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FOOD AND FOREIGN AFFAIRS: THE ROLE OF AGRICULTURAL TRADE POLICY IN INTERNATIONAL COMMERCE AND DOMESTIC RELATIONS

by

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FOOD AND FOREIGN AFFAIRS; THE ROLE OF AGRICULTURAL TRADE POLICY IN INTERNATIONAL COMMERCE AND DOMESTIC RELATIONS

INTRODUCTION

Until that now famous series of Russian grain sales took place in 1972 agricultural policy in the United States had begun to lose its sex appeal! It had its challenges in the drought and depression years of the '30s, and again during World War II, but in both those cases the concern was whether we could produce enough for our needs. In the earlier of those decades, we had an additional preoccupation with the economic survival of our farming communities. Farm families had to be strong in every sense of the word to live through the '30s.

In the '50s and early '60s, we experienced a new problem -- one of recurrent surpluses. Those "ever normal granaries" of the FDR era became ever normally full and overflowing two decades later. Farm incomes plummeted, not because farmers produced too little, but because they produced too much! The situation did have its bright spots though, at least to some people; "cheap food" became a way of life in the U.S. Our consumers experienced the pleasure of having more and more money left in their pocketbooks after doing their weekly grocery shopping. This occurred not simply because their husbands (and the working wives too!) brought home a bigger pay check, but also because a smaller percentage of that pay check went for food. By the early '70s, the percentage had dropped below 16, even though people were eating out more than ever before. American families contentedly went about spending more money for other things.

Consumers in importing countries benefitted from the surpluses (most of which were held in the U.S. and Canada) too. We and other exporters discovered that it cost money to store surpluses, and that one could afford to move them on the world market even if it meant shaving prices in some manner. This led, for example, to "food aid" programs in which a nation would either give away its surpluses, or sell them through the use of long term credit with exceptionally low interest rates. With food aid programs (P.L. 480 for the U.S.), exporters could reduce their surpluses and feel like humanitarians at the same time!

The exporting nations soon learned, however, that their surpluses were too large to be fully absorbed by food aid, i.e., we couldn't even give all that grain away in the developing world. This then led to use of the export subsidy, still one of the most invidious of all trade practices. One can compete on any market if one's Federal treasury is large enough! These subsidies proved to be costly indeed (though perhaps less costly than storage), but they moved a lot of food to importing nations at bargain basement prices. U.S. consumers were happy because food costs remained low, and taxpayer costs, though high, were tolerated because we seemed to be making progress in reducing the surpluses. Exports increased dramatically, not just because of subsidies, but because of a growth in worldwide demand for food products and an ever widening competitive advantage for the American farmer.

Then in 1972 the Soviet Union triggered a never to be forgotten series of events by entering the world food market in a massive way. Food prices in the U.S. skyrocketed, or at least consumers thought they did! Though the percentage of income expended for food never did rise beyond a mean of 18, even that 2 percent jump seemed devastating to housewives accustomed to paying the same amount at the checkout counter every week of the year! Consumer advocate groups looked for villains in the picture, and almost everyone in the production and marketing process was castigated before the issue quieted down.

U.S. agricultural exports skyrocketed too, and this led to a strengthening of the dollar and a vast improvement in both our balance and terms of trade (helped, admittedly, by the dollar devaluations of this period). Consumers benefitted significantly from this, but few recognized those benefits. They, in fact, argued vehemently for the imposition of export controls, and the government complied, though only on a few occasions and for very short periods of time. The use of export controls shattered our image as a dependable supplier of food, and we will pay dearly for that in years to come.

American farmers entered a period of unprecedented prosperity. Farm incomes leaped, and the implement dealers, auto salesmen, and travel agents of small town America had the finest derivative income years of their lives too. Rural America, which had been in the economic doldrums, was revitalized as never before. Farmers, however, quickly capitalized their increased incomes into land, and farm real estate prices soared. Though this made net worth statements a lot more impressive than previously, it also reduced our agricultural competitive advantage on the world scene -- a troublesome omen for the future.

In 1973 and [illegible], everyone became an expert on world hunger, and the m[illegible]a devoted hundreds of radio and TV hours and thousands of [illegible]int lines to this topic. The 20th Century Malthusians had a field day. They hawked their doomsday philosophy on almost a full time basis. Amidst all the rhetoric, the most relevant response came from farmers around the world! They reacted to the excellent prices by expanding production, a basic economic principle which had nearly been forgotten in the [illegible]thusian shuffle! As a result, we are now back to more comfortable carryover levels, a propitious time for objectively examining agricultural trade policy in the U.S. and elsewhere.

Let us turn first to the developing countries, to whom this issue is often a matter of life or death.

DEVELOPING COUNTRIES

Production Disincentives

Trade policy has both its production and marketing aspects. In developing countries, the former is often more important than the latter. Unfortunately, in attempting to follow the cheap food policies of the developed world, too many developing countries have actually discouraged agricultural production. This may be politically wise in the short run, but in the long run it is a devastating mistake. This became painfully evident to food importing LDCs in the post-1972 period, when their terms of trade deteriorated dramatically.

Of even greater significance is that industrial productivity in any nation simply cannot advance, and levels of living cannot improve, until manpower can be released from its agricultural sector. This calls for enormous increases in agricultural efficiency, an unlikely result when government is providing production disincentives!

Import Restrictions

Some developing countries have gone to the other extreme in production policy by opting to protect their domestic agricultural producers through the use of import restrictions (often as an accompaniment to high support levels). In many instances the economic objective is a laudable one, in that it provides a production stimulus. Unfortunately, it is not a policy that is likely to lead to <u>efficient</u> production. Increased self sufficiency is an understandable goal, particularly for countries that are experiencing balance of payments problems. (Brazil is the classic example today, but the same argument can be made for all LDCs who are suffering through the present energy crisis.) One must be concerned, however, lest import restrictions -- taken for legitimate reasons -- be retained when those reasons no longer apply. This has often occurred, to the chagrin of the offending nation's trading partners, and to the economic disadvantage of the world as a whole. Such violations of the spirit, if not the rules, of the General Agreement on Tariffs and Trade (the GATT) call for a more careful and continual appraisal of such practices under the GATT, and for timely termination thereof.

The import regimes of some developing countries have been so protective that their domestic industries have become complacent, lethargic, and inefficient. This has reduced (or eliminated) their international competitiveness, thereby worsening the natic 's terms of trade -- the exact opposite of what was inten To their great credit, the governments of a number of Cs (Argentina and Colombia, e.g.) have recently recognized this incongruity, and have had the political courage to do something about it by opening their borders to increased competition. Such action inevitably incurs the enmity of the protected domestic industries, but the government may actually have done them a great favor. An economically troubled firm or industry cannot survive indefinitely on the domestic scene, let alone in fierce international competition. If the firm or industry is forced to meet import competition head on (the assumption being that the import competition is fair), it may modernize, alter its management structure, and take other steps that will be in its own long term interest.

Export Subsidies

A frequent rationale for LDC protectionism, and for the use of export subsidies, is that of developing infant industries. The idea, of course, is that in the absence of such assistance, LDC industries will never be able to achieve the economies of scale essential to compete with their developed country brethern. I am prepared to accept that argument -- up to a point! Developing countries deserve a chance to improve their competitiveness, but there comes a time when an "infant industry" is no longer an infant! If the governmental protections and incentives are successful, the industry "grows up" and at that point it no longer merits special privileges in international trade.

Some LDCs have suggested, in the Multilateral Trade Negotiations in Geneva, that GATT rules should permit them to subsidize exports with impunity. That is simply an economically (and politically) unacceptable proposal. It has also been suggested that "safeguard" actions by developed countries should exempt all imports from LDCs. That too is an unacceptable suggestion, for the same reasons. Assisting the LDCs, their industries and firms to be competitive is one thing; to ask their DC competitors to battle them on a permanently disadvantageous basis is quite another thing!

Preferences

Agricultural products are a major export item, often the major export item, for many developing countries. Others have the resource base to become exporters if and when they get their economies on track. Thus, it is understandable that the LDCs delineate enhanced access to DC markets as one of their principal objectives in the economic sphere. Though that objective extends to both agricultural and industrial goods, the former offer the greatest immediate potential for many LDCs.

The United States and most other developed countries have granted temporary tariff preferences to many developing countries on hundreds of items. The U.S. system, for example, encompasses about 2,800 items involving nearly $3 billion of LDC imports. (Most, however, are industrial items.) More importantly, we import nearly $25 billion worth of these same goods from our fellow developed countries. Duty free treatment for LDCs should afford them an opportunity to capture a sizeable segment of that market.

"Special and Differential" Treatment

One disadvantage of preference systems, from the developing country viewpoint, is that they are temporary. The U.S. system has a 10 year life, but it includes provisions for the earlier removal of countries and products from its benefits under certain circumstances. In other words, the system is by no means comparable to permanent benefits that can be provided LDCs in the Multilateral Trade Negotiations. For this reason, many LDCs see the MTN as the forum with the most potential for enhancing their market opportunities in the developed world.

In the Tokyo Declaration of 1973, which launched the current, seventh post-war MTN, the DCs agreed to provide "special and differential treatment" for their LDC counterparts as the negotiations unfolded. A great deal of effort has been expended since then in attempting to delimit areas where special and differential treatment -- which by definition constitutes a departure from the most-favored-nation principle -- would be appropriate and desirable. The United States has expressed a willingness to consider such treatment in most of the MTN negotiating groups, and we have outlined our ideas on the subject in a number of papers that have been submitted in Geneva. I am optimistic that LDCs will gain significant market opportunities for their agricultural products before the MTN concludes.

Commodity Agreements

Nearly all developing countries have a constant concern with their balance of payments situation. With limited foreign exchange reserves, they are extremely vulnerable to price fluctuations in both export and import goods. Raw materials prices have traditionally fluctuated, sometimes violently, on world markets. In agriculture, this is often due to supply being a function of unpredictable weather conditions. With virtually all LDCs being either food importers or exporters, they continually suffer through the foreign exchange impact of erratic commodity prices. What is the answer? There are many, but the one typically given by developing countries is an international commodity agreement with buffer stocks.

One cannot summarily reject the commodity agreement answer for it has a lot of political appeal, at least at present. Nor should one reject it on economic grounds, for a commodity agreement may be able to inject a certain degree of stability in the world market of a given product. With a strong commitment by exporters to honor price ceilings, an equally strong commitment by importers to honor price floors, price bands that are wide enough to permit the market to work most of the time, provisions for new suppliers to enter the market, a large enough buffer stock to be influential when the margins are reached, and no readily available substitutes, a commodity agreement has a fair chance for success. Rarely, however, are all exporter and importer nations willing to accept the cost, the discipline, and the commitment that are essential to make such an agreement work. Therefore, without even considering the philosophical aspects of international commodity agreements, one must conclude that the practical realities of economic life are such as to doom most such agreements to failure. In fact, a careful cost-benefit analysis will preclude most of them from even being initiated!

Many LDCs, however, view commodity agreements as a mechanism for raising the price of raw materials they export. In other words, they see some budding OPECs in the offing. But this is unrealistic; it is most unlikely that any commodity agreement that would achieve this purpose can be successfully negotiated. For this to occur, one would have to assume: (1) that importer participants in such an agreement will be inept negotiators, or (2) that developed country importers will deliberately accede to the use of commodity agreements as a new foreign aid mechanism. Neither would seem to be a reasonable assumption. Furthermore, if a commodity agreement were "successful" in raising prices, that success would likely be short lived. Since developing countries are the primary importers of many commodities, they would be the ones to suffer most from the price rise. It would be rational to assume they would object (though one must wonder about this assumption in light of the compliant acceptance of OPEC). Beyond that, however, commodity price increases will unquestionably stimulate the development and use of substitutes. This alone will make most, if not all, price enhancing commodity agreements viable for only a short period of time.

The objective -- shared by developed and developing countries alike -- of affording LDCs a greater opportunity to expand exports, and hopefully a more attractive net income for those exports, is a valid one. It is also highly desirable in humanitarian terms, and for maintenance of peace in the world. But surely there are better ways to do this than through the use of international commodity agreements (at least as they have traditionally been designed)!

DEVELOPED COUNTRIES

Production Incentives

As I indicated earlier, one of the paradoxes of agricultural policy is that many LDCs apply production disincentives to agriculture -- even though their food needs are enormous, and even though this policy undoubtedly impedes their general economic development. The reverse of this paradox applies in many developed countries. They continue to apply production incentives to agriculture -- even though the cost is enormous and the resultant surpluses can be sold internationally only through the use of export subsidies (to say nothing of the import restrictions that are necessary to keep the system functioning). In other words, many developed countries deliberately maintain an agricultural production plant that is uncompetitive internationally! They do this, allegedly at least, for social reasons. The argument made is that their respective countries are better off by keeping a substantial segment of the population in rural areas, rather than to have them migrate to the cities. (Though some migration is occurring nonetheless, the rate is quite low.)

It is not my intent to challenge the social policy of these developed nations. Nor is it my prerogative to do so; they have a sovereign right to choose whatever social policy they wish. I have traveled many of those countries, and I too appreciate the beauty of their countrysides and the quaintness of their small farms -- inefficient as they may be! But as an economist I do object -- and I believe other nations have a right to object -- to the distortions that those social policies cause in the arena of international trade!

Unfortunately, from an economist's viewpoint, many developed nations have chosen to implement their rural social policies through the use of high support levels on agricultural products. This is probably the most trade distortive (and perhaps the least cost effective) policy that they could possibly have chosen. Both the European Community and Japan have found, for example, that to provide reasonable incomes for their small agricultural producers, support levels must be set far above world market prices.

Export Subsidies

The upshot of this is that most everyone is unhappy! Surpluses generated by high support levels must be sold on the world market through the use of export subsidies. This is not likely to score points with more efficient farmers in the U.S., Canada, Australia, New Zealand, Argentina, and other exporting nations who find their own exports undercut by the subsidies. Trade policy experts call this the "third country" subsidy problem. It is an issue for which the present GATT rules are totally inadequate. (Because of this, the U.S. now has authority to deal with such unfair trade practices under domestic law /Sec. 301 of the Trade Act of 1974/, and about a dozen complaints have already been filed.)

Export subsidies can, of course, also be used to penetrate markets that would ordinarily be served by domestic producers. The European Community, for example, has long subsidized its cheese exports to the U.S. This not only undercuts exports by Australia and New Zealand (the third country subsidy problem), but it also takes part of the U.S. market away from American dairy farmers. The proper response to such subsidies is the application of countervailing duties (i.e., a duty equal to the subsidy, which effectively neutralizes it), but subsidizing exporters contend that countervailing is inappropriate unless "injury" is shown. (I would counter this contention by asserting that injury is inherent in the use of direct export subsidies. After all, the purpose of such a subsidy is to penetrate a market that would not otherwise be penetrable.)

If export subsidies undercut world market prices, importers benefit from this unanticipated developed country generosity. So long as they are not attempting to develop their own production of the product in question, the price cutting is a foreign exchange bonanza for them. Nevertheless, they are concerned about the long run implications of subsidy practices.

If developed countries use export subsidies to rid themselves of agricultural surpluses, they can use such subsidies to rid themselves of other surpluses too. Some of these will inevitably undercut exports from the developing world. Competing with the treasuries of the developed countries is not an enticing thought for LDCs with balance of payments problems. But perhaps their major concern is that developed countries typically use subsidies on products in which they are no longer competitive. These are labor intensive products, both agricultural and industrial, where developing countries now have either an absolute or comparative advantage. The contention of the LDCs, and a legitimate one, is that developed countries should be phasing out these industries, or at a minimum should be phasing out their uncompetitive firms. By no means should they be expanding production of such goods through the use of subsidies at a time when the LDCs are trying to find a meaningful niche in the international trading world.

Within subsidizing developed countries, economic joy is hardly universal either. Producers are obviously pleased by the support from their governments, particularly when it is partially hidden in higher domestic food costs and thus is not readily identifiable as a government subsidy! But taxpayers are not at all pleased by the costs they can see (storage and export subsidies, e.g.), and they are uneasy about those they cannot see (the indirect impact of higher support levels on food costs). U.S. taxpayers, for example, objected vigorously to the million dollars per day we spent to store our grain surpluses a few years ago, and also to the export subsidies we used prior to and including the initial Soviet grain sales. The consumers of Western Europe, with food prices far higher than ours, must wonder about the wisdom of subsidizing beef sales to the Soviet Unio hen beef is not exactly a bargain in the supermarkets of Brussels, Bonn, or Paris!

There must be a better way to avoid and/or deal with agricultural surpluses.

Quantitative Restrictions

to the rational conduct of international trade. Whereas subsidies are the principal distortion on the export side, QRs fill a similar distortive role on the import side. No matter how competitive one may be, it is mighty difficult to penetrate a market walled in by a quantitative restriction! The variable levy, which increases as the world market price of a product falls, is no less onerous than the traditional QR. Voluntary restraint agreements, none of which are truly "voluntary," are an improvement in degree, but not in kind. For purposes of this discussion all can be considered as quantitative restrictions.

As described earlier, developing countries have been able to rationalize at least some of their QRs under the GATT rules, usually on balance of payments grounds. Developed countries, on the other hand (including the United States), have struggled futilely to justify their quantitative restrictions, most of which are agricultural. Some which might have been appropriate when initiated (under safeguard rules, e.g.) are no longer defensible and should have been eliminated years ago. Others are palpably illegal, and are being retained in circumvention of the GATT. If a solution to this problem can be found, world agricultural trade will be immensely improved. This is one of the priority objectives of the Tokyo Round of trade negotiations.

Standards

Standards should be trade neutral, and both buyer and seller should benefit from their use. But that is not always the case. Japan, for example, some months ago rejected a shipment of U.S. citrus because the fruit had been sprayed with a particular chemical. Yet that chemical had been approved for use by Codex Alimentarius, an international standards making body! Of which Japan is a member! This exemplifies why we need to negotiate a procedural standards code in the MTN.

Administrative Guidance

There are times when non-tariff barriers are extremely difficult to discover and characterize. A number of such barriers, applicable to both agricultural and non-agricultural goods, can loosely be described under the heading "Administrative Guidance." Customs procedures frequently fall into this category. Clearances are often inordinately delayed, and if the imported product is perishable, it may never reach the ultimate consumer.

Or the word is quietly passed from a government official to the private sector that import levels of a given product are becoming worrisome. The following month orders from those private firms begin to decline. This can be just as effective as a quota, though it may never appear in the form of a law or regulation!

Other Distortions

I have concentrated my attention in this paper only on those practices which I consider to be the most distortive to world agricultural trade. Many others could be mentioned, particularly in the non-tariff barrier area, for nations have become innovative in protecting their domestic industries from competition.

I have not even mentioned tariffs. Though they can be disruptive too, and though we need to further reduce tariffs in the MTN, competitive firms and industries can overcome many of the tariff levels that exist in the world today. Non-tariff measures, on the other hand, can often stop a competitive firm or industry in its tracks!

Yes, it is an imperfect world! And the imperfections in agricultural trade are some of the most imaginative of all. But let us not be pessimists. Notwithstanding those imperfections, our own agricultural exports have nearly quadrupled in the past decade. Not a bad record, even though a few rocks have been thrown in our path. Beyond that, there are consumers around the world who are picking up those rocks as fast as producers are throwing them. These consumers want a better diet, and if that calls for importing agricultural products, they want to import!

Where does that leave us, in early 1977 as we move into the final phases of the Tokyo Round of trade negotiations, and as we debate renewal of our own farm legislation? I offer the following views for your consideration.

First, we must maintain our international competitiveness, so that we can deal from equity and from strength at the negotiating table. This calls for concerted action in many areas: agricultural research and extension programs; the development of new agricultural technology; stimuli for capital investment in agriculture; sound monetary and fiscal policies generally; and farm legislation that will not jeopardize the competitiveness that already exists. Government policies can help to maintain and enhance the efficiency of U.S. agriculture. Unfortunately, our big bureaucracy sometimes harms, while trying to help. I hope we can avoid that outcome in the future!

Second, if we are competitive, we ought not apologize for it, and we ought to use it to our advantage. This is not to suggest that we use food as a "weapon," the favorite term of the media these days. But it is a recognition of leverage, and the opportunity to use it for the benefit of U.S. farmers and for our nation as a whole. If we are not careful, we can give away that leverage in a variety of ways. Let's not do so! 1/

1/ The negotiation of an international grain reserve is an example of this. A grain reserve is like an insurance policy, the cost of which should be borne by the policy holder. In this case, that means that grain importing nations should bear most of the cost, not the exporting nations as has been true in the past! It also means that we should not unilaterally create a "domestic grain reserve." Were we to do so, we would sacrifice all our leverage in this area, and the rest of the world would quickly lose interest in an international reserve.

Third, we should proudly defend our basic agricultural policies. With an agricultural production and marketing plant that is the envy of the world, we ought to try to convince others to move in our policy direction, rather than vice versa. Of course, conditions are different, and we cannot expect the rest of the world to do everything our way. In many cases, it would be inappropriate to do so. But neither is it appropriate to categorically reject our market oriented, free enterprise system. Many elements of our system can serve other nations well, perhaps more effectively than what they now have. Futures markets, for example, have scarcely been used in many agricultural trading nations.

Fourth, we should unhesitatingly challenge the trade distortive actions of other nations, particularly those in the developed world. It does not make sense to have a double standard for trade policy (agricultural or industrial) among the developed nations. Though the energy crisis has had a greater impact on some than on others, most economies of the developed world are basically healthy. And to the extent they have economic woes, trade distortions are not the proper means for responding to those woes. We have authority to deal with unfair trade practices (1) under the GATT, and (2) under Section 301 of the Trade Act of 1974. We should exercise that authority when the occasion demands. This is not economic saber rattling! It is simply the insistence that international trade be carried out in a fair, sensible, and rational way.

For many years we failed to respond in such situations. This led other nations to believe that they could use subsidies, dumping actions, import restrictions, etc. without experiencing anything more than a protest from Uncle Sam. And when the U.S. did respond (as we have recently) to such indefensible practices, we were painted as the villain, as "protectionist." It is time that that perception be corrected once and for all!

Fifth, we should encourage all trading nations to be open, candid, and hopefully reasonable and rational in the development of their trade policies. This suggests that nations follow some basic public policy principles: (1) notifying the GATT of trade actions contemplated or taken, a courtesy that is often not extended; (2) consulting with nations that might be affected before, rather than after, actions are taken; (3) using open, public procedures in the decisionmaking process so that anyone with interest -- nations, firms, individuals -- may have an input; and (4) keeping any restrictions temporary and no more onerous than absolutely necessary. If these principles were routinely followed, international trade in agricultural products would be a whole lot more rational than it is today.

Sixth, if our agricultural policies are right, we should strongly enunciate them at the negotiating table. Other nations often expect the U.S. to compromise, or to "give up something." It is up to us to make a negotiating round or a conference a "success." We are often chided for being too "theological" on trade issues, meaning we are unwilling to accept the other nation's position! But if the principle is sound, let's not abandon it. It just may be that once in a while the rest of the world is out of step, and we are in step! If we are confident that such is the case, we ought to have the political courage to say so and stick with it!

Seventh, we must make progress on reducing agricultural trade barriers in the multilateral trade negotiations. With tariffs, subsidies, import quotas, export quotas, variable levies, voluntary restraint agreements, and other restrictions still proliferating, this is hardly the time to agree to disagree and come home. Previous rounds of negotiations, including the Kennedy Round a decade ago, have made considerable progress on the industrial side, little in agriculture. This time we should stay in Geneva until we hammer out a set of agreements that will advance the cause of world trade in both sectors. This will not only benefit U.S. farmers, but consumers around the world as well. In addition, it provides an ideal opportunity for many nations to change agricultural policies that they know are outmoded.

Perhaps the two major agricultural issues that must be dealt with in the Tokyo Round are (1) export subsidies, and (2) quantitative restrictions, i.e., variable levies and quotas. Unless progress can be made in these two key areas, particularly among the developed nations, the Tokyo Round will be construed by the U.S. agricultural community (and by agricultural and other trade policy officials of many other nations as well) as being no more successful than the Kennedy Round. This, in turn, will lead to strong demands for unilateral action against the trade distortive practices of others. Better that we all agree in Geneva (1) not to impose new programs in these areas, and (2) to place bound constraints on existing programs, with a further agreement that they be phased out over an agreed adjustment period.

Eighth, we should encourage importing nations to take steps to provide for their own food security, rather than to depend on the surpluses of exporters for that security. Some of those steps are appropriate for the public sector, others for the private sector, and some could readily involve both. They involve such actions as: constructing additional storage for both raw and processed food products; buying or leasing storage in the U.S. and other exporting nations; the use of futures markets in the U.S. or elsewhere; and long term contractual commitments. 1/

1/ It is somewhat ironic that the Soviet Union, a non-market economy nation, has done a much better job of protecting itself against the instability of price fluctuations than have the market economy nations of the Western world. The Soviets are already aggressively pursuing most elements of the course that I have just outlined.

Ninth, we must provide for an expansion of international trade with the developing nations of the world. In many cases, this means enhancing their agricultural exports. At times, those exports will penetrate the U.S. market, in competition with our own producers. At other times, they will penetrate third country markets, in competition with our exporters. Nevertheless, we should accommodate this need in a reasonable and meaningful way. Rhetoric is not enough, and tokenism is not enough. When we say we prefer trade to aid, we have to mean it! If these nations are to become an integral part of the world economy we cannot reduce foreign aid, for the many reasons that are traditionally espoused, and then stymie "special and differential treatment" in the trade area too. That would be a hypocritical result, for which we would be duly and properly chastized in world public opinion.

Finally, we should sell aggressively in world markets. Even if trade barriers are reduced or eliminated, we cannot expect buyers to come pounding on our door. There is much to be done in enhancing our reputation for producing a quality product, honoring our contractual obligations, being a dependable seller, and servicing the needs of our customers. In addition, there are a multitude of markets to be opened, both geographically and for new products. Observe, for example, the many ways in which soybean products are being used in the Far East. Many of the more recent developments are attributable to work by our soybean industry. Observe, in contrast, the few tasty, corn fed T-bone steaks that are available, even in the best restaurants and hotels, throughout the world! Similar comparisons could be made with lots of other products. We've just begun to truly market U.S. agricultural products.

CONCLUSION

There are lots of "ifs" in the future of international trade in agriculture. Ifs in domestic agricultural policies, ifs in the evolution of consumer movements, ifs on the political front, ifs in bilateral and multilateral trade negotiations. But the stakes are too high for us not to forge ahead.

One can always find reasons not to move toward freer agricultural trade. And it is even easier to rationalize moves toward greater protectionism. But neither the U.S. nor any other major producer can afford to go that route. Food is too important to the physical and economic well-being of the world, and it will become even more so as time passes. Furthermore, trade restrictions are too onerous, and the GATT rules for agricultural commerce are simply inadequate. This is not the time to be hesitant and indecisive, let us not back away from the challenges!

Apocryphally, a management expert once advised his client not to view his difficulties as "problems" or "obstacles," but rather as "challenges" and "opportunities;" to which the harassed manager responded: "Well, then I've sure got a lot of insurmountable opportunities!"

I believe we can handle our agricultural trade challenges, simply because the rewards for doing so are enormous -- a better quality of life for producers and consumers alike, worldwide. Surely this is not an "insurmountable opportunity."