

ECIPE Press Release, February 20, 2009

New ECIPE Working Paper:

A Blueprint for Reform of the WTO Agreement on Agriculture

Agricultural policy has been a source of contention since the launch of the Doha round in 2001. Seven years of efforts to agree on headline agreements (so-called modalities) for liberalization of agricultural trade have failed. In this Working Paper, Valentin Zahrnt argues that it is time get back to basics and ask more fundamental questions about which direction WTO agreements in agriculture should take. He suggests that the WTO should play a greater role in strengthening members' political will to reform.

The debate about trade liberalization in agriculture has gone astray in the mercantilist bickering of WTO members in Geneva. The attention of policymakers and the public is absorbed by the multiplicity of coalitions which countries form to pursue their interests in negotiations. It is carried away in the stream of negotiating positions and press statements issued by the big players. It is overwhelmed by the complexity of draft modalities and their ever-growing list of exceptions.

What is needed instead is more clarity about the purpose of negotiations. Governments' defensive posturing, overstating the costs and minimizing the benefits of agricultural policy reforms in their own country, and the clamoring of farm federations have greatly confused public perceptions. Therefore, Valentin Zahrnt takes a close look at the scientific evidence. The findings are unequivocal: Removing tariffs and most agricultural subsidies would increase global wealth and reduce global poverty. Importantly, developing countries are better off if they undertake bold reforms themselves rather than pointing only at developed countries trade-distorting policies.

Trade-distorting policies are not suitable for pursuing broader societal objectives in agriculture either. Tariffs, for instance, do not efficiently promote rural development. The gains from higher farm prices go primarily to those areas that are most productive and not to those most in need. Furthermore, many of the benefits go to urban businesses or in the pockets of urban land owners – rather than in rural areas. Tariffs also stimulate intensive production techniques that pollute water, soil, and air, destroy wildlife habitats, and diminish landscape variety.

This is not to say that agriculture should be entirely left to the market. In particular, targeted payments can help to improve the environmental performance of agriculture. One common scheme is payments for maintaining buffer strips, hedges, and stone walls. Other schemes compensate farmers for reducing the use of fertilizer and crop protection chemicals. Such policies that are efficient in attaining domestic objectives are, at the same time, trade-friendly as they do not stimulate production.

The WTO should therefore champion sound policymaking processes in agriculture: if it helps countries to implement policies that are in their own interest, it automatically fights protectionism. To this end, the WTO should agree on a list of ‘good governance norms’ that foster bottom-up liberalization. These could include members’ commitment to define the objectives of their agricultural policies in specific and measurable terms. Members should also conduct and publish systematic cost-benefit analysis of policy proposals before passing them into law. Finally, they should establish an independent review body and endow it with sufficient resources so that it can conduct policy evaluations, organize public debates on agricultural policy reform, and communicate its findings to a larger public.

Publication details: *A Blueprint for Reform of the WTO Agreement on Agriculture.*
By Valentin Zahrnt.

ECIPE Working Paper No. 01/2009

Valentin Zahrnt is a Research Associate and Resident Scholar at ECIPE. He can be reached at: valentin.zahrnt@ecipe.org.

Press information: Anna Wilson, anna.wilson@ecipe.org, Mobile: 0046 709 263 177. The paper can be downloaded at www.ecipe.org.