TRADE

U.S. mounts trade drive to export recession banking

The major trade news of the week—French-Soviet trade, peace, and technological cooperation agreements that emerged from Giscard d'Estaing's visit to Moscow—has been largely blacked out of the Anglo-American press. Instead, trade coverage has been promoting global "recession," notably through circulating:

- a bogus U.S. "export drive" being pushed by the Administration;
- the necessity for "decoupling" the underdeveloped sector from the advanced sector;
- intensified pressure against Japan.

The first of these operations, the touted U.S. "export drive," is most forthrightly described by an editorial in the May 1 London *Financial Times*. "Externally, the U.S. improved balance of payments can have a very deflationary effect, coming together with the much bigger OPEC surplus now expected." Other countries will have to "adjust their policies to this" (i.e. run big deficits in West Germany and Japan), or else "it will be the final irony if the U.S., having exported inflation for four years, *now exports its potential recession* (emphasis added).

The other side of the "export drive" hoax are the attempts by the U.S. Administration to establish a new Trade Department and push U.S. business into the China market in lieu of industrializing the underdeveloped sector, as desired by the best elements in Europe, Japan, and the USSR. The Administration has run up against its own credibility gap, however. As noted April 23 by Representative Charles Vanik, chairman of the Trade Subcommittee of the House Ways and Means Committee, too many Congressmen have been disillusioned by the new Energy Department to want to see a similar venture in the trade field.

AGRICULTURE

Agriculture research cuts will fuel inflation

Carter Administration action to gut the 1980 agricultural research program budget by 10 percent is not just bad farm policy—it's an object lesson in bad economics. The budget-cutters may pat themselves on the back today. But it is in the nature of the way basic research determines economic growth rates that the damage will not show up until tomorrow. But, show up it will, in a drop in productivity, disruption of food supplies, and soaring food costs.

Work on the 1980 budget is in the final stages. President Carter called in January for a $530 million agricultural research budget, a drop from 1979's $566 million. Adjusting for inflation and for certain nonresearch costs such as miscellaneous construction outlays included in the 1979 budget, the Carter recommendation represented a 2 percent decline in dollar value in the total agricultural research package for next year. Given a 7.5 percent increase in 1980 government allocations for *all* research, the President has in effect prescribed a net real reduction of 10 percent in agricultural research funds. The Senate Agriculture Committee has recommended that the 1980 budget be held at last year's $566 million, and the matter is presently under consideration by the Senate Appropriations Committee.

But, as Senate Agriculture Committee staffers and others emphasize, the internal features of the President's recommendations are as dangerous as the austerity approach to the overall funding level. Within the budget itself, funding is being redirected away from basic scientific research and applications, that is, away from making the discoveries and creating and developing the new technologies to enhance the productivity and efficiency of the American farm-food industry. Instead the budget emphasizes the type of sociological and behavioral studies of the farm population and its "quality of life"

The China market aspect of the Administration's export drive is being pushed personally by Treasury Secretary Werner Blumenthal and Commerce Secretary Juanita Krebs. At an April 30 appearance before a gathering of Knight-Ridder reporters, Blumenthal announced that Mrs. Krebs may initial a U.S.-China agreement during her trip to Peking the following week. At the same time, Blumenthal indicated that a U.S.-Soviet trade pact is still subject to the Administration's "human rights" program.

Krebs further declared May 2 that the Administration is opposed to even the eight-month statutory deadline on export licensing decisions approved by the House Foreign Affairs Subcommittee the same day, whereby export licenses not approved within the deadline would go to Congress for oversight. Krebs threatened that if such measures become law, the Administration will simply reject the license applicatons instead of sitting on them as at present.

As for the China-trade component, the announcement at the beginning of May that Peking is "reassessing" its modernization policies and at best will not cancel foreign contracts already in the works must daunt sober businessmen, if not Mrs. Krebs. Columnist H. Peter Dryer, an associate of the European Commission officials in Brussels who are trying to induce Europe and the U.S. to give up on Third World trade and investment, tried to put the best face on the matter in a story filed from Peking in the May 3 issue of the New York *Journal of Commerce*. Admitting what was revealed a month ago in this publication, Dryer wrote: "China may now be unwilling, and indeed probably unable, to embark on all those grandiose investment schemes to the tune of many hundreds of billions of dollars.... The buildup of heavy industries is no longer quite so much to the fore. The Chinese reportedly are heeding warnings against the creation of 'industrial ruins' such as have developed here and in the Soviet Union, for instance (it is not clear whether 'here' means China or the U.S.—ed.). Instead there is more talk now about the faster the creation of so-called light industries turning out metal products, cameras, electronic consumer goods and so forth." What is left merely implicit in this appraisal is that China's "switch into light industry," which is to involve the lay-off of 20 million industrial workers and their transfer to what the *New York Times* termed May 3 "more sophisticated" jobs, is aimed at busting the manufactured exports of underdeveloped countries in Asia and elsewhere, whose industrial production Japan in particular has moved to promote while Japan increasingly concentrates on super-high technology.

—*Richard Schulman*

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that are the special obsession of environmentalists and antitechnology "consumerists" generally.

This trend was established firmly with the Ralph Nader "Agribusiness Accountability Project" assault on the Land Grant Colleges (a political assault otherwise manifest in United Farmworkers leader Cesar Chavez's recent efforts to shut down the development of technologies that would free human beings of stoop labor in agricultural harvesting). The reorientation is being reinforced by a Carter Administration push for an increased role for "competitive grant" funding of whole portions of the agricultural research monies.

Rather than channeling federal research monies into the Land Grant college system of interconnected educational and research and extension facilities that were created for that purpose in the first place and have, in fact, carried on the bulk of agricultural research in the U.S., the Carter Administration has relied increasingly on farming out research work on a competitive "free market" basis.

Predictably, the faddish Ivy League and other private research institutions have jumped into the running. Unlike the Land Grant colleges, whose administration apparatus to manage such work has been in place for years and is estimated to amount typically to about 3 percent of project cost, the private institutions eat up the bulk of the grant monies in administrative costs, to the tune of 14 percent or more of total project cost.

One of the most striking illustrations of the wretched economics involved in the Carter Administration's orientation is found in considering the fate of just one of the research areas—postharvest technology, focused on the optimal utilization of crops and involving research and development in such areas as processing, storage, distribution and marketing. Under Carter direction, postharvest technology research is slated for a $12 million budget cut to $75.3 million for 1980.

It is not a little ironic that the outspokenly proconsumer and anti-inflation Carter Administration should mandate such cutbacks. Numerous studies, including one done by this magazine (see *Executive Intelligence Review* July 11-17, 1978), have demonstrated that it is precisely postharvest technology research that is urgently required to bring the marketing end of the food chain out of the 19th century trap of high-cost, labor intensive inefficiency and waste and into coherence with the highly productive, highly efficient capital intensive production of farm commodities proper that is the core of American agriculture. It is the marketing bill which absorbs 60-70 percent of the consumer food dollar, and whose steady expansion presses both farmers' incomes and urban-dwellers' pocketbooks.

—*Susan Cohen*