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The Cordell Hull Institute hosted a discussion on the "Opportunity of a Century to Liberalize Farm Trade" at the Airlie House (pictured above) in Warrenton, Virginia on 17-19 May 2002



Reproduced here is the paper presented by **Clayton Yeutter** (above).

About the Author

Ambassador Clayton Yeutter is one of the nation's leading experts on contemporary politics, international trade, food and agricultural policies.

A veteran of the private sector, Mr Yeutter served as president and chief executive officer of the Chicago Mercantile Exchange, the world's second largest futures

WARRENTON MEETING...

Opportunity of a Century to Liberalize Farm Trade

Chairman's Statement by Clayton Yeutter

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 submitted in July 2002 a bold and courageous proposal. On this issue, then, it has been up to the European Union, Japan and others to respond in like vein if progress is going made in liberalizing trade in services and industrial products, as well as progress in tackling systemic issues.¹

After the U.S. Administration finally secured the renewal of "fast track" trade-negotiating authority from Congress, seven years after it expired in June 1994, the heavy lifting could begin with a view to building momentum in the negotiations. But too many governments and legislatures in industrialized countries have been balking at tackling the "unfinished business", the accumulated grievances, of previous rounds of multilateral trade negotiations by addressing entrenched protectionist interests in their own backyards.

At that point, it was time for the rest of the world 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 agriculture situation is by no means 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 rapid integration of the world economy – the rules-based trade regime that was established after World War II and ended with the establishment of the World Trade Organization. In particular, the negotiations settled

trading market.

He went on to serve his nation as US Trade Representative from 1985 to 1989 and later, as Secretary of Agriculture and Counselor to the President.

He led the American team in negotiating the historic US-Canada Free Trade Agreement and helped launch the 100-nation Uruguay Round of GATT negotiations.

Trade Policy Roundtable

The Cordell Hull Institute's Trade Policy Roundtable is sponsored by seven international law firms in Washington, DC: Akin Gump Strauss Hauer & Feld, Arnold & Porter, Hogan & Hartson, O'Melveny & Myers, Sidley Austin Brown & Wood, Steptoe & Johnson and Wilmer Cutler Pickering Hale & Dorr.

on a framework for extending the multilateral trade-liberalizing process to agriculture, if 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, held in Geneva in May 1998, 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. This included the fiasco at the third WTO Ministerial Conference, held in Seattle, in December 1999. The first WTO round was finally launched at the fourth WTO Ministerial Conference, which took place in Doha, Qatar, in November 2001.

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, a source of many deep-seated grievances, international tensions and perhaps even global terrorism.

What 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, never mind 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 are seeking the fundamental reform of agricultural-support policies throughout the world economy.

Nevertheless, proponents of agricultural trade liberalization had to move on, for the U.S. Administration has not forgotten its original objectives. In Geneva at the end of July 2002, 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 an agreement was finally reached on a framework for liberalizing agricultural trade.²

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."³ 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.⁴

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 T.E. Josling's "producer subsidy equivalent".⁵ 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.⁶

Alas, the succession of crises it took to achieve these breakthroughs meant that there was little time, energy or 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 1999-2000.⁷

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”), eighteen months before an agreement could be reached on the launch of the first WTO round of multilateral trade negotiations.

Earlier, at the second WTO Ministerial Conference in May 1998, governments decided to prepare for another round. At that stage, though, 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. This failure, after five attempts, indicated to other governments that the United States was not yet engaged at a political level, let alone ready to negotiate.

After the fiasco at the third WTO Ministerial Conference 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 that 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.

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

Deadlock Waiting to Happen?

Negotiations on extending the WTO system to investment regulations and competition laws were important to both the European Union and Japan. The modalities for the “track two” negotiations, however, would not be settled until the fifth WTO Ministerial Conference, to be held in Cancun, Mexico, on September 10-14, 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 happened 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 had a deadlock waiting to happen.

Settling the Implementation Problem

In the meantime, many in the so-called Like Minded Group of developing countries, which include India, Pakistan, Egypt and Malaysia, continued to oppose the idea of extending the WTO system to investment and competition laws. They insisted on "implementation" problems being overcome before further WTO departures were embarked upon. What problems? In the aftermath of the Uruguay Round negotiations, a large number of developing countries had trouble implementing certain agreements, for they lacked (and still do) the administrative capacity to fulfill the commitments they made.

"The implementation question," declared Stuart Harbinson in Washington soon after the Doha Round started, "is a classic example of what can happen if a position articulated by a large group of developing countries is not taken seriously."⁸ To some extent, the difficulties of the developing countries were anticipated, for 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,⁹ has not been sufficiently forthcoming.

Faced with such implementation problems, many developing countries were reticent in their support for a new round, which would eventually require them to undertake still more commitments. In the meantime, the developed countries declined to reopen 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 meeting, 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 would 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, must obviously be included in the final agreement.

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 with ideas. Political thought, institutions and leadership in the major industrial countries have simply not kept abreast of the rapid integration of the world economy.¹⁰

In the late 1990s many of us argued the need for the 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" ducks the whole 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 announced in June 2002 the launch of an effort to educate the American public on the benefits to the economy of further trade liberalization. So far, little has come of the initiative, but the goal was to make Americans more aware of the role that trade plays in their lives – as a job-creator and as a means to make a greater choice of goods available to consumers at affordable prices. The idea was to emphasize the broader benefits of trade liberalization in boosting economic growth, raising standards of living and promoting peace and security around the world.¹¹

For the last half dozen years or so, where commercial diplomacy is concerned, the United States has been seen 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 – began putting a higher priority on bilateral and regional negotiations. When the Administration had trade-negotiating authority in hand it could have begun to make up lost ground by demonstrating a strong commitment to the multilateral trading system.

The renewed resort to bilateralism, this time through "free trade" agreements rather than "voluntary" export-restraint agreements (as in the 1970s, 1980s and 1990s), 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, have been negotiating free trade agreements with countries around the Asia-Pacific region.¹²

Focus on Regional Trade Agreements

Free trade areas are effective in dealing with border measures. They are not effective, though, in dealing with trade-distorting non-tariff measures within borders. Because of their scope and complexity, most non-tariff measures can only be addressed properly in a multilateral context. This is understood in many developing countries, perhaps most conspicuously in Brazil, where WTO issues have commanded front-page attention. As the Doha Round negotiations were getting under way a survey of opinion among Brazilians who influence foreign policy found they attached much higher priority to them than they did to negotiations on a Free Trade Area of the Americas (FTAA).¹³

There has been some 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 that 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. All it yielded was 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” (my emphasis).

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 cannot reach such a finding, it seems, 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.

LAUNCHING THE DOHA ROUND IN FULL

So much for the continuing malaise in the WTO system notwithstanding the success 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 of previous rounds of multilateral trade negotiations were those inspired by ambitious objectives. Somehow the leading governments must 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 that is 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 under-estimating 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 in trade negotiations, agriculture will be one of the most daunting issues on the Doha Round agenda.

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 sought in the past. At the Airlie House meeting in May 2002 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 trade-distorting 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 access to large markets.

On *export subsidies*, mostly used by the European Union, there is general concurrence in the United States, the Cairns Group and agricultural-exporting developing countries 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 undercut in the United States by "emergency aid" and by the increases in domestic subsidies approved in the Farm Act of 2002.¹⁴

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,¹⁵ which allows direct payments under production-limiting programs to escape being the 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 been effective in disciplining domestic supports. If they are to be retained, the boxes must be redefined more rigorously, made clearer.

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, 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 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 costs and benefits 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.¹⁶ 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 in smaller economies such as Korea, Norway and Switzerland, and certain segments of U.S. agriculture. In Western Europe and North-east Asia, a great deal of 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. All too often these reflect protectionist positions in a new guise.¹⁷

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, 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 very politicized, with more emotion than reason in the arguments. The public at large would benefit from a more systematic, carefully considered and lower profile attempt at developing broadly accepted rules and standards.

Three other points should be stressed. First, the goals of multi-functionality can be achieved by more direct policy instruments that are less costly and avoid waste. Secondly, agricultural subsidies induce intensive-farming methods, employing fertilizers and pesticides that impact the environment adversely by polluting

rivers and eroding topsoil. Thirdly, agricultural protection is not necessary or desirable in 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 take action to ensure 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 the benefits provided by 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. Thus 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.¹⁸ The S&D approach often gives short shrift to developing countries with specific and often unique needs and priorities. The Doha Round negotiations therefore need to deal with developing-country’s 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, and 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. Accordingly, greater 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 are opposed to "globalization" (the catch-all term for the integration of the world economy), 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 run by and for the benefit of multinational enterprises. Anyone familiar with the World Trade Organization, and with 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.¹⁹ 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.



The **mockingbird** is the state bird of Tennessee. Cordell Hull represented a district of Tennessee in the Congress of the United States, and was elected a

senator from there, before becoming U.S. Secretary of State (1933-44).

"The mockingbird is known for fighting for the protection of his home – falling, if need be, in its defense. Mockingbirds are not intimidated by animals larger than themselves and have been known to attack eagles"

– Diana Wells, *100 Birds and How They Got Their Names* (Chapel Hill, NC: Algonquin, 2002)

Trade Policy Analyses

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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 in 1948 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 and analysis. So-called "stabilization" programs have often in the past destabilized the very situations they were meant to address.

Fourth, in view of the present lack of momentum and public support for trade liberalization, concerted leadership, public education and greater transparency, when it comes to the costs and benefits of protection, are sorely needed. Without these advances the public at large is not likely to support trade liberalization and reform with enthusiasm. The Cairns Group has a leadership role to play in this regard as well as a 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.

¹ This "chairman's statement" also appears in Andrew Stoeckel and Hugh Corbet, *Opportunity of a Century to Liberalise Farm Trade* (Canberra: Rural Industries Research and Development

Corporation, 2002), a *rapporteurs's* report arising out of an international roundtable meeting convened by the Cordell Hull Institute at Airlie House, Warrenton, Virginia, on May 17-19, 2002.

² 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: Rural Industries Research and Development Corporation, 1999), a collection of papers prepared for a conference convened by the Centre for International Economics, Canberra, and the Cordell Hull Institute, Washington, DC, in Seattle on December 2, 1999, during the third WTO Ministerial Conference.

³ "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).

⁴ 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.

⁵ 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.

⁶ 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.

⁷ Article 20, Agreement on Agriculture, in *Results of the Uruguay Round of Multilateral Trade Negotiations: the Legal Texts* (Geneva: GATT Secretariat, 1993), p. 55.

⁸ 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. At the time, Mr Harbinson was Hong Kong's Permanent Representative to the WTO; and in 2001-2002, he was Chairman of the WTO General Council. His skillful handling of the preparations for the Doha ministerial meeting contributed in large measure to its successful outcome. Mr Harbinson, now chief of staff to the WTO Director-General, was chairman of the WTO negotiating group on agriculture until the end of 2003.

⁹ 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 economist on trade policy and related issues.

¹⁰ 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.

¹¹ 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.

¹² Both governments have expected the agreements to cover agriculture and meet the "substantially all the trade" requirement in WTO rules on free trade areas and customs unions.

¹³ According to the results of the poll (published in *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.

¹⁴ 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 those negotiations the European Community itself proposed a *montant de soutien* approach (negotiations on levels of support).

¹⁵ 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.

¹⁶ 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).

¹⁷ 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 1993. 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).

¹⁸ 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).

¹⁹ 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.