Trade in Agricultural Products

The foregoing discussion of a proposed WFTA has been concerned primarily with industrial products. The EFTA Convention specifically excludes trade in agricultural and fish products from its rules. However, the Congress specified that the United States must negotiate on both industrial and agricultural products, and the Common Market has made its common agricultural policy a keystone of its operations. Therefore, the proposed WFTA must be given authority to deal with both industrial and agricultural products.

Agriculture is clearly a most difficult issue. Practically every country in the world protects its agricultural producers and its home markets for food products in a variety of ways. Tariffs are not the major barriers to the flow of trade. Instead, such devices as import quotas, tied to internal price supports, direct payments and other controls aimed at ensuring a reasonable income for the farmer and protecting the home market, are the principal restraints to international trade in agricultural products. Processed and manufactured foods, including canned foods, meats and dairy products, are exceptions to this general rule, and tariffs do play a significant role in trade in these items. In most countries this whole complex of controls is widely regarded as coming within the realm of domestic policy; for the net importing countries, particularly, their effects on foreign trade are regarded as of secondary concern.

The problem of agricultural trade in a sense falls into two categories, whose characteristics differ considerably. There is, first, the trade in temperate products, i.e., those grown or produced in the industrial nations, primarily in the North; and second the trade in tropical products grown primarily in the South. In the northern half the major question concerns the relationship between major exporters and major importers of foodstuffs; in the South, the chief concern is the relationship between less-developed countries and the major markets in the North.

Frequently the products of the South—coffee, cocoa, tea, fruits—are taxed by northern states both to produce revenue and to cut consumption. The less-developed countries are deeply disturbed by these measures. The solution would seem to be a concerted effort, which is now under way in the GATT, to reduce impediments against such products and to urge importing countries to find their tax revenues in other ways. There remains the continuing problem of overproduction and price instability in many products of importance to the South. Commodity agreements now in force seem to be less than adequate; unless more steps are taken in the direction of broadening their geographic coverage and increasing the discipline on the participants, both importers and exporters, it would seem that these agreements will fall short of providing a long-term solution to commodity problems.

The problem of trade in temperate agricultural products is even more difficult and complex. If production is to be maintained at lowest cost and under the most favorable circumstances, the whole question of domestic agricultural policies and farm income in each industrialized country must be the subject of intensive international consultation. There must be a willingness on the part of every government to make concessions if trade among these countries is to be freer and more economic. On the other hand, in the coming years we must expect to be in a race against famine as the world's rapidly growing population begins to outrun its food supply. It may be necessary to maintain high-cost production on a subsidized basis in order to supply the food needs of underdeveloped countries. While this may mitigate trade problems among the countries of the North, the relationship between subsidized agriculture and commercial trade and the question of how costs are to be divided among the rich countries in supplying the food needs of the poor will remain critical.

For the United States, it seems clear that the President must be in a position to negotiate with other countries on U.S. domestic agricultural policies and to revise them in the interest of an international agreement. As an exporter, the United States is interested both in its commercial exports because of their importance to its balance-of-payments position and in its role as a major provider of foreign aid to the less-developed countries. These two interests can and ought to be reconciled in the larger context of international trade and comity. The essential point is that the President, under proper Congressional safeguards, should be authorized to proceed in this direction.

In the case of some agricultural products that present no serious problems, agreement might be reached to treat them as industrial goods subject to normal