APPRAISAL OF THE FAR EAST AND LATIN AMERICAN TEAM REPORTS IN THE WORLD FOREIGN TRADE SETTING

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Because of the important position of the United States in the world, less developed countries have to know about American policy and what is going on here, whereas Americans do not have to know what is going on in these countries unless they are sent to find out what has gone wrong. One of the questions posed was, "Why do the Latin Americans not love us?" The answer that anyone else in the world but an American would give is, "Why should they?" As pointed out in the last presentation, the Latin Americans know all about American policy; they have to know about it because it is important to them, and this is one reason why they do not love Americans. Americans are unique in expecting people to love them. Most other people realize that they are not going to be loved no matter what they do and do not feel sensitive about it.

The team reports have been concerned not so much with agricultural production and what is to be done about trade, as with why the opportunities for agricultural trade with these countries are limited, why we should not push too hard for more agricultural trade with them, and why these countries should not only be allowed, but actually encouraged, to go on as they have in the past. The reports have given a great deal of attention to the political background and problems of political relations—with the United States, with Russia, and with China. I think basically this is right. Our main concern in these countries should not be potential markets for our agricultural products but economic development, which is both a national interest and a humanitarian concern. In this respect, the two reports are very similar despite the differences between the two regions in the political sphere.

In Latin America, the problem is mostly lack of love for the United States rather than strong leanings toward Russia, whereas in Asia the threat of communism is a definite problem. The main threat is Chinese domination; in a sense, this is a lesser threat than the "communist threat" as we generally understand it, since China after all is very different from India, in culture, civilization, and racial stock. The problem is somewhat the same as with Russia in Europe, a threat of domination by what is essen-

tially an alien nation. However, India in particular has a very strong intellectual tradition which leans toward Russia rather than toward China. The Russian experience and demonstration of how to develop under forced draft appeals to the imagination of Asian intellectuals and civil servants frustrated by the rigidities of their social structure and their economic system.

The economic difference between these regions is also great. Latin America has less range, less diversity than Asia. I feel inclined to quarrel with the team's reporting on all of Asia including Australia as one region. They tend to talk about Japan and Australia, and even about Malaya and Pakistan, as if they were in the same box. These countries differ tremendously in the degree to which they really are "underdeveloped" or are just difficult cases of poverty. The problem in many regions of Asia is simply ghastly poverty. Even though you can regard the Indian peasant as a capitalist when he comes to market, comparatively speaking Asia has just as many people outside the economic system as Latin America. In both cases the problem is not just the inefficient way they do things; a lot of people are not even in the game when it comes to economic activity.

Many countries that are anxious to develop lack the means and also are crippled by their own ways of approaching economic development. Many of these problems are economic, and I think, at least in the Latin American case, the team dealt with the economic aspects rather lightly. We cannot simply say, "They just have to cut their imports." We ought to ask why they have to cut their imports, and whether they have any alternatives.

FACTORS THAT LIMIT OUR POLICIES IN THE FAR EAST AND LATIN AMERICA

We are limited and handicapped in our attitude toward some of these countries because the national security aim comes before humanitarian and economic development aims. The reports and the way in which they are presented point up the fact that United States policy in these countries is severely limited by its interest in winning their political support. I think sometimes that we worry too much about what a little bit of criticism will do to turn them toward communism. We withhold the criticism and forego the chance of teaching them a small lesson.

Setting up teams like these is a step in the right direction. Once citizens of these countries realize that they are not dealing with Americans in general, but with people who really know

something and are genuinely interested, much can be said and done which will bear fruit in the long run.

The teams have mentioned that the United States could compete more effectively for agricultural trade through technical representatives; by emphasizing the long-run interest in the market rather than the short-run interest; and by educating the customers about what the products are and what they get for their money. If we really want to sell a product, we have to act as though we want to sell it; we cannot treat foreign sales as an afterthought. But whatever is done in these respects will be of marginal significance only.

The problem of many of these countries is their dependence on the fluctuating world market for primary products, a problem which they want to overcome. In many cases the fluctuations are tied up pretty closely with United States policy itself. They are also tied up with the policies of other advanced countries, which do not always pay much attention to the effects of what they do about imports or home production of primary products, or farm problems in general, on underdeveloped countries. These underdeveloped countries have, therefore, placed many restrictions on trade in an attempt to become self-sufficient. They have invented tricks unknown even to the United States. These devices have emerged from different backgrounds, but the general effect of them is to interfere not only with trade, but also often with economic development itself, even though they may actually be aimed at economic development.

The fact that these restrictions are connected with the aim of economic development means that the prospect for expanding our agricultural trade, or even maintaining our present trade, are not very bright. Any possibility of growth in agricultural exports other than what are called "commercial exports, government assisted," if I have the right term, depends upon changing the attitude of underdeveloped countries toward economic development, and this will be difficult. The policies in these countries emphasize self-sufficiency because they have been badly burned in the past. They want to grow up to be big countries, too, and they do not want to be burned again. Also, agricultural exports are of secondary importance compared with the general political and humanitarian interest of the United States in the development of these areas. This is not simply a matter of stopping communism but also a way of showing that humanity is not divided and that we accept some sort of obligation to our fellow men. Until you have seen the beggars in the streets of Karachi, or the masses of

unemployed in Calcutta, you do not really know what poverty is no matter what part of America you have seen.

POLICY PROBLEMS WITH RESPECT TO EUROPE

I read the European report as well, and as you will recall, that report presents a similar picture. In contrast to some of these other areas, Europe has a rather rapidly developing economy with a growing demand for food. At the same time food production is expanding, and what is most important in the context of this afternoon's deliberations, European countries are adopting policies which will have the effect of preventing the growing demand for food from increasing American exports. The steps they have taken to establish a Common Market are likely to give them a more protective agricultural policy. This means that prospects for American exports of primary products and foodstuffs to that area are not good. Thus, the prospects for agricultural exports look fairly gloomy, not only in the underdeveloped countries but also in the developing countries of Europe as well. And again, this is connected with United States policy regarding not just world trade but world politics and world economic development.

Since the war the United States has fostered European economic integration and favored the formation of the Common Market, even at the expense of the alternative policy of liberalizing world trade which it was pursuing through the General Agreement on Tariffs and Trade (GATT). The United States has been split-minded since the war about what it wants for Europe. On the one hand, GATT and other arrangements have been aimed at a free multilateral trading world; on the other hand, encouragement of economic integration has in effect promoted continentalism, discriminatory trade, the drawing of lines around areas, and efforts toward common markets in regions which can trust each other. The difficulty with this policy is twofold. First, the United States is not as universally beloved as necessary for the two approaches to produce the same results: that is, making special trade arrangements with those you can get along with best is not the same as making arrangements which benefit the United States the most. Second, the United States has established a system of protecting its agriculture by various devices, using its rising income to do this, and this has set an example for others. In effect, Europe has, since the war, been devoting some of its growing productivity to buying the luxury of protected agriculture, and this is likely to continue.

Thus, we have almost all over the world, with some exceptions mentioned in the Far East report of countries dependent on food imports, a pattern of maturing growth in Europe and nascent or continuing growth in the Far East and Latin America. This growth takes the form of industrialization combined with interference with agricultural marketing. American interests at various times have sanctioned the regulatory approach to agriculture elsewhere. American policy itself has set examples which other countries are quick to cite.

We have good reason to worry about American agricultural exports because nothing seems likely to change the situation very much in the near future. That is why it is in the American national interest, if you like, to accept the inevitable, and the function of extension is to explain why it is necessary.

The Far East report mentioned that the Australians do not like our surplus disposal policy. They are not the only people who do not like it. I have just attended a political conference in Canada, where one of the main points discussed in connection with Canadian-American relations was American surplus disposal policy. One of the complaints was that although the United States may talk about consulting Canada and other exporters about P. L. 480 disposals, as soon as the Indians signed an agreement with the United States they told Canada they did not want to buy so much wheat. One of the difficulties with surplus disposal to underdeveloped countries is that it injures and offends some of our allies.

Other problems of surplus disposal, which have been touched upon, are connected with their effects on the receiving countries themselves. These are often difficult to sort out because people who have a choice between a lot of free wheat and nothing are going to think pretty hard before they decide to take nothing, and when they are asked how they like the free wheat, they are not going to say take it back because they think it is bad for them. On the other hand, the free wheat has many unfavorable aspects. One unfavorable aspect is the uncertainty of it. Another is that surplus disposal may interfere with the orderly development of agriculture in the underdeveloped countries. My senior colleague, Professor Schultz, has argued very forcefully that this is a serious problem in some areas. Although we can justify surplus disposal by arguing that we are giving food to hungry people, the question is not so much whether we are feeding the hungry

but whether we are making it more difficult for these people to learn how to support themselves and respect themselves. Surplus disposal can be helpful, as has been mentioned, where stocks of wheat are used (as, for example, in India) to offset variations in the local crop. On the other hand, the local farmer is not so happy when he finds he has lost his chance to sell his crop at a high price in times of crop shortage.

The impact of surplus disposal programs on other markets is another problem. The Far East report indicated that our program in India and other places is leading to increased competition for American exports in the free market. Thus, surplus disposal may to some extent create the need for more disposal programs because of what it does to general competition for commercial exports.

Everywhere we look in these three major areas of the world we find good reasons why other countries do not want to buy more of our agricultural products and why we do not want to push them into buying more.

THE CHANGING WORLD TRADE SITUATION AND ITS IMPLICATIONS

Now I want to paint a picture of what has been going on in world trade, because the discussion this afternoon has tended to assume something about the relationship of the United States to the rest of the world which is rapidly ceasing to be true. This assumption is that the United States carries most of the burden of responsibility for deciding what is right in the world economy because of its dominant position in world trade. We cannot avoid recognizing a basic change that is underway in world trade and the world economy. As evidenced by the two reports this afternoon, the countries of Latin America and the Far East are taking off into economic growth. This is notably so with Japan, which has taken off and which in fact is ranked by many people as equivalent to the European countries in its relationship to the United States. But a strong case has also been made for India, and for the capacity of India to get going with only a little help. If all these countries in the Far East and Latin America really begin to grow, then (at least collectively) they will not be in the position of having to know about U. S. policy without our having to know about their policy. They have people, they have resources, their leaders are anxious to get their economies going, and when they do we will not be living in a U. S.-dominated free world.

This is even more apparent when we look at Europe. The

European countries have been growing very rapidly and they have been growing in the same way as the United States. All over Europe we find terrible traffic jams on the highways, television, increasing recreational facilities, a rising standard of living, all the things which show they are becoming like us, and as we know from the news reports of the last year and a half, they are doing it pretty effectively and are cutting into our markets and challenging our industrial leadership. We have had a balance of payments problem for about three years, which basically reflects the recovery of these countries and their rise to industrial eminence. I saw a report in the paper a few days ago that French industrial production increased by 10 percent last year. That is a pretty impressive figure for a country that is usually known to Americans for what goes on in the Place Pigalle.

European industry is competitive, the Common Market is giving it a large market area like that of the United States, and United States policy will have to recognize fairly soon that the major influence in world trade in the future will not be Russia, although Russia is growing as well, but Western Europe. With Western Europe as well as Russia in the picture, we will have to recognize that the United States will not be big enough to carry the burden of responsibility for leadership of the free world. Europe will have to be considered and consulted. One relevant factor, which is not so evident now, but which may become significant, is that strong forces tend to push Western Europe and Russia together economically, into closer trade relations with each other, though not of course politically.

Russia's role in world trade is just starting to grow. Russia's emergence in world trade is reflected in the Far East report; but the report assumes too easily that the Russians have merely been making mischief in world trade. I do not think that is a reasonable interpretation of what Russia has been doing. Its emergence into international trading relations gives plenty of cause for worry, but the worry should be about commercial competition rather than economic sabotage. However, I am not as worried about that as I might be, because the growth of Russia (and Western Europe) seems to me to offer the United States an opportunity to share some of the burden of responsibility toward the underdeveloped nations which it has been carrying.

Part of the complexity of our policy toward underdeveloped nations, which the teams mentioned, is associated with our fear of any form of Russian influence anywhere. That is an unreason-

able attitude, which becomes increasingly difficult to maintain as the Russian economy continues to grow. It is also, I think, an insulting attitude toward the countries concerned, to assume that their politicians and their people cannot appreciate the dangers of playing ball with the Russians, but must be warned and protected by the United States. The better policy, it seems to me, would be for the United States not to accept the trade policies of these countries, supply them with money, and cater to them in other ways to deter them from dealing with the Russians, but to let them learn the lesson for themselves by having a little experience in dealing with the Russians. We know from the experience of some European and Asian countries that those who have close relations with Russia learn pretty fast that big brother is a tough trader and that he is not out for their good any more than he can help.

I think our position in the world would be improved if we worried less about Russia acquiring influence over other people by trade and aid, and more about making Russia honestly put up a fair share of the cash required to assist in the economic development of the backward areas of the world, because as things now stand Russia can buy more prestige and respect with a small gift of aid or a bit of trade or a little credit than we can buy with millions. The reason is that we dramatize the political threat of Russian aid, instead of emphasizing our common obligation as advanced nations to contribute generously to the development of the less advanced countries.

One final point is that the changing balance of power in world production and trade between the United States on the one hand and Western Europe, Russia, and the developing countries on the other will probably manifest itself in continued balance of payments problems for the United States. What that in turn will probably mean is a growing demand for higher American tariffs to protect American industry. The problem now is not to reduce the American tariff but rather to prevent it from being raised in a fit of panic about growing industrial competition. If that happens, it will probably decidedly encourage the efforts of industrializing countries to attain agricultural self-sufficiency. If they are going to trade with us, they have to export something. In many cases what they have to export is not food or agricultural products, of which they are desperately short themselves, but manufactured goods, which they can produce more cheaply than we can. Their advantage lies in manufactured goods, ours often lies in the production of raw materials, such as cotton

and foodstuffs; to raise our tariff against their manufactures will force both them and us into a less economic production pattern.

These countries have been badly scared, mostly by the prewar experience of dependence on trade in the 1930's, but also by the political dominance of the United States in the postwar period. As they grow and prosper they will have less political reason to want to be self-sufficient and more economic strength and incentive to trade. As that happens trade should fall into a more natural economic pattern. The emphasis of the Latin American report on the particular ways in which these countries might develop their agriculture, and on what they could supply to the world market, is very important in this connection. In the long run we should hope that agricultural resources will be allowed to determine where agricultural production should be located.

In this appraisal I have tried to put the team reports into an international trade context because, if any criticism can be made of the reports, it is that they have spent a little too much time on politics. This reflects the fact that we do not know much about the politics of these countries; and our ignorance, in turn, is one reason why these countries do not always love us.