

University of Nebraska - Lincoln

DigitalCommons@University of Nebraska - Lincoln

---

Clayton K. Yeutter, U.S. Secretary of Agriculture  
Papers

Yeutter Institute of International Trade and Finance

---

1990

REMARKS PREPARED FOR DELIVERY TO  
THE JOURNAL OF COMMERCE AND THE  
NATIONAL FOREIGN TRADE COUNCIL'S  
URUGUAY ROUND CONFERENCE BY  
SECRETARY OF AGRICULTURE CLAYTON  
YEUTIER

Clayton K. Yeutter

Follow this and additional works at: <https://digitalcommons.unl.edu/yeutter>

 Part of the [Agricultural and Resource Economics Commons](#), [International and Area Studies Commons](#), [International Economics Commons](#), and the [International Relations Commons](#)

---

This Article is brought to you for free and open access by the Yeutter Institute of International Trade and Finance at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Clayton K. Yeutter, U.S. Secretary of Agriculture Papers by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.

---

# Remarks

---

News Division, Office of Public Affairs, Room 404-A, U.S. Department of Agriculture, Washington, D.C. 20250

**REMARKS PREPARED FOR DELIVERY TO  
THE JOURNAL OF COMMERCE AND  
THE NATIONAL FOREIGN TRADE COUNCIL'S  
URUGUAY ROUND CONFERENCE  
BY  
SECRETARY OF AGRICULTURE  
CLAYTON YEUTTER**

**June 6, 1990  
New York, New York**

It is time to quit pretending that supply management works as a farm income enhancement program. It may in the short run; it doesn't in the long run.

It is time to stop pretending that protectionist trade policies help America's agriculture. They may in the short run; they don't in the long run.

While a combination of rigid farm production controls and restrictive trade protection is advocated by some in Washington, it is absolutely the worst agricultural policy combination for U.S. farmers. In a fast changing world the long run arrives quickly!

America will reach its full agricultural potential only through market-oriented farm policies and freer world trade. The Administration's 1990 Farm Bill proposals and trade reform recommendations in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) will continue to move us in this direction.

## **FARM POLICY**

In an era when capital can be shifted instantaneously to any nation offering opportunity, when technology can be transferred freely, and when farmers around the world are increasingly competitive, it is foolish to think that throttling back America's agricultural productivity somehow benefits American farmers. It doesn't.

Economic isolation, no matter how you disguise it, doesn't work. Creating our own Berlin wall around U.S. agriculture would be foolish. United States farm policy isn't formulated in an international vacuum, and it's a mistake to pretend that it is. U.S. price support and acreage restriction programs influence American farmers' production decisions, but they also have an impact on the planting decisions of competing farmers in other countries.

- Higher U.S. set-asides increase our per unit cost of production, thereby impairing our international competitiveness;
- Foreign producers take advantage of our supply management programs to expand their own agricultural production and capture market share;
- Market share, once lost, is difficult and expensive to regain.

Over the years, our supply management attempts have (to our chagrin!) done a great deal to stimulate increased farm production in competitor nations. Whenever we restrict crop acreage to cut production, or use high price supports to move commodities into government storage rather than the marketplace, farmers in other countries inevitably take up the slack.

During the 1980's, for example, U.S. farm programs encouraged farmers to plant corn instead of soybeans, even though the world marketplace continued to signal for more beans. Latin American farmers enthusiastically moved to expand oilseed production to meet the unfilled demand. Latin American oilseed output rose from 24.1 million metric tons per year in 1980 to 40.5 million metric tons in 1989.

Those additional 16.4 million tons of Latin American oilseeds now compete directly each year with the output of about 20 million acres of U.S. soybeans, competition that didn't exist in 1980. This is competition that we generated by our own folly.

Unfortunately that's not the only example. Over the last five years, while the U.S. set aside an average of 58 million acres per year, many of our competitors increased their acreage, their production intensity, or both.

For 20 years, as the United States spent billions of dollars attempting to throttle back farm production, the European Community has transformed itself from a grain importer that purchased about 28.1 million metric tons of wheat and coarse grains per year, to a grain exporter, exporting about

32.3 million metric tons of wheat and coarse grains per year. Those exports now compete directly with American farm products in the world marketplace.

Western Europe's increased productive capacity now cancels out the annual supply management effects of about 31 million acres of U.S. set-aside land.

We pulled back on production while the Europeans and Latin Americans forged ahead. We gave them market share -- invaluable market share -- on a silver platter, with hardly a whimper of protest.

What goes on here! Does this sound like a winning scenario for the American farmer? Of course not.

It is little wonder a number of our world trading partners have been reluctant to rush into GATT policy reforms in agriculture. Why promote change if the United States is willing to unilaterally pare back crop production each time it appears world commodity supplies might become burdensome.

World wheat prices drop, and the U.S. activates government programs that encourage U.S. farmers to hold wheat off the market. Corn prices tumble, and the U.S. government adjusts commodity programs to make it more lucrative for farmers to take land out of production rather than plant corn. The U.S. has even been willing to store the bulk of any excess commodities for the rest of the world. Even more amazing we have been willing to take all these steps, regardless of the internal farm subsidy programs of competing nations, regardless of their export subsidy programs, and regardless of their restrictive import policies! Have we shot ourselves in the foot? You bet -- over and over again. Yet some Members of Congress wish to repeat the experience, one more time, in the 1990 Farm Bill. And some are fretting over the GATT negotiations which are trying to tackle the unfair practices of our competitors head on.

This has to stop! We've had enough agricultural masochism, and enough of giving away export sales and the earnings they would have generated.

Supply management in agriculture fails wretchedly in a globalized economy. The theory supporting supply management in the past was centered on the idea that the earth's farming resources were limited, and that the U.S. was one of a limited number of places where agricultural crops could be efficiently produced. Therefore, we could establish farm

policies on our own, and not worry about the reaction of producers elsewhere. Modern farming technology, economic development, and scientific education have turned that idea on its head. More and more nations continue to increase their agricultural productivity and efficiency.

While the U.S. currently enjoys a competitive edge in many segments of agricultural production, it is an advantage that can't be taken for granted. Our own government policies have already shifted too much agricultural production outside the United States.

Micro-management of agriculture by government doesn't work; it's time we accept this lesson and move on. American farmers need open, aggressive, trade-oriented farm policies that help strengthen their competitive position in world markets. Farm programs that are more flexible, not less flexible; more market-oriented, not less market-oriented!

I have great confidence in American farmers' ability to make their own management decisions and to continue improving their production and marketing efficiencies. That is why we have proposed additional flexibility in the 1990 Farm Bill. This has raised anxious cries inside the Washington, D.C. beltway, but farmers want to make their own decisions, and they merit that privilege. Why not give them the flexibility to respond quickly to changing world market conditions, capitalizing on marketing opportunities as they see them. Regrettably, Congress seems determined to insist on program rigidities that drastically under estimate the decision-making skills of U.S. farmers.

### **TRADE POLICY AND THE GATT**

In trade policy, it's time to reverse 40 years of neglect in the GATT agricultural rules. Following World War II, the GATT made great strides in facilitating the flow of industrial goods between nations, knocking down tariffs on manufactured goods in the industrialized nations from 40 percent in the mid-1960's to a current level of 4-6 percent. But during the same period, the nominal rate of protection on agricultural goods in industrial nations rose from 21 percent to 40 percent.

A barrage of protective agricultural tariffs and non-tariff trade barriers has been thrown up all around the globe during the last 40 years. All nations have been guilty, including the United States, and now all must work together to clean up the mess.

The Uruguay Round offers by far the best opportunity ever to clear away trade distortions and restrictions, and to phase out costly export subsidies that only developed countries can afford. The Punta del Este Declaration is the most forceful statement in favor of agricultural trade reform ever adopted in the GATT; now we need to follow that commitment with positive action.

Failure to reach an agricultural trade reform agreement in the GATT would dramatically increase tensions in world agricultural trade, and would likely trigger an escalation of restrictive trade actions and counter-actions -- in short, an agricultural trade war nobody wants, and nobody wins.

What are the positive alternatives?

The United States has recommended a set of agricultural trade policy reforms we believe to be reasonable and realistic. Let me briefly outline those recommendations; you decide whether they are unreasonable, as our European colleagues have suggested.

To improve import access, the United States is advocating the conversion of all non-tariff measures, including import quotas, variable levies, restrictive licensing and voluntary restraints, to a tariff equivalent beginning in 1991. All tariffs would then be progressively and substantially reduced over time, just as the GATT has done with industrial tariffs through the years.

In export competition, our objective is to phase out, over time, all export subsidies and export prohibitions. This might well be the greatest contribution that developed countries can make to developing countries in the Uruguay Round. With limited treasuries, the developing countries can not compete in the export subsidy game against the giant economies of the world. It'll be a contribution to our farmers too; they can compete against European farmers, but not European treasuries.

Turning to internal agricultural support programs, we propose developing stronger, more effective GATT rules, the objective being to phase out the worst of those trade distorting policies, and to discipline the others. We do not ask that any nation give up its safety net of support systems for farmers; we simply ask that safety nets be designed to function in a manner that does not distort, or only minimally distorts, international trade.

In the sanitary and phytosanitary area, we ask that the participating GATT nations attempt over time to harmonize their varying food, animal health, and plant health standards. This should be done on the basis of sound scientific evidence, not politics or media hysteria; working through accepted international scientific organizations. Harmonization of international standards is a big job, but it can be done, and almost all nations recognize the potential health and trade benefits of doing so.

### CONCLUSION

I believe the U.S. GATT proposal is reasonable, realistic and achievable. What seems unrealistic to me is for any nation, including the United States, to bury itself so deeply in the swamp of government trade interference and agricultural micro-management that it chokes off incentives to its individual farmers and the productive efficiency of its agriculture.

Regardless of what happens in the Uruguay Round or the 1990 Farm Bill, agricultural trade and production policies will change, in the U.S. and elsewhere. The question is whether we will work together in the world to constructively guide that change, or whether we will continue to add layer after layer of counter-balancing trade barriers, export subsidies and internal supply management schemes to agriculture, until the entire policy structure collapses under its own weight -- as has already happened in Eastern Europe and the Soviet Union.

America's economic greatness stems from our unique belief in individual opportunity, market incentives, and performance rewards. Whether in the final Uruguay Round negotiations, or in the 1990 Farm Bill debates, these principles still hold. Let us honor them in action as well as in rhetoric.