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United States-Canadian trade in farm products is important to both countries. The United States is the largest importer of Canadian farm products and Canada is the third largest importer of United States farm products.[1] But it should be noted that the value of farm products exported from the United States to Canada equals twice the value of farm products exported from Canada to the United States.[2]

The joint interest of the two countries would be much better served by world-wide liberalization of trade in farm products than by further reductions in trade barriers between the United States and Canada. This is a theme you have already heard twice and I think you will hear at least once more. The reasons which support the conclusion that the joint interests of Canada and the United States in worldwide trade matters are now much more important than bilateral interests in the trade field can be briefly stated. Most American farm exports to Canada, about 75% of total American exports to Canada, complement Canadian farm production.[3] Primary products that cannot be grown economically in Canada because of climatic factors, such as citrus and lettuce, are important exports. A wide variety of such products move from the United States to Canada in large numbers.

Sixty percent of Canadian agricultural exports to the United States consists of meat, live animals, grains, and feed, with the primary emphasis being on meat and live animals.[4] Both countries maintain severe, and I emphasize severe, quantitative controls over

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[1] U.S. DEP'T. OF AGRICULTURE, FOREIGN AGRICULTURAL TRADE OF THE U.S., July, 1972, at 36.

[2] *Id.* at 32.

[3] For a discussion of United States agricultural exports to Canada, see Sabattini, *Expanding Trade with Canada*, U.S. DEP'T OF AGRICULTURE, FOREIGN AGRICULTURAL TRADE OF THE U.S., April, 1973, at 33.

[4] For a discussion of Canadian agricultural exports to the United States, *see* Sabattini, *Farm Trade with Canada Up, Imports Growing Faster than Exports*, U.S. DEP'T OF AGRICULTURE, FOREIGN AGRICULTURAL TRADE OF THE U.S., Nov., 1973, at 36; Perkins, *United States Trade with Canada*, U.S. DEP'T. OF AGRICULTURE, FOREIGN AGRICULTURAL TRADE OF THE U.S., Nov., 1971, at 29.

the imports of wheat and dairy products, and in Canada importation of barley and oats is also controlled.[5] Removal of such restraints on bilateral trade between the United States and Canada would increase border trade. Some products would flow from Canada to the United States at certain geographic points. Some products would flow from the United States to Canada in a different geographic area, and there would probably be some saving of transport costs. This would be the primary benefit from removing restrictions on a bilateral basis. The impact on the locations of production in either country as a result of removing bilateral restrictions would be minimal. That is not to say that I think that these restrictions should not be removed. I think that they should be removed, but not because of the impact that removal would have on the bilateral trade relationship. The major benefit to Canada and the United States would be world-wide expansion of trade in farm products through general trade liberalization.

The realization of such trade liberalization would be facilitated if, first of all, the United States and Canada, and in addition Australia, New Zealand and Argentina, could reach agreement on objectives and goals of the forthcoming negotiations. I think that is going to be very difficult to achieve, perhaps for political more than economic reasons, but it is terribly important that these major exporters of agricultural products (the low-cost producers in the world) enter the negotiations with an understanding of each other's problems and with agreement on what they are really after. If they fight each other for individual advantages, as has occurred in the past, all are going to lose.

It will be difficult for this group of countries to reach common objectives and goals. Focusing upon only Canada and the United States for purposes of illustration, both countries must be willing to modify their domestic farm programs so that those programs are consistent with trade liberalization. In the Kennedy Rounds, Canada and the United States had much the same approach to agriculture. Each attacked the EEC continuously. The United States was never prepared to modify its own domestic programs. Orville Freeman ran around the country giving speeches claiming the United States would negotiate on anything,[6] but he was not in a position to

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[5] ECONOMIC RESEARCH SERVICE, U.S. DEP'T OF AGRICULTURE, CANADA, GROWTH POTENTIAL OF GRAIN AND LIVESTOCK SECTORS, FOREIGN AGRICULTURE ECONOMIC REPORT NO. 77, 64-70.

[6] *See* 27 VITAL SPEECHES 757 (1961) and 29 VITAL SPEECHES 211 (1963).

negotiate: nobody had done the homework necessary to conclude what could be done with the feed grain program, the wheat program, the cotton program, and the dairy program. If I had been negotiating for the EEC, I would have taken Freeman up on his statement that he could negotiate on anything and I would have said that free trade in agricultural production would be adopted. If each of the countries adopts the stance that it can only negotiate about the restraints on its exports and does little or nothing to eliminate quantitative barriers on imports and to reduce internal subsidies for products that are exported or would be imported in the absence of barriers, and if the United States continues to embrace the position it did in the Kennedy Rounds, then I think very little will be achieved in the coming round of trade negotiations.

Major changes are required in the farm programs of both the United States and Canada if general liberalization of trade around the world is to become a reality. I will consider the United States' programs first, since it is always better to confess one's own sins before criticizing another's. The United States has very restrictive trade practices with respect to dairy products. The United States has virtually prohibited the importation of butter for the past 20 years, yet it subsidizes the export of butter because of excess accumulations. The United States clearly needs to reduce its price to world market levels, but the Senate Agricultural Committee, in its wisdom, recently included a provision in a bill which would increase dairy subsidies rather than reduce them.[7] Quantitative restrictions on dairy products importation must be eliminated. The United States has a sugar program that is bad, although fortunately it is not one of the world's worst. I do not know why I say fortunately, because there is so much nonsensical control of sugar in the world that having controls not as bad as those of another nation does not necessarily make your controls very good. Throughout most of the 1960's American internal sugar prices were about double the world price. Fortunately, the United States is such a high-cost producer of sugar that it still imports almost half of its sugar despite such price relationships.[8] Someday I will write a paper on the importance of being unimportant and the paper could include discussions of three American farm programs, the peanut, rice, and

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[7] S. 3138, 93d Cong., 1st Sess. (1972) and S. 3357, 93d Cong., 1st Sess. (1972).

[8] ECONOMIC RESEARCH SERVICE, U.S. DEP'T OF AGRICULTURE, WORLD TRADE IN SELECTED AGRICULTURAL COMMODITIES, FOREIGN AGRICULTURE ECONOMIC REPORT NO. 44, FOREIGN AGRICULTURE ECONOMIC REPORT NO. 62 at 57-68, 104-165.

sugar programs. The programs are very poor, but they are continued because in total they do not cost very much. They are terribly important to a few people but generally are not costly enough to the rest of the public, the consumers and taxpayers, to generate any excitement.

In the area of cotton, the United States, after 30 years of effort, is in a fairly satisfactory situation. Although the government continues to make payments that amount to about two-thirds of the market value of cotton, restrictions on the production of cotton no longer exist (even though the program was originally a production limitation program). All one has to do to collect these payments is grow cotton; how much a farmer grows is up to him. The United States also maintains a nonsensical quantitative restriction on the importation of cotton, in that its internal prices are the same as export prices. Export subsidies no longer exist but the United States cannot be convinced to lift the import quota. The United States needs to forego the use of export subsidies, a practice which has continued much too long. Perhaps the 1972 trading transaction with the Soviets made export subsidies so unpopular that it might be difficult to re-enact them. There is no rational economic ground for the wheat export subsidies which have existed in the United States since 1965. On one or two occasions the domestic price rose to the support level, but during most of this period the American market price of wheat has been above the price support level. Yet, two administrations have continued to use export subsidies without reasons for doing so other than the notion that "we've been doing it for 20 years so why shouldn't we continue"?

In the area of feed grains the United States is probably the world's lowest cost producer. Yet, the United States administers a farm program that transfers a significant amount of income from the treasury to grain farmers, who are not, by and large, poor people. They may have been 15 or 20 years ago, but that certainly is not the case today. Again, the United States is continuing a program which has no real economic base. The United States has also established beef import quotas. They have now been suspended; but, in light of the rapid increase in beef prices, the suspension does not indicate any great economic insight. Beef import quotas were actually passed by Congress while the Kennedy Round negotiations were taking place; at the same time America was trying to induce other nations to reduce their trade barriers.

The Canadian dairy situation is nearly identical to that of the

United States. Canada has made importation of dairy products difficult, if not impossible. Price supports are at roughly the same high level as in the United States. The Canadian sugar situation is also similar to the American situation, but Canada does not exploit the consumers the way the United States does. Canada exploits its taxpayers. Generally, I am probably in favor of exploiting taxpayers rather than consumers, since, on the average, taxpayers are a little better off than the average consumer of food. The Canadian sugar program has operated by paying a high price to domestic producers and permitting the internal price to rise slightly above the world level. In the case of wheat, Canada has for some 20 years transferred a significant amount of benefits to the Prairie Provinces[9] and I am sure Canada is going to argue for maintenance of the same program in the coming round of trade negotiations. It will be argued that Canadian production has not increased to the same extent it has through the EEC. A wartime measure to reduce the cost of transporting feed grains from the Prairie Provinces to the East and to the West has been maintained. As many programs in the United States will evidence, so-called emergency measures develop a life of their own and it becomes virtually impossible to get rid of them. Most of the United States farm programs originated as emergency programs during the 1930's.

These I think are the main programs the two countries should be willing to discuss and subject to significant modifications. In fact, I hope the European Community and other countries push very hard in this direction, and I assume they will.

There is a tendency in the United States to say the European Community really is not interested in our sugar program, so why should we do anything about modifying it as a part of trade liberalization. It is true the common market sugar program is as bad as the American program, but I do not think that this is the attitude that America can or should take if it is really interested in the trade negotiations for farm products. The United States and Canada do have a very substantial advantage in the production of grain and I think in the long run both will have an advantage in the production of beef. It is likely that by the end of this decade North America will become an important exporter of high-grade beef if there is a significant liberalization of trade. North America will continue to be an important importer of low-grade beef, but with respect to high-

[9] CANADA, GROWTH POTENTIAL OF GRAIN AND LIVESTOCK SECTORS, *supra* note 5, at 64-70.

grade beef I think it will become an important exporter. I think this is fortunate for the American continent if it is willing to grasp the opportunity and transform many high-cost dairy producers into relatively low-cost beef producers. But if the United States and Canada continue to maintain high dairy prices, both increase the danger of permitting sectors of the agricultural economy employing a small minority of the total resources to endanger the trade negotiations that I hope will get under way this summer or early fall.