THE WORLD WE FIND OURSELVES IN

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The world of international agriculture in which we find ourselves at mid-year 1977 is both rapidly changing and complex.

The rapidity of change is high-lighted by the contrast between Secretary of Agriculture Butz speaking of the problem of scarcity at the World Food Conference in 1974 and Secretary of Agriculture Bergland announcing acreage set asides for wheat in 1977.

The complexity relates to the simultaneous involvement of various sets of power relationships in the same international agricultural issues. The power relationships are: (1) North/South where developed world confronts developing world and where our concern is the widespread problem of hunger and malnutrition and the effect of hunger on political stability and economic growth; (2) East/West where all issues, including those of agricultural trade, must be assessed in a political context; and (3) North/North, or relationships among industrial democracies, where our primary concern, insofar as agriculture is involved, is our own economic well-being. To illustrate the complexity that these three sets of relationships bring to international agricultural issues, consider the proposal to constitute an international system of nationally-held grain reserves. The World Food Conference of 1974 recommended such a system to protect the developing countries against the threat of hunger resulting from worldwide short-supply situations. It has subsequently become a central theme of the North/South dialogue. The main obstacles to the creation of such a system arise primarily from the conflicting commercial interests of developed grain exporting countries and developed grain importing countries. Even if such obstacles can be overcome, it will still be necessary to obtain the active cooperation of the Soviet Union in the system since its sporadic pattern of market behavior has been a major cause of market disruption in recent years. Such cooperation possibly can only be obtained in the context of overall East/West relationships.

With such production changes and power complexities in mind, I would approach my subject by first looking at the world we came from.

The World We Came From

In talking about the past, I will be talking about the first half of this decade. That is the time when the international agricultural scene began to change after two decades of relative stability. Four partly related developments are worth noting. These four developments inter-acted to elevate a relatively typical short-supply situation into a much publicized "world food crisis." First, of course, were the poor harvests of 1972-73 and 1974-75. Second, were the Soviet and Canadians-United States policy reversals. For the first time the Soviets decided to maintain not only the level but the rate of growth of their livestock industry. This decision led them to make their large scale grain purchases from the West. We and the Canadians accommodated the Soviets by permitting the draw down of government-held grain stocks.

The third development, the rapid increase in food prices, followed from the first two. D. Gale Johnson and Tim Josling have convincingly demonstrated that the full increase in grain prices during the mid 1970's can only be explained if trade barriers which are a part of the European Community's Common Agricultural Policy are examined. While acknowledging their arguments, I would limit my list of major developments to casual factors, which initially triggered the price increase. And finally, the period saw the full scale emergence of the North/South confrontation. It was in the Sixth Special Session of the General Assembly of the United Nations that the South pushed through the resolution demanding a new international economic order. It was in Manila in early 1975 that the Group of 77 (77 less developed countries) successfully hammered out a list of demands on the developed world that subsequently formed the agenda for the United Nations Conference on Trade and Development and for the Conference on International Economic Cooperation. In sum, it was during this period that the South achieved effective political unity.

These developments were not all of lasting importance. Good harvests were certain to follow poor harvests. No one is yet certain about Soviet consumption policies. Our own agricultural policies have changed since then. Some of the heat of the North/South confrontation may already have begun to lessen. What is important, however, is not what happened but how the developments were perceived at the time and how such perceptions affected policies.

The "Food Crisis" and the North/South confrontation came together, in a sense, in the mind and then Secretary of State Kissinger and produced the World Food Conference. Originally suggested by OPEC to deflect attention from the oil price rise, Kissinger

seized the idea as an opportunity for the United States to take the initiative in the North/South confrontation. He and others saw the United States as occupying a leadership position in agriculture. The third world, on the other hand, saw the proposal as another opportunity to press their claims on the developed world and, accordingly, welcomed the Kissinger initiative. Obviously a case of parallel but not cooperative actions.

Five broad conclusions were reached by the World Food Conference that served to shape our food policy in the following three years. First, if hunger and malnutrition in the Third World were to be eradicated in our lifetime, food production in food deficit developing countries must be rapidly increased. The projection of a grains deficit of up to 100 million tons by the late 1980's describes a problem for which no other solution but increased production in those nations is possible. Balance of payments and even shipping constraints rule against covering the deficit through food imports. The decision to accelerate food production in the Third World implied not only an increased effort by developing countries but a substantially greater amount of official development assistance in support of such efforts. Acting upon this conclusion in the years after the conference, the United States Government more than doubled the Agency for International Development's budget for food and agricultural development. This doubling was achieved primarily by a refocusing of the Agency's programs.

While the first conclusion thus looked to long-term solutions, the second and third conclusions acknowledged the immediate problem facing many food-deficit countries and advocated interim solution. These were, first, that food-exporting countries should pursue full production policies. As you know, by crop year 1975 almost all of our production controls had been lifted. Second, food aid should be maintained at a minimum global level of 10 million tons and be used more effectively in furthering development. Since 1975, the United States has stabilized its food aid at roughly 6 million tons or 60 per cent of the global target. More recently it has revised the authorizing legislation (PL 480) to permit, among other things commitments of food aid over several years in support of agricultural development programs. The fourth conclusion of the Conference was that an internationally coordinated system of nationally held grain reserves should be established to prevent a recurrence of the short supply situation of the early 1970's. The United States in September 1975 presented at the International Wheat Council a proposal for an international grains agreement with a 30-million ton reserve component. Finally, the Conference acknowledged that trade barriers impede world food production and

that, accordingly, efforts to liberalize agricultural trade should be hastened. This conslusion was directed primarily at the European Economic Community and the Japanese, although trade restraints are found in the Third World and the Communist Bloc as well as in the industrial democracies. It was consistent with the position the American Government had adopted for the Tokyo Round of Trade Negotiations under the GATT. It did not, however, buttress our position with more than a minimal amount of moral suasion.

The food crisis did not translate into policy only through the World Food Conference and resulting program changes by this country. In fact, the crisis prompted certain other actions that probably undermined the new Conference-related policies. Shortly before the United States presented its reserve proposal to the International Wheat Council (IWC), it negotiated a 5-year grain trade agreement with the Soviets. This agreement was an attempt to deal bilaterally with the Soviets' increasingly erratic behavior in our grains markets. Our reserve proposal was presented in the IWC because the Soviets are members of that body. It was evident that without Soviet cooperation an international system of grain reserves could probably not be made to work. By assuring the Soviets of at least 8 million tons of wheat and corn for the next five years, however, it could be argued that the grain agreement weakened the Soviet interest in participating in a reserves system.

A similar development seems to have shaped our stance in the multilateral trade negotiations. Authorization for such negotiations was finally given by Congress in December, 1974, by means of the Trade Act of 1974. That Act requires that American agriculture benefit from the negotiations equally with industry. The Congress thus seemed to echo the admonishment of the Spartan mothers that their sons should "Come home victorious, or come home on their shields." Congressional insistence in this regard was stimulated in part by the failure of the "Kennedy Round" of trade negotiations to secure major benefits for United States agriculture. It may also have been a reflection of the strong American agricultural trade situation that year. In 1974 we were dealing from strength and Congress, in effect, was saying that the negotiated gain should be commensurate with such strength. The question posed is whether such explicit guidelines advance or retard progress toward trade liberalization.

The policies and programs that we initiated in the first half of this decade thus were not always internally consistent. They were, however, an accurate reflection of the world they came from, and that was a world of perceived agriculture scarcity. Because that

perception was so widely shared by North/South and East it could not fail to become entangled in and affect that power relationships of the time.

The World We Find Ourselves In

The second half of the 1970's is different in both an economic sense and an attitudinal sense. Both sets of differences have implications for policy, and both have already caused a modification of the policies inherited from the early 1970's.

The economic developments referred to are of such importance that they occupy daily the attention of the press and government leaders and are familiar to all of you. Seemingly overnight the world passed from agricultural scarcity to agricultural super-abundance. This phenomenon has few geographic exceptions. United States grain stocks have increased from 27 to 61 million metric tons in the last two years. The Indians have accumulated almost 20 million tons of grain. Even the Soviets have to worry about storage space rather than availability of supply. Their record grain harvest last year of 225 million tons is likely to be exceeded in the months ahead. Similar data could be cited for almost all other countries. I need not stress that such harvests present governments with problems as serious as those of scarcity. The debate which preceded the recent decision to establish wheat acreage set asides for the next crop year was well publicized. Perhaps more important to my subject, however, the situation brings about a re-examination by the public of the scarcity conclusion drawn from the "food crisis" of three years ago.

The second important material change has been the worldwide economic recession and slow and uneven recovery. Most of the industrial democracies confront serious economic problems. In the Third World the situation is less uniform. Some non-oil less developed nations, such as the Asian industry-led economies, have adjusted well. Others have maintained adequate growth rates through commodity exports or foreign borrowing or both. These latter now confront fast mounting debts. A third group simply has stopped growing. Throughout most of the first half of the decade both developed and developing countries enjoyed favorable economic conditions. While policies regarding hunger and international agriculture may not have assumed a need for high growth rates, the general economic situation certainly was not a hindering factor in policy formulation. Today that is no longer the case.

Turning to the attitudinal differences, these are faint but discernible signs that the North/South relationship has matured, at

least in the area of food and agriculture. The evidence for this conclusion is found in the successful termination last May in Paris of the Conference on International Economic Cooperation (CIEC) and the even more successful Third Session of the World Food Council in Manila last June. Agricultural and food issues were a prominent feature of CIEC as well as the world Food Council.

It is perhaps significant that these issues proved among the more amenable to cooperative solutions. Both developed and developing country participants have now agreed that the problem of world hunger should be considered above the level of political confrontation and that the eradication of hunger is best achieved through North/South cooperation rather than North/South confrontation.

The Communique at the Manila Session of the World Food Council provides a good illustration of the new tone in North/South relationships. In it the developing countries recognized their primary responsibility not only for accelerating agricultural development programs but for modifying their social and political structures so as to permit the benefits of development to reach the truly poor. The developed countries for their part recognized the political need of the South for development assistance targets and accepted such a commitment. Admittedly, two meetings are not firm evidence of a trend in international relations. They do, however, suggest that a beginning has been made.

In relationship among developed countries — the North/North relationship — there appears to be a feeling that the industrial democracies are in a race against protectionism and against growing agricultural surpluses. Such feelings of heightened concern have fortunately produced a positive response this summer. The discussion between Secretary of Agriculture Berglund and the Economic Community's Agricultural Commissioner Grundelach and the timetable for trade negotiations agreed to between special trade representative Straus and the EC reflect a desire to conclude efforts to liberalize trade before the pressures for protectionism and the realities of agricultural surpluses get out of hand.

In brief, there appears to be a determination to cooperate before it is too late. Illustrative of this new attitude have been the statements of both Bergland and Straus regarding the EC's Common Agricultural Policy (CAP). Frontal attacks on the CAP have been recognized to be unproductive and perhaps dangerous at this juncture.

There is a further attitudinal change that can be seen in both

developed and developing countries. It stands apart from but influences North/North and North/South relations. It is the growing emphasis on human rights. President Carter has clearly articulated this concern. I suggest, however, that it exists in its own right and is not merely a policy of the United States. Some historians have argued that in the regions touched by Western civilization the concepts of liberty and equality from a philosophical cycle. At the present the egalitarian phase of the cycle is peaking. Thus we find that the definition of human rights is steadily expanded and extended to ever increasing numbers of countries and peoples. In the last several years the right to food has been included in this "bill of human rights." Thus we find Congress insisting that our development effort work to provide the hungry with their basic rights.

The maturing relationship between North and South, the determination of the developed countries to maintain their economic union, and the growing concern for human rights necessarily affect East/West relations. It is far too early to attempt to quantify that effect but it must be recognized.

The Implications for Policy

The changes evident in the world we find ourselves in during the latter half of the 1970's have already caused modifications in American government policy. Further changes may lie ahead. The most striking policy change is the recently established acreage set asides which resulted from acknowledgement that we do not live in a world of permanent scarcity. These set asides most probably are not well understood in the developing countries, which may continue to believe they live in a world of permanent scarcity. They are necessary, however, if we are to maintain cooperation among developed countries and successfully conclude the trade negotiations. Set asides state that the United States does not intend to enter a destructive export competition in grains. Given the world surplus that we now live with, they do not threaten the developing food deficit countries in any real sense.

A related change involves our international commodity policy. We now realize that widely swinging price cycles do not benefit even efficient agricultural producers such as ourselves. Consequently, the United States has determined to seek international cooperation in moderating such price swings. Specific examples of this policy involve proposals we have presented for the international wheat and sugar agreements. The philosophy underlying this shift was well expressed by our delegate to the recent meeting of the International Wheat Council. What the new commodity policy means in the context of the trade negotiations can probably be summed up

in the phrase, "liberalization with orderly marketing." No one in the American government disputes the economic analysis that demonstrates the mutual benefits that come from dismantling barriers to international trade. Since such barriers are not to be dismantled overnight, they must be accommodated in the meantime. Our commodity policy is an attempt to accommodate them in the short run while seeking liberalization through negotiations, over the longer term.

The return to agricultural surpluses has served to strengthen rather than lessen our commitment to development in the Third World and to sharpen the focus of that commitment. We have found that hunger and poverty persist in the midst of relative plenty. The longer-term solution to the problem of world hunger continues to be increased production in the food deficit countries. Since most of the hungry are in the countryside, such production increases will directly alleviate their hunger. AID, with this analysis in mind, continues to focus its efforts on the rural poor and the United States representatives in multilateral development institutions attempt to redirect the programs of such institutions to a basic needs approach. Our food aid program has already been refocused in this direction, as noted above. Incerasingly it will be used to support agricultural development programs.

The commitment to eradicate hunger thus has been reconfirmed. Programs have been set in motion. The real problems, however, remain ahead. Those problems are two-fold. The eradication of hunger is almost by definition a long-term project — Do we have the staying power? Second, because hunger in most Third World countries is in large measure the result of the economic and social structures of those countries, do their governments have the political will to follow-up on the commitment they have accepted?

The political developments and possible trends discussed above have implications for East/West relations. In a sense the course of developments by-passes the Communist countries. That is, relationships among developed countries and between them and the developing countries are being determined without reference to the communist states. It is somewhat difficult to assess the significance of this situation. On the one hand, the Communist nations on repeated occasions have been a disruptive influence in multilateral diplomacy. Their involvement, thus, is not always desirable. On the other hand, they have become major participants in international trade. Such participation cannot be ignored. Ideally such participation should be encouraged. What broad conclusion can be drawn from this very sketchy review of the world in which we find

ourselves? First, it seems fairly clear that the economic problems which worsen relationships among developed countries make it difficult but not impossible for them to address problems of the developing world. This situation is in sharp contrast to that which prevailed during the first half of the decade. At that time a strong economic boom made it relatively easy, politically, for the western developed countries to support policies designed to cope with the problems of agriculture scarcity that bore especially heavily upon developing countries. Today the boom is long past. Although recovery from recession has begun, for most it is a very sluggish recovery. The more positive side of the assessment recognizes the new attitudes that appear to govern North/South relationships. Where previously there was largely shrill political confrontation, which in effect prevented any meaningful North/South material cooperation, today you see the first signs of what I would term a more mature North/South relationship.

The agricultural situation today also makes it theoretically easy to deal with the problem of world hunger. Attitudes and the realities of production for once combine in a positive manner. On the other hand, those realities could threaten the current relatively cooperative spirit among the developed countries. The final question mark in this equation of relationships involves the attitude of the Communist states. In sum, the world we find ourselves in is dominated by uncertainty moderated by hope and some good sense.