Agriculture's stake in international trade agreements told

WASHINGTON, D.C. — The United States Department of Agriculture has released a report stating the position of agriculture in international trade agreements. The report deals with how trade began, U.S. objectives, concessions asked for and offered by the U.S., codes of agreement, and an explanation of these codes.

BACKGROUND

International trade generally benefits both buyers and sellers. Nevertheless, nations often make it difficult to trade with each other by tampering with trade to try to solve domestic problems.

Internal pressures may cause a country to subsidize its own exports or to refuse some imports to protect its own domestic production. One way a country does this is by raising import fees on foreign products so high that domestically made products become less expensive than the imported items.

On the other side of the protectionist coin, countries sometimes pay their own producers export subsidies. In some cases, these subsidies can allow producers to sell products overseas at prices below their cost of production. The practice of selling a product for less than the cost of production or less than it sells for domestically is called "dumping."

Another tactic sometimes used by countries is to set such rigid specifications for imported products that only domestic products can be sold.

In the long run, this web of protectionist tactics seldom benefits any country because gains in one product line are often offset by losses in another.

These tactics invite retaliatory action by affected nations, curtailing world trade and generating "trade wars." This danger, and a belief in the benefits of freer, wider trade, prompted U.S. officials to take the lead in seeking international negotiations to reduce trade barriers. After five years of work, negotiators from the 99 participating countries made agreements this Spring affecting tariffs and other trade barriers, such as import quotas and export subsidies.

HOW INTERNATIONAL TRADE NEGOTIATIONS BEGAN

In 1947 — following a world-wide depression and a world war — 23 nations, including the United States, met to negotiate and sign General Agreements on Tariffs and Trade (GATT).

Between 1947 and 1967, six general tariff conferences, or "rounds," were held under GATT auspices. These conferences reduced customs duties on thousands of products traded among member countries. By the early 1970's, however, a proliferation of new barriers — many in the form of non-tariff barriers such as those dealing with import quotas — threatened the trading system.

GATT rules, moreover, were becoming less and less able to deal with problems not directly related to tariff reduction. Therefore, the United States and other interested countries initiated the seventh, or "Tokyo Round," of negotiations.

They began in September 1973 at a ministerial level conference in the Japanese capital.

U.S. OBJECTIVES

The United States' agricultural goal in the Tokyo Round was to get an agreement that would bring long-term benefit to American agriculture, stem world protectionist policies and recognize that while the world's peoples are separated by different economies and needs, they are bound by the globe's limited agricultural resources.

The U.S. based its approach primarily on a growing concern over non-tariff barriers, such as import quotas, discriminatory measures like raising import fees to exclude a U.S. product, and devices such as export subsidies.

The U.S. strategy was to develop improved trade rules and arrangements to allow countries to negotiate their disputes effectively.

At the same time, the U.S. sought tariff concessions on products with high growth potential, such as high-quality beef, pork, poultry, variety meats, tallow, tobacco, fresh and canned fruits and juices, vegetable oils and vegetable protein products. The U.S. also sought important concessions for its soybeans, rice and cotton.

U.S. ASKS FOR TRADE CONCESSIONS

During the Tokyo Round of negotiations, the United States asked other GATT members to grant it yearly concessions covering agricultural exports which in 1976 were worth $4.7 billion. The year 1976 is used as a "base" year because it was the most recent trade year at the time U.S. officials made their request.

Agricultural trade with other countries is essential to U.S. farmers. About a fourth of their income comes from overseas sales. U.S. exporters expect to sell more than $30 billion worth of U.S. farm products overseas in the fiscal year ending Sept. 30, 1979. The production from almost one harvested acre in three is exported. For some crops, the ratio is even higher.

Agricultural exports contribute favorably to the balance of payments, which strengthens the U.S. economy. U.S. exports help develop economies of scale that help hold down U.S. food sprices and strengthen the U.S. agriculture system. Exports stimulate off-farm employment and increase non-farm income. About 1.2 million full-time civilian jobs are related to U.S. agricultural exports. Imports enable consumers to enjoy items produced by other countries.

CONCESSIONS GRANTED

Of the $4.7 billion in concessions the U.S. requested, GATT countries granted nearly $4 billion worth on 480 items, which will help the U.S. preserve major markets. The United States' two leading trading partners — Japan and the European Community — provided the largest share of the concessions the U.S. received. The Japanese offered concessions covering agricultural exports worth $1.5 billion, including citrus, beef and soybeans. The EC offered concessions that cover about $700 million in U.S. exports of beef, poultry, tobacco, rice and fruit products. Mexico, the Philippines, Korea and India together accounted for almost all of the concessions the United States received from developing countries.

Foreign countries also offered to make concessions on several products of which the U.S. did little trade in 1976, but for which U.S. officials expect exports to increase when and if the concessions go into effect.

The proposals must be approved by the U.S. Congress and the governing bodies of the other countries before they go into effect. They then remain valid until repealed.

Potentially more important was the negotiation of a series of codes which extended the GATT trading system into areas it previously did not cover and improved existing rules and procedures. The U.S. also got new arrangements to negotiate with GATT members over meat and dairy products.

To say the U.S. obtained nearly $4 billion worth of concessions for agricultural exports provides only a rough measure in today's terms. It says little about what these concessions will be worth tomorrow.

In the early 1960's, for example, the United States came away from the "Dillon Round" of trade negotiations with an obligation from the European Community not to impose a duty on U.S. soybeans it imported. The obligation was worth about $150 million at the time. That duty-free binding is still in place. Today those soybean exports to the EC are worth $2.5 billion each year.

CONCESSIONS OFFERED BY THE UNITED STATES

The United States offered tariff concessions on products covering about $2.7 billion in U.S. agricultural imports. Three-fourths of the U.S. concessions went to developing countries for vegetable oils, inedible molasses, fruits and vegetables and preserved beef. The other concessions were to the developed nations for frozen beef, lamb, wool, live cattle and certain grain products.

Most U.S. concessions eliminated tariffs of five per cent or less of the value of the item. The U.S. cut its average tariff duty by more than 50 per cent.

The United States also offered to expand certain import quotas on cheese to allow some countries to increase their exports of cheese to the U.S. by about 15 per cent over 1978 levels. At the same time, however, foreign cheeses that had not counted in the quota system because they were priced more than seven cents over the U.S support price would be made subject to quota for the first time. This will result in about 85 per cent of the nation's cheese imports being covered by the quota system, compared with 50 per cent presently.

CODES OR AGREEMENTS

One of the major U.S. objectives was to improve the international rules covering agricultural trade to make the GATT more effective at resolving problems in these specific non-tariff areas: Subsidies and technical barriers to trade such as those relating to product standards, import licensing and customs valuation.

These new rules, or codes, should revitalize use of the GATT in resolving international trade disputes and provide a forum for increased cooperation. The GATT negotiators agreed on new rules and procedures to establish a basis for decisions and to gradually provide more effective procedures to resolve trade disputes and to increase cooperation.

THE MOST IMPORTANT CODES

The new subsidies and countervailing duties code would maintain the right of countries to defend themselves from subsidized agricultural imports that injured domestic producers. It would introduce tighter, more measurable rules on the use of export subsidies in third country markets, reducing an unfair advantage some of the United States' competitors have had through subsidies in markets for grain worth nearly $12 billion last year. The subsidy code will give U.S. agriculture new rights in the international market. It will let the U.S. call offenders to account, present the case

(Turn to Page 23)