POLITICAL ECONOMY OF AUSTRALIA’S AGRICULTURAL TRADE WITH THE UNITED STATES

Introduction

The political economy of agricultural trade is only now becoming a focus of study for political scientists. Previously considered chiefly if not solely by economists, they tended to ignore some of the important (notably political) determinants of trade relations, be they multilateral or bilateral. Australia’s agricultural trading relationship with the United States, like its general trading relationship, has suffered from the same level of neglect and is long overdue for serious consideration by political scientists as well as economists.

The study focuses upon the bilateral relationship, or rather three bilateral relationships in the three agricultural sectors of wheat, sugar and beef. This study is important not only because these rural exports are significant to Australia’s balance of payments, but because of what they tell us about the U.S. instruments of protection and the U.S. policy-making system generally. Of these three bilateral relationships, two involve a direct import/export relationship while in the third, wheat, Australia and the U.S. are direct export competitors on the world market. U.S. agricultural policies and support programs in each of these sectors have had an impact upon Australian trade outcomes. In the case of sugar and beef this has been direct and immediate as the policies have acted to limit Australian exports to the U.S., while the U.S. wheat support policies have affected Australia’s export competitiveness in third country markets. In all cases, Australia has experienced the indirect effect of these U.S. agricultural policies on world market prices.

Australia’s agricultural trade with the United States has in the past decade, as always, been subject to the problems of U.S. protectionism: import politics as well as export market access on the world market. This in itself does not state anything that has not already been acknowledged by both parties. However, the extent to which a weaker state such as Australia is able to influence U.S. agricultural policy-making and bargain for an
improvement in sectoral, if not general, trade outcomes, requires serious analysis to take us beyond either the naive optimism or defeatist pessimism which has marked so much of the comment in this field.

The agricultural trading relationship between the two countries (as exemplified by these three sectors) of the past decade must be considered against the background of what has been happening in the world market for these agricultural commodities. The world market has become even more corrupted by attempts by countries or trading groups (such as the European Community (EC)) to resist and delay adjustments that are required for them to remain competitive. This agricultural protectionism has taken many forms and the U.S. has not been reticent in devising domestic support structures to protect particular agricultural sectors.

The 1970s saw a boom in agricultural trade and major producers and traders such as the U.S. responded by providing increased price supports. When the boom collapsed in the early 1980s and production was found to have far outstripped demand, stocks began to pile up and the support costs faced by certain countries soared. To help alleviate this problem, such countries intensified the battle for world market share through the provision of export subsidies. To prevent a flow-on of the fluctuations from increasingly volatile markets, countries also imposed quantitative restrictions and other non-tariff barriers to imports into their own market. Such efforts at adjustment-avoidance by the major players in agricultural trade have produced nothing short of a crisis in the world market for a number of commodities upon which Australia has relied for a healthy balance of payments. Agriculture has been ignored in successive trade liberalization Rounds of the General Agreement for Tariffs and Trade (GATT) and has only received serious consideration in the latest Uruguay Round of talks. This Round remains, after nearly seven years, stalled on the very matter of agricultural reform. The Blair House Accord of November 1992 may still succeed in breaking the deadlock but at the time of writing it is some doubt whether it really constituted a breakthrough.

The agricultural trading relationship between Australia and the U.S., while a part of this international crisis cannot, however, be understood simply in terms of what has happened on the global markets. In seeking to discover what has caused particular
trading outcomes, it is necessary to examine the trade policy-making structure and processes within each state. Trade policy is as much industry policy as it is foreign policy. As eloquently stated by two former influential Washington insiders, "nothing is more domestic than international trade policy." [Schultz and Dam, 1977, 133] It is thus principally to the domestic determinants (be they political or economic) of policy that one must turn in the search for causation.

This paper is divided into four sections. The first will consider U.S. agricultural policies in each of the wheat, sugar and beef sectors, the instruments of protection that they have provided, and their impact upon Australia's trading outcomes. The second section will examine the U.S. agricultural policy-making system and the difficulties this system has presented for Australia as either an exporter to the U.S. or an export competitor on the world market. The third will consider the Australian agricultural policy-making system, briefly considering Australia's policies in each of the sectors and, at greater length, discussing the roles of both state and societal actors in the making of Australian agricultural trade policy. The final section will seek to link the previous parts of this paper in a discussion of the approaches Australia has made, either bilaterally or multilaterally, to improve sectoral outcomes in its trade with the U.S.

U.S. Agricultural Trade Policies

U.S. policies in the three sectors of this study have represented various forms of state intervention in their respective agricultural commodity markets. While similar to previous U.S. policies, such as those of the 1930s, the domestic and international environments of the 1980s and early 1990s have produced problems of a magnitude not experienced hitherto.

The intent of the policies has been to isolate the U.S. producer from the world market signals and thereby separate the international and domestic markets. In each sector, the policies have performed this role by providing income support to farmers through a form of market price support. This has been the case whether the policy had been export-assisting (as with wheat) or import restricting (as with sugar and beef).
Where price support has been provided for wheat growers through a program of loan rates, target prices and deficiency payments, the sugar program has kept such provisions inactive through the use of an import quota. The beef program, like that of sugar, has made use of an import quota (calculated by reference to a formula) in order to restrict imports to the U.S. and thereby provide artificial price stability for U.S. producers. Foreign exporters of beef to the U.S. have also been induced by the program to enter into 'voluntary' export restraint agreements in order to maximise their returns from their quota entitlements.

U.S. wheat policies have also sought to indirectly provide income support to wheat growers through export assistance measures to enhance global market share. The Export Enhancement Program (EEP) has performed this role and has had both direct (by targeting Australian markets) and indirect (by placing downward pressure on the world market price) effects upon Australia as an export competitor.

Wheat

Australia and the United States are among the big five exporters of wheat on the world market. However, as Table B shows, each country has produced and exported markedly different quantities of wheat. Thus, the impact of each directly upon the global wheat trade and indirectly upon future global production has also been quite different. The policies of the U.S., by far the stronger player in the global wheat market, have had a greater impact upon Australia than has been the reverse.

Loan Rate and Target Prices

The current US wheat support program establishes a market price floor by means of a loan rate. This loan rate is the price paid to farmers who placed wheat in storage near harvest time. These were called nonrecourse loans due to the fact that farmers could either repay the loan and sell the commodity on the market, or turn the commodity over to the Commodity Credit Corporation (CCC) in payment for the loan plus interest. The years 1976-1977 saw an increase in the loan rates with the belief that the decline in real prices was not likely to persist beyond the mid to late 1970s. The 1981 Agriculture and
Food Security Act was also enacted on the premise that there would be a long-term increase in commodity prices.

In the early 1970s, another step in achieving the separation of price from the income support received by wheatgrowers was made with the provision of target prices which did not necessarily reflect world market prices. This separation was secured through the provision of 'deficiency payments' to farmers. These payments were to be used to supplement what farmers received from the sale of their wheat on the market. In general terms, these payments were sufficient to guarantee U.S. producers the target price (the payments were based on U.S. average prices rather than the actual price received by each producer). The 1977 Food and Agriculture Act made what was to be a serious error when it based deficiency payments on the levels of current production rather than on allotments (target price levels were already above market prices for wheat).

**Production Control**

The late 1970s saw a fresh attempt at controlling production through acreage control. The acreage set-aside, as it became known, aimed to provide market prices with a greater role in initial planting decisions. These set-asides required that farmers idled a fraction of their land (usually 10-20 percent) in order to qualify for both deficiency payments and CCC loans.

Another attempt at price stabilization through supply control was introduced in the form of the Farmer-Owned-Reserve (FOR) by the Carter Administration in 1977. This program, which involved subsidy payments by the government for storage of grains by farmers, encouraged stockholding under government control but farmer ownership. The government set a minimum price (based on the CCC loan rate) which the farmer received as a loan for the stored wheat. This loan was for three years within which time the farmer had to agree not to redeem the grain until the market price had reached a release level established by the government.

While designed to provide greater stability for the U.S. producer, the floor price in the FOR became, as one senior agricultural researcher has stated, a means by which U.S.
producers were able to receive a price higher than those guaranteed by the loan rate. [Gardner, 1990, 37] Effectively acting as a buffer stock, the FOR, along with the loan rate, helped to place a floor under the world market price thus protecting U.S. wheat growers. In so doing, the FOR helped to support U.S. prices for wheat at a time when they were falling below target prices.

The FOR, while successful as a direct attempt to cope with the volatility of U.S. domestic farm prices and incomes, gave the wrong signals to producers when the world market deteriorated in the early 1980s. This program, in seeking to provide stability in prices and supplies, gave undue confidence to US growers in terms of both the outlook for the world wheat market and investment in grain growing.[Roberts et. al., 1989, 24]

This flexible program of support was developed in the 1970s, a period of increased growth in commodities production in response to increased world demand. For example, total U.S. farm production rose by 32 percent during this period with the value of agricultural exports rising from less than US$7 billion in 1970 to US$20 billion in 1980. As well, the U.S. net trade balance in agriculture over the same period went from under US$2 billion to over US$15 billion.[Franklin, 1988, 34] The program was able to deal with great demand variability but was not equipped to handle the contractionary global demand which was to appear by the early 1980s.

The 1980s proved to be quite different for all U.S. agricultural commodities. It was initially believed that world market demand would sustain the increased production capacity which had been generally encouraged by both the global economic conditions of the previous period as well as by the support programs which had been established. Even the 1981 Agriculture and Food Act which could have provided better signals was framed in the expectation of continuing high inflation and high market prices. This Act mandated what proved to be high and inflexible target prices and loan rates and these applied for the entire four years of the Act's life. This had the effect of unilaterally firming up world prices and providing an incentive for foreign producers (be they efficient or otherwise) to expand their exports.
In the early 1980s, the U.S. faced a worldwide recession together with higher production by countries which had once been heavy importers of U.S. produce. Other macroeconomic conditions which faced the U.S. were the strengthened U.S. dollar relative to other countries and fiercer foreign competition. The result was that many highly-leveraged farmers found themselves trapped by declining land values, heavy debt payments and low commodity prices. The high loan rates had made market prices artificially high due to U.S. producers having been encouraged to forfeit crops to the government rather than take lower market prices. The attempts at supply control, such as area diversion and set-aside, had overall a limited effect in holding down production.48

With world demand having fallen in the early 1980s, the internal U.S. support prices had continued to rise. U.S. stocks increased further and the increasing gap between world prices and internal prices widened making large deficiency payments necessary. More importantly, this made U.S. wheat exports uncompetitive for the very fact that U.S. domestic production in being cut to prop up the world price meant that it was providing less competition for foreign producers.[Paarlberg, 1988, 32]

Wheat policy was debated throughout the early 1980s as the U.S. administration sought to correct the effect of the 1981 legislation based as it was on false assumptions as to demand and supply. In 1983 a Payment-in-Kind (PIK) program was introduced. The PIK prescribed that in return for reducing acreage, farmers would be paid in kind a high percentage of their normal yields49. While this program did have a significant impact upon crop production, it was unable to eliminate excess productive capacity.

The policies which had been implemented in the early 1980s had had a mixed effect by both encouraging and discouraging the production of wheat in the US. The 1985 Food and Security Act, which introduced a more market-oriented perspective, corrected the mistakes of the previous legislation by seeking through its new policy mix, to emphasise the subsidization of exports rather than the control of production. While including the same basic tools as the 1981 Act such as nonrecourse loans, deficiency payments and voluntary production controls, the changes brought about by this Act were to have a profound effect upon Australia and other wheat exporters. The most important change
was the lowering of the loan rates and a closer linking of these with world prices. [Love et. al., 1986, 143] Target prices for 1986 and 1987 were frozen and then gradually lowered so as to protect farmers while export markets were won back through the use of ‘marketing loans’.

**Export Enhancement Program**

The 1985 Act introduced a new provision called the Export Enhancement Program (EEP). This provision required that at least US$1000 million worth of government-owned subsidies were to be used to improve US competitiveness and to counter the ‘unfair’ trading practices of other countries.

Directed primarily at the EC, EEP prescribed that an additional US$110 million (in cash or commodities) was to be expended each year from 1986 to 1988 and then US$325 million per year in 1989 and 1990 to help counter the use of subsidies and other unfair trading practices. The EEP has operated as a direct export subsidy program and apart from sheltering U.S. growers from falling world wheat prices, has effectively contributed to the decline in world prices by pushing additional wheat on to the world market at less than realistic prices. With the slow-down in import growth on the world wheat market, this policy (together with that of the EC) has brought a disproportionately higher burden of adjustment upon countries such as Australia, whose growers are exposed to the volatile world market (see Table C for Australia’s export wheat prices). [Miller, 1987, 24]

As a reaction to previous U.S. policies and economic conditions, EEP has been specifically aimed at simultaneously clawing back market share and reducing stock accumulation. EEP has acted as an ‘in kind’ subsidy program with the CCC making cheap foreign sales possible by free ‘bonus bushels’ being given to U.S. exporters out of surplus stocks.51

The effect of the program on the non-targeted markets has depended upon both the extent to which supplies of the specific commodity to the market as a whole have been increased as a result of the stock release and upon the price discrimination effect. [Roberts et al., 1989, 213-214] While the stock release has, ipso facto, lowered
market prices, that effect has itself been reduced by the price discrimination between EEP and non-EEP markets. How important this discrimination has been has depended upon how effective the separation was between EEP and non-EEP markets. 1987 and 1988 saw large EEP sales of wheat by the U.S. and using 1987 as an example one can see from Chart A that the average Australian export value declined generally in line with the fall in average U.S. export value. In other words, the price discrimination effect of the EEP has had a profound impact upon the value of Australia’s wheat exports.

U.S. competition for those markets in which Australia has had a traditional and sizeable (and relatively non-subsidized) market share has become intense over the late 1980s and early 1990s. A good example of this competition occurred in 1988 when the U.S. took Australia’s wheat market in North Yemen. The U.S. saw that its US$145 a tonne might not compete successfully with Australia’s US$156 offer and rushed in with a US$18 a tonne EEP subsidy dropping its price to US$127.[Cribb, 1988, 1,2]

The 1990 Farm Act: More of the Same

The 1990 Food, Agriculture, Conservation and Trade Act of 1990 (the Farm Act) continued, with some adjustments, the agriculture support programs instituted in the 1985 Act. It sought to provide greater planting flexibility for U.S. farmers and to assist their adjustment to increased reliance on the market and less on government payments. However, there was little of comfort for Australian growers as the Act continued the EEP program. As the then U.S. Agriculture Secretary Yeutter stated, the Act sought to fundamentally continue the market-oriented approach of the 1985 Act through aggressive export assistance programs.[Clayton Yeutter, 1990]

The Clinton Administration has continued the previous administration’s policy line on the EEP. This has been revealed in a recent dispute between Australia and the U.S. over expanded EEP sales where U.S. Agriculture Secretary Mike Espy stated that the "U.S. reserves the right to be more aggressive on export programs and in securing an expanded market base."[Stutchbury, 1993c, 6] This was reflected in the recent decision to use EEP to subsidise the sale of 32 million tonnes of wheat to 30 countries in the 1993-94 year.
Australia is not only concerned at the immediate loss of sales from the U.S.'s subsidized competition, but also at the encouragement which such subsidization has given to other wheat producers, especially the EC and Canada\textsuperscript{34}, to increase their own support. There are also long-term effects of this U.S. subsidization which have concerned both Australian growers and policy-makers. One such effect was the 'loss of presence' of Australia in those established markets lost to US exports and the difficulty and expense involved in reestablishing a place in those markets.

Another long-term effect has been the move of Australian farmers out of wheat growing into other commodities or into other occupations because of the depressed prices or loss of markets which have been experienced over recent years. Reduced plantings by Australian farmers have often followed on from lower world wheat prices as they have sought to adjust to changed world market conditions. According to the Australian Wheat Board, the fact that Australian wheat production, 13.4 million tonnes in 1990-91, was below the 10-year average of 14.1 million tonnes was because Australian growers had reacted not only to low world wheat prices but also to what seemed a difficult outlook for the forthcoming season.[Australian Wheat Board, 1991, 10]

**Sugar**

The U.S. sugar program has been, politically, the most contentious program considered in this study. Sugar has, for some time, been a politically sensitive U.S. import access issue with U.S. sugar policy (and its instruments of protection) having been the direct result of the efforts of domestic U.S. producer groups to seek to insulate themselves from what has been the most volatile of world commodity markets.

While only a small proportion of the world's sugar has actually been freely traded on that market (the great bulk of sugar being either consumed domestically or subject to special trade arrangements or bilateral agreements), two important facts serve to enhance Australia's vulnerability as an exporter of sugar to the United States. The proportion of sugar the U.S. has imported from Australia may have been considered insignificant by the U.S. but has certainly not been considered so by either the Australian government or sugar industry. Secondly, Australia has exported something like 80 percent of its
production and has been the trader most exposed to the world market price. For example, as Tables D and E show, in 1990 Australia exported about 2.7 million tonnes of raw sugar out of a total production of 3.3 million tonnes. While in 1990 only about 6 percent of Australia’s sugar exports went to the U.S., it has been liable to be affected by any diminution of the U.S. import quota because of its effect on both access to the U.S. domestic market and upon world prices. While the U.S. import market amounts to only 5 percent of total world sugar production, its significance lies in the fact that it is largest ‘free’ market for the trading of sugar.

While the present U.S. sugar program and its mechanisms of protection date from 1981, its genesis is to be found in legislative developments going back to 1934. To date, 1974, 1975 and 1976 have been the only years where support for producer groups was suspended because of high world prices. Support was reintroduced in 1977 in response to falling world prices, providing loan rates and a non-restrictive global quota which remained in this form until 1982.

**Sugar Support Programs of the 1980s**

In the Agriculture and Food Act of 1981, the import tariff was increased and the import fee was allowed to vary so as to support domestic production. The current program, as provided for in this piece of legislation was a price-support-loan program, a defined minimum support price for raw sugar cane, and a market stabilization price (MSP).

The year 1982 also saw the introduction by U.S. President Reagan of an emergency quota program to limit imports. This sought to prevent the substitution of cheaper imported sugar to replace the domestic product which would then have to be sold to the government at the higher price.[Hoff and Lawrence, 1985, 26] The Agriculture Secretary was given authority to determine minimum quota levels and quota periods. Provision was also made to keep the program at minimum cost to the government with a requirement that it be self-supporting and not require federal budget expenditure.

The 1985 Food and Security Act extended the mandatory support provided in the 1981 legislation through to 1990. Congress specified that the loan rate not fall below 18 cents
per pound of sugar. These nonrecourse loans, which have operated in like fashion to those for wheat growers, have remained the principal device for the operation of the program and default has been prevented by keeping the domestic market price at least as high as the MSP. This MSP as provided in the 1985 Act consisted of the loan rate (18 cents per pound), the cost of shipping from Hawaii to the mainland United States (US$2.97 cents per pound), interest costs (US 0.63 cents per pound) and a "marketing incentive" of US 0.2 cents per pound. The total MSP has been a fairly stable figure and for the 1988/89 crops has been calculated at US$21.8 cents per pound.

The MSP, which has been periodically set by the US Department of Agriculture (USDA), existed to provide stability for producers against the volatility of the world market and the much lower world prices which have been more the norm than the exception. Unofficially, the MSP has represented the price at or above which producers have been more likely to sell in the market place rather than forfeit their sugar to the CCC. [USDA, 1989, 10] For most of the 1980s, the U.S. market price (the MSP) averaged in excess of 21 cents per pound compared to a world price average of about 7 cents per pound. [Womach, 1989, 2] The difference between the US domestic price and the world price over the past three decades is shown in Chart B.

**Sugar Import Quota**

The centrepiece of the program has been an import quota which has been adjusted, by reference to domestic supply and demand, in order to maintain a high price for sugar. As shown in Chart C, the loan rate mechanism operated in such a way as to stimulate domestic production. The import quota has been instrumental in limiting the supply of sugar coming on to the U.S. domestic market, effectively preventing the sugar program from becoming a cost to the U.S. budget.

The import quota has only been available to 39 exporters who have shipped sugar to the U.S. over some period of time.56 Australia has been the only developed country among these exporters.57 While these countries have enjoyed high quota rents during the period of the program, the total ‘pie’ of the quota has been diminishing, thus shrinking available rents.58 Where in 1982-83, the total rents stood at US$650 million, by 1987-
88, they were estimated at being only US$184 million. [Mehra, 1989, 7] Where in 1976-77, the U.S. was the largest sugar importer, (importing 5.5 million tonnes of sugar, 20 per cent of world imports) sugar imports have been slashed by 80 per cent over the period of the 1980s and had fallen to 1.2 million tonnes or 4.3 per cent of world imports by 1985-86.[Wong et. al., 1989, 51] By the end of the decade, the quota had been further reduced and was set at less than 1 million tonnes.

Australia has maintained approximately an 8 per cent share of the quota over the period of the 1980s and early 1990s. Unlike other commodity issue areas, Congress has had no problem in using the sugar quota as a political tool which has meant that a quota-share reallocation in support of foreign policy goals has remained a real possibility. [Womach, 1989, 3] With Australia holding a relatively sizeable share of the overall quota and being the only developed country exporter, it has constantly faced the possibility that it would lose its quota entitlement, possibly in a reallocation favouring Caribbean exporters.

The U.S. sugar program has effectively provided protection for other U.S. sweetener producers, notably those who produce high fructose corn syrup (HFCS). The cost of production for these producers is less than that for sugar and they have been able to undercut the sugar price and thus rapidly expand their market share over the 1980s. Sugar’s share of the total U.S. sweetener market fell from 79 per cent in 1970 to 41 per cent by 1988.[Wong et. al., 1989, 51] In terms of sheer volume consumed in the U.S., where sugar has declined by over 25 per cent over the period of the 1980s, HFCS has increased over seven fold.[CSR, 1987, 63] The import quota holders are the principal victims of this effect of the sugar program’s operation. The pressure placed on the U.S. sugar industry by the successful development and marketing of the alternative sweeteners has been translated across into a diminution of the total import quota share.

**Beef**

The U.S. has been both the largest producer and importer of beef and in 1990, produced 10,465,000 tonnes of beef while also importing 355,200 tonnes. Imports thus accounted for only a very small percentage of the total amount of beef consumed in the U.S.
Australia has been the most important exporter of beef into the U.S. and its share of imports accounted, on average, for about half of the total imports over the 1980s. As shown in Table G, this share amounted to 60 percent of total imports in 1990. Australia exports about 50 per cent of its total production and of all its export markets, the U.S. has remained the most significant (in 1990, Australia produced 1,677,100 tonnes of which 988,500 was exported, 349,093 tonnes going to the U.S.). While the importation of beef has been important for the U.S., the proportions as indicated by Tables F and G show that the trade has been nowhere near as significant for the U.S. as it has been for Australia and other exporters.

The relationship is further complicated by the fact that the U.S. has also been an exporter of beef and has competed with Australia for access to third markets, particularly in Northeast Asia. This study has, however, only been concerned with the nature of U.S. beef import politics, its impact upon the Australian beef trade into the U.S. and the approach taken by Australia to improve its beef trade outcomes.

**Meat Import Laws**

The protective mechanisms for the US beef industry, as in the case of wheat and sugar, have aimed to provide artificial price stability in the U.S. domestic market even if the result has been increased volatility on the world market. Since 1964, the importation of beef into the U.S. has been governed by a Meat Import Law (MIL). This Act directly linked imports of fresh, chilled or frozen cattle meat (and goat and sheep meat other than lamb) to the level of domestic production of this meat. This was done by means of a quota which was invoked if the estimated annual import level exceeded 110 per cent of the adjusted base quota for a particular year.

The 1964 formula, while responding to U.S. producer concerns, proved incapable of providing the hoped-for solution. The first three years of the Act’s operation saw imports remaining below the trigger point for the imposition of quotas and while no quantitative restrictions were imposed, domestic U.S. cattle prices continued to fall. Revision of the Act was called for but not made as imports were successfully restrained over the next decade. The President negotiated formal voluntary restraint agreements
(VRAs) with exporting countries in the years that quotas were imposed and then lifted, as well as in those years when no quota was proclaimed. In 1976, the U.S. negotiated quantitative import restrictions with Australia and New Zealand (these were circumvented by reprocessing in Puerto Rico).

The late 1970s saw the return of bad times for U.S. cattle producers as a result of overexpansion, rising production costs and a decline in U.S. domestic meat consumption. Foreign meat imports were again targeted and U.S. producers voiced their frustration as to the way the 1964 law was working, or rather not working.\(^6\) Presidential support for a change to the law was not automatic and success only came after the original proposal was amended. The result of these industry efforts was the 1979 Meat Import Act.

The 1979 Act amended the 1964 law in two important ways. The first and most important was the inclusion of a countercyclical factor in the determination of the amount of the quota for any given year. This factor was the amount of meat which reflected the slaughter rate of cows or the per capita supply of domestic cow beef. The formula under this Act used a base quantity being the average import level for the years 1968 to 1977 (see Figure D). Each year, the Agriculture Secretary has modified this to take account of the production adjustment factor (being the estimate of total U.S. red meat production for the current year) as well as the countercyclical factor. In effect, the countercyclical factor sought to correct the tendency in the operation of the production factor to allow imports to exaggerate the price effects of the domestic U.S. cattle cycle by increasing imports during the liquidation phase of the cycle when beef supplies were already plentiful.[United States Department of Agriculture, 1985, 2]

The other important way in which the 1979 law amended its predecessor was in terms of presidential authority. The 1979 law stipulated quite explicitly a formula to be used to decide the allowable level of imports for any year and did not allow for the exercise of a presidential discretion other than just a limited authority to suspend quantitative restrictions. This could only be exercised if the countercyclical factor was 1.0 or greater, meaning that there were limited domestic cow-beef supplies. The limited authority only related to times of national emergency, where there was either a shortage of meat or when it would be in the national security interests of the U.S. to suspend the quota.
While the above limits applied in the 1964 law, the 1979 Act required that the President publish a statement of intent to lift the import limitation in the Federal Register and allow a 30-day comment period before the action could become effective. This effectively provided an opportunity for the U.S. industry to protest and pressure a change from the administration.⁶³ [Conable, 1980, 5]

**Voluntary Export Restraint Agreements**

The voluntary restraint agreement (VRA) was the other U.S. trade policy instrument which affected Australia’s beef trade with the U.S. Once U.S. beef imports look like exceeding the trigger level⁶⁴ in any given year, Australia and other exporters were required to negotiate a VRA, thereby restricting their imports so as not to have their exports otherwise reduced by the implementation of some other protectionist device such as a tariff. The beef VRA has the advantage of protecting the domestic producer while at the same time maintaining a free trade posture for the importing country, because technically it was the exporting country which restricted the trade. [Allen, Dodge and Schmitz, 1983, 293]

VRAs were only negotiated (after an exchange of letters between the U.S. and the exporting country) when the U.S. government had reason to believe that imports for the coming year would exceed 110 percent of the adjusted base quantity under the Act. The making of these agreements meant that the U.S. government, for the most part, could avoid having to impose and administer formal import quotas. Under the VRA, the incentive for exporters was that total access was increased by 10 percent over the quota level which would otherwise have applied. The agreements also enabled exporters to capture the tariff (export tax) equivalent rents which would otherwise have accrued to the beef importing sector. [Dewbre and Harris, 1985, 1]

Since the 1979 law came into effect, the import quota and the VRA have generally been considered successful policy instruments in holding down the level of beef imports into the U.S. The tight beef quota inducing Australia to sign a VRA has had a price-depressing effect upon Australia’s U.S sales⁶⁵ and acted as an administrative irritant in the selling of Australia’s beef (by having to suddenly withhold beef from the U.S.
market till the following year). However, more importantly, the flow-on effect of the U.S. quota on the value of Australia’s shipments to other countries (such as Japan) has been deleterious.66 Should the U.S. import quota not satisfy U.S. producer concerns, then they can be expected to seek to restrict imports further by other less direct means. Potentially, the most important of these would be tighter inspection standards and labelling (at the retail stage).

**U.S. Meat Inspection**

Soon after the adoption of the 1979 MIL, imports from Australia were found to be adulterated with, on one occasion, horsemeat and, on another, kangaroo meat. This added to pressure from U.S. cattle producers which resulted in an amendment being included in the 1981 Agriculture and Food Act requiring that all imported meat be subject to the same tests as those required for domestically-produced meat. As well, foreign meat has been required to undergo tests for species verification and compliance with Food and Drug Administration tolerance levels for chemical and drug residues.

These requirements have operated in like manner to nontariff barriers on the importation of beef into the U.S. While meat inspection may be primarily a health issue, disputes over drug and chemical residues in imported beef have been capable of being also considered trade issues. The U.S. rejection of Australian supplies of beef in 1987 was one such case of a health issue turning into a health and trade issue. While Australia took the health aspect of the issue seriously, as evidenced by an intensive testing program, it also considered that the action was partly motivated, at least on the part of the U.S. cattle producers, by a desire to restrict imports. As evidenced by the more recent hormone dispute with the European Community, U.S. beef producers are also capable of seeing meat inspection issues as trade issues.[National Cattlemen’s Association, 1989, 2]
United States Agricultural Trade Policy-Making

To understand the nature of the U.S. agricultural policy-making process it is necessary to consider the nature of the interactions of the various important state and societal actors within the context of the U.S. political institutions. While this dynamic policy process has operated in similar fashion for each of the three agricultural commodities considered, there have been important differences between the sectors.

Role of the Congress

The U.S. Congress has been the most important of the political institutions involved in agricultural trade policy-making. Despite the fact that agricultural producers constituted a very small proportion of the total workforce and have provided a fraction of the Gross National Product, many more than just the congressional representatives sent to Washington by farmers have felt some affinity for farming interests. This has much to do with the perceived importance of farming in the food and fibre sector and the importance of this sector to the U.S. economy; concern for the struggling farmer; and the myth of the family farm.

The importance of Congress’ role has derived from the nature of both the U.S. political system and the policy making ‘system’ in Congress itself. The divided system of government in the U.S. has meant that both the executive and the legislature share policy-making functions. With some exceptions, each institution has been able to assert itself in any policy-making field as it so wished.

Congress’ direct and extensive involvement in wheat and beef trade policy-making has been very much a result of the fact that both commodities have been grown extensively throughout the U.S. Figure A outlines the extensive U.S. wheat growing areas, from which the conclusion could be drawn that many congressional representatives have a direct interest in the well-being of that industry. Likewise, with cattle herds found throughout the U.S., many congressional representatives must take into account a beef-growing constituency. Cattle growing has been an important component of the farm economy as a whole with sales of cattle having accounted for 20 percent of total receipts
from farm marketing in 1987. [National Cattlemen’s Association, 1989] Sugar, on the other hand, has been produced, by using either cane or beets, in only 17 states in the U.S. [see Figure B] Congressional attention and support for the sugar program has been more the result of well-placed and influential members of Congress, the nature of the program itself, as well as effective lobbying by societal actors.

All producer interests have been assisted in their efforts to influence congressional decision-making by the fact that they have usually been more organised than those who have opposed their support programs. Consumers and taxpayers have generally suffered (either directly or indirectly) from producer support programs. However, they have found it difficult to capture congressional interests unless more widespread economic and budgetary concerns were involved.

The nature of the congressional system has, however, been more important to this study than the fact that many congressional representatives have been sympathetic to agricultural producers. Given Congress’ (and especially the House of Representatives’) closeness to the electorate (with elections every two years) and its essentially insular and parochial nature, it is not surprising to find that the operation of the system has served well the interests of agricultural industry groups. If the industry groups have had local, regional or state-based structures as has been the case with beef and sugar, (which may or may not have been part of federal industry structures) then these organisations will also have been able to use their influence upon the representatives ‘back home’.

The responsiveness of congressional representatives has been reinforced by the fact that party discipline in the Congress has been much looser than in countries such as Australia which have operated under the Westminster system. Another feature which has assisted societal actors has been the representative design of the U.S. Senate (two members elected from each state). This has provided an inbuilt bias towards rural communities providing agriculturally-oriented states with a greater say than if there had been equal representation.

The most important element of Congress has been the committee system. Particularly since the reforms of the Congress in the 1970s, which saw a greater dispersion and
decentralization of decision-making, the committees and especially their subcommittees have had a decisive impact upon policy-making. The reformed structure of Congress, providing as it has greater freedom of operation for subcommittees and their chairpersons, has facilitated the rise of commodity groups. These groups have been able to focus their attention on individual congressional representatives and/or make submissions to hearings of both full committees and their subcommittees. Individual commodity programs were usually not considered in detail in forums other than that of the particular commodity subcommittee (and then only if the program was politically contentious).

It has been at the authorization stage of congressional deliberations that most congressional activity has occurred and where outside interests have most keenly sought to influence Congress' policy-making role. The Senate and House Agriculture Committees have dominated this activity: Greater specialisation within the committee system has meant that legislation on particular commodities has been virtually written in subcommittees. As a recent Australian study has pointed out, the narrower focus allowed these subcommittees may well have resulted in support policies being adopted for some commodities without account being taken of other related agricultural commodities or issues.[Roberts et. al., 1989, 159]

The agricultural committees have had a somewhat broader perspective than that of their subcommittees but they have also been heavily represented by members of Congress sympathetic to both general and particular farming interests. As with the chairman of the House Agriculture Committee, Representative (Kika) de la Garza, a strong supporter of the sugar program, those 'running' these agricultural committees and subcommittees have often had certain producer interests as important constituents. In something of a symbiotic relationship, a representative could be expected to support a particular commodity program in return for political assistance and support. However, this should not be overstated, especially so far as the Senate committees have been concerned. As a recent analysis of the role of former Senate Agriculture Committee Chairman Patrick Leahy found, there has always been some latitude available to a chairperson to pursue policy directions not necessarily in line with those desired by the major commodity groups. [Cloud, 1989, 2116]
Another aspect of the congressional process which has assisted commodity groups has been the practice of dealing with more than one commodity in the one omnibus trade bill. This encouraged commodity groups to make bargains and trade-offs with other groups in order to secure sufficient support to counter those representatives or senators advocating a fundamental change or removal of the support program. Sugar has been more successful than wheat in using this process to avoid serious amendment to its program. Where wheat interests saw production control measures included in the 1985 farm bill with further measures introduced in the 1990 farm bill to make planting more market-oriented, sugar interests avoided having their program changed except for the proviso that it could not become a 'cost to the budget'. The beef program has been less protectionist than the wheat and sugar programs, and with the strong support enjoyed by cattle interests in relevant agricultural committees and subcommittees and on the floor of the Houses, the MIL has avoided change in the farm bills of the past decade.

The two important congressional trade committees, the House Ways and Means Committee and the Senate Finance Committee have also been directly concerned with the commodity support programs and agricultural policy generally. These two committees have been involved at the appropriations stage of congressional deliberations having been more directly concerned with the cost of commodity programs and in exercising oversight over the likely effects of the trade measures (such as quotas and VRAs) which have been incorporated in these programs. The members of these committees have not, as a rule, been as close to the producer interests as have been the agriculture committees and have not been as susceptible to industry influence. However, as a senior staffer of the Senate Finance Committee Chairman pointed out when interviewed, these trade committees have performed their oversight role in consultation with the Agriculture Committees of each House.

Congressional representatives supporting sugar and beef interests, through the particular trade measures contained in their support programs, have been able to prevent each of them from becoming a 'cost to the budget'. This has strengthened their bargaining position when seeking the support of other congressional representatives during farm bill deliberations. Given that the wheat export subsidy program has been a much more transparent form of support, wheat program supporters have not been able to prevent the
program from being considered a cost to the U.S. taxpayer. As a result, the program has experienced some amendment.

Role of the Executive

Despite the recent increased assertiveness of the Congress in agricultural trade policy-making, the executive has continued to perform an important role in both the formulation and implementation of agricultural trade policy. During the 1980s, this has been a weaker role partly because of Congress’ increased attention to agricultural issues (such issues were considered essentially domestic issues and drew less attention from the executive) and partly because the executive’s discretion to act in implementing agricultural support programs has been reduced.

However, the executive has maintained an important position in agricultural trade policy-making. Not only has the executive been charged with the responsibility for acting as the national government in ‘the national interest’ broadly defined, but has also been the organ of government responsible for the implementation of agricultural programs. Through its bureaucracy, the executive has had access to much detailed information and analysis which has placed the administration in a strong position to influence domestic farm programs and agricultural trade policy generally. However, as one Washington-based agriculture consultancy has stated, the executive does not seem to have taken its role in agriculture as seriously as has the Congress.[World Perspectives, 1988, xvii] Agricultural issues were considered primarily domestic issues and the executive, operating at a greater distance from societal actors than the Congress, has thus not felt obligated to give the issues the same high level of attention.

Formally, the executive’s role in agricultural trade policy-making was conducted through an interagency coordination process (see Figure C) between various departments and agencies of government. While this process was not subject to the immediate impact of societal actors, it has not been immune to their influence in either the formulation or implementation stages of policy-making. The interagency process has been a cooperative and coordinating framework for the making of policy within the executive
branch. However, relations between agencies on agricultural trade issues have, on occasion, been as competitive as they have been cooperative.

The formal interagency coordination process has the President at its head with him or her chairing the Economic Policy Council (EPC). However, it was just below Cabinet level that the interagency process was really seen to be in operation. With agricultural trade policy considered very much a part of U.S. trade policy, a Trade Policy Review Group (TPRG) chaired by a Deputy U.S. Trade Representative (USTR) was the body which handled the coordination of executive policy in this issue area. This committee met regularly (often dealing with issues brought to its attention by its subordinate staff committee, the Trade Policy Staff Committee (TPSC)) and aimed to both gain an administration-wide consensus and reduce the number of matters coming before the EPC.

The executive, through this policy-making framework, has been unable to significantly influence the type of wheat, sugar and beef commodity programs produced. In the case of wheat, the Reagan Administration failed to address the problems of U.S. farmers in the first four years of the 1980s and then when the Congress overreacted and brought in programs such as EEP, the Administration found itself forced to acquiesce in order to secure passage of a budget package. The executive has subsequently found the EEP to be a useful weapon to both combat the EC and expand wheat exports and, as in the case of the September 1992 decision by President Bush to provide an extra US$4 billion for the program, to garner support amongst U.S. farmers.[Blight and Oxley, 1992, 19] A development of particular concern to Australia has been the executive's willingness to use EEP to export U.S. wheat into new markets where the EC has not been a major exporter. The Bush Administration's decision to use the subsidies to export to the new markets of Pakistan and South Africa in September 1992 has been followed by the Clinton Administration's decision in June 1993 to use EEP against Canadian wheat exports to markets such as Mexico.[Armstrong, 1992, 3; Stutchbury, 1993c, 6]

In the case of sugar, the executive has appeared even more powerless to withstand protectionist pressure. Neither the Reagan nor Bush Administrations considered that the sugar program made much economic sense. However, the executive did not move
decidedly against the program over the 1980s or early 1990s and the Clinton Administration has likewise been unwilling to move substantially in the direction of reform of the program. This has been partly because of the need to have budget packages passed by the Congress and the fact that the sugar lobby within the legislature has sufficient strength to derail administration reform proposals (such as occurred in the 1990 farm bill). As well, the executive has acknowledged that the program has provided some stability to the sugar producers, albeit at great cost.

The beef program has also been able to avoid executive-sponsored tampering for much the same reasons. However, even more so than in the case of wheat and sugar, the beef program’s instruments offered little scope for the exercise of executive discretion. The executive has remained unhappy with the operation of the MIL and the limited flexibility provided to the executive and its agencies to moderate the program’s effects upon particular countries during implementation. The non-controversial nature (that is, within the U.S. domestic polity) of the program has weakened the executive’s hand in dealing with the Congress on this issue.

The principal cabinet department responsible for agriculture has been the Department of Agriculture (USDA). This mega-department has performed many functions within the agriculture portfolio. As well as being the primary body for the development of agricultural policy and the administration of government programs, the USDA has had a key role in the promotion of U.S. agricultural exports and the administration of import quotas. The USDA has administered its policy and programs in a very bureaucratic manner, ever conscious of the need to protect its general constituency, the American farmer. While it was not always so closely aligned to the farmer as it was in the 1980s, the USDA has consistently pursued a conservative policy line.

The USDA has held a powerful position within the U.S. wheat market and as a consequence, on the world market. This has drawn concern from quarters within the Washington establishment. Carol Brookins, an agricultural consultant, has argued that while USDA officials have believed that they have been really only following the grains market, the amount of grain that the USDA has managed, together with its management of the U.S. price system has meant that it has been leading the (world) market in some
Wheat programs provided the Agriculture Secretary with a good deal of discretion thereby providing the Department with further control over both the supply and price of the commodity. According to officials of the Australian Wheat Board (AWB), the USDA has itself performed many of the functions of a wheat marketing authority for U.S. wheat growers.[Interviews with AWB officials]

The USDA has also taken the chief role in the implementation of Congress’ sugar policy. According to officials from other U.S. government departments, the USDA has, in practice, taken over full responsibility for sugar policy from the interagency Sugar Working Group. As with wheat, the 1985 Act enhanced the USDA’s power by giving it responsibility for implementation of the ‘no cost to the budget’ sugar program. In the late 1980s, the USDA was content to use the sugar import quota mechanism (the USDA had the responsibility for making the final estimate of sugar imports) to meet its objectives of protecting producers’ incomes and avoiding the direct use of subsidies.[Lopez, 1989, 29]

The USDA, while initially opposed to the beef program’s MIL because of its U.S. market distortions, has come to accept the law because it has satisfied the demands of the cattle industry while representing a low level of protection. The MIL, as in the case of sugar, has provided a key role for the USDA in the implementation of the import quota.

The U.S. Trade Representative (USTR), formally the President’s chief agricultural trade policy advisor, was established as an agency within the Executive Office. The office of the USTR has acted as something of a ‘trade broker’ between the branches and agencies of the executive and has been influential, despite its relatively few resources (it has only about 300 staff), because of its central, coordinating position. The office of the USTR has been more concerned with export than import issues. While wheat has thus been given more attention than sugar and beef by this agency, each of these commodities has been formally considered by the TPRG, chaired by a Deputy USTR, and by its subordinate officials committee, the Trade Policy Staff Committee (TPSC). The USTR, through its coordinating role, has been very much involved (through the interagency process) in deciding executive policy on wheat and beef. However, the USTR has a
lesser role in the case of sugar given that the USDA has taken almost sole charge of sugar policy.

Other U.S. executive departments have been less involved in policy-making than the USDA or the USTR. The most important of these has been the U.S. Treasury which was involved both generally, in its Secretary’s role as the President’s chief economic advisor, and in the implementation of particular commodity programs. Dominated by ideas of economic rationalism and free trade, Treasury has disapproved of the support programs which have been established for wheat, sugar and beef. As to the wheat program, instruments such as the EEP have been so strongly supported by industry and influential members of Congress that despite its budgetary costs, Treasury has been powerless to secure a significant amendment to the policy. So long as the sugar program maintained its ‘no cost to the budget’ status, it has also been able to avoid close Treasury scrutiny. This has also been the case with the beef program where the costs are likewise less than transparent.

The State Department has also occasionally become involved in agricultural policy-making. State has been a more outward-oriented department (being generally more sensitive to the needs and demands of other states) and this has contributed to its weakness in this area of policy-making. Australia and other countries which have been adversely affected by the U.S.’s distortionary policies in wheat, sugar and beef, have found the greatest sympathy and support from this Department. State, however, has lacked a domestic constituency of any note and as one senior State official noted, when interviewed, State’s overall influence in agricultural trade policy-making has been weak. Domestic U.S. agricultural interests (and the programs they have supported) have had a tendency to be inflexible allowing little opportunity for changes to reflect problems experienced by other states.

Of the three commodities, State has been more likely to become directly involved on sugar policy because of human rights and other foreign, usually political, policy issues. In the case of sugar, this would have had more to do with quota allocations enjoyed by certain Caribbean and Pacific countries than with Australia’s position. Generally, on
all commodity issues, State has exercised little more than a watching brief over the operation and effect of the programs.

Apart from a few minor exceptions, the executive’s position has been a relatively weak one. Executive agencies, especially the USDA, have retained an important position in agricultural trade policy-making but with the congressional tendency (of the 1980s) to reduce their freedom of manoeuvre, their capacity to moderate the effects of the programs (assuming that they so desired) has been severely constrained.

Role of U.S. Societal Actors

Societal actors (especially industry groups) and their lobbyists have been highly influential in the making of U.S. agricultural trade policy-making. The level of their influence has owed much to the importance of Congress in the making of agricultural trade policy and to the openness of the congressional system. To a lesser extent, the relatively open and diffuse nature of the political system has meant that executive agencies have also been affected by the influence of societal actors, especially if they have formed an important part of an agency’s domestic constituency. There are advantages and disadvantages for policy-makers in such a system. As one senior USTR official noted in an interview, while industry groups can certainly make matters more complicated for policy-makers, when they are behind you, they can be a powerful force in your interest.

Influence by these groups has never been solely by the placing of ‘a word in the right ear’, but has also involved the payment of large sums of money by way of political campaign contributions. Recently, this has been regulated by the introduction of political action committees (PACS) through which private organisations have directed their funding to congressional representatives’ campaigns. Such financial support, of course, has depended on the individual representative’s positions on particular issues.

In the U.S., some societal actors have operated at the level of general agricultural trade policy-making while others have represented specific commodity interests. Five general agricultural organisations have accounted for varying views (from conservative to
liberal) as to the level and type of assistance which farmers, and rural interests generally, should receive from the government. The most important of these have been the National Farmers Union and the less protectionist American Farm Bureau Federation. All such organisations were generally supportive of the wheat, sugar and beef support programs because of the benefits they brought to their members. This does not mean, however, that they believed such programs could not be improved upon and made more efficient. Viewing agriculture as part of the larger U.S. economy, representatives of these organisations have been prepared to acknowledge, in interviews, that while they supported the programs, the adjustment process (by which each program has provided income support) should be examined to see if producer costs could be reduced.

The specific commodity groups are of greater importance to this study. In each of the three commodity areas examined, powerful industry groups have been instrumental in securing and maintaining support programs. With respect to the wheat program, two important groups operated in Washington: the U.S. Wheat Associates and the National Association of Wheat Growers (NAWG). These national confederations, deriving their strength from their state and regional representation, were instrumental in lobbying Congress to bring in legislation in the mid-1980s which provided both domestic price support and assisted U.S. wheatgrowers to claw back lost market share.

More than the wheat or beef programs, the sugar program has owed its continued existence to the constant influence of a coalition of producer interests. This political and economic coalition has consisted of both sugar and cane growers and producers of sweeteners, especially High Fructose Corn Syrup (HFCS). As beneficiaries of the sugar program, they owed their relationship very much to the success of this program. These producer interests have been astute at marshalling arguments in support of the program and have employed experienced lobbyists to present arguments which have ranged from the domestic campaign that sugar is 'nature's own sweetener' to references to the EC's corruption of the world sugar market. Their campaigns have been based very much on a 'its's who you know' approach to securing support.[Arvidson, 1985, 97] Informal contact was regularly maintained by these lobbyists with members of Congress on the Agriculture Committees and its subcommittees and with government officials.
(predominantly in the USDA) on the Sugar Working Group. The general farm organisations, while not wholeheartedly supportive of the program have, all the same, argued its importance for the sugar producer. Paul Drazek of the American Farm Bureau Federation, for example, has argued that while it was not a satisfactory program, it did act to minimise the damage which the EC’s program was doing to U.S. producers. [Drazek, 1985, 22]

The beef support program was, like the sugar program, the product of industry influence in the policy-making process. The MIL came into existence as result of pressure upon Congress from the National Cattlemen’s Association (NCA). A senior NCA official, when interviewed, stated that despite the fact that the U.S. exported as well as imported beef, the NCA was a domestically-focused rather than a trade-focused organisation. Officials of the NCA sought to maintain the program by keeping in touch regularly with particular members of Congress (particularly if they were members of the relevant committees and subcommittees) and with government officials in the Livestock Group of the Dairy, Livestock and Poultry Division of the USDA.

Apart from the opportunity afforded societal actors to influence policy-making through their submissions to and evidence before congressional hearings and through more informal channels, they have also had formal opportunities to influence executive policy-making. The executive has conducted public hearings, through its various interagency committees, where societal actors were invited to present evidence. As well, the executive has consulted industry groups through a three-tiered system of advisory committees, managed by the USTR in cooperation with the Departments of Agriculture, Commerce, Labor and Defense. The most important of these committees is the Presidentially-appointed Advisory Committee for Trade Negotiations (ACTN) which advises the government on overall trade policy issues. Below this, an Agriculture Policy Advisory Committee (APAC) is one of eight committees of officials (with commodity-specific subcommittees) which advise on how trade issues affect specific areas; and at a third level, an Agricultural Technical Advisory Committee (ATAC) advises on technical and sector-specific issues. About one third of all trade-related committees have been of relevance to the agricultural industry groups. [World Perspectives, 1988, 135]

Within both the executive and congressional arenas of agricultural trade policy-making,
societal actors (especially from the agricultural industries) have been provided with ample opportunities to contribute to, if not to influence, policy outcomes.

Another formal mechanism available for industry involvement in policy-making has been through the lodging of a formal complaint with the International Trade Commission (ITC) against a foreign competitor. Recent legislative amendments have opened up this avenue of redress further, making it more difficult for the executive to avoid acting on complaints against foreign interests. [Bhagwati, 1989] Agricultural producer groups have not felt the need to use this avenue of redress given that they have been generally successful in gaining the type and level of support desired through the exercise of direct political pressure.

Wheat, sugar and beef producer interests have preferred to use their own organisations rather than independent lobbyists in Washington. Wheat (for example the U.S. Wheat Associates or the NAWG), sugar (for example, Florida Sugar Cane League and the Rio Grande Valley Sugar Planters’ Association), and beef (the NCA) interests all saw the major portion of their responsibilities to have been both the monitoring of policy developments (be they from Congress or the executive), and lobbying to ensure that such developments would not harm their commodity support programs.[Interviews]

Against these producer interests, there were societal actors which opposed these commodity support programs and had competed for influence both on Capitol Hill and within the bureaucracy. While wheat growers have not faced any significant opposition from other societal actors within the U.S., the sugar program has been openly challenged by powerful industry interests. The strongest opponents of the sugar program have been the industrial sweetener users who have effectively organised themselves into the Sweetener Users Association. [4] These industrial users, who have argued against the program on efficiency grounds, have believed that the program would soon require federal funding which (given the influential opposition to such funding in Congress) would bring about the dissolution of the program’s political support. [Hammer, 1989, 39]
Interests which have opposed the beef program have, like their counterparts in the sugar policy debate, had no success in reforming the MIL. The American Meat Institute (which has represented processors and packing interests) and the American Meat Importers Council (which has had a close relationship with major exporters such as Australia and New Zealand) have complained vigorously to the U.S. government about the difficulties and distortions caused by the operation of the MIL. While unable to muster sufficient support in the bureaucracy or the Congress to secure an amendment to the Act, they have constituted a ready-made domestic constituency with which foreign exporters have periodically joined so as to pressure for a reconsideration of the law by Congress.

Within the U.S. agricultural policy-making process there has existed, for each of the commodities studied, something of an ongoing debate over the nature and effects of the particular support program. To date, producer interests have been able to command sufficient support both within Congress, and less importantly within the relevant executive agencies, to secure maintenance of their programs. Other opposing industry interests have been weaker by comparison and have found that while ideas of efficiency, free trade and fair competitiveness have a certain appeal (more so with executive officials than with congressional representatives), these have not had sufficient currency to overcome the structural and process-related advantages the policy-making system has granted to the producer interests.

**Australian Agricultural Trade Policy-Making**

Despite some successful attempts at diversification, much of Australia’s agricultural trade policy-making must inevitably focus upon how well its agricultural industries have been faring in overseas markets. Wheat, sugar and beef have continued to be important sources of Australia’s export revenue over the 1980s and into the 1990s. Policy-making in wheat, sugar and beef has been export-oriented given the very high export proportions of Australia’s production of each. It is, thus, not surprising that the trade outcomes for each sector have been amongst those most keenly watched by Australian agricultural trade policy-makers.
Role of Australian State Actors

Australian agricultural trade policy-making, in contrast to that practised in the U.S., has been dominated by government. Reflecting a more regulatory political culture; Australia’s trade policy, driven as it has been by state actors, has been as much about securing the appropriate macroeconomic settings for the general enhancement of trade as it has been about removing any impediments to the development of the export potential of each of the agricultural sectors. The joint May 1988 Statement by the Minister for Primary Industries and Energy and the Minister for Resources indicated the replacement of the old commodity policy approach and, emphasising market access, considered agricultural industry sectors a part of the larger economy. [Department of Primary Industries and Energy, 1988]

Agricultural policy has been made over the 1980s against a background of a floating Australian dollar, deregulation of the capital market and an overall attempt to make Australia’s agricultural industries more competitive through, primarily, the removal of regulatory barriers to the efficient production and handling of exports. Executive control of the policy process has meant that difficult decisions in terms of reducing protectionist supports to agricultural industry have been able to be implemented without acceding to industry pressure. The exception to this has been the sugar industry which, principally through its special relationship with the Queensland government, has managed to resist some of the pressures for reform coming from the Australian government. Policy in respect of all three commodities has recognized the importance of the commercial market and that attention must be directed to world market prices. In the case of wheat and sugar, previously important international agreements have no longer been considered of any relevance to Australia’s trade prospects.

With executive control of the policy process has come an enhanced position for the federal bureaucracy. Two departments have been principally responsible for agricultural trade policy-making with respect to the U.S. While their roles in agricultural trade policy-making overlap, there are discernible differences in their approach to the issues. The Department of Foreign Affairs and Trade (DFAT) has handled agricultural trade policy towards the U.S. in a broad brush approach rather than with respect to specific
commodities and their problems. It has been more concerned with both bilateral political and economic relations (through an Americas and Europe Division) as well as with Australia’s negotiating positions within the Uruguay Round of multilateral trade talks (through the Multilateral Trade Division). Officers from these divisions have consulted societal actors through tripartite mechanisms. However, an Economic and Trade Development Division has also been charged with the responsibility for "safeguarding and increasing Australia’s access to overseas markets for commodity...exports..." [Department of Foreign Affairs and Trade, 1989, 64] Responsibilities of this division have included the provision of economic and statistical analysis to the government.

The other important federal agency is the Department of Primary Industries and Energy (DPIE). Responsibilities within DPIE have been divided chiefly on a commodity basis: Crops Division has dealt with wheat and sugar while the Pastoral and Livestock Division has handled beef issues. An International Relations Branch has also considered multilateral and bilateral developments insofar as commodities have been concerned. As the ‘line’ agricultural department, DPIE has been closer to private industry than DFAT and has consulted industry more regularly. A 1987 reorganisation saw DPIE given the export promotion function with respect to agricultural issues and while DFAT has been primarily responsible for conducting both multilateral and bilateral negotiations, there is little doubt that DPIE has been directly and constantly involved.

Another important facet of DPIE’s activities has been performed by its research arm, the Australian Bureau of Agricultural and Resource Economics (ABARE). This bureau has been at the forefront in analysing both the domestic cost, and distortions to the international trading system, of the domestic support policies of the major agricultural traders. ABARE has been given sufficient autonomy to enable it to produce objective, economically literate and well-argued analyses.75

While relations between DFAT and DPIE were perceived to be generally cordial and cooperative, there has been some tension between the agencies. This would come as no surprise given that they have effectively shared the agricultural trade responsibility. Concern was expressed by officials as to the drawing of demarcation lines between the responsibilities of each and some disquiet was expressed by DPIE officials that DFAT,
in leading on trade negotiations, would often fail to take sufficient note of DPIE’s information and expertise on commodity matters. [Interviews with DFAT and DPIE officials]

The role of government in the making of sugar policy has been complicated by the fact that the Queensland government has also been statutorily involved in policy-making. Almost all Australian sugar is grown in that state and there has always existed a close relationship between the state government and the industry. The Queensland government has exercised regulatory functions through the Queensland Sugar Corporation (which replaced the Australian Sugar Board in April 1991) with the corporation having the statutory right to acquire all sugar produced in the state of Queensland and the authorization to purchase sugar produced in the neighbouring state of New South Wales.  

Apart from regulation, there has not been a record of financial assistance to the sugar industry. Much of this regulation disappeared in 1989 (except notably that relating to production) with the removal of the embargo on imports and the introduction of a programme of tariff reductions. While the Australian government has retained the right to grant export licences, it has had little other power and its efforts to seek a coordinating role through a (national) sugar council have been rejected by the industry and the Queensland Government.

Even the Queensland Labor Government, elected in late 1989, while creating the Sugar Corporation and a new Tribunal and Policy Council, has not been prepared to move further on deregulation than that instigated by the Australian government in 1989. It has remained well aware of industry sensitivity to the changes that have already occurred and seems to believe that any further changes must come from the industry.

**Statutory Marketing Authorities: Wheat and Beef**

The Australian Wheat Board (AWB) has been given the sole responsibility to market Australia’s wheat overseas. While legislative changes in 1989 included, amongst other changes, the loss of the AWB’s domestic monopoly, the export monopoly has
remained. This form of regulation has been criticised as providing a centralised buying and selling agency and thus a trade barrier within the world wheat market.\[Hathaway, 1983, 446\] The AWB has countered that growers get only what the market place will pay and that, with the disappearance of the Australian government’s price underwriting guarantee, there has been no government support.

The beef industry has had less regulation than either wheat or sugar due to a non-interventionist approach by the Australian and state governments. The industry's geographical spread has taken it, like wheat, beyond the regulatory powers of state governments and with generally good world market prices, it has not had to call upon the Australian government for assistance. However, a steep decline in prices after 1974 forced the industry to seek government assistance in terms of marketing and one result was the formation of the Australian Meat Livestock Corporation (AMLC) in 1977.\[Another response in 1977 was the introduction of a direct subsidy scheme for beef producers. With the revival of prices, this scheme was phased out and, apart from drought assistance in 1982-83, the industry has remained unsubsidized and only a little regulated.\]

The AMLC, as the umbrella industry body, has been the only form of regulation or direct assistance to the beef industry. It has performed a similar role to the AWB in providing market intelligence and analysis. Unlike the AWB, the AMLC has not actually exported the commodity, but rather has provided the licences on behalf of the Australian government.\[The AMLC has, however, operated similarly to the AWB and has effectively controlled the export of Australian beef.\]

In terms of government regulation and assistance, the picture across the three sectors (and agriculture generally) has been somewhat mixed. The main form of assistance during the 1980s and early 1990s has been that of regulation to assist Australian industry to market its product internationally. Measures have been put in train to remove all tariff support for the commodities and to make growers respond more to market signals. The Hawke Government acted, through such moves as the floating of the exchange rate and the deregulation of the financial sector, to link the external and domestic markets much more readily. These macroeconomic changes have had a profound effect upon
commodity producers (as in the wheat, sugar or beef sectors) who have traditionally exported the great bulk of their produce. In interviews, analysts of export industries have, however, complained that in the late 1980s and early 1990s, the Australian government had not always got it right and had often sent the wrong macroeconomic signals to these industries.

**Role of Australian Societal Actors**

The involvement of societal actors within the Australian agricultural trade policy-making process has been largely confined to industry groups and this has been conducted through a number of channels. One has been, indirectly, through representation on statutory authorities such as the AWB in the case of wheat, on the Queensland Sugar Corporation, and the AMLC for beef. Another has been through their commodity organisations which have operated both independently as well as through the National Farmers Federation (NFF), the peak farming organisation. These are the Grains Council of Australia (GCA), the Queensland Cane Growers Council (QCGC) and the Cattle Council of Australia (CCA).

In contrast to the U.S. system of government, Australian societal actors must direct most of their lobbying efforts to the executive, the Australian government. Any lobbying of Members of Parliament, either in their individual capacity, as members of particular political parties or (to a lesser extent) as members of parliamentary committees, has been principally to seek to further their influence over government policy. In the case of sugar trade policy, lobbying by the industry on all matters (including regulation and support), except the Australian government’s tariff reduction programme, has been directed toward the Queensland government.

The AWB and the AMLC which have provided most of the market intelligence and analysis as to Australia’s wheat and beef trade respectively, have become inevitably involved in the policy-making process. Apart from their statutory requirements to report to the responsible Minister, the Minister for Primary Industries and Energy, these authorities have been regularly consulted by officials of DPIE. Each has industry representation and has provided marketing assistance to growers. This closeness to the
industry has provided these organisations with first-hand knowledge of producer problems and needs. In turn, the AWB and the AMLC have provided an avenue for producers to influence government agricultural trade policy, albeit indirectly, in each commodity area.

A more direct avenue of influence has been through the system of industry consultation which the Australian government has established. Formal representation has occurred through the involvement of the NFF on the Trade Negotiating Group (TNG), chaired by the Minister for Foreign Affairs and Trade and the Commodity Trade Advisory Group (CTAG), chaired by officials of DFAT.

DPIE has consulted societal actors such as the Australian Council of Trade Unions (ACTU) and the National Farmers Federation (NFF) on a regular and informal basis, while at a more senior and more formalised level, consultation has occurred through the Rural and Allied Industries Council (this has been chaired by the Australian Minister for Primary Industries and Energy and has met every six months).

With respect to wheat policy, DPIE has informally consulted with the Grains Council of Australia (a constituent of the NFF), while on beef policy contact has been maintained with the Cattle Council of Australia (another constituent of the NFF). Sugar has been treated somewhat differently due to the fact that the major player in the exporting of sugar has been a private company, the Colonial Sugar Refining Company (CSR). Exporting under licence, CSR has been regularly consulted by the Australian government. Canegrowers and millers' organisations have continued their representation on the Queensland Sugar Corporation while also having been informally consulted by the Queensland government.

Agricultural trade policy-making has offered many opportunities for industry interests to seek to influence various stages of the formulation and implementation process. However, the record indicates that agricultural industry groups have had less of an impact upon government than have the ideas of deregulation, reducing protectionism and increasing the market orientation of agricultural production. Individual commodity groups which, understandably, have been more protectionist than the peak farming body,
the NFF, have on occasion, been able to ‘hold the line’ against government deregulatory and anti-protectionist moves. The AWB’s wheat export monopoly and sugar’s production regulation and import tariff reduction freeze have represented victories for industry groups over the Australian government’s deregulatory and liberalising policies. However, these groups have generally been on the defensive and have witnessed an almost continual reduction in agricultural support over the 1980s and early 1990s.

Agricultural industry groups have been divided over the level of government support which they consider should be provided. For example, the NFF has emphasised the need to reduce protection across all sectors of the economy and to promote the results of studies of the domestic effects of assistance to agricultural industries in other countries. [National Farmers Federation, 1988] Of the sugar industry groups, the Australian Sugar Milling Council has been much more favourably disposed to deregulation of the industry than the Queensland Cane Growers Council (QCGC). 83 In the wheat sector, the Grain Council of Australia (GCA) opposed the NFF’s more liberalising policy and lobbied against the removal of price underwriting of wheat prices by the Australian government. The GCA considered such support to have been an important form of insulation against the importation of corrupted world market prices. [Grains Council of Australia, 1988, 11]

The weakness of agricultural industries in securing additional government assistance to counter global price distortionary and market access problems has reflected the fact that Australian agricultural trade policy-making has been both export-oriented and highly influenced by ideas of economic rationalism. The Hawke and Keating Governments, more than any of their predecessors, have promoted the view that Australia’s agricultural commodities had more to gain from uncorrupted world markets. To promote ideas of free and fair competition within these world markets, a prerequisite was that Australia would get its own ‘house in order’ by deregulating and liberalising its domestic industries. Against these moves by government, there has only been a small domestic political market receptive to claims from agricultural industries for specific industry assistance.
Australian agricultural trade policy-making has been guided by the ideas of free and unsubsidized competition. The debate over government assistance has effectively been confined to matters relating to the provision of regulations which would assist marketing and encourage exports. It was not so much that industry has not been influential than that government has only been receptive (short of some kind of domestic emergency or acute political pressure) to industry efforts which have been compatible with the Australian government’s campaign to reduce the barriers to overseas markets rather than maintain or build up its own in Australia. Australian agricultural trade policy-making has involved a domestic bargaining relationship between state and societal actors. State actors have, undeniably, dominated this relationship which has focused upon the protectionist regimes of the major agricultural players, such as the U.S., whose policies have both corrupted world commodity markets and obstructed imports into their own domestic markets.

Australia’s Bargaining Approach to the U.S.

The approaches made by Australia to the U.S. to seek an improvement in wheat, sugar and beef trade outcomes, have reflected the dominance of Australian state actors in agricultural trade policy-making with their role having been performed through a cooperative and largely informal arrangement between the Departments of Foreign Affairs and Trade and Primary Industries and Energy. Societal actors have also been involved, usually on an informal basis, in the formulation and execution of Australia’s bilateral and multilateral approaches to the U.S. This involvement has been both constant and important reflecting the close relationship between the political and commercial aspects of policy-making.

Australia has sought an improvement in these sectoral trade outcomes both bilaterally and multilaterally. Each approach has demanded different skills from Australian policymakers and negotiators and has involved different strategies by Australia, as it has sought to take account of the complexity of U.S. agricultural policies and the nature of the U.S. agricultural trade policy-making process. The approaches should not, however, be treated as being completely separate from each other and have been pursued simultaneously by Australia towards an improvement in its trading outcomes.
The Bilateral Approach

Australia's bilateral approach has been the most constant means adopted to attempt to change U.S. policy in each of the three agricultural sectors. In addressing the problems Australia has experienced in each sector, this approach has focused on the protectionist U.S. policies and programs and has brought into play, to a varying extent across the sectors, a general partnership between Australian state and societal actors in seeking the removal or amendment of these programs.

U.S. policy in the case of all three commodities has provided specific protectionist instruments. While these instruments have suited the purposes of a number of important state actors, their existence has been largely the product of the influence that coalitions of societal actors (principally producer interests) have had over the policy-making process found in both the Congress and agencies of the executive branch. Australian state and societal actors have been well aware of the domestic focus of U.S. agricultural trade policy-making and the difficulties for a foreign state in attempting to influence that process.

Congress has held the dominant position in U.S. agricultural trade policy-making and has, in many instances, provided limited flexibility to the implementing executive agencies with which they could improve outcomes for trading partners, such as Australia. While Australia has given considerable attention to the Congress in the late 1980s and early 1990s, this had not always been the case. Until at least 1986, the Australian government considered that it could make the greatest impact upon the U.S. policy-making process by concentrating its lobbying efforts almost solely upon the executive and its agencies. In fact, in the preparations for Prime Minister Hawke's first visit to the U.S. in 1984, the clear message from Canberra was that the Administration was far more important despite the Australian embassy's strong recommendation that attention be given to Congress.[Interview with former embassy staff] Given the fact that the administration was probably the most important lobbyist on Capitol Hill, attention to the executive could thus indirectly impact upon the Congress. However, the direct and independent lobbying of Congress, manifested in the appointment of the Minister
(Congressional Liaison) within the Australian embassy, has now been accepted as vital to the promotion of Australia’s agricultural, as well as more general, trading interests.

The Australian government has taken the lead in the bilateral approaches made to the U.S. and this is chiefly conducted by officers of the Australian embassy in Washington. The U.S. wheat and sugar policies were considered to be particularly contentious and representations have been made on these by other more senior embassy staff, including the Ambassador.

Ministerial representations against the U.S. policies in these sectors, including that from the Australian Prime Minister, have increased during the 1980s, and have become more strident. Such representations have been made during Ministers’ visits to Washington and during the visits to Australia of senior U.S. politicians and officials (as witnessed by criticisms made of the EEP during Vice-President Quayle’s visit of 1989 and that of President Bush in January 1992). As a result of criticisms made during the visit of President Bush, the U.S. agreed to consult Australia on the markets to which EEP would be applied.[Brown, 1992, 3]

On December 22, 1992 Australia and the U.S. signed the Australia-U.S. Trade and Investment Framework Arrangement (TIFA) thereby establishing a formalised framework for high-level consultations. The Arrangement has established a Trade and Investment Council which will consider issues such as bilateral market access and regional and multilateral trade and investment issues of mutual interest.[Minister for Trade and Overseas Development, 1992; United States Trade Representative’s Office, 1992] The TIFA is an important development which has provided another opportunity for the Australian government to press Australia’s trading interests to the administration and to emphasise the damage done to its exports by U.S. policies. However, the Agreement has not prevented the U.S. from making policy decisions in each of the wheat, sugar and beef sectors which have either further restricted Australia’s access to the U.S. market or made trading on the world market that much more difficult.

Australian politicians and officials have sought, on occasion, to use the good political and security relationship between the two countries to point out to the U.S. the
discriminatory and unfair nature of its policies and their effect upon Australia. At Australia's insistence, trade has now been placed high on the agenda of annual Australia-U.S. Ministerial talks. This sound relationship has undoubtedly helped in efforts to get a hearing (chiefly with the administration) and there is evidence of marginal improvements in sectoral outcomes. For example, embassy staff have argued that in the absence of Australian lobbying, the 1988 Trade bill could have been much worse for Australia in terms of its coverage of those commodities which Australia exports to the U.S., while the EEP could well have been applied to markets beyond those affected by subsidized sales.

A 'good political relationship' certainly does no harm to a relatively weaker country such as Australia. However, beyond assisting in providing access there must remain serious doubts about its value as a strategic weapon in bringing about an improvement in sectoral trade outcomes. Both Australian state and societal actors have been reluctant to link specific trade demands too forcefully to the nature of the relationship. Even amidst heated disagreements over the effect of the EEP (as occurred during Quayle's visit), it has become obvious that the Australian government has not wanted to overplay its hand or seek linkage across issues. In the late 1980s, an Australian government reference to the effect a loss of export earnings could have on Australia's capacity to meet its defence responsibilities (perhaps prompted by a similar though less subtle reference by farm industry representatives), has been as far as Australia has recently chosen to go in drawing linkage across from these trade issues. A statement by Australian Trade Minister Cook that problems with the U.S. (particularly those over Australian agricultural exports) called into question the continued alliance between Australia and the U.S. was hastily clarified to refer to the trade alliance (which does not exist) rather than the security alliance.[Stutchbury, 1993b, 5]

Bilateral representations to the Americans have sought to influence the 'ideas debate' as well as the political debate going on in Washington. In addressing the economic inefficiency of the commodity programs and their cost to U.S. taxpayers and consumers as well as their effect upon the world markets, Australia (using studies such as those of the Australian Bureau of Agricultural Resource Economics) has sought to tip the balance in the free trade/protection debate. Recognized by Australia as a long-term strategy, the
value of this strategy will depend upon the level of influence these ideas achieve within that bargaining process between relevant U.S. state and societal actors which will continue to determine U.S. agricultural trade policy outcomes.

Australian state and societal actors have undertaken what is fundamentally a joint bilateral approach to improving U.S. trade outcomes. Australian societal actors have sought, both formally and informally, to influence the policy lines and strategies adopted by Australian state actors when dealing with the U.S. They have lobbied Ministers and government officials in Canberra through their membership of consultative committees (if they enjoyed such privileged access) as well as independently. As well, societal actors have taken advantage of their membership of Australian joint government/industry delegations to the U.S. Australian industry actors have also undertaken their own direct and independent lobbying and representation to the Americans, though much of this has been done in consultation with the Australian government, principally through the Washington embassy.

Where Australia has exported to the U.S., as in the case of sugar and beef, Washington-based lobbyists have been retained by societal actors. These lobbyists, often attorneys with knowledge and experience of the way policy is made in Washington, have been retained so as to gather information, monitor developments, and generally seek out opportunities for their client foreign interests. CSR has retained a lobbyist to advance Australia’s sugar interests while the Australian Meat and Livestock Corporation (AMLC) has retained one to expand the range of its product and increase the proportion of higher value-added beef exported to the U.S. Both lobbyists are experienced in the “influence game” that is central to U.S. policy-making and believe that they have been able, at the very least, to prevent legislation causing more harm to Australia’s interests.93 [Legge, 1988, 25]

Without denying the value of these lobbyists, their effectiveness must, of course, bear some relation to how Australia has been viewed in Washington and those sectorally-specific resources which it is capable of applying towards improved outcomes. As stated succinctly by Davis Bobrow in assessing the possible use of lobbyists or ‘traders’, a foreign government (or for that matter any foreign interest) must assess its current and
future "holdings of trading currencies and in respect of those what is the supply and demand situation."[Bobrow, 1992, 20]

The Australian wheat industry has done its own lobbying through the Australian Wheat Board's New York-based representative. However, there has been some collaboration with the embassy staff reflecting a shared view of the effects of the U.S. wheat policy and on how to deal with it. The industries' U.S.-based representatives (the AMLC also has a New York office) have been chiefly concerned with commercial developments, both in the U.S. and globally, including taking into account the policies of the major players and their effects upon global markets. The National Farmers Federation has also retained a firm of lobbyists in Washington to act as a 'listening post' on general agricultural developments. Australian industries' overseas representation has been very important to the Australian government's lobbying efforts in Washington D.C. Not only do industry actors possess the commercial intelligence so useful to state actors in arguing Australia's case, but they also have a keen sense of the effect of U.S. policies on the market through their direct marketing role.

Australia's bilateral approach to the U.S. has involved its government and industry representatives in attempting to build coalitions with domestic industry interests. Australia has thereby hoped to build on what little political capital it has had in the U.S. policy process. Attempts at (loose) coalition-building have been more successful in the sugar and beef sectors than in the case of wheat. Sugar and beef have been cases of U.S. import politics and U.S. industries can be identified (such as the American Meat Importers Council and the U.S. Cane Sugar Refiners Association) which have relied upon imports of the Australian product. Domestic coalition-building has been more successful (though still of marginal importance) for beef than for sugar. This may be partly explained by the fact that Australia's share of beef imports into the U.S. has been much greater than that for sugar. It would be more difficult to find U.S. industry interests which could claim sufficient damage from the operation of U.S. wheat policies as to persuade them to join forces with the Australians.

It has been generally recognized by Australian policy-makers that those U.S. industry interests that have been prepared to team up with foreign interests have held weak
bargaining positions within the sectoral policy-making processes.\textsuperscript{93} Coalition-building thus has been of only limited value and, like issue linkage, has held little hope of influencing the U.S. policy-making process and of securing improved returns for Australia. There has been a good deal of scepticism about the value of this strategy for a foreign interest (especially one with a weak bargaining position) seeking to influence what is essentially a domestic political debate. In an interview, a senior staffer of the U.S. Senate Agriculture Committee was possibly close to the mark when he said that he could not recall one instance where a foreign interest had successfully teamed up with a domestic interest/s to get more from Congress in terms of farm policies.

The Multilateral Approach

Advocates of U.S. protectionism, either sectorally or generally, have been keen to argue that their protectionist policies have been necessary because of the actions of other major players in the global trading system. The U.S., it has been argued, will only liberalise its domestic support programs if other players, notably the EC, do likewise. Partly because of this line of argument and partly because of the benefits which Australia would obviously receive from the global liberalisation of agriculture,\textsuperscript{96} multilateralism has been an important approach for Australian policy-makers. The interest in this approach has been heightened by the success which Australia has seen, chiefly through the work of the Cairns Group\textsuperscript{97}, in having agriculture placed at the top of the agenda in the Uruguay Round of multilateral trade talks.

The multilateral forum of the Uruguay Round of GATT trade talks has provided a better opportunity for relatively unsubsidized traders (such as Australia) to focus upon the economic irrationality of U.S. agricultural policies. With agricultural policies having been brought under serious GATT consideration, ideas of promoting the liberalisation of domestic support structures have received a better hearing. Those within the U.S. policy-making process who have advocated the liberalisation of agricultural policies have also found new opportunities within the GATT process to subject U.S. farm policies to such scrutiny. Likewise, the Round has forced those who support U.S. protectionist farm policies more on the defensive.
Since the Uruguay Round began in September 1986, Australian policy-makers have given a high priority to the Round and talked up the benefits that would result from a breakthrough in talks on agricultural subsidies. Australia has been encouraged by the U.S. administration’s willingness to place all agricultural policies on the table for negotiation in the talks. Australia’s positive attitude to the Round has also been prompted, however, by the problems which it has encountered in seeking reform of U.S. programs by bilateral and other means. For example, Australia’s victory in securing reform of the U.S. sugar program by means of a GATT panel case proved a shallow one with the 1990 replacement of the import quota by an equivalent tariff rate quota. Tariffication of the U.S. sugar import quota may, however, improve the prospects of Australia successfully bargaining for an eventual removal of the import restrictions through the reduction of tariff levels.

The Australian government’s support of economic rationalist arguments and moves to reduce protection for domestic agricultural industries have strengthened its hand in the multilateral discussions. Australia, together with other countries in the Cairns Group, have been able to argue that on agriculture they have come to the talks with their own ‘houses in order’ (relatively speaking) and that now, principally, the U.S. and the EC should do the same. More importantly, the Round would seem to have enabled the Cairns Group to deny the U.S. and EC an agreement reforming intellectual property rights and trade in services without at least some reform in agriculture.

There are, however, problems for Australia in the way in which the U.S. has itself approached the Uruguay Round. The U.S. approach to tariffication and tariff reduction is certainly in line with that of the Cairns Group. Importantly, the U.S. has also, through the initiative which resulted in the Blair House Accord of 1992, moved to bring the EC to a realisation that some reform of agriculture was necessary for the Uruguay Round to be successfully concluded. However, a cynical view could still argue that the tabling of many of the U.S. farm programs owed more to a desire to lever reform out of the EC than to have their own programs reformed. At the same time, this strategy of using programs as negotiating tools makes bilateral efforts to change or modify any of these U.S. programs less likely to succeed, at least in the short term.
The U.S. administration has been more amenable than the Congress to reform proposals in the Uruguay Round having been less constrained by societal actors and generally more receptive to ideas of free and fair trade. Congress has remained receptive to societal-actor influence and, as one Washington analyst of the GATT Round noted, Congress has viewed the Round as a "nebulous and infrequent" thing. [Hanrahan, 1990, 7] As the body dominant in agricultural policy-making, Congress expects to have the final say in any Uruguay Round deal that entails reform of U.S. farm programs.\textsuperscript{102}

Australia has understood that reform of agricultural support policies by the Congress may have as much, if not more, to do with a need to lower the U.S. federal budget deficit than to abide by any GATT decisions. As well, for GATT reform of agriculture to bring changes to the U.S. wheat, sugar and beef programs, it must induce a fundamental realignment of the forces within Congress which presently support these programs. This realignment will only come if the forces supporting the programs are convinced that reductions in U.S. support are matched by like reductions by its major trading rivals, the EC and Japan.

Despite the fact that all three programs have been on the negotiating table in the Uruguay Round, Australia has appreciated that they are not all equally amenable to multilateral reform. The wheat program, created largely as a response to developments on the world market, is more likely to be reformed should a compromise agreement be reached over the elimination of export subsidies (the U.S. has been explicit in arguing that EEP should continue to exist as a negotiating tool in the Round).

The sugar and beef programs are, on the other hand, bilaterally determined with foreign exporters to the U.S. either required or ‘voluntarily’ agreeing to limit their exports. Unless a major reform of policies is agreed upon in the Round, it cannot be expected that the U.S. will substantially change its own policies. Rather than seriously negotiating the reform of the sugar and beef policies, the U.S. has, to date, been more prepared to use the policies as levers by which to exact agreement for reform from the EC. The beef producers’ industry body has, in fact, argued strongly that the MIL was never a matter to be negotiated away in the Round and that any attempt to do so would be met by a strong lobbying campaign to have it replaced by some other benefit.\textsuperscript{103} Supporters of
the U.S. sugar and beef programs have their positions further strengthened by the fact that these two programs have not constituted an identifiable cost to the federal budget, a fact which has significantly reduced their vulnerability.

Multilateral reform, for all its problems, is still considered by Australian policy-makers to offer the best hope for agricultural reform. This has been due not so much to the influence of the Cairns Group in the GATT process of the Uruguay Round but to the fact that the major powers are demanders in this Round (their demands centre on bringing new areas, other than agriculture, under GATT discipline), and that the U.S. administration has been prepared to acknowledge the inefficiency of many of its agricultural programs and move in the direction of agricultural reform. What is more important, in terms of Australia’s approach to the U.S., is the potential for the GATT Round to act to assist in reconciling the obvious differences which exist between the administration and Congress over the reform of U.S. agricultural policies.

The stalled finalisation of the Uruguay Round has not as yet moved the U.S. toward any such reconciliation. While the signs of a compromise agreement on agriculture coming out of the Round’s talks have certainly improved (partly because of the Dunkel proposals of late 1991 and the EC proposals of May 1992¹⁴), the Round has yet to perform the necessary role of persuading Congress to moderate its ‘stay tough’ signal to the EC on agricultural reform.

In November 1992, the U.S. and the EC finally reached an agricultural trade deal (the Blair House Accord).¹⁵ This promised to remove the principal stumbling block (an agreement on agricultural trade) to a successful conclusion of the GATT Round. The deal covered many of the outstanding issues of the Uruguay Round and, importantly, promised over a period of 6 years to cut internal farm subsidies by 20 percent; cut import tariffs and export subsidies by 36 percent; and reduce by 21 percent the level of exports receiving subsidies.[Clark, 1992, 1,12] It was estimated by the Australian Bureau of Agriculture and Resource Economics (ABARE) that the Blair House Accord, if implemented, would particularly benefit Australian wheat and beef growers, but that such benefits would very much depend on how the major players implemented a successful Uruguay Round outcome.[Gill, 1993e, 1,4] While formally still in place at
the time of writing, the deal has looked decidedly shaky with France's new conservative Prime Minister Balladur having rejected it as only a 'pre-agreement' and having sought concessions in the areas of goods and services before France would be prepared to accept the deal.[Stutchbury, 1993e, 1,10]

Apart from the problem of the French refusal to accept the Blair House Accord, Australia has recently expressed concern that the U.S., along with the other major countries and trading groups, the EC, Japan and Canada, may concentrate on goods and services reform leaving insufficient time to address the outstanding problems in agriculture.[Hurst, 1993, 10] The recent surprise breakthrough at the July 1993 Group of Seven summit, where the major countries agreed on a package of cuts in protection for 18 categories of industrial products, however, may serve to bring attention back to agricultural reform and move the GATT forward to a successful resolution of the Round by the end of 1993.[Hartcher, 1993b, 1]

Conclusion

Australia's agricultural trade with the U.S., as exemplified by these three sectoral studies, has experienced a number of problems due to the nature of the U.S. agricultural trade policy-making process and the protectionist U.S. policies and programs which it has produced. As a relatively weaker state, many of Australia's difficulties have derived from the fact that the U.S. has greater power-capable resources which it has been able to apply to the determination of sectoral trading outcomes. However, each agricultural sector has revealed different opportunities and constraints upon Australia as it has sought to change or modify U.S. policy, making the attempted application of sectorally-specific resources a worthwhile exercise.

This study has sought to both clarify the nature of these problems, and examine how Australia has approached the U.S. to either have programs removed or have their more harmful effects modified. This chapter has dissected the U.S. policy-making process and resultant policies in each sector and examined Australia's agricultural trade policy-making process. This has served as a necessary prelude to a discussion of how Australia
has approached the U.S. to attempt to secure an amelioration of the harmful effects of these U.S. policies and programs.

U.S. agricultural policy, in the three sectors studied and more generally, has largely been the result of compromises and trade-offs which have occurred between competing state actors, either between the executive and Congress or between actors within various policy-making organs of the Congress, influenced as these actors have been by societal actors. This has meant that once policy has been agreed upon, it has been more difficult to change as this would have involved an unravelling of the bargains already struck. The role of the executive in agricultural trade policy-making has been reduced over the 1980s with its discretion as the policy-implementing agency severely constrained by each program’s provisions. The result has been a reduction in the administration’s discretionary power to moderate the impact of certain agricultural policies in the interests of foreign states (assuming it so desired).

The U.S. has been a major producer and exporter of wheat and beef as well as being an important export market for beef and sugar. As well as having a large and relatively prosperous domestic market, the U.S.’s relatively strong market position has made it a key policy leader in each of these three commodity markets (as in most global agricultural markets). U.S. structural power within the global agricultural markets for wheat, sugar and beef, has meant that the opportunities and constraints available to Australia to improve its outcomes in each of the sectors has been principally determined by the nature of the U.S. agricultural sectoral policies and the U.S. agricultural trade policy-making process.

The wheat policy, sanctioned by the mercantilist desire to undercut the EC’s subsidized exports and to maintain market share, has thus been more susceptible to ideas of trade liberalisation and global agricultural reform than the more domestically-focused U.S. policies on sugar and beef trade. The U.S. sugar program is less likely to be reformed through global agricultural liberalisation given the strength of U.S. proponents of the program. However, the increasingly organized and articulate domestic U.S. societal actors opposed to the sugar program, together with the division of opinion within the executive over the program, have improved the chances of this program being reformed.
On the other hand, the beef policy has not been the subject of such an intense debate between U.S. societal actors. The policy’s instrument of protection, the MIL, has been both less protectionist and less contentious than the sugar quota program and formulated by Congress so as to prevent the executive from diluting its impact on foreign exporters.

While the agricultural trading relationship between Australia and the U.S. in each of the sectors studied has revealed an asymmetry in their power-capable resources (as indicated by the fact that in the three sectors studied, Australia has had a greater need of its trade with the U.S. than could be said for the U.S. in reverse), the ability of the U.S. to translate its greater power-capable resources into control over trading outcomes has varied from sector to sector. Likewise, the opportunities for Australia to improve its outcomes have also varied across sectors and over time.

In seeking to overcome the greater relative bargaining power of the U.S., as derived from its greater power capabilities, Australia has sought to develop sectorally-specific resources capable of application in its bargaining with the U.S. These resources have included a high level of commitment to ideas of agricultural liberalisation, evidenced by many of Australia’s own domestic agricultural policies, promotion of studies showing the benefits of such liberalisation, and its determination to see agricultural reform in any Uruguay Round result; the formation of coalitions (however loose) with U.S. domestic actors as part of its bilateral approach and with other agricultural traders as part of its multilateral approach; and Australia’s promotion of itself as a reliable and relatively unsubsidized supplier either to the U.S. or to third markets. Without the application of such resources, the acknowledgement alone by U.S. state actors of the harm U.S. policies have caused to Australia’s interests, would certainly have been insufficient to influence a change in U.S. policy in any of the sectors.

Despite regular bilateral lobbying and consultative frameworks, Australia has had limited bilateral bargaining leverage to change U.S. policy in agricultural sectors. It has exercised greatest influence through its multilateral coalition-building where it has displayed a high level of commitment to agricultural trade liberalisation. This commitment has been illustrated through Australia’s self-promotion as a relatively unsubsidized agricultural trader and through its provision of intellectual support to those
in the U.S. (amongst both state and societal actors) promoting the removal of subsidies and freer agricultural trade.

Against the influence and pressure of U.S. domestic agricultural interests in the making of U.S. agricultural trade policy, Australia through the application of these sectorally-specific resources and concomitant lobbying and bargaining strategies, has been unable to lever reform from the U.S. to effect more than, at best, a marginal improvement in outcomes. Rather, the effectiveness of Australia's bargaining seems to have been only in terms of controlling the damage which U.S. policies have inflicted, often inadvertently, upon Australia's agricultural trade interests.

Of the three agricultural sectors, only the wheat sector reveals some marginal improvement in outcomes for Australia with the prospect of a substantial improvement should U.S. ratification of the 1993 Uruguay Round result. Such improvements are due to the fact that U.S. policy-making in this sector has been directed more at world market developments than has been the case in the sugar and beef sectors where U.S. import politics have been effectively at work. Thus, Australia's promotion of liberalised trade, both bilaterally and through the Cairns Group in the Uruguay Round, became an effective bargaining resource by striking a resonant chord with those U.S. state actors seeking efficiencies in U.S. agriculture and the liberalisation of agricultural trade. In the wheat sector, Australia has been assisted by the fact that proponents of the U.S. support programs have been less able to disguise their programs' economic costs.

The outcomes from Australia-U.S. bargaining in each of the three agricultural sectors offer some lessons for assessing the likely outcomes from Australia's trade with the U.S. in other sectors. The sectors show that a tightly-drawn program designed by the Congress to support particular U.S. industry interests will offer few opportunities for Australia to improve its sectoral outcomes. Each of the three agricultural sectors expose Australia's weak bargaining position and should access to the U.S. market be at issue, as in sugar and beef, then Australia will have less leverage to exact an improvement in outcomes than where it is in export competition with the U.S., as in wheat. Australia's bargaining for an improvement in wheat outcomes was enhanced (as it could be in other
U.S. export-oriented trade sectors) by the fact that Australia was able to appeal to international liberalising developments to assist in moderating U.S. sectoral policies. Australia’s macroeconomic difficulties and the perceived need to increase export revenue from commodity trade have heightened the importance for state actors of focusing on the international distortions to agricultural trade and the need for global liberalisation. Australian societal actors in these agricultural sectors have used what political influence they have had with the Australian electorate to ensure that their trading concerns (both globally and bilaterally with the U.S.) as well as demands for state assistance, have been brought into the domestic bargaining process. These societal actors have also traded their knowledge and skills from their operations in both the U.S. and global markets for influence in the approaches taken to attempt to improve Australia’s trading outcomes.

Australian state actors have identified agricultural policy as very much a part of general trade and economic policy and important in assisting Australia’s economic adjustment to changes in the global economy. Accordingly, they have encouraged the involvement of societal actors in policy-making (principally through consultative mechanisms) only so long as they were in general agreement with the state actors’ pursuit of a policy of reduced protection for Australian agricultural industries. The sugar sector has constituted a partial exception to this policy with societal actors within the industry, together with Queensland government support, having had sufficient political clout to resist some of the Australian government’s moves to reduce protection.

As with the other sectors of this study, Australia has enjoyed a good political relationship with the U.S. which has at least served the purpose of providing access to top U.S. decision-makers. Australian state and societal actors have become increasingly sensitive to the harm caused by U.S. agricultural policies and have intensified Australia’s lobbying. With this has come the temptation by both Australian state and societal actors to make oblique, if not direct, references to the political relationship. Concern has been expressed at how the damage U.S. agricultural policies have inflicted upon the economic interests of Australia, ‘a friend’, could jeopardise the basis of the good political relationship. Australian state and societal actors have, however, avoided making direct linkage across to other aspects of the political relationship.
The closest the Hawke Government came to making linkage was the general statement made as to the economic difficulties Australia would have in future in upholding its security responsibilities should its trade balance decline further. Recent statements by members of the Keating Government as to trade problems with the U.S. indicate that Australia probably considers issue linkage a double-edged sword revealing greater Australian dependency upon the U.S., in the political and strategic as well as commercial dimensions of the relationship.

Despite the problem of exposing its weak bargaining position, Australia’s bilateral approaches have been the most important in seeking reform of U.S. agricultural trade policies. While Australia has not sought special bilateral arrangements with the U.S., it has been anxious to improve the dialogue with the U.S. administration so as to enhance the prospects of the U.S. being apprised of Australian concerns before potentially harmful agricultural policies and programs are implemented. It was to this end that the Australian government prompted the establishment of a new consultative framework, the Trade and Investment Framework Arrangement (TIFA) in December 1992. Australia considers this formalised arrangement as a supplement rather than as a replacement for the regular and less high-profile channels used by Australian state and societal actors to attempt to influence both U.S. policy-making and program implementation.

Whether it be the unilaterally imposed sugar quota or the ‘negotiated’ restraint agreement of the beef sector, the nature of each program has not only strictly limited Australia’s U.S. market share, but also reduced the opportunities available to Australia (as with other foreign exporters) to improve its trading outcomes through bargaining with the U.S. executive. Even where Australia has been the major exporter to the U.S., as in the case of beef, its share of total U.S. consumption has still been so small that Australia has been in no position to influence a change in U.S. policy.

With the wheat trade, Australia has been concerned with the effect that U.S. policies have had on the world wheat price and on Australia’s access to third markets. U.S. policies, while directed at maintaining both income support and market share for U.S. wheatgrowers and in countering the effect of the EC’s wheat sales, have effectively reduced Australia’s world market share as well as placing downward pressure on the
prices received in that market. Against these imperatives, Australia has not had the sectorally-specific resources necessary to successfully bargain for either a change in policy or a special dispensation. While Australian lobbying has probably been a factor in producing a number of 'could-have-been-worse' decisions by the U.S., it has not been able to influence a change in the income support policy or prevent the expansion in the use of the EEP program.

In its bilateral approach to the U.S., one strategy adopted by Australia to improve outcomes has been that of informing U.S. policy-makers of the costs of the U.S. agricultural policies on specific U.S. economic interests, and more generally U.S. taxpayers and consumers. Sectoral studies such as those produced by the Australian Bureau of Agricultural and Resource Economics have been widely distributed and accepted as credible analyses of U.S. policies.\textsuperscript{108} They have found common cause with U.S. studies which have likewise been critical of the distortionary effects of the U.S. policies.\textsuperscript{109} These studies have been important in influencing the course of the ‘ideas’ debate which has been carried on within U.S. policy-making circles, providing ‘ammunition’ for those within these circles favourably disposed towards free trade or otherwise opposed to the farm programs. While this ‘informing’ strategy has been applied towards improved outcomes in both its bilateral trade with the U.S. and in liberalising global trade, and has assisted in ‘damage control’, it has been unable to influence a change in direction for U.S. agricultural policies.

Coalition-building has been another strategy promoted jointly by Australian state and societal actors. This has been a strategy by which Australia has sought to ‘tap into’ the domestic policy-making process in the U.S. While there has been some evidence of attempts at this strategy,\textsuperscript{110} Australia has been criticized for not taking advantage of the ‘enormous tangible goodwill’ that exists in the U.S. to get U.S. constituents who depend on Australian products to voice their concerns at the effect of U.S. trade policies on Australia and pressure Congress and the administration.\textsuperscript{111} There are, of course, significant collective action problems in Australia seeking to establish workable and effective coalitions with U.S. actors given that the incentives for such action will be much greater for Australia than for the U.S. actors.
To date, there have only been loose arrangements between Australia and U.S. industry opponents of the sugar and beef programs which have constituted nothing more than the sharing of information. Australia is well aware that a U.S. domestic industry interest is generally much more likely to seek to cultivate a relationship with another domestic interest with political capital capable of application in the U.S. domestic policy-making process.

Australia’s frustrations in bilaterally seeking to improve outcomes has helped to move the focus of Australian attention towards the GATT Round of multilateral talks. Australia’s multilateral approach has, since the beginning of the Uruguay Round, always offered greater promise of reforming U.S. agricultural trade policies than has been the case with the other two sectors (steel and international air passenger transport) of this study. This has been partly because Australia and the Cairns Group have kept agriculture on the Round’s agenda, and partly because the U.S. has linked reform of its agricultural policies to like reform by other major traders, something more likely to occur as a result of multilateral trade talks.

Despite the great promise of reform offered by the Uruguay Round, Australian state and societal actors have considered it necessary to use bilateral and multilateral avenues simultaneously to seek to improve trading outcomes. Campaigning for the removal or modification of distorting U.S. policies, both Australia’s promotion of international agricultural trade liberalisation in the GATT Round and the bilateral application of sectorally-specific resources have served the same purpose: to seek to ease the pain being experienced by Australian rural industries as domestic economic strategies are implemented to adjust Australian industry to the exigencies of the global political economy.

In its multilateral approach (and to a lesser extent in its bilateral approach) to changing U.S. policies, Australia has displayed a high level of commitment to the international liberalisation of agriculture. This sectorally-specific resource, while equally applicable in all three sectors, is most expected to produce favourable outcomes in the wheat sector due to reform of U.S. policies in that sector being more directly linked to liberalisation of the global market. This resource has been used by Australian state actors in both their
international (to promote liberalisation by the major traders) and domestic bargaining. Australian state actors, more so than societal actors, placed great store on the ability of the U.S., with the assistance of the Cairns Group, to break its impasse with the EC and for the Uruguay Round to be the vehicle for agricultural reform, both generally and in respect of U.S. policies.

The successful conclusion of the Uruguay Round in December 1993 offered the hope of sufficient reform of agriculture as to improve Australia’s trading outcomes in each of the wheat, sugar and beef sectors. At the time of writing, the agreement was awaiting ratification from national governments. Australia’s role through the Cairns Group and the strategy of stressing global reform of agriculture certainly played a contributory part in bringing about a successful conclusion to the Uruguay Round. However, as focused and as ideologically consistent as Australia’s multilateral approach has been, the successful GATT result undoubtedly owed more to the ability of the U.S. to reach a satisfactory compromise with the EC. It now remains for the U.S. administration to persuade the Congress that such a result is sufficiently in the interests of influential societal actors that it will be prepared to ratify it.

The protectionism exhibited by sugar and beef programs has been a product of the sensitivity of U.S. import politics and Congress’ high level of interest in the formulation and implementation of U.S. agricultural policies over this period. While these programs were placed on the GATT negotiating table, it remains to be seen whether they will, in fact, be changed substantially once the U.S. has ratified the global reform package which resulted from the end of the GATT Round.

U.S. wheat policies and programs have been the product of U.S. export politics and have resulted from the administrations’ responses to international developments and the perceived need to win back market share. In addition to Australia’s multilateral bargaining, bilateral lobbying has been required to address problems of both reduced market share and depressed wheat prices. Of all the sectors of this study, wheat has been the only one where Australia’s sensitivity to the effect of U.S. policies has been recognized by U.S. state actors. There has been some (albeit grudging) acceptance by
the U.S. that the issues of U.S. wheat policies and their effect upon Australia are of some foreign policy significance for their overall bilateral relations.

While Australian state and societal actors have each applied their own skills and expertise in the approaches made to improve trade outcomes with the U.S., increasingly each has acknowledged the shared problems presented by both Australia's weak bargaining position in agricultural trade and the complexity of the U.S. agricultural trade policy-making system. Australia's agricultural trade problems with the U.S. have not been amenable to simple resolution through either the bilateral or multilateral bargaining processes. In seeking an amelioration of these problems and to achieve even marginal improvements in outcomes, Australian state and societal actors have realised that they have had to mobilize and apply, wherever possible, sectorally-specific resources as part of a cooperative, and at times collaborative, approach.

In approaching the U.S. to improve its outcomes in each of the three agricultural sectors, Australia has had limited bargaining leverage because of the ability of the U.S. to translate its greater power-capabilities across into trading outcomes. This has been the case particularly in the sugar and beef sectors where tightly-proscribed programs have been strongly supported by U.S. societal actors so as to restrict access to the U.S. market. In the wheat sector, where the U.S. has been seeking to enhance its exports rather than restrict its imports, the prospects for an improvement in Australia's trading outcomes are a little more promising. Acknowledging these sectoral difficulties, Australia has sought to minimise its problems by taking advantage of the few opportunities that have presented themselves from within either the ideas and/or political debates that have constituted U.S. agricultural trade policy-making. This difficult task has been executed through the development and application of certain sectorally-specific resources.

...
NOTES

45. It is noted that while the import quota has been the principal mechanism used by the U.S. sugar program, the program has also allowed for the use of tariffs and fees.

46. The target prices and the provision of deficiency payments for farmers made it politically possible to bring down the loan rate without threatening the incomes of the farmers.[Gardner, 1990, 35]

47. This variability and resulting market volatility was almost double over the period 1966 to 1980 what it had been between 1950 and 1964.[Becker, 1988, 8]

48. These diversions were made on area bases which had been greatly expanded since the previous diversions of the 1970s.

49. Twenty percent of US cropland was enrolled and a total of US$94.6 billion was paid by means of commodities.

50. The Export Enhancement Program had originated in early 1983 when the US heavily subsidized a wheat sale to Egypt in order to undercut the EC.

51. The EEP program was initially targeted at specific markets with the bonus bushels allowing the price of whole consignments to the specified export markets to fall below the price to both other export markets and the domestic US market.

52. During the period of this study, the EEP subsidy has usually been around US$20-25 a tonne. However, at the height of the U.S.-EC subsidy war of 1990-91, the level of the subsidy was US$50-60 a tonne. The steady trend over the period has been for EEP to be expanding (subsidised wheat was up to 32 million tonnes for 1992 and 1993, targeting up to 30 importing countries) and encroaching upon Australia’s traditional markets. As recently reported, the Australian Wheat Board has been concerned that the June 1993 inclusion of Mexico as a targeted EEP market (against Canada’s exports), constitutes a “step towards using EEP as a general exports promotion programme”.[Wyatt, 1993, 24] It should be noted that with different types of wheat on the world market, some discrimination by quality types will act to reduce export competition between Australia and the U.S., as well as other exporters.

53. With a move by the U.S. to target markets for Canadian wheat (such as Mexico), Australia has recently expressed concern that the Clinton Administration may be about to go beyond countering subsidised sales by the EC and use its subsidy programs as a lever to break into new markets.[Stutchbury, 1993c, 6] Displaced Canadian sales could then well act to jeopardise Australian sales to its traditional markets.

54. Australia has expressed concern at both Canada’s new tariff quotas on Australia’s wheat exports and what has been seen as its increasingly aggressive selling of subsidised wheat sales into Asian markets such as China.[Stevens, 1993b, 4]

55. Australia’s net export returns for sugar for the year ended June 1990 totalled almost AUD$1 billion.[Queensland Sugar Corporation, 1990, 29]
56. While Australia has exported sugar since 1922, it first exported to the U.S. market in 1961.

57. The great majority of sugar exporters into the United States are developing countries from the Caribbean, South America, Africa and the Pacific.

58. Australian canegrowers have estimated that Australia’s exports of 81,511 tonnes of sugar to the U.S. in 1992-93 were about a tenth of the 1980 figure of 800,000 tonnes.[Dowding, 1993b, 28]

59. In 1992-93, Australia exported 81,511 tonnes of sugar to the U.S. worth AUD$55 million. Australia’s quota allocation for the 1993-94 year represented a further cut of 15,275 tonnes (valued at AUD$4.5 million), about 10 percent of its previous allocation.[Shanahan, 1993, 2]

60. It has been a source of frustration for both Australian and New Zealand beef exporters that the U.S., in calculating whether import restrictions would be triggered in any year, has not taken into account the effect of the sizeable U.S. exports to the North Asian markets on domestic U.S. supply.[Barlow, 1992, 1]

61. The size of the quota was determined by a formula which used as its base the average annual domestic commercial production of these prescribed meats for the five years 1959 to 1963. The Agriculture Secretary estimated the likely imports of prescribed meats in the quota year and the quotas were triggered into effect if it was estimated that total imports were to exceed the Adjusted Base Quota by more than 10 percent. The executive had some discretion to suspend the quota and increase the amount of meat imported.

62. This was despite a 1977 International Trade Commission finding that imports were not causing serious injury to the US cattle industry.

63. With the executive discretion (as provided under the 1964 Act) having been applied on four separate occasions to increase imports above the trigger level, the U.S. cattle industry was keen to limit this presidential authority in any future legislation.

64. The trigger level for any year is estimated by having 10 percent added to the adjusted base quota, as calculated.

65. In keeping its quota down, U.S. policy has ensured that, quite often, Australia’s beef exports have had to go into bond in the U.S. until the January of the following year. Large tonnages build up as a result and U.S. processors can then price the product down by holding off from buying until January, when this increased supply of beef has forced the price down.

66. Australian beef exports to the U.S. were restricted in 1993 making it the third consecutive year in which the MIL had been used to restrict Australia’s access to the U.S. market.

67. In the late 1980s, the agricultural sector provided only 2 percent of US Gross
National Product and employed only 2.7 percent of the labour force. [United States Department of Agriculture, 1988, 327].

68. In the formal interagency process, the Secretary of the Treasury is the effective deputy of the Economic Policy Council (EPC) with the Secretaries of Commerce, Agriculture, Defense, Labor, Transportation, State, and the United States Trade Representative (USTR) also being on the EPC. Two additional members are the Director of the Office of Management and Budget (OMB) and the Chairperson of the Council of Economic Advisors (CEA).

69. The decision to aim EEP at the Mexican market for Canadian wheat exports could have been worse for Australia. It was originally feared that the U.S. would also use the EEP for exports to Indonesia, an important market for Australia’s wheat.[Clark, 1993, 8] The fact that Indonesia was not targeted and Australia has escaped from further injury from the application of EEP has been reported as having provoked an angry response from the farming lobbies in Washington.[Lyons, 1993c, 2]

70. While the U.S. Government has introduced production quotas on U.S. sugar producers and has provided penalties for those who broke their quota, the Australian government and sugar industry have not considered these to be enough.[Shanahan, 1993, 2] While Deputy USTR Yerxa has been reported as admitting that 1993-94 sugar quota cuts would hurt Australia, he has linked reform of the U.S. sugar program to a successful conclusion to the Uruguay Round.[Dowding, 1993b, 28]

71. There has been no indication from the Clinton Administration that it is prepared to move to reform the MIL. Australia has been concerned that 1993 has seen a further reduction in its beef quota share from 619,000 tonnes (of 1992) to 571,000 tonnes. This further reduction would place additional downward pressure on the world market price given that a drought had forced Australian cattlemen to liquidate herds sending more meat on to the global market.[Stutchbury, 1993a; Reuters, 1993b]

72. The role of the U.S. Department of Agriculture has been enhanced by the existence within its structure of a Foreign Agriculture Service (FAS), which has been responsible for reporting on overseas agricultural developments, and an Economic Research Service (ERS) which has provided detailed analysis of global agricultural developments and policies.

73. If anything, the Department of State’s involvement could be detrimental to Australia as its allocation could be reduced and partially reallocated to reward or encourage certain policies (such as human rights or democratic elections) by the developing country sugar exporters.

74. Another industry group opposed to the program has been the much weaker U.S. Cane Sugar Refiners’ Association. The Association represented both refiners of imported and domestically-produced sugar making it difficult for the Association to be wholeheartedly opposed to the sugar program.[Interview with a lobbyist/consultant for the Association]
75. The relatively independent position of ABARE should be contrasted with the Economic Research Service (ERS) of the U.S. Department of Agriculture. In a number of interviews, ERS officers complained of the problems they had experienced in providing independent and objective analysis given the pressure from the USDA for them to follow the departmental policy line.

76. Prior to the deregulatory changes of 1989, this power of acquisition and purchase was part of a 5-yearly renewable agreement between the Queensland government and the Federal government. The Corporation's power to compulsorily acquire all sugar produced in the state of Queensland has been criticized by the Industries Commission in its 1992 sugar inquiry Report. In the Commission's view, this power has impeded the growers from responding to changes in market conditions due to the fact that they have marketed their own sugar.[Garran, 1992, 5]

77. In February 1993, the Australian government froze its sugar tariff reduction program (the AUD$55 a tonne tariff was to remain until 1997) ostensibly as a lever to encourage reform from the Queensland government, which has controlled production and pricing. In fact, with at least 7 federal House of Representative seats in the states of Queensland and New South Wales affected by the sugar vote, the move was highly politically motivated.[Stevens and Porter, 1993, 1, 2] The government's decision was contrary to the recommendations of an April 1992 Industries Commission (IC) Inquiry. IC Commissioners have criticized the decision as sending the wrong signals to the industry and as being likely to prompt other industries to seek special treatment.[Power, 1993c, 2]

78. Privatisation of the wheat board, with growers taking up shares in a new corporation (called 'Newco'), was floated in 1992 by industry leaders and government officials.[Bolt, 1992, 3] However, despite the fact that the proposal included retention of the AWB's export monopoly, many growers remained unconvinced of the need to change the existing structure and neither government nor industry have been prepared to move further on having the proposal implemented.[Stevens, 1992, 3]

79. A U.S. General Accounting Office Report, released in June 1992, has claimed that the AWB, like its Canadian counterpart, has constituted an unfair trading practice. The Report claimed that with the AWB's export monopoly powers and government underwriting of its borrowing, together with other assistance such as that under the Australian government's rural adjustment scheme, Australian wheatgrowers were subsidised as much as AUD$180 million a year.[Young, 1992, 5]

80. The Australian Minister for Primary Industries and Energy, Simon Crean, has been reported as being about to announce a review of the AMLC together with a think-tank of industry players to be charged with devising an "industry driven strategy to forge the future for this industry".[Power, 1993a, 5]

81. The AMLC has operated an export quota licensing system which has acted as a control mechanism for the orderly marketing of Australian beef into quota-restricted markets such as the U.S.
82. CSR has retained the exclusive right to market Australia's sugar exports despite the power given to the Queensland Sugar Corporation in 1991 to appoint other marketing agents, if it so desired. CSR has also been the major industry force in the refining of Australian sugar. In 1988, for example, CSR refined 96 percent of Australia's sugar cane.[Interviews with officials of CSR]

83. The Queensland Cane Growers Council has argued for the maintenance of the regulation of sugar production as necessary for the continued financial viability of many canegrowers.

84. The Agricultural Counsellor at the Australian Embassy in Washington together with the Minister (Congressional Liaison), a recently created position the holder of which has the primary responsibility for lobbying on Capitol Hill, are the principal advisors and lobbyists. They are assisted on particular commodity issues by other officers such as, for example, in the case of sugar and beef, a First Secretary (Commercial) who has day-to-day responsibility.

85. A former Australian Ambassador to the U.S., Rawdon Dalrymple, has recently referred to the complexity of the problems facing Australia in seeking to influence U.S. policy and the need for a "very long-term strategy" in its approach to the U.S.[Dalrymple, 1993, 20]

86. Australian Ministers regularly warned the U.S. that the harm that its policies were causing Australia's export industries, especially in agriculture, was producing much ill will within the Australian community. Australian Trade Minister Peter Cook recently commented in Washington D.C. that the future of the Australian-U.S. alliance would at risk if the U.S. did not make further trade concessions.[Lyons, 1993b, 4; Stutchbury, 1993d, 5] While Cook soon backed off from the severity of this statement, it was, in tone, the most recent of a long line of such comments from Australian Ministers on the Australia-U.S. trading relationship.

87. The first negotiations under the TIFA were held in Washington D.C. on June 11, 1993. Australia's Trade Minister Peter Cook used the opportunity to refer to the "concern in Australia about the impact which the aggregation of trade issues on which we are on the receiving end is having on the public image of the US" and also the "concern at the extent to which this could soon start to undermine Australia's capacity to support US leadership on key international issues".[Stutchbury, 1993d, 5]

88. This was not always the case and it was only when the Australia-U.S. Ministerial Meetings (AUSMINT) replaced the ANZUS Council meetings in 1986 that Australia managed to persuade the U.S. to place economic issues on the agenda for discussion at these meetings.[Interview with former embassy official]

89. There have been, without doubt, important members of the U.S. administrations of the 1980s and early 1990s as well as prominent members of Congress who have been positively responsive to the Australia-U.S. political relationship. Given the many calls on their time, the responsiveness of these state actors has, as expected, not been translated across into the promotion of specific Australian trade interests.
90. Australian societal actors have likewise been ambivalent about linking specific trade problems to the Australia-U.S. political relationship. When the Australian Trade Minister Peter Cook recently made reference to the risk to the Australia-U.S. alliance of U.S. trade policies, the President of the Australian National Farmers Federation was reported as responding by saying that Australia should not be provocative in its rhetoric because "it's very hard for a 6-stoner to go and bash up a 20-stoner and that is where we sit".[Lyons, 1993b, 4]

91. A related but more subtle use of the defence 'card' was Prime Minister Hawke's observation that the U.S., by its actions, could well undermine its traditional (conservative) constituency in Australia, and that if a perception developed in Australia that conflict was developing between bilateral defence and economic interests, political support for the strategic alliance could be further undermined.[Interview with former embassy official]

92. In addition to Australian-based studies, Australian officials have been keen to promote those U.S.-based studies which have pointed out the cost to U.S. consumers and taxpayers of U.S. farm programs. One such study, by Kansas State University, has estimated that in 1986, the abolition of the farm programs would have reduced the U.S. trade deficit by US$42 billion.[Quoted in Bovard, 1991, 16] Another, more recent study, by the U.S. General Accounting Office has estimated that in 1990, where Australian farmers received 11 percent of their income from subsidies, U.S. farmers received 44 percent and that had U.S. farm policies been liberalised in 1986, world grain prices, for example, would have been raised 11 percent.[Quoted in Department of Foreign Affairs and Trade, 1992c, 5]

93. One example cited by lobbyists and embassy staff was the success that they believed they had had in ensuring that more adverse provisions did not appear in the 1988 Trade Bill (Omnibus and Trade Competitiveness Act).

94. A "listening post" is considered to be of lesser significance by both the Australians and the Americans than a registered lobbyist. Its primary functions have been to collect information and monitor developments rather than to specifically promote a particular industry interest.

95. One of the first attempts by the Australian government to forge an alliance with a domestic industry interest to try and influence a change in U.S. agricultural policy was with the U.S. defence manufacturers. Even though the Australian market for U.S. defence materiel has been valued at over AUD$1 billion and the defence lobby was responsive to Australia's approaches, Congress was not persuaded to give Australia special treatment on this count.[Interview with former embassy official]

96. Recent reports have estimated that a successful conclusion to the Uruguay Round could add AUD$1 billion to Australia's export income (or about 1 percent to Australia's annual growth).[see for example: Clark, 1992, 1]

97. The Cairns Group of Fair Agricultural Trading Nations, established in 1986 under Australia's leadership, is a heterogeneous bloc that has included both developed (Canada, Australia and New Zealand) and developing (Argentina, Brazil, Colombia, Chile, Fiji, Hungary, Indonesia, Malaysia, Philippines, Thailand and
Uruguay) countries. In the late 1980s, the Group accounted for about 26 percent of global agricultural exports, while the U.S. represented 14 percent and the EC 31 percent of agricultural exports by value. The Group represents the same number of people as the U.S. and EC combined and has established itself as a third force in the ongoing Uruguay Round of trade talks. The Cairns Group has argued that it would not accept a conclusion to the Uruguay Round unless it included agricultural reform. The Group’s proposal in the Uruguay Round has been for the elimination of 75 percent of internal agricultural supports and import protection and a 90 percent reduction of export subsidies, phased in over 10 years. The centrepiece of its proposals has been tariffication whereby all non-tariff barriers to agricultural trade would be converted to tariffs which could be then be progressively reduced.

98. The Australian Bureau of Agricultural and Resource Economics (ABARE) has been reported as recently predicting large gains for the Australian farm sector if a Uruguay Round agricultural package is implemented in a beneficial manner. For example, beef producers were expected to gain by US$173 million while wheat farmers would benefit by US$176 million and sugar producers would receive US$20 million. Overall the Australian farm sector would gain by US$629 million.[Gill, 1993e, 1,4]

99. Under the tariff quota, while existing imports attracted only a tariff of 0.625 cents per pound, any imports over that level attracted a prohibitively high tariff of 16 cents per pound.

100. The Cairns Group has not been without its difficulties in ensuring that all members move in the direction of agricultural trade liberalisation. For example, Canada’s assistance to its wheat and beef growers has recently been a cause of concern to Australia. However, Australia has been anxious to keep the Group together and in the case of Canada, has stressed the importance of its membership as providing a link to the Group of Seven richest industrialised countries.

101. This view is given credence by the fact that the U.S. has continued, and in fact expanded, the use of the EEP over the period of the Uruguay Round talks. Australia has recently accepted that the U.S. is unlikely to remove the EEP before the end of the Round and has changed its plea to one of no further subsidies under the program.[Lyons, 1993a, 11]

102. This is despite the existence of the “fast track” negotiating mechanism which has been provided to the US Administration’s negotiating team. The fast-track mechanism, by which Congress would vote a Uruguay Round package (provided to it by the Administration) either up or down without amendment, has been renewed a number of times with the final renewal effectively extending the Round’s talks to December 15, 1993.

103. The Australian beef industry suspects that should the Meat Import Law disappear as the result of a Uruguay Round agreement, then tariffication would appear to replace it.
104. On 20 December 1991, then GATT Director-General Arthur Dunkel tabled a package (the Draft Final Act) which called for cuts of 36 percent in the value of production subsidies; of 40 per cent in the value of export subsidies; and of 24 percent in the volume of subsidised exports.[GATT, 1991] On 21 May 1992, the EC’s farm ministers agreed on a package including a 29 percent fall in the target price of cereals (the issue where the US and the EC were farthest apart). It has been estimated that this would lead to a drop in export subsidies by 1997. However, the EC package does not call for a reduction in the volume of subsidised exports. The deal on cereals was generally welcomed as probably opening the way for the reform of other programs.

105. This Accord was reached after the U.S. and the EC had nearly halted the GATT reform process altogether over a subsidy battle which had centred around the EC’s refusal to reform its oilseed subsidy program and the U.S. imposition of additional duties on a number of EC exports.[Manchee, 1992, 16]

106. Critically for Australia, the Group of Seven communiqué said that they "looked forward to immediate re-engagement of the multilateral negotiations to complete expeditiously the agricultural market access package, including processed products, as an essential component of the agricultural agreement and of a global and balanced Uruguay Round package."[Hatcher, 1993b, 16]

107. This strategy has been used by Australian state actors in the domestic bargaining process in order to secure the acquiescence of societal actors in an approach to economic adjustment which would involve a minimum of state assistance for Australian agricultural industries.

108. In particular, the 1989 ABARE study on U.S. grain policies and a 1990 study on the sugar policy together with a CSR 1987 study on sugar policy have been cited by those in the U.S. opposed to the U.S. policies in these sectors.

109. Among these U.S. studies was one in 1991 by the Center for National Policy, "U.S. Agriculture: Myth, Reality and National Policy" which found that a majority of U.S. farmers believed that government support programs harmed them internationally.[United States Information Agency, 1991, 4-5] Another study, released in May 1993 by the U.S. General Accounting Office (GAO) found that U.S. support arrangements had raised domestic U.S. sugar prices to twice the world price and had given 42 percent of the program’s benefits to only 1 percent of sugar producers. The report called for an increase in sugar quotas.[Gill, 1993d, 9]

110. Examples of this strategy have included contact maintained between the Australian embassy and the meat importers associations as well as the support given to Australia’s case by certain defence contractors, with whom Australia has been a significant and reliable customer. [Interviews with embassy officials]

111. Bruce Wolpe, a former Washington lobbyist, has recently argued that Australia must participate more vigorously in Washington and employ outside consultants to lobby on its behalf and mobilise Australian constituencies within the U.S.[Wolpe, 1993, 21]