# NEWS from U.S. Senator Bob Dole

(R.—Kans.) New Senate Office Building, Washington, D.C. 20510 (202) 224-652

FOR RELEASE UPON DELIVERY
9:00 A.M. C.S.T. (10:00 E.S.T.)

CONTACT: J. ANDERSON
R. FREDRICK

## DOLE CALLS FOR EXPANDED EXPORT MARKETS FOR FARM COMMODITIES

CHICAGO, ILLINOIS --- "Expansion of export markets for U.S. farm commodities is the key to this country's farm policy," Senator Bob Dole said today.

In a speech prepared for deliverty to the Sixth International Commodities Conference in Chicago, the Kansas Senator, who is the ranking Republican on the Senate Agriculture and Forestry Committee, made four recommendations that could aid the expansion.

He said the United States should set an export goal of $25 billion by 1980. To achieve this goal, Dole said, "we must succeed in the current world trade negotiations. Agriculture was treated as a poor relative" in past negotiations. "The major trade barriers which negotiators must work to eliminate today are nontariff barriers," he added.

Dole suggested that an agricultural trade expert, with the rank of ambassador, should be appointed to the Office of the Special Trade Representative. He said that the individual designated for the post "must be a tough negotiator" and "dedicated to the advantages of the free market."

"The United States should not become involved with international commodity agreements which have maximum and minimum price provisions." Dole charged that the last International Grain Agreement "was an international economic disaster, especially for U.S. wheat growers. Other countries undersold us, and we were left 'holding the bag' full of unexported wheat."

"If a grain reserve is established, it should be isolated from normal market forces," Doleurged. He voiced fears that most current reserve proposals "would lead to government ownerwhip of grain. Past experience indicates the result would be disastrous to American producers." The Kansas Senator indicated that he will re-introduce legislation next year which would encourage foreign customers to accumulate grain stocks during low-price periods." Dole said his bill would encourage exports but would not be costly to either producers or taxpayers.

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9:00 A.M. C.S.T. (10:00 A.M. E.S.T.)
TUESDAY, DECEMBER 7, 1976

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REMARKS OF SENATOR BOB DOLE
SIXTH INTERNATIONAL COMMODITIES CONFERENCE
CONTINENTAL HOTEL
CHICAGO, ILLINOIS
DECEMBER 7, 1976

I appreciate the opportunity to visit with you today at the sixth International Commodities Conference. I recall speaking at your first conference. In 1970, I emphasized (and I still believe) that expanding export markets for U.S. farm commodities is the key to this country's farm policy.

## AGRICULTURE EXPORT SUCCESS

In the last six years, we have made notable progress. U.S. agricultural exports have almost tripled in value. Current projections are that the value of agricultural exports this fiscal year will exceed 22 billion dollars.

U.S. exports of wheat and feed grains now account for roughly half of the world's exports. Without the American farmer's ability to respond to demand -- and farm policies which gave him price signals to respond -- the world would have been in a much poorer position in its food supply/demand situation during the past 5 years.

The Soviet Union has become a part of the world agricultural community. The basic decision of the communist countries to upgrade the diets of their people has resulted in dramatic trade changes. Expansion of animal production is being emphasized. Their commitment to animal production was tested severely in 1972 and 1975 when their own grain production fell sharply. In both cases, they entered the world market for large quantities of grain. A 5-year agreement with the Soviet Union calling for annual sales of corn and wheat at a minimum of 6 million tons is now on the books and is an effective arrangement.

Although our trade in agricultural commodities is small with the People's Republic of China, there are reports that the current 5-year plan may be revised with an eye to increased foreign trade. This is an area of the world that has great potential and should be given serious attention.

## AGRICULTURE EXPORT PROBLEMS

Despite some obvious successes, I do not want to leave the impression that there are no problems with regard to agricultural exports. For example, until recently, U.S. farmers produced 90 percent of the soybeans in world trade; today the proportion is about two-thirds. Brazil has become a major competitor, in part due to our unwise export control action a few years ago. I think my views on export controls are well known, and do not require repetition.

Palm oil has become a major competitor in world vegetable oil markets. For many years the U.S. followed a policy of subsidized palm oil expansion through approval of production loans by the World Bank and similar agencies. I regret that such a policy was ever implemented. For, fundamentally, production financing should involve expansion of those crops which will improve the nutritional situation in the developing countries -- not increased competition for normal U.S. export markets, or, even worse, to ship competing products into the U.S. It is time this financing was stopped! It is working to the disadvantage of soybean and cottonseed producers and has increased costs for livestock producers.

## RECOMMENDATIONS

Today, I make my first recommendation to the Carter Administration.

Let us set a goal of $25 billion in agricultural exports by 1980.

If we are to achieve this goal, we must succeed in the current world trade negotiations conducted under the Trade Act of 1974. The growth in farm exports can come only if the market is working. An unfettered market can move farm products from the people who produce to the people who consume. This is the real underlying meaning of the mountains of statistics on international trade.

American producers of grains and other feedstuffs are a part of the world economy -- where the market works to favor our efficient producers. We must all strive to make it work even better.

The Carter Administration must be alert to defend agriculture's trading rights. A new group will soon have these responsibilities. I have been concerned about the growth of restrictionist thinking in many countries in recent years.

Our programs look to overseas markets, and we must be able to compete for maximum utilization of our products throughout the world.

If U.S. farm exports are to reach this $25 billion goal by the beginning of the next decade -- a necessary objective -- they must move competitively in world markets. It must be our policy to do everything feasible in our discussions with foreign governments to stimulate U.S. farm exports. The agricultural community was not satisfied with the results of the Kennedy Round of trade negotiations. In that Round, agriculture was treated as a poor relative.

There is no great enthusiasm in the European Community for negotiations on agriculture. The European Economic Community feels that its common agricultural policy with its border protective mechanisms and the principles of the common agricultural policy are just not negotiable. It is clear that they prefer stabilization of prices and trade as opposed to liberalization of trade. I advocate an open market system, and the elimination of restrictions so that prices can perform their function in allocating supply, and in providing incentives to farmers to produce those commodities that the world demands. I recognize that there are fundamental differences in approach and objective from those of the European Economic Community.

The major trade barriers which negotiators must work to eliminate today are nontariff barriers -- variable levies, import quotas, export subsidies, packaging and labeling standards, government procurement practices, customs valuation methods, import licensing requirements, nuisance health regulations -- these and many others pose the most serious impediments to the free flow of trade.

We must not sit back and assume that we have reached a permanent new demand level for our exports. The conditions that have favored our trade so much these last few years are very likely to change in the near future. The quantity of exports, as well as value, is, of course, important to our producers and shippers. We cannot afford to relax our efforts to remove the obstacles that hinder the access of our highly competitive farm produce to customers abroad. Please note that roughly two-thirds of our farm product exports are subject to some form of restriction in foreign markets. It is not possible to compute how much trade is lost because of them. But loss there is, and these negotiations will fail if they are not reduced.

One of the major objectives in the General Agreement on Trade and Tariffs negotiations must be the reduction and elimination of export subsidies by countries to push domestic surpluses onto the world market in competition with U.S. exports. The U.S. has used subsidies in the past, but this is no longer the case. U.S. producers should not have to compete with the finance ministries of other governments in the world market. This factor will be the subject of intense negotiations. Out of this, I hope there will result a new and economically sensible code controlling the use of subsidies.

I hope the new Administration will keep agricultural and industrial negotiations together. This must be done if we are to make progress in liberalizing agricultural trade. We expect major problems, especially with the European Economic Community on this issue. Therefore, the U.S. should, in its negotiating strategy, make concessions only after achieving the maximum possible from all trade sectors, including agriculture.

One of the most serious problems affecting U.S. agriculture is the proposed soybean oil tax by the European Economic Community. The EEC has been advised that the U.S. will take retaliatory action if the proposed tax on soybean oil is implemented. Let me make it clear to the EEC. The U.S. has a zero duty binding with the EEC on soybean imports. This was paid for by U.S. concessions some 15 years ago. We do not intend to see our treaty rights dissipated by this proposed tax. The EEC should not assume that there is weakness in our resolve during the last 30 days of the Ford Administration. Nor, do I believe that a Carter Administration will react differently.

My second recommendation to President-elect Carter is to appoint an agriculutral trade expert, with the rank of Ambassador, to the Office of the Special Trade Representative. Ambassador Yeutter has served with distinction in this post the last two years. Agriculture must continue to be represented at the General Agreement on Tariffs and Trade at the highest levels. The person designated for this post must be a tough negotiator, with plenty of patience, but dedicated to the advantages of the free market.

My third recommendation to President-elect Carter is to avoid involving the United States in commodity agreements with maximum and minimum price provisions, or other provisions aimed at what proponents of this approach call price and market stability. Our experience with such an approach is one of disruption of markets and long-term harm to both producers and consumers.

The last international grains agreement with maximum and minimum prices was an international economic disaster, especially to the U.S. wheat growers. It is regrettable that the then President Johnson, in signing on behalf of the United States, should state:

"The new arrangement thus will prove new price insurance to U.S. wheat farmers."

It proved to be low price insurance and losing market insurance. Other countries undersold us, and we were left "holding the bag" full of unexported wheat.

Australian Minister for Primary Industry, the Honorable J.D. Anthony, expressed the problems and probable actions perfectly when he frankly admitted that, as a result of the International Grains Agreement, his country had been able to take advantage of it and gain more than her traditional share of the world market.

It is a fact of economic life that interest in commodity agreements by producers is most appealing when prices are relatively low. To be effective in meeting this objective, a degree of monopoly power must be achieved through sufficient exporter and importer participation. To obtain importer participation is difficult, especially in years of large supplies which were the basic cause of the lower prices in the first place.

The prominence which has been given to commodity agreements as a solution to commodity problems is out of all proportion to what experience has taught us. This is because much of the literature on the subject and most of the policy recommendations of the United Nations and other international organizations are rooted in a world of theory, the development of which has responded all too slowly to conditions and developments in the real world.

I recognize the challenge that the developing countries have put to the industrial world. Fundamentally, what they are really calling for is a redistribution of wealth through increasing the prices of raw materials. Their means for effectuating this redistribution are either through unilateral producer cartel action or by agreement among producers and consumers to establish a range of prices. Our approach must be an expressed desire to cooperate with all nations, but at the same time, to stand up for what is economically sound. Our policy with regard to the significant issues relating to commodity policy should be a strong defense of the free enterprise system that has given us strength, and, at the same time, enabled us to help many of the developing countries.

The fourth recommendation to President-elect Carter is that if a grain reserve is established, it should be isolated from normal market forces. Many commodity reserve proposals have been advanced, but, in my view, none would effectively protect the producer. Most proposals would lead to government ownership. Unfortunately, if this occurred, the result would be disastrous to American producers. Past experience indicates that. In the 1960's, the Federal Government owned large amounts of wheat and corn. Prices were stuck at a low level with little hope of upward movement.. These huge government stocks were a burden not only to producers, but to taxpayers.

This past year I introduced legislation which could provide a reasonalbe approach on the matter of reserves. It would not be costly for either farmers or consumers. And it would be reassuring to our foreign customers.

The proposal would allow those countries who wish to buy grain from the United States to purchase in excess of their current needs during periods of optimum prices. This grain would be stored here until needed. No export embargo could ever be imposed. So the net effect would be to stimulate grain prices when at low levels, moderate prices at very high levels, and keep the Federal government out of the storage business.

This proposal was approved by the Senate Banking Committee and included as an amendment to a bill to extend the Export Administration Act. Because there were objections to the Bill itself, my Amendment failed to clear the full Senate. I hope this proposal will be approved in 1977.

## ROLE OF GOVERNMENT

What is the proper role of the government? Our economic policy must be based on a framework of free trade, without the government deciding how specific commodities should be priced or traded. In the main, the businessman, the farmer, the trader and the investor should be left to set the details of how a product should be traded and at what price.

This system works well. It has brought us economic prosperity which is unparalled in the history of the world, and all countries have shared.

In international forums, we hear voices telling us that we must alter the system. I have been shocked to hear spokesmen from developing countries say that the free market has victimized them through unfair prices. They say that this system must be altered through commodity agreements and other measures.

The United Nations Conference on Trade and Development has proposed an extensive integrated program in which the signatory governments would change the free market system of pricing for commodities through specific pricing mechanisms and stockpiles. Many developed countries support these proposals. I cannot agree, and I urge you to raise your voices every time these proposals appear.

## COMMITMENT OF THE UNITED STATES

The world demands much of the United States. Each day we are faced with new challenges. The current focus of the challenge is on the international economic system. We must preserve a strong and growing world economy. Therefore, it is essential that we remain committed to certain policies:

1. Basic to every aspect is that we place increased reliance on free markets, not markets controlled by governments or supranational organizations. No one claims perfection for the free market, but there is no better system.

2. Since our economy is the greatest and most dynamic, we bear a heavy responsibility toward others. We must not turn inward.

Sometimes I am amazed by the economic philosophy, or lack thereof, of some professed liberals. They see great good in an international agreement, raising the raw material cost of a product by agreement of governments. They fail to see that with such an agreement they impose a regressive tax, collected by a foreign government upon American consumers.

At the first Conference, one of the speakers astutely referred to international commodity agreements as "economic Edsals." I do not see these as viable vehicles for our future.