

Weekend Roundtable

Opportunity of a Century to Liberalize Farm Trade [\[Cordell Hull Institute \]](#)

Airlie House, Warrenton, 17-19 May 2002

BACKGROUND NOTE AND AGENDA [Agriculture in the Uruguay Round](#) [State of Play in the Doha Round](#)

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LIBERALIZING agricultural trade has been postponed for half a century. The farm bill emerging from the U.S. Congress suggests it could be postponed again, for it is going in the opposite direction to the Bush Administration's proposals for the new round of multilateral trade negotiations, undermining the credibility of American leadership.

High agricultural protection sticks out as the sore thumb in world trade. It impedes development in many poor countries, causes environmental damage, restricts consumer choice, hurts other export industries and generates tension in international relations. Al-ready the issue is expected to hold up progress on other Doha Round issues until there is an agreement, to be sought at the WTO ministerial conference in September 2003, on negotiations to extend the WTO system to investment, competition, government procurement and trade facilitation. So agriculture is again at the heart of global trade negotiations, but that is still not widely appreciated by policymakers, let alone leaders of public opinion.

All this is well understood among economists and trade-policy specialists. In the major trading powers, however, political leaders continue to buy votes in rural electorates with assurances on public assistance to farmers, while the burden on taxpayers and consumers is too small to induce rebellion among urban voters. Taxpayers, consumers and other export industries are hardly aware of what agricultural protection is costing in lost opportunities elsewhere. Nor are they aware that weaknesses in the international trading system are helping to perpetuate poverty, inequality, frustration and resentment, which in turn are fomenting extremist causes and the resort to terrorism.

What is missing is a *process* for drawing together the perspectives of "outside" interests and

concerns in support of governments pressing for the reform of farm-support policies and the reduction of trade restrictions required to sustain them. The disparate views of food processors, financial institutions, the development community, environmental groups, food-safety advocates and independent economists ("representing" taxpayers and consumers) would be more effective if reconciled and promoted in more unison. The Doha Round negotiations are not enough on their own. Negotiators can be brought to the table, but their discussions will not get anywhere unless there is a readiness in governments, legislatures and interest groups to change direction. That's what is worrying about the new U.S. farm bill. It reveals an unwillingness in the Congress of the United States to reform farm-support programs just as the international circumstances are ripe for change - and American leadership could make a difference.

The purpose of the Airlie House meeting is to review the situation and discuss how a process might be initiated that helps, by marshalling data and clarifying issues, to build a new consensus at both domestic and inter-governmental level. Somehow sights have to be raised to a higher plain where governments stand a better chance of reaching agreement on the further liberalization of international trade and investment to the benefit of countries all round the world. What is envisaged is an international program of work and "informal" roundtable meetings.

Agriculture in the Uruguay Round

Although agriculture is covered by the GATT, governments have found the issues "too difficult", repeatedly putting off discussion of them for another day. So the various attempts to liberalize agricultural trade stand in stark contrast to the progress made, in eight GATT rounds, in liberalizing trade in industrial products among developed countries.

When the United States started the effort in 1982 to launch the eighth GATT round, the Reagan Administration proposed extending the GATT system to trade in services, investment measures and the protection of intellectual property rights. It was soon clear, though, that little progress could be made in tackling those "new areas" until serious progress was made in tackling the "old areas" of agriculture, textiles and safeguards.

Over the next few years, in the effort to launch what turned out to be the Uruguay Round negotiations, two series of meetings sought to raise sights.

First, the Trade Policy Research Centre in London convened a series of "informal" roundtable meetings of trade ministers, senior officials, business leaders and independent experts that focused on the need to reform the GATT system. Eight meetings were held in 1982-88 based on analyses (draft reports) that went right back to first principles.

Second, early in 1984 the United States initiated a separate series of Informal Meetings of Ministers, which mostly dealt with procedural issues - and were not based on prepared papers. Two meetings a year were held up to the Brussels ministerial conference in December 1990.

In the spring of 1985, a survey of opinion prepared for one of the latter meetings, held in Stockholm, found that the governments of the participating countries had come to see the strengthening the GATT system as a higher priority than trade liberalization. They recognized that for trade-liberalization agreements to be durable they had to be underpinned

by a framework of internationally agreed rules to which all GATT contracting parties were expected to adhere.

In mid-1986 the smaller agricultural-exporting countries, led by Australia, formed the Cairns Group. As Clayton Yeutter later wrote, "Australia had learnt a lesson from its bitter experiences in earlier GATT discussions where it had too few allies and its proposals, however reasonable and well argued, were quickly isolated and ignored". At the Punta del Este ministerial meeting in September 1986 the Cairns Group and the United States ensured that agriculture was firmly on the GATT negotiating agenda. In the ensuing Uruguay Round negotiations, the Cairns Group was a "third force", holding the feet of the European Community and the United States to the fire until an agreement on agriculture was finally achieved, providing for substantial progressive reductions in domestic support, export subsidies and border protection.

State of Play in the Doha Round

Because it took so long to achieve agreement on bringing agriculture into the multi-lateral trade-liberalizing process, there was little time or patience left to negotiate much actual liberalization. It was therefore agreed to resume negotiations in 1999/2000. The negotiations resumed early in 2000, along with negotiations on trade in services, but before agreement could be reached on a new round of multilateral trade negotiations.

In the Doha Round negotiations, governments now have an opportunity to set about liberalizing agricultural trade, the first real chance since the GATT entered into force. In fact, not since the Repeal of the Corn Laws in Britain and the *système des traités*, following the Cobden-Chevalier Treaty of 1860, has there been a comparable opportunity.

Yet again there is going to be a major confrontation between, on the one hand, the United States and the smaller agricultural-exporting countries and, on the other, the European Union, Japan and the smaller farm-protecting countries. Also in the picture will be the more significant of the net food-importing and net food-exporting developing countries. Account has to be taken, too, of many increasingly effective NGOs interested in development, the environment and food-safety issues.

Among negotiators in Geneva, it is well understood that progress on other major items on the Doha Round agenda, especially on those of interest to industrial countries, depends on substantial progress being made on agriculture. Agriculture is critical to the success of the Doha Round negotiations, which in turn is critical to strengthening cooperation among the democracies in tackling the reduction of poverty and countering the threats to security, especially terrorism, in developed and developing countries alike.

Given (i) the arcane terms in which the issues are discussed, (ii) the diffused effects of agricultural protection and (iii) the tendency for city folk to idealize rural life, it does not take much to obfuscate public debate enough for farm-support policies to survive serious bouts of public criticism. Talk about the "multi-functionality" of agriculture - mostly old arguments in a new guise - is the latest ploy of European and Japanese lobby groups.

Thus it is imperative for an effort to be made to consolidate the forces of trade liberalization in the United States, the widely dispersed Cairns Group countries and other countries vis-à-

vis the forces of agricultural protectionism, not only in the forthcoming trade negotiations but also before then in public discussion.

Expert analysis and advice by authoritative scholars, think tanks and international organizations have amply demonstrated the high costs of agricultural protection and, vice versa, the substantial gains to be had from liberalizing agricultural trade. The distortions of production, consumption and trade in the agricultural sector of the world economy have reached staggering proportions. Even conservative estimates are hard to believe!

The consequences extend beyond exporting the costs of adjustment (unemployment of resources) to other countries, many of them very poor. They extend through intensive-farming methods to damaging the rural environment - to water pollution, soil erosion and all the rest. And today there are generalized fears about the safety of food sold in the shopping malls and supermarkets of even the most affluent societies.

Each of the different voices in favour of agricultural reform is unlikely on its own to bring about change. A way needs to be found to draw them together in a private initiative.

NOTE: A Chairmans' Statement on the outcomes of the roundtable will be release by [Dr Clayton Yeutter](#) in late June, 2002.

AGENDA

Friday, 17 May 2002

FIRST SESSION in the Jefferson Room
Relationship between International Trade, Economic Development and Security Issues

Saturday, 18 May 2002

SECOND SESSION in the Federal Room
Evolution of Efforts to Extend the Multilateral Trade-liberalizing Process to the Agricultural Sector

THIRD SESSION (Federal Room)
Putting Agriculture on a Par with Manufactures in the WTO System - Time to Tackle the Anomalies

FOURTH SESSION (Federal Room)
Conflicts between Domestic Goals and International Commitments in the Major Trading Powers

FIFTH SESSION (Federal Room)
Impact of Agricultural Protection on Other Sectors of the Economy and Sections of Society

SIXTH SESSION (Federal Room)
Impact of Agricultural Protection on Developing Countries, the Environment and Food Safety

SEVENTH SESSION (Jefferson Room)

What has to be Done, Domestically and Internationally, to Resume the Momentum of Trade Liberalization?

Sunday, 19 May 2002

EIGHTH SESSION (Federal Room)

Could a Failure to Liberalize Agricultural Trade Affect Progress in Liberalizing Trade in Other Sectors

NINTH SESSION (Federal Room)

Consolidating an International "Coalition" for Liberalizing Trade in Agricultural Products