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2 August 2002

Opportunity of a Century to Liberalize Farm Trade

Statement by Clayton Yeutter

In Doha last November the World Trade Organization launched a new “round” of multilateral trade negotiations. The central issue is to put into effect the agreement reached in the Uruguay Round negotiations of 1986-1994 on liberalizing agricultural trade. To discuss what has to be done to build consensus and support for the substantial liberalization of agricultural trade, the Cordell Hull Institute convened at Airlie House, Warrenton, Virginia, on 17-19 May, a high-level meeting of specialists on trade, agriculture and development, mainly from the United States, but also from a few other countries, including Australia, and international organizations. Forty two took part in the meeting, which was chaired by Clayton Yeutter, who as the U.S. Trade Representative played a significant role in the launch of the Uruguay Round negotiations and then, as U.S. Secretary of Agriculture, played a significant role again in the “crunch period” of the negotiations.

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SUCCESS in the Doha Round negotiations depends on substantial progress being made in liberalizing agricultural trade – which has already been postponed for half a century. On agriculture the United States has submitted a bold and courageous proposal. It is now up to the European Union, Japan and others to respond in like vein if progress is to be made on services and industrial products, as well as systemic issues.

Moreover, now that the U.S. Administration has finally got “fast track” negotiating authority, the heavy lifting can begin to build momentum in the negotiations. Too many governments and legislatures in industrialized countries are still balking at tackling the “unfinished business”, the accumulated grievances of previous rounds, by confronting

entrenched protectionist interests in their own backyards. Many chickens are coming home to roost.

Thus it is time to stop berating the United States over the Farm Act of 2002 and the earlier steel, lumber and other decisions that reflected domestic politics in the effort to get trade-negotiating authority through an evenly divided Congress. Yes, those events were setbacks, but the situation is not irretrievable.

After all, the effort to launch the Uruguay Round negotiations of 1986-1994, in and of itself, pulled the multilateral trading system back from the brink. Those negotiations began the process of reforming and extending, in line with the integration of the world economy, the rules-based trade regime established after World War II and ended by instituting the World Trade Organization. In particular, the negotiations settled a framework for extending the trade-liberalizing process to agriculture, but only after a long and acrimonious struggle.

Unfortunately, these hard-won successes led to complacency, for the Group of Seven governments did little to maintain the momentum of the Uruguay Round negotiations. So when the second WTO Ministerial Conference decided to prepare the ground for a new round, it took three and a half years of “talks about talks” to reach agreement on the negotiating agenda, which was finally done in Doha last November.

Negotiators in Geneva are well aware that progress on agriculture is critical to achieving a worthwhile outcome in the Doha Round negotiations. They know, too, that progress in the negotiations as a whole is vital to international cooperation in alleviating poverty, the source of deep-seated grievances, international tensions and perhaps even global terrorism.

What Now has to be Done?

Much of the world demonstrated disappointment and frustration over the new U.S. farm legislation, which seemed to take Washington by surprise. In other countries, it was seen to be contrary to the spirit of the Uruguay Round agreement on agriculture, and inconsistent with the objectives of the Doha Round negotiations.

Converting “emergency” supplementary budgets under the Freedom to Farm Act of 1996 into permanent farm support amounts to an increase in “base line” production subsidies. Increases in assured subsidy levels are an incentive to produce more, irrespective of global price levels. Writing “circuit breakers” into programs, in case WTO-agreed limits of support look threatened, is cold comfort to those who seek further agricultural policy reforms throughout the world.

Nevertheless, proponents of agricultural trade liberalization have to move on, for the U.S. Administration has not forgotten its original objectives. In Geneva at the end of July, it proposed dramatic reductions in agricultural tariffs (with a recommended cap of no

more than 25 percent), the phase-out of export subsidies in five years and a limit on trade-distorting domestic supports of 5 percent of the total value of a country's agricultural production. There were a number of additional suggestions that are also "export friendly".

In looking ahead, governments must recognize they are in a hole, so the first thing is to stop digging themselves in deeper. Second, it is necessary to recall how they fell into the hole, having dug themselves out of an earlier one with the Uruguay Round agreement on agriculture. Third, it is necessary to look around the hole to assess the situation in the Doha Round negotiations. Fourth, it is necessary to look up and figure out how to climb out and, once on the surface, proceed without falling into other holes.

PREDICAMENT IN THE DOHA ROUND

Role of the Cairns Group

The Cairns Group is a coalition of smaller non-subsidizing agricultural-exporting countries, formed just before the ministerial conference in Punta del Este in September 1986, the meeting that launched the eighth and last round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). In the ensuing Uruguay Round negotiations the Cairns Group pushed hard to keep agriculture in the forefront until agreement was reached on a framework for liberalizing agricultural trade.¹

I later wrote, in a review of the negotiations: "Australia had learned 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."² Its allies in the Cairns Group, accounting for a third of world agricultural exports, include Argentina, Brazil, Canada, Chile, Indonesia, Malaysia, New Zealand, the Philippines, South Africa, Uruguay and Thailand.³

The Uruguay Round framework for liberalizing agricultural trade provides for "substantial progressive reductions" in domestic support, border protection and export subsidies. As a basis for negotiating commitments, and for monitoring progress, governments also agreed on "an aggregate measurement of support", based on

¹ See my paper, "Critical Role of the Cairns Group in Liberalizing Farm Trade", in Andrew Stoeckel and Hugh Corbet (eds), *Reason versus Emotion: Requirements for a Successful WTO Round* (Canberra: Center for International Economics, 1999).

² "Bringing Agriculture into the Multilateral Trading System", in Jagdish Bhagwati and Mathias Hirsch (eds), *The Uruguay Round and Beyond*, Essays in Honour of Arthur Dunkel (Berlin, Heidelberg and New York: Springer, 1998).

³ The other six members are Bolivia, Columbia, Costa Rica, Fiji, Guatemala and Paraguay. For a while Hungary was a member until it decided to withdraw in order to prepare for membership of the European Union.

T.E. Josling's "producer subsidy equivalent".⁴ In addition, governments agreed that the non-tariff barriers to trade used to underpin farm-support measures should be converted into tariffs to make levels of protection both transparent and easier to reduce.⁵

Alas, the succession of crises it took to achieve these breakthroughs meant that there was little time, energy and patience left in which to negotiate much actual liberalization. So the United States and the Cairns Group were obliged, in order to conclude the agreement, to accept last-minute changes and settle for a commitment to resume negotiations in 1999-2000.⁶

Failure to Build Consensus and Support

The negotiations on agriculture resumed in early 2000, along with negotiations on trade in services (and other items on the WTO's "built-in agenda"), well before an agreement could be reached on the launch of a new round of multilateral trade negotiations.

At the second WTO Ministerial Conference, held in Geneva in May 1998, governments decided to prepare for another round. At that stage, however, none of the major trading powers had begun building a domestic consensus in support of further liberalizing international trade and investment. Moreover, the U.S. Administration had not secured from Congress the renewal of "fast track" trade-negotiating authority, which had expired in 1994. This failure, after four attempts, indicated to other governments that the United States was not yet engaged, let alone ready to negotiate.

After the Seattle fiasco, as the third WTO Ministerial Conference is recalled, there was a year's hiatus as governments waited for the 2000 elections in the United States and the arrival of a new administration. Discussions on launching a new round resumed early in 2001 on the initiative of the European Union and Japan. With the next WTO ministerial meeting due towards the end of the year, the aim was to launch the negotiations on the basis of a comprehensive agenda, believed necessary to accommodate the interests of all member countries.

⁴ The time it took to reach this agreement, from an idea in 1971 to the WTO entering into effect, is testimony to the determination of low-cost agricultural-exporting countries to expose the levels of protection and support that the major industrialized countries are prepared to tolerate. See Stefan Tangermann *et al.*, "Negotiations on Farm-support Levels", *The World Economy*, Oxford and Boston, September 1987.

⁵ These were the reasons why the GATT's original architects regarded the tariff as the preferred instrument of protection and, in Part II of the General Agreement, wrote rules aimed at disciplining the temptation of governments to resort to non-tariff measures.

⁶ Article 20, Agreement on Agriculture, in *Results of the Uruguay Round of Multilateral Trade Negotiations: the Legal Texts* (Geneva: GATT Secretariat, 1993), p. 55.

At the fourth WTO Ministerial Conference, held in Doha last November, a comprehensive approach of sorts was agreed by launching the first WTO round on two tracks. On track one are market-access negotiations on agriculture, services and industrial products, plus certain systemic reforms. On track two are “preparatory studies” on the modalities of negotiations to extend the WTO system to investment, competition, transparency in government procurement, “trade facilitation” and some lesser items.

Deadlock Waiting to Happen?

Negotiations on extending the WTO system to investment regulations and competition laws are important to both the European Union and Japan. The modalities for the “track two” negotiations, however, will not be settled until the fifth WTO Ministerial Conference, which is to be held in Cancun, Mexico, in September 2003.

Manufacturers and suppliers of services have a strong interest in the success of the Doha Round negotiations, but it would be naïve and dangerous for them to focus only on their interests, hoping that contentious agricultural issues will be pushed into the background, as in the early GATT rounds.

Until the European Union and Japan are satisfied that negotiations will proceed on investment and competition laws, they are not likely to be forthcoming on agriculture. By the same token, other countries, especially in the Cairns Group, are not likely to be forthcoming on services and industrial products until they know what the European Union and Japan are offering on agriculture. So we have a deadlock waiting to happen.

Settling the Implementation Problem

In the meantime, many in the Like Minded Group of developing countries, which includes India, Pakistan, Egypt and Malaysia, remain opposed to the idea of extending the WTO system to investment and competition laws. They insist on the “implementation” problem being overcome before further WTO departures are embarked upon. In the aftermath of the Uruguay Round negotiations, a large group of developing countries have had trouble implementing certain agreements, for they lack the administrative capacity to fulfill the commitments they made.

“The implementation question,” said Stuart Harbinson in Washington recently, “is a classic example of what can happen if a position articulated by a large group of developing countries is not taken seriously.”⁷ To some extent, the difficulties of the

⁷ Stuart Harbinson, “Lessons from the Launch of the Doha Round Negotiations”, an address to the Cordell Hull Institute’s Trade Policy Roundtable, Washington, DC, 18 April 2002. Mr Harbinson is Hong Kong’s Permanent Representative to the WTO and was Chairman of the WTO General Council in 2001-2002. His skillful handling of the preparations for the Doha ministerial meeting contributed in large measure to its successful outcome. Mr Harbinson is now

developing countries were anticipated, since the Uruguay Round agreements included “best endeavor” commitments to provide technical assistance. But they were non-binding commitments. Not only has technical assistance fallen short, but financial assistance, also required for trade-related “capacity building” to make headway,⁸ has not been sufficiently forthcoming.

Faced with such implementation problems, many developing countries were reticent in their support for a new round, which would require them to undertake still more commitments. In the meantime, the developed countries declined to re-open agreements on a piecemeal basis, pointing out that the agreements contained provisions for review and thus should be handled in the new round. Prior to the Seattle ministerial, little progress was made on the issue, but afterwards the Like Minded Group took it up again, with a vengeance.

For the implementation issue to be put to rest, the Group of Seven countries will have to make a more effective and determined effort to mobilize, through international financial institutions, the resources necessary for significant trade-related capacity building in developing countries.

Impact of Deadlock on Other Sectors

During preparations for the Doha ministerial meeting, it became clear that countries pressing for the liberalization of agricultural trade extended beyond the Cairns Group and the United States. Developing countries, where the bulk of the people live in rural areas and more than half the labor force works on the land, obviously must be included.

The danger here is that unless serious progress is made on development issues, there may not be agreement at the Cancun ministerial meeting on negotiations to extend the WTO system to investment and competition, which may stall progress on the further liberalization of trade in services and industrial products.

Thus the emerging crisis in the Doha Round negotiations is not only because of recent trade actions and farm legislation in the United States. The drift in the multilateral trading system can be traced to the inability of economies in the European Union, Japan, Canada and elsewhere to adjust autonomously to change. None are leading by example or

chairman of the WTO negotiating group on agriculture and will soon become chief of staff to the incoming WTO Director General.

⁸ The issue was spelled out in Michael Finger, “Financial Assistance in Implementing WTO Commitments”, a presentation to the Cordell Hull Institute’s Trade Policy Roundtable, 16 September 1999, and other presentations. Dr Finger, now at the American Enterprise Institute, was then the World Bank’s lead trade economist.

with ideas. Political thought, institutions and leadership in the major industrial countries have not kept abreast of the rapid integration of the world economy.⁹

Many of us have argued the need for major trading powers to build consensus and support for further trade liberalization before starting a new round of multilateral trade negotiations. The key word is “liberalization”, for talk of “trade expansion” eschews the issue, given that trade can be expanded by subsidies – distorting competition, permitting sloth and inefficiency, storing up problems for the future.

In the United States, the Administration has just begun an effort to educate the American public on the benefits to the economy of further trade liberalization. The goal is to make Americans more aware of the role trade plays in their lives – as a job-creator and as a means to make more goods available to consumers at affordable prices. The campaign will emphasize the broader benefits of trade as a means to boost economic growth, raise living standards and promote peace and security around the world.¹⁰

For the last half dozen years or so, the United States has been seen, where commercial diplomacy is concerned, not to be fully engaged with the rest of the world. While waiting for the U.S. Administration to secure “fast track” negotiating authority from Congress, free of intolerable “conditions”, governments in East Asia and Latin America – with a few exceptions – have placed a higher priority on bilateral and regional negotiations. Now that the Administration has trade-negotiating authority it can begin to make up lost ground by demonstrating a strong commitment to the WTO system.

The renewed resort to bilateralism has undermined confidence in the multilateral trading system. Small countries look to the WTO system to safeguard their interests *vis-à-vis* the major trading powers. But today even Australia and New Zealand, hitherto strong supporters of the WTO system, are pressing for free trade agreements with the United States.¹¹

⁹ Three decades ago in the United States, the Williams Commission had the following to say on the resistance at that time to a new GATT round: “The core of our present difficulty is the fact that government policies and practices, and international arrangements for collective decision-making, have not kept abreast of the high degree of international economic integration that has been achieved since World War II.” Presidential Commission on International Trade and Investment Policy, *United States International Economic Policy in an Interdependent World*, Williams Commission (Washington, DC: Executive Office of the President, 1971), p. 6.

¹⁰ Recognizing the public distrust and unease that trade agreements face, the U.S. Secretary of Commerce, Donald Evans, launched the public-education campaign in Kansas City, Missouri, on 5 June 2002. Mr Evans and his senior officials plan to carry the campaign to all 50 states. See “Commerce Secretary Launches National Grassroots Tour to Talk up Trade”, U.S. Department of Commerce. *Press Release*, Kansas City, 5 June 2002, and “Pushing for a Final TPA”, *Washington Trade Daily*, Washington, DC, 7 June 2002.

¹¹ Both governments expect the agreements to cover agriculture and meet the “substantially all the trade” requirement in WTO rules on free trade areas and customs unions.

Focus on Regional Trade Agreements

Free trade areas are effective in dealing with border measures. They are not effective in dealing with trade-distorting non-tariff measures well within their borders. Because of their scope and complexity, most non-tariff measures can only be addressed properly in a multilateral context. This is now thoroughly understood in many developing countries, perhaps most conspicuously in Brazil, where WTO issues command front-page attention. A recent survey of opinion among Brazilians who influence foreign policy found they attach a much higher priority to WTO negotiations than they do to negotiations on a Free Trade Area of the Americas (FTAA).¹²

There is growing concern in the U.S. agricultural trade-policy community over the proliferation of bilateral and regional free trade agreements. Why? Because they typically exclude agriculture, thereby failing to meet the central condition laid down in GATT Article XXIV, which is that free trade areas and customs unions – as approved departures from the principle of non-discrimination – must cover “substantially all the trade”. With the chief users of the provision making little effort to reform their farm-support policies, it is hard to avoid the conclusion they are seeking a way around the Uruguay Round commitment to extend the multilateral trade-liberalizing process to agriculture.

The Doha Round agenda provides for a review of regional trade agreements. But GATT Article XXIV was reviewed during the Uruguay Round negotiations and yielded an understanding that recognized, although only in the preamble, that a regional agreement’s contribution to the expansion of world trade is increased if it extends to all trade, but is “diminished if any major sector of trade is excluded”.

Since then, the Committee on Regional Trade Agreements, established at the first WTO Ministerial Conference to review free trade areas and customs unions, has not been able to reach agreement [by consensus] on a report. It is generally acknowledged that the North American Free Trade Agreement (NAFTA) comes closest to satisfying the requirements of Article XXIV. But the Committee seemingly cannot find accordingly because the bar would then be raised too high for other free trade areas! Perhaps this is an issue that has to be resolved through the WTO dispute-settlement process.

¹² According to the results of the poll (published in the daily *Valor*, Rio de Janeiro, 20 May 2002), the FTAA is a priority for only 16 percent of the 149 leaders of opinion surveyed. The survey conducted by the Brazilian Center for International Relations covered government officials, technical experts, lawmakers, entrepreneurs, special interest groups, NGO heads and academics. “Some 61 percent of those surveyed said Brazil should only approve creation of the FTAA when the United States eliminates all subsidies and barriers that prevent entry of Brazil’s most important export products into the richest market in the world,” reported the *Washington Trade Daily* on 21 May 2002.

LAUNCHING THE DOHA ROUND IN FULL

So much for the continuing malaise in the WTO system notwithstanding the success last November in launching the Doha Round negotiations. It is clear that the negotiations will not get down to business until they are proceeding on both tracks. To date, the negotiations have not grabbed much public interest, either domestically or at inter-governmental level.

Need for Ambitious Objectives

The most successful previous rounds of multilateral trade negotiations were those inspired by ambitious objectives. Somehow the leading governments must now come together on a range of objectives that are lofty and imaginative enough to generate the political interest, momentum and commitment needed to achieve a worthwhile and durable outcome commensurate with the times.

The overall objective of the Doha Round negotiations should be the integration of developing countries into the world economy. That not only entails adjustment in industrialized countries to increasing imports from developing ones. It also entails developing countries helping themselves by opening their markets and stimulating the adjustment and investment needed to promote economic growth and development.

There can be no underestimating the strength of resistance in many countries, both developed and developing, to the reform of farm-support policies and the liberalization of the trade restrictions that sustain them. As always, agriculture will be one of the most daunting issues of the Doha Round negotiations.

Building on the WTO Agreement

In agriculture there must be a strong commitment to achieving a bold, deep and ambitious liberalization package. There is no support for modest, mildly incremental moves towards liberalization, as some have argued for in the past. At the Airlie House meeting in May the feeling was that the world has been patient over liberalizing agricultural trade for much too long.

Negotiations must proceed on the basis of the framework agreed in the Uruguay Round negotiations: the simultaneous reduction of domestic support, border protection and export subsidies, while also maintaining a tight agreement on sanitary and phyto-sanitary measures. No one has suggested altering the basic modalities of the WTO Agreement on Agriculture.

On *market access*, the Doha Round negotiations are expected to build on the tariffication base, reducing the impact of “dirty tariffication” by substantially cutting tariff peaks. Since the purpose of tariffication was to get rid of non-tariff measures, the concept

of tariff quotas should be phased out, for it was a last-minute provision in the Uruguay Round agreement to assure small suppliers a minimum degree of market access.

On *export subsidies*, mostly used by the European Union, there is general concurrence in the United States, the Cairns Group and all developing countries who are agricultural exporters that export subsidies must be halted, if not forthwith then over a short period. The effect of such subsidies is to depress world prices, distorting consumption, production and trade, especially in developing countries. The agenda should also cover export credits and the conduct of state trading agencies.

On *domestic support*, it has been argued for a long time in the United States that if border protection is substantially reduced and export subsidies are eliminated, the reduction of production subsidies will follow. But that argument has been undermined in the United States by “emergency aid” and by the domestic subsidy increases approved in this year’s farm bill.¹³

During the Uruguay Round negotiations, a lot of time was spent on categorizing domestic supports: (i) the **green box**, those considered not to distort production and trade; (ii) the **amber box**, those considered to be trade-distorting; and (iii) the **blue box**, devised in the Blair House agreement,¹⁴ which carves out direct payments under production-limiting programs as not being subject to reduction commitments.

These categories are much too nebulous. Their aim has been to “decouple” support payments from a farmer’s production decisions. But they have not effectively disciplined domestic supports. If they are to be retained, the boxes need to be carefully redefined and clarified.

Public Education on Costs and Benefits

One of the drawbacks of taking the reduction of domestic support for granted, once other reforms are taking place, is that there is little public awareness of the anomalies, abuses and economy-wide costs entailed in agricultural subsidies and import restrictions. Too often the long-term benefits of trade liberalization go unrecognized, whereas the short-term costs of liberalizing, although they may be far smaller, immediately provoke strong political reactions.

Public support for trade liberalization would be far greater if the costs and benefits were better understood. At the Airlie House meeting, there were expressions of interest in

¹³ In fact, it was learned during the Kennedy Round negotiations, in the 1960s, that liberalizing farm trade required not only the reduction of border protection but also the reduction of domestic support measures. Therefore towards the end of the negotiations the European Community itself proposed a *montant de soutien* approach (negotiations on levels of support).

¹⁴ These talks between the United States and the European Community, held in Washington, took place in the closing stages of the Uruguay Round negotiations and did not include the Cairns Group countries, which were obliged to go along with the outcome.

the way in which a public body in Australia, once called the Industry Assistance Commission (now the Productivity Commission), raised the level of public understanding by assessing the economy-wide cost/benefit trade-offs of trade-policy decisions.

Some outside Australia familiar with the Commission have explored how a public body in the United States might develop a similar role. There have been proposals that the U.S. International Trade Commission or the Federal Trade Commission might take on the “domestic transparency” function.¹⁵ At Airlie House, one participant proposed that the function be assigned to the President’s Council of Economic Advisers.

More broadly, governments must develop, in the Doha Round negotiations, a solid factual base on which to proceed. In previous rounds there may have been little internationally recognized empirical evidence available to support the benefits of agricultural trade liberalization. But that is no longer the case. Today there are the track records of the Uruguay Round agreements, the NAFTA and Mercosur experiences, as well as those of significant bilateral agreements (*e.g.*, the U.S.-Japan beef agreement) that can be studied, evaluated and critiqued.

Food-Safety and Environmental Concerns

The main obstacles to liberalizing agricultural trade remain the farm lobbies of the European Union and Japan, along with those of smaller economies such as Korea, Norway and Switzerland, and certain segments of U.S. agriculture. In Western Europe and Northeast Asia, much stress is put on the “multi-functionality” of agricultural production, by which is meant the pursuit of environmental sustainability, food security, rural development and food safety. Regrettably, these are often long-standing protectionist arguments in a new guise.¹⁶

There is considerable potential for trade to be impeded through regulatory actions based on alleged food-safety concerns. This suggests the need for a concerted effort to develop risk-assessment techniques and to make public the magnitude of risks that are identified. Many believe that governmental entities, particularly in developed countries, have chosen to regulate in areas where environmental and food-safety risks are miniscule,

¹⁵ When U.S. Trade Representative, I informally explored the possibility with respect to the USITC or the FTC, but there was then little Congressional interest in the idea. I had earlier been part of a small study group in London chaired by a former GATT Director-General that produced an excellent report on the subject: Olivier Long *et al.*, *Public Scrutiny of Protection: Domestic Policy Transparency and Trade Liberalization* (Aldershot, Brookfield and Sydney: Gower, for the Trade Policy Research Centre, 1989).

¹⁶ For an authoritative review of the issues, see the seminal work of D. Gale Johnson, *World Agriculture in Disarray*, second edition (London: Macmillan, for the Trade Policy Research Centre, 1991; and New York: St Martin’s Press, 1991), first published in 19973. On post-Uruguay Round changes in U.S. farm-support policies, see David Orden, Robert Paalberg and Terry Roe, *Policy Reform in American Agriculture* (Chicago and London: University of Chicago Press, 1999).

often frightening consumers in the process, while failing to regulate effectively where risks may be much greater but have not attracted public attention.

The general view is that WTO rules in this area should be science based, as required in the Sanitary and Phyto-sanitary Agreement, but that high priority should be given to achieving greater international harmonization in this contentious area. Too many debates on the subject have been inordinately politicized, with more emotion than reason in the arguments. We would all benefit from a lower profile, systematic and considered attempt at developing broadly accepted rules and standards.

Three other points should be stressed. The goals of multi-functionality can be achieved by more direct policy instruments that are less costly and avoid waste. Agricultural subsidies induce intensive-farming methods, employing fertilizers and pesticides that impact the environment adversely by polluting rivers and eroding topsoil. Agricultural protection is not necessary or desirable to ensuring food safety, for protectionism diminishes production flexibility, which is likely to put food safety at greater risk.

Participation of Developing Countries

The Doha Round negotiations on agriculture will not be a Euro-American exercise, nor even an exercise focusing principally on the United States, the European Union and the Cairns Group countries. All developing countries with substantial interests in agricultural trade – as importers, exporters or both – must be and will be actively involved.

Developed countries must help with trade-related capacity building, however that term is defined, and make sure that developing countries can fully participate in the negotiations. Otherwise the results will be second-guessed and criticized endlessly.

Nevertheless, developing countries cannot expect the Doha Round negotiations to be a “free lunch”, with benefits provided by the developed countries without reciprocal obligations being undertaken by them. Most developing countries have onerous agricultural import restrictions, which work to their disadvantage as they seek to hone their international competitiveness and hold down consumer costs. So a major goal should be improved market access *among* developing countries, in addition to improved access to developed-country markets.

Developing-country interests are not homogeneous, so there are severe limits to broad-based “special-and-differential” treatment, with many instances of it being contrary to those interests.¹⁷ The S&D approach often gives short shrift to developing countries with specific and often unique needs and priorities. The Doha Round negotiations

¹⁷ The issue was recently assessed in Jagdish Bhagwati, “The Poor’s Best Hope”, *The Economist*, London, 22-28 June 2002. Also see Andrew Stoeckel and Brent Borrell, *Preferential Trade and Developing Countries: Bad Aid, Bad Trade* (Canberra: Centre for International Economics, 2001).

therefore need to deal with developing-country agricultural interests in a more customized manner rather than lumping them together in an effort to achieve homogenization.

Hunger and Malnutrition in Perspective

Food security will be an important dimension of the Doha Round negotiations, although the term means different things to different people. In Western Europe and East Asia, especially in Japan, it has been used as an argument for import protection, meaning an imposed level of self-sufficiency. One must wonder about the wisdom of such a policy, where the cost is astronomical and where there are alternative, far less protectionist, ways of achieving a given food-security objective.

Food security in developing countries means something different, for the world's population will increase dramatically during the next half century, requiring a 50 percent increase in food production. Thus, attention must be paid to the related threats of hunger and malnutrition, considerations that are generally not applicable to the developed world.

The answer to gluts and scarcities around the world is not in forcing increases in production through inefficient public policies and farm practices. That would result in a waste of natural resources with attendant and often-irreversible environmental damage. The better answer is to define the food-security issue in a sophisticated manner and develop a reasoned and systematic response.

BUILDING A BROADER COALITION

The burgeoning public debate over liberalizing agricultural trade has revealed a wide range of interests with a stake in the outcome, some represented by long-established organizations, while others are relatively new groups that view themselves as part of civil society. These non-governmental organizations (NGOs) vary in size, focus and methods.

The NGOs have taken full advantage of the Internet to open public debate, organize activities and promote their views. Some are anti-capitalists; others oppose globalization, while still others are simply critical of the WTO system, often for symbolic rather than "real" reasons. NGOs have assuredly changed the atmosphere of international commerce, catapulting trade and investment issues to the fore, often intimidating political and business leaders in the process. Some misconceptions have taken root, such as the perception of the WTO system as being run by and for the benefit of multinational enterprises. Anyone familiar with the World Trade Organization, and the way it functions, knows that to be nonsense. But even ill conceived perceptions can provide formidable challenges.

Potential Allies among the NGOs

It is time for the anti-globalization activities of NGOs to be put in perspective. They are not the wave of the future. They do not offer an alternative way of running an

economy. These are protest movements.¹⁸ Nevertheless, some of their protests have publicized important criticisms of international economic policies, especially those relating to development.

Again and again participants in the Airlie House meeting referred to groups outside the “agricultural community” that are interested in, or opposed to, certain aspects of agricultural trade liberalization. Agricultural producers, processors and manufacturers need to persuade those groups of the interests they have in common and seek their involvement and support in the Doha Round negotiations on agriculture.

These include: (i) humanitarian groups concerned about hunger and malnutrition; (ii) development groups interested in alleviating poverty; (iii) environmental groups pursuing excessive use of fertilizers, the conservation of natural resources, the preservation of biological diversity, etc.; (iv) consumer groups campaigning on the cost, availability and quality of food; (v) taxpayer groups that question massive government subsidies; and (vi) academic economists and other trade policy “gurus” who observe the magnitude of agricultural trade distortions and their adverse impact on agricultural productivity.

CONCLUDING REMARKS

In the Doha Round negotiations, governments have the first real chance since the GATT entered into force to set about liberalizing agricultural trade. Not since the Repeal of the Corn Laws in England, which led to the Cobden-Chevalier Treaty of 1860 and the *système des traités*, which survived until World War I, has there been a comparable opportunity. To make the most of that opportunity, several steps are in order.

First, the major industrialized countries have to reflect on what it took to commence, conduct and conclude the Uruguay Round negotiations and recognize that without the substantial liberalization of agricultural trade there will be little progress in other areas.


Second, the developing countries have to be fully involved. Trade liberalization – not just in agriculture but in all areas – offers them the prospect of economic progress and the alleviation of poverty.

Third, emotionally charged issues such as those involving food safety, the environment, and food security need to be addressed systematically and logically, backed by careful research analysis. So-called “stabilization” programs have often in the past destabilized the very situations they were meant to address.

¹⁸ This assessment owes much to a paper by *Financial Times* columnist Martin Wolf, “The Backlash to Globalization”, presented at a conference at the School of Advanced International Studies, Johns Hopkins University, Washington, DC, on 19 April 2002.

Fourth, in view of the present lack of momentum and public support for trade liberalization, concerted leadership, public education and transparency on the costs and benefits of protection are sorely needed. Without this, the public is not likely to support trade reform with enthusiasm. The Cairns Group has a leadership role to play in this regard as well as a particularly significant role in fostering global trade reforms in agriculture.

Finally, a broad-based coalition of interests has to coalesce around the idea that the liberalization of agricultural trade is a win-win proposition, benefiting rich and poor countries alike.


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Washington, DC
2 August 2002