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IATRC

**INTERNATIONAL AGRICULTURAL
TRADE RESEARCH CONSORTIUM**

Celebrating the First Thirty Years

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INTRODUCTION

At the December 2010 annual general meeting of the International Agricultural Trade Research Consortium (IATRC), the traditional Theme Day was organized as a celebration of the 30 year anniversary of that institution and was titled *Trade in Agriculture: So Much Done, So Much More to Do*. In the aftermath of that meeting a proposal was made that the 30 year history of the IATRC should be written while those who had lived through the full period were still available to provide the necessary institutional memory. The Executive Committee agreed and allocated \$2000 to the project as a token of their serious support, while Alex McCalla, Ed Rossmiller and Laura Bipes agreed to see it to fruition. It soon became clear that in the tight fiscal environment of the time, further funding would not be forthcoming. Thus the team decided that if they did most of the work themselves they would be able to publish the results of their efforts as an e-book on the internet, but would not have the resources to produce any paper copies.

They also determined that in addition to the three major papers (unfortunately, the fourth major presentation by Valeria Csukasi, *Future Challenges in Agricultural Trade Negotiations*, is not available to us for inclusion in this manuscript) and the panel presentations at the 30th anniversary theme day, several other documents were available that detailed much of the rationale for the creation of the IATRC, its evolution and its output over the period.

The first of these documents is IATRC Objectives, Organization, Operations and Origins, the so called 'Blue Book', the latest edition of which is Edition VI dated April 2010. The Blue Book is a rolling record of the decisions taken at the meetings of the membership and the Executive Committee and a listing of the various outputs of the Consortium since its beginning. Since the Blue Book is revised and updated periodically and is publically available on the IATRC website



(<http://iatrc.org/about/bluebook/BlueBook2010.pdf>) it will only be referenced here as needed rather than being reproduced in its entirety.

The second of the documents is *An Analytical History of the IATRC* by Tim Josling, Alex McCalla and T. Kelley White, as requested by the Executive Committee and published in October 1997. It is reproduced here in its entirety.

Another pair of documents that add to the historical picture are the report dated December 2004 to the Executive Committee and the membership as requested by the IATRC Chair, Tim Josling, by the Futures Steering Group consisting of Mike Gifford, Joe Glauber, Stefan Tangermann, Linda Young and Alex McCalla, Chair, and the January 2011 Status Report on IATRC: Progress on Recommendations of the Futures Steering Group by the 2010 Executive Committee. These two documents are also reproduced in their entirety. ■

PART I

Theme Day

Trade in Agriculture: Much Done, So Much More to Do

CHAPTER 5

How Well Have We Done and Where Should We Go from Here? Perspectives from Around the World

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REFLECTIONS BY GIOVANNI ANANIA

How well have we done? Very, very well, in my opinion. IATRC is 30 years old, and looks as sharp and well focused as an energetic newly born scientific association! There has been plenty of high quality research on agro-food trade issues presented and discussed in IATRC annual meetings and symposia over the years. Not only that, but, in my opinion, IATRC has an excellent record in terms of the relevance of what it has done over the years for trade policy making around the world.

In my short contribution to the panel I decided to focus first and foremost on the “where should we go from here?” question. Basically, my answer to this question is that IATRC should keep doing well what it had been doing for its first 30 years and then consider which new activities to possibly undertake.

I believe the general goals as stated in the “blue book” are valid:

- “promote and stimulate improvement in the quality and relevance of international agricultural trade research and policy analysis;
- encourage collaborative research among members of the Consortium;

- facilitate interaction among trade researchers and analysts in several countries, in universities and in government engaged in and/or interested in trade research; and
- improve the general understanding of international trade and trade policy issues among the public.”

The core focus of IATRC should remain research on the economics of food trade and the effects of domestic and trade policies, maintaining its good reputation for being a place where one can find good economic research “with both feet on the ground” (i.e. good and socially relevant economic research). Both theoretical and applied good economic research should be of interest for IATRC activities, on the grounds that good socially relevant applied economic analysis can only walk on good theoretical and methodological legs.

IATRC should keep considering the interaction of membership with stakeholders and policy makers one of its trademarks, listening to them (and learning from them), in addition to talking (preaching...) to them.

Careful planning should ensure that, in addition to addressing the “hot issues” of the moment in a timely manner, IATRC also devotes attention and resources to issues relevant for more longer term research and political agendas.

IATRC should keep allocating time in its annual meetings to exposing (educating would be the term some of those in the old guard would have used...) its members to the most recent promising theoretical and methodological advances relevant for trade and trade policy analysis; these extend well beyond the boundaries of the international economics and economic modeling areas to include relevant developments for trade and trade policies in political economy, consumer behavior, industrial organization, or development economics, to mention just few examples.

In addition to the difficulties involved in keeping up the good work, which are by no means minor, I see one important challenge for an IATRC projected into the future: making IATRC attractive for young colleagues (without, in the process, losing pieces of the current membership...). More and more young people tend to prefer scientific gatherings focusing on the (sometimes quite narrow) research themes they are working on, or on the analytical methodology they specialize in using, while, on the other hand, they are less and less attracted by large “generalistic” meetings, which are seen more as a networking opportunity than as a forum for scientific exchange and enrichment. In addition, means of communication are rapidly evolving and today there is little need to present the findings of our researches at a conference to make others aware of what we have been doing lately.

How to respond to this challenge?

First, again, IATRC should keep doing well what it had been doing (...the repetition is intentional).

This means keeping the theme days at the annual meetings designed mostly as “educational” activities for the membership, rather than as mini symposia; choose the “right” topics (relatively easy), and involve excellent, very well known speakers (the hard part; if you want to bring in speakers from outside the membership you need to plan the theme day well in advance, use your reputation in large quantities and, in some cases, have significant financial resources available). The remaining two days of the annual meeting are, in my opinion, fine as they are. In addition, IATRC can provide incentives (low organization costs) and logistic support for good organized sessions (which can accommodate sort of mini symposia, allowing them to extend over a couple of sessions with no concurrent parallel activities, if their quality and potential interest justify it).

IATRC should keep organizing good symposia. A question to be addressed is whether it is feasible to organize a symposium every year or if it would be wiser to move to biennial symposia.

In the past few years the IATRC, with the support of the Hewlett Foundation, has devoted time and energies to capacity building, with great results, in my opinion. Can the IATRC attract the financial resources needed to implement a similar activity? Can IATRC consider undertaking additional capacity building activities for different potential target groups: workshops for PhD students (providing them an opportunity to present and discuss their work at an advanced but not yet final stage, and be exposed to few presentations by senior researchers, either on what it is ahead for them (and how to cope with it...) or on cross edging research developments; highly specialized mini courses; capacity building activities targeting research institutions, rather than individuals, in the developing world.

As regards IATRC's outputs, there are currently three "products": books, working papers and policy briefs. I believe the books, generally proceedings of IATRC symposia, are fine; working papers could probably be limited to outputs of activities by IATRC itself; policy briefs, potentially a great tool for disseminating research results to a wide audience, need to be supported by effective marketing and distribution among stakeholders and policy makers worldwide.

In addition to keeping up with the good work, I can think of two new activities for the IATRC to consider:

- IATRC sponsored workshops/seminars, i.e. smaller (ideally 30-40 participants), more informal than symposia, focusing on a very specific topic, designed around few, well known, invited speakers, plus contributed papers, with plenty of time for discussion after each presentation. This has proved to be a successful format in Europe and could be a key instrument to involve younger colleagues in the life of IATRC. In general these workshops/seminars would be organized by a group of members, with IATRC offering logistical and organizational support only.
- Introducing IATRC awards for (a) the best policy relevant (quality) paper of the year, (b) the best quality of research discovery paper of the year, and (c) the best paper of the year on a trade or trade policy issue by a (main) author of 35 years or under. No need for these awards to involve money, a nice letter and a small plaque will do it...
- I know, to do things right both human and financial resources are needed. Great human resources are available in large quantities in the membership of IATRC and have been generously provided (and used) in the past. Financial resources are a more serious potential constraint ... unfortunately my ten minutes are over. ■

REFLECTIONS BY JAMES RUDE

Thanks to the organizing committee for inviting me to participate. It is certainly a humbling experience to be asked to participate in the theme day. It is an honor to participate in this panel. I am afraid that my institutional memory isn't long enough so that I can comment on past IATRC achievements. The good thing about speculating on the future is that you don't seem to need any particular expertise.

From my perspective, given no tangible prospect for DDA progress and some of the same conditions in world markets that existed in the 1970's, the IATRC should continue to be a sounding board on big issues. Our deliberations should reflect the uncertainty regarding the world's economy – the increased frequency of food price surges and commodity market volatility, the emergence of green protectionism, the re-coupling of energy and agriculture policy, the emergence of private standards as barriers to trade, the proliferation of regional trade agreements, climate change and food security, etc. These are issues that are not just reflected in this year's program but they have also been standard fare for some years now. Recent theme days have covered all of these issues and the research and analysis symposia have focused on specialized topics that deserve to be fleshed out. Although 2006 theme day introduced firm heterogeneity and the new new trade theory ~ ala Melitz ~ this is a subject that deserves a dedicated symposia and there is much

that we can learn from our trade theory cousins as they discover the empirical intricacies of intra-industry heterogeneity and how to get their hands dirty with data.

Stefan raised some interesting issues with respect to the treatment of biofuels policies in measuring farm support, and the development of empirically based and testable criteria for inclusion of policy measures in the green box.

- The incidence of blending mandates and the associated subsidies is complicated by the different ways these programs were implemented.
- Given the myriad of subsidies and trade measures, it is important to have a consistent and transparent framework to assess them. The IATRC's early role providing input to the OECD on PSEs might provide a useful template for future work on an information base for biofuel support.
- I asked Mike Gifford his opinion of where we should go, and as an eternal optimist he sees a next WTO round and the virtual elimination of non-green domestic support in developed countries and the introduction of disciplines on green domestic support. However, if external pressures are only drivers of domestic reform, then improved transparency may help to grease the wheels for reform.

Green protectionism, border tax adjustments, etc. are a reincarnation of anti-dumping investigations and constructed cost tests. They represent a case that is not winnable because it is very difficult to distinguish between genuine environmental interventions from illegitimate green protectionism. The experience that IATRC members have gained through analyzing SPS issues, should be informative to the broader trade policy community in its efforts to deal with this double edged sword. Protectionism is more difficult to deal with when the calls for protection do not come from import competing industries but from other constituencies that have less of a vested interest. Consumer requests for protection are a big upcoming or long ignored issue.

In a time of increased world price volatility, and the related concerns with food security, more effective disciplines on export restrictions and agreements to discipline export taxes are relevant considerations to study.

- Some developing countries may feel that that they have no politically feasible alternative to border measures in order to cope with price surges.
- The ethanol boom has increased price instability.

We can't go back to international commodity agreements – they never stood a chance of working - but considering options for international and national responses to volatility is not a waste of time.

Although it may seem like some programs, like Canada's supply managed system, will never face trade liberalization the day for reform will come and then governments will face huge pressures for trade adjustment assistance.

- The problem of appropriate levels of adjustment assistance for industries where economic rents have been capitalized into asset values is an issue that the IATRC may consider important.

When you know nothing, and you don't know any better, a typical reaction is to survey your peers. So I did a straw poll of burning issues for Canadian trade policy analysts:

- First I got a sobering reminder of Canada's diminishing role in world trade and its influence in trade negotiations. All our heads appear firmly planted in the sand. As a country which historically pursued and preached multilater-

alism, we are now running madly off in all directions pursuing regional trade agreements. Very late in the game we are seeking agreements with developing markets such as India while having focused our efforts on negotiations with the EU and Japan for a much smaller gain. As a small country we have to worry about quality and we have to pay more than lip service to it.

- There is still a big concern about trade disruptions caused by differences in regulatory systems (minimum tolerance levels for unapproved crops, differing standards for contamination, long lags between the end of an incident and the resumption of normal trade).

If my reading of the *Blue Book* is correct the IATRC was very influential in its early days because it was a small “club” that brought important issues to the light of day. Just like the WTO, its membership has grown. Growth comes at a cost. I am not saying that the meetings, symposia, etc. aren’t useful ... they are where the IATRC has the most influence ... but it needs to return to its roots and commission more papers and initiate more task forces. ■

References

IATRC, “Objectives, Organization, Operations, and Origins” <http://iatrc.software.umn.edu/about/bluebook/BlueBook2010.pdf>
Melitz M. 2003. “The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity”, *Econometrica* 71 (6): 1695–1725.

REFLECTIONS BY DONALD MACLAREN

As this session is sub-titled “Perspectives from around the World”, I thought I should begin my remarks with reference to the title of a paper given by Ted Sieper at the annual conference of the Australian Agricultural Economics Society in 1979.¹ The title was “Rationalising Rustic Regulation” and at that time there was a substantial amount of rustic regulation in Australia. What Sieper showed was that government intervention in Australian agriculture was better explained by income redistribution rather than by the

correction of market failures. My understanding is that this explanation was a novel one at the time to the profession in Australia and highlights the importance of the so-called non-economic objectives of agricultural policy. Over the following 20 years, commodity policy disappeared commodity-by-commodity and instrument-by-instrument until, by the year 2000, even the dairy sector had been totally deregulated and there was almost no commodity policy remaining. Whether Sieper’s analysis and the conclusions drawn from it was the cause of the subsequent deregulation is difficult to establish, just as it is in assessing how well the IATRC has done.

While the reforms of agricultural policies have been less dramatic in other OECD countries than it was in Australia, New Zealand excepted, I believe that we have performed quite well in changing the mind-set of politicians and policy makers towards agricultural policies and their consequences for domestic welfare and international trade in agricultural products. I also believe that we have achieved this success through the careful application of economic theories, such as the targeting principle from the theory of distortions. The application of this principle has helped to clarify the link between the objectives of agricultural policy and the best choice of instrument to achieve each and it has led to the acceptance of decoupled income payments as the best way of pursuing the farm income objective instead of the use of input and output subsidies that create by-product distortions.

¹ The paper was later published as Sieper, E. (1982) *Rationalising Rustic Regulation*, The Centre for Independent Studies, Sydney.

To justify this claim of success, consider the sentiment in the Doha Declaration: “We recall the long-term objective referred to in the Agreement [on Agriculture] to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets.”² It is unlikely that this statement could have been written by trade negotiators pre-1980. I interpret this outcome as a fundamental shift in the position adopted by policy makers on matters to do with agricultural policies and their effects on international trade. The difficulty faced by the negotiators has been translating words into agreed outcomes.

Because agriculture has been such a significant stumbling block in both the Uruguay and Doha Rounds negotiations, there would be a substantial pay-off to research that was successful in designing a better way of achieving the goal set in the Doha Declaration. Somehow, we have to wean trade negotiators off the idea that negotiation is about the exchange of concessions. This will be challenging but I hope that we can do better than proposals such as that of “critical mass”.

As well as the persuasive use of economic theory to effect change in policy instruments, we now have numbers with which to illustrate the effects of different policy instruments and to bolster what to trade negotiators could be rather unconvincing policy recommendations based on abstract reasoning. These have come from two sources: the first is the GTAP, and other CGE, models; and the second is the measures of assistance and distortion calculated by the OECD and more recently the World Bank through its project on agricultural distortions.


It may seem ironic that, having persuaded governments that less intervention is to be preferred to more, where market failures do not exist, we now may have to propose more intervention because of the increasing prevalence of market failures. There are four categories of market failures that have become very much more prominent in recent times and each occurs in open economies having, therefore, a trade dimension. These categories of failures are imperfect information, imperfect competition, uncertainty, and negative externalities and they identify for me some of the issues that are part of “where do we go from here”.

An example of the first market failure is in the area of food safety, its associated credence characteristics, and the constraints imposed on the use of trade policy by the SPS and TBT Agreements in correcting the failure. The uncertainty of the science in some instances, the interpretation of probabilities, the lack of cost benefit analysis and the lack of option value, leave scope for research that could help design better trade rules for food safety and for quarantine policy.

The second market failure is the presence of imperfect competition at various points along the value chain from domestic food production and imports through the vertical linkages to the ultimate consumer. Imperfect competition affects not only price transmission from domestic and external sources but, through that transmission, the effects of policy intervention.

The third market failure is the vulnerability of the poor in poor countries to price volatility where risk markets are missing. The events of the past three years have brought us round full circle to the events of the early- to mid-1970s when commodity prices were highly volatile and governments responded then, as now, in selfish ways. I believe that we need to revisit the stochastic analysis that was developed in the late 1970s/early 1980s because the present is likely to be much closer to the future than was the decade and a half after 1990 when markets were relatively stable.

² WTO (2001) Ministerial Declaration, WT/MIN(01)/DEC/1 20 November, paragraph 13, http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm, accessed on 10 December 2010.



Another reason for revisiting this analysis is the increasing importance of the emerging and large economies such as China and India. How these countries choose to balance efficiency, equity, poverty, trade liberalisation, food security and in the case of India, political economy, with populations of the poor running into the hundreds of millions, is important not only for international markets but also for the outcome of negotiations in the WTO. Perhaps for too long our analyses have been deterministic and have underplayed the role that stochastic analysis might play in analysing issues such as the SSM, the stance taken by the G-33, and in providing recommendations that in other ways might achieve the objectives of these countries.

The fourth market failure arises in the context of carbon taxes that might be imposed in some countries but not in others as part of climate-change policy, giving rise to the debate about border tax adjustments in the form of carbon tariffs. This is likely to be a challenging topic for analysis.

The analysis of each of these failures is amenable to the application of economic theories that already exist but the policy recommendations will need to be internationally coordinated to achieve full success. This will be challenging, given the track record in engaging successfully in multilateral negotiations on agriculture, on climate change and the lack of coherence between the WTO and the MEAs.

The final topic, and one that does not fit coherently into the structure of my previous comments but which is important, is what can we do about the proliferation of RTAs and the international discrimination to which they give rise? If, as I have claimed earlier, we have been relatively successful in changing mind-sets on agricultural policy in the domestic context, perhaps we should attempt the next challenge and help to discourage the continued enthusiastic rush into the spaghetti/noodle bowl, if for no other reason than the mistreatment of agricultural products in these agreements.

With such a research agenda, the IATRC has a potentially very productive future.

To the IATRC, happy birthday! ■