CHAPTER III

Chapter III

AGRICULTURAL TRADE

Presidential Direction

In general, the theme of the Johnson Administration in terms of foreign trade, has been one of expansion and liberalization. It is a theme which the President has reiterated repeatedly before Congress, at press conferences, and in correspondence and joint statements with foreign dignitaries.

Speaking before a joint session of Congress November 27, 1963--only 5 days after he became President--he rededicated the Government "to the expansion of our foreign trade. . . ." 1/ On December 23, 1963, in a letter to President Goulart of Brazil, he wrote: "Problems of trade... are solvable if approached within a framework of expanding international cooperation--a framework which removes unnecessary barriers to trade and investment and which creates new opportunities for economic growth." 2/

At his news conference December 27, 1963, he explained that in a private meeting with the Secretary of Agriculture, they had discussed at some length the upcoming talks with German Chancellor Erhard with regard to "our export agricultural commodities and our access to the Common Market area." 3/

1/ Public Papers of the Presidents, Lyndon B. Johnson, 1963-64, Vol. 1, p. 9.
2/ Ibid. pp. 81-82.
3/ Ibid. p. 88.

Two days later, in the joint statement issued following discussions with Chancellor Erhard, "the President and the Chancellor agreed that the forthcoming trade negotiations [Kennedy Round] should be guided by the double objective of enlarged international trade and increasing economic integration in Europe. They agreed that agricultural as well as industrial products must be included and that the negotiations should proceed without delay." 1/

President Johnson in his first State of the Union Message to Congress January 8, 1964 stated that ". . . our ultimate goal is a world without war, a world made safe for diversity, in which all men, goods, and ideas can freely move across every border and every boundary." 2/ Among the different ways in which the President proposed advancing toward this goal, he pointed out that ". . . We must expand world trade. Having recognized in the Act of 1962, [Trade and Assistance Act] that we must buy as well as sell, we now expect our trading partners to recognize that we must sell as well buy. We are willing to give them competitive access to our market--asking only that they do the same for us." 3/

Thus within a little over a month after assuming the reins of Government, President Johnson set the course for the direction in which he was to lead U. S. trade policy in general, and U. S. agricultural trade policy in particular, for the next four years. He had advocated trade expansion and had challenged U. S. trading partners to join in this goal. And he had expressed himself firmly on two of the main aspects of U. S. agricultural trade: he had insisted upon increased market access abroad for U. S. agricultural commodities while indicating the willingness of the United States to offer its free world friends access to American markets; and he also had insisted upon inclusion of agriculture in the important Kennedy Round trade negotiations.

1/ Ibid., p. 99.

2/ Ibid., p. 116.

3/ Ibid., p. 117.

Moreover, the President has steadily followed through on these policies during his Administration; and has also endeavored to lay the groundwork for the continuation of trade liberalization in the 1970's. Even before the Kennedy Round had been completed--in fact at the time it was entering its final and most critical phase--President Johnson stated that "the Kennedy Round is not the end of the road. We must look beyond negotiations in Geneva to further progress in the years ahead. We must begin to shape a trade policy for the next decade that is responsive to the needs of both the less developed and the advanced countries." 1/

The four tasks (all of which relate to agricultural trade) to which the President believed further study and consultation should be directed were:

"(1) Continuing efforts to liberalize those tariff and non-tariff barriers which will remain after the Kennedy Round;

(2) Developing a better international pattern of agricultural production and trade to speed economic growth;

(3) Achieving more stable export prices and raising the export volume of developing countries;

(4) Improving economic relations between the countries of Eastern Europe--including the Soviet Union--and the United States." 2/

In May 1968, the President submitted to Congress a proposed Trade Expansion Act of 1968, recommending the reduction of tariff barriers (both by the United States and its trading partners) which would "increase opportunities for American . . . farms to export their products." In the same message he stated that he had directed the President's Special Representative for Trade Negotiations to make an intensive study "of our future trade requirements and needs." 3/

1/ Economic Report of the President Transmitted to Congress, January 1967, p. 13.
2/ Ibid, pp. 176-177.
3/ Weekly Compilation of Presidential Documents, Vol. 4, June 3, 1968, pp. 862-867.

Congress did not pass this Act. However, by Executive Order 11425 of August 30, 1968, the President established a wide basis for consultation (including with the Department of Agriculture) and assistance for the study on future trade. 1/

1/ Ibid, Sept. 2, 1968, pp. 1286-87. The Trade Information Committee of the office of the Presidents Special Representative for Trade Negotiations had already held public hearings in March 1968. See "Deadlines Nearing for Hearing on U.S. Trade Policy," Foreign Agriculture, February 26, 1968, p. 16.

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Liberalized U.S. Agricultural Trade

The period 1964-1968 has been marked by many events of major significance to U.S. agricultural trade and to the overall U.S. policy of trade liberalization. Foremost has been the dramatic climb of U.S. exports until 1968. (In 1967-68 exports dropped. However, they were still 16 percent above the 1961-65 average, thus maintaining the upward trend in annual U.S. agricultural exports.) This has resulted from several factors. Aggressive market development programs sponsored by the Department of Agriculture with the assistance of farm cooperatives 1/ and private organizations continued to open up promising markets for many U.S. farm producers in other countries despite intensified promotional efforts by foreign competitors. Consumer buying power in major world markets particularly Western Europe and Japan, continued upward. Bad weather in Europe in 1964 and 1965 enlarged demand for imported grain, meat and dairy products.

This increase in agricultural exports has benefitted not only the farmers but the U.S. economy as a whole. It has helped ease the critical U.S. balance of payments problem and has stimulated U.S. agribusiness and other industries.

1/ For a discussion of farm cooperatives and their role in agricultural exports see: "A Salute to Cooperatives in U.S. Agricultural Trade," *Foreign Agriculture*, 6(39): 2-3, Sept. 23, 1968.

With regard to the balance of payments problem, Secretary Freeman pointed out in hearings on the Hill in June 1968 "our dollar exports of farm products the past four years have exceeded the dollar value of imports by an average of over $765 million annually. That represents very sharp improvement. In 1960-62, agricultural exports for dollars ran behind imports by an average of $300 million a year." 1/ Trade in farm products, though it makes up only 21 percent of the total exports, accounts for half of the U. S. favorable trade balance--that is the excess of total merchandise exports over total imports.

U. S. agricultural exports benefit workers and businessmen in such export-related industries as handling, transporting, warehousing, processing, packaging, freight forwarding, insuring, financing, and others.

However, despite progress toward trade liberalization, there is still an undercurrent of protectionism in world trade. In the past few years, this has focused primarily in Brussels and Geneva where the United States continues to negotiate with the European Economic Community (EEC or Common Market) concerning market access for U. S. farm products and in Geneva where the United States participated in the Kennedy Round discussions. The Kennedy Round evolved from the U. S. Trade Expansion Act of 1962, which expired June 30, 1967, and was negotiated under the General Agreement on Tariffs and Trade (GATT). Discussions began formally May 4, 1964 and concluded during the summer of 1967.

1/ Statement of Secretary of Agriculture, Orville L. Freeman before the House Committee on Ways and Means, Public Hearings on Tariffs and Trade Proposals, June 10, 1968, p. 3.

The Kennedy Round negotiations involving not only the Common Market, but all U.S. trading partners and not only agricultural commodities but also industrial items, were of great complexity and difficulty and were closely related to other U.S. Atlantic relationships.

Though the United States did not get all it asked for in the Kennedy Round, it got quite a bit. Concessions were granted on some $860 million worth of farm products, including soybeans, meats, tallow, tobacco, fruits and vegetables. 1/

Also during the Kennedy Round, the major wheat-trading members of GATT negotiated the basic price arrangements and food aid provisions of a new International Grains Arrangement (IGA) to replace the International Wheat Agreement (IWA). Negotiations were completed in Rome in August 1967, and the IGA entered into force July 1, 1968.

Other events of significance to U.S. agricultural trade have included the easing of agricultural trade with the Soviet Union and the Eastern European Communist countries; and the emergence in 1964 of a new trade policy bloc (the United Nations Conference on Trade and Development--UNCTAD) composed primarily of less developed countries and created for the purpose of obtaining more favorable trade terms with the developed nations.

In addition, there has been recognition of a need for international agreement on food laws that aid rather than impede world trade in food products. Finally, at the initiative of the Administration, Congress has three times authorized continuation of Public Law 480 (Food for Freedom) which has been instrumental in creating new markets for U.S. agricultural products.

1/ Ibid., p. 5.

Agricultural Exports

1. Agricultural Exports, 1964-1968. The United States is the world's largest exporter of farm products. Its agricultural exports account for more than one-fifth of world agricultural trade, and benefits the economy of the United States as well as that of other nations. Our expanding foreign market helps not only the farmer but labor, industry and U.S. balance of payments--in short the whole nation. It also has helped the economies (economic growth) of the countries to which the United States has sold.

With demand for food rising rapidly abroad, exports have become the fastest growing market outlet for American farmers. In recent years, three-fourths of our agricultural exports have moved annually under straight commercial transactions and nearly three-fourths of these sales have been to developed countries. 1/ The remaining one-fourth of our agricultural exports have been shipped on special terms

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1/ U.S. agricultural products are exported to over 150 countries around the world. However, in 1967/68, 73 percent of the $6,315 million went to 15 countries. The top five markets were Japan, Canada, India, the Netherlands, and the United Kingdom. The chief export market area was Asia, which received total agricultural exports valued at $2,500 million. Japan, the largest Asian recipient as well as world market, received U.S. farm products valued at $898 million. Japan's purchases were almost all sales for dollars. India, the third largest U.S. market for agricultural exports, accounted for over a half billion dollars. European countries followed Asia and received total exports valued at $2,421 million. The EEC, was the largest single market area in Europe, accounting for $1,403 million. Exports to the European Free Trade Association amounted to $653 million. Other marketing areas and the value of their receipts of exports were: Canada ($543 million), Latin America ($587 million), Africa ($219 million), and Oceania ($46 million).

U.S. exports to Canada included $78.5 million in shipments of grains and soybeans to lower St. Lawrence River ports in Canada for storage and subsequent shipment to other foreign ports -- mostly Europe. From "Export Fact Sheet," Foreign Agricultural Trade of the United States, Economic Research Service, Nov. 1968. pp. 56-57.

under the Food-for-Freedom programs to meet food needs and stimulate economic development in friendly nations (see Chapter IV). Exports of farm products, at one-fifth total U.S. Exports were equivalent to 15 percent of the $42,788 million in cash receipts that U.S. farmers received from farm marketing in 1967. Exports represent the output of 1 in every 4 U.S. harvested acres. 1/

A few years ago, the U.S. Labor Department estimated that besides nearly a million farm workers engaged in producing farm products for export, at least another million worked in agriculture-related jobs as truckers, railroaders, warehousemen, processors, ginners, stevedores, and merchant seamen.

With regard to industry, substantial earnings in business activities are associated with agricultural exporting. Export dollars pay wages and interest, buy machinery, fertilizer, storage, transportation, packaging and processing.

1/ Ibid, p. 55.

Commercial agricultural exports also return many of the dollars to the United States that move out of the country because of defense and aid, tourism, and U.S. investment abroad. Although the overall balance of payments situation remains unfavorable, the United States is selling more merchandise abroad than it is buying. Moreover, the percentage of the favorable balance of trade which can be attributed to agricultural exports has increased from approximately one-third in 1964 to one-half in 1967.

Out of a favorable balance (exports over imports) of nearly \$6.5 billion in merchandise trade in fiscal 1964, agriculture accounted for more than 2 1/4 billion--or 35 percent. In fiscal 1965, the United States had a favorable balance of trade (exports over imports) of nearly \$6.6 billion, with agriculture accounting for almost one-third. Fiscal year 1966 with agricultural exports at \$6.7 billion added about \$5.1 billion more in balance of payments help. Fiscal year 1967--though trade in farm products made up only 21 percent or one-fifth of total U.S. exports--agricultural exports reached a record high of \$6.8 billion. 1/

1/ This material has been drawn primarily from USDA, Report of the Secretary of Agriculture for the years 1964, 1965, 1966 and 1967. Also see: Raymond A. Ioanes. "U.S. Agricultural Exports are Continuing at High Level," Foreign Agriculture, 5(48):3-4, Nov. 27; and "Chart book Traces U.S. Agricultural Exports Gains in Fiscal 1967" Ibid, pp. 5-6.

1964. In the late 1950's, the forecast was made that U.S. agricultural exports would probably reach $6 billion by 1968. In fiscal year that ended June 30, 1964, U.S. farm exports not only had equalled but had surpassed this figure, reaching $6.1 billion--a 20 percent increase in one year and a 35 percent gain since 1960. This represented by far the largest agricultural export operation ever carried out by one nation in a single year in the history of the world. Moreover, practically all of the gains since 1960 has been in cash sales to dollar markets--averaging about three-fourths of our agricultural exports annually.

New records were set during 1964 in the export of wheat and flour, corn, soybeans, rice tallow, nonfat dry milk, hides and skins, butter, variety meats, and dry edible beans. Shipments of many other products were at near-record levels. U.S. Agricultural imports, on the other hand, were only slightly above those of the previous year, and gains were primarily in the complementary or non-competitive commodities. Commercial sales of agricultural exports totaled $4.6 billion--a gain of $1 billion over any previous fiscal year and a new record by a wide margin. 1/

1965. U.S. Agricultural exports during 1965 were about $6.1 billion. The total was slightly more than in 1964 and almost two-fifths above 1960. Commercial sales for dollars in fiscal 1965 totaled $4.4 billion--again about three-fourths of the value of all our agricultural exports. The United States exported about $1.7 billion worth of commodities under special terms of the Food for Peace program.

1/ USDA, Report of the Secretary of Agriculture 1964, pp. 24-26.

Sales of corn, soybeans, vegetable oils, tallow, and hides and skins all rose sharply. Feed grain exports, excluding products, approached $1 billion ($940 million), nearly $125 million above the 1964 high. Exports of oilseeds and products, mainly soybeans, reached $1.1 billion, far above the previous record of $846 million established just a year earlier.

Sales of inedible tallow, variety meats, and hides and skins also achieved new peaks while exports of many other products were at near-record levels.

U.S. exports had been stimulated by a continuing upsurge of consumer buying power in major world markets; the diversion by U.S. competitors of large amounts of grain to the Soviet Union and Communist China; poor weather in Europe, which enlarged demand for imported grain, meat and dairy products; and continued abundance of most U.S. farm commodities, which made supplies available for export at competitive prices.

Offsetting these stimuli to some extent were stronger foreign competition in cotton, tobacco, and wheat; growing agricultural protectionism in some importing countries, especially the European Common Market, and a better wheat crop in the Soviet Union than the previous year. 1/

1966. By 1966, U.S. Agricultural exports accounted for more than one-fifth of world agricultural trade. Such exports for the fiscal year totaled $6.7 billion--nearly half a billion dollars more than the year before. The portion sold commercially for dollars reached a new high of $5.1 billion--almost $700 million more than in fiscal 1965--and more than double the 1954-57 average. One-fourth were concessional type of agricultural exports under the Food for Peace Program.

1/ Ibid., 1965, pp. 24-26.

Exports of wheat, feed grains, and oilseeds and products each exceeded $1 billion in value. About one-sixth of U.S. total farm output went abroad, compared with about one-tenth during 1952-54. 1/

1967. In fiscal 1967, exports of U.S. farm products totaled a record high of $6.8 billion. Commercial export sales of farm products totaled $5.2 billion. The total of commercial sales plus barter exports in 1966-67 amounted to $5.5 billion. (Barter exports may be considered as commercial, since nearly all barter transactions are for overseas purchases for the Department of Defense and for foreign goods under Agency for International Development programs.) 2/ However, the export picture differed in emphasis from the previous year.

The value of U.S. exports of grains and preparations, animals and animal products and fruit and vegetables fell in 1967. On the other hand, oilseeds and products, cotton, and tobacco increased, and rice exports rose to a record high, partly due to increased shipments to South Vietnam.

In 1967, the United States exported overall: 690 million bushels of wheat and flour (about half of our wheat production), 41 million bags of milled rice (about two-thirds of our rice production), 20.3 million metric tone of feed grain (14 percent of our production and our second biggest dollar earner), 4.0 million bales of cotton (almost half our production), and 572 million pounds of tobacco (more than one-fourth of our production).

In addition, the United States exported about 1 1/4 billion dollars worth of oilseeds and oilseed products--now its largest dollar earner in world trade.

Other big dollar-earners in 1967 were animals and animal products with sales of over $700 million; fruits and vegetables with sales of $474 million; unmanufactured tobacco, $498 million; and cotton, $464 million. 3/

1/ Ibid., 1966, pp.59-60.
2/ Robert L. Tontz and Dewain H. Rorhe, "U.S. Farm Exports add up to $6.3 Billion in 1967-68," Foreign Agriculture, 6(34): 2-5, Aug. 19, 1968.
3/ USDA, Report of the Secretary of Agriculture 1967. pp. 23-25.

1968. Fiscal year 1968 marked the first decline in total U.S. agricultural exports over a 5-year period. Though valued at \$6.3 billion, against \$6.8 billion in 1967, nevertheless they were 4 percent above the 1964-65 total and 16 percent above the 1961-65 average, thus maintaining the upward trend of U.S. agricultural exports in recent years. Commercial export sales of farm products in 1967/68 totaled \$4.7 billion, down from \$5.2 billion in 1966/67. The total of commercial sales plus barter exports in 1967/68 amounted to \$5.1 billion, compared with \$5.5 billion in 1966/67.

Dollar shipments of all commodity groups except rice were lower. Large world supplies of a number of important commodities and lower prices contributed to the decline. In addition, a number of world situations affected agricultural exports. Exports under Food for Freedom programs totaled \$1,602.5 million, slightly higher than a year earlier. A substantial increase in shipments under long-term credit programs and a smaller increase in barter exports were partly offset by a decline in shipments in exchange for local currency and in donations programs. The largest reduction in exports to major world areas was in shipments to Africa; they equalled only 55 percent of the year-earlier total. Europe continued as the major dollar market, but exports to that area were 10 percent lower. For the first time, Asia was the leading importer for U.S. farm products, receiving 40 percent of the total, compared with 38 percent for Europe. Asia was the principal recipient of food-aid shipments and was second to Europe as a dollar market. Shipments to Latin America and Oceania changed little from the previous year. 1/

1/ Robert L. Tontz and Dewain H. Rahe, "U.S. Farm Exports Add up to \$6.3 billion in 1967-68," Foreign Agriculture, 6(34):2-3, Aug. 19, 1968. Also see: Dewain H. Rahe and Isaac E. Lemon "U.S. Agricultural Export Shares By Region and State, Fiscal year 1968," Foreign Agricultural Trade of the United States, November 1968, pp. 7-10 and p. 4.

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2. <u>Agencies Primarily Concerned with the Export of Agricultural Commodities</u>. The Government agencies which are particularly concerned with the export of U.S. agricultural commodities are the Department of Agriculture, the Commodity Credit Corporation (CCC)--a wholly Government-owned corporation within the Department of Agriculture--the Agency for International Development (AID) and the Export-Import Bank.

Because of the interrelationship between U.S. agricultural trade policies and domestic farm income support policies, and the complexity of the various methods by which U.S. farm products are exported, a brief description of the CCC and the Export-Import Bank follow. 1/

1/ The Agency for International Development will not be described here since it has prepared its own full length study and is also discussed in chapter IV of this study.

The Commodity Credit Corporation (CCC). The CCC was created in 1933 to stabilize, support, and protect farm income and prices; to assist in the maintenance of balanced and adequate supplies of agricultural commodities, and to facilitate the orderly distribution of such commodities.

The principal operations conducted by CCC are price-support programs for agricultural commodities, including the storage, handling, and disposition of commodities acquired under the programs; acreage-diversion programs; and special activities, such as the Food for Freedom (P.L. 480) program, which are financed by appropriations authorized by statutes providing for the activities. 1/

President Johnson cited the accomplishments of the CCC in the export field in his Message to Congress transmitting the Annual Report of the Commodity Credit Corporation July 22, 1965. He noted that it has acted as a mechanism for executing the Food for Peace program, the International Wheat Agreement, 2/ and other similar international programs, and has supported the rapid expansion of agricultural exports. 3/

Proposals concerning the Commodity-Credit Corporation were included in the Food and Agriculture Act which was approved by the President November 3, 1965. 4/

The export programs of the CCC, which are discussed later in this chapter under Export Payment Program, Exports under Credit Sales Programs and Government Program Developments, are administered by the Department of Agriculture's Agricultural Stabilization and Conservation Service (ASCS).

1/ U.S. Congress, 90th Cong., 2nd Sess. An Examination of Financial Statements Commodity Credit Corporation Fiscal Year 1967. Mar. 13, 1968, p. 1.

2/ With the expiration of the International Wheat Agreement in 1967, the CCC became responsible for executing the programs of the Agreement's successor--the International Grains Arrangement (IGA).

3/ Public Papers of the Presidents, Lyndon B. Johnson, 1965, vol, II, pp. 778-79.

4/ Ibid, p. 1095.

Export-Import Bank. The Export-Import Bank, established in 1934 as an independent agency of the United States, extends credit to foreign buyers for the purchase of certain U.S. agricultural commodities in situations in which the financing of such purchases is not available from the usual commercial sources. The Bank must have reasonable assurance of payment of the loan in dollars and must make certain that the loan does not compete with private capital. U.S. commercial banks may participate in Export-Import Bank loans at their own or at the Bank's risk. The period for such loans is usually 1 year.

The Export-Import Bank has a system of guarantees against political and/or financial risk to be issued by the Bank directly to U.S. commercial banks and those financial institutions undertaking nonrecourse financing of commodity exports. This system of guarantees was designed to encourage commercial banks to provide nonrecourse financing of medium-term export credits and to speed up these transactions by permitting the exporter to deal only with his bank, rather than with the Export-Import Bank in Washington, D. C. It was also designed to create an incentive for banks and other financial institutions to retain in the private sector the paper involved in export transactions.

Disbursements under Export-Import Bank loans and guarantees discussed here include disbursements by the Bank, and disbursements by commercial banks for their own account and risk or under Export-Import Bank guarantees against political and/or financial risk. 1/

1/ U.S. Department of Agriculture, 12 years of Achievement Under Public Law 480, ERS-Foreign 202, November 1967, p. 16.

3. Methods by Which U.S. Farm Products are Exported. Farm products are exported from the United States under three general sales methods: (1) commercial exports or dollar sales without export payments; (2) commercial exports with export payments; and (3) exports under specified Government financial programs. In addition, the sale of agricultural exports is assisted in still another way--the extension of credit and guarantees to exporters.

Commercial exports without export payment assistance refer to dollar sales of commodities which are fully competitive in world markets, such as soybeans and corn.

Commercial exports with export payment assistance refer to a limited number of U.S. price-supported commodities which cannot compete in international trade without some form of compensation. This compensation is provided to the exporter who purchases at the higher domestic price and sells in foreign markets at the lower world price.

Exports under specified Government programs, often referred to as Food-for-Freedom or concessional sales, include (1) sales for foreign currency, (2) donations, (3) barter, and (4) long-term supply and dollar credit sales. 1/

The extension of credit and guarantees to exporters includes credits under the CCC credit sales program and credits and guarantees by the Export-Import Bank. These are for relatively short periods, repayable in dollars plus interest covering the costs of the lending agency. Since this form of assistance does not result in any net cost to the Government in the long run, they are regarded as "dollar sales" rather than as exports under "specified Government financial programs." 2/

1/ "The Stake of the Upper Midwest in Agricultural Exports," remarks of Nathan M. Koffsky, Director, Agricultural Economics, U.S. Department of Agriculture, Press Release 1513-66, May 18, 1966.

2/ U.S. Department of Agriculture, 12 years of Achievement Under Public Law 480, Economic Research Service-Foreign 202, Nov. 1967, p. iv.

Export Payment Programs. U.S. export-payment programs are designed and administered to assure equitable shares of world trade for U.S. commodities and are operated in conjunction with U.S. price-support and production-adjustment programs. They are subject to continuous review and revision to meet changing supply and demand situations. They are also subject to revision by agricultural legislation. The term "export payment" includes export payments in cash or in kind made directly to exporters and differences between the U.S. domestic market price and the CCC sales price for commodities sold for export from Government owned stocks at competitive world prices. Wheat and cotton are examples of commodities requiring assistance.

Minimum resort to export payments has been a guiding principle in the design of U.S. price-support programs for several years. An important consideration in the formulation of the U.S. wheat, feed grain and cotton programs of the Food and Agricultural Act of 1965 1/ was to set price-support loan levels on these commodities at or near competitive world prices. Other major changes in the export-payment programs also took place in 1966/67. In August 1966, the CCC discontinued the use of export commodity certificates (with the exception of CCC credit sales from private stocks) and resumed cash export payments--the practice prior to 1956. Export payments in cash were extended to CCC credit sales from private stocks in April 27, 1967. The payment-in-kind export-payment programs were a means of using Government-owned surpluses to pay export subsidies and at the time reduce surplus stocks. The discontinuance of payments in kind marked the success of domestic and export programs in bringing production in line with demand and in reducing burdensome surpluses. 2/

1/ 79 Stat. 1187; Public Papers of the President's, Lyndon B. Johnson, 1965, vol. II, pp. 1095-1097

2/ Eleanor N. DeBlois, "Export-Payment Assistance to U.S. Agricultural Exports, Fiscal Year 1966/67, "Foreign Agricultural Trade of the United States, U.S. Department of Agriculture, June 1968, pp. 6-7.

<u>Government Program Developments.</u> In addition to exports of U.S. farm products by commercial sales, agricultural exports have also been exported under specified Government-financed programs (concessional) sales as provided for under the Food for Freedom legislation. This legislation, which originated in 1954 as Public Law 480 1/ and was intended as a temporary measure of surplus removal, has been extended and amended several times. Among other things, it has become an effective instrument for the stimulation of U.S. commercial farm sales. Commodities sold under long-term dollar credits generate local currencies which recipient governments apply to economic development. The use of local currencies to pay U.S. expenses abroad, dollar payments of principal and interest on long-term credits, and barter procurement abroad for U.S. agencies, have a favorable effect on the U.S. balance of payments position.

Moreover, these exports have assisted in the reduction of U.S. Government-owned inventories. The transition of recipients of commodities on concessional terms to dollar customers and the use of foreign currencies for market development programs have contributed to the growth in U.S. commercial sales.

Food-for-Peace legislation primarily involves four major categories: (1) Title I - sales for foreign currency; (2) Title II - donations, (3) Title III - barter, and (4) Title IV - long-term supply and dollar credit sales.

During the Johnson Administration, P.L. 480 has been extended and amended three times: October 8, 1964, November 11, 1966, and July 29, 1968. Each time, the law was extended for 2 years. The 1964 legislation included many changes which restricted the Administration and expanded Congressional influence over the implementation of the law. Sale of surplus farm goods to Poland and Yugoslavia for

1/ For a fuller discussion of P.L. 480, see chapter IV of this study.

currencies of those countries was stopped.

The 1966 legislation (P.L. 89-808) incorporated the major principles recommended by the President in his Food for Freedom Message to Congress on February 10, 1966. 1/ It authorized a comprehensive new program designed to take into account changing conditions in the agricultural situation both at home and abroad. All sales programs--sales for dollar currencies, sales for local currencies convertible to dollars, and long-term dollar credit sales--were authorized by an amended Title I. The amended Title I also provided for a progressive transition from sales for foreign currencies to sales for dollars on credit terms at a rate whereby the transition could be completed by the end of 1971. Title II permitted the continuation of donations of U.S. agricultural products for disaster relief and for economic development through friendly governments as previously authorized, but expanded Title II to include donations through U.S. voluntary relief agencies and intergovernmental organizations previously authorized under Title III. In addition the 1966 program no longer limited food aid to surplus commodities, but encompassed commodities determined to be available by the Secretary of Agriculture. U.S. reserve acreage could be returned to production as needed for U.S. uses, commercial exports, and food assistance exports. 2/

On July 29, 1968, President Johnson signed P.L. 90-426, which continued the Food-for-Peace Act for two years through December 31, 1970. The law authorizes the continuation of the sales for foreign currency and long-term credit sales programs provided for under Title I, and the donations programs provided for in Title II. However, it amends the barter program authority and includes a number of amendments designed primarily to improve the U.S. balance of payments position.

1/ Public Papers of the Presidents, Lyndon B. Johnson 1966, vol. I, p. 163.

2/ U.S. Department of Agriculture, 12 Years of Achievement Under Public Law 480, Economic Research Service, Foreign 202, Nov. 1967.

The authority provided by P.L. 480 for the barter of agricultural commodities for strategic materials is limited by the new legislation to bilateral transactions. In recent years the barter program has been used almost exclusively as an off shore procurement program for the U.S. agencies. This helps to improve the U.S. balance-of-payments position by using funds generated by agricultural commodity exports for purchases that otherwise would have resulted in spending of dollars abroad by the U.S. Government. Authority for overseas procurement for other U.S. agencies remains unchanged.

The new law includes a number of amendments designed to improve the U.S. balance-of-payments position. An amendment, which reinforces a past policy, requires that steps be taken to obtain for the United States a fair share of any increase in commercial purchases of farm products by a food-aid recipient. An additional amendment makes it mandatory, rather than discretionary, for the U.S. Government to require countries purchasing U.S. agricultural commodities on long-term credit terms to make advance payments on delivery of the commodities in dollars or local currency. These payments are to be used for a number of activities that until now have required the expenditure of dollars abroad. The new legislation makes foreign currency under future agreements available for sales for dollars to U.S. and purchasing-country contractors for payment of wages earned in the country for public works projects. It permits convertibility of foreign currencies in future Title I sales to U.S. importers for procurement of materials or commodities in the purchasing nation.

The 1968 legislation prohibits financing by the CCC of P.L. 480 transactions by private exporters, including associated companies, which during the previous 6 months engaged in trade with North Vietnam. 1/

1/ Eleanor N. DeBlois, "Smaller Commercial Sales, Due Partly to Lower Prices, Brought U.S. Agricultural Exports in Fiscal Year 1968 to Third Highest Level," Foreign Agricultural Trade of the United States Economic Research Service, U.S. Department of Agriculture, Nov. 1968, p. 37.

For breakdown of the Government program developments, see: Ibid, Nov. 1967, pp. 9-12; and Ibid, Nov. 1968, pp. 29-39.

Exports Under Credit Sales Programs. Such programs fall within the purview of the Commodity Credit Corporation and the Export-Import Bank. The CCC export credit sales program was initiated by the CCC primarily to increase dollar exports of U.S. farm products by enabling U.S. exporters to meet credit terms offered by competitors in other Free World countries. This program provides for the financing of exports of U.S. farm products for credit periods up to a maximum of 36 months. As a general policy, the credit period is limited to 12 months for cotton and tobacco and 6 months for all other commodities.

During the Johnson Administration several changes have been instituted in the CCC credit and payment arrangements. Under the original program approval of a credit arrangement was contingent upon an assurance of payment by a U.S. bank. On February 17, 1966, the program was revised to permit acceptance of certain foreign bank obligations. Interest is charged at the rate announced each month by CCC and runs for the length of the credit period. Export financing is accomplished by the purchase by CCC of the exporter's account receivables.

On February 11, 1965, the CCC credit sales program was revised to provide deferred payment terms for certain agricultural commodities from private stocks. Prior to this time, export credit arrangements were available only for commodities in CCC inventory or tobacco under loan to CCC. Provision for deferred payment terms in connection with exports from private stocks resulted in a substantial increase in exports under the CCC credit sales program in 1966/67, (though other factors resulted in a reduction in exports in 1967/68,) and has made it possible to finance commodities such as wheat flour bulgar wheat cornmeal, cottonseed oil, and soybean oil, which are not in CCC inventory, and commodities of which CCC stocks have been substantially reduced.

Though the credit sales program was relatively small until 1962, it was increased from $32.8 million in 1962 to $210.0 million in 1966. 1/

With regard to loans and guarantees by the Export-Import Bank from 1963 through 1966, total disbursements amounted to $889.7 million. Cotton was the principal commodity (accounting for 86 percent of disbursements) exported under these arrangements with wheat, soybeans, and barley ranked next in importance. 2/

Credit Sales 1966/67

Purchases under the CCC Credit sales program and disbursements under credits and credit guarantees extended by the Export-Import Bank amounted to $442.5 million in 1966/67, more than three-fifths higher than the $272.0 million total of 1965/66. Exports under the CCC program rose to $333.9 million from $210.0 million a year earlier. Changes in the CCC program which permit exports of some commodities from private stocks and restrictions placed on sales and some countries under P.L. 480 were factors contributing to the sharp rise in CCC credit sales. Wheat, corn and grain sorghum were the principal commodities exported under the CCC program, accounting for nearly three-fourths of the total. Africa was the principal area of destination of wheat followed by Asia, Europe, and Latin America. Japan was the principal purchaser of grain sorghum, corn and cotton.

Disbursements for exports of agricultural commodities, under Export-Import Bank credits and guarantees totaled $103.2 million in 1966/67 compared with $62.0 million a year earlier. They included $101.4 million for cotton to Japan, relatively smaller amounts for cotton to Austria, rice to Liberia, soybeans and soybean meal to Hungary, and breeding stock to Mexico. 3/

1/ U.S. Department of Agriculture, 12 Years of Achievement under Public Law 480, Economic Research Service - Foreign 202, Nov. 1967, pp. 15-16.

2/ Ibid, p. 16.

3/ Eleanor N. DeBlois, "Increased Dollar Exports in Fiscal Year 1966/67 Bring U.S. Exports of farm products to Record Level for Fourth Consecutive Year," Foreign Agricultural Trade of the United States ERS-Foreign 202, Nov. 1967, p. 9.

Credit Sales Programs 1967/68

The picture for credit sales programs for exports in 1967/68 was dramatically changed from that of the previous year. Exports under short-and medium-term credit sales programs dropped sharply to $211.2 million in 1967/68, less than half the total of 1966/67. Shipments under the CCC credit sales program were about 40 percent of 1966/67 and disbursements under Export-Import loans and guarantees amounted to nearly 70 percent of those of the previous year.

Exports under the CCC export credit sales program amounted to $140.6 million against $339.3 million a year earlier. Sharp drops in exports of grain sorghum, wheat and flour, and corn accounted for most of the decline. Exports of cotton, however, were higher than the previous year. The largest purchaser of wheat under the programs were Yugoslavia, Brazil and Pakistan. Japan and Poland were the leading markets for cotton. All of the corn went to Greece and Poland. West Germany was the largest buyer of tobacco under the CCC program. All commodities exported under this program in 1967/68 were from commercial stocks.

Exports under credits of guarantees extended by the Export-Import Bank amounted to $70.6 million, compared with $103.2 million in 1966/67. Most of the reduction was in cotton exports to Japan, which amounted to $67.6 million in comparison with $101.4 million in 1966/67. A relatively small quantity of cotton was shipped to Australia, soybean meal to Hungary, and breeding stock to Mexico. 1/

1/ Eleanor N. DeBlois, "Smaller Commercial Sales, Due Partly to Lower Prices, Brought U.S. Agricultural Exports in Fiscal Year 1968 to Third Highest Level," Foreign Agricultural Trade of the United States, Economic Research Service--U.S. Department of Agriculture, Nov. 1968. p. 29.

4. Market Development Program. A major factor in the rapid growth of U.S. agricultural exports to record levels has been an aggressive foreign market development program. The genesis and purpose of this program is found in the Agricultural Trade Development and Assostiance Act of 1954 (P.L. 480, Title I, Section 104(a)) which provided that five percent of all proceeds under Title I of the Act be made available for agricultural market development. The main objective of the program has been to sell American farm products through commercial transactions that yield dollars. The activities under this program have been carried out under a cooperative program in which Government, nonprofit agricultural trade organizations and industry have worked together.

On May 19, 1964, President Johnson said "In the first 3 months of this year, our exports are running at an annual rate of more than $24 billion. Such heartening advances don't just happen. They are the result of cost-conscious management, hard selling by business, backed by the most effective Government policies for export promotion and investment incentives this country has ever known.

"This cooperation has helped to bring into export trade 3,000 businesses that never before sold abroad. ...

"Through our trade centers, through our trade missions, through increased market research abroad, and through intensive information efforts here at home we intend to keep America's exports moving up and our dollars moving back." 1/

The market development program is carried out largely in Western Europe and Japan--our major dollar markets--and, in addition to converted currencies obtained under foreign currency sales agreements, is financed by participating organizations (which put funds, manpower and know-how into the program) and by industry.

1/ Public Papers of the Presidents, Lyndon B. Johnson, 1965, Vol. I, p. 698. Also see Memorandum, Review of Market Development Activities by Committee on Government Operations from Lester P. Condon, Inspector General, to Secretary Freeman, June 19, 1964. Secretary's files.

Administratively a major change was made in the market development program in 1964 by requiring each industry cooperator to operate on the basis of an annual marketing plan. This plan includes a statement of goals, a description of how these goals will be reached, an estimate of costs for the activity involved, a justification in terms of alternative possibilities, and a staffing pattern. Added stress was also placed on program evaluation, chiefly through temporary employment of outside consultants in marketing, promotion, merchandizing, and corporate management. 1/

During 1964, there were 44 U.S. agricultural producer and trade organizations in this program working with the Department of Agriculture's Foreign Agricultural Service (FAS) in 67 countries and sharing the costs. In 1968, FAS was teamed (either through continuing agreements or through special arrangements) with more than 60 nonprofit agricultural trade organizations to promote sales of U.S. farm products in more than 70 countries.

Government expenditures for overseas market development in 1967 amounted to $13 million, matched by industry contributions of essentially the same amount. In addition other participating organizations put substantial funds into the program. During the year, new organizations representing pea and lentil growers, peanut producers, and the softwood plywood industry became active. Thus, all the major agricultural export commodities are now represented in the program. 2/

Foreign market promotion has many facets. Of primary importance are such promotional activities as U.S. trade centers abroad, U.S. participation in international trade fairs, U.S. trade missions, retail food store promotions of U.S. farm and food products in leading cities of the world and U.S. marketing specialists abroad working on problems relating to the use of U.S. commodities.

Other aspects of foreign market development include the gathering of agricultural intelligence (this is carried out primarily by agriculture

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1/ USDA, Department of Agriculture, Report of the Secretary of Agriculture, 1964, pp. 26-28.

2/ USDA, Department of Agriculture, Report of the Secretary of Agriculture, pp. 25-27.

attachés and is designed to help American exporters abroad), seminars, exchange visits of agricultural trade experts and officials, and building new markets through technical assistance and training. 1/

U.S. Trade Centers. The United States has three permanent trade centers abroad - in Tokyo, Milan, and London--which the Department of Agriculture operates jointly with the Department of Commerce. These centers carry on a continuing program of promoting U.S. agricultural and industrial products. In addition, they conduct special exhibits from time to time. 2/ The centers give exporters of agricultural products a strategically located operational center for exhibits and liaison with potential importers of their products with the assistance of Department of Agriculture personnel.

International Trade Fairs. To date, the Department of Agriculture has participated in 221 overseas food and agricultural exhibits in 40 countries. Their promotions have helped push overseas U.S. Agricultural product sales to more than $6 billion a year. Fiscal year 1967-68 U.S. agricultural exports totaled $6.3 billion, 16 percent above the 1961-65 average.

During 1964 the United States sponsored 12 exhibits at trade and food fairs in various countries, chiefly in Western Europe. At these exhibits considerable emphasis was placed on U.S processed and convenience foods, which are coming into increased use in many parts of the world.

During 1965, U.S. agricultural products were promoted at trade fairs in Cologne, Brussels, London, Madrid, Blackpool, Verona, Cremona, Manchester, Luxembourg, and Tokyo. Major emphasis was placed on commercial contacts between U.S. suppliers and foreign buyers. 3/

1/ Martin E. Abel, "How Farm Exports Aid Agribusiness Trade," Foreign Agriculture, 6(40):7-9. Sept. 30, 1968.

2/ The United States has conducted 5 exhibits at these centers annually since 1964.

3/ U.S. Department of Agriculture, Report of the Secretary of Agriculture, 1965, pp. 26-29.

Moreover, during 1965, state governments became increasingly active in export market development by encouraging private business firms to come into the USDA-sponsored export market development program. For example, more than one-fourth of 80 individual firms exhibiting and selling products at the U.S. trade exhibit ending November 14, 1965, in Brussels, Belgium, were Pennsylvania firms brought in through promotional efforts of Pennsylvania State government. 1/

The United States participated in trade fair exhibitions during fiscal year 1966 in Algeria, Ethiopia, Hungary, Iraq, Poland, Tunisia and Yugoslavia where among other things progress in mechanical equipment for farms was dramatized. 2/

In addition, there were U.S. exhibitions at the nine big European trade fairs and at the special fair in Hong Kong. Their principal target was exporters and quantity food dealers rather than consumers. Three of these fairs were open only to the trade, and five--while open to all--had "trade only" areas for importers and direct-order buyers, including food chains, restaurants and hotels. Two showes were aimed almost entirely at livestock tradespeople. 3/

During fiscal year 1967 trade fair exhibitions in Bulgaria, France, Ghana, Hungary, Poland, Thailand, the USSR, Yugoslavia and West Berlin, covered a wide range of subjects in the fields of agriculture. 4/

1/ U.S. Department of Agriculture, Weekly Activity Report, November 12, 1965, p. 2, Secretary's files.

2/ Weekly Compilation of Presidential Documents, Vol IV, June 5, 1967, pp. 205-6. Also see "Special International Exhibitions, Annual Report, 1966, Department of State."

3/ "1966 Trade Fairs aimed at Foreign Tradespeople," Foreign Agriculture, 4(2):10-11, Jan. 10, 1966.

4/ Weekly Compilation of Presidental Documents, Vol. IV, p. 699. Also see "Special International Exhibitions, Fifth Annual Report, July 1, 1966, June 30, 1967: Report of the United States Information Agency."

The Department of Agriculture also invited U.S. food processors to introduce new foods in selected European markets through trade fair exhibits in the spring and fall of 1967. Exhibits featuring such foods were held in Edinburgh, Scotland, Dublin, Ireland, Leeds, England, and Dijon, France.

Enthusiastic reports on immediate sales orders taken and future sales contacts made were received from the 132 U.S. exhibitors who took part in the USDA-sponsored food exhibit at the September 30-October 8, 1967, ANUGA trade fair in Cologne, Germany. More than 1,000 different U.S. food items were displayed before the large crowds of consumers and tradespeople. A Minnesota firm reported sales to one importer of 20,000 pounds of turkey roll for December delivery. A Wisconsin firm received orders for more than 20,000 pounds of poultry. An Illinois firm reported contacts which would double its 1 million pound annual exports of horseradish. A U.S. fisheries products representative reported trial orders totaling 50,000 pounds for pasteurized shrimp and crabmeat sealed in plastic bags, a new item on the German market. 1/

Several state governments increased their market development activity. A dozen states participated in Department of Agriculture-sponsored food exhibits at trade shows during fiscal 1967. 2/

From April 5-21, 1968, the Department of Agriculture and its many trade cooperators presented the largest promotion event of its kind in Tokyo, Japan--the United States' largest export market. At the time the exhibit took place, Japan was buying nearly $1 billion worth of U.S farm products annually. The U.S. food and agricultural exhibition was opened by Secretary Freeman. The following day he participated in opening a companion promotion of U.S. food products that took place in leading department stores and self-service markets in four of Japan's largest cities. Secretary Freeman participated in

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1/ U.S. Department of Agriculture, Weekly Activity Report, Oct. 11, 1967, p. 4, Secretary's files.

2/ U.S. Department of Agriculture, Report of the Secretary of Agriculture, 1967, pp. 25-27.

the promotions as part of the activity of a special Far East Agricultural Trade Mission which he led to Japan and Taiwan. U.S. participants in the export promotions in Japan included 18 nationwide food, agricultural, and trade organizations which cooperate with the Department of Agriculture in export promotion programs, 12 states whose departments of agriculture and marketing promoted special displays featuring individual state products, and 135 business firms which promoted consumer interest at commercial booths, held sales conferences with importers and distributors in a "trade only" area, and participated in a large self-service market where Japanese consumers could buy from a wide variety of typical U.S. foods. 1/

September 1968 was also a busy month for Department of Agriculture export trade promotion exhibits. Exhibits took place in 6 countries: Belfast's Second International Food Fair, August 28-September 14; Stockholm, Sweden,-September 4-15; Seoul, Korea, September 9-October 20; Cremona, Italy, September 13-22; Munich, Germany, September 21-29; and Tokyo, Japan, September 23-October 6.

The Department of Agriculture and breed associations also use exhibits and fairs in various countries to maintain and expand sales of beef and dairy breeding cattle. Breeders have been particularly active in Latin America and Europe in this connection. For example, in mid-December, 1967, at the Queretaro show FAS, in cooperation with the various breed associations, provided an exhibit booth which acted as a focal point for Mexican and U.S. breeders and prospective buyers. Associated with this was a 45-head U.S. cattle exhibit of the Angus, Holstein, and Jersey breeds. At the close of the show all animals were sold at attractive prices.

Early in 1968, the Department also was working with breed associations on the practicability of developing a mobile cattle exhibit which

1/ U.S. Department of Agriculture, press release, "Export promotions in Japan Draw Strong U.S. Agricultural Support," March 29, 1968, pp. 1-3.

might hit as many as 7 state-type fairs in Mexico and which would give U.S. livestock wider exposure in that country. 1/

Trade Missions and Teams. Beginning in the fall of 1967, the Department of Agriculture intensified the use of trade missions composed of representatives of government, trade and producers as a tool for developing foreign markets for agricultural commodities. Such missions help U.S. exporters get a first hand, closeup appraisal of a particular market and enable them to contact the private industry, and government people who influence import buying, and to build good will for U.S. products and the United States. Since the fall of 1967 trade missions have promoted all major U.S. export commodities. 2/

In announcing the schedule for five sales teams, 3/ Secretary Freeman said, "Exports have become a big factor in the marketing of many major farm products. But competition in export markets in the months ahead will be much keener than usual. World production of wheat this year will be a near record. The same is true of feed grains. Supplies of soybeans and vegetable oils also will be very large. It is important, under such conditions, that key people representing government, the trade, and producers become better acquainted with their foreign customers, find out more about their specific needs with respect to quality and service, and explore all possibilities of increasing export sales." 4/

1/ Memorandum "Follow up on Sales of Beef Breeding Cattle to Mexico" from Secretary Freeman to the President, Jan. 25, 1968, Secretary's files.
2/ "The United States works to Expand its Cotton Exports," Foreign Agriculture, 6(28): 2-4, July 8, 1968.
3/ U.S. Department of Agriculture, Press Release "Trade Missions to Push Export Sales this Fall and Winter," Washington, September 29, 1967.
4/ The teams, their intinerary and time schedules were as follows: Feed grains team: Europe: United Kingdom, Netherlands, France, Belgium, West Germany and Italy--Oct. 14-Nov. 5. Soybean oil teams: 1) Europe: United Kingdom, Netherlands, France, Spain and West Germany--Oct. 30-Nov. 10. 2) Mediterranean and Middle East countries: Morocco, Tunisia, Iran, Pakistan, and India-Nov. 18-Dec. 7. Wheat teams: 1) Europe: Yugoslavia, France, United Kingdom, Netherlands, West Germany and Switzerland--Nov. 4-25. 2) Latin America: Venezuela, Brazil, Chile, Peru--Nov. 5-18.

These five trade teams pushed sales of U.S. feed grains, wheat, soybeans and soybean oil in Europe, the Middle East, the Far East, and Latin America. They competed with other suppliers by meeting early with foreign buyers, finding out what their specific needs were, and urging increased use of U.S. agricultural products. 1/

Through June of 1968, a trade mission set forth every month to visit one area or another of the globe. January 13, 1968, six representatives of government, trade and the soybean/feed grain producers left on a two week export promotion mission to Japan and Taiwan. 2/

A seven-member U.S. wheat trade team left for the Far East (Japan, the Philippines, Korea and Taiwan) January 20, 1968, to meet with government officials, flour millers and grain exporters to assure these customers of U.S. interest in their markets, to strees the United States as a dependable supplier and to discuss problems. 3/

Commodity-export missions visited Western Europe (United Kingdom, Germany, Netherland, Italy and France) March 22-April 10, 1968, to promote cotton exports. 4/

The largest U.S. promotion of this kind took place in the Far East in April when Secretary Freeman lead a special Far East Agricultural Trade Mission to Japan and Taiwan April 3-13, 1968. The Secretary also made a short trip to Korea April 6-7. The trade mission included congressional representation, State governors, farm organization leaders, and agricultural trade specialists. The Secretary in discussing the purpose of the Trade Mission said that it was out to break through the billion dollar target in U.S. sales of agricultural products to Japan--the No. 1 U.S. agricultural export market--in 1968. It was going to Taiwan (a country which in 1965 moved from aid

1/ U.S. Department of Agriculture, Weekly Activity Report, October 4, 1967, p. 2, Secretary's files.
2/ U.S. Department of Agriculture, Weekly Activity Report, Jan. 10, 1968, Secretary's files. Also see: U.S. Department of Agriculture, Press Release "Team Reports Export Prospects Good for U.S. Feedgrains, Soybeans in Far East." Wash., Feb. 19, 1968.
3/ U.S. Department of Agriculture, Press Release, "Prospects Good for Continued High Wheat Exports to Far East, Team Reports." Wash., Mar. 5, 1968.
4/ U.S. Department of Agriculture, Weekly Activity Reports, Mar. 6, 1968, p. 1, Secretary's files.

to trade) he said, because it is one of the fastest-growing markets for U.S. agricultural products in the Far East. 1/

In speaking in Tawain April 12, 1968, Secretary Freeman said:

> "Taiwan is on the way -- dramatically on the way -- toward a full partnership in the world economy.
>
> "It already has become an important market for U.S. exports -- $333 million worth in 1967, one-third of that in agricultural products.
>
> "And that is why this trade mission is in Taiwan -- governors of three of our states, and representatives of Congress, of our leading farm organizations, and of the Department of Agriculture.
>
> "We are here because Taiwan is a customer of growing importance to the American farmer.
>
> "Last year we supplied 90 percent of Taiwan's agriculture imports. Taiwan was America's third most important cotton export market. Our soybean exports to Taiwan, which moved under the assistance provisions of Public Law 480 in the 1950's, were 5 percent of our total exports last year -- all on a commercial basis.
>
> "Wheat imports from the United States last year were 449,000 tons, 1.6 times what they were in 1966 when P.L. 480 shipments ended -- and all for cash.
>
> "At the same time, you have been selling to us. Textile exports to the United States, for example, have expanded sharply since 10 years ago. Taiwan's sugar exports to the United States this year are expected to be worth about $100 million.
>
> "Our objective on this trade mission has been to strengthen and expand this trading partnership.
>
> "We came here to assure the people of Taiwan that the United States is dedicated to a policy of expanding its trade in the best interests of all who participate -- and that American agriculture is a dependable, able component of any such partnership.

1/ U.S. Department of Agriculture, press release "Export Promotions in Japan Draw strong U.S. Agricultural Support," Wash., Mar. 29, 1968. Also see: U.S. Department of Agriculture, Weekly Activity Report, Mar. 6, 1968, p. 1, Secretary's files, and "Secretary Freeman to Head Trade Mission to Top Asian Dollar Markets," Foreign Agriculture, 6(13):12, Mar. 25, 1968.

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> We are dedicated to the principle that in the long run, in the total economic picture, all Nations benefit from more trade.
>
> President Johnson made this clear at the same time that he was telling the American people, in a message last January 1, that certain measures were necessary to restore equilibrium to our balance of payments. 1/

In April and May 1968, two cotton teams went abroad: One to West Europe (United Kingdom, Netherlands, Germany, Italy and France - countries which usually account for about one-fourth of total U.S. cotton exports) early in April; 2/ the other to the Far East (Japan, Korea, Taiwan, Hong Kong and India) early in May. 3/

June 14, 1968, Secretary Freeman announced that he was sending a U.S. Agricultural Trade Mission to East Europe June 17-July 1, to help develop U.S. agricultural trade relations with these countries. The mission was divided into two groups, each visiting two countries, then combining to visit the fifth. 4/ U.S. agricultural sales to the five countries visited totaled $67 million in 1967. Principal products included soybeans and meal, feed grains, tobacco, cotton, and cattle hides. 5/

1/ U.S. Department of Agriculture, Address by Secretary Freeman at the luncheon of the American University club and Taipai American Chamber of Commerce in Taipai, Taiwan April 12, 1968. Office of the Secretary.
2/ U.S. Department of Agriculture, Press Release, "Cotton Team Sees Large Potential, but Tough Competition in West Europe," Wash., April 16, 1968.
3/ U.S. Department of Agriculture, Weekly Activity Report, May 7, 1968, p. 2, Secretary's files. Also see: U.S. Department of Agriculture Press Release "Sales Team Predicts Increase in U.S. Cotton Exports to Far East," Wash., May 9, 1968.
4/ The countries visited included: Yugoslavia, Romania, Poland, Hungary, and Czechoslovakia.
5/ U.S. Department of Agriculture Press Release, "Agriculture Trade Union to visit East Europe, Wash., June 14, 1968. Also see: U.S. Department of Agriculture, Weekly Activity Reports of July 3, 1968 and July 17, 1968, Secretary's files.

U.S. marketing teams to Mexico made up of FAS marketing specialists, breeders, and breed associations have proven to be a most effective means of expanding sales of American livestock in that country. In 1963 the numbers of head of beef breeding cattle exports to Mexico totalled 4,877. In 1966 they numbered 7,069. 1/

Earlier, aggressive marketing development efforts by the U.S. breed associations, U.S. exporters, and FAS had brought about a dramatic rise in U.S. cattle exports to Peru and Venezuela. During August and September 1967, these two countries imported 4,000 head of U.S. cattle--nearly triple such imports in all of 1966. 2/

It should be noted that individual states from time to time have also sent trade missions abroad. For example, a group of about 110 prominent businessmen, industrialists, bankers and agricultural specialists went to Europe in June 1965 to broaden the State's economy through an increase in the sale of Iowa products abroad. President Johnson in speaking to this Iowa Trade Union, said: "you know what trade means to Iowa farmers, what it means to Iowa manufacturers, what it means to more than 100,000 jobholders in your State.

"...Agricultural exports of the United States rose 14 percent in the last calendar year--to $6.3 billion. Foreign markets took the output of 1 out of 4 acres of American farmland." 3/

Other Market Promotion Activities. In addition to U.S. trade centers and missions, and international trade fairs, there are several other aspects of international market promotion. These have included visits by foreign teams to the United States, U.S. marketing specialists traveling abroad, the enlargement of trade contacts--especially by U.S. cooperatives, exchange visits and improving international food health

1/ Memorandum "Follow up on Sales of Beef Breeding Cattle to Mexico," From Secretary Freeman to the President, Jan. 25, 1968, Secretary's files.

2/ "Market Development Pays off in Skyrocketing U.S. Cattle Shipments to Peru and Venezuela," Foreign Agriculture, 5(33):10, August 14, 1967.

3/ Public Papers of the Presidents, Lyndon B. Johnson, 1965, Vol. II, p. 651.

standards, as well as education and research concerning new and improved products for the export market.

One of the most effective activators of U.S. farm trade has been the visits by foreign teams to the United States.

In Japan there is a group called the "Ten Gallon Club" whose members have come to the United States as participants in wheat teams sponsored by Wheat Associates Inc., and FAS--cooperators in market development for wheat in Asia. Their objective has been to get a close look at the production and marketing facilities in the country from which Japan buys so much wheat; our objective, to persuade the Japanese to import more U.S. wheat.

The dividends to both countries over the years have been tremendous. The Japanese have been able to assure themselves of the adequacy of our facilities and to impress U.S. farmers and traders with the desirability of maintaining a flow of grain to Japan. The United States, on the other hand, has found these team members to be active boosters of U.S. farm trade; some lend a hand in U.S. market development projects in Japan; others are invaluable as sources of market information; and all have played a part in the fantastic growth in U.S. wheat sales to Japan over the past decade.

In all, there are nine commodities that benefit from this type of market development--wheat, feedgrains, soybeans, livestock, tallow, lard, rice, pulses, and seeds. And there are 17 different trade groups cooperating with FAS in bringing the teams over. Financing of the visits, in most cases, is footed by FAS and its cooperators, and teams usually stay in this country from 2 weeks to a month.

Itineraries for the different teams vary, but most of the visitors get a chance to see producing areas for the different commodities, the Chicago Board of Trade or other futures markets, grain or soybean storage and handling facilities, and major export facilities. A stop is also usually made in Washington, D. C. for consultations with government and trade officials. In addition, many of the teams take short courses at major universities; feedgrain and soybean team members get a chance to observe feedlot operations and feeding demonstrations; and vegetable oil teams see how soybeans are crushed and oil is refined.

Countries from which wheat teams have come include Japan, our largest dollar market for wheat; Taiwan; Switzerland; the United Kingdom; West Germany; Spain; India; the Philippines; and so on. These participating countries usually account for most of the U.S. wheat and flour sales abroad, which in 1967 totaled 690 million bushels, or 2 1/2 times the level in 1955 when the wheat trade started a team program. In 1967 alone, the U.S. Feed Grains Council brought to the United States seven teams from Italy, Germany, the United Kingdom, Spain, Taiwan, Belgium, and Luxembourg. Members of these teams--journalists, beef and dairy cattle producers, feed manufacturers, and nutritionists, to mention some--represent a wider spectrum of agriculture than do the wheat teams. This reflects the growing interest in learning about intensive feeding of livestock.

In 1963, 40 top feed compounders and animal nutritionists from Japan came to the United States to take a 2-week short course at Oklahoma State University and to learn about feed formulation and other aspects of our mixed feed industry. Partly as a result of this visit, Japan's use of grain sorghum in poultry rations tripled, with practically all this added grain sorghum coming from the United States.

Later, in 1965, the U.S. Feed Grains Council brought to this country four top officials from Portugal for the purpose of convincing them to liberalize Portugese grain imports. After attending conferences here on feed production and animal nutrition, the team members were convinced of the economic advantages of grain feeding and opened their market to grain exports from the United States. Today that country is a customer for over 100,000 tons of U.S. feedgrains. 1/

A fourth Yugoslav purchasing team arrived in the United States in January, 1968. It concentrated on the purchase of hybrid seed corn from commercial seed companies. Yugoslavia brought about 120 tons of

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1/ "Team Visits--Activators of U.S. Farm Trade," Foreign Agriculture, 6(15):2-4, April 8, 1968.

hybrid seed corn as well as some other seed grains. 1/

One of the more successful activities in 1967 was the visit of an Italian team made up of cattle producers and animal nutritionists. Following the trip, three new commercial feedlots were started by members of the team, while other members prepared extensive reports for various meetings of nutritionists, feed manufacturers, and cattle feeders. Feeding trials were also carried out by college professors who had participated in the trip.

The two cooperators in market development for soybeans and soybean products--Soybean Council of America, Inc., and the American Soybean Association--have also found team visits a productive form of market development.

Total trade in soybeans, soybean meal, and soybean oil since the beginning of the team visits has grown even more dramatically than grain trade has, rising to an estimated 11,182,000 short tons in 1967, or more than triple the 1958 level. And much of this gain has been in sales to Japan, West Germany, and Spain--the three countries from which many of the teams have come.

Unlike the grain and soybean teams, whose visits often serve to activate interest in U.S. products, the livestock teams usually come to the United States with the sole purpose of buying live animals. In most cases, these team visits have been preceded by meetings of foreign producers or government officials with U.S. agricultural attachés, breed association representatives, and other U.S. officials or by U.S. participation in overseas livestock shows.

Since 1963, 16 livestock teams have come to the United States from nine different countries--Ecuador, Peru, Chile, Italy, Uruguay, Thailand, Spain, Portugal, and Iran. Animals purchased by these countries have thus far totaled over 35,000 head, including 11,364 head

1/ U.S. Department of Agriculture, Weekly Activity Report, January 17, 1968, p. 3, Secretary's files.

of dairy cattle sold to Italy and Peru; 5,624 of feeder cattle and 9,591 of veal calves to Italy; 3,810 head of beef breeding stock to Peru, Portugal, and Thailand; 4,400 head of sheep to Ecuador; and finally 442 head of hogs sold to Italy, Thailand, and Chile.

One of the individual success stories represented here was the shipment of calves in cartons to Italy during 1964. That year a severe beef shortage throughout Europe forced Italy to look to the United States for supplies. A team came to this country to survey the situation and found U.S. veal calves to its liking. Out of this visit developed a unique trade in calves, which were placed in well-ventilated cartons and sped to Italy via passenger jetliner. So successful was the new technique that Italy went on to buy 9,591 head of veal calves, and Greece and Israel--following the Italian example--also became markets for U.S. calves.

These calf sales helped to open up a market in Italy for U.S. breeding cattle and stimulated interest in U.S. foundation stock on the part of other countries. This was dramatically illustrated by the purchase in 1967 of 1,900 head of U.S. breeding cattle--mostly Herefords--by Portuguese cattle producers. These purchases had been preceded by the visits of two Portuguese teams--one in November of 1966 and one in September 1967--and by intensive market development efforts on the part of U.S. Government officials in Portugal.

Team visits are also used as a market development technique for several other items, such as tallow, lard, etc. but on a much smaller scale.

The Japanese and Germans have each sent two rice teams to the States; two pulse teams have come here from Western Europe (members of one recently completed a short canning course at Michigan State University); and a group of seedsmen has come from Japan. For these commodities, like the others, team visits have boosted U.S. sales and sparked closer working relationships. 1/

1/ "Team Visits--Activators of U.S. Farm Trade," Foreign Agriculture, 6(15):2-3, April 8, 1968, pp. 3-4.

The United States has sent marketing specialists to work with trade and government officials abroad on problems relating to the use of U.S. commodities. To cite a few examples: direct approach to Swedish school officials put U.S. rice on school lunch menus in Sweden; cooperation with Japanese officials resulted in the introduction of wheat products into the Japanese national school lunch program; the U.S. cotton industry in 1964 commissioned the designing of a line of leisure garments for men, women and children to be made of cotton and sold to leisure-conscious West Europeans; 1/ in Spain American soybean people have built a new market which for soybeans alone, not including soybean products, amounted to $73 million in fiscal 1966-67.

Since the enlarging of trade contacts takes many forms, only a few examples can be noted here. The Houston and Dallas livestock shows in the United States have been a major attraction to Mexican as well as other Latin American Cattlemen. 2/ The Foreign Agricultural Service (FAS) of the Department of Agriculture had an exhibit at the Houston Livestock Show in the Astrodome February 21 - March 3, 1968. The walkthrough exhibit featured work done by the Department to build export markets for meat and livestock products. It pointed out that Texas accounts for nearly a half billion dollars in agricultural exports a year, stands second among the 50 States in total agricultural exports and first in livestock. 3/

Teams of U.S. and European food scientists exchanged visits in 1964 for a study of international food, health regulations. They were particularly concerned with the, at times, inhibiting effect of these regulations on trade, and worked toward improved common standards. During 1965, U.S. animal health inspectors certified that 34,500 animals for

1/ U.S. Department of Agriculture, The Reports of the Secretary of Agriculture for 1964, 1966, and 1967.
2/ Foreign Agriculture, "How Farm Exports Aid Agribusiness Trade," 6(40):7-9, Sept. 30, 1968.
3/ U.S. Department of Agriculture, Weekly Activity Report, Jan. 31, 1968; p. 2., Secretary's files.

export were free of disease and were handled so as to arrive at their destinations in good condition. Air shipment of milk-fed calves to Europe raised new health hazards. These were minimized by new export requirements announced during 1965.

Seminars, feeding trials and similar work with trade and agricultural educators abroad have kept U.S. exports of feed grains, soybean meal, and tallow on the up trend. Mass media abroad is also beginning to play a role in U.S. market development. This is reflected in the fact that in the United Kingdom, U.S. foods were featured on nation-wide television in January, 1968, when a special program was broadcast from the USDA-sponsored exhibit at the Hotelympia catering exhibit in London. 1/

1/ U.S. Department of Agriculture, Weekly Activity Report, January 17, 1968, p. 2, Secretary's files.

Agricultural Imports, Import Duties and Quotas

In public addresses, and in hearings before various senate and house committees, 1/ Secretary Freeman has used the words "exports and imports" together to emphasize the point that both are components of trade--both are essential to trade. He has stressed that the United States has gained access to important foreign markets through its willingness to accept imports--of agricultural as well as industrial products. "Our philosophy has been that trade must move on a two-way street."

1/ The material throughout this section on Imports, Import Duties and Import Quotas is based primarily on the following sources:

U.S. Department of Agriculture Press Release, "Market Access--U.S. Agriculture's Biggest Foreign Trade Problem," February 1964.

U.S. Department of Agriculture Press Release, September 25, 1964, USDA 253-64.

U.S. Department of Agriculture,"Import Fact Sheet," Foreign Agricultural Trade of the United States, Economic Research Service, Nov. 1966, pp. 51-56. Also see issues for November 1967 and 1968.

D. Gale Johnson, R. J. Goodman, J. S. Hillman; and O. Zaglits, Foreign Trade and Agricultural Policy, Vol. VI, Technical Papers National Advisory Commission on Food and Fiber, August 1967, pp. 160-162.

U.S. Department of Agriculture, Statement by the Secretary of Agriculture before the Senate Committee on Finance, Hearings on Import Quota Legislation, Oct. 18, 1967. Also see U.S. Department of Agriculture Weekly Activity Report, October 18, 1967, p. 1, Secretary's files.

Raymond A. Ioanes,"U.S. Agricultural Exports are Continuing at High Level," Foreign Agriculture, Nov. 27, 1967, pp. 3-4.

U.S. Department of Agriculture Press Release, Remarks by Secretary of Agriculture Orville L. Freeman, before the Propeller Club of the United States, Wash. D. C. January 11, 1968.

Secretary of Agriculture Orville L. Freeman, "U.S. Farmers Need Bargaining Power Abroad," Foreign Agriculture, U.S. Department of Agriculture, March 4, 1968, pp. 2-4.

Office of the Secretary of Agriculture Press Release, Secretary of Agriculture Orville L. Freeman's luncheon address at Taipai, Taiwan, April 12, 1968.

U.S. Department of Agriculture, Statement of the Secretary of Agriculture before the House Committee on Ways and Means, Public Hearings on Tariff and Trade Proposals, June 10, 1968.

Secretary of Agriculture, Orville L. Freeman, "Liberal Trade Policy Benefits U.S. Agriculture," Foreign Agriculture, U.S. Department of Agriculture, July 1, 1968, pp. 2-4.

Moreover, the Johnson Administration has staunchly opposed protectionism both at home and abroad. Secretary Freeman in a speech January 11, 1968, noted that "Professional protectionists--including, I am sorry to say, some members of Congress--never miss a chance to alarm farmers about imports. They never mention that exports are twice as large as imports or how important exports are to farm income."

In reviewing current trade issues, the distinction between agricultural protection and agricultural protectionism is important. All countries of the world, including the United States, protect their agricultural producers in varying degrees. Protection can be based on multilateral, nondiscriminatory practices, featuring moderate levels of fixed tariffs, which still allow trade to flow. Protectionism, on the other hand characterized by undue use of such nontariff trade barriers as variable import levies, minimum import prices, quantitative restrictions, and others, can stifle trade and often does.

Actions the United States has taken in recent years to bring about orderly importing have been highly selective, that is they have been aimed at correcting specific situations that have arisen, such as measures to prevent the dumping of beef in the United States during the early 1960's; to prevent evasion of our import control system concerning foreign dairy products beginning early in 1966; and to protect our producers from subsidized canned tomato products arriving from the European Community in the spring of 1968; and the resumption of subsidies on poulty exports to Switzerland in an effort to regain a fair share of the world market for U.S. poultry.

1. U.S. Imports. The United States is the third largest importer of agricultural products. However, while U.S. agricultural exports have shown dynamic growth during the 1960's U.S. imports have gone-up relatively little.

The total value of U.S. agricultural imports increased by 5 percent during the fiscal year ending June 30, 1968. Such imports for consumption amounted to $4,657 million, compared with the $4,454 level in the 2 preceeding years. Imports of supplemental farm products expanded to $2,846 million from $2,668 in 1966/67, and complementary imports rose to $1,811 million from $1,786 million. 1/

Although the United States imports agricultural commodities from some 130 countries, nearly three-fifths of such imports originate in 20 countries. These countries supplied 79 percent of the supplementary farm imports and 54 percent of the complementary products in 1967/68. Brazil continued to lead all other suppliers by a wide margin, followed by Mexico and the Philippines.

Supplementary products accounted for 61 percent of U.S. agricultural imports compared with 60 percent in 1966/67 and 56 percent in 1965/66. Increases in these competitive imports from a year earlier were most pronounced for beef, fruits (apples, oranges, strawberries, grapes, pears, canned pineapples, and fruit juices other than pineapple juice), vegetables (fresh carrots, eggplant, garlic, onions, potatoes, turnips, canned mushrooms, peas, pimientos, tomatoes, and tomato paste and sauce), cashew nuts, coconut meat, coconut oil, copra, raw sugar, raw cotton, tobacco, and wines. Some supplementary products indicated declines, such as "Colby" cheese, butterfat-sugar mixtures, casein, crude bristles, cotton linters, palm oil, tung oil, molasses, cucumbers, and tomatoes. The volume of apparel wool and hide imports was higher, but value fell.

2. Import Duties. Except for the products discussed later under import quotas, import duties are the only instruments of broader protection provided for by U.S. Statutes. This is true also of the majority of price-supported products and for the products for which trade is carried on under marketing agreements and orders.

1/ Values are f.o.b. foreign ports.

The level of the tariff rates varies greatly among products. It is, generally, higher for the processed agricultural products than for the products of the farm.

For many agricultural products, rates of duty are low or moderate. But as with tariffs in the industrial sector, some rates are high in the agricultural sector.

For agricultural products that are exported in large quantities without export subsidization the tariff has no protective significance, at least under prevailing conditions. Examples are corn and soybeans. Confronted with the leading export position of the United States in these products, foreign countries have shown little interest in a reduction of those rates, for which--under the General Agreement on Tariffs and Trade (GATT) tariff bargaining rules--they would have to pay concessions in their own tariff.

For a large number of agricultural products, U.S. rates of duty have been reduced in the reciprocal tariff negotiations carried on bilaterally or under the General Agreement on Tariff and Trade (GATT).

However, export subsidies as used by some foreign countries has necessitated action by the U.S. Government. For example, in the Spring of 1968, when subsidized canned tomato products began to enter the U.S. market from the European Community, the U.S. Treasury Department, announced that beginning June 1, 1968, it would apply countervailing duties against such imports.

The position of most U.S. producer groups, of course, has been to ask for reductions in the duties of other countries, if they felt able to compete in foreign markets, but to urge the maintenance of existing protection for their products in the domestic market.

Speaking before the Export Advisory Committee to the Governor of Illinois, September 25, 1964, Secretary Freeman pointed out that "we are not free traders, but we are liberal traders. The United

States is less protectionist in its agricultural trading policies than any other major trading nation, and the results show that this policy--has been of major benefit to the American farmer and the American economy.

"We maintain a minimum number of non-tariff trade barriers. Our import duties on agricultural products in most cases are low. ..."

He noted that as "a result of our liberal trade policies it is true that we import certain competitive agricultural products in which, if our nation followed a highly protectionist policy, we could become virtually self-sufficient. We have not chosen to do so--and American industry profits by that decision through the fact that foreign countries that sell in our agricultural market earn dollars with which to buy American industrial products."

3. Import Quotas. U.S. imports of agricultural commodities may be regulated only under specified conditions. For example, when imports tend to render ineffective or materially interfere with price support programs conducted by the Department of Agriculture, Section 22 of the Agricultural Adjustment Act, as amended, provides that the President may after investigation by the Tariff Commission, restrict agricultural imports by the imposition of a quota or a fee in addition to the import duty. The additional fee may not exceed 50 percent *ad valorem* and quotas proclaimed may not be less than 50 percent of the quantity imported during the previous representative period or determined by the President.

U.S. Agricultural import quotas are, at present, applied to five commodity groups" (1) wheat (for human consumption), flour and certain other wheat products; (2) upland and long-staple cotton, and cotton waste; (3) sugar; (4) peanuts, and (5) certain dairy products. Though a beef quota is provided for by law, it has never been imposed.

Sugar imports are regulated by quotas under the Sugar Act of 1948, as amended, to provide a stable market for domestic sugar as well as to the foreign producer.

For four of the five commodity groups, for which U.S. imports are limited by quotas (namely, sugar, wheat, cotton, and peanuts), the United States also has programs in effect restricting domestic production; thus these quotas are permissable under Act XI:2:c:(i) of GATT.

In 1967 and 1968, domestic protectionism threatened to make serious inroads on U.S. liberal agricultural trade policy. A disgruntled Congress had become suspicious of and hostile toward anything concerning foreign affairs. And an unhappy country, weary of the war in Vietnam, and concerned about the needs and costs involved in correcting its cities ills, was again becoming susceptible to the old isolationist themes such as "save America from foreign competition."

Strong lobbies for steel, meat, textiles, and at least 20 other commodities tried to take advantage of this mood to push through various quota systems.

When Secretary Freeman testified before the Senate Committee on Import Quota legislation in October 1967, he expressed alarm at the number of quota proposals before the Committee. He urged cautious actions on import control proposals lest foreign countries retaliate in ways that hurt U.S. agricultural exports. Secretary Freeman said "we should be certain before we act that there is a clear and present need for additional protection; that the protection instrument chosen fits the need; and that the dollars and cents cost of the action in lost exports will not be way out of proportion to the benefit it confers on some U.S. producers."

The administration, and certain farm organizations and trade groups succeeded in their efforts to hold back the protectionist legislation, and the bills limiting farm imports on dairy, meat, and textiles were not passed.

Meat. The world beef market in the early 1960's was disorganized. The exporting countries, notably Australia and New Zealand, found three of their markets increasingly hard to sell to. The European community was perfecting its variable import levies system on beef. The United Kingdom had in effect, as it does today, a direct payment system that allows its import price to fall below levels attractive to exporting countries. Also, Japan, as now, was regulating meat imports through a rigid quota system.

The United States, on the other hand, had only a modest duty of 3 cents a pound. It had no quotas of any kind. It became a prime target for beef suppliers. In 1963 it received a peak volume of 1,122 million pounds.

In discussing this problem before the Rice Association in January 1964, Secretary Freeman pointed out that though the spectacular climb in beef imports was influencing domestic prices and farm income the United States was "not arbitrarily slamming shut its door on imports. We are negotiating with our principal suppliers access arrangements which will recognize our situation and their market needs. These market share arrangements will allow imports to continue to enter the United States up to recent representative levels, and to expand as our total market grows." 1/

During February 1964, the United States concluded separate agreements with Australia, New Zealand, and Ireland. 2/

Early in his Administration the President discussed meat imports several times.3/ May 12, 1964, in remarking on the problems of beef

1/ U.S. Department of Agriculture Press Release. Speech by Secretary of Agriculture, Orville L. Freeman, Houston, Texas, Jan. 31, 1964.

2/ U.S. Department of Agriculture Press Release, "United States Concludes Meat Agreements with Australia and New Zealand," Feb. 17, 1964, USDA 552-64; and U.S. Department of State Press Release, "United States Concludes Meat Agreement with Ireland," Feb. 25, 1964, No. 84.

3/ Public Papers of the Presidents, Lyndon B. Johnson, 1964, Vol. I pp. 443, 475-76 and 688-689.

at considerable length to the Newspaper Farm Editors Association, President Johnson said:

> Fifth: I am very pleased to report that the combined effect... of lower imports plus our purchase programs will be the same as reducing imports to below the 1958-62 level on meat.
>
> ... Australia for instance agreed to reduce hers [meat imports] about 29 percent -- New Zealand, 22 percent. Before that they had agreed to a 1962-63 average which was about 6 percent, so those combined, voluntary reductions, plus our purchase program, will be the same as reducing imports to the 1958 to 1962 level.
>
> Now our principal foreign meat importers have made it clear that they expect beef imports in 1964 to be down at least 20 percent from last year. That is lower even than in 1962. This cut, plus the buying programs of Agriculture and Defense, have the practical result of rolling back to the 1958-62 average advocated by cattlemen and feeders and proposed in legislation.

The 1963 imports led to the enactment of the Administration-supported Meat Import Law of 1964 (P. L. 88-482).1/This legislation does not actually impose quotas; it sets a target which imports cannot exceed in any year without "triggering" quotas. The Department of Agriculture makes quarterly determinations of import prospects to advise the President of any changes that may occur. If quotas ever are imposed--and they haven't been yet--they will hold imports to a level based on average imports in the 1959-63 period, adjusted to take account of the changes in U.S. production. The limit on imports under the law would be approximately 6.7 percent of domestic production.

For a while it appeared that beef imports might reach a point toward the end of 1968 when import quotas would become mandatory.

1/ 78 Stat. 594. August 1964.

However, early in September discussions were held with all major countries exporting meat to the United States. As a result commitments were made by most of them to curtail their shipments, and quotas have not been necessary. 1/

In 1967, imports were 6.0 percent of domestic production, and only 5.6 percent in 1966. By contrast, imports in 1963--the year the United States received its heaviest shipments--were 8.6 percent of production.

In a statement before the Senate Committee on Finance, holding hearings on import quota legislation, October 18, 1967, Secretary Freeman noted that:

> Currently, there are many bills pending to amend our import law. These bills would impose mandatory and more restrictive annual import quotas on such meats. They would base average annual imports on the years 1958 through 1962, rather than the years 1959 through 1963, as now provided. They would divide annual quotas into quarterly quotas, the unfilled portion of which may not be carried over into the following quarter. If the most restrictive features of the legislation presently before Congress were implemented, it is our estimate that the price rise on domestic cutter and canner cows would be less than 2 percent, and on fed cattle, less than 1 percent.
>
> Accordingly, I don't see the need for these changes in legislation. Imports are at moderate levels and are meeting manufacturing beef needs without disturbing prices. The present law will keep them at moderate levels. The equal quarterly distribution of these mandatory quotas would tend to disrupt trade patterns unnecessarily without really helping domestic prices. The import controls we have now seem fully adequate to their task. They have been accepted by our suppliers--although reluctantly. I emphasize-- reluctantly. Other countries don't care to see their exports cut back. But they recognized the special situation facing us.

1/ Letter from Raymond A. Ioanes, Administrator, to the Secretary September 26, 1968, Secretary's files.

June 19, 1968, in a statement before the House Committee on Ways and Means holding public hearing on tariff and trade proposals, Secretary Freeman said the following about the effectiveness of the Meat Import Law: "First, it has enabled us to achieve orderly importing of beef in the interests of our own producers without being unduly restrictive. Second, it has served notice on the countries that have erected walls against beef imports that the United States cannot become a dumping ground for the world's beef."

Dairy Products. In the case of dairy products, domestic production is not restricted, but a GATT waiver of March 5, 1955, allows the United States to have recourse to import quotas to the extent that such quotas are "required ... under Section 22" of the Agricultural Adjustment Act of 1933, as amended. Import quotas on dairy products have created considerable difficulties in U.S. trade relations with foreign countries. Since these quotas were set for specific products, some of their protective intent is eroded by imports of unspecified products or product mixes produced to circumvent U.S. quota controls.

This has been particularly true since early 1966 when foreign dairy products, such as butter in the form of butterfat/sugar mixture began to flood into the United States. 1/ Virtually all of the increase was in the form of newly introduced products which were not covered by the U.S. import control system.

Denmark and members of the EEC had gotten into difficulty by establishing high dairy support prices which in turn stimulated surpluses. Unable to export this butter to other potential markets such as Japan, the United Kingdom and Canada, due to tight import controls, they dumped their surpluses in the United States, selling at heavy reductions.

1/ From 1961 to 1965, total annual imports of dairy products into the United States ranged from slightly under 800 million to a little over 900 million pounds, milk equivalent--about 0.7 percent of U.S. production. See "Dairy Imports in Perspective," Foreign Agriculture, October 7, 1968, p. 5.

Section 22 of the Agricultural Adjustment Act as amended, authorizes the control of imports that would undermine price support or other Department of Agriculture programs. However, because U. S. milk production was down, it was almost a year before prices dropped and it became obvious that the U. S. dairy price support program was being hurt. The Commodity Credit Corporation bought a large amount of U. S. dairy products and steps were taken to halt waivers of Section 22.

The Secretary of Agriculture recommended to the President that he direct the U. S. Tariff Commission to investigate the problem. 1/ On June 20, 1967, President Johnson issued Proclamation 3790 putting under control the butterfat/sugar mixture and other items which together had accounted for virtually all of the import upsurge. 2/

However, the world dairy surplus and the U. S. dairy import problem continued. Secretary Freeman, in a letter to the President of June 4, 1968 said:

> ...This is no normal trade situation deriving from comparative economic advantage. Rather, we are the target of countries trying to export their surplus problems.

1/ Statement of the Secretary of Agriculture before the House Committee on Ways and Means, Public Hearing on Tariff and Trade Proposals, June 10, 1968, pp. 8-9. Also see U. S. Department of Agriculture Weekly Activity Reports, April 5, 1967, p. 1, Secretary's Files; and summary of Secretary's Statement before the U. S. Tariff Commission in May 1967, in U. S. Department of Agriculture, Weekly Activity Report, May 17, 1967, p. 1, Secretary's Files.

2/ Weekly Compilation of Presidential Documents, Vol. 3, July 10, 1967, pp. 968-970.

> The most important, though not only source of import pressures, is Europe. Government policies as in 1966 have continued to encourage a marked expansion of milk production even though there is no matching consumption requirement. For example, EEC surplus butter stocks had built up to 476.2 million pounds as of January 1, 1968. The other storable dairy products are also in excess supply.
>
> These surpluses are seeking an outlet, in whatever way possible at virtually any price. Condensed and evaporated milk and various cheeses have been offered or entered at prices greatly below domestic prices. 1/

The Secretary again recommended to the President that he direct the U. S. Tariff Commission to investigate under Section 22 of the Agricultural Adjustment Act, as amended, as to the need for certain recommended import restrictions. 2/ And on June 10, 1968, President Johnson issued Proclamation 3856 3/ establishing quotas on the quantity of condensed and evaporated milk and cream which may be entered in a quota year.

But loopholes continue. And as recently as September 24, 1968, the President issued still another Proclamation 4/ (Proclamation 3870)--

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1/ The Presidential Proclamation 3790 of June 30, 1967 had not placed quotas upon evaporated and condensed milk. Imports of these products as of the beginning of June 1968 were running ahead of 1967. The increase was particularly marked for evaporated milk; imports through April, including imports for Puerto Rico where the Import Milk Act is not applicable, were 1.5 million pounds, more than the total for all of 1967.

2/ Letter from Secretary of Agriculture to the President, June 4, 1968, Secretary's files.

3/ Weekly Compilation of Presidential Documents, Vol. IV, June 17, 1968, pp. 933-34. Also see Department of Agriculture testimony before U. S. Tariff Commission, July 22, 1968. Summarized in U. S. Department of Agriculture, Weekly Activity Report, July 24, 1968, p. 1, Secretary's files.

4/ Weekly compilation of Presidential Documents, Sept. 30, 1968, pp. 1398-1401.

this time limiting the import of such low-priced cheeses as processed Edam and Gouda, Emmenthaler, Bruyere-Process cheese and "others"--for the rest of the year and into 1969 if necessary. 1/

1/ Letter from Secretary of Agriculture to President Johnson, September 18, 1968, Secretary's files.

Cotton. In 1967 and 1968 efforts were made by Congress to amend the Agriculture Act of 1916 to prohibit imports of extra long staple cotton from countries--particularly Sudan and the United Arab Republic--that had severed diplomatic relations with the United States. The bill (H.R. 10915) 1/ which was sent to the President for signature would have reduced the global import quota by the amount that these countries had been exporting to the United States; and it would have allowed domestic growers to increase their production by a corresponding amount.

The Johnson Administration opposed the bill both in terms of domestic agriculture policy and of foreign policy. Both the Department of State and the Department of Agriculture testified against it on the Hill.

The President pocket vetoed the bill August 11, 1968. In announcing his decision to withhold approval of the bill he said:

> The bill is clearly contrary to the national interest. It ties the hands of the President in the conduct of foreign affairs. It deprives him of needed flexibility by forcing an automatic suspension of trade when diplomatic relations are severed. It could seriously inhibit the future resumption of both diplomatic relations and trade.
>
> The need to maintain Presidential discretion in this vital area has been the reason for the traditional U.S. policy of refusing to make trade dependent on continued diplomatic relations.
>
> The bill is a protectionist measure. It is detrimental to the textile industry, the consumer, and even, in the long run, to those cotton farmers--relatively few in number--whom it is intended to help.

1/ For discussion of this bill see: 90th Cong., 2d sess., Report of the Senate on Extra Long Staple Cotton Import Quota, Calendar No. 1051 (Rep. No. 1069, Mar. 29, 1968; 90th Cong., 2d sess., Report of the Senate on Extra Long Staple Cotton Import Quota, Calendar No. 1256 (Rep. No. 1277, June 1, 1968); and 90th Cong., 2d sess., Senate, Hearings before a Subcommittee on Agriculture and Forestry on Imports of Extra Long Staple Cotton, Jan 23 and 24, 1968.

> The bill would deprive domestic textile mills of certain kinds of extra long staple cotton not produced domestically. These uncertainties of supply resulting, could accelerate the inroads of manmade fibers in the textile figer market.
>
> The bill would materially increase the cost to the Government and, therefore, to the taxpayer of supporting the price of domestic extra long staple cotton. It would encourage farmers to increase their plantings of extra long staple cotton, only to deprive them of this new sales opportunity once diplomatic relations had been restored.
>
> The bill establishes an undesirable precedent for U.S. trade policy. It bypasses criteria, procedures, and safeguards--first established by the Congress 33 years ago--for setting import quotas on extra long staple cotton and other agricultural commodities. It violates our international obligations under the GATT, and it invites retaliation.
>
> The bill is as unneccessary as it is unwise. There are far better means to help domestic producers of extra long staple cotton. I am taking action this day to furnish that assistance. 1/

The action to which President Johnson referred was the bill Revising the Price Support and Acreage Allotment Programs (H.R. 10864). One portion of the bill gives extra long staple

1/ Weekly Compilation of Presidential Documents, Vol. 4, Aug. 19, 1968, pp. 1222-1223.

cotton the same program available to other cotton producers. The bill terminated the price support system that had resulted in pricing extra long staple cotton out of the market. It was replaced with a support price which "will enable that cotton to sell at competitive prices." The difference will be made up in direct payments to the producer. 1/

1/ Ibid., p. 1223.

Access to Foreign Markets

Access to foreign markets is one of the basic essentials in a successful agricultural trade policy. Much has been gained by the United States with its liberal trade policy and its insistance on reciprocal treatment from its trading partners. This has been accomplished through representations to foreign governments and through participation in trade negotiations (including the Kennedy Round) under the General Agreement on Tariffs and Trade (GATT) and with other countries and regional groups such as the European Economic Community (EEC).

Secretary Freeman has cited continued efforts to improve access for U.S. agricultural products to foreign markets as a major factor in the impressive climb in U.S. agricultural exports--particularly commercial exports--which few could have envisioned 10 years ago.

During the past year (1967/68) the United Kingdom eliminated restrictions on grapefruit. Denmark, Finland, Norway, and France eliminated restrictions on a number of agricultural products, including canned asparagus, canned fruits and vegetables, and pineapple juice. Japan agreed to liberalize quota restrictions on grapefruit, tomato juice, tobacco, and soybean meal beginning January 1, 1968. Canada eliminated a restriction prohibiting imports of fresh fruits and vegetables in three-quarter bushel baskets and will liberalize restrictions on milling byproducts.

Also some new trading opportunities have been afforded the U.S. farmer by the reduction in tariff barriers in certain agricultural products as negotiated during the Kennedy Round.

However, there are certain activities both in the United States and abroad with regard to the rules of trade that threaten to slow down the momentum toward increased liberalization of trade.

As noted earlier, there was a slippage in U.S. agricultural exports in 1967/68 due to increased world production and lower prices. Although the Kennedy Round of trade negotiations, initiated by the United States under the U.S. Trade Expansion Act of 1962 (TEA), was one of its chief tools for endeavoring to gain access to world markets, the bold objectives of the Kennedy Round were not altogether achieved. Moreover, some countries both within and outside the Common Market are using subsidies for such products as grains, flour, dairy products, meat, poultry, lard, canned fruit and others. The EEC has rejected the United Kingdom's bid for membership. The U.S. Congress has drastically reduced foreign assistance programs and failed to act upon the President's proposed Trade Expansion Act of 1968.1/ The number of import quota proposals before Congress indicate that there are some in the United States who also have a "touch of the protectionist virus."

The primary factors which influence the access of U.S. agricultural products abroad are: competition, protectionism, food aid and sanitary regulations. 2/

Competition. Expansion of U.S. commercial agricultural trade depends on gaining competitive access to world markets and the establishment of sound market development programs.

1/ Weekly Compilation of Presidential Documents, Vol. 4, June 2, 1968, pp. 862-867.

2/ Raymond A. Ioanes, "U. S. Agricultural Exports are Continuing at High Level," Foreign Agriculture, Nov. 27, 1967, pp. 3-4.

As has already been noted, competitive access has been hampered by regional integration as represented by the EEC 1/ and by various subsidy programs of individual countries. It has also been hampered by the trend among importing countries toward greater self-sufficiency in agricultural products as evidenced by the United Kingdom.

Moreover, importing countries have new sources of supply. The period 1966-67 is a case in point. In the brief period of a year a number of changes took place in the world's agriculture. In 1966 the Soviet Union and Communist China were buying large amounts of wheat. In 1967 they bought less and some of the exporting countries wondered what to do with their excess supplies.

Argentina is trying to double her wheat production. France and Australia are expanding their hard wheat production. The Soviet Union is competing strongly for markets for her sunflower and cottonseed oils. Thailand and South Africa are expanding corn production and Japan is among their customers.

1/ Other useful material on the European Economic Community is contained in the following issues of the Department of Agriculture's publication Foreign Agriculture:

Harlan J. Dirks, "Prospects Good for U.S. Livestock and Meat Sales to EEC," Oct. 16, 1967, pp. 5-6

Donald J. Novotny and Robert J. Svec, "European Economic Community's Grain Prices System in Operation," Dec. 4, 1967, pp. 7-8.

Reed E. Friend and Robert E. Shepherd, "EEC Sets Higher Farm Commodity Prices," Jan. 15, 1968, pp. 4-5.

Robert Bratland, "EEC Feedgrain Levies Increase 13 Percent," Apr. 29, 1968, p. 4.

Harlan J. Dirks, EEC Establishes Single Market for Beef," Sept. 2, 1968, pp. 6-7.

Protectionism. This subject has already been discussed in the section on Agricultural Imports and to a certain extent throughout this section. It should be noted in summary, however, that the various trade barriers that have been erected throughout the world not only threaten the continued expansion of dollar exports but in certain instances threaten to take away the already existing traditional foreign markets of the U.S. farmer.

Food Aid. It is the developing countries of the world that promise the greatest potential for long term growth in U.S. markets for farm products. Population in these countries is increasing. Most of these people need and are demanding more and better food and clothing as their incomes improve. However, in the absence of sufficient production or foreign reserves to finance food imports, the increased demand can frequently result in inflation and reduced economic growth. It is in these situations that food aid can and has made a vital contribution. 1/ President Johnson, in his message to Congress on Foreign Assistance Programs February 8, 1968, several times cited their importance in terms of trade and market expansion in the emerging countries. 2.

In fiscal year 1962, the U.S. exported 12.2 million metric tons of wheat under P.L. 480 to countries which also bought from us, for dollars, only 1.7 metric tons. By 1967 it was shipping 11.5 million metric tons of wheat to these same countries, under P.L. 480, but their dollar imports from the United States had more than doubled to 3.8 million metric tons.

1/ U.S. Department of Agriculture, Press Release, Address by John A. Schnittker, Director of Agricultural Economics, at the Fifth Annual Farm Policy Review Conference, Jan. 27, 1965, pp. 5-6.

2/ Weekly Compilation of Presidential Documents, Feb. 12, 1968, pp. 254-263.

In fiscal 1962, the United States exported 1.1 million bales of cotton under P.L. 480 to countries that bought from it, for dollars, only about 300,000 bales. But by fiscal year 1967, P.L. 480 exports to these countries were down to a little over 800,000 bales, while U.S. dollar exports were over 850,000 bales.

Also there are many instances where economic assistance has fostered economic development, and U.S. trade policies have yielded substantial trade benefits to the United States and to American agriculture.

Japan in 1956 imported $370 million worth of American farm products, a third of it under P.L. 480. Today, Japan is buying $1 billion worth of U.S. farm products, all of it for dollars. Italy, in 1956, imported $114 million of U.S. farm products, nearly a third under P.L. 480. Today it buys nearly $300 million, all for dollars. For Spain the story is similar.

Other countries, like Israel, Taiwan and South Korea, which are lower in the scale of economic development but growing rapidly, are also rapidly increasing their commercial purchases of our farm products as their P.L. 480 imports decline. Secretary Freeman has recently pointed out that countries where per capita incomes are more than $600 a year make commercial purchases of American farm products worth $7.88 per year; where incomes are between $200 and $600 such purchases amount to $4.18 per year; but where per capita incomes are less than $200 this figure is only 30 cents. Secretary Freeman added:

> "There are 22 countries that now buy only 30 cents worth of our farm products per capita per year. They have a combined population of 835 million. ... If each of these people last year had been able to spend just $1 in buying our farm products ... we would have exported $800 million worth of additional farm products. ... If they had spent $2 apiece more for the food and fiber products they would like to buy from us, our exports for the year would have approached $8-1/2 billion."

Thus it is clear that economic development is extremely important to U.S. export promotion efforts. It is only through economic development that a Nation can improve the buying power of its citizens and thereby make the transition from aid to trade. 1/

Certain countries, such as Yugoslavia and the United Arab Republic which once were among the principal recipients of P.L. 480 shipments, are not now receiving such shipments as the result of Congressional action prohibiting them.

Sanitary Regulations. Another factor that influences access of U.S. agricultural exports--and one which at times is very hard to come to grips with--is the matter of sanitary regulations. This involves the foreign health laws that U.S. foods must meet if they are to enter another country. Food health laws are, of course, necessary as a protection to consumers. However, some foreign food laws are impracticable when applied to foreign trade, and still others are even of questionable integrity because their purpose seems to be to limit imports rather than to protect consumers.

The Department of Agriculture has been taking positive steps to try to cope with those foreign food laws which seem unduly restrictive. It is working with the German and Dutch to try to obtain an understanding of some of their laws which can work a hardship on U.S. export sales, especially for fruits, vegetables, and variety meats. The Department is also working with the Japanese to assure that the U.S. program for control of Newcastle disease does not keep U.S. poultry products out of the Japanese market.

1/ U.S. Department of Agriculture Press Release, Address by Assistant Secretary of Agriculture, Dorothy H. Jacobson, Washington, D. C., Mar. 25, 1968.

The Sixth Round of Trade Negotiations

On June 30, 1967, the multilateral agreements negotiated in the sixth round of the international trade negotiations under the auspices of the GATT (the Kennedy Round) were signed in Geneva. On December 16, 1967, President Johnson signed a proclamation putting the first stage of the tariff concessions granted by the United States into effect, beginning January 1, 1968. In his remarks upon that occasion the President said the tariff reductions "will mean bigger export sales, we hope, for American businessmen and American farmers." United States participation in the negotiations was made possible through authority granted the President by Congress through the Trade Expansion Act of 1962.

The Agreement comprised:

1. A Final Act, which authenticates the texts of the agreements described in paragraphs 2-5 below, and which expresses the intention of all the signatories to take appropriate steps, subject to their constitutional procedures, to put these agreements into effect.

2. The Geneva (1967) Protocol to the General Agreement on Tariffs and Trade (GATT) which embodies most of the tariff and other concession exchanged in the negotiations.

3. An agreement relating primarily to chemicals, which provides for the elimination of the American Selling Price (ASP) system.

4. A memorandum of agreement on basic elements for a World Grains Arrangement.

5. An agreement on implementation of Article VI of the GATT, in the form of a code of antidumping practices.

The Kennedy Round and the International Grain Agreement are discussed below.

I. The Kennedy Round. 1/ The important elements in brief of the Kennedy Round package as they relate to agriculture are:

1/ The material for the section on the Kennedy Round has been drawn from the following sources:

U.S. Department of Agriculture Press Release, Market Access--U.S. Agriculture's Biggest Foreign Trade Problem. February 1964.

Statement by Under Secretary of Agriculture, John A. Schnittker, 90th Cong., 1st sess., Hearings before the Subcommittee on Foreign Economic Policy of the Committee on Foreign Affairs, House of Representatives, on The Foreign Policy Aspects of the Kennedy Round, Part II, February 15, 1967.

90th Cong, 1st sess., House, Hearing before Subcommittee on Foreign Economic Policy of the Committee on Foreign Economic Policy of the Committee on Foreign Affairs, The Foreign Policy Aspects of the Kennedy Round, Part II, Feb. 15, 16; Mar. 7, 8; Apr. 4, 5, 1967.

Statements by Under Secretary of Agriculture, John A. Schnittker, and by Ambassador William M. Roth, President's Special Representative for Trade Negotiations, 90th Cong., 1st sess., Hearings before the Subcommittee on Foreign Economic Policy of the Joint Economic Committee on The Future of U.S. Foreign Trade Policy, Vol. I, July 11, 1967.

D. Gale Johnson, R. J. Goodman, J. S. Hillman, and O. Zaglits, Foreign Trade and Agricultural Policy, Vol. VI, Technical Papers of the National Advisory Commission on Food and Fiber, August 1967.

Office of the Special Representative for Trade Negotiations, Report on United States Negotiations General Agreement on Tariffs and Trade 1964-67 Trade Conference at Geneva, Switzerland, Vol. I (Parts I and II), and Vol. II (Parts III and IV), GPO, 1967 and 1968, respectively.

U.S. Department of Agriculture, Report on the Agricultural Trade Negotiations of the Kennedy Round, FAS-M193/Foreign Agriculture Service, September 1967

U.S. Department of Agriculture, The World Agricultural Situation, Review of 1967 and Outlook for 1968, Economic Research Service, February 20, 1968.

Statement by Ambassador William M. Roth, Presiden't Special Representative for Trade Negotiations, 90th Cong., 2d sess., Hearings before the Committee on Ways and Means, House of Representatives, on Foreign Trade and Tariff Proposals, Part I, June 4, 1968.

Statement by Secretary of Agriculture, Orville L. Freeman, Ibid., Part II, June 10, 1968.

U.S. Department of State, Annual Reports of the President of the United States on the Trade Agreements Program, 1964, 1965, 1966, 1967.

Various statements throughout the years on the Kennedy Round negotiations by President Johnson contained in Public Papers of the Presidents, Lyndon B. Johnson, and Weekly Compilation of Presidential Documents.

A few of the articles particularly discussing the Kennedy Round in the Department of Agriculture Foreign Agriculture are:

"The Kennedy Round and U.S. Trade in Fruits and Vegetables," Sept. 18, 1967, pp. 3-5.

"The Kennedy Round and U.S. Livestock and Meat Products," Oct. 9, 1967, pp. 3-4.

"The Kennedy Round and U.S. Oil Seeds and Their Products," Oct. 23, 1967, pp. 7-8.

"The Kennedy Round--and U.S. Trade in Raw Cotton Products."

Agricultural concessions to which the United States attaches great value because they create new trading opportunities for its farmers and because they support the U. S. contention that international negotiation in trade in farm products can accomplish something;

A grains arrangement guaranteeing higher minimum trading prices and establishing a program under which other nations will share with the United States in the vital but burdensome task of supplying food aid to the undernourished people in the less-developed countries;

Nontariff barrier liberalization including a very significant accord on antidumping procedures as well as European Non Tariff Barriers (NTB) in the American Selling Price (ASP) 1/ package; and

Significant assistance to the less-developed countries through permitting their participation in the negotiations without requiring reciprocal contributions from them, through special concessions on products of particular interest to them, and through the food aid provisions of the grains arrangement.

1/ The American Selling Price is a system whereby the United States imposes, in addition to an already substantial tariff, a special requirement that for certain products (primarily those of the chemical industry in the benzenoid field) their tariff value be determined by American prices. President Johnson in his message to Congress proposing the Trade Expansion Act of 1968, pointed out that this "unusual system often produces tariff protection of more than 100 percent of the import cost of the product." This ASP, which can only be terminated by Congressional action, was a major stumbling block during the Kennedy Round. The President has recommended to Congress that the system be eliminated.

After 4 years of preparation and extremely difficult negotiations, the United States gave tariff concessions on \$8.5 billion industrial and agricultural imports and obtained concessions on \$8.1 billion of exports from the United States. Agricultural commodities comprised about 10 percent of the U. S. total--excluding trade covered under the grains arrangements. The United States granted concessions affecting imported agricultural products valued at \$860 million, c.i.f. (including nearly \$260 million on tropical products), and received trade concessions affecting exported agricultural commodities valued at \$866 million (c.i.f. 1964, the base year for negotiations). The U. S. concessions include benefits to both the participating and nonparticipating countries in line with the most-favored-nation principle followed by most countries belonging to the GATT. Most of these concessions are being phased over a 4-year period. Soybeans, tallow, variety meats, tobacco, and processed fruits are the major U. S. export commodities affected.

Japan's agreement to reduce its duty on soybeans from 13 percent to about 6 percent (ad valorem equivalent) was the most important oilseed concession received by the United States. U. S. soybean exports to Japan were valued at over \$150 million in 1964. The United Kingdom agreed to eliminate its 5-percent duty on soybean imports, placing U. S. beans on an equal competitive footing with oilseeds from Commonwealth suppliers. The bulk of the concessions on oilseeds and related products granted by the

United States (affecting about $25 million) were on such tropical commodities as castor oil, cocoa-butter, and sesameseed. Brazil and Nicaragua will be the principal beneficiaries of these duty reductions.

During the Kennedy Round the United Kingdom offered to reduce its tobacco tariff by 25 percent, provided the United States repealed the American Selling Price system of valuation for assessing duties on certain chemical imports. In 1964, U. S. tobacco exports to the United Kingdom were valued at over $100 million. The EEC agreed to reduce its 28 percent duty on tobacco at 23 percent, the maximum charge from 17.2 to 15 cents a pound, and the minimum charge from 13.2 to 12.7 cents a pound.

Principal reductions in the livestock product sector that were of benefit to the United States were in tallow ($65 million, 1964 basis) and variety meats (about $45 million). The EEC eliminated its 2-percent duty on inedible tallow and Canada reduced its rate from 4 percent to 2.5 percent. The EEC cut its duties on variety meats from 20 percent to 13 percent. Chief U. S. concessions on livestock products were the binding of duties on canned pork (about $105 million, mostly hams from Denmark, Poland, and EEC countries) and a 50 percent reduction on canned beef ($25 million, mainly from Argentina, Paraguay, and Uruguay).

The United States received concessions on exports of canned fruits ($55 million) and fruit and vegetable juices (about $25 million); those granted by the United Kingdom and Canada were the most significant. In addition, concessions were received on more than $20 million in dried vegetables and pulses, chiefly from the EEC and the United Kingdom. U. S. fruit and vegetable exports will become more competitive with those from Commonwealth suppliers in the U. K. and Canadian markets. The major U. S. concessions were on tropical fruits and nuts (valued at $190 million, primarily from the less developed countries) and on wine (about $35 million, primarily from EEC countries).

During the Kennedy Round, the major wheat-trading members of GATT negotiated the basic price arrangements and food aid provisions of the new International Grains Arrangement (IGA) to replace the International Wheat Agreement (IWA). Negotiations were completed in Rome in August 1967 and, following ratification, the IGA will be in effect for 3 years beginning July 1, 1968. (see below)

However, though there is general agreement that the Kennedy Round has given the United States better access to foreign agricultural markets; that the concessions won at Geneva will mean substantially larger sales for many U. S. farm products; and that it accomplished a new grains agreement--as Secretary Freeman and Under Secretary Schnittker have pointed out, there were several disappointments.

When the participants in the Kennedy Round met May 1963, they agreed on the following objectives:

1. Negotiations would cover all classes of products.

2. Provision would be made for acceptable conditions of access to world markets for agricultural products.

3. The negotiations would cover nontariff as well as tariff barriers.

4. A special effort would be made to reduce barriers to exports of developing countries, although these countries would not be expected to fully reciprocate.

5. The negotiations on industrial products would go forward on the basis of a substantial cut applied across the board with a bare minimum of items excepted.

The United States originally set as a goal the same broad trade coverage and depth of tariff cut asachieved for industrial products. At the time negotiations formally began, May 4, 1964, it considered that three approaches were called for in the agricultural sector:

Fixed import duties should be substantially reduced among GATT members. In the Kennedy Round, the United States will be able to use the broad authority of the Trade Expansion Act of 1962 to work for liberalized trade all the way across the board. The United States will insist on negotiating agricultural and industrial tariffs as a single package and will resist any foreign moves to separate the final settlement of agricultural and industrial products.

Variable import levies should be included in the negotiations in a meaningful way. The United States proposes to negotiate trade access in countries using variable levies through arrangements for both domestic producers and exporters to share equitably in expanding markets. The United States will propose that this "market sharing" approach be used for grains, meats, and certain other variable free items.

For certain products, quantitative restrictions or state trading impede trade. Where these barriers are used for the protection of farm income programs, such as price supports, improved access for imports should be negotiated again through fair market share arrangements similar to those which would be negotiated for variable levies. Where the non-tariff barrier does not perform a critical function in the protection of farm income, the United States believes that it should be removed.

The biggest disappointment for the United States was its inability to improve the U.S. position with respect to the EEC 1/ variable

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1/ Additional useful material concerning the European common market which has not been noted in other footnotes include:

U. S. Department of Agriculture, Press Release, Speech prepared for Delivery by Secretary of Agriculture Orville L. Freeman to the Annual Meeting of the Rice Millers Association, Houston, Texas, January 31, 1964, USDA, 355-64.

U. S. Department of Agriculture Press Release, remarks by George L. Mehren, Assistant Secretary for Marketing and Consumer Services, "A New Era in Foreign Trade" before Tobacco Associates, Inc., Raleigh, N. C., March 3, 1964, USDA 628-64.

U. S. Department of Agriculture Press Release, "New Developments Affecting Agricultural Trade," remarks by John A. Schnittker, then Director of Agricultural Economics, at the Fifth Annual Farm Policy Review Conference, Washington, D. C., January 27, 1965.

U. S. Department of Agriculture Press Release, "Foreign Market Problems and Prospects--A Report on the Kennedy Round Agricultural Trade levy system. Under Secretary of Agriculture, John A.

Footnote 1/ continued from previous page.

Negotiations," address by Howard L. Worthington, Deputy Assistant Administrator, International Trade, Foreign Agricultural Service, at the 38th Annual Meeting of the National Council of Farmer Cooperatives, New Orleans, La., January 17, 1967.

U. S. Department of Agriculture, Growth in Demand for Feed Grains in the EEC, ERS-Foreign 158, July 1967.

"Commission of the European Communities Joint Statement," by President Johnson and Jean Rey, President of the Commission, February 7, 1968, Weekly Compilation of Documents, February 12, 1968, p. 253.

U. S. Department of Agriculture, Changes in EEC Imports by Commodities Affected by the Variable Levy System, ERS-Foreign 225, June 1968.

Schnittker, in a statement before the Joint Economic Committee of Congress on July 11, 1967, said "That system, which insulates home producers from the effects of outside competition regardless of the difference in efficiency, is perhaps the greatest unsolved problem in international trade today."

Secretary Freeman pointed out that negotiations met with only limited success in removing or lowering trade barriers, and in the hard-core products had no success at all. Moreover, the participants were unable to reach agreement with respect to negotiations for establishing international arrangements for meats and dairy products.

Problems with the EEC stemmed from several factors. One of the United States' early problems was the EEC's "margin of support" negotiating plan. It was a complex proposal that would have, in essence, frozen the margin between domestic support prices and so-called world reference prices. The United States and other agricultural exporters couldn't accept this proposal because (1) it would not have led to trade expansion--the whole purpose of the Kennedy Round, and (2) it would have given international acceptance to the variable levy system.

Over a period of many months deadlines were set for making agricultural offers which the EEC did not meet because its common agricultural policy was undecided. Neither the United States nor other countries were willing to negotiate until the EEC also could take part.

In June 1965, all countries tabled offers on grains, and negotiations on these products began. But at the end of June 1965, the EEC was caught up in an internal dispute over agricultural financing and other matters. Negotiations in grain came to a dead stop. Agricultural negotiations generally suffered further delay.

The EEC surmounted its crisis early in 1966. And by the middle of 1966 it had settled upon common agricultural policies for most commodities. Common agricultural prices for major farm products also were agreed upon.

In July 1966--a year after the original grains offers were tabled--the EEC tabled a partial offer for agricultural products other than grains. This too was disappointing though the EEC subsequently submitted a revision of its first offer on grains, and negotiations in the other sector resumed.

In a policy statement before the Chamber of Commerce Conference on July 7, Secretary Freeman, in addition to citing the benefits and shortcomings of the Kennedy Round in terms of agriculture, noted some of the lessons that had been learned. He pointed out that the Kennedy Round has shown the trouble in trying to buy--with reductions in duties--removal of the major barriers still standing in the way of international agricultural trade. The Kennedy Round has also shown that a massive, multilateral trade negotiation involving all countries and all products may not be the best way to get at the root of agricultural trade problems. It provides too much opportunity for side-stepping the real business at hand.

It has shown with startling clarity the complex and exasperating nature of the trade barriers in agriculture and, most disturbing of all, has shown a fundamental difference among the major trading partners as to international trade philosophy.

A concept of orderly trade is basic to a negotiation. Unless parties can agree on objectives, they rarely accomplish anything. There must be a mutuality of interest. There must be a common ground in agricultural negotiations.

Though all parties claimed that they were trying to bring about more orderly agricultural trade, the Secretary said that he had detected at least 3 different ideas of what "more orderly" meant. Each idea was put forward by a negotiating bloc powerful enough to prevent concensus.

One point of view: Let those who can--produce, whether the production is efficient or not. The only test is--are we physically capable of turning out the product and are we able and willing to bear the cost?

Second point of view: Let those who can produce efficiently, produce. The test ought to be based upon who can produce abundantly, inexpensively, and well, and not upon who has physical capacity and strength of treasury.

The third point of view: Let those produce who must produce to exist. Whether inefficient or not, if we can only produce a few products, let us produce them and sell them because we must. This last view, of course, is put forward with increasing intensity by the less developed countries, which in many cases, have neither the resources to produce cheaply and well, nor the financial capacity to subsidize heavily.

Given these 3 major conflicting views, we were unable to make in this negotiation all the changes we desired.

2. <u>The International Grains Arrangement 1967</u>. The International Grains Arrangement (IGA), which was signed on behalf of the United States by Acting Secretary of Agriculture, John A. Schnittker, November 8, 1967, 1/ submitted to Congress January 25, 1968, 2/ and approved by the President June 18, 1968, entered into force July 1, 1968. An outgrowth of the Kennedy Round of Trade negotiations, the arrangement is in 2 parts: (1) The Wheat Trade Convention which is aimed at providing new assurance against falling prices in the wheat export trade; and (2) The Food Aid Convention which brings wheat exporting and wheat importing nations into partnership in the War on Hunger. The Arrangement replaces the 18-year-old International Wheat Agreement (IWA) and will remain in force until and including June 30, 1971 -- a period of 3 years.

The text of the IGA was developed in Rome at the International Wheat Conference, composed of 52 nations, July 12 to August 18, 1967. It followed agreement on the basic price and food aid provisions, which had been accepted by the major wheat-trading countries (including the United States, Canada, Australia, Argentina, Japan, the United Kingdom and the European Economic Community) at Geneva during the 1967 Kennedy Round negotiations. The IGA incorporates the provisions of the Kennedy Round <u>Memorandum of Agreement on Basic Elements for the Negotiations of a World Grains Arrangement</u>,

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1/ <u>Weekly Compilation of Presidential Documents</u>, Vol. 3, November 13, 1967, p. 1534.

2/ <u>Ibid</u>., Vol. 4, January 29, 1968, p. 124.

The convention resembles in considerable degree and essentially replaces the International Wheat Agreement (IWA). 1/ It sets minimum and maximum prices for 14 major wheats moving in world trade. Minimum prices for other wheats may be established as the need arises by the Price Review Committee, a new body which has the responsibility for making sure the price objectives of the convention are carried out. For U. S. wheats, the new minimum prices are generally about 33 cents a bushel higher than they were under the old agreement.

Procedures to be followed when prices reach minimum or maximum levels are also detailed in the Convention. It is recognized that an exporting country may offer its wheat at competitive prices even though such prices might be below the minimum levels specified in the Arrangement, if consultative procedures have failed to find a basis for maintaining prices above established minimum levels.

A section on guidelines for concessional transactions included in the Wheat Trade Convention reaffirms and strengthens the previously recognized principle that grain transactions made on concessional terms should avoid harmful interference with normal patterns of production and commercial trade. 2/

The Wheat Trade Convention is administered by the International Wheat Council, which was established by the IWA in 1949 and has headquarters in London. All members of the convention are represented on the Council which is to meet at least once during each crop year and at such other times as the Chairman decides or the Convention requires. 3/

1/ Ibid., p. 5.

2/ Weekly Compilation of Presidential Documents, Vol. 3, November 13, 1967, p. 1534.

3/ U. S. Department of Agriculture, International Grains Arrangement 1967, FAS-M-195, Nov. 1967, pp. 28-31.

of June 30, 1967, (also referred to as the Geneva Cereals Arrangement) together with Administrative and structural provisions of the now-expired IWA.

The principal new features of the International Grains Arrangement 1967 are a more precise definition of the price range, spelled out in terms of major wheats moving in world trade; more effective procedures to be followed when prices reach the extremes of the price range; and a 4.5 million ton food aid program with contributions from both grain exporting and grain importing countries. The arrangement carries over with some modifications the provisions of the International Wheat Agreement. It obligates each importing country to purchase a specified minimum percentage of its commercial import requirements from member countries and the exporting member countries collectively to supply the commercial requirements of importing member countries at prices consistent with the price range. It generally has the effect of continuing the provisions of the International Wheat Agreement when prices are at the maximum. 1/

The Wheat Trade Convention. The main purposes of the Wheat Trade Convention are to maintain prices of wheat moving in the commercial export trade within a specified price range, and to insure importing nations of specified percentages of their commercial wheat requirements by the major exporting member nations. 2/

1/ U. S. Congress, 90th, 2nd Sess., Senate, International Grains Arrangement of 1967 (Executive Rept. No. 6, June 6, 1968), p. 1. Also see: "International Grains Arrangement in Force", Foreign Agriculture, U. S. Department of Agriculture, July 1, 1968, p. 5.

2/ U. S. Congress, 90th, 2nd Sess., Senate, The International Grains Arrangement of 1967 (Executive Rept. No. 6, June 6, 1968), p. 1.

Food Aid Convention. The main purpose of the Food Aid Convention is to implement the Geneva Cereals Arrangement, under which principal wheat exporters and importers agree to provide 4.5 million metric tons of grain annually to needy nations. 1/

The Food Aid Convention commits developed countries, importers and exporters alike to a 4.5 million ton annual program of food aid to developing countries.

The United States is to supply 42 percent to about 1.9 million tons, the European Common Market, 23 percent -- about 1.0 million tons; Canada, 1 percent; Australia, the U. K. and Japan, each 5 percent; with other countries contributing smaller amounts. Contributions can be in the form of wheat, coarse grains suitable for human consumption, or the cash equivalent. Contributing countries may specify the recipients of their donations, or they may channel them through an international organization such as the World Food Program of the United Nations.

The Convention provides for the establishment of a Food Aid Committee, consisting of representatives of the contributing countries. The Committee's primary function is to review the overall functioning of the Convention, and especially its effect on food production in the recipient countries. 2/

1/ U. S. Congress, 90th, 2nd Sess., Senate, The International Grains Arrangement of 1967, (Executive Rept. No. 6, June 6, 1968), p. 1.

2/ Weekly Compilation of Presidential Documents, Vol. 3, November 13, 1967, p. 1534.

Discussion of the Negotiation of the Overall Arrangement. When the United States went into the Grains Arrangement negotiations it had 3 key objectives with respect to grains:

(1) General access to the markets of the importing countries;

(2) Higher minimum world trading prices for wheat; and

(3) Establishment of a multilateral sharing of the world's food aid burden. 1/

The first objective of a guaranteed access for importing countries was not achieved. With regard to the remaining two objectives, an approved price and a food aid convention were achieved. In addition, as Under Secretary Schnittker told the Senate Foreign Relations Subcommittee on March 26, 1968, various formulas for regulating supplies for export when prices approach minimum levels were considered, but participants in the negotiations were unwilling to adopt solutions involving automatic price adjustments or export quotas. The U. S. Delegation at Geneva made it clear that the United States would not bear a disporportionate part of the supply control in world markets and that other countries such as Australia, Canada and France had to help. Thus, although the arrangement does not contain specific provisions for supply-management and export sales restraint, there is a measure of protection implied in the new consultation procedure which provides an opportunity for exporting nations to reach agreement on the means for withholding supplies from the market to maintain an acceptable price level, and a sharing of the burden of sales restraint.

1/ U. S. Congress, 90th, 2nd Sess., Senate, International Grains Arrangement of 1967, (Exec. Rept. No. 6, June 6, 1968), p. 3.

With regard to the first objective, negotiations on market access focused on several different means of achieving the desired result. Exporting countries sought a continuation of the recent level of grain imports into the member nations of the European Economic Community and the United Kingdom, and the assurance that efficient exporting countries could share in the future growth of these countries. This proposal was countered by one to establish a limit on internal price and income supports, which exporters found unacceptable. A further counterproposal by both the European Economic Community and the United Kingdom, offering to limit the degree of self-sufficiency they would seek in grains, was similarly unacceptable to exporters. When it became apparent, in the final negotiating session, that there was no hope of achieving access assurances from the EEC or the United Kingdom, the exporting countries decided to abandon the effort. 1/

With regard to the second U. S. objective, the United States throughout the negotiations was concerned that the new agreement should provide for an equitable sharing of the responsibility for maintaining wheat prices within the range and that it should fully protect the competitive position of the United States when prices are at the minimum. Agreement was finally reached on the flexible consultative procedures embodied in Article 8 of the Arrangement which

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1/ *Ibid.*

empowers the new Price Review Committee to adjust price relationships temporarily in response to changes in competitive conditions. If agreement is not reached on action to restore market stability, including any necessary adjustments in the schedule of minimum prices, the convention does not preclude an exporting country from pricing below the schedule of minimum prices. 1/

With regard to the third U. S. objective, the agreement on food aid represents a desirable forward step in the joint sharing of responsibility by the developed countries in aiding the less-fortunate areas of the world. It should also contribute to the management of wheat supplies; to the extent that other countries divert excess production to food aid, the program will end to make room for commercial imports or reduce the pressure on export markets. 2/

When President Johnson submitted the Arrangement to Congress, January 25, 1968, he stated: "This Arrangement is another step forward in our overall effort to strengthen and stabilize our farm economy, to improve our balance of payments, and to share our abundance with those in need." 3/

1/ Ibid.

2/ Ibid., p. 4.

3/ Weekly Compilation of Presidential Documents, Vol. 4, January 29, 1968, p. 124.

Views on the International Grain Arrangement. Both the Wheat Trade Convention and the Food Aid Convention of the new International Grains Arrangement were discussed thoroughly with all major producers and trade groups concerned with wheat. Organizations including the National Farmers Union, National Association of Wheat Growers, Great Plains Wheat, Western Wheat, Midcontinent Farmers Association, National Grange, National Farmers Organization, the National Council of Farmer Cooperatives, the American Farm Bureau Federation, the North American Grain Export Association, the Grain and Feed Dealers National Association, the National Federation of Grain Cooperatives, the Millers National Federation, and others were kept advised as the negotiations progressed. 1/

The International Grain Arrangement was strongly supported by several farm organizations including Midcontinent Farmers Association, The National Association of Wheat Growers, the National Farmers Union, The National Grange, and The National Farmer's Organization, the Great Plains Wheat, the Western Wheat Associates and the National Association of Wheat Growers.

There was also opposition to the Arrangement by groups who maintained that the Arrangement was moving in the wrong direction and would mean less liberalization of trade and less income for the U. S. farmer.

1/ U. S. Congress, 90th, 2nd Sess., Senate, Committee on Foreign Relations, Hearings . . . International Grains Arrangement of 1967, March 26, April 4, and 5, 1968, p. 16.

Such groups included the American Farm Bureau Federation, the Grain and Feed Dealers National Association, the National Grain Trade Council, the Chambers of Commerce of the United States and the Greater North Dakota Association.

Criticism has centered on the new provision establishing minimum prices for major wheats. Some fear that the floor prices are too high, and will limit U. S. flexibility in selling wheat to overseas buyers and that they will stimulate further growth in world wheat production.

Others have stated that implementation of the International Grains Arrangement minimum, depends upon agreement among exporting countries regarding supply-management and export sales restraint, but that exporters have as yet proved unwilling to agree to such matters.

Finally, some have charged that nonmembers, and even some members are likely to give only limited cooperation to the implementation of the minimum price. Nonmember and noncooperating exporters would profit greatly and would possess the power therefore to prevent the achievement of the International Grains Arrangement price objectives whenever they desire. 1/

<u>Administration of the International Grains Arrangement within the Department of Agriculture.</u> Two agencies of the Department of Agriculture are directly responsible for administering the Department functions relating to the International Grains Arrangement (IGA): the Foreign Agricultural Service (FAS) and the Agricultural Stabilization and Conservation Service (ASCS).

1/ *Ibid*., p. 17.

The FAS has overall responsibility for international negotiations and contacts in "connection with amendment or interpretation of the Agreement. The agency will also be responsible for the administration of the Food Aid Convention of the IGA. Required reports to the International Wheat Council and its subsidiary bodies will be transmitted by the Foreign Agricultural Service."

The ASCS "will be responsible for the domestic operations to implement the IGA including issuance of regulations (other than export wheat marketing certificate regulations), establishment of daily wheat and flour export subsidy rates, export wheat marketing certificate costs, and compiling data for required reports on prices and sales."

Since the IGA includes provisions not only with respect to export pricing but also with respect to food aid, close cooperation between the two agencies is essential. Moreover, these agencies are authorized and encouraged to obtain cooperation and technical assistance from other USDA agencies, such as the Economic Research Service (ERS). 1/

1/ U. S. Department of Agriculture, Secretary's Memorandum No. 1624, "Administration of the International Grains Arrangement," November 6, 1967.

U. S. Participation in International Organizations Concerned with Agriculture

1. U. N. Organizations. A number of international organizations to which the United States belongs either directly or indirectly, deal with various aspects of agriculture. These include the United Nations and several of its specialized agencies and commissions. The U. N. specialized agencies most concerned with agricultural trade are the Food and Agricultural Organization (FAO) and the International Monetary Fund (IMF). In addition, through the economic commission for Africa (ECA), the Economic Commission for Asia and the Far East (ECAFE), the Economic Commission for Europe (ECE), and the Economic Commission for Latin America (ECLA), the United Nations is involved in the agricultural trade problems of these regions. 1/

2. Other International Organizations. International organizations outside the United Nations which deal in part with agricultural trade problems include the organization for Economic Development Cooperation (OECD), the organization of American States (OAS), the Caribbean Organization, and The South Pacific Commission. 2/

1/ U. S. Department of Agriculture, Yearbook of Agriculture, 1964, p. 427.

2/ Ibid., p. 427.

Organizations which deal with problems of trade in agricultural products and of which the United States is a member are the International Wheat Council, the International Sugar Council, the International Coffee Organization, the International Cotton Advisory Committee, the International Wool Study Group, and the International Seed Testing Association. 1/

The first three of the commodity organizations administer international marketing agreements. The others deal with problems of trade, but they are not directly involved in trade itself. 2/

3. The General Agreement in Tariffs and Trade (GATT). 3/ Although the General Agreement on Tariffs and Trade is an agreement rather than an organization 4/ and though its functions extend much beyond agricultural products that move in international trade, it has become the recognized trade forum of the world, and is being considered separately here.

1/ Ibid., p. 425.

2/ Ibid., p. 426.

3/ Howard L. Worthington, "A Look Ahead at Agricultural Trade", Foreign Agriculture, Dec. 18, 1967. U. S. Department of Agriculture, Preferential Trade Arrangements of Foreign Countries, Economic Research Service, Foreign Agricultural Economic Report No. 41, March 1968. D. G. Johnson; R. J. Goodman, J. S. Hillman, and O. Zaglits, Foreign Trade and Agricultural Policy, Vol. VI, Technical Papers, National Advisory Commission on Food and Fiber, August 1967. U.S. Department of State, Annual Reports of the President of the United States on the Trade Agreements Program, 1964, 1965, 1966, 1967.

4/ GATT is administered by a body called "Contracting Parties" in which all member countries are represented, and is assisted by a small Secretariat in Geneva, Switzerland. The entire membership ordinarily meet at least once a year in sessions of the Contracting Parties. Between these sessions, the work of the Contracting Parties is carried on by a Council of Represenatives, Working Committees, and Expert Groups.

The goal of liberal expanding trade, which calls for access to markets in the industrialized countries, led the United States to join in 1947 with many other Free World nations in the GATT. This Agreement which came into force January 1, 1948, is the most comprehensive trade agreement in existance. More than 74 countries adhere to it, including almost all the world's major trading countries. The GATT is basically a set of rules for the orderly conduct and steady expansion of international trade. Its means for upholding these rules are consultation and, in special cases, conciliation by an impartial panel of experts drawn from nations not directly involved in the issue in dispute. If a nation is found to have impaired or nullified the benefits that the GATT should provide, whether or not its actions technically violates the rules, the GATT nations affected have the choice, after consultations, of negotiating compensation or resorting to retaliation.

One of the fundamental principles of the GATT is that trade should be conducted in a nondiscriminatory basis. In particular, all member countries are bound by the most-favored-nation clause in the application of import and export duties and charges and in their administration.

However, there are exceptions to this principle: Preferential tariff arrangements existing between countries at the time the GATT was formed; and customs unions and free trade areas formed subsequent to 1947. 1/

With regard to the first exception, the GATT agreed to a freezing of the then existing level of preferences, that is, countries could not increase the margin between the preferential tariff and the tariff applicable to nonpreferential countries. In the case of customs unions and free trade areas, the GATT provides that such arrangements shall in effect lead to the reduction of trade barriers to trade with nonmember countries.

Early preferential trade among nations had its roots in colonialism and the six GATT rounds of tariff negotiations have made significant progress in eroding the discriminatory tariff preferences included in those types of arrangements. The commonwealth preference system, for example, has lost much of its significance. Although preferences continue to impede certain U. S. agricultural exports to the United Kingdom, increased U. K. self sufficiency appears to have a greater impediment to U. S. trade in the British market in recent years.

1/ It was under this exception that the European Economic Community (EEC), the European Free Trade Area (EFTA), and the Latin American Free Trade Area (LAFTA) were formed.

With regard to the Custom Unions and Free Trade Areas mentioned above, the GATT states that integration of national economics is conceived as a means of contributing to the objectives of the GATT. It lays down the conditions under which a customs union or a free trade area is accepted as a basis for an exception to the most-favored-nation clause. The general purpose of these conditions is to ensure that economic integration is a movement toward liberalism and not an attempt to create preferential arrangements involving additional trade restrictions.

Although Japan is not a member of any preferential trade association, that country's extensive use of bilateral trade agreements tends to produce similar results with respect to the direction of trade. Currently Japan has agreements on commerce, trade, and payments with more than 40 countries.

The less developed countries belong to a wide variety of preferential trade associations: The Latin American Free Trade Association, the Central American Common Market, the Caribbean Free Trade Association, the EEC-Associated Overseas Countries, and various African customs unions. In addition, many of these countries are associated with the Commonwealth preference system or have bilateral preferential arrangements with other countries. Thus far, it does not appear that the trade of many of the less developed countries has benefited greatly from these associations, perhaps because of declining prices for tropical products, political instability in many of these countries following independence, and differences in the degree of development among members. The major exceptions to this general rule are (1) the countries of the Central American Common Market, where rapid elimination of trade barriers has stimulated foreign trade and economic growth; (2) the countries of Southeast Asia, Thailand in particular, whose bilateral agreements with Japan have provided them the necessary capital to purchase industrial goods, albeit Japanese goods; (3) the cocoa-producing Associated Overseas Countries of Africa, whose preferred status appears to have improved their position in the EEC market.

The GATT has guided most of world trade for the past twenty years. On six occasions GATT members have negotiated multilateral, reciprocal tariff concessions at general negotiating sessions or rounds -- the last of which was the Kennedy Round.