



Conceptualising multifunctional agriculture from a global perspective: Implications for governing agricultural trade in the post-Doha Round era



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ABSTRACT

The notion of multifunctional agriculture has been researched from diverse disciplines including economics, sociology, political economy, and geography since the URAA. In particular, the economics approach represents an attempt to tailor the concept of multifunctional agriculture to market-oriented WTO trade regime. The approach has been fundamentally troubled by the lack of concord among WTO member countries on the question of what constitutes multifunctional agriculture. This article redefines multifunctional agriculture as a concept encompassing six components that are extremely heterogeneous in their nature of external benefits. Upon examining different positions taken by the US, the EU, the Cairns group, LDCs, and the G10, this article develops a conceptual model explaining why the notion of multifunctional agriculture is conceived so differently across countries. The model posits that institutions, natural resources endowment, ecological conditions, farm policies, and culture/history unique to each country would determine the state of economic development and agricultural competitiveness in a country, which in turn shape the pattern of social demand for various components of multifunctional agriculture. The theorizing undertakes to overcome the Euro-centrism that has dictated the discourse of multifunctional agriculture since the URAA. Implications are discussed for the governance of agricultural trade in the post-Doha Round era.

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1. Introduction

Since gaining global attention from the Eco Summit in 1992 in Rio de Janeiro and the Uruguay Round multilateral trade talks (1986–1994), the concept of multifunctional agriculture has drawn considerable research interest from diverse disciplines such as economics, sociology, geography, ecology, and political economy (e.g., Smith, 2000; Losch, 2004; Batie, 2003; Potter, 2006; Wilson, 2008a,b). In particular, the OECD held a series of workshops in an attempt to identify issues of pertinence from the economics and farm policy perspectives (OECD, 2001a,b, 2003). The workshops have stimulated further research, elucidating a sequence of economic issues of importance (i.e., identification of multifunctional outputs; the degree of jointness between market and multifunctional goods; transaction costs of policies targeted at promoting multifunctional outputs decoupled from production) in operationalizing the concept to designing trade rules. While

conceptually straightened out in an elegant manner, the economics approach is far from being amenable to operationalisation to WTO trade-rule making procedures (Wilson, 2007; Renting et al., 2009).

At the most fundamental level, there is an unresolved question over what types of functions are accepted universally across the world as legitimate components of multifunctional agriculture. The question arises because WTO member countries do not necessarily agree on what makes up of multifunctional agriculture. Put simply, there are vast differences in the way the notion of multifunctional agriculture is conceived across countries/regions, as has been glaringly manifested in the debate of whether or not multifunctional agriculture is a disguised protectionism (Smith, 2000; Potter and Burney, 2002). Such differences in understanding/interpreting the notion of multifunctional agriculture stem from the fact that multifunctional agriculture consists of diverse components and countries widely differ in their needs for each of them. In fact, the major sticking point of the Doha agricultural negotiations has been closely related to the question of how to effectively incorporate such diverse components of multifunctional agriculture into designing trade rules. The lack of concord on the interpretation

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of multifunctional agriculture (and unwillingness of WTO member countries to agree on trade rules respecting the diversity of its components), therefore, directly underlies the failure of the Doha Round to advance agricultural trade negotiations forward.

Despite such importance in designing effective trade rules, the issue of transnational differences in the conceptualisation of multifunctional agriculture has not received adequate consideration either from trade negotiators or from academic communities. In fact, academic discourses on multifunctional agriculture tended to be centered on European agriculture and such Euro-centrism has hampered trade negotiators from duly considering other countries/regions' conception of multifunctional agriculture. A body of literature, however, has been emerging in recent years from rural sociology and geography viewing multifunctional agriculture from the developing world perspective (Bresciani et al., 2004; Losch, 2004; Wilson, 2007, 2009). In support of such a view are contemporary agricultural development studies underscoring differences in the types of agricultural problems faced across distinctive groups of countries (Timmer, 1988; Hayami and Godo, 2005; Pingali, 2010; Moon, 2011). Highlighting the different roles of agriculture in the process of economic transformations over time from an agrarian to an industrialized society, classical economic development models have laid the foundation for such contemporary studies (Jorgenson, 1961; Rostow, 1956a,b; Johnston and Mellor, 1961).

Building on the prior research, this article aims at developing a conceptual model of multifunctional agriculture from a global perspective that would be capable of explaining why the notion of multifunctional agriculture is conceived differently across diverse groups of WTO member countries at various developmental stages with differing economic, ecological, historical and socio-cultural backgrounds. The new global model of multifunctional agriculture is constructed in three steps. First, we define multifunctional agriculture as positive spillover effects that agriculture produces in the forms of the following six subgroups encompassing poverty reduction/food security, economic growth/developmental, environmental/ecological, sociocultural, amenity/aesthetics, and nonuse functions. Second, as a representation of the diversity of agricultural problems across different countries, we divide the world into the following four groups of countries including (i) developed net food exporting countries (the US the EU); (ii) developed net food-importing countries, (iii) developing net food exporting countries and (iv) developing/least developed net food importing countries. Lastly, we theorize that social demands for the six subgroups of multifunctional agriculture differ across the four groups of countries and such differences are explained by two broad factors (economic development and agricultural competitiveness) which are shaped in turn by an array of antecedents such as ecology/natural resource endowments, institutions/politics, international politics (regime), history of economic/farm policies, and culture.

The remainder of this article is structured as follows. The next section provides an account of the process of the rise of the notion of multifunctional agriculture in conjunction with the Uruguay and Doha Rounds. The third section examines literature viewing multifunctional agriculture as an ideology that has competed with neoliberalism as a policy paradigm. The fourth section shows how differently the concept of multifunctional agriculture is received across countries/regions as revealed through WTO multilateral agricultural trade negotiations, and theorizes that the states of economic development and agricultural competitiveness would bring about differences in the pattern of social demands across countries for various components of multifunctional agriculture. The final section discusses implications of our theory of multifunctional agriculture for governing agricultural trade in the post-Doha Round era.

2. The rise of the concept of multifunctional agriculture

The Uruguay Round (UR) multilateral trade talks have played a crucial role for the concept of multifunctional agriculture to draw attention from trade negotiators and gain traction in academic discourses. The UR was the first major multilateral effort devoted apparently to dismantling agricultural protectionism that has been prevalent across developed countries since the Second World War. While the inclusion of agriculture in the UR trade liberalization talk has been fostered evidently by neoliberalism and globalization trend that have been sweeping the world economy since 1980s, the real underlying cause of the inclusion was the escalating agricultural subsidy war (particularly export subsidy) between the U.S. and the EU (Josling, 2000).¹ The two sides used the UR as a medium to end the subsidy war, curb growing budgetary burdens, and mollify other countries' criticisms of the disarray in international agricultural markets. Reluctantly involved in the talks, other developed countries such as Norway, Switzerland, Japan, and Korea (developed net food importing countries; G10) were in need of a mechanism that would shield their agriculture from the forces of globalization and liberalized trade. The EU and the G10 countries banded together and attempted to advance the concept of multifunctional agriculture throughout the talks.

The UR produced the Agreement on Agriculture (AoA) that spells out how reform would proceed toward the goal of liberalizing agricultural trade, centered around the following three broad areas for negotiations including market access (tariffs and nontariff barriers to trade), domestic support (farm subsidies and market distortions), and export subsidies (Ingco and Croome, 2004). The AoA is assessed to be a half-success in the mission of liberalizing agricultural trade: although the magnitude of the reduction of trade barriers (domestic subsidies, import tariffs, export subsidies) was nominal, it brought agriculture under international rules for the first time in history, seemingly laying the groundwork for further progress in reforming trade rules. While the term, multifunctional agriculture, has not been officially used in the AoA, the alternative term called NonTrade Concerns (NTC) was clearly but broadly noted in the Preamble to the AoA. Even though the term NTC in the Preamble represents a narrow version of the notion of multifunctional agriculture, it led the WTO to institute the innovative mechanism called 'traffic light box system' that categorizes agricultural policies/subsidies into three categories (Amber, Blue, Green Boxes) based on two criteria: (i) whether or not they influence production decisions and distort trade patterns and (ii) whether or not they are targeted at supporting the multifunctional roles of agriculture. Designed to support the supply of multifunctional goods of agriculture while ensuring that such support is decoupled from production decisions, the green box enabled countries to legitimately subsidize farmers without limits in the forms of extension services, agri-environmental and rural development payments (Baffes and de Gorter, 2005). As a consequence, it permitted financially capable developed countries not to significantly reduce the overall extent of farm programs/subsidies, leaving agricultural protectionism unchanged to a large extent (OECD, 2001a,b).

Faced with the criticism that WTO rules serve largely the interests of rich countries and may exacerbate the already uneven playing field, the WTO incorporated measures addressing the special needs of developing countries and least developed countries (LDCs) in terms of trade, development, and financial aspects. Specifically, Articles 15 (the Special and Differential Treatment, SDT) and

¹ Although the transatlantic conflict between the US and the EU due to agricultural subsidies started upon the inception of the CAP in 1960s, it was sharply heightened in the 1980s with the EU emerging as a major exporter in temperate-zone markets in third countries by means of subsidies rather than fair competition (Josling, 2000).

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