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Forest Policy and Foreign Policy: The Politics of Trade and Aid in a Sensitive World

By

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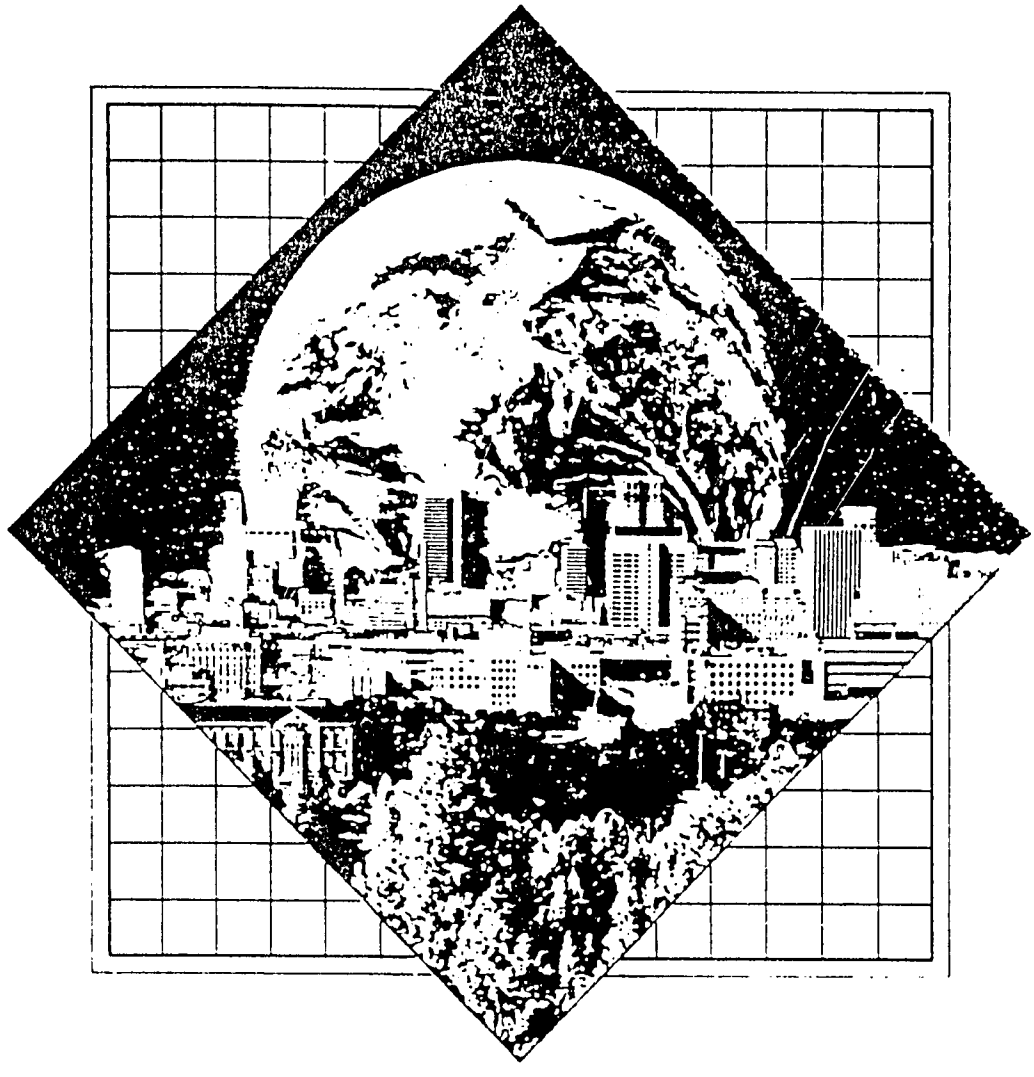
Forests, the World, & the Profession



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FOREST POLICY AND FOREIGN POLICY: THE POLITICS OF TRADE AND AID IN A SENSITIVE WORLD[1]

Jan G. Laarman[2]

ABSTRACT.—International trade and aid depend on relationships which are inherently political. The political picture of U.S. forestry-related trade and aid is difficult to describe. U.S. strategies are still embryonic and often seem to lack coherence and long-term direction. On some issues the U.S. focuses almost entirely on domestic politics, leaving international repercussions to be treated separately. A thorough definition and examination of these political issues will help improve both forest policy and foreign policy.

INTRODUCTION

In its simplest terms, foreign policy consists of two elements. The first is identifying national objectives to be achieved. The second is marshalling means to achieve them. The first element is nurtured by inspiration and vision. The second depends on political will and institutional capacity.

The focus of this presentation will be foreign policy and politics in two specific arenas: (1) the U.S. trade of forest products, and (2) the U.S. role in forestry assistance for the so-called Third World. For most U.S. foresters, trade and aid are the two policy areas most closely identified with foreign affairs. My objective is to briefly describe key political issues in trade and aid as they pertain to forestry and forest products, organizing these into a "big picture" so that we might learn from the total perspective.

THE POLITICS OF TRADE

The politics of U.S. trade in forest products refers to, first and foremost, Washington-Ottawa and Washington-Tokyo relations. Forest products producers in the U.S. believe in free trade for exports to Japan and protected trade for imports from Canada. Japan should reduce its tariffs and other barriers to let U.S. products in. But the U.S. should impose tariffs or quotas to keep Canadian forest products out. Not terribly surprisingly, this apparent inconsistency does not provoke stirring debates in the U.S. It seems that either no inconsistency exists or that, if it does exist, we are content to put consistency behind commercial gain.

This commercial gain is blended with moralism, given that U.S. positions rest on ethical arguments about unjust subsidies (Canada) and unjust restriction from markets (Japan). Hence what to some observers appears as inconsistency is reported by U.S. industry spokespersons as fair play on a case-by-case basis. Morality and economic self-interests conveniently coincide, or so it would seem.

Washington-Ottawa: Tramping on the Mapleleaf

The U.S. forest products trade balance with Canada is enviable, yet we complain about it. We export acid rain, import cheap lumber, and have the gall to cry "unfair." The U.S. lumber industry, unshaken by previous experience, presses steadfastly for a new ruling by the Commerce Department that would impose a hefty tariff on Canadian lumber. New interpretations of the law plus new "facts" nurture new hopes on the U.S. side of the border.

Meanwhile, the U.S. slaps stiff tariffs on Canadian red cedar shingles and shakes precisely during a period when Washington and Ottawa are preparing talks to establish a free-trade pact. Employing an unusual logic, leaders in the Administration levy this tariff against Canada to dispell the notion in Congress that the U.S. needs protectionist legislation. No wonder that Prime Minister Mulroney blustered that it can be

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[1] A paper presented at SAF's National Convention held at Birmingham, Alabama on October 6, 1986.

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"extremely difficult for anyone, including Canadians, to be friends with the Americans from time to time."

On the issue of cedar shingles President Reagan not only showed Congress that he can take a tough stand on imports, but also that he can be kind to key Republic senators in the Northwest. One of those senators, Robert Packwood of Orgeon, is chairman of the Senate Finance Committee and key for Administration attempts pushing tax reform. Sorry, Canadians. We didn't mean you any harm. You just happened to get caught in the crossfire.

Normally, conflicts between Washington and Ottawa are handled through cooperative efforts, consultations before major policy decisions are announced, and maintenance of a sensitivity toward each other's interests. This collaboration has a long and gratifying history. Yet in the realm of forest products and other natural resources (e.g., fisheries, oil and gas), the range of economic incompatibilities has grown. Unilateral initiatives are now more and more common, and there is more and more recourse to chilling public accusations.

In the episode with cedar shingles and shakes we did learn, possibly for our long-term benefit, that the U.S. can be bloodied through instant retaliation. Also, we are learning that these issues are at least as much about pure politics as about technical economics. The Canadian attitude is one of unjustified U.S. protectionism; the U.S. attitude is one of unjustified Canadian subsidies. But political form is at least as important as economic content. Our relationships with the Canadians officially and informally depend on the diplomacy and courtesy with which we execute our policies. Lately, both have been found wanting.

Washington-Tokyo: In the Shadow of the Rising Sun

The U.S. was recently the world's premier supplier, trader, and banker. We still supply, but the Japanese, Germans, and others leapfrog U.S. products in one field after another. We still trade, but the Japanese trade more aggressively. We still bank, but the U.S. changed from being the world's largest creditor to world's largest debtor in just three years. Japan is now the largest creditor, and the U.S. depends on Japan to buy our bonds, finance our budget deficit, and in other ways keep our financial system alive. The change in the balance of world economic power has been astounding, with Japan emerging as the big winner.

Have U.S. forest products been given "fair" treatment in Japan? Members of Congress from the Northwest have publicly stated that fair treatment of U.S. forest products in the Japanese market would help convince them to fight protectionist legislation--much of it aimed at Japan. For the past five years the U.S. National Forest Products Association has argued for no less than complete elimination of all Japanese tariffs on processed forest products as being "fair."

Under this great and unrelenting pressure from Washington, Tokyo finally announced early this year that it will reduce tariffs on processed forest products by amounts ranging from 20-67 percent to take effect in 1987-88. Reaction in the U.S. forest products industries varied from highly pleased to deeply disappointed. This was the first definitive Japanese action on the matter after years of vagueness and inertia. On the other hand, specific U.S. industries—particularly plywood—felt that they were given too little too late. Hence, resentment continues to smolder in certain U.S. quarters.

While Washington often expresses anger at our huge trade imbalance with Japan, Tokyo just as often reminds Washington that its pain is largely self-inflicted. Specifically, the first term of the Reagan Administration featured a "strong dollar, strong America" policy that set in motion Japan's huge trade surplus. Japanese officials claim they support the recent and dramatic appreciation of the yen against the U.S. dollar, despite its wrenching impact on the Japanese economy. Moreover, the Japanese praise Treasury Secretary James Baker III for leading the U.S. towards international coordination in economic policy.

But Tokyo complains that Washington is entirely too impatient. According to the Japanese, the U.S. unrealistically expects to reverse the effects of more than four years of a strong dollar in just a few months. Japan fears quick change as disruptive, leading to real or imagined catastrophes like bankruptcies, recession, and de-industrialization. Japanese officials also voice the possibility that, should the Japanese economy seriously falter under the weight of the hard-hitting currency realignments, Japanese workers will build up resentment against the U.S. Backlash among Japanese workers would be the mirror image of what happened in the U.S. in the early 1980s.

THE POLITICS OF AID

Since the 1950s, the U.S. and other industrialized countries have been providing a continuous transfer of official development assistance to the world's economically "developing" countries, sometimes referred to collectively as the Third World. The expressions of this nation-to-nation aid (both bilateral and multilateral) include disaster relief, military aid, and economic aid. In this last category are forestry projects and other kinds of rural development projects which contain forestry components.

What Do They Think in Peoria?

The U.S. government's role in assisting Third World forestry is well summarized in the recent report of SAF's Task Force on International Forestry. In the SAF report we note that U.S. AID currently spends more than $100 million a year for forestry; that proponents who support strengthening Third World forestry make generous use of deforestation maladies and fuelwood crises in their

arguments; that Washington now has an abundance of policy statements, strategies, and evaluations of U.S. assistance for Third World forestry; but that Washington so far has failed to commit dollars in proportion to the rhetoric. Simple arithmetic indicates that AID's funding for forestry is less than one percent of total U.S. foreign assistance.

The underlying political question on Capitol Hill seems to be: Is tropical deforestation important in Peoria? The underlying answer appears to be: Not if it costs large amounts of money to fix the problem. How do we explain this lack of enthusiasm?

In the first place, since so few parts of the U.S. and its territories are tropical, the issues seem literally far removed. In the second place, we sometimes exhibit notoriously short attention spans and deficient follow-up action. For example, many in the U.S. may believe that Africa's problems with droughts and famines were solved last year when television crews showed the supply trucks finally getting through to starving people in Ethiopia. The American public often forgets that these are long-term problems requiring long-term commitment for their amelioration. In the third place, although we now talk as a matter of course about working together in the global village, not everyone in this country appreciates this interconnectedness. The global village is very real, but only some Americans truly perceive it that way.

Lastly and perhaps most importantly, many regions of the U.S. are having a hard time of it economically. A number of developing countries and newly industrialized countries now export to us large quantities of shoes, textiles, electronics, furniture, and other goods competing with U.S. industries. Foreign aid for potential low-wage competitors is not a terribly popular issue.

Washington's New Doctrines

Since 1980 U.S. foreign assistance policy has been supported on four ideological pillars: (1) increased funding for military aid, (2) increased stress on bilateral rather than multilateral assistance, (3) major emphasis on free markets and private enterprise, and (4) attempts by the Administration to persuade the U.S. banks to step up capital flows to the Third World.

The amount and content of forestry aid is indirectly impacted by each of these ideological doctrines, even though many of them take time to filter down and become assimilated in the bureaucracy. For example, U.S. AID is full of individuals who are still living in the days of Jimmy Carter's basic needs. These individuals resist—or haven't caught up with—Ronald Reagan's private enterprise. Consequently, forestry and related natural resources projects in the Agency are still very heavily focused on fuelwood and social forestry. Only a tiny effort goes towards the more ideologically pure facets of private enterprise and industrial forestry.

The resolution to all of this, of course, lies in semantics. If development officers refer to village men and women as private entrepreneurs, to fuelwood collection as a private enterprise, and so on, the problem of doctrine is solved.

Conditionality

Accompanying the emphasis on private enterprise is increasing stress on conditionality, leverage, and policy dialogue as preconditions for U.S. aid. If Country X wants U.S. loans and grants, Country X must play the U.S. tune. Most of this tune is about eliminating subsidies and price controls, privatizing government-run companies, and reducing government spending. This has led certain officials in developing countries to complain of an overdose of Reaganomics.

The U.S. and other donor countries give aid only because it is in their political, strategic, and economic interests to do so. It is naive to think otherwise. Aid is an instrument of political power to reward, threaten, or punish. The strict moralist may insist on humanitarian grounds as the sole criterion for aid distribution. Yet the U.S. does not give assistance to those who spit on our flag, no matter how poor they are.

The U.S. now seems to have gone beyond that stage to also insist that even friendly countries will not get our help without jumping through a number of reform hoops first. Perhaps we have always subscribed to this policy, but never has it been expressed more fervently than since 1980. Moreover, the U.S. has influenced other bilateral donors and a number of powerful multilateral organizations to follow suit. The World Bank and the International Monetary Fund, in particular, are now ardent proponents of policy-based lending. This means: If you don't clean your economic house, you don't get the money.

The political ramifications of this leverage by the First World on the Third World are still not clear. The economic reforms are bound to do enormous good. But the cost in political relations may be enormous, as well. Honduras is an example of attempted U.S. policy dialogue to reduce the role of the Honduran government in forestry-related enterprise, but where the U.S. proposals were flatly rejected. As the U.S. attempts to re-make a large part of the world in its own image, it has to expect a certain number of refusals.

Multilateral Commitments: Is Pulling Out the Answer?

Conservatives in the U.S. argue that a number of world organizations set up just after the Second World War are now obsolete. Among the organizations some claim to be superannuated are the United Nations General Assembly, UNESCO, the World Court, and the General Agreement on Trade and Tariffs (GATT). The argument is that these and various other international bodies have outlived the purposes for which they were intended, and that new rule-making entities need to replace them.

With respect to forestry and related natural resources, the U.S. has been a long-standing member of international organizations like FAO, UNESCO, UNDP, UNEP, IUFRO, ICRAF, the World Bank, the regional development banks, and other bodies. Yet two years ago we withdrew from UNESCO, and last year the Reagan Administration proposed that we also withdraw from FAO. Finally, the U.S. has decided not to belong to organizations like the World Commission on Environment and Development (created in 1983). The U.S. State Department considered the commission just another United Nations study and not worth a U.S. contribution.

Thus U.S. commitment to multilateral assistance has fallen off considerably. When the U.S. temporarily pulled out of the ILO in the late 1970s, many in the U.S. felt we accomplished our intended objective of scaring the ILO into sensibility. We re-joined two years later. Our withdrawal from UNESCO so far has had some effect on its programs but little effect on its policies.

To the extent that the U.S. continues to be disenchanted with multilateral commitments, we must take a serious look at the consequences. Are we respected for our forthrightness or condemned for our uncooperative attitude? This is the central question in today's difficult policy climate.

Moreover, we need to be alert to the many countercurrents swirling around the U.S. position in multilateral politics. For example, the U.S. has not participated in FAO's Associate Experts program. But Congress recently urged the U.S. Department of Agriculture to explore ways of making this possible. Some in the Department of Agriculture entertain strong hopes that the U.S. will indeed join FAO's Associate Experts program in 1987.

Hence we observe a case in which the Administration proposes terminating U.S. participation in FAO one year, while Congress proposes adding a new form of U.S. participation in FAO the following year. Is this another instance of domestic politics interfering with international policy? Is it confused direction? Is it an innocent inconsistency? Whatever the explanation, it must seem terribly puzzling from outside of the U.S.

Can Donors Cooperate?

One reason why development assistance hasn't always been effective is lack of coordination among the world's various donors. This produces unfortunate consequences, as when several different forestry projects in a given developing country are funded and operated in ways that do not complement each other. Is this a reflection of institutional immaturity? Is it paranoia? Whatever the explanations, the results send a message to governments of the developing countries that the donors do not "have their act together." It also encourages these recipient governments to pit one donor against another.

Thus it is of considerable potential significance that a large number of donor representatives and forestry officials from the Third World met in the Hague in November 1985 and again in April 1986. Their purpose was to discuss practical steps to harmonize and coordinate donor spending for forestry at the world level. They agreed to use FAO's Tropical Forestry Action Plan as an organizing framework, accompanied by support documents prepared by the World Resources Institute. While it is still much too early to judge the fruits of these gatherings, the fact that they even occurred marks a historic milestone.

The plans drawn up in The Hague are not necessarily incompatible with high-level U.S. policy leaning towards decreased multilateralism. The Hague objectives are to increase cooperation, but evidently within an institutional system that recognizes and accepts the individualism of different donors.

A precedent in international economic cooperation came in Fall 1985 when the five largest industrialized countries agreed to coordinate individual national policies to bring down the value of the U.S. dollar. If coordination can be done for the dollar, why not also for the forests? The Hague initiatives for forestry propose stimulating and challenging political arrangements. They are quite possibly the most stimulating and challenging of any now being discussed in world forestry circles.

Reforming the Aid Delivery System: More Politics

Especially in recent years, aid to the Third World is criticized as being ineffective at the field level. Our forestry projects—like projects in other sectors--often are burdened with numerous and complex objectives. The projects may have short timetables in which to produce results. Project officers may be punished for slow spending or conservative spending, but rewarded for quick spending to the limit of available funds. Indeed, accomplishment is registered as much in the process of spending as in actual tangible results afterwards.

Within the U.S. AID structure, most projects are proposed and funded by country-level missions. This affords the advantage that projects can be suited to local conditions. But it presents the disadvantage that U.S. forestry assistance as a whole may lack coherence and strategy. The personnel at the country-level missions often appear to resent visitors from the central bureaus in Washington. Of course, this may not matter since the Washington personnel are so short of travel funds that many find it difficult to get into the field.

These problems have been identified many times before. Moreover, U.S. bilateral assistance is not alone. The aid delivery systems of other countries and international organizations are likewise chastised. In our more than 30 years of development work, why haven't we learned how to do these things more effectively? How do we build excellence into the delivery of foreign aid?

The answers are not immediately clear, and the search for them brings out extremes in political polarization. On the one hand are conservatives who argue for eliminating U.S. foreign aid altogether. At a minimum, conservatives insist on tying the strings of aid much tighter. On the other hand are liberals who urge that this country give much more foreign aid, untie the strings, and not link aid with conditionality (except conditions related to human rights). In between the skeptics and the Utopians are moderates who feel that we do best by pushing ahead incrementally with the present model. The politics of foreign aid are such that this heated debate is not about to end soon. It is one of the great issues of our time.

WHAT IS THE BIG PICTURE?

If we put together these various observations on trade and aid, what kind of picture do we see? There is wide room for differences in perspectives, but a few key themes emerge. One is that the international politics of U.S. forestry now command serious attention in the White House, in Congress, and in the national news media. The issues of forest products trade with Japan and especially with Canada have put our sector and thus our profession on center stage.

Secondly, it can be argued that the politics of forestry trade and aid are being discovered without reference to any master plan or grand design. Rather, we seem to proceed in ad hoc fashion—reacting to the circumstances of the moment—without a long-term strategy. In part, this occurs because we do not chart a deliberate international policy. Rather, we still find ourselves struggling over domestic politics, treating international aspects separately. Our inward-looking tendency explains much of Ottawa's disgruntlement with us. And our lack of a long-term strategy partly explains why development aid moves in fads, shifting from basic needs to private enterprise to something new again in the future.

Moreover, we do not consider commercial gain by U.S. business to be incompatible with good foreign policy. This is most evident when analyzing U.S. positions on trade, but also a factor in the context of aid. For example, a very large proportion of funding by U.S. AID finds its way directly to the U.S. in the form of contracted consulting services, purchase of airline tickets from U.S. companies, acquisition and shipment of U.S. farm commodities for overseas distribution, credits for U.S. merchandise, tuition payments to U.S. universities for international scholars, etc. It should be noted that roughly half of our official development assistance is in the form of loans which are supposed to be paid back—with interest! None of this is necessarily incompatible with sound domestic policy, but much of it makes for thorny international politics.

As we attempt to organize this big picture linking politics with trade, aid, and forestry, we begin to formulate a number of challenging questions that had not occurred to us previously. We perceive the possible existence of inconsistencies that need to be discussed and debated. We are led to define self-interest and altruism, and to classify issues where they overlap versus issues where they conflict. We reacquaint ourselves with the vigorous competition of ideas and ideologies that propel a large and pluralistic society like the U.S. Finally, we welcome this soul searching because we are committed to improve both forest policy and foreign policy for the sake of living in a sensitive world.