

THE URUGUAY ROUND AGREEMENT ON AGRICULTURE

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The Uruguay Round Agreement on Agriculture (URAA) broke new ground by applying disciplines to practices that had never been subject to effective international restraints. The scope of its policy and commodity coverage substantially exceeded that of earlier trade rounds. Its importance, however, lies more in precedent and principle than in performance. No dramatic burst of trade growth followed the Round, nor did the United States share of agricultural trade rise.

The Context

The URAA was not, of course, begun or ended in a vacuum. Recall some of the political factors and market fundamentals that motivated the United States as the last round was launched, negotiated and concluded.

- Large surpluses and depressed prices characterized most commodity markets during much of the period.
- After the halcyon days of the 1970s, U.S. agricultural exports had declined. In addition to such factors as a strong dollar and high loan rates, many farmers and government officials blamed foreign subsidies and trade barriers for the decline.
- Exporting countries that provided fewer subsidies to producers than the United States or the European Union emerged as aggressive advocates for opening markets and cutting subsidies.
- Central to these “Cairns Group” exporters’ complaints was an export subsidy war that pitted the United States Export Enhancement Program (EEP) against the EU’s export restitutions. At the height of this global fire sale, some milling quality wheat was sold to East European markets at prices as low as \$70 per ton.

- At the same time, the United States faced farm-spending cutbacks, with the promise of more to come. Similar budget pressures had built in Europe. International negotiations offered a means of leveraging the likely farm support cuts into multilateral reforms.

The Core Principle

The central insight of the URAA was that agricultural policies of all types had the potential to distort trade under certain circumstances and were therefore a fit subject for international disciplines. If governments pursued policies whose predictable result was to encourage excess production of commodities, with resultant surpluses exported into world markets with price-depressing effects, that was not merely a domestic matter but something in which trading partners had a legitimate interest.

This insight now seems a commonplace. However, it was not the operating principle for agriculture under the pre-URAA General Agreement on Tariffs and Trade (GATT). Nor was it easily accepted by the nations that negotiated the Uruguay Round.

Away From Exceptionalism?

To subject agricultural policies more comprehensively to international disciplines is to make agriculture conform more closely to though by no means perfectly to rules that have long applied to industrial goods. In this sense, the Uruguay Round diminished the sense of agricultural uniqueness or “agricultural exceptionalism,” as some U.S. political economists have put it.¹

The idea that agriculture is different from all other industries helps to explain the domestic policies of many countries, where agriculture is subject to more than normal government intervention and assistance. The idea implicitly pervaded GATT law and practice before the Uruguay Round. The tension over agricultural exceptionalism can be found even in contexts that have little to do with government or, for example, the tensions that sometimes arise in rural communities between generally older farm operators who see farming as a way of life, and younger, more aggressive and expansion-minded operators who see it as a business like any other.

To many observers of the Uruguay Round who thought themselves far-sighted at the time, the Round seemed to move with history's tide. National policies would, over time, treat agriculture less and less as a unique way of life and more and more as an industry with no special claims on the common weal. In a world with less government intervention, the comparative advantage of U.S. producers would come to the fore. Therefore, the URAA was headed in the right direction.

Over a sufficiently long period of time, this forecast may still prove correct. However, the recent debate in Seattle over the term “multifunctionality” illustrated that many countries remain committed to a vision of agriculture that involves much more than the production, marketing and distribution of goods. In addition, the response of national governments, especially the United States

B to the current farm downturn raises questions about how valid the underlying assumptions of the URAA remain.

The URAA Requirements

The basic requirements of the URAA are well known, and I need not trouble this audience with a lengthy recitation. Briefly, the round imposed requirements in three areas related to support and protection:

- **Market Access:** The URAA required the conversion of all non-tariff barriers to tariffs, and the binding of these and other tariffs. Existing and new tariffs were to be reduced by an average 36% on an unweighted basis over the six-year implementation period beginning in 1995, with no tariff cut less than 15%. The URAA required the creation of minimum access import opportunities where imports had been less than 5% of domestic consumption during the 1986-88 base period. For similar situations where imports were more than 5% of consumption, countries had to maintain current (existing) access opportunities. Both current and minimum access opportunities were to be afforded through tariff rate quotas (TRQs), with minimum access quotas rising from 3% to 5% of domestic consumption during the implementation period.
- **Domestic Support:** Countries agreed to categorize, measure, and limit domestic support. Measures presumed to distort trade the most were classified in an “amber box,” capped (in the aggregate for each country) at the 1986-88 level, and reduced by 20% over the six-year implementation period. (The requirements were different for developing countries.) Non-trade distorting measures were exempted from reductions in a “green box.” Some amber box payments related to production-control programs were exempted from reduction through a so-called “blue box.”
- **Export Competition:** The URAA requires countries to reduce their volume of subsidized exports by 21% over the six-year implementation period, while reducing the value of export subsidies in the same period by 36%. (Again, requirements are less stringent for developing countries.) The URAA defined export subsidies in relatively broad terms, as subsequent case law has confirmed, though there were exclusions for bona fide food aid and some other measures.²

Implementation

The implementation of the URAA disciplines has received mixed reviews. The easiest subject to deal with is domestic support, since the domestic support commitments generally did not require countries to do anything they had not already done. Support had been extraordinarily high during the

1986-88 base period, and both the United States and Europe had already begun to scale back their farm programs. Since they received credit for what they had already done, neither the U.S. nor the EU had to make specific policy changes to comply with domestic support commitments. The fact that these commitments were made in the aggregate rather than on a commodity-by-commodity basis further eased the task.³

Export subsidy commitments have generally been honored, though it is fair to say that countries have taken advantage of any loopholes they could find.⁴ The United States, for instance, felt that Canada had changed its dairy policies in such a way as to circumvent its commitments, and a WTO panel recently agreed. It is also fair to observe that the world has moved on, and the subsidy limits have been a less dramatic factor in the market than many might have expected. High world grain prices in 1996, for example, caused the EU to convert its export restitutions into taxes for a while, to the chagrin of its customers and the probable delight of its competitors. The United States, meanwhile, concluded that the EEP was either unnecessary or actually counterproductive and has largely stopped using it, even though we would still be entitled to do so if we chose.

Market access commitments suffered from “dirty tariffication,” the process of exaggerating prior protection levels in order to justify higher equivalent protection going forward. They also suffered from the tendency of countries to make the lowest tariff cuts in the most sensitive products, which logically were the ones where foreign suppliers saw the most opportunities. Since tariff reductions did not have to be weighted by trade volumes or on any other basis, it was possible to comply with the letter of the URAA through deep percentage cuts in tariff lines that were already low and lesser cuts in the more sensitive items. Thus, some commodities may have ended up with more protection after the round than before.⁵

Precedent, Not Performance

Most analysts of the URAA conclude that its significance lies more in the precedents it established than in the trade gains it directly caused. A speaker at a conference like this is always tempted to dissent from received opinion, if only to get attention.

Nevertheless, sometimes the conventional wisdom is conventional because it is wise. In this case, it is pretty difficult to argue that the Uruguay Round dramatically changed the fundamental course of world agricultural trade patterns B a subject to which I will return. It *is* possible to argue, though, that the Round made a dramatic change in the rules of engagement, in ways that favor low-cost producers and encourage more open trade and more transparent policies.

- The URAA enshrined the principle that domestic support should not distort trade, and to the extent it does, it must be subject to some upper bound.
- The URAA hemmed in the ability of developed countries to export their domestic surplus

problems onto world markets, through its understandable and enforceable limits on subsidized tonnages and subsidy values.

- Through tariffication, the URAA enshrined the concept of transparency in border measures, replicating an earlier achievement of the GATT that paved the way for more open trade in manufactured goods.

I have said that these principles, generally speaking, have not yet had dramatic effects in the real world of buying and selling commodities. However, that is not to say they have had *no* effect. Consider three examples.

- The detailed definitions of export subsidies in the URAA, and the requirement to create a schedule of subsidies and reductions, means that you hide your subsidies at some substantial risk. Canada, as mentioned earlier, redesigned its dairy policies and argued that the new programs were not export subsidies. The United States and New Zealand argued otherwise and prevailed before a WTO panel. Canada may now be vulnerable to a similar challenge on some of its other policies, including those for egg products. By the same token, the dairy case raises the specter of a challenge to some U.S. policies, notably the peanut program, that have features in common with the Canadian dairy system.
- A volume-based quota gives a government near-absolute control over the volume of legal imports. However, a TRQ does not afford quite the same level of certainty. The over-quota tariff rate is set at a level that is prohibitive under normal circumstances, with the express aim that the TRQ will keep out unwanted imports just as surely as did the old quota. But if circumstances are not normal, the TRQ may not work quite as intended. The United States briefly faced this situation in its sugar market earlier in the year. World sugar prices had fallen dramatically while protected U.S. prices had not, increasing the always-wide gap between U.S. and world prices to an unprecedented level. Since the over-quota tariff on Mexican sugar under the North American Free Trade Agreement is already less than the most-favored-nation (MFN) over-quota tariff, imports of Mexican sugar became (and remain) a real factor in the U.S. sugar balance sheet. Some imports entered, others apparently awaited the further reduction in the over-quota tariff to take effect with the new year. Subsequently, the world price rose a little and the U.S. domestic price fell substantially, so that over-quota imports no longer made sense. But they might do so again.
- Finally, consider the URAA limits on total amber box domestic support. These limits have often been considered irrelevant. However, the limit for the United States during 2000 is a little under \$20 billion. The U.S. Aggregate Measure of Support (AMS, the total of amber-box measures) includes the value of our programs for peanuts, sugar and dairy, plus the growing volume of loan deficiency payments (LDPs) for grains, cotton, and oilseeds. It does not include income support payments under the so-called “freedom to farm” law, the Federal Agriculture

Improvement and Reform Act of 1996 (FAIR Act). The status of “Market Loss Assistance” (MLA) emergency payments legislated in 1998 and 1999 is in some doubt.⁶ Many analysts expect Congress may again provide supplemental emergency income payments to farmers this year. If Congress chose to make those payments in a manner that was unambiguously in the amber box B for example, a payment tied to current-year marketing of specific commodities B there would be some risk that the United States would exceed its AMS commitments, depending on how generous the payments were. This consideration may have an effect on both the congressional debate and Clinton Administration proposals to strengthen the farm “safety net.”

No Dramatic Impact

As suggested earlier, no dramatic surge in world trade or U.S. exports followed the URAA. The U.S. Department of Agriculture (USDA) does estimate a \$5.17 billion annual benefit to the United States from the URAA, but that is upon full implementation in 2005, not now.⁷ At the moment, it would be difficult to specify where the \$5.17 billion is hiding.

USDA statistics do show total world agricultural exports at a higher plateau during the second half of the 1990s. However, world trade peaked in 1997 at more than \$300 billion and has been lower in each of the two subsequent years. Meanwhile, the aggregate U.S. share of world agricultural trade has been stagnant to downtrending, bouncing within a percentage point or so of 20% ever since the late 1980s. U.S. share was higher in the first half of this decade than in the second. The U.S. share of world consumer food exports, a subset of world agricultural trade, was on a steep uptrend until about the time the Uruguay Round was signed but has weakened since then.⁸

Neither can one use the absolute dollar value of U.S. farm exports, as a dramatic example of the Uruguay Round’s achievements. Exports rose sharply into 1996, when they set a record at \$59.8 billion, but fell off sharply after that. This falloff reversed an uptrend that had started from the trough levels of 1986, during the last major agricultural economic crisis and long before the Uruguay Round could have had any effect. Now, U.S. agricultural exports are forecast at \$49 billion for the fiscal year 2000, 10% below their nominal value in 1995 when Uruguay Round implementation began, and 18% below their 1996 record level. Meanwhile, the nominal dollar value of agricultural imports has increased each year during the same period, putting the U.S. agricultural trade surplus on a marked downtrend. The agricultural trade balance for 2000 is forecast 55% below its 1995 level, declining from \$24.7 billion to \$11 billion.⁹

The picture is not radically different when we look at particular commodities. World wheat trade has been stagnant at about 100 million tons throughout this decade, before and after the round. The U.S. market share is a little less than before the URAA. Coarse grain trade has also been relatively stagnant. Oilseed and vegetable oil trade has exhibited stronger growth, but U.S. soybean export volumes are still forecast to be lower this year than in 1996 or 1997. World meat and poultry trade has

also been on a strong uptrend, and exports have become more important to U.S. meat and poultry producers. However, U.S. export volumes have not risen sharply since the URAA was signed.¹⁰

Markets Trump Policy

None of these observations constitute an argument against the URAA. They simply illustrate how market fundamentals tend to swamp the effects of government policies, including trade policies both good and bad. Exports fell because of strong worldwide production and slumping Asian demand. Meat, poultry and oilseed demand trends reflect income growth in developing economies, something which is broadly trade-related but can only with difficulty be traced directly to anything in the Uruguay Round Agreement on Agriculture.

The URAA and earlier bilateral agreements brought important market-opening reforms in several major Asian markets. These reforms were and remain important, and can be expected to benefit U.S. producers. Their effect, however, was overshadowed in recent years by the Asian economic crisis. From the high-water mark of 1996, U.S. farm exports to Asia fell \$9 billion.¹¹ It is possible they would have fallen more without the URAA, but that is difficult to demonstrate in practice.

Market fundamentals trump government policies over the longer term and even the intermediate term. That is not an argument for minimalist government. It is an argument for a degree of humility in assessing (and selling) both the merits of past trade agreements and the potential of future ones.

What Remains to be Done?

If the Uruguay Round's importance, so far, is more precedential than economic, it is logical to ask how the precedents might be useful in future negotiations, assuming there are some. For a bit of perspective, consider the following:

- Once all the URAA reforms are fully in place, agricultural tariffs will average 50% for all WTO members, 20% for the European Union but only 8% for the United States. We clearly have something to gain from further market access reforms.
- The European Union accounts for 84% of global export subsidies; at least those that are included in the URAA disciplines. It seems clear the United States has something to gain here.
- Domestic subsidies remain high in much of the world. For 1996-98, producer subsidy equivalents (PSEs) as calculated by the Organization for Economic Cooperation and Development accounted for 60-70% of gross farm receipts in Japan, Korea, and several non-EU European countries. PSEs were 39% of gross farm receipts in the EU, but only

17% in the United States. Using a different methodology, the nominal rate of assistance or protection for agriculture was found in one non-government study to have risen from 30% in the late 1960s to 60% in 1998.¹² Further reductions in domestic support, as well, would seem to favor the United States

And yet the situation is not as simple as it seems. Consider these facts as well:

- On a per-farmer basis, the PSE comparisons are less dramatic. In the same 1996-98 period, support per farm averaged \$17,000 in the EU and \$14,000 in the United States B not so big a difference. Adding in the generous emergency payments of 1999 would probably bring the two figures still closer together.
- Supports vary dramatically by commodity. Thus, the EU subsidizes beef much more than we do (a PSE of 53% in the EU vs. 3% here), and does the same for poultry (19% vs. 2%) and oilseeds (48% vs. 7%). Big gaps also exist for wheat (46% vs. 28%) and corn (34% vs. 17%). On the other hand, dairy enjoys high subsidy levels on both sides of the Atlantic (53% in the EU vs. our 50%), while the United States actually had a higher PSE than the EU on sugar (38% in the EU, 41% in the U.S.).¹³
- U.S. spending on amber box policies has increased simply because LDPs and marketing loan gains (the two are different forms of the same payment) have escalated dramatically. LDPs rose from \$478 million in fiscal year 1998 to \$2.653 billion in 1999 and are forecast at \$3.383 billion in 2000.¹⁴

A Different Context

More broadly, several major U.S. political and economic factors operative during the Uruguay Round have changed today.

- *Farm Spending:* During most of the Uruguay Round, farm programs were being cut and seemed likely to be cut further. No one was talking about a budget surplus. Today, however, Congress has acted in two consecutive years to boost farm spending by fairly dramatic amounts, so that almost 50% of net farm income in 1999 will derive from direct government payments. No one today would bet on the abolition or phaseout of farm programs anytime soon.
- *Decoupled Payments:* During the Uruguay Round, a U.S. trend toward decoupled payments B income support separated from current production, prices, acreage and per-unit output B was already apparent. The yields used to calculate deficiency payments had been decoupled in 1985. In 1990, during the Round, 15% of base acres for major program crops were effectively decoupled by withdrawing deficiency payments, preserving

base acreage and allowing the planting of alternate crops on these acres. Following the round, decoupling reached its apogee with the FAIR Act, when income support payments were almost completely separated from current production decisions and put on a downward track.

Now, however, lower prices have prompted calls for higher loan rates, which would “recouple” benefits to some extent. Congress, meanwhile, has enacted two years’ worth of emergency MLA payments. Some (not all) observers see these payments as *de facto* “recoupling” since they are a clear response to low price levels.

In any event, the green box\amber box structure of the URAA puts a premium on decoupled payments, an incentive the United States was glad to encourage in the early 1990s. How does our government feel today?

- *Issue Emphasis:* During the Uruguay Round, negotiators and the agricultural community were keenly focused on export subsidies, and understandably so. Export subsidies remain important, but in the interim the United States has largely abandoned their use, without any attendant collapse in its export competitiveness. Meanwhile, issues like GMOs have attained a higher profile. These issues differ from export subsidies (and, for that matter, market access and domestic support) by being less easily quantified (expressed in tariff equivalents, subsidized quantities, etc.). They may therefore prove less susceptible to negotiation in the WTO environment than policies that can be more easily quantified, rendered transparent and reformed in accord with numerical parameters.

U.S. Objectives

Earlier in the year, the United States laid out ambitious objectives for the new round that was then in prospect. These objectives included –

- In the area of **market access**, to “lower tariff rates and bind them” and to assure “expanded market access opportunities for products subject to tariff rate quotas”;
In the area of **export competition**, “to completely eliminate ... all remaining export subsidies” while also “improving transparency in the operations of state trading enterprises (STEs) and strong disciplines on the monopoly activities of STEs”;
- For **domestic support**, “substantial reductions in trade-distorting support and strong rules that ensure all production-related support is subject to discipline, while preserving criteria-based ‘green box’ policies ...”¹⁵

(I do not discuss U.S. proposals on GMOs here because a separate session will consider the Agreement on the Application of Sanitary and Phytosanitary Measures [SPS Agreement] and related

issues.)

Seattle and the Last Draft

The surprising and dramatic week of November 29-December 3 in Seattle has been analyzed extensively. Its outcome was a major disappointment for most U.S. agricultural interests as well as for the government negotiators who had put their most dedicated efforts into achieving a good resolution. At the end of the week, of course, we were left with the curious artifact of a document prepared by the WTO secretariat that endeavored to reflect the progress negotiators had made. It was thought for a few hours on Friday afternoon to be the final document that would become part of a ministerial declaration launching a new trade round. However, the document was never finally accepted by several countries including the European Union, pending developments in other negotiating groups. When the entire ministerial was suspended, to reconvene at some unknown date, one was uncertain even what to call this document. It was certainly not an “agreed text,” and “final text” probably implied more finality than there was. Some U.S. officials call it a “frozen text,” which may also imply too much since the EU does not concede that it is frozen or fixed. We will call it the “last draft,” which is reasonably accurate if not very imaginative.

The last draft is attached to this paper, and has become a familiar text to the cognoscenti. Agricultural groups who saw it the afternoon of December 3 found items to praise and others to criticize. In retrospect, the large majority would have preferred to launch a new round with this draft rather than have the round fizzle and begin all over.

Market access language called for “the broadest possible liberalisation” on a “comprehensive” basis. The text mirrored corresponding language on industrial goods by saying the negotiations should proceed “with no *a priori* exclusions.” This language troubled some export-oriented commodity groups who wondered if it implied that commodities might be excluded from the negotiations as a matter of subsequent pragmatism, not first principles. Others, however, argued it actually strengthened the call for “comprehensive” negotiations, since talks could have been “comprehensive” without being all-encompassing.

In a victory for the United States, the **export subsidy** language used the word “elimination,” which had been strongly resisted by the EU. However, it did so at the price of implicitly including export credit guarantees in the negotiation, something U.S. farm groups would prefer to avoid. The term was also surrounded by enough modifiers that various interpretations of its meaning were possible. Export subsidies were to undergo “substantial reductions,” and these were to be “in the direction of progressive elimination of all forms of export subsidization.” Since one could go “in the direction” of New York City or London without ever actually arriving there, some readers feared that the language meant export subsidies would not actually be abolished in this round of talks.

Domestic support, according to the final draft, would see “substantial progressive reductions.”

This part of the text was both shorter and less controverted than other sections. Finally, there was the matter of **non-trade concerns**, a phrase lifted verbatim from Article 20 of the URAA. Article 20 is what makes agriculture part of the clumsily-named “built-in agenda,” since it calls for further negotiations on liberalization to begin in 2000. “Non-trade concerns” are to be “taken into account” in the new talks, according to Article 20. This phrase metamorphosed into “multifunctionality,” a term much beloved of European and Japanese negotiators. The concept sought to recognize that agriculture serves a variety of functions (the environment, quality of life, social policies, tourism, etc.) in addition to food production and trade. Many (though not all) U.S. farm groups feared that the term was a Pandora’s box which, if included in an official text, would legitimize the EU agenda on GMOs, animal welfare and a variety of other topics. The final draft does *not* use the word “multifunctionality,” another U.S. victory. It does, however, list “food safety” among the “non-trade concerns” that are to be considered in the negotiations. Some U.S. observers saw this as harmless boilerplate, but others believed it gave the EU a means of introducing non-science-based restrictions on GMOs and other concepts which the U.S. groups saw as pernicious.¹⁶

Next Steps

U.S. agricultural and trade officials face difficult choices in the wake of the Seattle debacle. Agriculture was by no means the major reason the talks failed. Though the agricultural text was not final, few knowledgeable observers thought it would have stood in the way of a successful conclusion to the talks if other negotiations had proceeded. They did not, for a variety of reasons that will surely be discussed in other portions of this conference.

The situation now is awkward. Under Article 20, agricultural talks should begin this year, and officials have said they will. Nevertheless, in the past many U.S. farm groups have resisted the idea of stand-alone agricultural negotiations. In such a venue, they argue, it is impossible to arrange the kinds of cross-sectoral tradeoffs that will be required in order for the Europeans or the Japanese to make major agricultural concessions. Yet if nothing happens and no agricultural negotiations ensue, important momentum may be lost. The more time elapses and the older and staler the “last draft” becomes, the more difficult it may be to preserve the gains made in that document. Moreover, every day of delay is one more day before U.S. producers can realize any gains that might come from a new agricultural agreement.

One course of action is for the United States to press aggressively to begin agricultural negotiations now, with the expectation that by the time countries are close to an agreement on agriculture, a new round will have begun. This scenario acknowledges the slow pace of all negotiations and implicitly assumes that the post-Seattle period is merely a hiatus and not a paradigm shift in world trade policy. The scenario sees the ministerial meeting eventually reconvening B even if after U.S. elections B so that agricultural talks will ultimately be integrated with other topics in a new round. Such an approach could be the best of several less than ideal options. There are, however, some tactical matters to consider.

The U.S. takes the position that the last draft is the starting point for any future talks. The EU demurs, suggesting that Article 20 is the proper starting place. The language in Article 20, of course, reflects none of the negotiations that led to the last draft in Seattle. For example, Article 20 does not even use the phrase “export subsidies,” much less the word “elimination.”

It is easy to say that language in a ministerial declaration is meaningless since it imposes no binding commitments. This view, however, is belied by the energy negotiators put into every word of such a declaration. In the latter stages of the Uruguay Round, it was probably significant that ministers had earlier agreed to make “substantial progressive reductions in agricultural support and protection.”¹⁷ Once Europeans had agreed to that language, U.S. negotiators did not have to make further concessions in order to secure the principle of reductions; they could focus instead on additional gains. In the same way, if the final draft from Seattle were universally accepted, the United States would have secured the principle of eliminating export subsidies and the EU would not have secured the principle of multifunctionality.

It might be easier to agree on using the last draft if agricultural discussions occurred during a reconvened ministerial meeting B in effect, a continuation of the same meeting that produced the final draft. If agricultural talks begin in a different venue, conversely, other countries may be more emboldened to reject the final draft and restate their opening positions and re-fight the same battles.

One could, then, argue for tying agricultural discussions to the reconvening of a ministerial meeting. As a practical matter, this course of action would mean such a substantial delay that most farm groups are probably reluctant to recommend it.

An alternative is for the United States to begin at a point closer to its own ideals than the compromise final draft. Such a point might be a joint U.S.-Cairns Group text that made the rounds earlier in the week of negotiations in Seattle. The end result of subsequent negotiations might be something close to the final draft. By contrast, if the United States begins with the final draft and the EU begins with (for instance) Article 20, it is easy to imagine a negotiated result that is less favorable to U.S. interests than the last draft.

Still another alternative, of course, would be for the United States simply to stand rock-solid on principle and say that negotiations must proceed on the basis of the last draft or not at all. If other nations eventually accepted this starting point, U.S. farm groups would likely heave a sigh of relief. Trade negotiations involving 130 countries, though, only rarely result in the unanimous adoption of a single country’s opening position.

Such considerations make one grateful not to have the burden of public office, where one has not only to lay out alternatives but also to choose among them and take responsibility for the consequences. Ultimately, these judgments are prudential ones made by fallible men and women who should be presumed by their countrymen to be acting in good faith.

It is difficult to look at the aftermath of Seattle with great optimism. The minimum result of the talks' collapse is delay. If USDA is correct about the potential gains for U.S. agriculture from trade liberalization, then the delay in concluding talks must mean that American farmers, ranchers and agribusiness operators were hurt by the failure in Seattle.

Will this period ultimately be a pause or a sea change? A short-term perspective is likely to leave us pessimistic. However, the history of trade negotiations gives some reason for a different view. The Uruguay Round itself was given up for dead more than once B yet, as we have seen, it ultimately set precedents for dramatic change. Now the question is whether the world's nations will build on those precedents to secure more open and rational agricultural trade in the new century.

Appendix¹⁸

NOTE: When Seattle trade talks broke down, farm negotiators were working from a draft text prepared by the WTO staff on the basis of negotiations up to that point. This text, never officially released by the WTO, is printed below. The paragraph numbering reflects the fact that it is one part of a draft ministerial declaration that covered many other subjects. The underlined sections reflect language that was new in this draft, while the overstricken language reflects a deletion from an earlier version. This text was NOT agreed to by negotiators, and U.S. and European officials have differed over whether it would be the starting point for any future talks.

Text on Agriculture

27. The negotiations shall continue the process of fundamental reform of trade in agriculture, through substantial progressive reductions in agricultural support and protection sustained over an agreed period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets, and the progressive establishment of a fair and market oriented agricultural trading system in conformity with WTO rules and disciplines. This shall be done based on Article 2 and the preamble to the Agreement on Agriculture.

28. Special and differential treatment for developing and least-developed countries, as provided for in relevant WTO provisions, shall constitute an integral and effective part of the results of the negotiations. Special and differential treatment shall be embodied in the Schedules of concessions and commitments, particularly with regard to products deemed of export interest by developing countries, and, as appropriate, in the rules and disciplines to be negotiated, so as to be more operationally effective and so as to enable developing countries, while undertaking commitments and providing concessions in the areas covered in paragraph 29 below, to take account of their development needs, including food security and agricultural and rural development. Particular attention shall be paid to the situation of least-developed, net food-importing developing countries, large agrarian developing economies and small island developing countries.

29. To achieve the objectives in paragraphs 27 and 28 above, the negotiations shall cover:

(i) Market Access

Comprehensive market access negotiations, with no a priori exclusions, leading to the broadest possible liberalisation, particularly with regard to products of export interest to developing country Members;

(ii) Export Competition

Substantial reductions in all forms of export subsidies, and equivalent action in respect of the subsidy component of other forms of export assistance (preserving the international food aid disciplines referred to in Article 10.4 of the Agreement on Agriculture), in the direction of progressive elimination of all

forms of export subsidization;

(iii) Domestic Support

Substantial progressive reductions in domestic support;

(iv) Rules and Disciplines

Improvements in the rules and disciplines consistent with the objective of fundamental reform.

Proposals for negotiations on all the above elements shall be submitted by 1 July 2000.

29bis. At the same time, as foreseen in Article 20, the negotiations shall take into account: Non-trade concerns. These include, in particular, the need to protect the environment, food security, the economic viability and development of rural areas, and food safety, in full conformity with the Agreements on the Application of Sanitary and Phytosanitary Measures and on Technical Barriers to Trade. Non-trade concerns should be addressed through WTO-consistent measures, particularly targeted, transparent and non-trade distorting measures.

Other objectives and concerns mentioned in Article 20 and the Preamble to the Agreement on Agriculture, including, subject to paragraph 28 above, making commitments in an equitable way among all Members.

30. Agreement on modalities shall be reached before 1 July 2001. Participants shall submit their comprehensive offer lists no later than 31 January 2002. The negotiations on commitments and legal texts shall be concluded before 15 December 2002.

END

- ¹ Cf. Don Paarlberg, *Farm and Food Policy: Issues of the 1980s*. Lincoln and London: University of Nebraska Press, 1980.
- ² Mary Ann Normile *et al.*, *Agriculture in the WTO*. U.S. Department of Agriculture/Economic Research Service, December 1998. This publication is among the best descriptive and analytical summaries of what the Uruguay Round required and how its reforms have been implemented.
- ³ *Ibid.* pp. 14-20.
- ⁴ *Ibid.*, pp. 21-26.
- ⁵ *Ibid.*, pp. 6-13.
- ⁶ Randy Green, *Do Market Loss Assistance Payments Distort Trade? A Tough Decision for USDA*, *Agricultural Law Letter*, July/August 1999. Available at www.AgricultureLaw.com
- ⁷ Michael Dwyer, *Outlook for U.S. Agricultural Exports*. Presentation at Issues Forum, National Agri-Marketing Association, September 16, 1999.
- ⁸ *Ibid.*
- ⁹ World Agricultural Outlook Board, *Outlook for U.S. Agricultural Trade*. U.S. Department of Agriculture, November 30, 1999.
- ¹⁰ Economic Research Service, *Agricultural Outlook*. U.S. Department of Agriculture, December 1999.
- ¹¹ Dwyer, *op. cit.*
- ¹² Dwyer, *op. cit.*; Thomas W. Hertel, *Potential Gains from Reducing Trade Barriers in Manufacturing, Services and Agriculture*. Paper presented to Federal Reserve Bank of St. Louis, October 21-22, 1999.
- ¹³ Dwyer, *op. cit.*
- ¹⁴ Economic Research Service, *op. cit.*
- ¹⁴ <http://www.agriculturelaw.com/specials/agtext.htm>

