

## Commentary on The Challenge in Building Market Demand"

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Rapid growth in U.S. agricultural exports, everyone has agreed, is essential to revive farmers and the businesses serving them. This requires regaining a fair share of world trade by improving U.S. competitiveness, and getting total trade in farm products to grow once again.

U.S. government policies can play key roles in bringing about these improvements. Macroeconomic national policies are critically important, but agriculture cannot rely on these policies alone. Adjusting price support levels, another issue of the moment, will make U.S. products more competitive, but such a policy has its limitations. So we come to a third set of policies, which can be described as a broad, comprehensive program of agricultural trade and development assistance, where in the final analysis, the only answer can be found. The United States has abundant agricultural resources and a wide range of trade and development assistance programs that, if used creatively, can build new markets and bring about a major long-term increase in commercial agricultural exports. We are not now using these resources and programs to our best advantage. But we can do so, and we should. This proposal outlines how we can begin that process. What is needed is a broad and comprehensive program of coordinated export development, and economic and technical assistance to bring developing nations into the economic mainstream where they can become paying customers. The historic evidence is clear that economic growth in poorer nations will produce customers for U.S. agriculture.

Of the top ten overseas markets for U.S. agriculture last year, eight had at some time received food assistance from the United States. Every year, South Korea spends more dollars for U.S. farm products than the total American food aid to that country over a period of 25

years. Taiwan and Spain came from nowhere to become more than billion dollar markets for U.S. farmers. Other examples are equally dramatic.

The record is clear. In the 1960s and early 1970s, when the middle income countries were experiencing economic growth of 5 to 7 percent, they became an explosive market for farm products, particularly grain. In the years between 1960–63 and 1977–79, they increased their imports of grain by over 300 percent. Had rapid economic growth continued, we would have seen an acceleration in purchases by the 38 low-income countries as well. The result would have been a continuation of the high level of agricultural exports the United States enjoyed in the late 1970s and early 1980s. We would not be in the midst of an agriculture depression today.

U.S. agriculture benefitted directly from demand growth in the 1960s and 1970s. A review of 15 developing countries that experienced rapid economic expansion between 1960 and 1983 shows a substantial increase in commercial imports of U.S. farm products in those countries. Imports of U.S. grain climbed from 4.7 million tons to 26.2 million tons. Imports of U.S. cotton tripled—from 188,000 tons to 593,000 tons. For most of those countries, U.S. food and agricultural aid was a major factor in the development of U.S. commercial markets.

The challenge is to identify the next 15 to 20 countries that have great long-term economic growth potential and to determine how best to help them realize that promise. Based on a preliminary assessment, it is possible to construct a tentative list, including Colombia, Ecuador, Peru, Indonesia, the Philippines, Sri Lanka, Syria, Iraq, Morocco, Mexico, Turkey, Jamaica, the Dominican Republic, Venezuela, Costa Rica, Honduras, and Egypt. There are undoubtedly others.

The President's Task Force on International Private Enterprise points out that the 1983 reduction in U.S. grain production achieved through the Payment-in-Kind program (40 million tons of corn and 16 million tons of wheat) would have been "more than enough to supply the 33 million tons of food needed by developing countries to achieve minimally acceptable nutritional levels." The Task Force concluded that a better way must be found to harness America's agricultural bounty that will provide an appropriate reward to the labors of our farmers, while addressing the food needs of our fellow men."

The nation addressed that problem 30 years ago when a bipartisan coalition passed P.L. 480—the Agricultural Trade Development and Assistance Act of 1954. That authority and the aid and market devel-

opment programs that grew out of it served America well through the 1960s. Food aid needs continued large in the 1970s, but that was a growth decade in which government export programs were less important to U.S. trade than favorable exchange rates and an expanding world economy. Actually, supply in the 1970s was tight. The world had turned, again, from a buyer's market to a seller's market. The U.S. even embargoed soybeans and dropped the economic development marketing building initiative—carried forward so successfully in the late 1950s through 1970. U.S. farm exports have been in a rut ever since. Unfortunately, in the 1980s, the world turned once again back to a buyer's market and with it came another crisis decade for farmers—the most serious since the Great Depression of the 1930s.

Today an informal bipartisan coalition—the Agriculture Export Initiative—is forming. It includes general farm organizations, commodity groups, nongovernment organizations concerned with world hunger, and a broad cross-section of the agribusiness community. We are proposing a five to ten-year program using existing resources in addition to new authorities and funding. It would require that certain existing staffs be combined or integrated to make maximum use of resources that currently are not being well coordinated. It would introduce a great flexibility in the use of funds. Finally, this program would be directed and tailored to countries as individual markets, not to the world as a monolith.

The program outlined above will require specific actions in both the legislative and executive branches.

### **First: Action by the administration**

The administration needs to intensify the current effort to maximize exports in the near term, fully utilizing existing authorities, including P.L. 480, CCC Credit, the new export bonus program, and Section 416 donation programs. Some additional legislation may be needed, including authority to monetize commodities donated to feed hungry people in developing countries and additional measures to counter unfair trade practices of competing countries.

The Department of Agriculture needs to be strengthened as the agency with the leadership role in agriculture exports. Country expertise will have to be expanded. The design of export assistance and market development programs tailored to meet individual country situations will require an understanding of commodity production, trade patterns, the strategies of competing exporters, and the develop-

ment of strategies and programs that maximize the effectiveness of food aid by stimulating economic growth and dealing with balance of payment problems.

There need be no budget restraints on the use of P.L. 480 commodities. The President's Task Force on International Private Enterprise documents, based on careful analysis by the Economic Research Service in the USDA and the Joint Congressional Budget Committee, found a two-to-one benefit cost ratio by using our agriculture carryovers rather than "sitting on" growing so-called surpluses. If there is a problem, it is an accounting problem, which a little imagination could solve, rather than a real budget problem.

The development and technical assistance activities of the Agency for International Development (AID) need to be strengthened. And greater coordination among federal departments is needed, especially between USDA and AID to ensure maximum thrust and a common direction for U.S. development assistance tied to market development.

The administration should be prepared to make long-term commitments to countries that make a firm, long-term public commitment to support agreed-on market and economic development strategies and policies. This will give importing countries confidence in the availability of U.S. food (as a capital and development input) and make them more willing to make long-term investments and needed policy changes.

Flexibility must be emphasized. The administration should take a more flexible approach to funding agricultural export initiatives and encourage Congress to do the same. There should be flexibility in shifting U.S. assistance among countries, commodities, and the various export assistance programs.

To execute such a broad and comprehensive agricultural development and export strategy, it will be necessary to cut across several government departments and to involve national and international public and private organizations. Its success will affect a great many countries and thousands of private firms. A wide range of resources, initiatives, activities, and goals in both the private and public sectors will have to be tied into logical and sensible packages—a challenge far beyond what is now being performed by any department of the U.S. government.

Accordingly, a new leader-spokesman to articulate and coordinate a new agriculture policy (in effect, a new foreign economic policy) for this nation, and indeed for the world, is needed. This person should be

a presidential appointee with ambassadorial rank, but without line responsibility. This leader should have the complete confidence and support of the President and direct access to him. With such support, he could coordinate across the entire U.S. government and the private sector, speaking with one voice on behalf of the President on a range of issues and topics important to U.S. agriculture. This person should also maintain direct contact with foreign governments of targeted countries at the highest level in concert with the Secretary of State, resident U.S. ambassadors, the Secretary of Agriculture, and the Administrator of AID to negotiate sound development and trade agreements and monitor and measure progress made toward agreed-on goals.

### **Second: Actions by the Congress**

The Food Security Act of 1985 called on the President to appoint such a Special Assistant for Agriculture, Trade, and Food Aid. The Food Security Act also broadened significantly authorities and appropriations so that a more aggressive economic development market-building initiative can be carried forward.

The development of country expertise within the administration should be supported through consolidation of existing expertise within USDA, (as for example, the foreign economic work of the Foreign Agricultural Service, Organization for International Cooperation and Development, and Economic Research Service). Funding for Washington and field operations should be expanded and country knowledge within the market development and cooperator programs should be strengthened.

Congress should play an active oversight role in the foreign trade and development areas, meeting with the administration at least twice a year, and possibly quarterly, to review programs and problems. The Senate and House Agriculture committees should have primary responsibility for oversight activities, recognizing that coordination with budget and foreign relations committees may be required.

There is considerable skepticism as to the effectiveness of P.L. 480 in using our food surpluses in combination with other economic development resources to strengthen the economies of developing countries thereby building commercial export markets. Mistakes were made in the 1960s. Sloppy administration, poor leadership in the developing countries, and loose surveillance by the USDA and AID meant counterproductive results in some instances. However, on balance, the results were very positive. We have learned a lot over the last 25 years.

In my considered judgment and that of those who make up the growing agriculture export initiative, it is time to 'do it again.' Such an initiative worked in the 1950s and 1960s, and it will work again. There is much more to win, than to lose, by trying!