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Opportunity of a Century to Liberalize Farm Trade

Weekend Retreat

Airlie House, Warrenton, 17-19 May 2002

SUMMARY OF DISCUSSION

THE below fifteen points summarize what I heard, observed and concluded from the roundtable meeting at Airlie House, Warrenton, on 17-19 May 2002:

1. **A Strong Commitment to Further Agricultural Trade Liberalization** and to a bold, deep and ambitious liberalization package. The roundtable meeting produced little support for modest, mildly incremental moves toward liberalization, representative of past experience. The general feeling was that much of the world has been patient, waiting for trade liberalization, for far too long and that continued patience will not be the order of the day in the Doha Round negotiations.

2. **A Commitment to Build on the Foundations of the Uruguay Round** – market access, export-subsidy disciplines and production-subsidy disciplines, along with the sanitary and phytosanitary agreement. No one suggested altering the basic modalities of the Uruguay Round agreement on agriculture or a re-inventing of the “agricultural trade-policy wheel” in any significant respect. In particular, the participants wanted to build on the tariffication base established in the Uruguay Round agreement; and everyone seemed to agree that market access would be the principal focus of the Doha Round negotiations on agriculture. At the same time, there seemed to be concurrence that the full phase-out of agricultural export subsidies must be incorporated in the Doha Round results, but there was little discussion of that point, for it was essentially a given. There was considerable discussion, though, of production-subsidy disciplines, precipitated by the recent passage of new U.S. farm legislation. Many participants felt that the amber, green and blue box categories that emerged from the Uruguay Round negotiations are ill-defined and subject to abuse. Participants were also worried about the potential for impeding trade through

regulatory actions based on alleged food-safety concerns. Everyone recognized that this was a subject that would occupy a lot of time in the Doha Round negotiations and in the deliberations of relevant standards-making bodies.

3. A Commitment to a Multilateral Negotiating Approach since most agricultural trade issues are multilateral in scope. Participants expressed reservations about the recent proliferation of bilateral and regional free trade agreements because of their shortcomings in dealing with agricultural issues. The view that agriculture should not be excluded if and when such FTAs are negotiated was strongly held, but there was a clear preference for the multilateral approach. Bilateral and regional FTAs are inherently discriminatory, which adds complexity and confusion to all the discrimination that already exists in agricultural trade policy.

4. A Recognition that Without a Major Agricultural Component the Doha Round is Doomed to Fail. This may well have been the most important conclusion of the roundtable meeting. It should be emphasized over and over again during the negotiations. It should also be communicated to the non-agricultural groups that have a strong interest in the success of the Doha Round negotiations and the WTO system generally. There is an inclination on the part of those who seek progress on other issues (industrial tariffs, services, intellectual property, investment, the environment, competition policy, government procurement, etc.) to focus on those issues while hoping that always-contentious agricultural issues will go away. The roundtable participants agreed that this would be not only naïve but also dangerous. In the absence of substantial trade liberalization in agriculture, the Doha Round negotiations will implode, jeopardizing the entire WTO system, with major political and economic risks to the world as a whole.

5. A Commitment to the Full Involvement of Developing Countries in the Negotiating Process. All participants were agreed that the Doha Round negotiations on agriculture could not be a U.S.-European Union exercise, or even an exercise focusing principally on the United States, the European Union and the Cairns Group. All developing countries with substantial interests in agricultural trade – as exporters, importers or both – will have to be actively involved. And developed countries must help with “capacity building”, however that term is defined, to make sure that developing countries can participate in a meaningful way. Otherwise, the results will be second-guessed and criticized endlessly. The caveat to this, however, is that developing countries should not expect the Doha Round negotiations to be a “free lunch” exercise, with benefits provided by the developed world without obligations being undertaken by the developing countries. It was pointed out repeatedly during the roundtable discussion that most developing countries have onerous agricultural import restrictions – which work to their own disadvantage and to the disadvantage of their fellow developing countries. One of the major objectives of the Doha Round negotiations, in the view of the roundtable participants, should be vastly improved market access between and among developing countries.

6. A Recognition that Developing-country Interests are not Homogeneous, which suggests that there are severe limitations on providing broad-based special-and-differential treatment, as attempted in the past. The general conclusion was that this gives

short shrift to developing countries whose needs and priorities vary tremendously. The Doha Round negotiations need to deal with developing-country agricultural interests in a much more individualized and customized manner, rather than lumping them together in a doomed effort at homogenization.

7. A Recognition that Food Security will be an Important Dimension of the Doha Round, for the world's population will increase dramatically during the next half century. In addition, participants recognized the particular challenges of hunger and malnutrition in major parts of the world. But everyone agreed that forcing domestic production increases through inefficient production practices is not the answer. That may do little more than waste precious natural resources, with attendant and irreversible environmental damage. The far better answer is to define the food-security challenge in a sophisticated manner, and be systematic and methodical in negotiating a thoughtful, reasoned response to that challenge.

8. A Recognition of the Need for Developing a Solid Factual Base on which to Proceed. In prior multilateral negotiations, there was little empirical evidence available to support the benefits of agricultural trade liberalization. But that is no longer the case. We now have a track record from the Uruguay Round, NAFTA, Mercosur and some of the significant bilateral agreements (for example, the U.S.-Japan agreement on beef) that can be studied, evaluated and critiqued. From that factual background, we should be able to extrapolate recommendations for the Doha Round negotiations. This holds not only for agriculture but for other segments of the negotiations as well. Roundtable participants strongly encourage an effort to develop and embellish this factual base, in all interested countries, and to share the results in a transparent way with Doha Round negotiators. The factual base should encompass not only increased economic growth, expanded trade flows and other traditional success indicators, but also expected environmental impacts, employment effects, the opportunity cost of the *status quo*, the consumer cost of import protection, etc. The general view of the participants was that too many of the benefits of trade liberalization go unrecognized, whereas the costs – though they may be far smaller – immediately provoke a strong political reaction. Hence public support for trade liberalization is not nearly as strong as it would be were the cost/benefit tradeoffs fully understood.

9. A Recognition that Food Safety and Environmental Regulations Loom as Major Barriers to Further Agricultural Trade Liberalization. This suggests the need for a concerted effort at risk assessment and the transparent communication of the magnitude of any risks that are identified. Many roundtable participants believe that governmental entities, particularly in developed countries, have chosen to regulate in areas where food safety or environmental risks are miniscule, frequently frightening consumers in the process, while often failing to regulate effectively where risks may be much greater (but where the public is seemingly less interested). The general view was that WTO rules in this area should be science based, as is the intent of the present Sanitary and Phytosanitary Agreement, but that a high priority should be given to achieving far greater international harmonization in this contentious area. There was also agreement that too many of these debates have become inordinately politicized, with more emotion than reason in the

arguments. This whole area would benefit from a lower profile, systematic, considered attempt at the development of widely accepted rules and standards.

10. Widespread Concern with Recent U.S. Farm Legislation and with Recent Trade Policy Decisions by the United States and other Developed Countries. Many roundtable participants expressed the view that the U.S. farm bill is a source of enormous discouragement to agricultural producers in the rest of the world, particularly as it is combined with the features of the European Union's Common Agricultural Policy. It was noted that there is just no way for other countries to compete with the massive subsidies of the European Union and the United States, and no way for them to offset the farm income declines that will occur if these subsidies stimulate additional production, thereby reducing global price levels. There was a strong plea for the United States and the European Union to consider the impact of their policies on the rest of the world, and for them to right their agricultural trade-policy ships in the Doha Round negotiations. Unless and until that occurs, roundtable participants hold out little hope for a successful Doha Round agreement; and many expressed concern that this could lead to increasingly bitter trade controversies between and among WTO member countries.

11. A Recognition that there is Little or No Momentum for Trade Liberalization Today. This point was made with vigor by a former minister, who emphasized the adverse impact of recent trade-policy decisions in the United States and elsewhere, all of which suggested that governments seem to be tilting toward protectionism rather than toward trade liberalization. Presumably this suggests there is also greater public support at present for protectionist actions than for open markets. Unless this changes, there is not much point in delegations expending time and effort on the Doha Round, either on agriculture or on anything else. Other roundtable participants noted that support for further liberalization is even lacking within the agricultural community itself, notwithstanding the obvious benefits to agriculture, which emanated from the Uruguay Round agreements, NAFTA and other trade-liberalizing agreements. The critics have been controlling the airwaves; and proponents of liberalization have been far too tepid and passive.

Although agreeing with all those comments, no one at the roundtable was prepared to "throw in the towel", wanting to proceed with the Doha Round and a commitment to work on generating far greater public support as the negotiations unfold.

12. A Recognition of the Need to Build Support Coalitions – in response to the situation just described. Again and again roundtable participants emphasized that support for agricultural trade liberalization should come from many groups not generally considered to be within the "agricultural community". Agricultural interests, in all countries, need to identify those groups, approach them, persuade them of their common interests, and then seek their involvement and support in the Doha round agricultural negotiations. These would include *humanitarian groups* with a strong interest in hunger/nutrition issues; *development groups* with an interest in the problems of poor countries; *environmental groups*, with interests in the excessive use of agricultural chemicals, the conservation of natural resources, the preservation of biological diversity, etc.; *consumer groups*, with an interest in the cost, availability and quality of foods; *taxpayer groups* who question the merit of massive government subsidies; *academics and other trade-policy "gurus"* who

observe the magnitude of agricultural trade distortions and the adverse impact of such on global agricultural productivity; and others.

13. A Recognition of the Need for a More Imaginative Multilateral Agenda for the Doha Round negotiations. Several participants pointed out that the Uruguay Round agenda excited people, not just because agriculture was at the forefront for the first time, but also because it encompassed other new issues such as services and intellectual property. In addition, it focused on improving the GATT as an organization and, too, on reforming what had become an increasingly abused dispute settlement system. There was something of significance on that agenda for every member country. By contrast, the Doha Round has not yet created a similar level of excitement, even though the agenda is now considerably more ambitious than what was under discussion earlier in Seattle. This is an issue that demands attention between now and the next WTO Ministerial Conference, in Cancun, Mexico, in September 2003. Unless governments and the private sector become more enthused about the multilateral negotiating agenda, not much is likely to be achieved in the Doha Round negotiations – in which case attention will turn to bilateral and regional negotiations, not likely to be nearly as beneficial to agriculture.

14. A Desire to Counter Anti-Globalization Forces. Roundtable participants see the anti-globalization fervor as being ill conceived, misguided and usually characterized by self-aggrandizement. It is an effort borne out of ignorance, focused on an outcome that would be self-destructive, often driven by institutional agendas only peripherally related to trade, if at all. Participants also believe that these groups essentially have had a “free ride” to date, helped by a media that relishes controversy, irrespective of motive or impact. The hope among roundtable participants is that proponents of trade liberalization will begin to focus on countering and neutralizing these forces. In doing so, one must stress (1) the benefits that flow from a broad, global approach to business decision-making, by contrast to a parochial approach; and (2) the damage that will be done to the economic well being of millions of people throughout the world if the isolationist views of anti-globalization forces were to prevail. Roundtable participants do not see this as a transitory issue; they do not believe it will recede in relevance until it is countered effectively with common sense, knowledge and reasoned responses.

15. A Recognition of the Need for Additional Roundtable Meetings in several locations in different parts of the world. Although participants were pleased with the substantive discussion at Airlie House, and with the consensus that emerged on many key issues, there was unanimous agreement on the need for additional meetings during the course of the Doha Round negotiations. The subject matter of later meetings should be similar to what was discussed at Airlie House, but adapted to changes in the negotiating environment from one meeting to the next. Future agendas should also be adjusted in deference to the agricultural priorities of the geographic area where a particular meeting is being held. And as the Doha Round moves toward a conclusion on agriculture, greater interchange between roundtable participants and key negotiators will also be in order.

The Cordell Hull Institute will organize further roundtable meetings and coordinate distribution of their work products. The Institute will prepare an informal “Chairman’s Statement” at the conclusion of each symposium. It will also prepare a more comprehen-

sive report toward the conclusion of the series as a contribution to public discussion. The participants in the Airlie House meeting will constitute an open-ended study group for this series of roundtable meetings. Others will be added to the group as the series continues.

CLAYTON YEUTTER
Roundtable Chairman and
Chairman of the Cordell Hull Institute

26 May 2002
Washington, DC