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## A US PERSPECTIVE ON APPROACHES TO MARKET ACCESS

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Whether developing a market access strategy or formulating a negotiating plan for further global agricultural trade reform, US agricultural trade policy needs a new paradigm. The tenets of the past served American agriculture well - opening of new markets and leading multilateral negotiation that made significant strides in global trade reform.

But the world today is a different place, the agricultural trade landscape looks different then it did even as recently as the launch of the Uruguay Round. However, US policy has evolved little. Notwithstanding the strong points of US policy, that will help lead to further those reforms, American agriculture needs more than simply Uruguay Round II.

The new paradigm must be built on several of the 21<sup>st</sup> Century's new realities. First, trade, including agricultural trade, plays a central role in defining the post-Cold War era, in particular in the way the US conducts its world affairs. Second, the world view that shaped US negotiations in the Uruguay Round and since hardly accounts for the opportunities for American agriculture in the future and, especially, the new dynamics of whatever new round of multilateral trade negotiations lies ahead. Third, US agricultural trade policy has yet to account fully for many of the emerging trends of the new century.

### MARKET ACCESS OR TRADE REFORM?

Although market access and trade liberalization have been the two pillars upon which US agricultural trade policy has been built, they are not the same. Their objectives may often coincide, overlap, and complement one another but so too can they conflict with one another, presenting the policy maker and the negotiator tough choices. So whether policy dictates a bilateral, regional, or global approach to market access, it must first reconcile that potential, and fundamental, conflict.

A trade negotiator must know many things, but all are secondary to knowing one thing and consistently striving towards it: The negotiator, and by extension the policy, must know what he or she wants. It sounds simple, obvious; but unless the negotiator, and by extension his or her government, firmly states and adheres to a clear objective, the negotiator, and thus the policy, is in peril.

For example, the US committed in the Uruguay Round to negotiations at the Organization for Economic Cooperation and Development (OECD) to discipline the use of export credits. Those

negotiations continue. There is little disagreement that the Department of Agriculture's (USDA) export credit programs are one of the most significant, if not the single most instrumental, tool the US is employing both to maintain market access in a number of critical markets and to open new ones. There is just as little disagreement that additional disciplines on export credits, those of the US as well as other countries, would contribute to greater liberalization.

In this very important instance, there is a conflict between the objective of promoting market access and trade reform. This conflict has been the paramount reason the OECD negotiations have not yet concluded, and still present the parties some very difficult decisions before an agreement can be concluded.

There are others, but this contemporary example strikingly illustrates the need to reconcile the goals of market access and trade reform. Because if the policy does not set a primary goal - be it market access or trade reform - it places the negotiator attempting to execute policy in a negotiator's most difficult position - not knowing what he or she wants.

MARKET ACCESS: WHAT WILL THE US BUY?

Market access, and by extension US agricultural trade policy, is not and cannot be just about exports, what and how much the US is selling, where, and on what terms, especially as trade policy becomes more integral to the America's overall relations with other countries. As the US seeks complimentary concessions in new multilateral negotiations, import access - be it on a bilateral, regional, or global basis - will grow in importance in shaping the new paradigm for US agricultural trade policy. Yet, it largely is a poor stepchild to the drive for selling more.

If the US only grudgingly opens its markets, it cannot reasonably expect complimentary concessions from others, concessions that are the heart of the proposal the US laid out before the World Trade Organization (WTO) last summer. Additionally, the extent exporters, particularly those in the developing world, have access to the US market will determine their ability to grow their own economies - growth that will ultimately improve them as US customers and further strengthening the ancillary, and crucial, relationships that follow trade.

Indeed, many of the most difficult choices American agriculture will likely face will be the terms of access the US is prepared to permit to its market. Yet, these will be decisions as critical as any other because they will determine, in part, the negotiator's corollary guiding principle: Know what you can pay, and are willing to pay, to attain your objective.

CLINTON COMMERCIALISM

The first building block of the new agriculture trade paradigm is recognizing the context in which agricultural trade policy will be executed. Many observers have, rightfully, pointed

to the trade record of the Clinton Administration as among its most important and enduring legacy in reshaping the US role in the world in the post-Cold War. However, it was not the Clinton Administration that originated the policy

Dollars and diplomacy have gone hand in hand throughout US history. Even the former Administration's crowning achievement in this regard - the agreement to grant China permanent normal trade relations (PNTR)- has its roots in the historic yearning of American exporters to open the China market, a drive virtually as old as the republic itself.

Nonetheless, with the end of the Cold War and the dissolution of many of the political and diplomatic ties and frictions that defined world affairs, and guided commercial relations as well, for almost five decades, trade and commerce have become the new language of world affairs. The US will no longer define its relations with other countries solely by political alliances and allegiances, but also by commercial ties.

Likewise, commercial ties - objectives and concessions - will increasingly be important in achieving and fleshing out broader relationships and goals. Again, the importance of China PNTR cannot be understood fully as merely a commercial relationship. It is also as a turning point in the US goal of a broader relationship with China and the aim of the US to bring China more fully into the world community.

For agriculture trade policy, this evolution means a more forthright view of the hand-in-glove relationship between farm trade and foreign policy. As much as some involved in US agriculture cling to the notion that agriculture trade is and should be a purely commercial matter, the truth is that the US has often and frequently used farm trade for foreign policy objectives, and that foreign policy has likewise served the interests of farm exports.

This is certainly not a new trend. One of most enduring achievements of US diplomacy in recent years was the rebuilding of Europe following the second World War, a job that would have been infinitely more complex, perhaps unattainable, without the contributions of American agriculture. More recently, the agricultural export assistance the US lent to Mexico and East Asia were critical in stabilizing those economies during their respective financial crises. The aid that went from American farms to Russian store shelves was likewise instrumental to US efforts assisting Russia's emergence from the former Soviet Union.

In sum, Clinton Commercialism is neither entirely new, but it has defined more fully the role of trade in shaping the US relationship with the world. As one of the largest exporting sectors of the economy, and most export sensitive, US agriculture and food exports will, and should, find themselves more wholly integrated into the US leadership role in the world.

BEYOND THE WASHINGTON-BRUSSELS AXIS

Just as the Cold War mentality no longer can dominate the broader US role in the world, neither too can the Uruguay Round mentality dominate US agricultural trade policy. Yet, it does. US agriculture's largest customers today are in Japan, Mexico, Canada and many of American farmers' most important customers in the future will be in Asia, Africa, and Latin America. Yet, most of US farm trade policy continues to be driven by the tensions and negotiations that led up to, produced, and linger from the Uruguay Round.

It is time to break out of the Eurocentric view that has so dominated farm trade policy and, important, that has commanded so many of US trade resources - from personnel to dollars to political capital - for the last two decades. The US farm trade relationship with Europe will be important, but as the WTO matures, proceeds with the Uruguay Round built-in agenda, and as it attempts to produce another round of multilateral trade negotiations, the US cannot afford to put all of its agricultural trade eggs into the European basket.

But the US has, to a very, very large extent done just that. As important as the comprehensive proposal the US tabled at the WTO is, it mostly continues the debate of the Uruguay Round, taking direct aim at Europe without providing the same direct response to the needs of the US customers of the future.

One of the first lessons of politics is learning to count, and from that simple perspective alone, a flaw of current US policy emerges. In a body of over 140 members, the US and the EU are but two. An important lesson to learn from the negotiating sessions the WTO conducted over the last year and as it prepares for the March stock-taking session is the vigorous contribution many of the other 140 plus members made, especially the developing countries.

In short, the quad may have outlived its time. While the US, EU, Canada, and Japan must continue to play important leadership roles in the WTO - singularly and collectively -- especially with respect to agriculture, gone are the days when the quad can, or should, preordain the outcome of future agricultural trade negotiations. Moreover, as the US looks to further its objectives, many of the countries who have been on the outside looking in those whose interests are similar to ours and, in terms of market access, represent the future for American farmers and food exporters.

#### THE US-EU FOOD FIGHT: DOES ANYONE WIN?

While the lingering Uruguay Round differences between the US and EU on farm and farm trade policy are striking, in many respects, the similarities are equally compelling. For example, the EU's insistence on adding multi-functionality to the core negotiating principles at the WTO has been met with opposition, hostility, and derision by many in the US agricultural community. Yet, US farm policy, in its broadest sense, is a model of multi-functionality. Few other farm policies in the world are designed to achieve, and do in fact achieve, as broad, diverse, and multi-

functional goals as does US policy.

Consequently, the US and EU have expended far too much time and energy on a false argument, one largely over labels instead of devoting that time and energy to providing leadership for a new round of liberalization and cooperating to solve common problems.

For example, one of the most complex problems American agriculture faces is the ensuring consumer confidence in the food supply - be meat and poultry safety or acceptance of the products of biotechnology. Europe stands much to gain from learning the lessons of how the US has structured its food confidence system, which is indeed unmatched. The US needs to understand the European experience with problems such as the backlash against biotechnology so US policies are not developed based only on the sterility of the scientists' laboratories but also account fully for consumer and social worries.

The EU and US have an incredible stake in the growth of the developing countries, and not simply a mercantile stake. As their agriculture and food systems mature, and their economies grow, they will become better customers for the higher value products that will become increasingly important to US agricultural exports. That process of growth - from farm to village to city - will also be key to the maturation of their political stability and integration into the world community.

#### WHAT LIES AHEAD?

Finally, a brief word about emerging trends that have hitherto remained largely outside of the debate on agricultural trade policy. Although not central to questions about export subsidies, domestic supports, or tariff levels, some of the developments affecting world commerce will undoubtedly influence both agricultural production and trade, and thus policy.

For example, the internet may well revolutionize the way food trade is conducted just as it has changed the way many of us buy books. The rise of ever more multinational food companies who straddle many, many political systems and the concentration of this industry in the US as well as around the world, will profoundly shape the way food is traded, and thus the need for accompanying changes in food trade policy. Finally, new environmental trends - from global warming to protecting genetic diversity to water scarcity - will affect world agricultural production and thus needs to be accounted for in world, and US, agricultural trade policy.

#### FARM TRADE'S TOP TO BOTTOM REVIEW

Now is an especially appropriate time to rethink US farm trade policy. The WTO is on the eve of its stock-taking session to review the negotiating proposals put forward over the last year and lay the foundation for further trade negotiations. This comes at the outset of new administration in the US, presumably sorting through its policies and priorities, including taking a comprehensive and fresh look at the future and US objectives. In

so doing, it is appropriate that the new administration undertake the agricultural trade policy equivalent of the top to bottom review it has launched of defense policy.

That examination needs to account for the potential for conflicts between policies of market access and trade liberalization, the integration of agricultural trade policy into all aspects of the US leadership role in world affairs, broadening the focus of farm trade policy beyond the narrow confines of US-EU disagreements, and explore new trends that may affect farming and farm trade in the future.