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TENSIONS AND ASYMMETRY ON AGRICULTURAL MARKETS
POTENTIAL REGULATIONS AND FUTURE PROSPECTS

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Current debate on the subject of international markets for agricultural products is indicative of the major issues affecting global agriculture today. While the media focuses on price volatility, there are more significant issues from a long-term perspective: how can global food production meet the needs of nine billion people by 2050 without destroying the natural resources – soil, water and biodiversity – upon which this production is based? Under what conditions will everyone have access to food? And with what social and political consequences? What will be the sources of supply? What role for the hundreds of millions of small farmers in poor countries?

There is no doubt that the answers to these questions will be greatly influenced by both domestic and international agricultural markets, and much will depend on how these markets are regulated. However, we are witnessing a paradoxical decrease of regulations in this area of international trade because the consensus for progressive trade liberalization, embodied in the GATT and by successive WTO Rounds until the 1994 Marrakech Agreement, is now seriously eroded. Yet, it is on the basis of this consensus that a multilateral regulation of national public policies affecting the agricultural market was established after 1994. Does the failure or paralysis of the Doha Round mark the end of such regulation? Are other regulations feasible?

PARADOXICAL GROWTH IN INTERNATIONAL TRADE AND PARALYSIS AT THE WTO
The multilateral trade negotiations launched in 2001 by the WTO in Doha seem to be ending in failure. During the last few months, some participants have pushed for at least a minimal agreement to be reached by the end of 2011; however, indications are that even this limited objective is unlikely to be achieved. It appears that agricultural negotiations are the central cause for the breakdown in the Doha Round talks. Yet, the main components of an agreement in this sector (which would mark a significant step towards trade liberalization or, more precisely, an increase in restrictions to limit market distortions resulting from unilateral policies) have been on the negotiation table for many years. Such components include the elimination of export subsidies, a substantial reduction of tariffs and other barriers to domestic markets that are the most attractive for global exporters, and significant reductions in domestic subsidies for agriculture in rich countries. Thus, the inability to reach a consensus on this matter is paradoxical: an agreement on agriculture cannot be obtained even though there is general accord on the potential outline of a final agreement.
A second paradox is that trade in agricultural and food products continues to increase despite the paralysis of the WTO negotiations. In such circumstances, it is difficult not to conclude that the WTO negotiations are secondary compared to the main determinants of trade; a notion that is supported by the fact that stakeholders, such as large multinational food companies, have not recently engaged in pressurizing WTO negotiators into reaching an agreement.

EROSION OF THE CONSENSUS FOR TRADE LIBERALIZATION

The breakdown of the WTO negotiations reflects the erosion of the international consensus, of Western origin, on the progressive liberalization of trade. This consensus was responsible for the creation of the GATT at the end of World War II and the WTO in 1994, and also the continuous advancement of liberalization in the successive Rounds of the GATT until 1994. WTO negotiations in the late 1990s and the launch of the Doha Round in 2001, despite the failure of the ministerial meeting in Seattle in 1999, were in the same vein. The consensus resulted from genuine remorse at the end of World War II: those responsible for the economic policies of the inter-war period acknowledged the mistakes of such policies in Western countries, and that insufficient consideration of the effects of unilateral national decisions on other countries had in fact delayed the end of the Great Depression of the 1930s, thus fostering, unintentionally, the Nazi and fascist regimes. For example, the race for protectionism was initiated in 1930 in the United States by the adoption of exorbitant border tariffs through the Smoot-Hawley Act.

There are several common errors in the interpretation of the consensus for trade liberalization. Contrary to the beliefs of many liberals and anti-globalists, the consensus was never about the full establishment of free trade. Today, more than sixty years after the creation of the GATT, trade liberalization is far from complete and such total liberalization is not even a consideration. This is why, for example, significant concessions in terms of access to agricultural markets for the poorest countries are not on the agenda of the Doha Round. Moreover, these negotiations reflect a considerable amount of pragmatism, based on a clear awareness of the political obstacles to liberalization. It is widely acknowledged that trade liberalization creates losers: such as the producers of protected products, who are typically few but well identified and easy to mobilize politically since they have a full awareness of what they stand to lose; and also winners, such as the consumers of a previously protected product, who are often numerous but not easily mobilized. In consequence, negotiations are characterised by long adjustment processes and are of a multi-sectoral and multilateral nature, traits that tend to increase the number of possible coalitions and avoid overly polarized debates.

All these procedural tricks worked well for sixty years and led to a significant liberalization of trade, or rather to practices that limited government leeway, in order to avoid unilateral decisions that would cause the greatest distortions in global markets. However, agriculture has only belatedly become involved in this general trend: it was only through the adoption of a major European agricultural policy reform in 1992 (the “MacSharry reform”) that the Uruguay GATT Round was subsequently able to reach a conclusion with the Marrakech Accords, including the first substantial commitments on agriculture.

Since then, however, the consensus obtained has been much eroded. In agriculture, the global anti-globalization movement, which grew around the Via Campesina organization, has put the fight against free trade at the centre of its demands. Moreover, and probably more significantly, there are few governments at the WTO that seem willing to make substantial concessions to reach a general agreement. The United States, for example, is paralyzed by the conflict between its export sectors (cereals and soybeans for example) that are eager to win new markets, and its producers of protected products (cotton, sugar, milk, etc.) that reject any proposals to withdraw benefits (subsidies or other assistance). Emerging and poor countries are united by a shared belief that the Marrakech Accords are unfair because they allow rich countries to provide massive support to sustain their agriculture, causing large distortions of competition. Ultimately, multilateral liberalization of agricultural trade does not seem to be a priority for any of these countries.
Primarily sectoral, private standards have expanded in terms of scope and the number of stakeholders involved in their creation and implementation. Public actors are now trying to regain control of these standards by becoming strongly involved in the generation of knowledge on these standards.

OUTLOOK FOR THE REGULATION OF WORLD AGRICULTURE IN THE COMING DECADES

Firstly, it must be emphasized that the stalling of the Doha Round does not mean the end of the WTO, as the existing rules and procedures, such as the Marrakech Accords and the decisions of the Dispute Settlement Body (DSB), are still very much required. While the implementation of DSB judgements is far from perfect: a verdict against American cotton during a dispute with Brazil in 2005 has still not been executed; in other instances WTO pressure has had a significant impact, such as forcing the EU to radically reform its sugar policy following its dispute with Brazil. Furthermore, even if the Doha Round fails, further negotiations will probably take place within the WTO to adjust trade rules to reach a possible multilateral agreement on climate change, and also to harmonize the results of multiple bilateral and regional negotiations on preferential agreements, which in recent years have proliferated – the OECD counted 297 in place or under negotiation!

In addition, recent discussions and decisions of
the agricultural G20 can be interpreted as new attempts to forge intergovernmental regulations beyond the WTO negotiations, but with significant areas of overlap such as possible rules on export restrictions. It is too early to assess the impact of a tentative agreement, which would aim among other things at the organization of greater market transparency by sharing information on stocks (a lot will depend on the modality of such an agreement’s application). This is in fact an attempt to overcome the paralysis in WTO negotiations and to move beyond its strict framework.

Finally, any discussion on the future of the international regulation of agricultural markets must take into account the recent emergence of mechanisms, involving the participation of a variety of agents from civil society and private and public sectors, which are engaged in common objectives, particularly in terms of environmental protection such as the “Roundtable on Sustainable Palm Oil”. Such mechanisms can indeed be considered as a new form of regulation since private companies are bound to codes of conduct that set defined limits to their pursuit of profit for the benefit of the greater good, even if this approach has well known limitations.

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TOWARDS AGRICULTURAL CHANGE?

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