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# **Building a Global Open Food System: The Case for Further Agricultural Trade Liberalization**

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The views expressed in this position paper are those of the members of the International Policy Council on Agriculture, Food and Trade.

To order hard copies of *Building a Global Open Food System: The Case for Further Agricultural Trade Liberalization* contact the IPC at:

**International Policy Council**  
1616 P Street, NW, Suite 100  
Washington, DC 20036  
Tel: (202)328-5056  
Fax: (202)328-5133  
email: [nsmith@rff.org](mailto:nsmith@rff.org)

## **Preface**

The present position paper represents the continuation of the work of the International Policy Council on Agriculture, Food and Trade (IPC) on agricultural trade reform within the multilateral trading system. It follows on the IPC's seven years of work during the Uruguay Round negotiations of GATT, and other IPC projects since 1993, such as the background paper "Agriculture and the World Trade Organization," prepared for the 18th IPC Plenary Meeting and Seminar in Calgary in October 1996. The question of continuing agricultural trade policy reform at the multilateral level was the central theme of the 1st Annual IPC Agri-Forum and the IPC's 20th plenary meeting in the Hague in October 1997.

The paper was developed over the winter of 1997-1998, with the final draft receiving the approval of the IPC membership at the 21st IPC Plenary Meeting and Seminar, May 21-22 in Washington, DC.

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The paper reflects the views of the IPC on agricultural policy reform in the 1999 WTO trade round and should not be attributed to any other organization or individual.

## **Overview**

At the conclusion to the Uruguay Round negotiations of GATT in 1993, participating countries agreed to extend the agricultural negotiations beginning in 1999. This paper by the International Policy Council on Agriculture, Food and Trade (IPC) explains why the world needs further agricultural trade liberalization and the importance of moving ahead promptly in that direction.

Economic and technological changes occurring in world agriculture are creating a global food system more rapidly than is often recognized. Moreover, that emerging global food system offers great promise to enhance food security, stimulate economic development, increase the reliability, efficiency and environmental soundness of global agriculture and meet new qualitative demands on the food system, if it develops in an open, market-based manner.

Because these contributions of an open food system to global well-being are not as widely recognized as they should be, the paper details these gains from further agricultural reforms. It then concludes with a general description of the priority areas for further liberalization, to be followed in subsequent IPC papers with specific details of the essential negotiating objectives.

## **The Setting**

Because its negotiators were forced to address agricultural trade issues substantively, the Uruguay Round Agricultural Agreement (URAA) did much more than previous trade negotiating rounds of GATT to bring agricultural trade into a rules-based system.

### **Market Access**

- It converted non-tariff barriers into tariff equivalents and began a process of progressive reduction in their levels.
- It established limited market access commitments and tariff rate quota systems for giving them effect.

### **Domestic Support**

- It distinguished between trade-distorting and non-trade-distorting forms of domestic farm support and established a process for reducing and disciplining trade-distorting supports.

### **Export Practices**

- It capped export subsidies and initiated their progressive reduction.

### **Regulatory Regimes**

- It developed some principles that are designed to avoid proliferation of new non-tariff barriers and to yield predictable and minimally trade-distorting regulatory systems, mainly in the veterinary and phytosanitary areas.

### **Dispute Resolution**

- It created improved dispute resolution procedures and tighter timetables.

### **Unfinished Agenda**

- And, it called for further agricultural negotiations, beginning in 1999, with an eye toward substantial, progressive reduction in remaining agricultural support and protection.

Broadly speaking, the URAA did much of the hard work that previous negotiations had failed to tackle. It brought agriculture fully into the GATT system, created a useful framework to facilitate agricultural trade reforms and set those reforms in motion. Unfortunately, the URAA runs out of steam about the time its commitments begin to bite. After achieving about as much as was politically possible at the time, the negotiators left for future negotiations the challenge of giving impetus to further reforms as the 21st century approaches. Pushing ahead the process of reform is the primary task of further negotiations.

As the 1999 deadline begins to appear on the horizon further agricultural trade liberalization could move forward for a variety of reasons:

- A crisis may compel action;
- New perceptions of trading opportunities may induce action;
- An emerging global food system may require action.

Each motivation is possible, but the last offers the best foundation for concluding the next round of reform successfully.

### *Crisis Compels Reform*

It was a crisis that compelled countries to make agriculture the linchpin of the Uruguay Round negotiations. When the Round was launched in 1986, agriculture was facing several crises. One was budgetary. The costs of market management regimes underpinning both U.S. and EU farm programs were exploding.

Perhaps more important than the budgetary crisis was a critical deterioration in commodity market conditions. Competitive export subsidy regimes were driving world prices down. Impassable import barriers were raising the costs of farm protection. Agricultural trade disputes were threatening to poison other diplomatic relationships. The earlier bubble of demand from communist and oil-exporting countries had burst, revealing these other market stresses more clearly. Meanwhile, the Cairns Group of agricultural-exporting countries was effective in demonstrating how domestic support policies in industrialized countries and their related trade regimes were shifting the costs of agricultural protection unfairly onto them.

More countries and a wider set of trading interests in food and agriculture are likely to be involved in the next trade round. Alongside the interests of the major industrial countries and traditional agricultural exporters will be new demands from developing countries, particularly in Asia and Africa, and from the former communist countries. To a significant extent, their challenge will be less one of coping with excessive agricultural protection than avoiding decisions that build up levels of protection to crisis proportions. Moreover, food-importing countries can be expected to seek more attention on export sanctions and trade reforms needed to enhance their food security.

It is possible, however, that a variety of factors could lead to a severe enough deterioration in agricultural markets to bring about a crisis by the end of the century. Growth in Asian demand has slowed under the impact of the current financial crisis, which is contributing to rising carryover stocks and falling prices. Good crops, rising stocks and a return to competitive subsidy practices could send markets spiraling down and lead to actions that could push farm support budgets in industrialized countries once again toward their limits. The increasing volume of agricultural trade disputes rooted in different perceptions of food safety, and different attitudes toward regulatory agencies charged with enforcing safety, also could boil over into a real crisis. In such a setting, agricultural trade tensions could escalate once again.

While some of these things could happen, they seem unlikely to happen together or with the same level of urgency as during the mid-1980s. The reforms achieved in the URAA will

dampen their harshest effects. Perhaps more important, many countries better understand today the systemic risks of competitive escalation in unfair trade practices or protection. All of this should help avoid a global agricultural crisis as the dominant reason for further agricultural trade reform.

### *Opportunity Induces Action*

One of the clearest lessons from past agricultural trade negotiations is that the destinies of trade liberalization and domestic farm policy reform are intertwined. Domestic farm policy tends to set outer limits on trade concessions, and the existence of a trade negotiation opens up new possibilities for domestic reforms.

For example, the whole Uruguay Round negotiation deadlocked in December 1990 over agriculture. The desire to complete a successful round added an important impetus to the MacSharry reforms of the Common Agricultural Policy achieved in 1992. In turn, the MacSharry reforms made possible the agricultural deal that enabled the Uruguay Round to conclude in 1993.

A potentially favorable scenario for reform based on perceived opportunities is possible for 1999. There are several components to this scenario. First, the 1996 FAIR Act put U.S. grain and oilseed production on a market-oriented basis, with residual domestic supports essentially decoupled from production or marketing decisions. Similarly, the EU Commission has proposed, as part of Agenda 2000, further reforms in cereals policies that would virtually eliminate reliance on domestic price supports and create an income support system that could be even more fully decoupled.

These changes—existing and prospective—may be reinforced by developments in regional free trade arrangements. Trade liberalization is under active consideration for APEC and through an agreement for a Free Trade Area of the Americas. The EU is preparing to accept new member states from the East. Agriculture is likely to be an integral part in each case.

Most of these important opportunities for trade-liberalizing actions, however, appear concentrated in the grains and oilseeds sectors. The European Union feels some pressure to change its beef regime and, to a lesser extent, its dairy regime. Several Asian countries have opened their markets for importing bulk feedstuffs while maintaining significant protection for livestock production. And in many countries commodity sectors like sugar have been excluded from the reform process or are mired in attitudes that resist trade liberalization.

In other words, while cereals producers may see opportunities in reform, producers in these other sectors still see threats. And what reform efforts are underway will not be sufficiently advanced nor sufficiently accepted as irreversible by 1999 to be a reliable basis for further liberalization in the URAA extension negotiations.

## **Emergence of a Global Food System**

While it is possible that crises will compel reform or perceived export opportunities will induce it, neither provides a firm agenda nor foundation for the next round. The most compelling case for reform is necessity. The old world of commodity-based national agricultural policies is being transformed more rapidly than is generally acknowledged into an integrated, global food economy.

A global food system is emerging to meet the increasingly urgent task of feeding a growing world population, especially one with an emerging middle class all over the world. The resulting increase in demand and in rising expectations cannot be met by domestic production alone in most countries, especially with mounting constraints on available land and water and intensifying demands for environmental protection.

An abundant, accessible, affordable food supply of increasing quality, variety and reliability requires ever greater efficiency in the world's agri-food system. Yet, efficiency must be achieved while protecting the environment and building a viable rural society. Efficiency requires moving rapidly to freer agricultural trade, and pursuit of land stewardship, rural well-being and safe food must be reconciled with the needs and benefits of an integrated food marketplace.

The emergence of this global food system requires that negotiations address both the traditional constraints on trade—import barriers, export aids and domestic supports—and new issues—like regulation of biotechnology, curbing monopolies, ensuring nondiscriminatory access to supplies and serving the real needs of rural development.

In other words, the emergence of a global food system opens up new ways of looking at agriculture's old issues. The old, commodity-based thinking about farming ought to be replaced by a focus on what is involved in meeting human nutritional requirements. The national boundaries of agricultural systems can dissolve into a food system without borders. And the old, mercantilist idea that exports are good and imports are bad should be replaced by a systemic approach to production and distribution that emphasizes the gains from two-way food trade flows. Among the benefits of working toward this globalized food system are:

- Providing greater food security to the world's poor at lower economic and environmental costs;
- Raising agricultural productivity and stimulating diversified rural development to absorb surplus labor while containing food costs and avoiding trade distortions;
- Meeting the rising dietary expectations of a growing, urbanizing middle class on an efficient, reliable, and environmentally sound basis;
- Serving new demands of the world's wealthiest consumers for nutrition, convenience, variety and safety in customized yet consistent ways.

## *Food Security*

Food security has traditionally been conceived in nation-based, commodity-specific terms. To be secure, a country thought it needed to be self-sufficient in the staples of its diet. If it was wealthy enough, it also would stockpile reserves to offset fluctuations in its staple crops. If the country was poor, too often its back-up strategy was to depend on food aid from wealthy countries, which in turn was available based on surpluses in donor countries rather than on the needs of receiving countries.

A number of changes have occurred that make this approach to food security less attractive. First, domestic policy reforms and budgetary pressures in developed countries have reduced public stockholding and curbed subsidized sales and food aid.

Second, the costs of excessive national stockpiling have become clearer. While local output swings often can exceed 25 percent from one year to the next, annual variations in global staples production are typically less than  $\pm 3$  percent from trend.

Through trade, good crops in some locales can offset poor crops elsewhere. Seasonal differences between northern and southern hemispheres have increased intra-crop year buffering of supply swings. Storage and interest costs for stockholding are 20-25 percent per year of the commodity's underlying value. Risks of quality deterioration or storage losses add to this annual bill. By contrast, modern ocean shipping costs are typically 10 percent of the commodity's value, ocean transport is highly energy-efficient, and quality and reliability are excellent.

All of these factors make trade a more efficient, reliable means than national self-sufficiency for achieving food security. This does not necessarily mean abandoning all local production of staples or basic raw materials. But it does change the calculation about the appropriate structure of incentives within agriculture and rural areas. The fact that trade can be a reliable means of getting basic foodstuffs cheaply frees up resources and policy making for greater emphasis on wealth creation through specialization, integration and trade. As countries move in this direction, the risk-spreading, cost-reducing benefits of open food markets grow and become more evident.

Third, food insecurity is fundamentally a function of poverty and lack of development, often linked to wars, civil disturbances or the failure of governing institutions to create an environment for growth. Inability to pay for food has joined inability to produce and distribute needed foodstuffs as a recognized cause of hunger. Lack of foreign exchange can limit options at the national level; so, too, can the physical inability to distribute foodstuffs, especially imported foodstuffs, to where they are needed.

Investment in rural infrastructure and off-farm job creation represent more sustainable strategies for reducing hunger and avoiding food shortages than dependence on national self-sufficiency, food aid or food dumping initiatives. Creating effective markets and marketing

institutions in place of subsistence farming is emerging as the environmentally and economically sustainable way to attack root causes of hunger.

Finally, increased agricultural productivity within food deficit countries, especially those with a large number of small-scale farmers, clearly is essential. More investment is needed in: local research and extension; wider availability of agricultural inputs and credit; basic health, sanitation and education services and rural infrastructure. But those investments will not occur unless they are expected to pay off, which means they must reflect comparative resource endowments, not purely local pressures and interests.

This more market-based, trade-oriented approach represents the emerging reality of the global food marketplace. As understanding of these gains from trade deepens, food security will increasingly be pursued by building linkages to the global food system rather than walling off the outside world or depending on foreign assistance. Trade more than aid will become the prescription for dealing with concerns about food security.

### *Agri-food as an Engine of Development*

Since the beginning of GATT, the agricultural trade policy debate has been dominated by the industrialized countries of the OECD. These nations all had well-developed systems for supporting farm prices intended to slow out-migration from rural areas as increasing agricultural productivity reduced the demand for labor on the farm. The resulting "trickle-down" theory of rural development has revealed itself as too expensive, highly inequitable and generally ineffective.

Future agricultural trade negotiations must accommodate a rural development strategy that will jump-start or sustain economic growth. Developing countries in particular, with half of their people, on average, in agriculture and half of their incomes, on average, going for food, can ill afford the costly mistakes of agricultural protectionism played out over the last 50 years in the developed world.

They need better ways to manage the rapid urbanization they are experiencing. They need ways of raising agricultural output and rural incomes without increasing environmental stress. Both needs are met by seizing new opportunities to bring infrastructure and jobs to rural areas rather than have rural populations migrate to overcrowded urban centers.

To preserve the global competitiveness of their industrial sectors, they also will want to contain food costs to avoid upward wage pressures. And they will want access to the new agricultural and food technologies, including biotechnology and other science-based developments, that are reshaping the food economy elsewhere in order to keep up with the evolving dietary expectations of their people.

Asia, with half the world's population, will be critical in shaping rural development policies. A scarcity of land, abundance of labor and growing access to capital all push it toward a rural development strategy built around increased labor intensification in agricultural production and

greater investments in off-farm employment in value-added processing and non-agricultural activities. This will require greater willingness to import grains, oilseeds, cotton and other raw materials for value-added production to serve their own changing dietary expectations and for export to other markets. Instead of a mercantilist view that exports are good and imports are bad, they should be more open to embracing the gains from trade that come from seeing food imports and exports as complementary parts of an integrated strategy.

The benefits of economic specialization and diversification of rural economies also are becoming more evident in the OECD countries in the wake of new information technologies. Proximity to markets is less relevant for many of the new, high technology industries. Access to industrious, well educated workers is more important, and it is an asset that rural areas can offer.

In other words, the economic gains from specialization along lines of comparative advantage are both significant and more accessible to rural areas than in earlier periods. The importance of increasing rural productivity and lowering food costs to sustain high rates of economic growth is more evident. And, concerns about environmental degradation constrain use of scarce land resources and fresh water supplies. All of these factors transform agriculture into an engine of development powered by expanding two-way trade flows, rather than a quaint way of life to be protected against change.

#### *Food Efficiency, Reliability and Environmental Protection*

For the 800 million to 1 billion people with per capita incomes below \$200 per year, food security is an overriding concern. For the 4 billion people with per capita incomes between \$200 and \$5,000 per year, the reliability of the food system begins to outweigh security concerns. For this emerging global middle class, half or more of each additional dollar of income goes to upgrading diets. At the low end of this income spectrum, that can be as simple as adding more calories.

But increasingly, the additional dollars go to income-driven shifts in dietary patterns toward more fruits, vegetables, animal protein, sweeteners, fats and oils. This means both diversification and increased resource-intensity of the diet.

Much of this burgeoning middle class is in East and Southeast Asia, regions with a ratio of people to arable land six times higher than in the Western Hemisphere. The current Asian financial turmoil should not obscure the economic and demographic forces at work here. Three-fifths of the world's likely population growth and half of its income growth through 2010 will occur in East and Southeast Asia. Aggregate food demand is projected to grow 100-150 percent in this region over the next 25 years, requiring the replacement of simple, localized food handling systems with world-scale production, processing, handling and distribution systems on an unprecedented scale.

While Asian food demand is expected to double, food demand in less crowded North America and Australia should increase only 20-25 percent over the same period. Increased trade in grains, oilseeds and other raw materials not only fits each region's economic needs but also promises to relieve the mounting stresses on Asia's land and water resources.

More generally, market-based food systems promote sustainable development and environmental stewardship through sound science, improved management practices and sensible regulation. Sound science is developing new techniques—like precision farming—and new fields—like biotechnology—that make it possible to produce more while polluting less. Improving management practices translate this new knowledge into practical gains in the field. And sensible regulatory practices, like harmonized standards and mutual recognition, permit more rapid dissemination of technology and its products. These approaches have cut erosion in the United States by 25 percent in the past 15 years, raised nitrogen efficiency by a fifth, reduced crop protection chemical use by one-third yet enabled crop output to increase by one fourth.

Another factor taxing the environment in developing countries is accelerating urbanization. In fact, all of the 2.5 billion additional people projected for the developing world by 2025 are to be in urban areas. The result will be 33 megacities of 8+ million and more than 500 cities of 1+ million. This unprecedented urbanization means much more complex food handling and distribution systems than are currently required to meet traditional diets. Raising the capital and properly locating the needed handling, processing and distribution systems will occur more rapidly, with less wasted motion, if the emerging global food system is open and trade-based.

Diversifying diets, urbanization and the land scarcity characteristic of Asia, where much of this growth will occur, all point toward a larger role for trade in serving rising food demand. Longer supply chains, more complex production arrangements, sophisticated distribution requirements—all of these mean greater interdependence among countries and integration across the food chain. The resulting patterns of resource use also protect fragile or threatened ecologies, enabling the world to meet rising food demand with less environmental stress, runoff or waste.

This globalization of the food system is happening faster and on a grander scale than is often acknowledged. Global agricultural trade is growing, even among players—like the United States and the European Union—that seem perpetually locked in trade disputes. For example, U.S. agricultural exports to EU countries are up one-third since 1994, reaching \$9.3 billion. Consumer-oriented EU exports to the United States are up more than one-fourth since 1992.

Beyond trade, other new linkages are also developing in this global food system. New technologies are coming on stream and dispersing rapidly across production areas. Value-added product exports are expanding alongside the traditional bulk commodity trade. Farmers, food manufacturers and food service companies are going global, taking their brands and their quality systems with them. And all of this change is in response to real, commercial demand in the marketplace—demand for a more diverse diet, more variety in preparation and higher

quality at affordable prices. The demand for food value is real, and it is revolutionizing global agriculture. Yet, this emerging global food system remains marred in some critical ways:

- It is not as open to investment and technology flows as it can or should be;
- The rules governing non-tariff issues like food safety, quality standards, regulation of new technologies and products, animal welfare and competition policy are not always as transparent, uniform or scientifically grounded as they need to be;
- Border measures such as tariffs and subsidies need to come down further and get locked in so that protection cannot snap back into place;
- Food exporters need to provide reliable assurances of nondiscriminatory access to supplies in exchange for more open access to importers' markets.

As trade, interdependence and integration along this food chain grow, expectations for and dependence upon reliable supplies increases. Closer production and delivery schedules, tighter product specifications and heightened competition will require the level of performance that only predictable, efficient, well-functioning markets can provide. Negotiators need to catch up with this evolving new marketplace.

### *Food Quality and Safety*

High-income consumers will add quality, variety and safety demands to the security and eco-efficiency requirements already identified. The phenomenon of mass customization perfected in other areas of retailing will extend to food products and to more differentiating attributes among those products.

Parallel to the multiplying demands of consumers for convenience, variety, taste, nutrition and safety will be new technologies for designer foods. Biotechnology will add new consumer traits to seeds, new processing capabilities to food manufacturers and new delivery options to distributors.

Identifying the food qualities consumers want and then developing proprietary ways to deliver customized packages again and again on a consistent basis will be the definition of value for this high end of the spectrum. Production, processing and distribution of commodities will be replaced by delivery of specialized products requiring a highly industrialized, channelized food system that is integrated from farm to fork.

### *The Food System Concept*

The WTO cannot be expected to address all of the issues and concerns identified above. It is not, for example, the appropriate forum for promoting or negotiating international rules on protecting the environment, which fits more appropriately under the charter of the United Nations. The WTO should focus on removing the trade barriers that stymie creation of an open, trade-based global food system. Proponents of agricultural trade liberalization need to

reinforce this focus by giving greater visibility to the environmental gains that come from curbing subsidies and protection.

Indeed, supporters of agricultural trade reform need to express more cogently the overall case for further agricultural liberalization. That case has four components.

The first component is food security. Most countries will clearly continue to have some domestic production of basic staples, but there are substantial gains to be captured by shifting production into closer alignment with resource endowments. Greater reliance can then be placed on trade rather than self-sufficiency as the lowest cost, most sustainable food security strategy. But credible supply assurances on a non-discriminatory basis are needed to create the confidence to rely on trade in meeting basic needs.

The second component is its role as an engine of development. Food production and distribution must play a different role in rural development than it did over the past 50 years in the industrialized world. Consumers cannot afford to pay artificially high food prices, and economic diversification would be inappropriately retarded by such high costs. Off-farm job opportunities in rural areas are needed to break the vicious cycle of poverty or underdevelopment and to slow out-migration. These considerations dictate a rural development strategy built around market-based agricultural prices, investment in rural infrastructure, development of rural agro-industry and mobilization of investment capital.

Reliable, efficient, environmentally sound performance is the third component. Income-driven changes in dietary expectations are replacing discreet national, commodity-oriented agricultural programs with a globally integrated, multi-product, food system. The costs of building a wholly new food system are huge, making it vital that it be done correctly from scratch. That requires open commerce rather than closed borders. Building marketing infrastructure around islands of protection that subsequently dissolve is both wasteful and disruptive. By contrast, aligning market incentives with resource endowments promotes both greater efficiency and less wasteful, environmentally destructive practices.

Greater entrepreneurial attitudes on farms, the burgeoning diversity of consumer demands and the unmeasured potential of biotechnology for product diversification underline the fourth component—a food quality and safety revolution. Integrated food-quality assurance systems, global distribution and branding strategies and demands for consistent yet customized product offerings are driving the food chain toward greater horizontal and vertical integration. Only well functioning markets, predictable regulatory regimes and transparent product claims will meet these demanding requirements.

All four concerns—enhanced food security, agri-food as an engine of development, greater eco-efficiency and more attention to food quality and safety—push toward a new paradigm for the food and agricultural system. This paradigm would replace commodity-specific, nation-based, mercantilist trade concepts with a highly integrated, global food system built on expanded two-way trade flows anchored in comparative advantage.

The global village that has come to environmental consciousness, that has been reflected in information flows, manufacturing activities, intellectual property and service industries, is also coming to agriculture. A global food system already is emerging. The need to organize it better and to liberalize it more quickly is a pressure for reform that is sure to increase with time. That mounting pressure is the most likely force to bring the global agricultural community to a pending millennial trade-negotiating round.

## **Conclusions and Recommendations**

### *Towards an Open Food System*

The International Policy Council on Agriculture, Food and Trade (IPC) believes that the world urgently needs further agricultural trade liberalization. A significant opportunity is at hand. At the conclusion of the Uruguay Round negotiations in 1993, participating countries agreed to resume agricultural negotiations in 1999. World leaders should make the most of the next round of negotiations to move towards a global, open food system.

Economic and technological changes occurring in agriculture are creating a global food system faster and more profoundly than many realize. This emerging global system offers great promise to enhance food security, stimulate economic development, increase the reliability, efficiency and environmental soundness of global agriculture, and meet new demands for quality—if it develops in an open, market-based manner.

It is important to understand the contributions to global well-being already made by a more open food system, and to strive for the additional gains that can be realized from further agricultural trade reforms. Producing an adequate supply of healthy foodstuffs is essential to global economic security and political stability, and further reducing barriers to trade is crucial to achieving that goal.

### *Principles of a Global Open Food System*

Economic and technological changes that allow agriculture to feed a larger, more prosperous, more urban global population are progressively creating a global food system. That creates a twofold challenge for further agricultural negotiations: to make this emerging global food system an open one, and to develop sensible rules for managing the process of adjustment to an open system.

The Uruguay Round, negotiated under the auspices of the General Agreement on Tariffs and Trade, created a framework for reforming the agricultural and trade policies of the industrialized world. That framework—based on improved market access, reduced domestic subsidies, limits on unfair trade practices and science-based regulation of food safety—should be built on in the next round of negotiations. To this end, the IPC believes that the critical elements should include:

- *Market access must be improved* by completing the process of tariffication, bringing tariff levels down progressively, taking out tariff peaks and managing tariff-rate quotas in trade-expanding ways.
- *Domestic farm support should continue to be reduced* by eliminating subsidies that distort trade and by instead providing farm income support in ways that do not affect planting and marketing decisions.
- *Export subsidies should be progressively eliminated.*
- *Food safety regulations must be grounded in scientific consensus* about risk assessment and standards. Negotiators also should work to establish principles of harmonization and mutual recognition among national regulations.

As the emerging global food marketplace brings countries and their food chains closer, the framework for further agricultural trade reform also needs to be amplified in several ways that speed up creation of an open food system:

- *Improving market access must be accompanied by assured supply access.* In return for open access to importing countries' markets, exporters should provide nondiscriminatory access to their supplies of basic foodstuffs.
- *Consumers should have information on food quality and nutrition based on a scientific foundation of safety standards.* Labeling requirements or other information must be based on verifiable claims about a product's attributes or effects in order to minimize trade distortions.
- *State import and export monopolies should be eliminated* and any remaining state guidance of marketing systems should be as minimal and transparent as possible.
- *Rural development strategies should be put in place* to speed up and smooth out the transition to market-based food systems.

Creating a global open food system requires completing the work undertaken in the Uruguay Round. It also requires extra steps to promote the free flow of agricultural goods and services, encourage healthy competition and enhance both domestic and global social cohesion. The preceding recommendations would serve four goals:

- To raise living standards everywhere by building a global open
- food system.

- To protect the broad benefits from freer trade by minimizing government intervention in markets aimed at narrow social objectives that benefit a few.
- To create expanded, two-way trade flows that allow resources to be used efficiently and in an environmentally sound manner.
- To give individual producers the freedom to adapt and adjust in ways that satisfy the rising expectations of the world's customers.

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Former Secretary of Agriculture. President, Argentine Sugar Producers Council (Argentina)

## **The Mission of the International Policy Council on Agriculture, Food and Trade**

The International Policy Council on Agriculture, Food and Trade (IPC) is dedicated to developing and advocating policies that support an efficient and open global food and agricultural system—one that promotes the production and distribution of food supplies adequate to meet the needs of the world’s growing population, while supporting sound environmental standards.



Founded in 1987, the IPC is an independent group of 35 leaders in food and agriculture from over 20 developed and developing countries, including formerly centrally planned countries. Members are chosen to ensure the Council’s credible and impartial approach, and include influential leaders with extensive experience in farming, agribusiness, government and academia. The IPC meets twice annually to develop policy recommendations to address the critical issues facing the world’s agricultural system. It then conveys its recommendations directly to policymakers through its personal contacts and through a variety of papers and studies. The IPC also convenes task forces and holds conferences and seminars.