return we purchased cars, machinery, consumer goods, typical of the benefits accruing from a free trading system.

The 1970's brought a sudden and alarming jolt. Protectionist elements were gaining the ascendancy, convincing governments that self sufficiency in food at any cost was more important than open trade.

Tariff barriers were instituted, raised, and fine-tuned into elaborate, convoluted mechanisms preventing food imports. Subsidies to local producers, however hopelessly inefficient and high cost, were lollied out by ignorant taxpayers limiting the opportunity for the genuine and efficient. Trading blocs with powerful political forces emerged, slamming the doors shut on would be traders.

The architects of these pernicious policies convinced their electorates that food security was of paramount importance. Self sufficiency became the goal, but bloated budgets turned adequacy into horrifying surpluses, dispensed at even greater cost to bemused taxpayers and with devastating effect on the rest of the world.

The protection of the rural fabric was another high sounding goal of the protectionists. It was unthinkable, they crooned, to have small farmers forced off their land by cheap produce from overseas. A pampered rural electorate strongly agreed and fought to maintain a biased voting system to keep the pretence alive. A pretence because subsidies never really protect people in the long term. In twenty years of protection the number of farmers in Europe has more than halved.

Clutching at straws, the advocates of these ruinous policies have more latterly been exploiting the 'green' interest by claiming to be the friendly defenders of the environment. It is a hollow claim. The waterways of heavily subsidised farmlands are poisoned by nitrates, the soils by chemicals and their produce by frightening residues leading to diseases that cannot be controlled.

Not only have the environments of subsidising countries been put at risk, but indirectly the biggest single effect in the Third World's damaged ecology is the inability of those nations' farmers to access the richer markets of the world with their rice, tropical fruits, crops and animal products.

The gratuitous aid programmes pedalled by the world's rich to soothe their collective conscience does little to help the developing economies mature and cope with their debt, compared with the lasting benefits that would flow from freer market access.

The net result of this dangerous nonsense on New Zealand has been devastating. Forced out of the wealthy countries and barred from others, we embarked on the expensive and time consuming task of finding new markets, often in the poor countries, who could not afford even our competitive prices.

With sickening regularity we were followed by the subsidised surpluses from Europe, the United States, Canada and Scandinavia, wrecking a carefully nurtured market.

We tried diversification, only to have the same protected heavyweights follow us into the new product and then the markets. With sinking returns our terms of trade slipped to be as low as they were in the depths of the 1929 depression.

Incomes for meat and wool farmers in this season are the lowest for 25 years. The rural sector carries a crippling debt that demands over 25% of gross income to service on average. The flow on into rural towns and now the whole nation has been debilitating, sending overseas debt skyrocketing, unemployment up to new highs and a slump in the world's standard of living stakes to 24th, alongside Turkey.

New Zealand has been denied the opportunity to participate fairly in the international trading arena by doing what it does best, producing pastoral farming products and marketing them unfettered to the world.

Despite appeals to the organisation specifically designed to facilitate freer trade, the General Agreement on Tariffs & Trade, New Zealand has been unsuccessful in convincing the world to deal adequately with the distortionary food trading practices.

Along with Australia, Canada and an exposed group of food exporting countries who saw benefits from some responsibility in better access for agricultural goods, New Zealand helped form the Cairns Group to lobby internationally for change. Some progress has been made, Punta del Este in 1986 the mid term review, the Houston G7 commitment in May 1990 and the various proposals for reductions by various countries and leaders appeared to be building toward a sensible timetable and plan to substantially reduce trade barriers.

Regrettably, the intransigence of the Europeans and the impatience of the Americans has so far yielded a nil result from a GATT round that should have been completed in December of last year. Many observers are not only writing the obituary for this trade round, but see the whole GATT system collapsing.

The European Community, preoccupied with unification in 1992 and Eastern European pressures, has adopted a cavalier attitude to the prospect of such a collapse. The United States is more concerned, but it has its hands well and truly full in the Gulf War. Japan, typically, waits in the shadows worrying more about its banking problems, while the Cairns countries and others wring their powerless hands in frustration at a lost opportunity.

The tragedy is that few have stopped to consider in any way the obvious consequences of a totally collapsed round. Trade wars, particularly in food, would be inevitable - indeed they are already under way with retaliatory action by the United States on grains and "Super 301" ready for bludgeoning the recalcitrant into submission.

We usually recognise the damage to exporting countries like New Zealand if trade wars become prevalent, and rightly so. The consequences on our economy here are unthinkable if commodity prices drop any lower. What has not been so well publicised is the effect on the war's participants. For those countries trade embargoes, dumping and retaliatory actions will add to an already pressured inflation rate, as consumers and taxpayers get caught with higher prices and taxes.

Business growth would slow down and add to the recessionary forces already at work. The Vice-President of France's Pechiney said, "a failure of the round would be a catastrophe adding considerably to already burdened economies."

The Chief Economist of the Royal Bank of Scotland predicted that the markets would take a severe knock and that a failure would be depressive.

Global estimates of the cost to the United States of a round failure are set at \$US 62 billion a year, with \$38 billion of that being lost commerce and the balance the upfront cost of waging a trade war.

World inflationary pressure, already simmering, would boil over with flow on credit squeezes, confidence losses and the prospect of reactionary protectionist forces demanding an even less competitive trading system. Some commentators are already predicting a 1930's level depression with the EC sliding into Fortress Europe, the US/Canada/Mexico trade group defending itself and the Australian APEC initiative trying to shelter the Asian-Pacific countries.

Key issues in the Europe 1992 programme, like reciprocity in the financial markets, guidelines for government and utilities contracts have yet to be determined and hinge to a large extent on the outcome of the GATT talks. There is still time for Europe to turn inward in 1992.

Agricultural exporting countries like the Cairns Group are already suffering and look ahead with alarm at a non conclusion. The United States is currently subsidising wheat exports to Tunisia to the tune of \$US 100 per tonne.

These prices will decimate the small but vital wheat industry in New Zealand and create havoc in Australia and Argentina.

Dairy prices are at rock bottom in New Zealand this year, with over 50% of farmers making a cash loss. Any deterioration in international prices would have grave consequences.

On the positive side, a reasonable breakthrough in the Uruguay Round would bring major benefits across the whole world. US Trade Representative, Carla Hills, uses the figure of \$US 4 trillion stimulation to the world economy over the next decade, which is the equivalent of \$US 17,000 for each American family.

Growth rates in the major trading countries would increase by between 1½ and 5% per year with the attendant benefits to jobs, interest rates and debt.

The world economy is desperate for a new initiative to stimulate growth and break the current malaise. Freeing up agricultural goods trading, as well as better rules in textiles and intellectual property is the obvious and sensible way to provide that fillip. It will take political courage and decisiveness that has not been in evidence so far to overcome a few vociferous, self serving groups.

Benefits to developing Third World countries are considerable, with the real potential of their exorbitant debt levels being dealt with sustainably by trading their way back to profitability. As President Kaunda once said, "We need trade, not aid". These benefits become benefits to the developed countries which are owed the money, turning bad debts into new investment opportunities.

The current direct cost of subsidies and protection around the world is about \$US 250 billion. The removal of this imposition to the taxpayers and consumers of the protectionist countries will obviously give a necessary boost, lifting standards of living.

On the other hand, the cost to exporting countries is growing to the point where in Argentina, for example, national security and economic stability are becoming key factors.

European wheat exports have increased 5.5 times since 1979, displacing over 260 million tonnes once grown in countries such as Argentina at profitable prices. No country in the world can handle such blatant disregard for its wellbeing by a larger competitor using unfair methods.

The cost of producing beef in Japan is ten times the world average, rice 6 times the world price, with something like 72% of the value of all agricultural output coming in the form of subsidies to Japanese farmers.

The immorality of having the average cow in Europe receiving more in subsidies than half the world's population receives by way of income has to be called into question. The farmers of the state of Iowa receive more money in handouts than all of Africa receives in World Bank investments. As a former Trade Minister in New Zealand said, "President Aquino doesn't need guns - she needs a market for her sugar and rice." We ignore the cries from the unfortunate at our peril.

Following the debacle in Brussels in December last year when the politicians could not reach agreement on agriculture, the GATT Secretariat has been quietly working with the key parties to attempt resolution at officials level.

I believe there will be an agreement made that is not far from the Hellstrom position of 30% reduction on 1990 levels. It is an inadequate outcome from the Cairns Group's viewpoint. Far too little for the Americans and far too much for the Japanese, Europeans and the Nordics. However, it is a step in the right direction and as with tariffs on manufactured goods under GATT, it may take more than one round to achieve a desirable outcome.

What is of concern is can the United States 'fast track' deadline be reached and will Congress in the US accept an agreement with such a small movement in agricultural protection? Given the growing protectionist lobby in the US Government, the chances of either an extension of the 'fast track' or a positive outcome are slipping.

In the meantime, a considerable campaign is being waged to ensure the more liberal minded are fully equipped to counter the short sighted policies of the anti-free traders.

I hope you enjoy your stay in this fair land and we will not mind if you return envious of the beauty of our countryside. Do consider how we could improve the lot of both of us by ensuring that the idiocy of subsidies and protection is halted and the great gains of freer trade can be shared by all.