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NEXT U.S. FARM BILL...

Why Decoupled Payments to Farmers were Introduced

John Campbell

PRESIDENT Bush laid out a bold agenda for global liberty in his second Inaugural Address. Echoing the Founding Fathers, Bush challenged the idea that some nations are not ready for freedom, reiterating the Founders' point that Freedom is an inalienable right provided by our common creator.

History will decide if the Bush doctrine embodied by his efforts to bring freedom to the Middle East is proven correct. Regardless of the outcome, there is little doubt that political freedom and private enterprise are inexorably linked. And there is little doubt that private enterprise and trade are also inexorably linked. Thus the triad of liberty, enterprise and trade must be viewed as co-dependent elements necessary to make any or all of the three successful and sustainable.

This essay is focused on the trade element of the triad. The single most difficult roadblock towards greater trade liberalization is domestic agricultural policy.[1]

"Beware the Ides of March"

March 2005 provided two important sign posts for agriculture. On the domestic front, Congress began the 2006 budget process by rejecting modest reductions in farm subsidies proposed by President Bush. Congressional leaders began the budget process by watering down the proposed $5.8 billion reduction. Congressional committees reduced the Bush cuts in half and spread farm subsidy reductions among other programs such as conservation and food aid. If Congress has its way, farmers will never know the difference between farm programs in 2005 and 2006.

Simultaneously, the World Trade Organization (WTO) upheld its findings regarding the global price-depressing impact of U.S.

In 1985 the concept of "decoupling", breaking the link between the planting decisions of farmers and the subsidies they receive, was proposed in the U.S. Senate. The legislation was advanced by Senators Rudy Boschwitz (R-MN) and David Boren (D-OK), but it was too radical for the farm lobby and Congressional leaders.

In the Uruguay Round negotiations of 1986-94, decoupling became the cornerstone for measuring trade-distorting impacts of agricultural subsidies.

Since the WTO Agreement on Agriculture there has been a drift away from de-coupling.

The essay here by **John Campbell** (above) recalls the background to the concept of decoupling

About the Author

John Campbell is Vice President, Government Relations and Industrial Products, at Ag Processing Inc., Omaha, NE.

In 1989-91, Mr Campbell was Deputy Under Sectary for International Affairs and Commodity Programs, U.S. Department of Agriculture.

Earlier on Capitol Hill, Washington, Mr Campbell was on the staff of the Senate Agriculture Committee.

cotton programs as well as, by implication, at least some other U.S. farm programs. The WTO has also categorically rejected the "self-reporting" of other subsidies by the United States as "de-coupled" (discussed below) and thus undisciplined.

The agricultural lobby has cheered and encouraged Congressional rejection of any limits on spending triggered by the expansive 2002 Farm Bill. Similarly, the lobby has treated the WTO cotton case like a crazy lady in the attic – a distraction best ignored.

Trade Agreements and Farm Politics

U.S. trade negotiators hope to make progress through a global deal that improves agricultural market access in developed and developing countries. Developing countries want the United States and the European Union to dismantle domestic farm-support programs. The U.S. farm lobby describes any attempt at fiscal discipline in farm programs as "unilateral disarmament" prior to the conclusion of the Doha Round of multilateral trade negotia-tions. Meanwhile, sub-sectors of the U.S. industry are lobbying vigorously for protection in the negotiations, which would make it very difficult to bring the rest of the world into a meaningful liberalization.

Obviously, when the protectionist agendas of the developing countries and the U.S. farm lobby merge, the job for U.S. trade negotiators becomes almost impossible.

As we consider objectives for the Doha Round negotiations, dom-estic agricultural supports must either (i) be recognized as a matter of national sovereignty, and laid aside, or (ii) taken on seriously. A serious approach would cap and cut all categories of support on a commodity-specific basis when applicable, allowing for greater and lesser cuts, depending on the shade of policies within each category. Using that approach no U.S. farm program would be completely undisciplined.

How Can So Few be So Powerful?

Farmers are a political touchstone. Ancient empires rose and fell on the fortunes of farmers. The original American colonies were an agricultural supply post for Europe. Thomas Jefferson, a Virginian planter, is renowned for his writings on the benefits of an agrarian society. Farm politics played a key role in the evolution of Russian and Chinese socialist/Marxist states. In the United States, populist and socialist movements of the 1920s and 1930s drew on farmers for strength. Even today the Japanese, European and American legislatures, representative democracies all, are heavily tilted towards rural areas.

For more than 10,000 years most of the world's population has been engaged solely in feeding itself. In the early 1900s a significant change occurred in the Western world. Labor-saving farm machinery and demand for factory workers began an out-migration from farms. The Industrial Revolution brought on a huge transition from rural to urban living. For the first time in human history, the majority of people in some societies worked and lived in towns and cities. In a wink of time the West was transformed from agrarian to industrial in nature.

Not so for the rest of the world. Still today only a handful of generations in only a few countries have been freed up to do something besides feed themselves. In this historical context, it is not surprising that strong vestiges of our agrarian past remain. Ironically, these vestiges are most apparent in countries where the number of commercial farmers has dwindled to less than one percent of the population.

The mythology of farmers and farming grows stronger the farther away people get from feeding themselves. Emotional ties to a time gone by result in public policies that would otherwise be irrational.

Consider the example where American commercial farmers (250,000), as opposed to those on "intermediate farms" and in rural residences, were able to capture half the non-social security budget surplus through "emergency" payments of around $11 billion in 1999. This kind of taxpayer generosity defies political gravity. More recently, the 2002 Farm Bill provided nearly $80 billion in additional formula entitlement spending for farmers by converting uncertain off-budget "emergency disaster" spending to on-budget commodity price-based counter-cyclical payments. Since then, Congress has provided even more spending, with additional disaster programs.

Domestic Protections Lead to International Strife

The United States, Japan and the 25 countries of the European Union – nearly all strategic partners in the Cold War, leaders in the North Atlantic alliance and by far the most economically and politically advanced countries in the world – are locked in vicious daily battles over agricultural trade issues. How can such important strategic partners allow agricultural trade issues to play such a divisive role in their relationships when so very few of their constituents are impacted?

This international friction is not confined to developed countries. While the industrial nations of Europe, Japan and the United States shower their farmers with subsidies and border protection, developing countries increasingly object to what they see as predatory and harmful practices by their rich neighbors to the North. In that regard Brazil recently mounted a successful WTO challenge to portions of the U.S. cotton program and to the EU sugar program.

Agricultural issues have attracted new players and new concerns. At the failed attempt to launch a new round of multilateral trade negotiations in Seattle, in December 1999, developing countries were shocked to hear the President of the United States muse to a newspaper reporter that trade sanctions should be used against countries that do not adhere to U.S. labor standards. In addition, environmental and social-justice groups see trade rules as a lever to impose their agendas on a global basis. In Cancun, Mexico, in September 2003, an anti-globalization protestor impaled himself on a fencepost outside the mid-term review of the Doha Round negotiations, but the entire ministerial meeting was impaled by developing countries outraged over the 2002 Farm Bill in the United States and by American and European maneuvering to protect their farm programs in a maze of multi-colored "boxes".

Ironically, trade friction has grown as economic and political interdependence has increased among nations. Advances in technology, communications and transportation have allowed capital, investment, goods and services to circle the globe at faster rates and in greater volumes. Growth in agricultural trade, however, has not matched that of other goods and services. Over the years, the average industrial tariff has fallen to just 4 percent, while the average agricultural tariff still stands at over 40 percent. More importantly, tariffs on "sensitive" agricultural products are much higher than that. Restrictive import quotas and other non-tariff trade barriers combine with high tariffs to create great consternation among agricultural trading nations, especially in the developing world.

Solutions Arise Out of Crises

In the past, organizations and partnerships have formed as coping mechanisms in times of great need. For example, after World War I, leaders formed the League of Nations and later, during World War II, the United Nations. After World War II, the North Atlantic Treaty Organization (NATO) was formed as a military alliance between the United States and its West European allies. And later the Paris Club was formed to deal with international debt issues.

In 1947 the General Agreement on Tariffs and Trade (GATT) was formed to liberalize international trade – although in fact it only did so with respect to industrial products. In doing so, leaders recognized that protectionism had played a role in the economic collapse of the 1930s, which ultimately led to World War II.

Agriculture was considered too sensitive politically to be disciplined under early global trade agreements. Not until the Uruguay Round was concluded in 1994 did agriculture, for the first time, begin to edge toward trade rules that had been applied to industrial goods.

Farmers and farm politicians in America, primarily from the border states, complain bitterly about what they perceive as a sellout by the United States in both the Uruguay Round agreements and the North American Free Trade Agreement (NAFTA). Farmers, their lobby groups and politicians levy a seemingly unending list of grievances against both trade agreements. These grievances are then used as leverage to gain larger domestic support programs such as those provided in 1998, 1999, 2000 and 2001 culminating in the substantial subsidy expansions in the 2002 Farm Bill.

Objectively, both the Uruguay Round and NAFTA have benefited agriculture. Agricultural trade among NAFTA countries has seen dynamic growth, far surpassing trade growth in other regions.

Protection Begets Protection

Today is a time of unprecedented farm prosperity. The U.S. Department of Agriculture (USDA) reports that farmers and ranchers have a collective net worth of over one trillion dollars and record incomes. Commercial farmers, who collect 80 percent of U.S. farm subsidies, have had incomes and net worth far exceeding the median American family for years. Prosperity in agriculture is primarily linked to *weather* and *trade* – not subsidies. Yet, paradoxically, the political center that in the past drove trade liberalization in Congress has been so diminished as to be hardly visible.[2] Agriculture, regrettably, has all too often allowed its former protectionist minority to speak louder than the pro-trade center.

Fast-track Trade Promotion Authority (TPA) is viewed as critical to the negotiation and approval of trade agreements. Nevertheless, U.S. agriculture, which faces the highest tariffs and trade barriers of any of our industries, could not even muster a majority of votes on the House Agriculture Committee to give President Clinton this authority. In 2002, the Bush Administration had to cut its own deal with the Congress on TPA, with the outcome being reflected in massive subsidy increases (the 2002 Farm Bill). The agricultural industry was a powerful voice of support for the Uruguay Round negotiations, but it is now ominously divided as we proceed with the Doha Round negotiations. Recently we saw farm leaders and their Congressional representatives leverage their support for the Central American Free Trade Agreement (CAFTA) with more farm-program spending and/or special protections.

Why Have U.S. Farmers Become More Protectionist?

Farmers and ranchers of today are survivors. They survived the financial crisis of the 1980s, grain embargoes, price controls, fuel shortages, environmental regulation, drought, flood, hail, currency changes, inflation, deflation, stagflation, insect invasions, plant and animal diseases, prairie fires, water wars and every man-made and God-made challenge imaginable. They are understandably proud of overcoming all that.

They also know that ever since 1933 the taxpayer and the consumer have been tapped to lend a helping hand. Sometimes it is in the form of raising prices through price supports, supply controls or import controls. Sometimes it is raising income through direct payments. Sometimes it is paying for crop insurance or disaster payments and loans. Sometimes the help is indirect, as with commodity export programs, food-aid programs or rural telephone, water, sewer and electricity programs. Sometimes it is in the establishment of special lending institutions and the bailout of those institutions when they get into trouble.

Today rural America is visibly excited with farmers pouring hundreds of millions of dollars into ethanol and bio-diesel plants. Those plants, however, are economically viable courtesy of the Congress.

While many business factors are uncontrollable, our political process (and the structure of the Senate in particular) lends itself to generating sympathy for our common agrarian past – and to huge subsidies that are readily rationalized.

Farmers and ranchers know the promise of trade liberalization depends on the cooperation of many governments. Increased subsidies, on the other hand, only require the cooperation of one government and it happens to be the government on which they can apply the greatest leverage.

Farmers, like most of us, want it both ways. They generally accept the idea that more trade is good as long as they are producing something that is exported. So they lend support for the concept of trade reform. But they are not supportive of giving up guaranteed subsidies in exchange for the hope of improved markets due to trade agreements. Doubts about trade agreements, if they involve giving up domestic supports, are rooted in two other recent developments.

1. *Competition from South America*

U.S. farmers spend all winter reading about how South American agriculture is going to overwhelm them. It is the same phenomenon that occurred with swine production a few years back. Small hog operators were fed a drumbeat of media commentary about how they could never compete with the large consolidators and integrators. The facts were quite different, but the small operators packed it in anyway.

Grain and soybean farmers can now observe a massive flow of investment capital going to South America (from the United States and elsewhere). Many of them are actually prosperous enough to go and see for themselves, in which case they bring back all sorts of tales of a modern, high-tech industry every bit as competitive as the most efficient U.S. farms. No longer does the slogan of

American agriculture being the "most productive in the world" ring true.

New competition to the south has made American farmers look at Brazil and Argentina as European farmers must have looked at Illinois and Iowa in the nineteenth century. Consequently, more and more American farmers have retreated to the European model of protection and subsidies rather than slugging it out in the world market.

2. *Demographic Change*

Another factor is that, unlike previous generations, this generation of producers does not necessarily expect their children to stay on the farm. They are college-educated, their children are college-educated and rural life is no longer their only option. Many farm spouses are also college-educated and work in town. Farming families are smaller and many farm kids only know they live on a farm because of the commute to town. Some farmers even move to town for family reasons and commute to the farm as needed.

This demographic change means that long-run adverse effects of farm programs such as inflated land values and higher rents are viewed through the lens of an asset holder or estate trustee rather than a working farmer. But for the price of land, U.S. farmers are as productive as South American farmers. Few farmers, however, want to see their balance-sheet bubble burst even if it would lower their cost of production and make them more competitive.

How Did Politics Influence the Uruguay Round?

The Uruguay Round negotiations brought agriculture under trade rules for the first time. The Cairns Group and the United States began the round with an aggressive position to reduce and eventually eliminate trade-distorting practices. The ultimate agreement was far less successful than had been hoped, but it still achieved several important objectives. Disciplines were established for market access, export subsidies and trade-distorting domestic supports. There was also language on science-based sanitary and phyto-sanitary rules.

All non-tariff barriers were converted to tariff equivalents. Tariffs were reduced by 36 percent on average. Export subsidies were reduced by 21 percent in volume and 36 percent in value. But much of the good was undone with the use of high baselines, product exemptions, product groupings, special safeguards and low tariff-rate quotas. In the end domestic producers of import-sensitive products were protected in the United States, the European Union, Japan and elsewhere. The Uruguay Round negotiations were successful in setting tariff and TRQ levels from which to negotiate in future rounds.

Domestic farm politics played a pivotal role in the outcome of the Uruguay Round negotiations. Congress had already approved the 1985 and 1990 farm bills by the time the negotiations ended. The 1985 legislation included steep cuts in price supports and modest reductions in overall support. Target prices were reduced slightly over time and the acreage and yields to which such target prices could be attached were frozen or severely limited. Importantly, the 1985 Farm Bill codified the export-subsidy program, already begun that year by the Reagan Administration.

U.S. export subsidies were viewed as a tool to combat European export subsidies. Policy makers in Washington hoped that the combination of reduced price supports, increased supplies and export subsidies would improve U.S. competitiveness (i.e., regain market share that had been lost because of massive EU export subsidies) and bring Europe to the bargaining table.

Budget challenges and the severe loss of U.S. market share in the early 1980s propelled the 1985 Farm Bill towards greater market orientation – although that was by no means a consensus view. U.S. agriculture was in its worst slump since the Great Depression. Populist farm groups argued for even greater governmental market intervention. Higher price supports and mandatory supply controls were proposed on Capitol Hill in both the House of Representatives and the Senate.

During this period of great calamity in agriculture, Senator Rudy Boschwitz (Republican of Minnesota) and Senator David Boren (Democrat of Oklahoma) offered a reform approach. The concept was called "decoupling". The Boschwitz-Boren legislation proposed to break the link between planting decisions and price supports for farmers, a revolutionary idea that was then too radical for the farm lobby and the Congressional leadership.

Although unsuccessful in 1985, decoupling became the global cornerstone for measuring trade-distorting impacts of agricultural subsidies in the Uruguay Round negotiations. Negotiators devised a series of colored "boxes" to categorize domestic farm programs based on their relative level of decoupling, which in reality reflected the relative level of trade distortion.

Decoupled supports were the most favored (being the least trade distorting) and were put in the "green box" category, where they would not be subject to disciplines. Fully coupled supports (the most trade distorting) were put in an "amber box", capped and subjected to reductions over time.

The European Union and the United States then agreed – in the Blair House accord of 1994 – a third box, the "blue box". Blue-box policies are those coupled to partial acreage payments or supply controls. The blue box protected U.S. farmers from domestic-support reductions beyond those enacted as part of the 1985 and

1990 farm bills. It also protected Europe from reductions beyond those enacted as part of the "MacSharry" reforms. (The blue-box theory is that supply controls and partial acreage payments offset the trade-distorting attributes of subsidies that are received.) Thus U.S. target prices and deficiency payments were excused from reductions.

Negotiators on both sides of the Atlantic thereby accommodated existing and anticipated domestic farm supports. They did so believing that the Uruguay Round was otherwise doomed to fail. If they went further on agriculture, they would not get domestic support – in, for a start, the U.S. Congress – and that would spell the collapse of the negotiations as a whole.

Until recently both the European Union and the United States were committed to further reform of their domestic farm-support programs. But the European Commission's recommendations of July 2002 for continued reform of the Common Agricultural Policy (CAP) now stand in stark contrast to the 2002 U.S. Farm Bill. The CAP reforms of 2003 were described as a giant step forward for the European Union, but only a small step for mankind, the last U.S. Farm Bill was a giant step backward.[3]

Trade Agreements are Not Perfect

Some problems were left unresolved or have emerged as the Uruguay Round agreements were implemented. For example, several countries used "dirty tariffication". This term refers to new bound tariff rates that were much higher than the implied pre-Round levels of non-tariff protection. Additionally, even though export subsidies are not allowed on non-farm products, in agriculture they are still in place. Most state trading enterprises operate with far too little transparency. Perhaps most importantly today the science-based limits on sanitary and phyto-sanitary border restrictions – subjected to disciplines in a Uruguay Round agreement – are still somewhat unclear and often debated.

Dispute settlement is also a sore spot. Countries that win a WTO dispute-settlement case can retaliate if corrective action by the offender is not forthcoming, but there is no way to force the offender to comply. In fact, the retaliation remedy only reduces world trade and increases friction without in any way helping the aggrieved industry (often agriculture).

Management of the WTO system has also grown more complex. There is doubt that the WTO governance structure can manage in a satisfactory way the post-Uruguay Round agenda. Beyond that, the idea of loading on "worker", "environmental" and "investment" agendas is simply beyond the capabilities of the current structure – even if those issues are worthy of WTO attention.

Failure to launch a new trade round in Seattle brought to light the weak leadership position of the United States in international trade liberalization at the time. Apart from anything else, the Clinton Administration had not secured the renewal of "fast track" trade-negotiating authority, in spite of several attempts in which the President insisted on being given authority to negotiate enforce-able labor and environmental standards in trade agreements, including the WTO system.

In the aftermath of Seattle, most of the world concluded that it would not be possible to launch a new trade round, no matter who was in the White House. The fact that a new round was launched in Doha by the Bush Administration is viewed as a minor miracle.

Until we can finish the work of the Uruguay Round negotiations, agriculture will remain a distorted industry. Domestic farm programs will continue to be justified on the absence of "a level playing field". Yet, the only way to gain a level playing field is through the multilateral approach. The farm lobby is on course to reject the good because it is not perfect.

Why and How the U.S. Backslide?

Reform in U.S. agricultural policy began in 1984 and lasted through 1998. Coincidentally, 1998 was the first budget surplus year since before the Vietnam War. Budget concerns were one of the primary reform drivers in the 1980s and 90s. In the absence of budget pressure in 2002, Congress approved what is likely to be the most expensive farm bill in history.

Critics of the 2002 Farm Bill have been quick to bemoan what they believe is a roll back of Uruguay Round obligations by the United States. As the smoke cleared, however, it was discovered that the bill attempted to carefully sidestep amber-box disciplines. Some believe the new counter-cyclical deficiency payments should be accommodated as blue-box measures and thus exempt from discipline. This is ironic after initial resistance in the United States to inserting the blue box in the Blair House accord and then, for a while more recently, of professing a need to eliminate it for all time.

Also ironically, the dogged pursuit of Trade Promotion Authority in 2002, believed to be necessary for the United States to be taken seriously in the Doha Round negotiations, already under way, contributed to the international outrage regarding the 2002 Farm Bill (as discussed earlier).[4] Farm leaders made it clear that any effort to stem the tide of institutionalizing "emergency" payments in the previous farm bill would be met by opposition to TPA. In response, the Bush Administration agreed to accept a huge boost in domestic farm supports, thereby hoping to garner votes for TPA. That spending is in large part what doomed the Cancun ministerial conference in September 2003 and may, if not altered, doom the entire Doha Round endeavor.

Some believe that the resumption and acceleration of the reform of farm-support policies will be undertaken as a result of international trade agreements. Yet there continues to be evidence that attempts to reform domestic farm-support policies substantially through the Doha Round negotiations may fail and could put the whole enterprise in jeopardy – and with it the multilateral trading system, as strengthened by the Uruguay Round agreements.

What Does the Future Hold?

The current political environment in the United States and recent history do not bode well for reform. Republican control of the U.S. House of Representatives is fragile. A disproportionate number of Republican seats are in areas with a strong rural constituency. In the U.S. Senate only a few seats divide the majority from the minority. Every senator has a rural constituency. In the 2004 presidential election "blue" and "red" states are characterized as urban and rural respectively. Consequently farm politics is elevated and used as a wedge issue whenever possible.

In the brief era of U.S. budget surpluses (and current unconcern about deficits), combined with high political drama, enthusiasm to continue domestic reform in agriculture evaporated. Resumption of the reform agenda will likely come as a result of social, environmental and budget concerns rather than sound economic reasoning reflected in trade agreements.

As a result, the Doha Round negotiations must focus primarily on border issues, while attempting to hold domestic supports in check – at the very least. Domestic reform must be undertaken because it is the right thing to do regardless of what is happening internationally.

Why concentrate efforts at the border? Five points can be elaborated…

- Experience suggests that rounds of multilateral trade negotiations are politically incapable of seriously challenging domestic supports.
- Any politically painful agreement to reduce domestic subsidies will threaten approval of other trade liberalization gains at the border (i.e., tariffs, quotas and export subsidies).
- Successful liberalization of tariffs and quotas and the elimination of export subsidies will lead to the reform of many domestic programs because of the interrelationships.
- And the United States, Japan and others will engineer policies to avoid amber-box disciplines while providing similar or increased levels of support in other boxes.

Border liberalization would not prevent massive compensation payments under blue- or green-box programs. There must be a backstop to limit such compensation. The idea that blue- and green-box expenditures should be undisciplined rests on the

The **mockingbird** is the state bird of Tennessee. Cordell Hull represented a assumption that national treasuries will not be massively opened to support farmers and that such payments are not trade distorting (or are only minimally distorting). This is clearly not the case in the United States or in the accession countries of the European Union. And it has not been the case with Japanese rice.

Unlimited blue- and green-box tolerances also rest on the assumption that farmers do not reinvest such payments into production. A quick look at tractor and combine sales during the U.S. "farm crisis", and during a period of increased green-box payments, should dispel that notion. Moreover, farmland price increases in a period of relatively low market returns indicates that government payments have, indeed, been capitalized into land values. Increased land values are not necessarily trade-distorting, but they do raise barriers to entry. Farmers have been trained by experience that they need to continue producing and increasing yields in order to establish bases and yields for "decoupled" payments and subsidized crop insurance. It is time that we recognize that *all* subsidies are trade distorting – some more than others.

Conclusion

President Bush has laid out a bold vision to expand liberty around the world. Democratic societies are typically capitalistic societies. Capitalistic societies rely on each other for the efficient production and distribution of goods and services. Greater liberty and freer trade go hand in hand. The Uruguay Round negotiations began the process of reform at the border for agricultural goods, but they could not bear the weight of forcing politically painful domestic reforms. The U.S. position on agriculture going into the Doha Round negotiations emphasized the three "pillars" of market access, export subsidies and domestic support.

The WTO negotiations should accelerate border reforms as a first priority. Singular emphasis on "trade-distorting" domestic supports (as defined in the amber box) could render the domestic support pillar a "pillow" unless a more comprehensive approach is adopted. If domestic supports are to be seriously addressed, consideration should be given to capping and cutting all crop- and commodity-based measures of support, with flexibility to discriminate between greater and lesser distorting policies on a commodity-by-commodity basis – but leaving no policy behind.

The most likely and powerful route to reform is to return to the hard work of crafting farm bills that encourage farmer independence and American competitiveness because it is right for U.S. agriculture regardless of international trade agreements. The 1985, 1990 and 1996 farm bills are examples of domestic reform for our own sake. The world is more likely to come along the path of truly leveling the trade playing field if the richest and most powerful countries proceed to do what they already know is the right thing to do on the domestic front. Rigorous compliance with

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 protecttion 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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President Bush's proposed budget reductions and serious WTO compliance on the cotton case would be important steps in the right direction.

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[1] I acknowledge the helpful comments of Hugh Corbet, Richard Crowder and Clayton Yeutter, but I alone am responsible for the views expressed here.

[2] The "incredibly shrinking middle" ground in the U.S. Congress over trade policy, law and neogiations since the mid-1990s is discussed in I.M. Destler, *American Trade Politics,* fourth edition (Washington, DC: Institute for International Economics, 2005). Also see S.A. Binder, *Stalemate: Causes and Consequences of Legislative Gridlock* (Washington, DC: Brookings Institution, 2003).

[3] J.F.R. Rollo, former chief economist at the British Foreign Office, has said of the CAP reform of 2003 that it was "a giant step for the European Union, but only a small step for mankind" – the rest of the world. Professor Rollo, director of the Sussex European Institute, University of Sussex, was speaking at the Commonwealth Trade Forum, convened by the Commonwealth Business Council, London, on July 7, 2003.

[4] When "fast track" trade-negotiating authority was introduced in the Trade Act of 1974, it may have been necessary to reassure America's trading partners that the U.S. Congress would not try to re-negotiate agreements reached in multilateral trade negotiations, but today the need for trade-negotiating authority is used as leverage against trade, resulting in major concessions to U.S. sectional interests before any agreements are concluded.