

## **Earning a Seat at the Table**

### **WTO Symposium on Current Issues Facing the World Trading System**

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**Friday, 6 July 2001**

**World Trade Organisation - Geneva**

Thank you for the invitation to speak about current issues facing the world trading system.

I would like to leave you with three messages:

1. The WTO is one of the world's institutions that can help sort out the mess in global agricultural trade that is wasteful of resources, in too many cases harmful to the environment, detracts from food security and hurts the interests of the world's poor.
2. There has to be a way of sorting out input into the WTO by NGO's that represent a legitimate point of view that will take the world forward.
3. Which NGO's have a legitimate point of view must come from sound principles of governance like transparency of membership and funding; open elections for officials; and open processes for debate and policy development.

There is a huge problem facing the world today - one we are all morally and duty bound to address.

The problem is that there are six billion people on the planet today, four fifths living in poor countries, many in poverty and underfed with inadequate housing, sanitation, medicine and so on. UN demographers tell us there will be up to another six billion people on the planet in 50 years time. That is, the output of food, clothing, shelter, medicines etc will have to double over the next 50 years if we are going to care for the people on the planet.

But how are we going to double output if we are not going to double the amount of cleared land, fertiliser, energy, cement and all other inputs? Because many people argue the planet's resources are already far too stretched. The problem we face is to double output *without* using any more inputs over the next 50 years. How are we going to do that?

There is an answer: by doubling productivity - that is producing more crops, but not using more water; transporting more goods without but using more energy. It is only by doubling productivity that we can 'square the circle'; that is, provide for the next six billion without damaging any further the planet's environment.

Doubling productivity over 50 years is achievable. It is less than 2% per year, but it remains a big ask and it requires several things:-

1. Allowing the production of goods to occur in those parts of the world where there is a comparative advantage. That is, where the resources for the production of those goods permits them to be produced most efficiently;
2. Allowing consumers the right to choose for themselves the goods they want to buy for the price they want to pay;
3. Allowing trade to be unimpeded both internally and between countries;
4. Where environmental issues arise resources should be priced correctly with the right domestic policies;
5. Private companies will have to continue their commitment to R&D with the right incentives to invest in the areas where prospects look best. Some government commitment will also be required.

From this it follows that we need to get governments out of markets as much as possible to allow the free flow of goods and services around the world. For manufactured goods this mostly happens now, the exception being textiles. But for agriculture global trade in farm products has been liberalised only slowly. While tariffs on manufactured goods have dropped from averages of 40% to 4% over the past half century, agricultural tariffs have stayed in the 40-50% range.

Agricultural trade's most fundamental problems lie at the domestic level. Within the OECD, annual state payments to the agricultural sector exceed Africa's entire GDP. And domestic support in America, Europe and Japan accounts for about 80% of the world's total. [1]

This is not new. Back in 1988 a famous New Zealand Minister for Overseas Trade and Marketing said in a speech on the GATT in London:-

*"There is economic logic to agricultural liberalisation but there is also a moral imperative. A world where half the people starve and the other half diet is barbaric. Outside the arms race there is no more pressing issue for world leaders to address than the insanity of world food production and distribution"*[2].

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In Australia we would say "more strength to his right arm" because that man is now in a position to provide global leadership for the policies he articulated so well more than a decade ago.

In the mid-1980s there was passion and anger about the huge cost of agricultural protectionism and the havoc it wrecks on poor countries. But where is that anger today?

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[1] The Economist (2001) "Special report on agricultural trade", June 9<sup>th</sup>, pp 73-76.

[2] Moore, M. (1988) 'Protectionism and the Uruguay Round: towards a new broad and bold coalition for a successful GATT round in agriculture', speech to the Commonwealth Seminar, London July 18

Today the outrage has become confused and misguided and the rich world appears to be more concerned about butterflies than about human misery and the worlds' poor.

The weight of economic evidence shows that market-friendly policies work best: secure property rights; reliable enforcement of contracts; a liberal trade regime; low taxes and public spending; and putting the welcome mat out for foreign investors<sup>[3]</sup>.

The members I represent have learnt from bitter experience that when governments intervene in agricultural markets the results are costly, unnecessarily wasteful of resources, damaging to the environment, they impede, not help, food security and they hurt the interests of the worlds poor who are mostly engaged in agriculture.

Instead of being directed at the injustice and waste caused by agricultural protectionism, the visible anger in society today is directed at the very institution that can do something about it. There are NGOs who view trade as a threat and the WTO as the cause rather than the solution to poverty and economic backwardness.

They argue that genetically modified food should not be allowed. Others argue that open trade damages the environment. None of these NGO's offers a solution to how they are going to adequately care for the people on the planet now, let alone the next six billion that are coming.

Note that transferring resources from the rich to the world's poor will not fix this problem. Transferring money does not lift productivity. And rich countries will not vote for a lower standard of living. It is only by doing sensible things like R&D and letting markets work will we have any hope of meeting the planet's needs.

Some NGO's, the WWF to name one, recognise the damage that subsidies can do. They argue (correctly) that fishing subsidies simply encourage the depletion of the world's fish resources.

In cases where agricultural subsidies have been removed the environment has benefited. New Zealand is an example of this. And this is why the Everglades Trust is opposed to the US sugar program. So some NGO's put forward sensible solutions that might address the world's problems, other NGO's put forward so called solutions, which will perversely make matters worse.

So we have a WTO, which is the one multilateral institution capable of making a contribution to helping a better allocation of resources around the planet, which could help alleviate poverty, coming under threat.

In 1995, a UN report on global governance suggested that nearly 29,000 international NGOs existed. Dozens are created daily.<sup>[4]</sup> The time has come for the WTO to develop a set of criteria that NGOs must meet before they are given any status before the Secretariat.

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<sup>[3]</sup> The Economist (1996) "The mystery of growth", May 25<sup>th</sup>, pp.15-16

<sup>[4]</sup> The Economist (2000) "Sins of the secular missionaries", January 29, pp.25-27

What is required is for those NGO's seeking to be represented at the WTO to have some legitimacy. Now legitimacy is not whether someone else's arguments are the same as mine. Rather, legitimacy comes from principles of good governance. These principles are universal. Legitimate NGO's should meet certain criteria such as transparency of membership and funding; open elections for officials; and open processes for debate and policy development. I am sure you will think of others.

The NGO that I represent meets all of these hurdles. I represent the National Farmers' Federation, which is the single, national voice of Australia's farmers. Our membership includes the leading farmer organisations from every State in Australia as well as the national commodity associations representing Australian producers of beef, sheepmeat, pork, chickenmeat, wool, cotton, dairy, cereals, sugar and rice.

My organisation has learnt from bitter experience that the steady advocacy of financial deregulation, tariff reform, taxation reform and industrial relations reform produces the best outcome for Australia.

Australia's farmers are strong supporters of the World Trade Organisation. Australia was one of the original 23 signatories to the GATT in 1947 because we firmly believe in a rules-based multilateral trading system.

Yet our farmers are forced to operate in a world trading system, which does not pay proper regard to the cause of agriculture and continues to have rules that discriminate against agricultural trade.

In more than fifty years of the GATT agriculture has only been seriously addressed once. In the Uruguay Round large cuts were agreed in all forms of agricultural support. You'd have thought that the result would have been large reductions in agricultural protection. But you would be wrong. Today, total agricultural support is as high as it was in the mid 1980s, and that period had the highest support levels in the past half century.

The world is yet to achieve the liberalisation of trade in agriculture. The task of achieving this goal is taking longer than we would like, but we should not give up the struggle. There are very real problems to solve here. The stakes are high. And those NGOs that want a seat at the table to discuss these issues need to understand that it is a conditional privilege, not a right, to be there.

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