Agriculture of Corruption

C. FORD RUNGE

The Geneva-based Doha Round of global trade negotiations, launched after September 11, 2001, in a flush of multilateral commitment to combating poverty and violence, died in a swirl of muffled rancor this summer. After five desultory years of negotiations mainly involving poses and posturing, the Doha Round was spotted sinking slowly in Lac Leman sometime during the first week of July 2006. The Economist noted that, toward the end, negotiators seemed to take more interest in the ongoing World Cup than in their jobs.

But of course, what else are trade negotiators to do if the governments issuing the instructions they follow fail to make the necessary concessions that might lead to compromise and agreement? Either the United States, the EU and the emerging economies led by India and Brazil did not care, or they thought that something, somehow, would turn up in time to bail them out. Nothing did. Rather than engender panic or despondency, the final capsizing of the Doha Round gave rise instead to a strange sense of resignation and even relief in higher political circles. The reason was simply that many governments were too tired, or too preoccupied with ambient geopolitical instability, to face down a growing tide of protectionist interests at home. Of these protectionist interests none has proven so strong and consistent as the agribusiness combine.

The Centrality of Agriculture

While even casual observers of the negotiations recognized the centrality of agriculture in the failed talks, few fully grasped how myopic rich nations were in denying market opportunities to poor nations' agricultural sectors, where the majority of poor workers still toil. By closing off potential income growth in these poor nations, rich nations stifle potentially huge increases in demand for their own exports. These include not only manufactured goods and services but agricultural exports such as feed grains for livestock, which reliably increase as higher-income wage workers in poor countries add meat to their diets. Resulting declines in U.S. agricultural trade surpluses, due to U.S. farmers' intransigence, in effect cuts off their noses to spite their faces, further convincing them of the futility of export opportunities and fueling a mania for home-grown income from "biofuels" such as ethanol and biodiesel. Yet as Scott Kilman and Roger Thurow of the Wall Street Journal noted on May 26, 2006, "it is vital for American farmers to gain access to markets in the developing world, where most of the world's population resides."

To some degree, myopia over the critical importance of more liberal trade both to U.S. farmers and the U.S. economy is reinforced by

C. Ford Runge is Distinguished McKnight University Professor of Applied Economics and Law at the University of Minnesota. He previously served on the staff of the House Committee on Agriculture.
economists who rely on naive versions of theory rather than practice to inform their trade policy prescriptions. It is textbook-truth that any country will gain from freer trade even if it is the only one to liberalize, because cheaper imports will lower production costs and the prices of goods. But try telling that to a member of Congress who imagines defending a trade deal in the home district by saying, "We gave up x, y and z, and they didn't give up a thing." Instead, the WTO system (previously the General Agreement on Tariffs and Trade, or GATT) evolved after 1947 on the basis of a time-honored principle of bargaining: quid pro quo. By making reciprocal concessions not to discriminate against another's products, trade negotiators and politicians could go home saying, "I gave up x, but I got y and z in return, and it's a binding deal." As an Economist editorial put it last May:

Multilateral trade liberalization is a sort of jujitsu that uses exporters' determination to get into foreign markets to overwhelm domestic lobbies that would sooner keep home markets closed. The trade diplomat's incantation that to open his market is a 'concession' granted in exchange for an opening somewhere else is economic nonsense spouted for domestic political purposes. But it is remarkably fruitful nonsense because, within the World Trade Organization, any concession to one trade partner is automatically extended to all members. This trick has helped the world enjoy decades of prosperity.

As a participant in 11th-hour trade and agricultural negotiations over two decades, I have also seen plenty of myopia over farming in diplomatic circles. Nearly 25 years ago, in a famous and revealing remark, then-Italian Foreign Minister Giulio Andreotti said during an interminable farm policy debate in Brussels, "I sit there talking about soybeans; and I don't even know what the miserable things look like." In the past quarter century, this lack of recognition has only widened. As senior Brazilian trade negotiator Rubens Ricupero once observed, "I have been impressed by the constantly deepening gap that separates the world of real trade from the smaller world of trade negotiations." Most trade experts have limited background in or exposure to farming, except when big-time farm and agribusiness lobbies arrive in Washington, Brussels or Geneva to do business. Like most urban consumers, it is hard for these diplomats to make the cultural connections from the grilled polenta or egg custard in their diplomatic luncheons to the corn and poultry farmers who make them possible.

Partly due to this myopia, a small, cosseted and highly influential group of rich farm interests in the United States, Europe and Japan has acted as the central roadblock to global trade reforms that would benefit billions of people, largely by intimidating elected officials who then instruct their agricultural negotiators to persist in protecting farm interests. As the Doha Round unraveled, the same pattern recurred. In the United States rich commodity groups turned up the screws on their representatives, who in turn threatened the Office of the Trade Representative and the White House with political retribution if the Administration made any significant concessions.

They didn't, and U.S. agricultural interests representing some of most protected commodities, such as cotton, were almost jubilant at the breakdown of the trade talks. King Cotton was dealt a serious blow in 2005, when a WTO panel ruled against U.S. subsidies in a case brought by Brazil and other developing countries. U.S. mega-agriculture didn't want anymore of that, so it's not surprising that in Memphis, at the head of the cotton-growing Mississippi Delta, the Memphis Commercial Appeal reported in late July 2006 that "the National Cotton Council, whose industry had much to lose in World Trade Organization talks in Geneva, commended American negotiators Monday for 'refusing to allow unwarranted pressure or deadlines to undermine the U.S. position' as the effort formally collapsed in failure." Doha was dead: long live (the useful illusion of) free trade!

The Farm Bill from Hell

At the heart of the beast of U.S. agricultural protection is the 2002 Farm Bill, scheduled for re-authorization this year. This legislation, the farm bill from hell, set a course for domestic agricultural and trade policy at direct variance
with U.S. commitments in the previous trade round (the Uruguay Round), which called for reductions in agricultural subsidies and tariffs.\footnote{1See C. Ford Runge, "Agrivation: The Farm Bill from Hell", \emph{The National Interest} (Summer 2003).} As the expiration and reauthorization date for this legislation loomed, it stood in ever starker contrast to the purported negotiating goals set forth in Geneva. To avoid a train wreck, either the domestic subsidies or the U.S. trade position would have to give. Since few in Geneva grow soybeans or vote in Texas, it wasn’t too hard to guess which side would win.

The same thinly disguised gloating over the failed Doha talks could be heard emanating from other farm leaders. For example, Missouri Farm Bureau President Charlie Kruse, a member of the President’s Advisory Committee for Trade Policy and Negotiations (ACTN), noted: “The Europeans hate this farm bill that we have now so that tells me that there’s something good about it.” Tom Stever, reporting on Kruse’s remarks, added that Kruse was “pleased that U.S. negotiators walked away with no deal rather than taking a bad deal”, and that he “doubts whether there’s any hope of reviving the talks in the near future.”\footnote{2Brownfield Network, July 30, 2006.}

Adding illegality to injury, Representative Bob Ney (R-OH), who would have played a pivotal role in moving a trade deal through Congress, admitted on September 15 that he had effectively put his office up for sale in a wide-ranging criminal conspiracy, about which he then lied. Ney resigned his office and pled guilty on October 13 to corruption charges for performing official acts for lobbyists in return for campaign contributions. While Ney’s behavior and attachment to lobbyist Jack Abramoff may be a case of a particularly bad apple, he personifies a barrel of craven relationships between many in Congress and special interest lobbies, not least agricultural ones. The Washington-based Center for Public Integrity, a group of investigative journalists, lists 1,506 companies in agriculture who hired lobbyists from 1998–2004, with 552 in 2004 alone. In a systematic assessment of the role of these lobbies in the 2002 farm bill cycle, Brian Riedl of the Heritage Foundation noted:

Because the largest agribusinesses are the chief beneficiaries of agriculture policy, they have both the incentives and resources necessary
to invest heavily in maintaining the current flow of subsidy dollars. Through representative organizations, they have served on federal commissions, testified before Congress, and donated millions of dollars to federal political candidates. Not surprisingly, the House and Senate farm bills include many of the provisions that these groups support, including massive farm subsidies and price supports.\(^3\)

Add all these relationships up and we got a farm bill in 2002 that has resulted in annual average transfers to “farmers” of more than $20 billion per year, adding to the more than $172 billion paid to farmers since 1996. Yet of the roughly two million ostensible farmers left in America (a number that includes many urbanites who simply own cropland falling under...

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U.S. Department of Agriculture (USDA) definitions) the lion’s share of subsidies goes to less than 20 percent of this total: about 400,000 large, well-organized farms. Ninety-three percent of these subsidy payments go to the growers of just five commodities: corn, soybeans, wheat, cotton and rice. In 2004, according to the USDA, just 10 percent of commercial farms accounted for 71 percent of gross farm income.

Almost two-thirds of America’s farmers receive no subsidies at all, but those who do are passengers on the mother of all gravy trains. The money comes with so few restrictions that residential subdivision developers can buy farmland once devoted to crops and let owners of “starter ranches” continue to collect subsidies on their non-residential acreage. The result of this arcaneously structured and highly regressive form of corporate welfare is that the biggest farms get the biggest subsidies. And it is these big players—including members of the Cotton Council or Rice Growers—who pay for high-priced lobbyists in Washington (and mutandis, in Brussels and Tokyo) to keep the subsidies flowing. Working through their lobbyists and often directly with Congressional staffers, the farm groups also contribute generously to campaign coffers, as noted.

The individual companies receiving these subsidies offer some eye-popping examples of taxpayers’ (largely unwitting) largesse. Between 1995 and 2004, the top recipient of USDA subsidies was Riceland Foods of Stuttgart, Arkansas, which cleared a cool $533 million in payments. Number five on the list was Tyler Farms of Helena, Arkansas, which received $37 million, of which $24 million came for growing cotton and $8 million for growing rice. Down at number 13, J.G. Boswell Company of Corcoran, California, received $17 million over the same period, almost all of it for cotton. American Farm Bureau President Bob Stallman implicitly threatened members of the House Agriculture Committee who dared to vote against the massive subsidies in the 2002 legislation by saying they gave his clients a “slap in the face.” Stallman didn’t need to mention that the Farm Bureau provided political donations at a level of $4.5 million per year.

Despite this iron triangle, throughout the 1980s and 1990s U.S. farmers also saw profits in expanding exports, so that many farm groups supported earlier rounds of trade liberalization. As a result, there was a marriage of convenience between provisions of the 1985, 1990 and 1996 farm bills and the broadly liberal effort in the Uruguay Round to reduce trade-distorting farm subsidies. This effort was based on de-linking the payments to grow specific crops, like rice or cotton, in favor of more lump-sum payments “decoupled” from production decisions. The idea was to reduce incentives to “farm the government” and instead to open farmers to market-based reasons for deciding what to grow, including global export demand. But encouraged by surging exports, high farm prices and the Republican majority in the House led by Speaker Newt Gingrich and Agriculture Committee Chairman (now Senator) Pat Roberts (R-KS), Congress took a fateful step in 1996. The 1996

\(^3\)Riedl, “Agriculture Lobby Wins Big in New Farm Bill”, Heritage Foundation Backgrounder #1534, April 9, 2002.
bill, originally dubbed the “Freedom to Farm” bill, not only decoupled payments from production, but ramped them down over the 1997-2001 period so that the farm sector would at last freely face the market’s gale winds, from which they had been largely shielded since 1933.

It was not difficult to see a central problem with this scheme. In its ideological naïveté it resembled later Republican missteps over privatizing Social Security or planting democratic seeds in a sectarian channel house called Iraq. The problem was farm economics 101: When market prices are high, farmers expand output to capture added revenues; once output expands, prices begin to fall. What made this predictable “supply response” so ominous, however, was that subsidies under the 1996 farm bill started at high levels in 1996 and 1997 and were scheduled to fall each year from 1998 to 2001. Hence, falling prices were not offset by rising subsidies—exactly the opposite. There was, in economic jargon, no “countercycliclity” to the lump-sum payments.

Predictably, farm groups began to chafe in 1998 as prices fell along with subsidies, triggering political demands, usually based on localized weather events, for “emergency relief.” Regardless of weather, Congress stepped up to the plate with year after year of these “emergency” payments, leading then-Senate majority leader Tom Daschle of South Dakota, eager to discredit Republicans, to observe that every year is an emergency year in farm country. These generous emergency payments offset the cuts in subsidies under the 1996 legislation, upping the ante and returning the farm sector to its traditional entitlement psychology.

By 2002, the first Congressional election year in George W. Bush’s first term, before budget surpluses had reverted to huge deficits, both Republicans and Democrats shed any illusions about getting government out of agriculture. Instead they orchestrated a complete retreat from the market-orientation of earlier farm bills. In its place they competed to offer more and better subsidies for political reasons alone, markets and trade policy be damned. When asked by farm groups, banks and environmental organizations to speak to Congress on the developing farm bill, I declined, noting that economic logic had ceased to have any importance whatsoever.

In this conclusion I was not entirely alone. Rep. Barney Frank put it well on May 23, 2006, during the House debate on agriculture appropriations: “I have been forced to conclude that in all those great free market texts by Ludwig von Mises, Friedrich Hayek and all the others that there is a footnote that says, ‘by the way, none of this applies to agriculture.’” He added that there “is no greater contrast in America today than between the free enterprise rhetoric of so many conservatives and the statist, subsidized, inflationary, protectionist, anti-consumer agricultural policies” these conservatives support.

In farm country, meanwhile, the gravy train of $20 billion a year proved hugely popular, raising calls to roll the 2002 legislation over in 2007. In 2005 alone, with pre-tax farm profits at a near record of $72 billion, the U.S. government handed out $25 billion in subsidies—half again as much for no more than half a million farmers as it spent on ten million welfare families receiving cash or food stamps. Unlike these welfare families, the welfare farmers were organized as usual so that the biggest landowners got the biggest payments. Gary Mitchell, a family farmer in Kansas and a former aid to then-Congressman Roberts, described current policy in the same terms: “We’re just sending big checks to big farmers. . . . They’re just living off their welfare checks.”

Re-enter Trade

Meanwhile, U.S. negotiators in Geneva pretended not to care about the egregious 2002 Farm Bill. In 2004 they advanced what can only be described as Pollyannish farm trade proposals offering a menu of liberalization promises in return for major concessions from the EU, Japan and developing countries to grant the United States access to their markets. In addition, U.S. proposals promised to reduce export subsidies along with domestic supports. In October 2005, the United States put forward an expanded proposal calling for large cuts in agri-

\footnote{Thompson, “The Doha Round Suspension: The Role of U.S. Politics”, 
*Bridges* (International Centre for Trade and Sustainable Development, August 2005).}
cultural import tariffs charged for commodities such as sugar, seemingly large cuts in domestic subsidies (with the highest subsidies cut the most), and few apparent exceptions.

However, U.S. Trade Representative Rob Portman and Secretary of Agriculture Mike Johanns botched the job of communicating to farmers what amounted to a sleight-of-hand made necessary by the fact that the 2002 Farm Bill was law until 2007. In fact, what the U.S. government had proposed was to cut only the “cap” on domestic subsidies, and then only for those that were “trade distorting” (a phrase it chose to interpret quite narrowly). “In reality”, wrote Bob Thompson, a former assistant secretary of agriculture, “the U.S. proposal would have involved negligible reductions in actual supports in most years.” And even then it left the door open to a shell game in which “trade distorting” subsidies could be replaced with direct payments or conservation payments considered “non-trade-distorting.”

Farmers, badly informed by their own government (or strategically deciding not to understand), reacted angrily, fearing their gravy train was heading south. But the Europeans and developing countries were not fooled: They knew the impractical proposal contradicted U.S. domestic political realities. Moreover, as Thompson argues, the insistence by U.S. agricultural interests on market access to other OECD countries probably exaggerated its importance, largely for demographic reasons. UN projections suggest that global population will continue to grow (although at a slower rate) from six to nine billion people by 2050. Since about half of the current global population lives on less than $2 a day, anything that raises their incomes, even by a few dollars, will greatly expand the demand for food, especially meat, and thus feed grains and oilseeds—both of which American farmers produce in abundance. In contrast to these developing country prospects, the EU and Japan are expected to lose 10 percent and 22 percent of their populations, respectively. As they diminish in numbers and grow older, they will eat less, not more. Their countries are hardly growth markets for U.S. food exports. Those markets are in developing countries, but they will only develop if the aspiring citizens of those countries earn higher incomes. This in turn requires that rich countries open their markets to their exports of textiles, shoes and tropical agricultural products such as sugar, rice and cotton. So when the Doha Round broke down, U.S. farmers weren’t just hurting the poor; they were
hurting themselves, too.

It gets worse. When the United States lost the cotton case in 2005, the WTO found that U.S. cotton subsidies contradicted U.S. trade commitments made in the Uruguay Round. Moreover, the provisions of the cotton program that violated WTO rules were similar to those still supporting U.S. grains and oilseeds, suggesting that more cases—and more losses—are on the horizon. Every time the United States loses such a case, it creates additional domestic pressure to step away from the WTO and multilateralism altogether. It also encourages the proliferation of bilateral and regional trade deals that further weaken the fabric of “most-favored nation” trade concessions in the WTO. While the Administration could have struck a bargain over these subsidies, it walked away from the bargaining table instead. The result, as Thompson argues, is that “it is likely to lose them to litigation, get nothing in return, and perhaps pay a fine, too.”

Ethanol to the Rescue

At this point, the rhetoric in farm circles is that it is more important to find outlets for U.S. surpluses at home in the biofuels market than to find and develop new export markets abroad. If the commodity subsidies that drive big farmers’ domestic greed and fear of export competition are one side of the distorting relationship between politicians and agriculture, the other is the subsidy Kingdoms that have been erected recently for ethanol and biodiesel, designed to burn off part of the resulting surpluses.

The kings in this case are an even smaller number of the same group of big farmers noted above: those with the capital to invest in refining and processing capacity to produce ethanol and biodiesel fuels from corn and soybeans. In addition to the farmer-investors, the truly deep pockets are large multinationals such as Archer Daniels Midland (ADM), who are only too happy to use other people’s money (ours) to finance their ethanol or biodiesel investments. ADM alone accounted for more than 1.07 billion gallons of ethanol production capacity in 2006, compared to 230 million gallons for its next largest rival, Vera Sun Energy Corporation. Spurred on by bellicose rhetoric over “energy independence” (although reliance on foreign oil has risen in every year since Jimmy Carter put on his sweater), the government would like to lavish even more money on biofuels in the form of mandated production, tax credits, grants and government loans, all of which are part of the 2005 energy bill and already-drafted versions of the 2007 farm bill awaiting Congressional approval.

Congress has already provided enormous tax breaks to ethanol—equal to 51 cents per gallon—to allow it to “compete” with gas and oil. This tax credit is accompanied by production credits for smaller producers, as well as a “renewable fuels standard” that will require the 3.4 billion gallons of ethanol produced and consumed in 2004 to double to 7.5 billion by 2012. In addition, one version of the 2007 farm bill introduced by Ron Kind (D-WI) calls for loan guarantees for ethanol producers to rise from $200 million to $2 billion (a kind bill indeed). The USDA has estimated that 1.6 billion bushels of corn was used to produce 4.3 billion gallons of ethanol from September 2005 through August 2006, equal to 15 percent of total corn use. Corn-producing ethanol advocates defend their subsidies by pointing out that, in the absence of ethanol demand, corn prices would be lower and resulting subsidies to corn growers would be higher. So the reason to pay subsidies to ethanol is to avoid paying subsidies to farmers. Get it? By this logic, any subsidy can be justified if it substitutes for another—even if the recipients are an even smaller category of the same deep-pocketed investors.

Unsurprisingly, ethanol itself has become another theater of protectionism. Because Brazilian sugar can be converted to ethanol and is also subsidized by the Brazilian government, cheap imports threaten domestic U.S. ethanol producers. Imports are therefore now subject to a 54 cent-per-gallon tariff. A potential gap in this protection could occur under the Caribbean Basin Initiative (CBI), which would allow Brazilian ethanol to be dehydrated and shipped to Costa Rica, Jamaica or El Salvador (all CBI countries)—and then to the United States.

Australian Bureau of Agricultural and Resource Economics, “U.S. Agriculture without Farm Support” (September 2006).
-duty free. This spawned additional legislation from ethanol supporters in Congress to limit such imports, even though they would lower the costs of the alternative fuel to American consumers. Ethanol does not need subsidization at current and prospective energy prices. Tariffs on Brazilian or other source of ethanol make no sense, especially since we don’t tax imported fossil fuel energy from Saudi Arabia or Venezuela. This is, in short, a heist in broad daylight. And U.S. taxpayers are the heistees.

Freer Trade and Lowered Subsidies: A Utopian Vision?

Given the entrenched interests and failure to bring economic rationality to farm and trade policy, it may seem futile to speculate over a scenario in which things might look different. Yet a powerful case can be made that U.S. farm subsidies have not only jeopardized larger U.S. trade interests, but have actually hurt farmers themselves. First, they have driven up the costs of land and other farm assets as subsidies are “capitalized” into their values. Second, they have diverted investments from activities, agricultural and non-agricultural, that would use resources more productively than those concentrated on subsidized crops or fuels. Third, they have contributed to intensive production in the subsidized products, with dreadful environmental consequences. And they continue to reward a diminishing group of large farm operators whose incomes in 2004 exceeded the average household income in the United States by about 35 percent, according to the 2006 Economic Report of the President.

Subsidy champions in Congress predict catastrophe for rural America if subsidies are removed. But the first thing to understand about the seemingly radical idea of ending farm subsidies is that, for the roughly two-thirds of U.S. farmers who receive no subsidies, not much would change. Consumers would benefit through lower food prices, and taxpayers would wipe $20 billion per year out of Federal spending. Many producers of unsupported commodities and livestock would face largely unaltered conditions, although their costs of production would fall if land or grain for feed fell in price. But for the one-third who do receive subsidies, and especially the 10 to 20 percent who garner the big subsidy bucks in crops like rice and cotton, the party would be over. Their land values would fall, reversing the capitalization process described above, creating new opportunities for younger and less capitalized individuals to buy into farming.

In a recent modeling effort designed to simulate this possibility, the Australian Bureau of Agricultural and Resource Economics developed estimates of impacts from the elimination
of all U.S. domestic subsidies and agricultural import tariffs; and the addition of two multilateral trade-round outcomes modeled on the Doha proposals, including a less than complete and a more complete liberalization in agriculture. The analysis further assumed that, rather than going cold turkey, cuts would be phased in over ten years from 2007 to 2016.9

The results might surprise even die-hard supporters of subsidies and protection. First, production would shift away from supported crops and into unsupported livestock and other higher value commodities. Sugar production would fall by about 30 percent, cotton by about 12 percent, and rice by about 11 percent. Among the more extensively grown corn, wheat and soybean crops, however, production would only fall 1 to 3 percent. The effects on gross farm income are proportionate to the crops grown and would therefore hit sugar, cotton and rice farmers the hardest. But corn, wheat and soybean growers’ incomes would fall less than 5 percent. Meanwhile, fruit and vegetable production, beef, pork and poultry would all expand by 1 to 5 percent. Milk production would hardly be affected at all.

As attractive as this picture is, the complementary relationship between ending domestic subsidies and freer trade in agriculture is more striking still. Depending on the degree of protection in other countries and the level of liberalization in agriculture achieved, trade reform would significantly soften the impact of eliminating domestic subsidies on U.S. producers. If trade reforms were substantial, the expansions in markets for U.S. farmers would almost completely offset the losses in domestic support. This is true for every commodity except sugar and cotton, although world prices of both would increase as U.S. production contracted, to the benefit of many poor farmers in developing countries. U.S. beef exports would expand and global prices for pork and poultry would increase.

Such reforms are not unprecedented. Over the past twenty years, both Australia and New Zealand have engaged in dramatic restructuring of their agricultural sectors, eliminating many forms of subsidies. Beginning in the mid-1980s, Australia restructured its dairy industry through a program of adjustment payments and the elimination of state-by-state subsidies, creating a uniform national milk market. During the same period, New Zealand began an even more complete restructuring, phasing out farm supports between 1984 and 1987 and restructuring the Closer Economic Relations (CER) agreement with Australia. In effect, the CER functioned as the trade liberalization side of domestic policy reforms, allowing expanded market access to Australia by New Zealand’s farmers to offset subsidy cuts. Since 1984, total agricultural productivity has grown by 2.5 percent per year, compared with 1.5 percent prior to the reforms. Labor productivity doubled over its 1983–84 level, and land productivity increased by 85 percent.

As a former advisory board member to Land O’Lakes, the giant food and dairy cooperative, I am well aware how these changes transformed New Zealand. Once a small player, New Zealand is now an agricultural powerhouse before which the highly protected American and European dairy industries tremble. It is the world’s largest exporter of butter and skim milk powder and the second largest exporter of cheese and whole milk powder. All of this has been achieved without farm subsidies or tariff protection at the border. If the Kiwis can do it, what is wrong with us?

**Back to the Present**

Regrettably, rather than focusing on the kind of across-the-board restructuring and agricultural trade liberalization Australia and New Zealand proved possible, U.S. agriculture is stuck in a converse mode of persistent subsidies and protectionism that will almost certainly harm its competitiveness. If the culprits for this retrograde posture need fingerling, the numbers discussed above provide clear evidence: Sugar, cotton and rice producers are leading the charge to the rear, followed by their suck-up retinue in Congress. What is more curious is that corn, wheat and soybean producers, who would lose little and might win big from subsidy cuts and trade expansion, so often fall into the same retreating line.

Despite the swirling vortex of failure into which the trade negotiations seem to have vanished, hope springs eternal. Kimberly Elliot of the Institute for International Economics (IIE)
in Washington calls for reviving the “development round” concept of Doha through expanded programs of “aid for trade”, as well as improved U.S. and EU offers of subsidy cuts and increased market access and concessions by developing countries on market access and services. But these are exactly the elements of the deal that fell through in July. Jeffrey Schott, another IIE scholar, argues that fear will trump greed in the end, because “the fear that the trading system will revert to the law of the jungle that prevailed in the 1930s will help bring the talks back to life… Countries will set back for a while, stew in their own juices, and see the costs of not going back to the table.” And then there is always Scarlett O’Hara’s sage counsel to fall back on: “Tomorrow is another day.” Meanwhile, the present state of efforts to liberalize trade resembles nothing more than Tara after the war.

There is also a scenario, one involving a heroic entrance by the Pale Rider of the Four Horsemen of the Apocalypse: food-borne illnesses in the ironic form of the usually healthy spinach leaf. Big farmers seem to be able to get away with practically anything in the United States unless it’s making large numbers of people really sick. The spinach _E. coli_ episode of this past summer, piled on previous episodes, is drawing increasing attention to practices among America’s farmers and feedlots that threaten to make the American food supply unsafe. Exactly what caused the spinach contamination is still under investigation. But Americans only finally got mad at tobacco companies after it became clear that they were harming their customers and lying about it. The same lack of trust may now be creeping into attitudes toward agribusiness. It’s a shame that only disasters and catastrophes seem to get American politicians to act. But perhaps such anger can be harnessed to the need for a future of freer trade.  


Like a progressive malady, a failure in the global trade talks will erode the multilateral trading system that has underpinned that global economy for nearly 60 years. The WTO rule book is more than 10 years old. Some of its rules are no longer relevant, some new ones are needed and some continue to be clearly inequitable, particularly for developing countries. These countries, which need new trade rules and more market access for their exports, risk becoming less stable if the system can’t deliver.

Today the problem is agriculture . . . the Gordian knot that has tied up negotiations in services, industrial goods and better trading rules. Reforming agriculture is politically difficult because it will bring pain to some. But what is being asked of governments amounts to further cuts of only a few billion dollars of trade-distorting farm subsidies and a further reduction of only a few more percentage points in the average tariffs no applied in the industrial and big emerging developing countries . . .

We have only a few months to rescue these negotiations. The U.S. Congress will consider two pieces of legislation that will have profound consequences on the Doha talks—a new farm bill and a bill to extend or renew the trade negotiating authority that Congress extends to President Bush. By the early spring, negotiators in Geneva must advance the negotiations sufficiently to inspire Congress to pass laws which support the talks. A new farm bill that leads America’s trading partners to conclude Washington is not serious about agriculture reform would be seriously detrimental to the export interests of millions of U.S. farmers, but also to the round. Failure to extend the president’s ability to negotiate with those partners would be fatal to it.