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Agricultural Trade Liberalisation will Benefit every Trading Nation

Mike Moore

Paper prepared for presentation at the “The Livestock Revolution: A Pathway from Poverty?” conference conducted by the Crawford Fund for International Agricultural Research, Parliament House, Canberra, Australia, August 13, 2003

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MIKE MOORE

Globalisation: the modern *tsunami*

Globalisation (an all-purpose tag) has many manifestations, and refers to ever-more interdependent financial and trade flows — an acceleration of international integration (Moore 2003). Because the case for globalisation and trade liberalisation has not been argued adequately in public fora, there is no shortage of protestors; but of course globalisation is not new. It has been going on for centuries. The crusaders were resisted by warriors who fought with swords made in India from iron ore out of Tanzania. Louis XIV of France smoked Virginian tobacco, and drank coffee from Yemen in Chinese porcelain cups, sweetening it with sugar from Africa. Although globalisation is not new, it does have new manifestations.

THE RT HON. MIKE MOORE was born in Whakataane, NZ. He worked initially as a meat worker, construction worker, printer and social worker. In 1972 he became the youngest Member of Parliament ever elected in NZ. He served as NZ Minister of Overseas Trade and Marketing (1984-90), Minister of Foreign Affairs (1990), Deputy Minister of Finance (1988-90) and Prime Minister (1990). As Trade Minister, he was active in launching the Uruguay Round of GATT negotiations. He was Director-General of the WTO from September 1999 to August 2002, and architect of the Doha Round. Mike is a champion of trade liberalisation, and an advocate of securing trade benefits for developing countries. He is currently senior counsellor on trade and global strategy for the New Zealand giant Fonterra, the world's biggest exporter of dairy products with one third of international trade.

I am firmly in favour of globalisation. Nobody complains about progress in the medical system, or in education, and in the last 50 years we have done extremely well. Life expectancy has risen by 20 years, infant mortality has dropped by two-thirds, hundreds of millions have been lifted from extreme poverty, and literacy has exploded. There has never been a time in the history of our species when so many people have been commercially, politically and economically free. There is no need for anyone in this world to be poor, nor for anyone to be hungry. Technology and science are our best friends. Norman Borlaug won the Nobel Peace Prize for setting the scene for the 'green revolution', producing new varieties of wheat and saving millions of people. Nowadays, protestors might be outside his laboratory claiming he was tampering with nature. Societies that reject science do so at their peril.

So we ought to be out there making our case. My message is that open societies and open economies do better; that globalisation should not be demonised or idealised — it simply offers the gift of opportunity. In our Asia-Pacific region, at the time of partition of North Korea and South Korea, North Korea was wealthier than the South. Now the people of North Korea live in fear and hunger, while South Korea's living standard, which 30 years ago was equal to that of Guam, is equal to that of Portugal. Burma and Thailand were equally poor after the Second World War; now Thailand is 25 times richer per person. Only 30 years ago, Japan was a developing country. The lessons are obvious to everybody.

The Doha Development Round¹¹

Those who orchestrated the Doha Development Round were determined to create a development paradigm — a rules-based global trading system that had agriculture at its centre. We were convinced that if we could ‘do the deal’ on agriculture, the outcome would benefit all countries. In Africa, for example, the stakes are huge: trade liberalisation would deliver economic benefits worth five times more than the current annual Official Development Assistance (aid) to all African countries from all countries combined, or ten times more than all the debt relief granted thus far. Removal of the United States’ cotton subsidies alone would put 250 million dollars in the pocket of Africans. Subsidisation of a new coffee industry in a country like Vietnam plays havoc with the coffee industries of countries such as Kenya and Ethiopia, where coffee prices are at their lowest in a hundred years. Cotton; coffee; dairying; sugar: the story is basically the same everywhere — trade distortion and market protection play havoc with sustainable development.

If this Development Round doesn’t sort some of those issues out, it will not succeed — and it should not succeed. So what’s the deal? How do we put this thing together, given that we see agriculture as a key development issue?

The starting point is to address the demands of the developing countries. They need access to communication technology. They need investment rules. They need good governance and institutional arrangements that help farmers beyond the farm gate. They need transparency in government procurement. They face incredible trade barriers in our region, and they need trade facilitation. Indeed, studies in our region have shown that there is more to be gained by facilitating trade than by fixing up the problems in tariffs elsewhere. No matter how productive your growers are, if they can’t get their products across the waterfront, they can’t access international markets. Container traffic provides a simple example; it costs five times more to shift a container to New York from North Africa than one from Hong Kong that has to go around through the Panama Canal and up the Atlantic Ocean.

¹¹ Numerous references to these and other trade negotiations are available on the web.

Addressing governance issues and developing the ‘rules’

I have come to the conclusion that the issues of good governance are absolutely central to economic development. Governance issues are on the Doha Development agenda, and again they are not new. What is new is the imperative of integration. We have a globalised world that is interdependent but not integrated. We have a world where somebody can cough in Hong Kong and close down Toronto. Where somebody puts a virus into the computer last night and I can’t talk to my wife this morning via e-mail. We have yet to develop integrated political processes to handle our differences. This is where the World Trade Organisation (WTO) and the trade rules we are talking about can come into play.

In a few weeks from now, the Ministerial meeting in Cancun, Mexico, will be a reality. It is important to realise that Cancun is part of an ongoing process. It is not the end of the Round. Cancun is about setting the stage — making positions more transparent for the final Ministerial meeting which will be held towards the end of 2004 or the beginning of 2005. There are plenty of positive signs. Agriculture is at the heart of the agenda, and it is recognised that failure to address agriculture will stop the Round in its tracks. That’s the leverage we now have. The Europeans have signalled that they are willing to shift their position substantially. The political cycle is favourable. Many experienced negotiators have invested years of their lives and a great deal of emotional capital in moving towards a positive outcome. And the ‘big guys’ have other options: bilateral deals. That’s rather scary; it shouldn’t be like this. Trade liberalisation is a virtue in itself. But you can see how these things converge, to create chaos and create tension, from which something useful can come.

Other issues are converging at the right time. Intellectual piracy is at an all-time high and we are starting to take this issue seriously. We will take it more seriously when a few aircraft fall from the skies because counterfeit parts fail, or when we get sick because the medicine we assume is in the bottle isn’t.

And when we come to the issue of access to drugs, here’s the point: this can only be resolved in an organisation like the WTO. Here’s the rub: we all want investment in research that will generate a cure for AIDS, or for cancer; but once that investment has been made, we want the product at the

other end for nothing. But business doesn't work that way, and we have to find solutions to the challenge of making cures available to people in developing countries without distorting the market. And interesting things are happening in Africa, where the AIDS epidemic is a massive tragedy. In some communities the average age is under 20 years. If I'm employing in Zimbabwe, I employ three people because two will die. A problems in the region is that there will be few people to work the land. One third of the MP's in Mali died within 10 years. On a positive note, unique private/public sector partnerships are being tried — partnerships that were only dreamed about before the Doha Round. So society has changed.

The promise and the challenges

Let us not minimise the difficulties in securing trade liberalisation. We have a host of very challenging issues: geographic indicators; animal welfare; environmental issues; food safety. We have to find ways of navigating through these issues, and

others. We cannot point the finger at any particular group of countries — in fact, we have to understand the other parties' agenda better than our own. We have to find a way to assist them with the problems that they and we created, if we are to resolve this.

But let us also not doubt the benefits. There is enough in this for everybody. If we completely liberalised agricultural trade, and put into place the other elements of the Doha Round, this would lift the world economy by almost 3 trillion dollars annually. It would be like injecting another China into the world economy. If we did only a third of the deal, it would be like putting another Canada into the world economy. If the challenges are sobering, the opportunities and potential benefits are extraordinary.

References

Moore, M. (2003) *A World without Walls*. Cambridge University Press, Cambridge. 292 pp.