

Agricultural Protection: An Observation and Warning

Jimmye S. Hillman

Agricultural protection, especially of the nontariff type, is on the increase despite some recent appearances to the contrary. The forces behind this trend are heavily economic and immediate, relating principally to domestic farm programs. But there are other forces: self-sufficiency policies, social and cultural factors, and national security matters, which are also used to support protection in the political arena and over the long run. It is imperative that the leading industrial countries, with the assistance of leading developing countries, negotiate trade arrangements and agricultural adjustment policies that take advantage of the proven principles of comparative advantage. The alternative might be a trade breakdown similar to that of the 1930s.

The principal purpose of this brief article is to draw attention to, and to warn against, a growing protectionist sentiment in the United States and abroad. The world can ill afford another period of trade breakdown such as that which existed in the 1930s. Though historical experience is drawn upon, it is not the purpose here to chronicle a detailed history of agricultural protection. McCalla's (pp. 329-343) excellent treatment makes this unnecessary. Nor is it the purpose here to analyze the theoretical questions arising from the *gains from trade* argument. This is carefully done by Chambers, Letiche and Schmitz.

The essence of the message, therefore, reduces to a reminder, with caution and appropriate documentation, that what happened in that turbulent period can happen again. Moreover, there is a new interpretation of the crash of 1929 which attributes that disaster to the "protectionist binge" in the Western countries particularly that in the United States during the nineteen twenties [Wanniski].

Skepticism relative to the benefits of freer trade has spread rapidly during the past decade. Mr. George Meany, President of the

AFL-CIO, epitomized this skepticism at the 1978 Annual Meeting of that body when he said that "free trade is a joke and a myth." Other major labor unions are plugging harder and harder for import curbs. So are manufacturers in industries such as steel and textiles. So are producers of many agricultural products.

This attitude has been exacerbated by the worst world recession in forty years. Moreover, there is great concern about the security of supplies of food and raw materials, which aids and abets protectionist sentiment. Finally, there is a general fear that the growth of international trade may have reached a point which erodes the ability of many governments to pursue their desired agricultural goals and policies. These skepticisms and fears resulted in a new wave of protectionist sentiment in the mid-to-late 1970s, especially portrayed in the activity surrounding nontariff trade barriers.

The European Economic Community (EEC) and Japan are in the forefront of this trend in the agricultural sector; the United States and the EEC lead protectionistic sentiment toward nonagricultural goods. Beef and lamb, dairy products, sugar, citrus and a variety of other agricultural products as well as steel, textiles, ball bearings and television sets among industrial products have all been subject to pressures for higher protection.

Jimmy S. Hillman is Professor and Head of Department, Agricultural Economics, at the University of Arizona. Arizona Agricultural Experiment Station Journal Article No. 2914.

Introduction

High prices and continued inflation in recent years have diverted attention from agricultural trade problems and have masked the distorting influences of historical and protectionist domestic agricultural policies. Higher world market prices during the mid-1970s brought about by tight supplies, made some protective devices temporarily unnecessary or made their impact seem small. (In fact, high prices have emphasized another important set of problems which deal with security of supplies and instability.) This "illusory" respite from agricultural protection which the world experienced during the rapid rise in prices appears to be in direct contrast to tendencies which have prevailed in agricultural trade for at least forty years.

In recent years strong attempts to restrict food and fiber exports have been added to private and public actions to prevent imports. The United States embargo on soybean shipments in 1973 and its restraint on wheat shipments in 1974 are illustrative. Also, very high export taxes on wheat and barley by the EEC during the "grain crisis" of 1972-75 acted as a virtual embargo on outflow of those products from Europe.

The General Agreement on Tariffs and Trade (GATT) in its 1976-77 Annual Report stated,

"The spread of protectionist pressures may well prove to be the most important current development in international economic policies, for it has reached a point at which the continued existence of an international order based on agreed and observed rules may be said to be open to question. It is not difficult to identify the sources of the pressures for increased protection. . . . between 1973 and 1976 industrial production in developed areas effectively stagnated, while in the developing countries industrial capacity, production and exports continued to grow; and in a stagnating market, import-absorption generates additional friction and demands for protection. A willingness on the part of so

many governments to give effect to these demands is more difficult to understand, however, since in so doing they have become involved in contradictions between their stated policy objectives and actual policy conduct." (GATT).

The same GATT report assails "Orderly Marketing" arrangements which involve a popular new restrictive device between nations under which low-cost exporters "voluntarily" restrict exports to countries where their goods are damaging an industry. The International Herald Tribune had a special series of articles entitled "The Gathering Forces of Protection" in a recent issue (October 1977, p. 9).

Trade negotiations have been underway since 1975 in the Tokyo Round of the GATT at Geneva in an attempt to modify overt as well as subtle new acts of protection. Without detailing the reasons for this new phenomenon of protection, it is constructive to briefly review the development of agricultural protection. Moreover, there may be a very practical reason for such a review and an added warning: *should agricultural production and supply in the industrialized countries return to surplus conditions characteristic of the 1950s and 1960s it is almost inevitable that trade barriers and distortions will again become more important.* Barriers and distortions have not disappeared in the 1970s. Most continue, have gone "underground," or have been temporarily inoperative, e.g., Commodity Credit Corporation disposal activity, or inactivity.

A Theoretical Note

Classical and neoclassical economists have long emphasized that nations gain from international trade. Despite this, many sectors of national economies, including agriculture, appear to be more protectionist. Arguments supporting free trade and a survey of the major theoretical issues in the gains from trade question have been reviewed recently by Chambers, Letiche and Schmitz. One of their conclusions is that most empirical

studies demonstrate that there are gains from allowing nations to trade.

If the standard theory and empirical evidence are valid, those countries with a high degree of protection, say, to their agricultural sector, must be acting, at least in part, on the basis of noneconomic criteria. There is the possibility, of course, that the principal theory and the empirical evidence have not adequately depicted reality and thus have overemphasized the proposition that there are positive gains from trade. For example, contrary evidence to standard is developed by Emmanuel in the theory of unequal exchange. It must be remembered, too, that List's arguments for protection are a fundamental part of the standard theory.

The principal theme of the normative aspects of modern trade theory supports the claim of classical economists that, with appropriate compensation, trade results in an improvement of economic welfare. Leontief, in a classic paper, demonstrated how standard consumer theory can be used to analyze international trade. A more rigorous proof of the existence of either actual or potential gains from trade was shown by Samuelson (1962). Many other theoretical examples relative to the gains from trade questions are contained in the Chambers, Letiche and Schmitz article cited above.

The outcome of protection is not always negative. A country can gain from protection, particularly in the short run; and provided there is no retaliation. Many authors, among them Baldwin (pp. 91-101), have constructed theoretical frameworks demonstrating that tariffs and quotas can lead to greater gains from free trade *providing there is no retaliation*. In a world of good communication the non-retaliation assumption is quite heroic. A more realistic hypothesis is that the possible long run outcome of increased protection is decreased welfare.

A much broader objective of protectionist policy is the so-called "scientific tariff." Johnson points out that there are a large number of commonly recognized arguments for protection and he constructs a "scientific tariff" for each of the following objectives:

1) to promote a "way of life," national self-sufficiency and independence; 2) to increase military preparedness; and 3) to strengthen a country's international bargaining position.

Other factors to be considered in arguments for or against protection involve technological and economic concentration, social and economic adjustment processes, and the amount of money necessary to compensate losers in any process of trade liberalization. The important theoretical issue to be surfaced here, however, is the potential losses in world welfare which might derive from an increasing amount of protection and in an ultimate major breakdown in trade.

Protection Embedded in History

The history of agricultural protection is a chronicle of response, or lack thereof, on the part of central governments to the clamor by farmers for help against economic forces from outside which disturb their prices and incomes as well as their farm structures and way of life. Many of the present problems of agriculture all over the world, but particularly in western industrialized countries, may be largely attributable to past failures of farmers to adapt in response to changing economic conditions and political circumstances; but they also reflect a failure on the part of governments to realize that neither extreme laissez-faire nor total interventionist methods will produce an acceptable solution to problems of commercial farming and the rural sector of nations in the late twentieth century. An "optimal" degree of intervention for individual countries and for the world is a topic most difficult to assess. Current policy positions of countries in international bodies such as the EEC, the GATT and United Nations Conference on Trade and Development (UNCTAD) reflect a century or more of decisions in national assemblies regarding agriculture and rural life. It will take time and constant bargaining to arrive at types of programs which could be judged as contributing to acceptable, feasible and helpful freer trade objectives.

Until World War I the protective tariff was

the major instrument used to shield domestic agriculture from outside competition. Great Britain because of historical forces, the Industrial Revolution, a shift in the power away from the rural sector, and national political reasoning, decided on a free trade policy and held rigidly to that position until 1931. Little positive action was taken to aid the farmer, either directly or indirectly. The adaptation which the farmer was forced to make was instrumental in sustaining industrial expansion but long term hardship took its toll. Wheat production was depressed and there was a shift towards livestock. Production per worker increased, the size of holdings became larger and the use of machinery expanded. Thus, as Britain's agriculture finally entered the European Community in 1978 its structure was in a strong position to compete without unduly large protection.

Denmark and the Netherlands followed a pattern of free trade with Britain during the nineteenth century but when cheap agricultural imports from the New World put pressure on prices and incomes these countries took positive action in order to help farmers adapt to the competition. For example, production and marketing assistance were facilitated through cooperative structures and among other aids farmers made use of training institutes set up by their governments. Such actions were eminently successful in that these countries were able to build markets for livestock products in England and on the Continent, their farmers prospered, and the agricultural sector, instead of stagnating, made a significant contribution to national economic growth.

Most other countries in Europe have followed a course of high protection for agriculture and a conservative course regarding agricultural adjustment since about 1850. While Britain was adopting a free trade policy in the middle and late nineteenth century, France, Germany and Italy raised their tariffs in response to cheap products from abroad. The result was not only an expansion of high-cost, extensive agriculture, but also an added attraction of resources to the domes-

tic economies of the countries which further violated the principle of comparative advantage. Resources, especially manpower, which could have moved into other activities, were retained in agriculture by rates of duty which were increased progressively until the period surrounding the outbreak of World War I. High tariffs on grains may have even been detrimental to the livestock-producing sector. Industrial expansion in countries like Germany was impeded because they were hampered in concluding commercial arrangements with other countries because of high duties. Even so, unlike France, Germany achieved great industrial status by World War I. Consumers were penalized with produce that would have been cheaper with less protection. And, not least, high and inflexible tariff policies took pressure off domestic agriculture for adjustment to changing conditions in trade and development. Hence, little attention was given in these countries to positive adjustment assistance which would have enabled farmers to meet the rigors of competition which lay ahead.

In making these observations about European agriculture and trade, one must be cognizant that the "sacrifice" of agriculture's interests was achieved only when the strength of the urban lobby was great enough to overcome the landowners. Countries other than Britain viewed such action as economic and political disaster. That is, only when their own industrial base had been built up to a reasonable level could they afford to relax restrictions. It has been noted that Portugal, the centerpiece of Ricardo's gains from trade example, seems not to have fared so well in free trade with a commercially dominant Britain [Sideri].

In the United States the tariff was used as a revenue measure until 1890. The McKinley Tariff act provided for the first time a complete schedule of duties on agricultural products. Prices were affected very little by this and succeeding upward adjustments in agricultural duties, which culminated with the infamous Hawley-Smoot tariff act of 1930. These acts and a general policy of protection

for an agriculture which had a strong comparative advantage were politically oriented. But a high tariff policy was redundant and is difficult to rationalize for United States agriculture during that period because of its strong competitive position. That policy, also, had little value to the United States farmer in solving fundamental price and income problems.

Modern Agricultural Protectionism

With the breakdown of the international trade mechanism which followed World War I, a crisis enveloped agriculture which ushered in new forms of protection everywhere. Fundamental economic disequilibrium prevailed in the countryside, and nation after nation not only insulated themselves from outside competition, they invented new measures to protect this agricultural sector, using all types of reasons for doing so: economics, culture and even national patriotism. As restriction was added to restriction international markets were strangled and the depression was prolonged by retaliatory trade measures and beggar-my-neighbor exchange rate techniques. Despite general depression, behind these high walls of protection agricultural production in many countries actually expanded and countries exacerbated the international problem by trying to solve their domestic difficulties at the expense of others.

Therefore, in light of circumstances the nature of protection changed from a simple approach of protecting farmers exclusively through the import mechanism — the customs tariff — to more complicated and specific forms of protection for particular agricultural commodities which were associated with large interest groups. Beginning in the late 1920s and accelerating through the depressed 1930s most national measures for the protection of agriculture took one or more of the following forms: 1) measures which directly discouraged imports; 2) measures which directly encouraged exports, 3) measures specifically designed to affect home production and marketing, and 4) state trad-

ing which protected agriculture by distorting trade through discriminatory pricing and exchange arrangements.

Direct intervention into the trade process began in the late 1920s when certain European governments began specifying mixing or utilization ratios to be used between foreign and domestic grains for milling purposes. This was followed by import quotas and a variety of other measures which directly intervened in the importation of foreign produce. France led the way in these new forms of protection. State trading organizations were set up in many countries to discriminate in favor of domestic farmers and to offer unfavorable terms to foreign suppliers. Exchange manipulation through licensing and through the use of multiple exchange rate processes was a widely used technique in the 1930s and immediately after World War II.

In recent years "voluntary" agreements, usually negotiated at the highest executive level between importing governments and foreign exporters, have become a principal means, especially in the United States, of adjusting foreign supplies to the domestic market. It should also be emphasized that such agreements have been undertaken to guarantee adequate and stable flows of imports to deficit markets at reasonable prices. In this respect, historically, one of the fears in Western Europe is that the flows of cheap food and feed grains from abroad would place it in an economic crisis. Also, as food deficit areas, they are more sensitive to instability. So is Japan. Hence, these countries have always been more interested in international commodity agreements and other stabilizing arrangements than, say, has the United States.

Any such measures to limit the flow of imports from abroad are in themselves likely to raise prices of farm products to domestic producers and consumers, but many of them are enacted as counterparts of other price and income programs which are specifically designed to increase welfare directly at the producer's level. Section 22 of the United States Agricultural Adjustment Act and the Variable

Levy of the European Common Agricultural Policy are examples of direct trade restrictions which are also essential counterparts of domestic farm legislation.

Payment of direct subsidies to exporters of farm products is another form of protection which grew in use after World War I. Subsidies on exports have also been accomplished through multiple exchange rates systems which give favorable rates to exporters of particular products; through an extension of credit to exporters on favorable terms, through special tax refunds with respect to exports; and through state-trading processes which sell products abroad at lower prices than in the domestic market. In practice, the export subsidy as a form of agricultural protection, like import restrictions, is in many cases part of more elaborate farm price and income programs. Foreign surplus disposal programs, export restitutions and multiple exchange discrimination have affected billions of dollars annually in agricultural trade.

As we have seen, countries began to encourage home production inadvertently through the use of high protective tariffs prior to World War I, but direct intervention in the domestic production and marketing processes began on large scale during the 1930s. Today such protection through intervention is an integral part of farm programs in many countries, industrial as well as developing. Direct income supplements or "deficiency payments" have often been used to maintain or raise incomes of farm producers. Such intervention has generally been undertaken in order to increase self-sufficiency ratios in food production or to improve the balance of payments. The United States, as opposed to most countries, inaugurated strict production control operations in order to make effective certain price objectives. Yet, even these price support programs which attempt to raise and maintain prices for domestic producers above prevailing world market levels have been the chief instrument by which farm programs are implemented.

Subsidies for adjustment or to adopt new practices, central or local tax rebates, and

subsidization of inputs like seed, fertilizer, credit, and so on, have all been used to increase farm incomes. France, in particular, has used subsidies to aid the agricultural sector in a manner which does not directly affect prices and marketing. Grants for land improvement, equipment of rural public services, marketing and processing of agricultural products fall in this category. Switzerland has special assistance programs for mountain areas. Norway has supported joint machinery purchases by grants covering 30 percent of purchase value and by cheap loans for the remainder of the cost of establishing of machinery stations. These are but examples of a vast array of subsidies by many countries to their agricultural sectors which do not appear in the form of direct border taxes or overt protective measures.

In most cases there are valid social as well as economic reasons for state intervention in the agricultural production and marketing processes. It is important, however, to emphasize the protective elements of those direct and indirect subsidies to local producers. Such subsidies assure higher net incomes.

State trading arrangements deserve special attention due to their increased role in world agricultural trade. As has already been pointed out, the use by the state of intervention measures might result from deliberate protectionistic motivation; but a special element of protection can enter through particular state dealings. By means of discriminatory commercial bargains with particular importing countries, certain exporting countries have, on occasion, persuaded those importing countries to pay a better price for products than can be obtained by other exporting countries. When such bargains are struck the contracting exporters are protecting themselves against other exporters in the market of the importing country with whom they have contracted. Typifying the possibilities under this method of dealing are the Canadian Wheat Board, New Zealand Meat Producers Board and other such arrangements where single sellers deal with single buyers in foreign markets. Completely state

owned and operated trading institutions such as those in the USSR make it even easier to discriminate.

Trends Since World War II: Nontariff Trade Barriers

After World War II, programs which originated during the critical days of the 1930s were extended in many countries, first in order to expand output and save foreign exchange, and later to stabilize and/or to increase farm incomes. Output has been expanded by programs which have kept domestic producer prices in many cases above the average prices for equivalent commodities on the world market. The common and essential purpose of governmental intervention in agricultural trade has been to protect domestic producers against competition from imports which, in turn, supports levels of employment, resource use, and incomes to a degree higher than would prevail without such intervention.

Some specific examples of this interventionist trend for 1977 were: 1) abnormally high levies by the EEC on wheat, butter, cheddar cheese, frozen boneless beef, chicken and bacon; 2) French rejection and/or quotas of British and Irish lamb, even within the EEC; 3) a total British embargo of potatoes late in the year; 4) a continued recalcitrant attitude of Japan toward United States beef, citrus juice and oranges on which strict quotas and other nontariff barriers (NTB's) remain; 5) imposition of increased import fees on sugar, sirups and molasses in the United States by the President; and 6) signature of new "voluntary restraint" agreements between Australia and the United States with respect to meat imports in the latter.

These are but examples of protectionist tendencies. More ominous is the buildup of certain agricultural supplies — for example, grains in the United States, dairy products in Europe and the United States — which could revert to the export subsidy "wars" of the 1950s and 1960s. Domestic agricultural policies of most every country are now point-

ing toward increased self-sufficiency, a principal result of their foreign exchange difficulties, precipitated by the energy crisis following 1973. "Self sufficiency" goes hand in hand with protection.

Outside the agricultural sector the gathering forces of protectionism are even stronger. A continued and currently reinforced long-term Arrangement on Cotton Textiles is instructive. This 1962 Arrangement was the first important instance in which the generally and solemnly agreed rules of post-war policy conduct — including the keystone of the system, the nondiscrimination rule — were formally set aside for reasons recognized as "pragmatic." A program, including negotiated import quotas and a series of sizable tax breaks, to help the United States steel industry has been introduced in Congress. The EEC, once a staunch crusader for free trade and competition in the nonagricultural sector with six million workers unemployed in 1978, has quietly shifted to protectionism and cartels to combat this problem. Japan agreed under pressure and with considerable reluctance to limit exports of color television sets to the United States.

These are some principal examples. High officials in the GATT negotiating teams continue to be worried that major governments have labored so much and yet have accomplished so little. The answer seems to be that all governments have been caught between conflicting pressures, with some domestic groups favoring negotiations and liberalization, while others are urging a defensive, hold-the-line, or even retreat policy.

Most of the protective devices which have evolved out of attempts to protect a country's domestic agriculture against foreign competition have come to bear the generic title of nontariff trade barriers. Out of the vast summaries of restrictions prepared by the GATT and the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture, one is able to derive generalized summaries of nontariff restrictions to international trade in agricultural products.

The basic inventory performed by the GATT after the Kennedy Round consisted of

TABLE 1. Agricultural Commodities: Nontariff Barriers to Imports into Major Industrial Countries, 1971

Commodities	European Economic Community		JAPAN		UNITED KINGDOM		UNITED STATES	
	A	B	A	B	A	B	A	B
<u>Food, beverages and tobacco</u>								
Wheat	CMA	Se	QM	S	-	Sd	Q	Se
Rice	CMA	Se	QM	S	-	-	-	Se
Barley	CMA	Se	QM	S	-	Sd	-	Se
Maize	CMA	Se	-	-	-	-	-	Se
Sugar	CMA	Se	-	S	Q	S	Q	S
Beef and veal	CMA	Se	Q	-	-	Sd	Q ^a	-
Pigmeat	CMA	Se	M	S	q	Sd	-	-
Mutton and lamb	q ^b m ^b	-	-	-	-	Sd	Q ^a	-
Poultry	CMA	Se	-	-	-	-	-	-
Eggs	CMA	Se	-	O	-	Sd	-	-
Butter/Milk	CMA	Se	QM	Sd	Q	S	Q	Se
Fish	CMA	-	q	-	-	S	-	-
Citrus fruit	CMA	Se	q	-	q	-	-	-
Bananas	Q ^b	-	-	-	Q	-	-	-
Wine	CMA	S	-	-	-	-	-	-
Tobacco	CMA m ^b	Se	M	S	-	-	-	Se
<u>Oilseeds, oils and fats</u>								
Soybeans and oil	-	-	-	Sd	-	-	-	Se
Groundnuts and oil	-	-	-	-	-	-	q	Se
Cottonseed and oil	-	-	-	-	-	-	-	S
Rapeseed and oil	CMA	S	-	Sd	-	-	-	-
Linseed and oil	CMA	S	-	-	-	-	-	S
Sunflower seed and oil	CMA	S	-	-	-	-	-	-
Olive oil	CMA	Sd	-	-	-	-	-	-
Castor seed and oil	-	-	-	-	-	-	-	S
Fish meal	-	-	q	-	-	-	-	-
<u>Agricultural raw materials</u>								
Cotton	-	-	-	-	-	-	Q	Se
Wool	-	-	-	-	-	S	-	Sd
Jute and bagging	q ^b	-	-	-	q	-	-	-

SOURCES: UNCTAD, *Commodity Problems and Policies, Access to Markets*, a Report by the UNCTAD Secretariat. TD/115 Santiago, Chile, January 22, 1972, Table A; EEC Commission, *Fourth General Report on the Activities of the Communities*, 1970, Brussels, February 1971; Great Britain, Ministry of Agriculture, Fisheries and Food, *Annual Review and Determination of Guarantees 1971* (Cmnd. 4623), London: H. M. Stationery Office, March 1971; United States, Office of the President, Commission on International Trade and Investment Policy, *United States International Economic Policy in an Interdependent World*, (Washington, D.C.: U.S. Government Office, July 1971); GATT Documents prepared in connection with the work of the Agriculture Committee and the Committee on Trade and Development.

^aContingency quotas on beef and veal and mutton, authorized by legislation, (not so far applied) accompanied by restraints by supplying countries.

^bCertain member states only.

over 800 items [Patterson], agricultural and nonagricultural. In the agricultural field, the GATT classification process was not limited to measures taken at national borders since many programs, most of which relate to pro-

duction and supply, often have a powerful effect on possibilities of market access by foreign distributors.

Illustrative of nontariff trade barrier problems is shown in the classification which is

constructed in *Table 1* for the EEC, Japan, the United Kingdom and the United States. *Column A* of the table shows the general nature of the restraint at the frontier, a small letter indicating that the measure is applicable to only part of the item in question: M, m indicates state trading or trading by an authorized monopoly; Q, q indicates quota restrictions; CMA indicates a commodity falling under Common Market arrangements.

Column B of the table indicates the general nature of explicit official intervention on domestic markets, not including direct or indirect subsidies of inputs of the primary sector of fiscal privileges accorded to that sector: O indicates organization of the domestic market without official price fixation; S indicates price supported or production subsidy paid; Sd indicates price guaranteed by deficiency payment; Se indicates support accompanied by provision for export subsidy.

Frequently intervention has admirable welfare and social objectives such as that of reducing the gap between incomes in the agricultural sector and those in the rest of the economy; or that of maintaining balance between economic sectors, and between and within geographic regions. But in the industrial countries, farm legislation and administrative devices necessary for its effective operation have evolved in such a way that they now provide a considerable degree of effective protection to domestic producers. This is so much the case that nominal protection provided by traditional tariffs on raw agricultural products is no longer the principal protective device that existed during the nineteenth and early twentieth centuries.

As part of governmental intervention in international marketing, there have arisen trade impediments from certain measures which have been outside purely commercial policy objectives. Such impediments arise, for example, from health regulations governing imports, grading and standardization practices, technical specifications and administrative rules interpreting these actions for their enforcement.

Illustrative of these measures are Ger-

many's health restrictions relative to use of certain gases by United States citrus producers to color fruit; Japan's disallowance of sorbate on imported dried prunes, although it is accepted on many domestically produced foods; and Belgium's insistence that imports of beef in cuts must weigh at least 10 kilograms each, whether boned or deboned. There are hundreds, if not thousands, of such health and sanitary, administrative, and regulatory actions taken by governments.

The remedy for many of these impediments would appear to be harmonization of legislation and administration, but it should be remembered that such impediments can be used to harass trade, and, to the extent that their impact on marketing is more than inadvertent, their effects must be classified as protective.

Conclusion

In conclusion, it might be stated generally that we have witnessed and are witnessing a deliberate lag in trade liberalization in the farm sector of the major industrial countries and little has been done in the past few years toward negotiating downward some of the major barriers to international trade in agricultural products.

Agricultural production industries, along with a few others such as the textile industry, are likely to be the last and most difficult in which to make progress toward trade liberalization. There are economic reasons for this, mainly those involving employment and asset values, but the cultural and social arguments which call for protection are still strong in many governmental assemblies. Moreover, agriculture is the last major industry which is dominated by small firms and in which economic instability and low returns have justified government intervention in order to facilitate an equitable economic and social adjustment process.

Adjustment programs and trade regulation have had the objectives of not only to stabilize prices and income, but also to raise incomes and to distribute them more effectively. In some instances they have worked;

in others, neither low income producers nor consumers have benefited greatly. The case can be made that agriculture and raw material-producing industries, whether they be in industrialized or developing countries, currently face a potential squeeze resembling that of the classic British model in the nineteenth century where farmers suffered greatly from a free trade policy which was not subsequently accompanied by a program of adjustment assistance. Forced adjustment which is too rapid, and without objectives which include equity for human resources, can do long-range harm to the farm sector. Research is needed on that important question.

The time is propitious for the world's leading industrialized countries through the GATT, with the assistance of the developing countries through UNCTAD, to negotiate trade arrangements and agricultural adjustment policies which will take advantage of the proven principles of comparative advantage. Such arrangements and adjustments would benefit consumers and taxpayers throughout the world.

References

- Baldwin, Robert E. "The New Welfare Economics and Gains in International Trade." *Quarterly Journal of Economics*, 66(1952): 91-101.
- Chambers, Robert G., J. M. Letiche and Andrew Schmitz. "The Gains from International Trade." Chapter 5 in Jimmie S. Hillman and Andrew Schmitz, *Trade and Agriculture: Problems and Policies*, The University of Nebraska Press, forthcoming.
- Emmanuel, Arghiri. *Unequal Exchange: A Study of the Imperialism of Trade*, New York: Monthly Review Press, 1972.
- General Agreement on Tariffs and Trade. *International Trade 1976-77*, Geneva, 1977, pp. 22-23.
- International Herald Tribune. Paris, October 6, 1977, pp. 9.
- Johnson, Harry G. *Aspects of the Theory of Tariffs*. Cambridge: Harvard University Press, 1972.
- Leontief, Wassily W. "The Use of Indifference Curves in the Analysis of Foreign Trade." *Quarterly Journal of Economics*, 67(1933): 495-503.
- List, Friedrich. *The National System of Political Economy*. London: Longmans and Green, 1928. (originally published in Geneva in 1841)
- McCalla, Alexander F. "Protectionism in International Agriculture." *Agricultural History*, 63(1969-70): 329-343.
- Patterson, Gardiner. *Commission on International Trade and Investment Policy*. Volume I of Papers, Washington, D.C.: Government Printing Office, 1971, pp. 631ff.
- Samuelson, Paul A. "The Gains from International Trade," in *Readings in the Theory of International Trade*. Homewood, Illinois: Richard D. Irwin Inc., 1950, pp. 239-252.
- Samuelson, Paul A. "The Gains from International Trade Once Again." *Economic Journal*, 72(1962): 820-829.
- Sideri, S. *Trade and Power: Informal Colonialism in Anglo-Portuguese Relations*. Rotterdam: Rotterdam University Press, 1970.
- Wanniski, Jude. "The Crash of '29 — A New View." *The Wall Street Journal*, October 28, 1977. The article is adapted from his book, *The Way the World Works: How Economies Fail and Succeed*, to be published by Basic Books.