

International Food Policy and the Future of the Farm and Food System

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AMERICAN AGRICULTURE HAS BECOME an international business. The value of U.S. agricultural exports grew from less than \$8 billion dollars annually in the late 1960's to more than \$43 billion in 1981 (Table 1). Exports represent as much as 60 percent or more of the total market for some major commodities (Table 2). Many commodity groups and marketing firms are heavily involved in export sales and in development of foreign markets.

During the last decade food imports have also increased rapidly, from less than \$5 billion annually prior to 1970 to approximately \$15 billion at the current time (Table 1). Increasing amounts of inputs for the farm and food system are now imported as well (Table 3). Thus U.S. and world markets are becoming increasingly integrated in direct consumption imports as well as in exports and imports that affect food industries and farming.

This increased integration has both advantages and disadvantages. On the positive side it has led to unprecedented growth in agricultural production which has increased farm income and employment in the food system. On the negative side, this increased integration means that the markets for U.S. farm prod-

ucts and inputs are subject to political and economic changes around the world over which we have no control. U.S. agriculture is dependent on the foreign buyers, but foreign buyers are also dependent upon U.S. supplies. The instability resulting from this interdependency complicates both production and marketing decisions in the short run and creates a need to adapt domestic farm and food policies to conditions in international markets. For the future, the question posed is how these markets can be developed and stabilized to be consistent with U.S. production capacity and national interest and to avoid the kinds of shocks that arose in the early 1970's.

Table 2 — U.S. Exports as Percent of Production, Major Crops, 1980.

<i>Crop</i>	<i>Unit of measure</i>	<i>Production</i>	<i>Exports</i>	<i>Percent</i>
Wheat	Mil bu	2,374	1,510	64
Rice	Mil Cwt	146	91	63
Corn	Mil bu	6,645	2,355	35
Cotton	Thous bales	10,671	3,639	53
Soybeans . .	Mil bu	1,792	724	40
Tobacco . . .	Mil lbs	1,786	631	35

¹ Preliminary.

Source: *Agricultural Statistics*, 1982, pgs. 4, 20, 31, 65, 105, and 130.

Table 1 — Value and Growth of U.S. Foreign Trade.

<i>Year</i>	<i>Agricultural exports (Mil dollars)</i>	<i>Percent change in exports</i>	<i>Agricultural imports (Mil dollars)</i>	<i>Percent change in imports</i>
1969	6,022	-4 ¹	4,957	-1
1970	7,259	21	5,770	16
1971	7,693	6	5,823	1
1972	9,401	22	6,467	11
1973	17,680	88	8,419	30
1974	21,945	24	10,221	21
1975	21,859	-1	9,293	-9
1976	22,978	5	10,966	18
1977	23,636	3	13,438	23
1978	29,382	24	14,805	10
1979	34,749	18	16,724	13
1980	41,233	19	17,366	4
1981	43,337	5	16,778	-3
1982	36,622	-15	15,366	-8

¹ Based on 1968 exports of 6303 million dollars and imports of 5024 million dollars.

Source: *U.S. Foreign Agricultural Trade Statistical Report*, Calendar Year 1981, page 1.

Table 3 — U.S. Imports of Agricultural Inputs.

<i>Year</i>	<i>Input imports (\$1000)¹</i>
1969	409,709
1970	466,106
1971	505,028
1972	632,556
1973	784,552
1974	1,480,113
1975	1,557,970
1976	1,582,460
1977	1,750,450
1978	2,032,960
1979	2,538,720
1980	2,726,560

¹ Includes imports of crude fertilizers, manufactured fertilizers, pesticides, agricultural machines.

Source: *FAO Trade Yearbook*, 1981 and 1975, p. 332 and 497, respectively.

Robert F. Jones, Purdue University, and George E. Rossmiller, Foreign Agriculture Service, USDA, contributed reviews of the paper. This is one of a larger set of resource papers sponsored by the Extension Committee on Policy (ECOP), USDA-Extension, Michigan State University Cooperative Extension Service, and the various universities and organizations that supported those who have contributed papers and reviews.

DO NOT DETACH

International policy as well as domestic policy and the link between the two will be crucial to the future development of the American farm and food system. The policy framework is complex. It involves issues related to trade and the rules governing international commerce as well as aid, development of poor countries, food security, and the restructuring of world industrial systems. It is an area where opposing philosophies often collide concerning the role of free markets versus the need for government intervention to establish trade arrangements and develop rules of the game concerning procedures for handling international trade. International policy also clashes with domestic policy and the assumed sovereign right (or political necessity) of most governments to follow policies that reflect solely their domestic interests rather than accepting concessions that improve the functioning of international markets and encourage movement toward improved world economic welfare.

As a leader among nations the United States, along with other industrial countries, bears a special responsibility to develop policies that maintain a functioning trading system and at the same time deal with the problems of poor and disadvantaged countries. This paper will briefly discuss major thrusts in U.S. international agricultural trade policy during the post World War II period and seek to lay out the major policy issues and dimensions that will affect agriculture and the food system from now until the year 2000.

An Historical Perspective

Through much of our history U.S. trade policy has been designed to protect American industry. This position has been justified in numerous ways and through numerous slogans but all of them reflected a posture that argued for the necessity to protect American infant industries from the competition of industrialized Europe in order to promote domestic economic development. With the development of the Reciprocal Trade Agreements Program in the 1930's U.S. policy changed. Under this program the U.S. provided leadership in seeking to reduce trade barriers on a worldwide basis. Until about the mid 1960's efforts were concentrated on industrial trade and industrial policy. Agricultural policy was ambivalent and it resulted in considerable protection of agricultural products as a supplement to domestic price and income support programs.

However, two events during the 1960's brought agriculture into the mainstream of trade policy negotiation and resulted in a U.S. thrust to liberalize world agricultural trade. One of these was the recognition that American agricultural surpluses were not a temporary condition that would be overcome through higher demand resulting from domestic economic growth and prosperity. The second event was the

formulation of the European Economic Community (EEC). While the EEC was a product of U.S. geopolitical interests to provide a West European bulwark against communism, the agricultural community shortly recognized that the EEC's formulation of a common agricultural policy could severely restrict imports of American farm products into what was, and still is, the world's largest agricultural trading area.¹

In order to reduce the conflict between domestic programs and our international trade interests, the United States significantly lowered its high price support levels in the 1960's. This involved the movement to a two price system and has since resulted in the development of a deficiency payments system, with prices maintained through commodity loans at an estimated world price level. Agricultural policy changed from a largely domestic orientation to one of seeking liberalized international trading relationships and the expansion of U.S. agricultural exports.

The first effort to implement this position internationally was made in trade negotiations during the 1960's when the U.S. sought to reduce import barriers in other countries. The second major effort to reduce barriers to agricultural trade occurred in the Multilateral Trade Negotiations (MTN) during the 1970's. By that time Japan had become a major importer of U.S. agricultural products but she still maintained significant import quotas on a number of products. The common agricultural policy in the EEC continued with annually adjusted price levels. In the early 1970's three countries, Britain, Denmark, and Ireland joined the European Community. Britain in particular had been a large food importer with relatively low levels of protection prior to joining the EEC. By this time a number of third world countries were experiencing economic growth and had become significant importers of U.S. agricultural commodities. These countries were included in the multilateral trade negotiations and efforts were made to reduce their import protection. Results were nominal.

During the 1970's two additional factors further influenced policy and emphasized the international trade dimensions of U.S. agriculture. One was the introduction of trading relationships with socialist countries and the recognition that a substantial growing market might exist in East Europe and Russia. This created further instability and difficulty in adapting U.S. domestic agricultural policy to conditions in international markets. The second factor was the recognition that U.S. agricultural exports represented a national asset through their implications for our balance of payments. With these changes of the 1970's, American agricultural policy and trade policy moved from a sectoral focus that dealt with specific commercial interests toward a national focus which had worldwide implications from both an economic perspective and a diplomatic perspective. The U.S., of course, retains a certain amount of ambivalence.

We maintain import protection on such items as dairy products, sugar, beef, peanuts, and certain other minor production items. However, agricultural trade policy will continue to be conditioned by national interests, as well as sectoral interests, and by diplomatic and political concerns as well as economic forces.

Assistance to LDCs

A second major policy dimension affecting the U.S. food and agricultural system is that of fiscal assistance to LDCs. In 1954 Public Law 480 (PL-480) was passed. This law provided the basis for foreign distribution of food and agricultural products through several government programs. It also created the Foreign Agricultural Service of the U.S. Department of Agriculture to promote the export of U.S. farm products.

The U.S. has several objectives in its PL-480 food distribution program. Initially disposal of accumulated U.S. surpluses was the sole objective. Providing relief from hunger and, in some cases, preventing starvation have been ongoing important objectives. More recently the U.S. has emphasized the effect which food distribution can have in stimulating economic development. This reflects a recognition that the long-term welfare of poor countries is highly dependent upon their own internal economic growth and that economic growth, in turn, creates expanded demand for U.S. exports through improved incomes and upgraded diets in countries where development occurs.

During the last decade the scope and dimensions of policy interaction with LDCs has increased. In 1974 a major new dimension was added through the World Food Conference. Industrial countries made a commitment to seek actions that would more effectively deal with hunger and poverty on a worldwide basis. The World Food Council was formed and it remains a significant international institution that seeks to improve nutrition and to eliminate hunger and starvation on a worldwide basis.

During the 1970's the United States, as well as most other industrial countries, established a General System of Preferences (GSP) for industrial exports by developing countries. This program permits non-reciprocal reductions in import barriers by industrial countries. These reductions are designed to stimulate economic development and provide markets for the emerging industries of poor countries. To some extent this program has spilled over into agricultural items and permits tariff free importing of agricultural raw materials. At present, for example, approximately 30 percent of U.S. sugar imports are from countries that have GSP status and thus have a definite price advantage in the U.S. market.

Another method of assisting LDCs was the provision of special and differential treatment in the Multilateral Trade Negotiation. This method provided

special rules in the use of subsidies and other trading procedures for the developing countries. As with the GSP the objective is to provide a trade advantage to poor countries that might not otherwise be able to compete effectively in industrial country markets. This in turn provides these countries with increased export earnings which permits them to purchase more of the industrial and food products and technical assistance which they need for their development.

The Future Challenge

During the post World War II period the United States has been a leader in formulating international institutions and international commercial policy. We established international institutions to serve three ends. The General Agreements on Tariffs and Trade (GATT) was established to define rules of the game in international trading matters and to provide the basis for periodic negotiations to reduce trade barriers. The International Monetary Fund (IMF) was established to handle international monetary relationships and to deal with short term distortions that affected balance of payments. The International Bank for Reconstruction and Development (the World Bank) was established to provide financing and capital flows to poor countries for development purposes.

The international monetary system established through the IMF worked well until the early 1970's. At that time the United States left the gold standard and it has since allowed the value of the dollar in international exchange to fluctuate with market forces. The IMF has lost some of its effectiveness. Similarly the GATT has lost considerable effectiveness. During the multilateral trade negotiations changes were made in the rules and guidelines under which the GATT operates but there is no power of enforcement, and at present some experts question whether the GATT can operate effectively to deal with agricultural trading matters.

While the United States still enjoys a leadership role in international trade and monetary policy, it no longer possesses the dominance which permitted it to virtually impose institutions and policies on the international community. For the future this is the framework within which the United States will need to pursue its economic objectives in regard to food and agriculture and to broader trade and monetary matters. Several questions are at the forefront of that challenge and they will provide the framework within which future policy that affects U.S. food and agricultural systems will be developed. Following is a discussion of these major areas.

Future Agricultural Trade Policy

The United States needs an approach that defines and implements the international aspects of a composite domestic international food and agricultural policy. This is a major task that will require the input of

many groups and involve the most difficult of political processes. Central to this effort will be dealing both domestically and internationally with policies that encourage orderly growth in international markets and generate market stability. During the past decade fluctuating rates of growth in agricultural trade and wide price swings have been the order of the day. This causes producers to face great uncertainty in making production decisions, generates merchandising problems for agricultural industries, and affects consumers, especially those who are poor. Longer term implications flow from the potential effect on investment in agriculture and growth in production, both in industrial countries and poor ones.

Market growth and greater stability would result if significant reductions could be achieved in trade barriers maintained by major importing countries. While progress has been made in reducing some restrictions for agricultural products, others remain at previous levels, and in some cases, protectionism has increased. The major problems continuing to face the United States are those that result from the common agriculture policy in the European Economic Community and the import quotas and other restrictions in Japan. These restrictions are based on domestic protection levels, which in turn reflect the problems of the economic structure in their agricultural systems. Japan, for example, has approximately 6 million farmers who farm approximately 6 million hectares of land. This means that the average farm size is about 2.5 acres. While European farms are somewhat larger, large numbers of very small farms are still in existence. These farms can subsist only with relatively high price supports. The problem thus becomes long term and can be overcome only through economic restructuring of these agricultural systems.

While both Japan and the EEC maintain high prices relative to those in exporting countries, a particularly difficult problem has arisen as a result of the imbalances in production created by the EEC's policies. Major surpluses of dairy products, soft wheat, and poultry have resulted in the use of export subsidies to generate sales of these products in third country markets, which in turn displace sales by the United States and other lower cost exporting countries.

The second dimension to be considered is that agricultural trade policies geared toward assisting development in poor countries will continue to be important. The LDCs are asking that their development interests be considered and that policies be devised to serve this end. They argue that simply reducing trade barriers is not adequate and that other actions to improve their positions in international markets are needed. Whether the LDCs' development can in the long run be best served by policies that increase their foreign exchange, such as preferences and interna-

tional commodity arrangements, is not clear. Nonetheless the U.S. objective of assisting development will continue to be significant in formulating a comprehensive U.S. agricultural trade policy.

Expanding world food production will also continue to be an important element of future U.S. agricultural trade policy. Existing trade constraints in many importing countries inhibit increases in food production in the U.S. as well as in a number of other countries with the potential for greater production, some of them developing countries. Beyond this the question of expanding production in food deficit poor countries contains a set of trade and aid policies of great complexity.

A final point — food and agricultural trade policies need to promote efficient resource use and contribute to the economic well-being of United States agriculture. It is important that these policies assure the continued strength and stability of the U.S. food system. Consumer interests must be protected through a continuing and adequate supply of food from domestic and international sources. Formulating trade policy is obviously very complex, and involves a wide range of instruments and strategies related to reduction in trade barriers, food reserves, food aid, preference arrangements with LDCs and commodity agreements. A strategy which weighs the effect of each policy instrument is required. Abrupt shifts in trade policy that create an undue cost on either consumers or producers should be avoided.

There are alternatives to the U.S. approach to these problems. Central to these alternatives is the philosophical difference between the U.S. approach to trade policy and that which exists in many other parts of the world. This difference is deeply rooted in the economic and political systems of the countries involved and will not be easy to overcome.² Basically it results in the United States continuing to place heavy reliance on the free market while most other countries seek to move in the direction of governmental organization of international markets. This position is strongly held both by the European Economic Community and by many less developed countries. Major impediments to policy formation stem from our inability to evaluate the implications of various policy thrusts. We have little information, for example, on the effective protection levels for agricultural commodities in most countries and hence, are not really in a position to assess the effect of potential changes that might be made. The relationship between various international policies promoted by the developing countries and the achievement of stability in international markets and economic development is not clear. Much of the intellectual and empirical work needed to develop and support a comprehensive policy by the United States has not been done.

Links to Other Domestic Sectors

During the post World War II period great strides have been made in reducing barriers to industrial trade. There is danger of this trend turning around, and, if it does, it will have a major impact on our ability to formulate trade policy for food and agriculture. Because our competitive position in a fairly wide range of industrial products has deteriorated, pressure for industrial protectionism in the U.S. has increased. This movement has led to a strong protectionist position on the part of labor unions — an obvious political force — and to the call for import restrictions by a number of industrial and commodity groups.

An important source of this problem is that American technological leadership is being challenged and there are signs of a decline in our competitive position relative to other industrial countries and some emerging LDCs. A recent cabinet level review listed several reasons for this decline.³

1. The overall sluggishness of the domestic economy in the U.S.
2. The relative cost and availability of capital for new technology in the U.S. as compared with other key nations.
3. The relative degree of research and development efforts between the U.S. and its principal competitors.
4. The ease of global technology transfer.
5. The relative supply of new graduates in the sciences and engineering which has fallen behind that of Japan in particular.
6. The effects of industrial policies in other nations that are targeted on technological development.

If these trends continue, they will have a profound effect on U.S. capacity for leadership in international trade negotiations and they could weaken the process of seeking greater access to foreign markets for U.S. agricultural products. More directly these trends could have a significant effect on agricultural production costs in the United States and on the United States' comparative advantage relative to other agricultural exporters. An increase in the price of steel, for example, has a wide ranging impact on the cost of agricultural machinery and investments required in food processing and input industries. Restricting imports of foreign produced automobiles and trucks, as is currently proposed, would have a similar effect.

In the long run, competitive pressures from foreign producers will affect the rate of modernization in a wide range of industrial areas such as transportation, processing, and farm production, all of which require continued growth in productivity to help maintain U.S. agriculture's comparative advantage in foreign markets.

Link to Macroeconomic Policy

During the past decade the United States economy has been extremely volatile. High inflation in the early 1970's was followed by a severe recession during 1974 and 1975 and this, in turn, was followed by increasing levels of inflation with high employment through about 1980. Since that time inflation rates have declined and unemployment has increased sharply. The period has been characterized by variable but increasing budget deficits (Table 4). Two

Table 4 — Economic Indicators

Year	Growth in real GNP ¹	Consumer price index ²	Unemployment rate- all workers ³	Interest rates ⁴	Gross federal debt ⁵
1969	2.8	109.8	3.5	7.96	367.1
1970	-.2	116.3	4.9	7.91	382.6
1971	3.4	121.3	5.9	5.72	409.5
1972	5.7	125.3	5.6	5.25	437.3
1973	5.8	133.1	4.9	8.03	468.4
1974	-.6	147.7	5.6	10.81	486.2
1975	-1.2	161.2	8.5	7.86	544.1
1976	5.4	170.5	7.7	6.84	631.9
1977	5.5	181.5	7.1	6.83	709.1
1978	5.0	195.4	6.1	9.06	780.4
1979	2.8	217.4	5.8	12.67	833.8
1980	-.4	246.8	7.1	15.27	914.3
1981	1.9	272.4	7.6	18.87	1003.9
1982	-1.8	289.1	9.7	14.86	1147.0

¹ Percent, based on 1972 dollars.

² 1967 = 100.

³ Percent of civilian labor force.

⁴ Prime rate charged by banks, percent per annum.

⁵ In billions of dollars on a fiscal year basis. The fiscal year for the Federal Government shifted beginning in fiscal year 1977. Through fiscal year 1976, the fiscal year was on a July 1 - June 30 basis; beginning October 1976, the fiscal year is on an October 1 - September 30 basis. Data from 3 month transition period from July 1, 1976, through September 30, 1976, are included in fiscal year 1977 figures.

Source: *Economic Report to the President*, February 1983, pgs. 165, 221, 199, 240, and 248.

Food Power

major policy changes during this period have had major effects on the international market position of the U.S. agricultural products: (1) the decision to discontinue support of the value of the dollar on international markets and (2) the decision to move from a monetary policy that stabilized interest rates to one that permitted interest rates to fluctuate while stabilizing the money supply. The effects have been both direct and indirect.

One direct effect has come about through the changing value of the dollar in foreign markets. Following the decision to discontinue support the dollar depreciated rapidly but it has again appreciated during the early 1980's. When fixed exchange rates in international markets were discontinued, capital markets became much more important on a worldwide basis. With the advent of high U.S. interest rates large amounts of foreign funds flowed into the United States. Thus, despite a continuing current account trade deficit, the American dollar appreciated in value. This increased the price of American commodities in foreign markets. While much of this effect is offset by price support programs that exist in other countries and by many LDCs pegging their currency directly to the dollar, these increasing commodity prices have had some effect on the flow of U.S. agricultural exports. In the early 1970's this increased trade, inasmuch as U.S. export prices declined when denominated in foreign currencies, whereas in the later 1970's and early 1980's the effect was to decrease trade.

Another direct effect of high interest rates is that on the costs of agricultural production and storage of agricultural commodities. When short-term interest rates reach high levels, private traders are reluctant to store, even on a seasonal basis, because of the heavy cost involved and this element of market adjustment is lost. High interest rates have placed the risk of storage on farmers, who must hold the grain to avoid low harvest time prices. Interest rates have also affected production costs for farmers, and in particular may have negatively affected U.S. livestock production where a large amount of credit over a longer period of time is required.

The inflation and volatility in interest rates and commodity prices during the 1970's have affected land prices, have created major increases in the prices of farm machinery and other capital inputs, and in turn, have affected the long-term comparative advantage of American agriculture in world trade. Market uncertainty has increased greatly and has affected operations throughout the system. Unless action can be taken to reduce massive future government deficits and to lessen the role that monetary restraint and high interest rates play in controlling inflation, instability in financial markets and foreign exchange markets will continue to create instability in commodity markets, both domestic and international.

The question of whether the U.S.'s role as the major world food supplier creates "food power" has two dimensions. One is political, the other economic. The political question arises from diplomats who seek every available advantage in dealing with U.S. international relations. As America's dominance has declined, the search for greater diplomatic leverage has increasingly brought food to the forefront as a tool for dealing with a variety of military, diplomatic, and political phenomena. Historically this tool has been used in our relations with East Europe, Southeast Asia, and in the Middle East. Recently, for example, food was used as an argument seeking increased military expenditure in Japan, the argument being that such expenditures are necessary to assure the availability of imported food supplies. In the late 1970's an international agreement guaranteeing the Republic of China access to limited quantities of U.S. farm products was at the center of establishing improved diplomatic relations. The only justification for that agreement was that it was part of an overall diplomatic package. These uses of food power will continue and they probably represent a positive element in U.S. diplomatic and political relations.

The more general perspective on food power, however, lies in the control of exports for political or economic purposes such as we exerted in our relations with Russia. Establishing an agreement such as the one in the early 1970's following "the great grain robbery" tends to be meaningless. Of necessity, the minimum guarantees provided by each side must be at such levels that in and of themselves they are not effective.

Further, the top limits that are specified are meaningless except to control massive purchases that have a short-term impact on markets. Over the period of a year, any constraints placed on exports by the United States can be made up through purchases from other sources. The same is clearly true of export embargoes such as the one imposed on Russia in 1980 for political purposes. The major short-term effect of that embargo was to create a shock in the market which had to be overcome by direct government action to purchase commodities already in the trade pipeline. Because grain is a fungible commodity (i.e. one in which each unit is interchangeable), and because it will move in response to relatively small price differences, Russian purchases, while temporarily disrupted, apparently were not affected in total. Russia increased purchases from Argentina and other countries, some of whom in turn increased their purchases from the United States. Thus little effect other than market disruption resulted.

The second dimension of food power is that which is promoted by certain agricultural groups. This dimension would involve efforts to raise the price of

U.S. farm exports through controlling supplies moving into foreign markets and thus to directly increase farm income. New institutions would be needed to effectively implement this kind of program. An export monopolist, such as a national marketing board, would be required to manage U.S. export flows. Carrying the institutional question one step further, can the United States provide leadership in developing an international export cartel or in achieving joint supply control action by major exporters? While controlling exports is theoretically possible, such an action would encounter many practical problems and at present this does not appear to be a feasible alternative. One problem, as most recently indicated by the OPEC's problems, is that abiding by cartel agreements is extremely difficult when traders or countries can see an advantage in circumventing them. Secondly, there is no measure of the impact on production that would occur in nonmember countries. Such production could fill the gap left by supply control arrangements among countries that belonged to a cartel.

Government Policy Decision Process⁴

Formulating food and agricultural policy is becoming increasingly complex in both its domestic and international dimensions. This stems in part from the increased number of interest groups that are concerned with food and agricultural policy and in part from the fact that neither domestic nor international policy can be isolated one from the other.

At the international level, a major step forward was achieved in the Reciprocal Trade Agreements Act of the 1930's which moved trade policy formulation from the legislative branch of government to the executive. For a time this change diminished the impact which specific producer groups that would be affected by policy change exerted on trade policy decisions. In recent years this process has tended to reverse. Congressional committees and producer groups lobbying through their congressmen have now gained the power to influence such decisions.

Within the executive branch of government, developing international trade policy is an interagency process. All major agencies participate in developing U.S. national position, both on general issues and on the specific content of agreements and negotiating positions. This means that the interests represented by the Department of State which are political and diplomatic, those of the Department of Treasury which relate to budget matters, those of the Department of Commerce which relate to industrial trade policy, as well as those of the Department of Agriculture and other agencies, are weighed in interagency negotiations before a policy position is developed. In addition, both the Department of Commerce and the Department of Agriculture, which represent clientele groups, maintain systems of producer and industry

advisory committees that influence their positions. All of this adds up to a complicated and politicized decision making process.

Historically U.S. objectives in international trade negotiations have been relatively clear-cut, as has the leadership position of the United States in international commercial matters. Neither of these conditions now applies to the same degree as in the past. For the future there is a definite need to sort out U.S. policy objectives that affect trade within the framework of agricultural trade, industrial trade, and international monetary phenomenon. For example, the U.S. government is faced with immediate pressures to place restrictions on automobile imports and to develop domestic sourcing requirements. Another approach would be for government to provide leadership to reduce the technology gap and restrain cost increases that create the problems in these industries. At present the U.S. government needs to more precisely define issues and articulate objectives in a broad range of international policy matters and, in particular, to relate domestic and international policy actions. Also there apparently is not a clear perception of the extent to which the United States can continue to provide a leadership role and assert its wishes in international negotiations. If we are to continue to be effective in forming policy that serves the national interest of the United States, these shortcomings must be overcome.

Summary and Conclusion

The U.S. farm and food system will continue to be deeply involved in an interdependent world food economy. This means that we must continue to develop policy in an interrelated domestic-international framework. Policy issues that are primarily domestic in focus usually have an international impact, and foreign economic policy for food and agriculture has a domestic impact.

The complexity of the issues that pertain to food and agriculture and their interrelationship with one another, as well as with other aspects of domestic and international policy, places heavy demands on the U.S. policy making process. Furthermore, government agencies represent a broad range of interest groups which have different, and sometimes opposing, criteria concerning policy actions that should be taken. This complicates the policy formulation process.

The participants involved in the policy process at the international level vary greatly in their motivations and in their political and economic structures. The poor countries of the world seek policies that will provide them with an advantage that will improve their rates of economic development. Other countries emphasize the need for market stabilization and the

need for government involvement in international trading to generate "order" in international markets. All countries maintain policies that in some degree isolate their domestic markets from the vagaries of the international market.

In viewing these diverse interests and pressures, the question arises as to what criteria can guide policy formulation. Precise answers that will fit all conditions cannot be formulated. One author suggests that the world food and agricultural system will be satisfactory if it promotes:⁵

1. Reasonable efficiency in resource use so as to support income and development aims and avoid unnecessarily high food costs.
2. Stability in the agricultural and food system to allow sensible, long-term resource use decisions, and the avoidance of disruptions arising from inevitable fluctuations in food availability.
3. Equitable distribution of the costs of both short run adjustments to instability and longer run resource allocation.

These are laudable objectives that reflect efficiency, growth, stability, and equity. At the least, they should be recognized as basic guidelines for future policy formulation.

In the early 1980's the world appears to be at a "watershed" point in international commercial relations. With reduced economic activity and unemployment in many countries and excessive interna-

tional debt burdens in others, pressures to undertake measures to protect domestic industry and employment have increased. It is difficult to predict what set of international arrangements will arise over time. A rush toward protectionism, as has occurred in certain previous eras, is unlikely. On the other hand, achievement of a free international trading system or even a significantly reduced level of government involvement is also unlikely. Between these extremes numerous institutional arrangements and interventions will likely continue. The form that these take will have an incalculable effect on the future of the U.S. farm and food system.

Footnotes

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