

Discussion of

Liberalized Agricultural Trade—at the Multilateral Trade Negotiations, Bilaterally or Not at All!

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Ambassador Yeutter is to be congratulated on an excellent paper. He has said the right things for the most part, few of which I shall challenge. In what follows, my commentary will consist simply of a review of the paper's highlights and of brief supplementary observations.

The paper is conveniently divided into two parts which I shall designate as *Negotiations* and *Academics*. In the negotiations section of the paper, Yeutter, as a protagonist for the U.S. cause, is sure of his answers which are relevant to economists but especially to political economists. In the academic section, he raises questions of interest to us primarily in our research-extension roles, but also for our clientele when we assume those roles.

The question is raised at the outset as to why have nations become more protectionist in recent years. Yeutter does not answer so directly, but I infer that nation states with their obligations are not willing to accept the wide swings inherent in the uncertainties which are brought about by anomalous events such as those which occurred between 1973 and 1975. Enormous transfers of wealth and the catastrophic disturbance of asset values which occurred will not be tolerated politically; hence, governments intervene with a variety of protective devices. Tariffs, as the paper indicates, are no longer the main protective mechanism but, instead, nontariff distortions of trade — especially quotas and variable levies — are the principal menace to freer trade among nations. I would add that all protective intervention at national borders are but reflections of domestic agricultural, fiscal and monetary policies which distort a country's ability to compete in the world market place.

In this context, I should point out that study is needed on the broad subject of protection and trade distortion. Agricultural adjustment, self-sufficiency concepts, social costs of regional policies are matters of great concern to nations which bargain with us in Geneva at the GATT. While the U.S. has little to fear — we have low protection of our agriculture in general — we must, as Jimmye S. Hillman is Head, Department of Agricultural Economics, University of Arizona, Tucson.

Yeutter says, insist on combined agricultural-industrial negotiations. In doing so, the ultimate problem for our agricultural negotiators is for them to prepare for political defense in Congress when they collide with other domestic interests. Indeed, internal conflict between vested interests are where the seeds for protection against “foreign competition” are sown.

Ambassador Yeutter has done us a great service in the “academic part of his paper. He has raised outstanding issues. I cannot do other than endorse this treatment wholeheartedly. Specifically, we should have expertise available on a year-round basis for trade negotiations, not just on a hit-or-miss basis every so often. Also, technical expertise is needed to help analyze equity questions in developing countries. But I would question as to whether normative questions are the “bag” of economists. Can we demonstrate what should be done to “rectify the evils” of past protection, etc.? For example, what is “injury”? There is a jurisdictional dispute in GATT vs. UNCTAD.

There is needed: exchange rate analysis (I fear the prospective results are overrated!), research on price and income elasticities of imports and exports, and many other research studies. I sincerely hope that in doing this research and extending research results to our publics, agricultural economists will not fall in the trap of becoming apologists for new institutions and political systems in developing — or developed — countries.

My additions to Yeutter's list of research needs include: 1) detailed studies on effective — as compared to nominal—protection of agricultural products, inputs, and industries (this will take time and money); 2) analyses on the classical question of “Gains from Trade” placed in a modern context (e.g., what are the “limits” of U.S. agricultural exports?); and 3) analyses of theoretical constructs or trade models in less-than-pure-competition (e.g., bilateral monopoly, oligopoly-oligopsony, and related trade situations could be analyzed).

In sum, I repeat, Ambassador Yeutter has given us an excellent paper — food for professional thought — a paper calling for action.