GRAIN EXPORT SUBSIDIES: TIGHTENING A NOOSE AROUND THE AMERICAN FARMER

An amendment by Senate Majority Leader Robert Dole, the Kansas Republican, attached to a bill funding the Export-Import Bank, would require the Reagan Administration to promote exports of America's huge grain surplus with special export subsidies to overseas buyers. A major beneficiary of this would be the Soviet Union, for current U.S. law explicitly bars Moscow from benefiting from U.S. taxpayer subsidies. The Reagan Administration is split over whether to support the Dole scheme. On the one hand, it could be a quick, though costly, political fix for the U.S. grain surplus problem. On the other hand, subsidized grain sales, especially to the Soviet Union, would violate almost everything Ronald Reagan ever has said about farm policy, trade policy, and foreign policy. If the Administration wants to remain true to its sound policies and principles, if it does not want to tighten a noose around the American farmer, then it should reject the Dole proposal.

The Dole plan seeks primarily to help American farmers who have seen their exports drop in recent years. Under this program foreign customers purchasing grain from American farmers would receive extra free grain from U.S. government stocks, purchased in the past with U.S. taxpayers' money to keep the price of U.S. grain high. Such a subsidy to overseas purchasers, however, perpetuates the farm crisis. Last year's farm bill already earmarks $50 billion over the next three years to support the price of U.S. agricultural products by purchasing excess production at over market prices and by direct subsidies. This means that inefficient farmers will continue to produce and huge surpluses will continue to be amassed. These surpluses will depress further the actual free market price for such products. Farmers already find it difficult to sell their products overseas because the U.S. government price floor is far above the world price. U.S. farmers therefore demand subsidies to enable foreigners to afford the overpriced U.S. goods.

This vicious cycle of price supports and subsidies costs U.S. taxpayers billions of dollars, keeps food prices high for American consumers, harming especially the poor, and prices U.S. farm exports out of the international market.

The proposed agricultural export subsidies, moreover, will undermine Administration attempts to deal with other nations' unfair trade practices. Agriculture trade currently is exempt from most international fair trade standards. Government price supports and export subsidies are among the worst market-distorting trade practices. Competitive countries such as the U.S. suffer from the farm policies of the less efficient West Europeans. The Reagan Administration hopes to deal with this forcefully in the upcoming round of General Agreement on Tariffs and Trade (GATT) liberalization talks. But if the U.S. becomes a principal offender, it will be difficult to convince others to give up such practices. The subsidies now being considered, meanwhile, will harm other competitive exporters of agricultural goods, such as Australia, Canada, and Argentina. Aside from the real danger of retaliatory export subsidies from these nations, the U.S. would alienate its natural allies on agricultural trade reform in the new GATT round.

In terms of foreign policy, the subsidy plan violates fundamental Reagan principles. U.S. taxpayers' money would be used to bail out failed communist agricultural policies, freeing Soviet funds for weaponry, its forces in Afghanistan, or its KGB spy network. It is one thing for American farmers to sell grain to the Russians for hard currency at market prices. It is quite another to give the Soviets U.S. government handouts. For good reason, the Reagan Administration on security grounds has opposed subsidized credits to Moscow or the sale of gas pipeline equipment to the Soviets. The same reasons disqualify grain subsidies to Moscow. In fact, a ban on Western subsidies going to the USSR was endorsed at the May 1983 Williamsburg Summit of the seven leading free world economic powers and in a NATO Ministerial Communique in June 1983. In short, subsidizing grain sales to the Soviets undermines years of Administration efforts to cut off all subsidized credits to the USSR.

Many American farmers face economic crisis. The primary cause of this has been past and present government agricultural policies. Congress and the Reagan Administration should address this and work together to wean farmers from government supports. They should ease the transition back to a free market for farm products. Unfair foreign trade practices against American agricultural goods should be opposed. But export subsidies are no answer. They only would perpetuate the farm crisis and make it difficult to achieve trade reform. And subsidies to the Soviet Union would undermine U.S. security.

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