

# Looking Ahead to 2050: Evolution of Agricultural Trade Policies

Tim Josling\*

The past four decades have seen remarkable developments in agricultural trade and in the policies and institutions that provide the environment for that trade. Agricultural trade has moved from being dominated by the purchase of raw materials from land-rich countries and those blessed with tropical climates to a complex network of marketing chains supplying food and other farm products to all corners of the world. The multilateral trade rules have evolved from informal codes of conduct for manufactured goods that had little impact on agricultural trade to a treaty-based agreement that determines in what form and by how much governments can intervene in agricultural markets at home and at the border. The regional trade rules that have been adopted in an explosion of preferential agreements also increasingly apply to agricultural and food trade, leading to a partial polarization of trade around several major markets.

The task of this paper is to discuss future trends in agricultural and food trade policies. How are the institutions, domestic, regional or multilateral, likely to evolve over the next forty years? Will the emphasis be on consolidation of progress already made? Will globalization reach its ultimate endpoint of a borderless market for agricultural and food products with consumer choice determining trade flows along with the cool logic of sourcing from low-cost suppliers? Or are we likely to see trade evolve in different directions? Will we see a resurgence of national concerns for food security and a corresponding emphasis on producing food in places close to consumers? Will the pace of policy reform be slowed or halted by a reconsideration of the implications of a global marketplace for small farmers that are unable to participate fully? Or will climate change and environmental concerns lead to priorities for the food system that conflict with the low-cost consumer driven model? Or will the present mixed system of trade rules and trade patterns continue, as a way of gaining at least some benefit from trade while at the same time controlling the social and political ramifications of such trade flows?

The approach taken in this paper is to consider the future in the context of the changes over the past forty years. Consequently, the first section looks at the period from the mid-sixties to the mid-nineties, by which time the Uruguay Round rules were in place and discussions of a “next step” were being initiated. The second section details the issues that have arisen in the current Doha Round of trade negotiations which give a rich picture of the present tensions and trends in this area. The section also looks at the recent developments in the area of regional and bilateral trade pacts. A third section steps back to look at some emerging developments in agriculture and in the economy that will

---

\* The author is a Senior Fellow at the Freeman Spogli Institute, and Professor Emeritus at the Food Research Institute, Stanford University.

influence the discussion of trade policy in the coming decades. A short concluding section summarizes the possible future for the agricultural and food trade system.

## **1. The Evolution of Agricultural Trade Rules: 1963-1994**

The current trade system, for both goods and services, is a mix between two regimes: one based on multilateral and the other on regional or bilateral trade arrangements.<sup>1</sup>

Agricultural trade is an integral part of this complex trade system, though with rules that differ in certain respects from those for manufactured trade. This section discusses the evolution of this mixed system for regulating trade and the role of agriculture within it. This will entail a brief discussion of the treatment of agriculture in the GATT, and the incorporation of agriculture within the GATT rules in the Uruguay Round. It will also include an overview of the place of agricultural trade in the regional and bilateral trade agreements that make up the other part of the trade system. Both are reflections of the agricultural policies and programs of the major trading countries: these policies have evolved in tandem with the trade rules.

### **The Multilateral Trade System**

A convenient starting point for a retrospective assessment of the development of the current trade system is the Kennedy Round, which was initiated in 1963 and completed in 1967. Trade policy in the decades after the Second World War had been dominated by the transatlantic relationship, and in many ways reflected the state of political conflict or comity in that relationship. The US and the UK had built up, in the GATT, a pragmatic political instrument that allowed an impressive expansion of trade while at the same time respecting domestic political constraints (Barton, *et al.* 2006). New nations emerged as a result of gaining independence from the European colonial powers. The GATT recognized that these historic ties had to be accommodated both by allowing easy entry to the “trading club” and by recognizing the new trading agreements that replaced the commercial links that had formed the basis for the colonial trade system. Moreover, the war-torn countries of western Europe were encouraged to develop their own political integration based on a strong internal trade system as a buffer against the spread of political or economic influence from the Soviet Union. By the early 1960s this project was well in hand and the European Economic Community was ready to develop its external policies.

The Kennedy Round was a major political attempt to develop a strong multilateral framework for containing the potentially divergent commercial interests of the transatlantic partners. It proved to be a largely successful attempt to reduce tariffs across the board for manufactures, to counter the external impact of the establishment of the European Economic Community, and to incorporate the countries emerging from colonial rule into a global trade system. Earlier rounds had been focused on such issues as the conversion of quantitative restrictions on manufactured trade into tariffs. The negotiating technique used was for the principal supplier of a product to request the removal of a trade barrier and in turn offer some “concession” in the form of improved

---

<sup>1</sup> The same holds true for intellectual property protection and for regulatory cooperation. Dispute settlement procedures related to trade also operate at the multilateral and the regional level.

market access to its own market. The Dillon Round, which immediately preceded the Kennedy Round, showed up the difficulties of expanding this modality to a wide range of products: that Round ended with virtually no progress in liberalizing manufactured trade. By contrast, the Kennedy Round reduced tariffs for manufactured goods by almost one-half.

Agricultural trade lagged far behind in the process of multilateral integration. The GATT, as it emerged in 1947, applied to agricultural trade but also included two articles that specifically modified the impact of the general provisions relating to trade in goods. Article XI, which established the principle that non-tariff trade barriers could be only be used under specific circumstances, made way for some types of agricultural programmes. The article recognized the case where an agricultural product is subject to quantitative restrictions on domestic production (Article XI:2 (c)): under such circumstances quantitative import restrictions were allowed (Josling, Tangermann and Warley, 1996). Many countries relied on this clause to restrict imports by quantitative trade barriers when domestic markets were being managed. The other agricultural “exception” was to specify different rules for export subsidies of manufactures and primary products. Though the original GATT subjected both primary and manufactured product export subsidies to the same notification and consultation procedures, in 1955 it was agreed to add an explicit prohibition on export subsidies on manufactured goods (Article XVI). Agricultural export subsidies were constrained only by the obligation not to use such subsidies to capture “more than an equitable share” of world markets. Successive GATT panels failed to come up with a satisfactory definition of this concept, and agricultural export subsidies in effect escaped any disciplines (Josling and Tangermann, 2002).<sup>2</sup>

The Kennedy Round had failed to introduce rules for agricultural trade that would constrain the domestic subsidies of the EU and the US. Instead, the discussion on agriculture focused on the setting up of commodity agreements that would coordinate the reaction of governments to high and low prices. The EU wished at one stage to go further, projecting its new market management regime onto the international stage, a convenient mixture of pragmatism and ideology. One such commodity agreement did emerge from the Kennedy Round, but it failed to stop the slide in the international prices of agricultural commodities caused in large part by the generous domestic price support policies of the US and the EU.

The Tokyo Round, initiated in 1974 and concluded in 1979, did not do much better for agricultural trade. Coming at a time when world prices were high the emphasis was on coordinating stockpiles of basic foodstuffs rather than in reducing support levels and

---

<sup>2</sup> Even these two exceptions did not constrain farm policy in developed countries. A prominent example of this was the imposition of quotas by the US under Section 22 of the Agricultural Adjustment Act (as amended) that mandated quantitative restrictions on imports of a number of goods whenever domestic programs were “materially interfered with” by imports. This required a waiver of the US obligations under Article XI, a waiver that was renewed annually until made irrelevant by the Uruguay Round outcome. The EU also avoided restraints on its Common Agricultural Policy (CAP), which used “variable levies” to stabilize the duty-paid price of imports. Such an instrument was not easily classified as either a customs duty or a quantitative restriction. The Uruguay Round Agreement on Agriculture specifically bans such variable levies.

trade barriers.<sup>3</sup> A further international commodity agreement was negotiated, but barely survived the end of the Round. A plurilateral subsidies code (applicable only to the signatories) was agreed, as was one on standards. A dairy agreement and a bovine meat accord attempted to address some of the problems in these sectors but had little impact on the behavior of the developed country governments and the direction of their domestic policies.

The fundamental weakness in these approaches was recognized and discussed in two Committees: the Trade and Agriculture Committee of the GATT (1982) and the combined Agricultural and Trade Committees of the OECD (1984), acting under a mandate from the ministers. The GATT Committee discussed ways in which the agricultural rules could be brought more into line with those for trade in manufactured goods. This included the notion that non-tariff barriers be converted into tariffs. Though no agreement was reached at that time, many of the ideas of the Committee found their way into the Uruguay Round discussions. The OECD Committee took a different approach, requesting from the Secretariat credible information on the extent to which domestic policies gave incentives to production (and reduced consumption) and hence had an effect on trade. The Secretariat calculated two indicators, the Producer Subsidy Equivalent and the Consumer Subsidy Equivalent, and provided the basis for a more intensive and focused debate in the Uruguay Round on the disciplines that could be applied to domestic support.

In 1986 the GATT launched the Uruguay Round of trade negotiations. The Round marked a transition of the multilateral trade system from a limited intergovernmental agreement on rules of conduct for trade in goods to a more comprehensive treaty covering trade in services and trade-related aspects of intellectual property protection as well as goods trade. It set up a secretariat to assist members in their application of the rules and established a dispute settlement system that could ensure that the broader rules were respected and interpreted in an agreed manner. All members undertook the full set of obligations (the “single undertaking”) though the rules themselves allow for limited differentiation by development status (“special and differential treatment” for developing countries). Membership expanded during the Round and 108 countries signed the Marrakesh Treaty in 1994 that set up the WTO.

In addition to the broadening of the multilateral trade rules, further deepening also took place. Two issues were addressed: the consolidation of the Tokyo Round Codes (that had been set up as plurilateral agreements that countries could sign if they chose) and the absorption of agricultural and textiles into the mainstream of the trade system. The issues of agriculture and textiles were considered to be an important part of the agenda for developing countries, balancing negotiations over services and intellectual property that favored developed countries.

The Agreement on Agriculture (URAA) marked a turning point in the treatment of agricultural goods in the multilateral trade system. The URAA introduced effective disciplines on agricultural trade by establishing special rules. A tariffs-only regime was installed but a special safeguard for agriculture and the establishment of tariff rate quotas

---

<sup>3</sup> An exception to this was the successful removal of many of Japan’s quantitative restrictions on imports.

(TRQs) were allowed in those cases where tariffs replaced quantitative restrictions. The URAA banned new export subsidies and limited existing export subsidies but did not eliminate them. Thus special agricultural rules still apply in this area, though the number of countries that use such subsidies is small. The URAA disciplined domestic subsidies but classified them differently from the SCM and therefore set up an apparently parallel set of criteria for judging the trade impact of such measures. Institutional innovations, such as the establishment of the Agriculture Committee, have had success in providing greater transparency.

### **The Preferential Trade Systems**

Over the period from the Kennedy Round to the Uruguay Round, parallel trade discussions were proceeding at a regional and bilateral level. The European Union led the way, with the agreement on the shape of the Common Agricultural Policy (CAP) in 1962 representing an attempt to develop at a regional level the market regulations for farm products that had existed in all members. By 1967 the six countries of the EEC had moved to common prices for the major products under a common regime of import levies and export subsidies at the border and intervention to take surpluses off the domestic market. In 1973 the UK, the largest import market for foodstuffs in Europe, joined the EEC along with Denmark and Ireland. Enlargement to include the Southern European countries took place in the 1980s, so that by the time of the Uruguay Round the EU had twelve members and the CAP was the most significant (and controversial) agricultural trade system in the global economy.<sup>4</sup>

In 1960 the countries of South America attempted to borrow from the European experience and set up a Latin America Free Trade Area (LAFTA) that encompassed most of the countries of the region.<sup>5</sup> The model of open trade was however constrained by the economic paradigm of import substitution industrialization that involved high protection for domestic sectors that could reduce dependence on imports from the industrial countries. Agriculture was seen as low on the list of priorities for such treatment and was generally omitted from trade agreements in the region. The Caribbean countries that had gained their independence over this period formed a free trade area (CARIFTA) that has developed over time to become the Caribbean Community. The nature of the trade agreements in the Latin American and Caribbean region shifted sharply in the mid-1980s, as country after country abandoned the import substitution model in favor of an opening of the economy to competition through low tariff barriers and less government intervention in markets. By the time of the Uruguay Round the prevailing economic paradigm was moving decisively in the direction of lower trade barriers, whether negotiated in multilateral or regional agreements or decided unilaterally. Moreover, the incorporation of agricultural trade in these agreements had begun, though with exceptions for particularly sensitive products.

---

<sup>4</sup> Countries that had stayed outside the EEC formed a less comprehensive free trade area (the European Free Trade Association) that excluded agriculture and fisheries from its operations.

<sup>5</sup> The countries of Central America had established a Central American Common Market in 1958, though political tensions among the members limited its effectiveness.

In Africa a number of post-colonial free trade areas were formed, though they did not address issues with respect to the main trade flows between these countries and the European market. These trade relations developed under the auspices of the EU, as a series of non-reciprocal preferential trade pacts, culminating in the Lomé agreements. The goal of an African Economic Union has been espoused over the years. The reality, at least for agriculture, is that trade has not expanded along with the growth of RTAs. Internal African food trade has been hampered by all manner of problems from political conflicts to inadequate roads.

Asia was left far behind in the development of regional trade agreements: the one major regional initiative, the Association of South East Asian Nations (ASEAN), was set up mainly for political and security reasons and economic integration (through the ASEAN Free Trade Agreement) emerged as an afterthought.

The parallel development of regional and multilateral trade systems was exemplified by the discussions among the US, Canada and Mexico leading up to the North American Free Trade Agreement (NAFTA) in 1992. The US had negotiated a free trade agreement with Canada (CUSFTA) in 1986 (at the start of the Uruguay Round) and much of the content and language of the CUSFTA found its way into the GATT drafts. In 1990, Mexico decided that access to the US was essential to its own development, and sought a free trade area with the US. The US discarded its reluctance to enter into regional and bilateral agreements in the mid 1980s, and had entered into agreements of a non-reciprocal kind with the countries of the Caribbean Basin and of the Andean Pact. Discussions with the countries of the Pacific Rim in the context of the Asia-Pacific Economic Cooperation process (APEC) seemed to confirm the change of trade policy in the US, and is said to have contributed to the conclusion of the Uruguay Round.

### **Treatment of agriculture in RTAs**

Agricultural trade is regarded as a sub-category of trade in goods for the purposes of bilateral, regional and multilateral trade agreements (Josling, 2009). But in virtually all such agreements it is subject to special treatment. This treatment in bilateral and regional trade agreements can range from exclusion from the schedule of tariff reductions to import restrictions by quota over a transition period, and often includes specific safeguards and new institutions such as committees to which problems can be referred.

How have sensitive sectors of agriculture been protected from competition from regional and bilateral partners? A review of the various ways that agriculture has been treated shows that this is most often done by quantitative restrictions on imports. On some occasions the sensitive sector is excluded altogether. More frequently, the tariff on imports from partners is reduced more slowly than that for other goods. But even in with this special treatment regional and bilateral trade agreements are slowly constraining the ability of governments to maintain a high level of protection for agricultural producers.

One of the issues in evaluating trade agreements for their consistency with WTO rules (specifically with Article XXIV of GATT 1994) is their product coverage. Article XXIV require “substantially all trade” to be covered, and the level of preference to be 100 percent. Though there has as yet been no agreement on the interpretation of “substantially all trade,” agriculture is the sector most often excluded or treated differently. Manufactures are far more likely to benefit from tariff reductions in RTAs than are

agricultural goods. On the other hand, the prospect of competing exporters challenging the exclusion of agriculture in an RTA is remote: they benefit from the exclusion. And exporters within the RTA have implicitly agreed to the exclusion, and would be reluctant to make a challenge against a partner in respect to mutually agreed decisions.

## ***2. The Doha Round and the Current Agricultural Trade Policy Environment***

In the period since the Uruguay Round the multilateral trade system has consolidated its rule-based approach enshrined in the Marrakesh Treaty. But significant discontent among both trade officials and the general public began to surface in 1996, after the first of the biennial Ministerial Meetings of the WTO. Though the Singapore Ministerial remains a high-point of the WTO, the twin issues of the “reach” of the WTO into new areas related to trade and the relative lack of “voice” by most developing countries in the decision making structure began to surface. In Seattle, in 1999, the attempt to launch a new Round of talks failed in a humiliating fashion. The momentum of the Uruguay Round was replaced with the need to build consensus and confidence among the members. Meanwhile, the negotiation of regional and bilateral trade agreement continued apace.

### **The Doha Round**

The current discussions in the WTO about further reform of the trade system can be thought of as both a follow-up from the Uruguay Round and as an attempt to shift the agenda. The agenda-shift was in response to the demands by developing countries that the Doha Development Agenda (Doha Round) would encourage and facilitate development and if possible remove some of the impacts of asymmetry in the operation of the trade system. The Doha Round includes talks on agriculture, services and non-agricultural market access (NAMA) as well as on trade facilitation. Progress in all areas is needed for a successful conclusion, and the slow pace of the agricultural component has prevented agreement in the other areas.

Trade negotiations of this complexity and importance are commonly a long-drawn-out process of exploring possible approaches. Member governments agree to deadlines to give structure and urgency to the process, but often find agreement difficult when the deadline arrives. The early phase of the talks was marked by a large number of submissions on the way in which the agricultural talks might be focused, as well as specific comments on particular items of interest. The incorporation of the agricultural talks in the Doha Round increased the scope for trade-off and for an ambitious outcome. The Doha Ministerial was followed by a period of more intense negotiation, but not an agreed framework. Such a framework eventually emerged in August 2004, and led to an attempt to agree on modalities by the time of the Sixth Ministerial in Hong Kong. It proved impossible to agree on the framework before the Ministerial, but at Hong Kong a timetable was agreed that would allow the Round to be concluded with expedition. Modalities were to be agreed by 30 April 2006 to allow for compilation of draft schedules of tariff and subsidy reductions. Members would aim to reach final agreement on the modalities and schedules by 31 July 2006, so as to complete the Round before the US Trade Promotion Authority expired in June 2007.

These deadlines proved to be optimistic, and the Round was suspended in July 2006 to give negotiators time to reassess the situation. Negotiations started up again in January 2007, and by July a Framework was agreed. In early 2008 talks began coalescing about draft documents circulated by the Chairman of the Agricultural negotiating committee and a mini-ministerial in July 2008 pushed resolutely toward an agreed modalities document. This agreement proved elusive, though a compromise had emerged on most of the issues. The process is currently in limbo, waiting for a decision by the major countries to resolve the differences that remain.

The importance of the Doha Round to agricultural trade policy is hard to overstate. The final elimination of export subsidies would be a major step, and the pegging of trade distorting support at a relatively low level would prevent a shift backwards in policy reform. Cutting bound tariffs by over one-half would begin to bring border protection levels in agriculture more into line with non-agricultural tariffs. However, the main sticking point is now the degree of flexibility that countries will have to protect particular sectors against import surges.<sup>6</sup> It is proving a striking demonstration of the diverging interests of the major negotiating parties in the Doha Round. It is tempting to interpret the meaning of these positions as indicating the future evolution of agricultural trade policies. If the reluctance of major developing countries to further liberalize the imports of special and sensitive products proves to be the cause for the collapse of the Doha Round then that bodes ill for future trade liberalization.

### **Regionalism in the Doha and post-Doha world**

The decade after the Uruguay Round saw a resurgence in the number of regional and bilateral free trade areas. There appears to be no slowing down of the interest in these preferential trade agreements. Indeed, that has, along with continued unilateral trade liberalization, been the major activity in the area of trade policy. Some 200 regional and bilateral trade agreements have been notified to the WTO, many of them since 1995. Almost every country is a member of a regional or preferential trade pact, and most countries are members of two or more such agreements.

The EU has been active in forging a foreign commercial policy around the twin notions of negotiating at the multilateral level and at the same time pursuing regional pacts. Access to the large domestic market is a tempting target for foreign governments and the EU has found no lack of takers. But the driving force behind the EU's trade policy is overseas development. Traditionally, the EU has used the policy of unilateral trade preferences as a strategy of co-operation for development. Europe-Mediterranean agreements take further steps for trade liberalization on a bilateral and reciprocal basis. Since the first Euro-Mediterranean Conference in November 1995, the EU and twelve Mediterranean countries have been engaged in negotiating Association Agreements (the

---

<sup>6</sup> The Mini-Ministerial held in Geneva at the end of July 2008 broke up when the negotiation over the Special Safeguard Mechanism (SSM) reached stalemate. Most other agricultural issues were within reach of an agreement. However, the negotiations did not address the difficult issue of deeper cuts in cotton subsidies.

Barcelona Process). The overall objective is to form, by 2010, one Euro-Mediterranean free trade area from the separate agreements in place.<sup>7</sup>

In the network of agreements involving the EU and non-members, agriculture is still treated as being largely outside the realm of unrestricted free trade. The Euro-Med agreements have so far avoided including unrestricted access for sensitive agricultural products, as does the customs union that was negotiated with Turkey. The negotiation of a free trade agreement between the EU and South Africa was held up by the reluctance of the EU to grant improved access to goods that would have directly competed with those covered by the CAP. The agreement between the EU and Mexico was also difficult to negotiate, until Mexico abandoned its attempt to get easy access for a full range of agricultural products into the EU market.

Similarly, talks between MERCOSUR and the EU are finding it difficult to overcome the problems that improved access to the EU market would seem to pose for European agriculture. The Cotonou agreement between the EU and the African, Caribbean and Pacific countries (ACP), that mandated the negotiation of a change in the existing non-reciprocal agreements into full free trade areas, has attempted to address agricultural trade issues, but these negotiations have also been hampered by inconsistency with the CAP. The trade agreement between the EU and the Least Developed Countries (called the Everything But Arms agreement) broke significant new ground in this respect, by providing duty- and quota-free access for agricultural goods, with only temporary derogations for the most sensitive commodities - rice, sugar and bananas.

US policy towards regional and bilateral trade agreements changed dramatically in the mid-1980s. Long a champion of the multilateral system, and of non-discrimination, the US has now become an active supporter of bilateral trade agreements as a complement to its commitment to the WTO and its membership of NAFTA. The US has completed, or is currently in the midst of, trade negotiations with 31 other countries aimed at creating about 22 separate Free Trade Areas (FTAs).<sup>8</sup> The US strategy is to expand its commercial ties with countries for both economic and geopolitical reasons: the attraction to other countries is to secure preferred access to the large US market.<sup>9</sup>

The US policy to negotiate bilaterals is an expression of a policy of “competitive liberalization”. This policy consisted of offering swift negotiations to any country that was willing to conform to the terms consistent with the mandate of the US Administration as specified in the Trade Promotion Authority. The list of willing trade partners included Singapore, Morocco and Bahrain. Among the other bilateral agreements with a more significant agricultural component were those with Chile and

---

<sup>7</sup> To date, bilateral Association Agreements have been concluded with seven trade partners: Tunisia (1995), Israel (1995), Morocco (1996), Jordan (1997), the Palestinian Authority (1997), Algeria (2001) and Lebanon (2002).

<sup>8</sup> It is worth recalling that the US trade policy in the late 1930s took a similar direction. The Reciprocal Trade Agreements (RTA) Act was an open-ended mandate to sign bilateral trade agreements with other countries. Some 30 such agreements were signed.

<sup>9</sup> In many cases the access is already covered by existing agreements, but the negotiation of a formal FTA reduces the uncertainty that these preferences will continue.

Australia. Talks with Malaysia, Thailand, Panama, Colombia, Ecuador, Bolivia, the South African Customs Union (SACU), Korea, Oman, the United Arab Emirates (UAE) and Peru are in various stages of completion.<sup>10</sup> Recent agreements have often been designed as “templates” for future FTAs within a region. Thus the FTAs with Bahrain, the UAE and Oman are seen as building blocs toward a Middle-East Free Trade Area, and the negotiations with Malaysia and Thailand (along with that already in place with Singapore) are supposed to pave the way for other bilaterals with ASEAN countries.

What agricultural provisions do these US FTAs contain? All of the FTAs have provisions for tariff reductions that affect many food and agricultural goods. However, with few exceptions, the agreements control trade in a range of products considered politically sensitive in one or both partners. For the US these sensitivities include sugar, citrus fruits, peanuts and dairy products, and for the partners the list includes corn and beans along with rice. Three agreements have the most actual or potential impact on US agricultural markets and hence on the environment in which policy is formed: the recent FTAs with Chile and Australia, along with the CAFTA-DR agreement. Currently awaiting ratification is an agreement with Korea (KORUS) which would certainly be of agricultural significance.

In Africa, several new trade agreements have however emerged, not least as a result of the need to negotiate more effectively with outside institutions. Activity in Latin America revolves around the trade relations with MERCOSUR, now the dominant market in the region – though itself an imperfect customs union. Integration is proceeding slowly in the Mid-East region. The locus for much of the discussion of free trade agreements has for now shifted back to Asia.

A plan for an ASEAN Free Trade Area (AFTA) was agreed by the six governments in 1992, with the objective of eventual free internal trade. However, expansion to include the four less developed economies has delayed realization of the AFTA. Currently the target date for the completion of the free trade area is 2010 for the six more advanced members and 2015 for the remaining four. Though there has been an expansion in agricultural trade, many agricultural goods, foodstuffs and other primary products are still excluded from the planned liberalization. But the ASEAN countries have been important players in agricultural trade discussions. ASEAN countries have been active members of the Cairns Group, the Group of 20 and the Group of 33. They can be expected to continue to push for further trade liberalization at an international level, with an emphasis on maintaining policy flexibility at home. There is no doubt that increased trade among these countries would also be possible if agricultural liberalization were to be fully included in the ASEAN free trade area.

This activity has no doubt acted as a distraction within Commerce Ministries, but it has not been to the obvious disadvantage of the multilateral system. Indeed, the two forms of trade agreement are in many ways synergistic. The challenge is to make use of the synergies and avoid the fragmentation that would raise trade costs and divert trade. One element of this synergy is the extent to which one can include disciplines on domestic farm subsidies in regional and bilateral agreements. It is often assumed that the conduct

---

<sup>10</sup> SACU includes the Republic of South Africa as well as Botswana, Namibia, Lesotho, and Swaziland.

of domestic policy is outside the realm of the FTAs, but this is not always the case. The movement towards “decoupled” policies, encouraged by the URAA, has the advantage of making it easier to have free trade in a commodity and still maintain domestic support policies. Nevertheless, the existence of an active domestic support policy, involving subsidies and market management, complicates the negotiation of free trade in those products. The issue of domestic policy is clearly connected to that of the inclusion of agriculture in free trade agreements. If one can omit agricultural trade from the FTA provisions then the question of domestic support does not arise. Conversely, if one cannot exclude agriculture without violating WTO provisions, then the potentially problematic issue of domestic support is unavoidable.

Allied to the issue of the application through RTAs of disciplines on domestic support is that of the treatment of export subsidies. Various trade agreements have tried to include provisions that countries may not use export subsidies in mutual trade. This sounds like a logical provision. However, in practice it is not easy to ban subsidies paid on internal trade without creating an incentive to import from outside and a disincentive to export within the free trade area. So in effect export subsidies have also to be controlled at the WTO level.

With WTO talks on agriculture grinding slowly, regional negotiations may, however, take the brunt of attempts to further liberalize agricultural trade and to gain access to new markets for agricultural exports. Thus in agriculture there is a strong degree of complementarity in trade negotiations. Plurilateral talks can erode market access barriers but set up trade flows encouraged by discrimination among suppliers. Multilateral talks can reduce the scope for such trade diversion. The multilateral process can handle subsidy reduction, which in turn makes it easier for countries to agree to opening up regional or bilateral trade. This complementarity, however, depends on progress at the multilateral level. Currently that is the stumbling block.

### ***3. Emerging Developments in Food and Agricultural Sectors that will Shape Future Trade Policies***

Trade policy is largely reactive to events and trends. Developments in the markets for agricultural and food products prompt a response from policy makers. The responses may be to change trade rules and that in turn provides the environment for future domestic and policy. More generally, the trade policy space is itself circumscribed by events and attitudes that may have little direct connection with agriculture. The list of such non-agricultural economic and political emerging developments would be long, and so this discussion will be selective. It will focus on ten of the most significant developments that are likely to determine the contours of future agricultural trade policy arrangements. The questions posed in each case are whether one might expect a continuation of these developments, how such a continuation would impact the environment for agricultural trade policy and what might happen if the trends were to prove reversible?

#### ***Continued growth in the global economy***

Perhaps the most important determinant of trade policy in general and of agricultural trade policy in particular is the health of the global economy. Continued strong growth in the emerging countries would seem to be a prerequisite for further liberalization of trade.

When off-farm jobs are available the improvement in market access for farm products is politically more acceptable and economically more advantageous. Consequently, it is reasonable to assume that steady growth in the world economy, particularly in the developing world, would be a fertile environment for the further liberalization of trade in agricultural products and an eventual convergence between the treatment of agriculture and of non-agricultural goods in multilateral trade rules.

However, the key question is whether such growth brings with it pressures that constrain the opening up of markets. One such impact of growth is on the price of commodities and in particular on the price of oil. Though some agricultural producers will gain from the higher commodity prices, many will find that higher input costs outweigh any benefit from higher selling prices. Another by-product of growth is its uneven impact on rural-urban income distribution. If the growth is concentrated in urban-based export industries then the political demands for assistance for rural areas will tend to increase. As exchange rates will tend to appreciate in rapid-growth countries, farmers will face growing competition from imported products. So growth brings further pressures on domestic producers to become more efficient or move to non-farm jobs. And the reaction of the government may well be to try to protect rural industries so as to alleviate the pressure for migration.

Perhaps more worrying for the trade system as a whole is the prospect of a serious slowdown in global economic growth, in particular if this accompanied by political tensions or trade disruptions. The scenarios are not too difficult to imagine. Oil supplies are dependent on a small group of countries many with potentially unstable regimes. Periods of inflation and slow growth in the past have been associated with sharp increases in the price of crude oil. Though the widening base of the world economy has reduced to some extent the vulnerability to economic fluctuations in particular countries there are counter trends stemming from the integration of world financial markets. Indeed, if one looks at a period of four decades ahead, it would be unrealistic to expect the world economy to grow without periodic interruptions. The question is whether the trade system as it has emerged over the period since the Kennedy Round can survive a serious downturn in the global economy that could lead to self-preservation policies that in effect destroy the mechanisms that have been laboriously established. Can the trade system survive another 1930s type depression? Or will one see beggar-thy-neighbor trade policies once again lead to competitive protectionism?

### ***Continued growth in agricultural output and investment***

The recent period of high food prices has brought to the attention of countries the extent to which investments are needed to maintain and increase the capacity of the agricultural sector to meet the demands of a growing population. Expenditure on research has been lagging in recent years, as a result of shifting priorities for public investment and lack of financial incentives for private investment. So one might expect there to be a resurgence of public investment in the production of basic foodstuffs if the price levels stay reasonably high. Complementing this could be an increased interest in infrastructural improvements that are often the constraint on the marketing of local foods in developing countries. In this respect, investments may be driven in part by the phenomenal expansion of supermarkets in most regions of the developing world. The ability for small and medium sized farms to be incorporated into the supply chains of modern food

retailing will remain a key to the impact of these trends. This demand-driven growth in agricultural output and productivity will have a beneficial impact on trade and be consistent with a continued opening up of markets, particularly in the developing world. South-south trade will grow under such conditions to the advantage of the balance in the global economy.

Whether or not public investment in agriculture is increased, the role of the private sector will be crucial in keeping supply in line with demand. It is less clear that private investment be forthcoming in the amounts necessary. The experience of investment in biotechnology, where consumer acceptance has been slow in many parts of the world has undoubtedly had a salutary effect on the attitude of private companies. A critical question for the future is whether the public authorities are likely to become more engaged as a partner in private sector investment in new technologies that are based on genetic advances. The ability to steer the genetic makeup of plants and animals to improve their productivity will certainly exist: the extent to which this ability is translated into products acceptable to consumers is still uncertain. Trade rules play a vital role in such matters is crucial. Investment is unlikely to be forthcoming if global markets are fragmented by regulations on biotech and on other scientific approaches to increasing food supplies. Intellectual property rights need to be protected in a way that does not exacerbate income disparities.

The enthusiasm with which new investments in biofuels were made over the past few years stands in sharp contrast to the cautious approach to biotechnology. If oil prices remain high there will be many opportunities that open up for the use of agricultural crops in energy production. But again there is the potential for a backlash from civil society: already the uncertain contribution of biofuels to environmental goals and the undoubted exacerbation by ethanol production of the recent spike in food prices has taken some of the bloom off the biofuels expansion. In this respect, private investment will follow directly from changes in government policy. If the various subsidies and tax breaks for ethanol and biodiesel were to be reduced, along with the mandates for the incorporation of biofuels in transportation requirements, the private sector would find many of its investments unrewarding. Trade rules could help in these circumstances. If these products were more freely traded (and be produced in ways that minimized environmental impacts) the investment in renewable fuels from agricultural biomass could be considerable.

### ***Continued liberalization and reform in developed countries***

The period since 1985 has seen some major changes in the domestic agricultural policies of the developed countries. Reform started in such countries as New Zealand and Chile with the notion that the government could not artificially provide the demand for farm products in exporting countries in the light of macroeconomic distortions and locational disadvantages. It spread to those countries that were stifling their farm sectors with marketing arrangements that provided little incentive for quality and kept down the price to producers. Together with the paradigm change in the management of the economy, toward deregulation and the provision of incentives, the change in agricultural policies in the 1980s away from market intervention towards direct payments has now transformed the policies provided a new environment. In the EU this process accelerated over the 1990s as farm policy shifted to include environmental and quality aspects of food

production, culminating in the reforms of 2003 that virtually eliminated for arable agriculture any link between farmer support payments and commodity market conditions. Progress in the US has been less linear, with a move in 1996 to delink payments and production but some recidivism in 2002 and 2008 as commodity-based price support programs proved to have strong support in the farm lobby and in Congress.

So the issue for the next few decades is whether the reform process will continue, so that all developed countries will in essence have rural policies that emphasize land stewardship and rural development, nutrition policies that focus on quality and food safety, and agricultural policies that are aimed specifically at issues of productivity enhancement and risk management. Such a world would be consistent with a more open trade system and the removal of the many impediments that developing countries face in supplying food to the industrial country markets. But reform could become unhinged if attitudes changed perhaps as a result of food shortages and a collapse of world trade. It would not be difficult for those who would prefer the old policies of protection of producers by governmental management of markets to make the case that the “free market” had not worked. And the benefit of keeping the major developed countries moving along the same path, albeit at different speeds, is clear. It would be difficult to imagine an EU following a reform agenda that removed government from involvement in commodity markets if the US were moving in the other direction by increasing that involvement. So this is one area where the backstopping of the multilateral trade system is particularly useful. If the Doha Round continues to languish, or is abandoned altogether, the possibility of the market-oriented reforms of the past twenty years in developed country farm policies being reversed is much increased.

### ***Continued policy reform in developing countries***

The more fundamental question is whether developing countries will follow the same pattern with respect to the protection of domestic markets and producers. Much of the impetus for public intervention in developed country markets came as a reaction to different rates of growth in the agricultural and the non-agricultural sectors. Strong growth in manufactures and services, as indicated above, can put pressure on the government to intervene to help agriculture. But how that help is given, and under what conditions is important.

There are two “models” from which to draw lessons. The first is that of Latin America, that entered the 1980s with considerable protection for its agriculture and highly regulated domestic markets. These countries, often with the support of the World Bank, the InterAmerican Development Bank and the International Monetary Fund began a process of “structural adjustment” that emphasized opening up the agricultural sector along with other parts of the economy. As a result, applied tariffs even on agricultural products are now relatively low, though the bound rates are often higher. This type of agricultural policy has been conducive to growth of trade and to stronger regional markets. However, the process could always go in reverse: serious income problems in rural areas of Latin America could spur a resurgence of protectionism. A disruption of exports to the US and Europe may be enough to bring two decades of relatively open trade policies to a close.

The second model that may be followed is more typical of Asia, where agricultural trade policy owes more to debates about self-sufficiency and poverty alleviation than about access into the lucrative US market. This has led to an increase in agricultural protection as countries experience rapid economic growth. The pattern has been repeated in several countries since the 1960s, first in Japan then in Korea and now in China and India (Anderson and Hayami, 1986; Anderson Martin, 2008). How the emerging countries manage the stresses of relative agricultural decline will determine the extent to which they will agree to further liberalization in agricultural trade. The stalling of the Doha Round in July 2008 illustrates the problem. The apparent cause of the failure to agree on modalities was the difficulty to fashion a special safeguard mechanism for developing countries that would have allowed them to raise tariffs when world prices fell.

### ***Variability of prices as a trade issue***

Trade policy in agriculture may be as much affected by price variability than the absolute level of prices. If so, then the question to ask is whether we are in for more unstable conditions in trade and global agricultural markets? And, if so, in what way will this impact on trade policy in agriculture? Price volatility is a function in the main of production fluctuations and the level of stocks. Production fluctuations may well increase in the future, as global warming changes weather patterns and makes agriculture marginal in certain regions. More extreme weather events may also be one product of global warming. Stocks would acts to smooth out these fluctuations, but the levels of carryover stocks tend to have been lower in recent years. During a period of low prices the cost of holding stocks increases and the benefit of having those stocks decreases. Neither the private sector nor the public sector has the incentive to hold stocks through these low-price periods. However, as prices rise, the lack of stocks leads to panic buying. The political reaction in exporting countries can also exacerbate price spikes, as export controls and taxes operate to keep supplies at home.

Price instability can undermine the legitimacy of the global market as a place in which countries can buy food supplies on a regular basis and make use of trade to supplement domestic production. Even exporters benefit little from price fluctuations, and will drive prices down when surpluses begin to appear. The WTO rules are currently unbalanced: they spring into action when prices are low but do little to constrain government action when prices rise. So export subsidies are constrained and tariffs are bound, but export taxes are not limited and export embargoes barely mentioned. The ability of the world trade system to respond in times of price volatility is likely to be tested severely in the future, and some creative institutional arrangements may be needed. This is one area where the regional and bilateral trade arrangements have not attempted to solve these problems. Apart from the CAP (and an ASEAN grain reserve policy) the issue of price stability and stock levels have not been addressed at the regional level.<sup>11</sup> However, free regional trade does help to even out production fluctuations within such areas.

---

<sup>11</sup> Vulnerability to shortages of agricultural products on world markets has always been a concern of ASEAN countries. This aspect of agricultural trade was tackled in 1979, with the establishment of an emergency food stockpile, to which all would in principle contribute and from which each could withdraw in times of need. The initial stockpile consisted of 50,000 tons of rice, a small but useful reserve in times of shortage.

***Continued concern for environmental impacts of agriculture***

One issue that was almost entirely absent from the discussion of agricultural policy in the 1960s was the impact of agriculture on the environment. Now it is rapidly becoming an important part of the equation when domestic and international farm policies are being decided. The EU has to a large extent taken the lead on this issue by making farm support payments conditional on good environmental practices. But other countries are following down the path of recasting income support as compensation for environmental stewardship and the provision of public recreational goods. Other environmental issues (beside the biofuel subsidy and biotech questions mentioned above) include the contribution of agriculture and forestry to carbon sequestration and the problems caused by methane emission by livestock.

The impact of this increased concern over environmental issues on the trade system is likely to become more significant in the future. Once the concept of life-cycle analysis of products takes hold in national legislation the differentiation of goods by their method of production becomes inevitable. The trade system is set up to recognize goods by their product attributes not by the process attributes that one needs to evaluate a carbon footprint. So until this disconnect can be resolved, one would expect increasing conflicts over the issue of the environmental impact of the production and processing methods of traded goods.

On the assumption that the trade system can eventually classify goods in a way that allows environmental regulations to coexist with trade rules then the issue becomes whether this will increase or decrease trade in foodstuffs? Increasing product differentiation is generally positive for trade: one could imagine land-rich areas benefiting from the switch in demand for food from more extensive agricultural systems. But this may depend on the environmental impact of transportation services. The effect of, say, carbon taxes on food trade patterns may be to encourage local production at the expense of overseas supplies.

The role of regional and bilateral trade arrangements in reacting to environmental challenges is likely to be limited. Many of the issues are global in scope, and partial trade rules would be inadequate and lead to issues of competitiveness. But at the global level the debate has centered on whether to work purely through environmental institutions or to build environmental considerations into trade rules. The negotiations on the trade in “environmental goods and services” in the current Doha Round suggests that the WTO may become more involved. On the other hand the talks have for now floundered on the definition of environmental goods.

***Continued concentration in the food system***

One issue that could complicate the trade picture in the coming decades is the increased dominance of significant parts of world trade in agricultural and food products by a relatively small number of large firms. The main result of this has undoubtedly been to increase efficiency and choice, as consumers in developed countries enjoy the convenience of large grocery stores and a wider array of foodstuffs. Farmers can buy improved seeds and purchase fertilizers and other farm chemicals from distributors with world-wide networks. But a side effect is that corporate decisions can affect millions of

farmers and consumers. Concern has grown that concentration of economic power could at some stage constrain rather than empower farmers and consumers.

Much trade in manufactures moves within the same firm, as supply chains lengthen. The same trend is noticeable in food trade, though to a much lesser extent (Grant, *et al*, 2006). In the area of biotech seeds the effect of concentration is most noticeable, and the conflict with the traditional practices of farmers most evident. But the problem is a part of a broader question: should the use (and abuse) of market power in international trade be regulated? Competition policy has been considered as a topic for regulation in the WTO. The Singapore Ministerial identified four new areas that could be ripe for inclusion in the WTO rule structure: investment, government procurement, trade facilitation and competition policy. But at the Cancún Ministerial in 2003 three of these topics were dropped from the agenda, leaving only trade facilitation (customs procedures) to be a part of the Doha Round. Whether and when competition policy will re-emerge remains to be seen.

### ***Continued provision of consumer-driven food attributes***

The main manifestation of globalization of the food sector may have been the establishment of global supply chains: the driving force behind such chains has been supermarkets and food processors. The consumer has played a willing role in this development. In developed countries the successful attempt to package attributes of health and environmental responsibility with foodstuffs, along with animal welfare and in some cases labor conditions, has transformed the economics of food trade. In developing countries consumers have embraced the availability of non-local foods and the better reliability and quality control that can come with firm size and management expertise.

This has set up some potential conflicts in many respects similar to those related to environmental regulations. Governments negotiated at length to establish the rules for health and safety regulations, contained in the Sanitary and Phytosanitary (SPS) Agreement. This circumscribed the ability of governments to set import standards that were not justified by risk assessment and based on scientific evidence. But consumers in many cases decided that the government and their scientific advisors were underplaying certain subjective risks to health and to the environment. Headline issues such as biotech crops became grist for the competition for market shares among retailers. But this was merely the tip of the iceberg, as private standards tied to particular marketable attributes began to proliferate. The SPS Agreement itself has been useful, particularly in the area of animal and plant diseases, but has not been effective in the area of private standards.

The question that countries will have to face is whether to try to amend the SPS Agreement to allow government regulations to respond to consumer concerns that have not been found to have scientific merit. Exporting countries clearly see this as a possible end to the SPS Agreement as a constraint on governments: who is going to arbitrate on whether subjective fears pass some test of credibility and legitimacy? But in the absence of some sort of solution to this problem the SPS Agreement will increasingly become irrelevant for most food trade. This could be compounded by the adoption of standards related to such longer-term health topics such as obesity. The SPS Agreement relates to regulations governing the safety of foods, but eating too much of a “safe” food can cause health problems. So it is not inconceivable that agencies such as the World Health

Organization could find itself advocating policies that are in contradiction to the SPS Agreement.

***Continued integration by regional and bilateral agreements***

So how cohesive might the global market be in the future? Will it begin to fragment as more regional and bilateral trade agreements are concluded? Or will these regionals and bilaterals effectively merge to create global free trade?

One emerging trend is a move toward bilaterals with significant trading countries such as Malaysia and Thailand, and large trading powers such as Japan. Any move in this direction by the US would certainly be accompanied by trade agreements between the EU and these countries. It is inconceivable that these mega-agreements could omit agriculture. A trade agreement between ASEAN and China would certainly have to include agricultural trade. If India and China were to sign a trade agreement, it would be difficult to imagine that it would not also include provisions for expanded agricultural trade.

It is also possible, particularly if the WTO Doha Round is further postponed, that there could be a networking of existing trade agreements (Tovias, 2008, calls these cross-regional agreements). One attempt at this type of regionalism emerged in the mid-1990s as attempts were made to transform existing free trade networks in the Americas into actual supra-regional trade agreements that spanned the continent - the Free Trade Area of the Americas (FTAA). This supra-regional network represents an essentially new way of negotiating reductions in trade barriers. But progress on the FTAA halted when the WTO Round began. But in a post-Doha environment several countries in the region could start the process again.

The FTAA is scheduled to include agricultural products and thus lead toward a single market in the hemisphere. For countries such as Argentina and Brazil, inclusion of agriculture is imperative. Canada, as a proponent of the FTAA, will be confronted with the need to include agriculture despite the domestic sensitivity in some sectors. If such an agreement were to be concluded, improved market access for agricultural products, both US exports to Latin America and their exports to the US, would have to be included. This could have a very significant impact on markets even if domestic policy were not regulated in the FTAA.<sup>12</sup> The pressure for an FTAA may come from a fear of being excluded from emerging markets while competitors get free access. It is likely that the EU will soon conclude an agreement with MERCOSUR that would include preferential access for farm products (though quota controlled for some years). This would put US exporters at a disadvantage in both the EU and the Latin American markets if an FTAA did not materialize. So an FTAA (and possibly even a strengthened Transatlantic trade agreement) may be necessary for the export prospects of several sectors of US agriculture.

---

<sup>12</sup> Mexico and Chile have already signed a number of bilateral (and trilateral) trade agreements with other countries in the region.

### ***Continued support for the WTO***

This all leads to a consideration of the future of the multilateral policy framework for trade and for the WTO in particular. The Commission set up by the University of Warwick to consider the future of the WTO identified several potential weaknesses that will need to be addressed (Warwick Commission, 2007). One is that political support for freer trade, and by implication the WTO, is eroding in the major developed countries. Though none of these countries has hinted of any desire to withdraw from the WTO one could imagine a scenario where some major disagreements erupted over adverse panel reports on (say) ethanol or the extent to which an emerging country (such as China) was living up to its obligations. So one cannot assume that the WTO will necessarily remain in its present form for the next four decades. But if trade grows and economic policy does not turn away from the post-war consensus of “embedded liberalism” then some multilateral institution will still be needed.

Another important task before the WTO is that of effecting a reconciliation with regionalism. This issue has become at the least a serious distraction and at the worst a wholesale repudiation of the principle of multilateralism and non-discrimination on which the WTO is based. But as the same governments that profess support for the WTO negotiate the regional and bilateral agreements, it would be futile to take a confrontational stance. The WTO will have eventually to accept the successes of the regional and bilateral trade agreements and incorporate them into its own activities. Though this may be seen as a weakness in the multilateral structure it would dramatically increase the scope of the negotiating process and the share of world trade that is directly affected by WTO commitments.

## ***4. Summary***

What are the main trade policy challenges in the coming decades? As indicated in the previous section, there is a serious problem emerging of governance of a multi-polar trade system. The cosy bigemony of the 1960s, when the US and Europe could define the terms under which trade took place, subject to accepted constraints of domestic political realities, is now long gone. The WTO is suffering from its own success as being a club that everyone wants to join. But having joined the members want to have a say in the direction that the institution will take. This includes defining the boundaries of the WTO competencies, deciding on the relationship between trade and development, and instituting measures that correct for past imbalances. Each of these issues will pose difficult problems for the developed countries and their political representatives. So the problem might come down to the fact that the developed countries cannot muster the political support for a trade system that is essentially focused on issues of the full integration of developing countries into the trade system as equal partners.

Further incorporation of developing countries in trade system is essential for their development and for attracting investment. The Doha Round does not by any means fully exploit the gains from such integration, but it offers modest progress in that direction. Hence the significance of the outcome of the Round is greatest for developing countries. The Round would produce many clear winners and a few losers, but for most countries it represents a way to tackle some obvious and long-standing trade problems (particularly the abnormal levels of protection in agriculture) while building on the institutional

foundations of the Uruguay Round. As a consequence, if the Doha Round is abandoned then some other device will be needed to achieve its objectives. This could involve developing different negotiating methods such as weakening the “single undertaking” nature of the WTO to encourage plurilateral agreements among members. It could imply a period of continuous negotiation where “early harvest” results could be agreed. It could include a “time out” for reflection and the agreement on some basic objectives that go beyond the exchange of concessions at the bargaining table.

In the best of worlds, one could expect the trade system in 2050 to be representative of the multipolar economic landscape, be fully integrated with both developmental and environmental policies and institutions, and have successfully merged the regional and the multilateral rules and negotiation processes. In a less than perfect world it is more realistic to expect continued problems of governance as economic power continues to shift, some remaining tensions between development goals and the narrower aims of reducing transactions cost, and only partial success in simplifying the architecture of the mixed trade system. But even if it works no better than the present system at least it will provide a framework for firms and farms to trade and consumers to have an ever-expanding choice of products.

## References

- Anderson, K and Yujiro Hayami (1986). *The Political Economy of Agricultural Protection*, Allen and Unwin, Australia
- Anderson, K. and W. Martin (eds.) (2008), *Distortions to Agricultural Incentives in Asia*, Washington DC: World Bank, December
- Barton, John H., Judith Goldstein, Tim Josling and Richard H. Steinberg (2006). *The Evolution of the Trade Regime: Politics, Law and Economics of the GATT and WTO*, Princeton University Press
- Coleman, William, Wyn Grant and Tim Josling (2004), *Agriculture in the New Global Economy*, Edward Elgar
- Josling, T and S. Tangermann. (2003). "Production and Export Subsidies in Agriculture: Lessons from GATT and WTO Disputes Involving the US and the EC," in Ernst-Ulrich Petersmann and Mark Pollack (eds.) *Transatlantic Economic Disputes*, Oxford University Press
- Josling, Tim (2007). "Overview of Trade Agreements: The Multilateral System" in William A. Kerr and James D. Gaisford (eds.) *Handbook on International Trade Policy*, Edward Elgar, Cheltenham, UK and Northampton, USA
- Josling, Tim (2009) "Agriculture", in Simon Lester and Bryan Mercurio, (eds.) *Bilateral and Regional Trade Agreements: Commentary, Analysis and Case Studies*, Cambridge University Press, Cambridge, UK
- Josling, Tim, Stefan Tangermann, T.K. Warley, (1996). *Agriculture in the GATT*. Houndmills, London, and New York.
- Tovias, Alfred (2008) The Brave New World of Cross-Regionalism, CEPII Working Paper 2008-03, Paris
- Warwick Commission, (2007). *The Multilateral Trade Regime: Which Way Forward?* Warwick University, Coventry, UK

### **Terms of Reference for Paper**

#### **Trends in international agricultural trade policy arrangements**

The purpose of this paper is to discuss future trends in food and agricultural trade policies. How and why particular trade policies evolved in the past could inform the future evolution also. Thus, the history of global agricultural trade rules – or lack of the rules until 1995 – could be one important basis for this forward-looking analysis. There were reasons why agriculture trade was kept out of the general GATT disciplines until 1995 when the Uruguay Round Agreement also covered agriculture. The Doha Round is essentially continuing with the same spirit and the letter (the basic structure) of the Uruguay Round – trying to deepen the reform process further (essentially further reducing leftover protection and subsidies – but with important exceptions). An analysis of the difficulties encountered in this process and the exceptions and exemptions being negotiated now also provide inputs for thinking how these rules might evolve in the future.

Besides the multilateral process of trade arrangements (the WTO agreements), the last 10 years or so have also seen a second-track arrangement in trade policies – the explosion of the preferential trade agreements (PTAs) all over the world. There is a rich literature on why PTAs have proliferated in this scale and on whether this is a significant development (and positive or negative) to reckon with vis-à-vis the WTO process.

The proposed paper will therefore seek to interpret these past developments on the basis of their key determinants like changing economic conditions (e.g. income parity between agriculture and non-agriculture), pressure of globalization (e.g. changing comparative advantages), politics (e.g. the end of the communism including Soviet Union was a major reason for new trade arrangements in Asia), and so on.

The main motivation for looking into the historical and recent trends is of course to inform the future scenarios – and future here could mean the next 3-4 decades.