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Notice to Members

Subject: Speech by US Secretary of Agriculture John R. Block,
on 6 June 1985

Members will find attached the statement by US Secretary of Agriculture John R. Block to the EC-US Journalists Conference in Maastricht on 6 June 1985. This reflects the latest position of the US on US/EC agricultural trade relations.

(This document exists in English only)

DIRECTORATE-GENERAL FOR COMMITTEES
AND INTERPARLIAMENTARY DELEGATIONS

I am pleased to have the opportunity to meet with you today as you focus on U.S.-E.C. agricultural trade issues.

The issues are not much changed since the first time I came to the European Community as U.S. Secretary of Agriculture a little over four years ago -- EC export subsidies, U.S. Section 22, and on down the list.

There has been no change, either, in the good will which the participants from both sides of the Atlantic brought to the many meetings that have been held since then to address these differences.

Nor has what I believe to be the root of our bilateral agricultural trade problems changed, and that is the fact of growing surpluses brought on by too much government incentive for agricultural production.

What has changed is that there is a growing recognition on both sides that these incentives pose a serious problem that must be solved.

This is significant, because until farm programs are adopted that allow producers to gear production to the real signals of the marketplace, there is little hope of bringing order to the chaos confronting our farmers.

There is some cause to hope that an easing of our problems may be in the offing. The EC is trying to hold the line on, and even reduce in some cases, its price supports. In the United States we are considering a new market-oriented farm bill.

It is imperative that we move aggressively and positively on both sides of the Atlantic to get a handle on our agricultural problems because their effects not only put pressure on overall U.S.-E.C. relations but also spill over to other countries as well.

For exporting and importing countries, trade in food has become big business. The value of world agricultural trade tripled from 1950 through the early 1970's and then doubled again.

This trade translates into jobs, income and the accumulation of foreign exchange for exporting countries, and to better diets, and sometimes survival itself, for millions of people in importing countries.

U.S. farmers depend on the world market as an outlet for close to a third of their production, and we are proud of the role we play in meeting the world's food and fiber needs.

However, our trade situation has not been bright in the last few years. The strong U.S. dollar, large world supplies, increased and sometimes unfair competition, and economic problems in importing nations, and in some ways the effects of our own farm programs, have hurt our stance in world markets.

The United States has been grappling with a farm crunch, unacceptably high farm program costs, and commodities priced out of the world market -- familiar problems here in the EC. Our farmers not only have been hurt by a significant 25-percent drop in export sales value in just five years, but their export prospects have been clouded by a declining share of the world market. Since 1980 our share of the world market in wheat, feedgrains, rice, cotton, and soy complex has declined from 59 percent to 43 percent.

There is a growing frustration with this situation. Export comparisons for wheat, feedgrains, and soybeans show why.

While Brazilian exports of soybeans and meal increased over a million tons from 1980 to 1985 and Argentine exports were up 2.9 million tons, U.S. exports dropped 2.4 million tons.

EC exports of wheat have jumped over 7 million tons since 1980; Canada ... up 4 millions; Argentina ... up 3.4 million tons; but U.S. wheat exports ... down 6 million tons.

For feedgrains the picture is even worse. Argentina's exports are up over 5 million tons; Thailand ... up a million tons; the EC ... up 2.6 million tons; but U.S. exports have dropped 20 million tons.

We recognize that part of the problem stems from domestic farm policies which are not market-oriented. However, some of it also is rooted in EC actions. The United States is concerned with the way the EC Common Agricultural Policy affects us.

We respect the EC's efforts to help its farmers, but not when the burden is shifted to other countries through sales lost to subsidized competition, restricted access to the EC market, and the downward price effects of EC overproduction and subsidized exports.

This has been particularly hard on developing countries that depend on agricultural exports to earn substantial portions of their foreign exchange.

As leaders in agricultural trade, the United States and the European Community need to take the initiative in establishing a system of equitable world trade.

During trade talks over the past four years, the United States has consistently upheld a liberal and open trade philosophy, and we have tried to encourage the EC to move in the same direction.

Unfortunately, although we have managed to open the channels of communication, we have not arrived at substantive solutions.

Even so, it is our belief that we must keep trying. But we can not make progress alone. A multilateral approach is critical if we are ever to resolve trade problems.

The GATT Committee on Trade in Agriculture has provided an opportunity to negotiate an international approach to greater trade liberalization. We have given that objective a high priority as evidenced by our active support for the CTA.

We have stated clearly, time and again, that we are prepared to bring our programs and policies to the table in an effort to resolve trade differences. A similar commitment from other world traders is required if we are to get past the talking stage.

At the recent economic summit meeting, the United States suggested scheduling a new round of trade negotiations. But France said no to setting a date, citing what it saw as a threat to the Common Agricultural Policy. That lack of agreement to set a date for the talks has generated widespread calls for retaliatory action in the United States. It fueled an already strong public frustration with some of our industrial and agricultural trading partners.

As a result, we have been forced to take actions which we otherwise would not have chosen.

In response to mounting pressure from the U.S. Congress and farmers to do something immediately about our trade situation, we announced a new export expansion program last month which has two criteria. First, it is geared to enhancing additional sales for the United States in the international market. And, second, it will be targeted especially to third-country markets have have been taken away from us through unfair trading practices by other exporters.

Some members of the Congress have called the \$2 billion in surplus commodities authorized for this program a war chest. I prefer to call it a hope chest. I hope it will help our farmers; I hope it will help to bring some international agreement on trading rules; and I hope it will hold back growing protectionist sentiment in the United States.

We are not going to use a shotgun approach with our plan by spreading bonus commodities across the board in the world market. Instead, we will take careful aim, targeting areas over the next three years where the program can do the most good for our farmers.

Looking ahead, we fully realize that the export bonus program is merely a stopgap measure. It does not alter our commitment to reduce protectionism nor diminish our efforts to work with other trading nations to bring order to international trade.

The United States is still prepared to talk. But talk is not enough. We must be convinced of real results. We will continue to push for a new round of trade talks with agriculture prominently on the agenda.

Over the long term, we remain committed to market-oriented international trade policies. That is why we have proposed a major change in U.S. farm policy which is under consideration now by the Congress.

The Farm Bill proposed by the Administration recognizes that our domestic farm programs have inhibited U.S. agriculture's ability to sell in foreign markets at a competitive price and have encouraged competitors to produce and export more.

The Farm Bill that we have proposed offers U.S. farmers a chance to compete in the international market through a staged 5-year move from rigid price supports to flexible supports. Lower loan rates are a key aspect of the bill. They will help make our wheat and other export commodities more price-competitive on the global market. This policy will permit our farmers to produce for the market, not for the government.

In addition, the proposed legislation will get at the basic farm problems of the United States and of the EC as well--overproduction and the potential for even greater expansion in output as new research developments rapidly come on line.

The legislation also commits the U.S. government to move against trade practices that distort and restrict the movement of agricultural products in the international market and sets a deadline for doing so.

There is no question that we mean business in our commitment to straighten out the conduct of agricultural trade.

I would urge the EC and our other trading partners also to be mindful of international implications as they formulate agricultural policy. No longer can any nation develop a domestic farm program without full consideration of its international impact. We need to work with common goals in mind if we are to plot the course for long-term global solutions.

Never has cooperation been more essential to success in this endeavor. The time has come to look beyond individual political expediencies -- although I would be the first to admit that pressures at home can sometimes make this extremely difficult.

The world has become dependent on world agricultural trade, and because of this interdependence we must seek international solutions to problems that could disrupt trade relationships.

The time has come for positive action to improve the climate for agricultural trade. There must be some give and take, some compromise and concessions, or significant progress will continue to elude us.

We are prepared to examine U.S. programs and policies in this effort, but our farmers will no longer tolerate shouldering the burden of adjustment for farmers in other countries with ineffective farm policies.

U.S. agriculture is at a crossroads, as is world agriculture. The need to chart a course for freer and fairer global trade has never been more critical.

For our part, we are striving in the domestic policy arena to bring about a market-oriented farm program and we stand ready to work in the international arena to bring about stricter, more enforceable trade rules.

We are not talking about some method of systematically dividing up world markets but about providing the opportunity for all nations to put their comparative production advantages to work for them in a free and open world market.

As the world's leading agricultural traders, the United States and the Community share a responsibility to establish positive directions for global trade that will benefit not only our nations, but the rest of the world as well.