



**PANEL III: GLOBAL ECONOMIC DEVELOPMENT: LINKING  
AGRICULTURE, TRADE, ENERGY AND POVERTY  
ALLEVIATION IN THE DOHA ROUND AND BEYOND**

**MODERATED BY:**

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**THE WAY FORWARD: CONCLUDING REMARKS AND  
SUMMARY**

MS. SMITH: Good Afternoon. I would like now to introduce our final panel, which takes us back to where, in fact, this debate really started, which is in the developing world, as we heard from John Podesta this morning, with the move by cotton farmers in West Africa to really step up to the plate and ask that world trade negotiations reflect their aspirations for development.

Introducing the panel from my right and across, this morning I introduced John Podesta as my boss. I'd like to introduce a former boss and friend, Brian Atwood, who is known to many of you as the former administrator of the U.S. Agency for International Development under President Clinton. He has also served as a Foreign Service officer and the dean of the Foreign Service Institute. He was the first president of the National Democratic Institute, and he is now the dean of the Hubert Humphrey Institute for Public Affairs at the University of Minnesota.

To his right is Kim Elliott, who wears two hats as a joint fellow of the Institute for International Economics and the Center for Global Development. She is a real expert, and I really want to plug a second book of the day that she will have coming out after the first of the year. And now that it looks that the agreement in Hong Kong is going to be – that they will agree to agree to agree later, her book will continue to be extremely timely. It's called *Delivering on the Doha Development Agenda: Agricultural Trade in Rich and Poor Countries*.

And finally, last but certainly not least, is Sonal Shah who I've had the pleasure of claiming as a colleague twice, and a friend all the way through. Sonal is now a vice president at Goldman Sachs. She's the founder of a growing and very effective NGO called Indicorps, which takes volunteers to India to work on development programs there; has also served at the Treasury Department on international affairs at the Center for Global Development and with us at the Center for American Progress.

I'd like to start this panel with you, Brian. You have in your career been the point man on U.S. development policy. And I wonder if, given the issues at play here, you could address what we're really looking at from a policy prospective as we approach the Hong Kong meetings.

J. BRIAN ATWOOD: Well, thank you, Gayle, and I congratulate you and John Podesta and the Center for this initiative. It could not be more timely, obviously, as we await the Doha Round in Hong Kong. And, of course, the stakes are very high. As I look at this issue, of course I look at it from a perspective of someone who did have responsibility for development policy, and I see the problem the world faces as both a humanitarian issue and a national security issue. We have some 800 million people who are hungry every day, we have some three billion people who are living under the poverty line, and that number is going to expand unless something is done about this. And some people project that by the middle of this century, we'll have three billion more people; 95 percent of them will be born and living in poverty.

Now it doesn't have to be that way, and it strikes me that these people could either be a market for our farm products or they could be a major liability to the international community and a source of violent conflict and possibly terrorism, and I think that's a major national security issue... The program, as I see it, is we have a development policy in one little box and we have finance policies in another box and then we have trade policies in yet another box and there's very little coherence in approach. And this issue is a perfect example of that: we spend something – we the OECD countries spend something like \$1 billion a year trying to help poor countries develop their agriculture sectors, which is their best hope really – maybe textiles and some other manufactured products, but in essence developing their agricultural sectors as their best hope for finding self sufficiency and economic development and economic growth.

If they can do that, the irony – and it's been proven over the years: when they do develop agriculture sectors they begin to purchase processed foods and other items from our farmers and from our agriculture sector here, so we have seen growth over the years as a result of economic growth in the developing world. So that is a challenge for us, and my view is that we're going to have to meet that challenge one way or the other. Either we're going to meet it as a huge national security threat, and a growing one, or we're going to meet it as a commercial opportunity. So I think that that coherence in our policies is really the key.

MS. SMITH: Strange to think that our policies may be incoherent.

Kim, when we talk about the trade debate that will really re-open in earnest next week, the conversation is always about developed countries and developing countries as though the developing world is, in fact, monolithic. And in your forthcoming book and your other work, you've done some serious looking at what the distinctions are and I wonder if you could maybe break that down for us and talk about the differing strategies that we need to bring to bear.

KIMBERLY ELLIOTT: Sure. If I could to start by building a little bit on what Brian just said about why agriculture is at the center right now of the Doha round negotiations. You put forward several reasons why it's in the U.S. interest to help developing countries and bring them along, including through agriculture.

Just to put a little bit of the political economy spin on it, it's also – there's going to have to be a substantial and ambitious agricultural package in which the rich countries – the United States, Europe, Japan and others – do significantly liberalization of agriculture in part because that's just what they have to contribute. The rich countries are relatively open on manufacturing; our tariffs are very, very low with the exception of textiles and apparel. In services, rich countries are relatively open. Agriculture are where the big remaining barriers are and that is just simply where the rich counties have something to contribute in this round, so from a political perspective there is going to have to be a big package there.

As Brian said, it's an area of competitive advantage for many developing countries and so that's the reason that it's, A, this North/South element is that it is a comparative advantage for many.

And, then finally, most of the world's poor still live in rural areas, so if you're going to have a development round, you have to address world poverty and promoting agricultural sector is one way of doing that. But having said that, as Gayle mentioned, developing countries are not homogeneous. They are not all the same. There will be some that gain more: Brazil, Argentina, Thailand, the other competitive agricultural exporters will be the relative winners from broad-based agricultural liberalization.

There will be, potentially, some losers. There has been a lot of attention to this lately with these new World Bank analyses from – some of them from (preference?) (inaudible) – those who have preferential access – the least developed countries and some others – through the African, Caribbean, Pacific program and the European Union. (Inaudible.) Many developing countries are net food importing countries and the estimates are that agricultural liberalization will increase, at least in the short run, global food prices as northern subsidies come down.

So those are problems that will need to be addressed in conjunction with going forward on the trade liberalization side. I certainly don't think that they're reasons not to go forward. They can be dealt with. I think in many, many cases these potential costs actually have been exaggerated by some of these global models for a number of reasons. The preferences, for example, tend to be limited to a relatively small number of countries and a relatively small number of commodities; especially bananas and sugar, so those should be relatively easy to deal with through targeted programs.

In terms of the net food importing if you actually look at what the models say, the price effects on staple goods, the things that poor people are dependent on – wheat, corn, rice, these kinds of things – the prices, with the exception of rice which is sort of a special commodity because it is so – the markets are so distorted, the prices are not estimated actually to be that large. Again, it's a relatively small number of commodities. And the – on both of these in terms of the potential losses, although they're real, again I think the significance has been exaggerated because you have to – any agreement is going to be phased in and probably especially for agriculture, which is sensitive for a lot of countries, it's going to be phased in over a long period of time, anywhere from eight to 10 to 12 years.

So, again, it's important to have policies in place to pay attention to these things, but they're not – I think they're not going to be huge costs. They certainly can be addressed and dealt with. And then more broadly, there's the issue of – in a lot of the lower income countries, are they able to take advantage of whatever market access opportunities come out of this round? And there, a wide range of complementary policies are needed to address infrastructure issues, are there roads to get their goods to market, are there ports to get them from southern to northern or to other southern markets in some cases. Are there storage facilities, you know, in terms of some of the

commodities? The higher added value commodities may need specialized processing and refrigeration.

So there needs to be the aid for trade, which is also going to be addressed in Hong Kong next week for addressing these supply side issues. This also has to be a very important part of the package.

MS. SMITH: Thank you. Kim has mentioned a couple of additional things that need to be brought to bear in a final deal. And certainly this morning, K.Y. Amoako of the Economic Commission for Africa was talking about what's really on the agenda for the developing world. It is not just movement on subsidies, but the ability to start to transform their economies. And I wonder if you can – sort of wearing all your hats at once, if you will, and based on your experience, what you think we really need to be prepared to bring to the table over the long term if we want to avoid the kind of future that Brian describes as a potential of continuing poverty and all the instability and threats that that brings with it?

SONAL SHAH(?): I think it's looking at coherence of policy to some extent to bring growth into developing countries outside of just either trade policy or either development policy or looking at national security separately from each of these policies because all of these come together.

But from the economic perspective, for developing countries it means looking beyond raw commodity exports. What are value-added exports that countries should be thinking about? I think the first panel actually had a fairly robust discussion about this. You export oil, but then you re-import refined oil. You export cotton but then you re-import clothing. How can developing countries provide – and how can developed countries create those markets to allow developing countries to provide value added?

It means creating domestic markets also. I think many times we tend to talk about development as export markets only. While export markets are good short-term solutions, if you don't have a robust domestic market, it's not enough. The domestic market has to start absorbing and creating a market internally, whether it's financial markets which then come out of that, but it got to be a – there's got to be a domestic market, which is why some of the countries actually do well. India, China, Brazil – they have a large domestic market that's also becoming a consumer market.

It means attracting financing, not only large capital from the outside but also looking at domestic capital. In some of the African countries, there's more export of capital than there is capital staying in those countries, so how do you create projects – viable financial situations that – an economic market internally that allows capital to stay and earn a return that they can use in order to finance local development. And it means managing resources in a sustainable manner. Agricultural development is great in Brazil, but then what happens to the rain forest, and how do you think about maintaining those resources so growth can happen in a sustainable manner over time?

MS. SMITH: Brian, let me come back to you because in all of these cases we are talking about different kinds of investment in agriculture on top, if you will, of the liberalization that Kim referenced. And I know you're very young, but I'm sure you remember that there was a time that a lot of our foreign aid and other aid instruments was invested in agriculture; that has shrunk dramatically. I wonder if you can talk about what's happened to the resources we used to put in agriculture, what we've lost, and what we need to think about moving forward if we really want to see changes in these agricultural economies that go beyond what might come in an initial Doha Round.

MR. ATWOOD: Yes, let me talk about that. We've certainly experienced some tremendous losses during the time that I was AID administrator, and I always had the feeling that people blame me for that, but now I have the opportunity to explain. (Laughter.) You know, when I came in here today and went to the speakers desk, they asked me to sign a paper that said that I can't be political in this discussion and I said, "What?" (Laughter.) I said you want me to discuss issues – any issue in Washington and not be political? Well, then they explained that I can't endorse a candidate today, so that's okay.

MS. SMITH: There are no elections.

MR. ATWOOD: I'm not ready to do that yet. (Laughter.) But this ultimately is a political issue. And this whole trade issue, I think, has become highly political. And I know there are some people here who represent farmers unions and associations and the like, and I think frankly people have sort of lost heart that the international trading opportunities are just not there any longer. Partially it's because under WTO laws, countries like Brazil and India and South Korea can self-designate themselves as developing countries despite the fact that they've become huge competitors in terms of trading agricultural products.

So to some extent it's these associations and these lobbies here in Washington who clearly have a tremendous amount of clout. All we have to do is listen to Senator Lugar discuss some of the issues to know where they're coming in and what they stand for. Had lost the faith that in fact that if developing countries can create commercial markets for their products that they're going to do very well. In fact, there are all sorts of studies that show that our agricultural community would do exceedingly well in a totally free trade environment, and yet that faith isn't there and it's very difficult – it's sort of like the subsidies are sort of part of their confidence building measures – it keeps people feeling, well, we are going to have stable farm prices and the like, but the fact of the matter is that our subsidies are really creating a bad situation for other parts of the world. We're depressing the prices of these commodities to the point where there really isn't the incentive to develop an agricultural system within a developing country.

Now, as I mentioned before and as Kimberly has explained, there is an awful lot of work that's being done by development agencies overseas; not as much as we could be doing if we had more resources, but an awful lot of work that's being done in creating extension systems, creating road to – farm-to-market roads, in creating the concept of

what a privatized agricultural systems is all about, and basically encouraging people not only to create subsistence level farming, but to create cash crops that they can use to develop the global economy of the society.

It's a sad thing to look back. We often, at the University of Minnesota, are visited by Norman Borlaug; who is a graduate of the University of Minnesota. He won the Nobel Peace Prize for his contribution to the green revolution – a tremendous contribution working in partnership with the developing countries, and mostly in South Asia at that time, but in partnership because the green revolution would not have occurred if it had been just the United States. What we need today is to develop a real partnership with developing countries to help them develop, but also to bring them into the global economy.

We can't have that partnership so long as there is this divide over trade. It isn't enough just to go into the country and open an aid mission. You've got to have a relationship which says to farmers of those countries, "We want you to have the same access to the marketplace as the families in this country have. We want all farmers everywhere, basically, to get a fair price for their commodities." That doesn't exist today, and so long as it doesn't exist, our chances of achieving world economic growth and development and creating new markets for our farm products are not going to be very good.

MS. SMITH: Kim you've – again I want to go back to your book and again stress how important I think this is going to be to all of us moving forward. You've also looked at what other priorities need to be on the table in Doha. That it's – while subsidies and tariffs are important, that is, if you will, the tip of the iceberg and agriculture is really much bigger than that and trade much more complex than that. And I think there are probably a lot of us who are not aware of what those other priorities and, quite frankly, possibilities are and I wonder if you could explain those to us?

MS. ELLIOTT: Just the tip of the iceberg probably in the amount of time we have. I think one of the challenges in the trade negotiations, and we know this from what happened after the Uruguay Round, the last round of trade negotiations, is that the devil really is in the details. There is a lot of talk now about the broad numbers: how much subsidies will be cut, how much tariffs will be cut. In the Uruguay Round, in theory, both tariffs and subsidies were cut roughly in the range of 30 to 40 percent for the rich countries; 20 percent or so for the developing countries. In fact, what we observed as the agreement was implemented is that there were no real cuts in either trade barriers or in subsidies because of various ways that wiggle room was written into the rules.

And so I think one of the issues in this round is very much on, you know, what are the processes by which the subsidy cuts get defined and the tariff cuts get defined? You know, what are the rules for – in the subsidies area for how different payments to farmers get allocated among these various boxes: the amber, the blue, the green? And that there really has to be a lot of attention to the details.

Going back to the idea of heterogeneity among developing countries and what are some sort key things to be looking at there, I think Sonal mentioned a lot of the poorest countries, and especially in sub-Saharan Africa, are still very dependent on basic commodity – (tropical?) commodity, raw commodity exports. These are things like coffee, tea, cocoa beans. Sugar is different; it is highly protected in rich countries, but some of these other products that a lot of these countries are still highly dependent on are not, in fact – the raw commodities are not heavily protected in rich countries. They have relatively free access. The problem is price volatility and the fact that they can't add value, because what we in the rich countries do is we have a zero tariff on coffee beans or cocoa beans. But we have a 10, 15, 20 percent tariff on the higher value-added processed products – on the cocoa powder, on the chocolate, on the roasted coffee.

And so one issue that has gotten very little attention so far in the negotiations, and it seems sort of technical and trivial, but it's not, is tariff escalation. That is, bringing down the tariffs on the processed products so that they're close to or no higher than on the raw products so that developing countries have a chance to move into these areas.

Another maybe somewhat complex but I think important issue that I'll just try and mention quickly is in this definition of the Green Box. And there is a part of the decision, I'm sure all of you probably have heard at least a little bit about the WTO panel decision, that U.S. cotton subsidies violated our obligations and were going to have to be reduced. Well sort of a little part of that decision that not a whole lot of people have picked up on said that these direct payments in the 2002 farm bill – we have these direct payments that are, in theory, decoupled from production and from prices that are paid to farmers based on their past planting history and there's – because they're decoupled from prices and production, they're supposedly not distorting of trade or production decisions and, therefore, they can go into the so called Green Box of subsidies, which is not capped. Those are allowable. That's a way of supporting farmers without being in violation of the international trade rules.

Well, under the cotton decision the panel said, “No, in fact those payments – those direct payments are not decoupled because farmers cannot collect them if they move from, say, planting cotton to planting fruits and vegetables. And the reason for that is that the fruit and vegetable producers in this country don't – are not beneficiaries of – I don't know how many of you are aware of that, but actually don't get the current subsidy payments. They don't benefit under the current farm programs, and so the idea was not to subject them to unfair competition.

Well, there are a variety of ways that the fruit and vegetable sector could respond to this challenge and that U.S. negotiators can respond to this challenge. One would be to negotiate changes in the rules of the Green Box, to expand it to allow these payments as we currently have in structure. A second option would be, well, to start paying subsidies to fruit and vegetable producers and to start distorting that market.

A third one, and this seems to be the way, at least from what I'm hearing and reading, that the fruit and vegetable producers themselves are saying is they've always

said, “We don’t want these subsidies. We want some help in terms of extension services, research and development, maybe marketing.” And that’s what we – that’s where we’d like to go going forward is to not restrict supplies or subsidize supply, but to increase demand for our products.

And, oh, by the way, this would have all kinds of health benefits. We need to be eating more fruits and vegetables. So why don’t we have more fruits and vegetables in our school lunch programs? Why don’t we have a healthy snack program instead of having vending machines in high schools? Under our food stamp programs, various ways marketing assistance – various ways of increasing demand for what are healthy, good products that all of us probably should be eating more of anyway. And, oh, by the way, these kinds of subsidies for the most part would be Green Box eligible. They would not distort trade. They would be - they would apply as well to imports as to domestic production. So it really is – it sort of points the way to an area of win/win/win. And I think it’s sort of similar in a way to the ideas we talked about this morning with energy of providing – increasing demand rather than looking for ways to restrict supply to prop up prices.

MS. SMITH: It’s really – It struck me that one of the facts is that, if I’m correct, fruit and vegetable farmers in the United States don’t collect any subsidies?

MS. ELLIOTT: No.

MS. SMITH: So that’s an area that’s entirely a different mix, if you will, than most of the primary food commodities.

Sonal, let me come back to you. As American negotiators move forward, Senator Daschle pointed out this morning that any consensus on trade in this country has been shattered. And I think it’s easy for a lot of people to conclude that while there may be a moral imperative to do the right thing in the Doha development round, that we really shouldn’t be or don’t need to be making sacrifices, if you will, on our side for the developing world. Either we can’t afford to or we need to be more focused here at home.

And I think one of the things that people miss is that in the long term there is a net gain in this for us in terms of our own economic interests. You’ve worked a lot on the private sector side in your career, and if you could just talk briefly about what those economic and other gains are to us from a successful development round.

MS. SHAH: First, it’s really too bad that there’s always a trade-off between trade and development because it’s not about trade or development; you need both in order to actually have development. You need to have trade, you need to have financing, you need to have a lot of things and it’s not a trade-off that takes place. And unfortunately the debate here tends to be as a trade-off. If we actually do trade, then we’re hurting ourselves domestically and if we do development we’re taking from the poor here to give to the poor in developing countries. And that’s not – it’s not a trade-off. It is a global

market. Financing is moving globally, food is moving globally, everything – information is moving globally and we need to rethink that whole structure.

And how does that structure work? Why is it important? Because private sector is looking at the developing world as a market – one large market. India has a middle class of 300 million people. That is the population of the United States, if not larger. China has a middle-class of 600 million; that's double our population. Ethiopia has a population of – I mean – when I say population I mean a middle-class – Ethiopia has a population of 40 million, which is a huge market in Africa. It's not the middle-class, but it's a population that's there.

The developing – you know, Unilever, Procter & Gamble, all of the large manufacturing firms are looking at their growth market in the developing world, whether it's Brazil, whether it's Argentina, whether it's anywhere else. That's where they're looking to grow. So as those markets are beginning to open up, we need to have a real deal on the table that says “We understand that – we want access to your markets because that's where growth is.” There is not that much more growth for Procter & Gamble in the United States. There's only so many more boxes of cereal that you're going to sell here in the United States, but the developing world offers that market. That's where growth needs to take place if they want to see quarterly growth figures increase.

And the finance community or the private sector has already figured that out and they are moving in that direction. As policymakers, we need to think about that. If the private sector is already moving there, obviously they see something there and we need to think about how our policies are going to meet those needs. And I would say – go back to Brian's original point – his first point, actually, which was all of our policies need to be coherent.

But we need to look at all the institutions, the World Trade Organization, the World Bank, the IMF, and think about it from today's perspective. Those were created 50 years ago for the needs 50 years ago, but if we look at the world today, it's dramatically changed. Markets have changed, financing has changed, people have changed, and we need to think about how those institutions can be more coherent together and how they can meet the needs of today.

MS. SMITH: I think it's probably a significantly big challenge to figure out how to change the terms of the debate here because it's really very simplistic and I think we're very inclined to look at this in the short-term. What do we have to give up for a Doha round rather than what can we invest in the Doha round that's going to get us to a better place five, 10, 15 years from now?

What I would like to do now is to open it up to questions. I can kind of see you. I do have rather bright lights in my eyes. We've got a couple of microphones around the room, so if you would wave your arms wildly (laughter) and just let me know whether your questions are to a particular panelist or to all of them.

We've got questions over here.

Q: Dieter (inaudible) Foundation, a German research institute if you wish. I'd like to ask the panel, and particularly Brian, who comes from an agricultural state in the United States, about the possible use of renewable energy. It is related to agriculture. We know that a lot of technologies are available to create biofuels. It would be important, I guess, for developing countries, too. Kimberly spoke about developing domestic markets and so did Sonal. There is a possibility to do that. It could also help to create the partnership idea that Brian mentioned between developing countries and industrial countries, particularly those who are strong in renewable energy technologies, like the United States, Japan, little bit Germany too.

Could you please comment on that issue? Thank you.

MR. ATWOOD: Well, I think it's essential that we invest obviously in research in this area for a whole variety of reasons, but not least of which is the climate change problem. We had a conference out at the Humphrey Institute where we discussed the link between global climate change and sustainable development basically, economic development. And the consensus of the group, which was made up of private sector individuals, Dr. Pachauri, the UN representative, the intergovernmental panel; Frank Loy, who was our negotiator in Kyoto; and Gus Speth and others who were there.

And the essence of it was that you cannot have a viable development policy without linking it to the problem of climate change. And of course the same countries that seem to be adversaries in this trade debate for possibly valid reasons – Brazil, India, China – are the same countries that are now beginning to compete with us in the emission of greenhouse gases.

Now, we are still mostly at fault here. Over 25 percent of all of the greenhouse gases emitted come from the United States, and we've got to take action first before we can create a partnership. But given the record of innovation that our country has been responsible over the years, if we had a government policy that said we're going to invest in research in these areas, I know we can make progress. And we can join – this will be something; at least, will create a (page?) for the Europeans as well because this has been a major source of conflict between Europe and United States as well.

So the developing countries are suffering because of climate change. The agriculture – their ability to produce on this side has been badly hurt by droughts that are caused by – that we know the scientists may not have come to the conclusion that the expansion of the El Niño phenomenon has something to do with climate change, but I don't think we have to wait until they come to that final conclusion to know that. But the droughts are happening more frequently. This means that it's much more difficult for them to create an agriculture sector that's productive. So I think for a whole variety of reasons we need to be investing in this area.

MS. SMITH: Yes, please?

Q: Chuck Riemenschneider with FAO. Kim, first of all, I'd like to plug in for another book that's coming out tomorrow (laughter) on trade and development by FAO. There's a press conference tomorrow morning at the Ronald Regan building, but it will be on the FAO website tomorrow.

Kim, when you talked about the loss of preferences by many developing countries, a lot of that in sugar, linking it back to the renewable energy issue there, there is a possibility of moving sugar production into ethanol quite easily in places like Fiji and some of the countries that are big losers are also big energy importers as well.

But you have the same – you have a problem here with domestic farm groups who wouldn't, I think, look too favorably on the development assistance to these countries to expand their ethanol industries as a possible competitor with ethanol industries here. And I'm wondering if you have any sense how the Europeans and others are looking at the possibility of converting some of this sugar into ethanol from the countries – from the ACP countries.

MS. ELLIOTT: I haven't heard a lot about that as a possible alternative for dealing with the preference erosion problem, and I think I don't know enough about the technology of the processing and so forth. I mean, clearly Brazil's been able to do it very cost efficiently, apparently environmentally efficiently, so I think it's definitely something worth looking at. I would think in the case of some of the preference countries that we're concerned about where they are net energy importers, I would think there's not a lot of risk of that ethanol being exported from there to here.

Maybe I'm wrong on that, but it seems to me that it's certainly worth looking at. I don't think I've heard of anybody – you know, I've heard maybe one of all – I've been going to weekly almost meetings on Hong Kong and the Doha ag negotiations and preference erosion and all these various issues, and I think I've only heard that come up at one meeting actually as a potential way of dealing with some of the problems of the preference erosion countries.

So it sounds like something at least worth looking at, but I'm not sure that anybody is. Maybe if the FAO does. (Laughter.)

MS. SMITH: Maria? I can't see you.

Q: I'm Maria Riley from the Center of Concern: International Gender and Trade Network. We are using the Doha Development Agenda without question in this meeting. Heterodox economists, feminist economists, and some economists from the developing countries are very critical of the Doha Development Agenda; that it is very little about development, and a great deal about market access and greater liberalization.

I would invite anyone on the panel to respond to that critique.

MR. ATWOOD: I think it's a legitimate critique. I think that naturally in a Doha round you're going to be focusing mostly on trade issues, but as Nancy Birdsall and Dani Rodrik pointed out in an article recently in *Foreign Affairs* magazine, the poor countries aren't necessarily going to immediately benefit from liberalization and even more access. It's the issue that Sonal mentioned, which is that you've got to combine a strategy of development and access to markets and lower subsidies so that people are getting a fair price. You have to combine all those things if you're going to eradicate poverty, or if you're going to see economic growth in the developing world.

But that doesn't mean that one shouldn't focus on liberalization because it is a crucial part of the puzzle. And that's what people do in the Doha round. They're not the development ministers, they're the finance ministers and the trade ministers that go there. So trying to achieve coherence can't be done – I think the entire international system needs to be looked at and certainly the WTO process has to be looked at. The issue that I raised before, when people can self-designate as to what category of country they are in, and of course the need for a unanimous consent within WTO to get anything done – the whole system needs to be more transparent, more open to people so that people know what's going on. Otherwise, you're not going to have trust. You're going to think that people are making deals.

There is a tremendous amount of paranoia in the developing world about what we're doing especially in the trade area. They just don't know, and they suspect that when we impose things like TRIPS, the intellectual property rights requirements, that this is just another one of the conspiracies to fend and protect corporations. I mean, Joe Stiglitz very persuasively indicates that the IMF policy is perhaps more designed to protect the investments of corporations in developing countries than to help in the development process, and it's legitimate. And it contributes of course, as I know Joe wants to do, to the paranoia (laughter) of developing countries. (Laughter.)

MS. SMITH: (Inaudible), please.

MS. ELLIOTT: Yeah, sort of building on what – or reiterating something that Sonal said, there for awhile the mantra was “trade not aid,” as though sort of trade can solve everything. I think that's what Dani and Nancy and Arvind are really responding to in their *Foreign Affairs* article: trade liberalization alone is not going to do it for the poorest countries, but that trade is an important part of the package.

I think that one of the unfortunate things about the WTO and the way trade negotiations work is that it becomes – you know, trade liberalization, which often is in a country's own interest, but because of the politics it has to be put into this reciprocal package. And what it's doing, it is in our own interests, which is, you know, having a competitive agricultural sector that – one that is not protected and subsidized is in our interest as consumers and taxpayers, but we will only give it up if we can trade it for something else. And it's a concession for us to do – to make reforms that are in our own interests, and the same thing for developing countries. All too often in a lot of the poorest developing countries – you know, the trade barriers and this whole issue of

market access, it's really about them getting their own houses in order because these trade barriers are often not linked to any rational sort of pro-competitive industrial policy like we might envision or that many of us think is a part of the East-Asian miracle. It's really just the function of corrupt rent-seeking.

We have to remember that in many of these countries the governments are not – don't have the capacity to sort of put in place a very technocratic kind of an industrial policy that would – that is truly contributing to development. It's really just raising costs, including for poor consumers, and so I think certainly there is suspicion, and I think well grounded suspicion, about – and I think that the Uruguay round, in my view, there were many, many mistakes in terms of extending beyond sort of traditional trade issues actually into things like intellectual property where universal rules for all are not a good idea.

Intellectual property protection does need to vary depending on the level of development. And I think one of the – I think it was actually a good thing that the agenda got turned back in Cancun. That was when I think the developing countries standing up and saying, you know, "We're not sure, we're not prepared because we don't know what competition rules would be in our interest or what rules for investment." And that was probably a good thing to take those things out, but now I think that we're sort of back to a more or less traditional trade agenda where it is a distributive policy and so there will be winners and losers, but overall what both the theory and the evidence suggest is that the broader the liberalization, the greater the gains.

And so especially in these rules-based (areas?), absolutely there needs to be great care taken and the developing countries have a right to be suspicious, but I think actually the whole – these issues, especially (differential?) treatment and of least developing countries not having to undertake any commitments at all, there are some reasons where you have the governments for giving flexibility. And, again, this is the point of the *Foreign Affairs* article that Nancy contributed to. But the whole special and deferential treatment – I think developing countries have to be very careful because it's as much a trap as it is an opportunity.

MS. SMITH: Let's take one here.

Q: I'm Matthew Traum (ph), an environmental law consultant. In the past I've been a president of two national environmental organizations, and I keep up with what the groups are doing. There is a major commitment at the staff level across the board for a full-scale lobbying on the 2007 farm bill in a way that I have not seen with many other players in the past. My question is, even with many more players coming into the field to support the agricultural agreement, what's the political viability in the Congress of the United States? (Laughter.)

Namely, the last year I have been interviewing on soil erosion and just in every – almost every county of the United States you've got the farm service agency next door to the NRCS office, next door to the county agent. There was a proposal to reduce by 20

percent by consolidating Natural Resources Conservation Service offices that lasted eight hours before the proposal was withdrawn. They did a press release. The Senate Ag Committee jumped in. The monolith of political power in the agricultural (community?) to me is astounding. It's something out of the former Soviet Union, so what's the political chance of anything happening?

MR. ATWOOD: Well, I despair, frankly. (Laughter.) I mean, I think that our own democracy is sick. I mean, we've got a professor on my faculty who has written a book called *Politicians Don't Pander*. What he meant by that is – and he's since done an American Political Science Association study of the inequality within our society – the American people don't have access to the decision-makers who are in Washington any longer. This is the problem. It's battling lobbyists. Who can pay for the most? Sorry I didn't – you should have asked Senator Lugar this question. He is of course –

Q: I asked him about the Law of the Sea treaty, which is never going to up for a vote.

MS. ELLIOT: I mean, I despair along with Brian, but I think there's a flip side to this and it's something we are very focused on and we hope that everyone attending here today will join us in. And it's one of the reasons, for example, that we produced this biofuels basics. It is that whatever may be happening on Capitol Hill, and however cynical politics may appear from the legislative perspective, I don't think the American people are either foolish or stupid. And I think that given the facts, whether it be the facts about alternatives to paying what they're paying for energy both in real dollar terms, but also in the security costs of our dependence on foreign oil – I think if there is an understanding of what Sonal talked about in terms of our interest in having markets, our interests from a very, very moral perspective in living in a world where we don't have hundreds of millions of people who can barely survive. I think we can move the public – an informed public in the right direction.

Now, whether that will mean that the 2007 farm bill will be the ideal, perfect piece of legislation that will satisfy everyone in this room and working farmers throughout the developing world I think is unlikely. But I do think that if we take a long-term perspective and put a vision out there that has relevance to family farmers here, to consumers here, to people here who care about how our own people live and how the rest of the people in the world live, I think we can put some momentum behind this. And I say that is a very idealistic note simply because I've found that to despair for too long makes you cynical and then – you know, I've worked in an eleventh floor office and if I jumped I could do some serious damage.

MR. ATWOOD: But that's why you're all here today. That's why this Center has put out this report. It's trying to influence the political process in a positive way. In the absence of leadership from the top, the only thing we can do as citizens is to do the kind of work you're doing here and to participate and try to make it work.

MS. SMITH: Please.

Q: I'm Nick Berry from Foreign Policy Forum again. I like the story of Sherlock Holmes who solved the case because the dog didn't bark. No one barked the word "Bush," and I know the Center for American Progress has to be nonpartisan, but the fact of the matter is – and by the way, no praise or no criticism of our president. Is this because his policies are irrelevant? He's not important? How can one – I've never been to a Washington conference where that word has been totally omitted. (Laughter.)

MS. SMITH: I can speak for the Center for American Progress: we are nonpartisan and we have no views at all on George Bush. (Laughter.) I think John pointed to it this morning. The critique here is the absence of leadership. What the U.S. has put forward in terms of a negotiating strategy for Doha, as Senator Daschle pointed out, was released in the pages of the *Financial Times*. It was not discussed beforehand with family farmers in the United States. It was a bit of a surprise to the Europeans, who are now playing ping-pong back, and issuing their latest round of proposals to us on the op-ed pages.

Nor did it have a plan for how we're going to build on the potential investment of Doha to get to the kind of economic transformation that K. Y. Amoako talked about this morning. So I think what we're talking about is the need for sustained leadership, a plan for the day after. I mean, we could get an agreement in March, but what's going to happen afterwards? What happens to family farmers here? What's the long term vision for development in the developing world?

And I think the critique is that that leadership has been absent. The administration has been very slow in coming to this game to issue the Portman proposal just weeks before the Hong Kong meeting, and again through an op-ed, is something less than a robust negotiating strategy.

That said, I think the focus of the conference today has been as much as anything on the issues and the elements of the visions, but also on the various stakeholders. What we've tried to do is bring to bear the perspectives of people who look at this from the trade perspective, developed world perspective, developing world perspective, family farmers, business, and so on and so forth.

So you can read some of our other publications. We do focus on the president from time to time, but I think here today we really wanted to focus on the vision and try to fill quite frankly what is a vacuum in terms of leadership on this issue. Does that cover the rest of you?

MR. ATWOOD: What is leadership on this issue? It's pointing out the national security issues that are at stake here. It's basically saying to the American farmer: you're not going to take all of the sacrifice here. Yes, we're going to reduce subsidies because we have to. We're responding to something that is really essential internationally, but we have some other ideas, such as the ideas that have been proposed here today. That's the kind of leadership that's needed. Otherwise you basically struggle within the morass of

what is Washington that never gets out there to the people, so then politicians are only influenced by one group of people; people that have a more direct interest, and not the more general interests of the country.

MS. SMITH: I think we have time for one more question, and let me go over here.

Q: Thanks. Amy Christensen. I'm with CG Strategies. I have a question to build on that actually, which is the question about the importance of governmental leadership to cooperate with developing countries more broadly than just on the trade issues, but directly on these energy issues. In the '90s, there was a lot deep, substantive cooperation, sharing of strategies, technologies, operating principles across the energy spectrum and the electricity and transport area. A lot of those activities have stalled out over the last five years.

And I guess my question is, even as the markets have shifted – the financial flows have shifted from the public sector to the private sector – do you still think that government-to-government cooperation on these substantive issues to create these partnerships to open up a dialogue and help move these policies forward to help guide that private investment. Is that still an important piece that's now missing?

MS. SHAH(?): Absolutely. Absolutely would be the short answer, but proper regulation makes for a big difference in how transmission is done, how energy is priced. If you want to see viable alternative energy – renewable energy out there, there needs to be some level playing field on the pricing and not having a price for carbon makes carbon cheap. So, yes, the government needs to play a role and there needs to be a discussion at a global level. It can't be just national or regional level strategies; it's got to be a global level strategy on that.

MR. ATWOOD: I and Susan Rice, who is sitting down here, and Gayle all participating in a wonderful 12-day presidential visit to Africa, and the agenda was rich with discussions about what we could do together as partners – an education agenda, a trade agenda. It was wonderful and we need to see more of that. We can't just make a statement in a political campaign that Latin America is very important and not enough has been done, and then wait six years before doing anything.

And the next thing that happens is that the president goes to Latin America and he's got demonstrations and all kinds of problems and not much discourse and nothing positive accomplished. So we better engage the whole world; clearly the developed world, but the developing world. We're all part of this planet, and we can't achieve anything with respect to the global issues.

What are the global issues? I mentioned climate change. Infectious disease. I mean, if we don't something about poverty, we're going to be suffering from more than just avian flu and HIV/AIDS, it's going to be some diseases we can't even tell – can't even name today.

So it's essential that we have a foreign policy that encompasses the entire world and that we have energetic leadership that's dealing with those issues. And I think probably the most important thing to do is to make sure that we have the institutional framework to address those issues. We need UN reform – positive UN reform, not just railing against the United Nations and blaming Kofi Annan for everything that happens, but getting in there and using our superpower status and our leverage to really get the UN changed so it's a more effective organization. The same with the World Bank and with other international institutions.

MS. SMITH: Thank you, Brian, and thank you to all the panelists. Before we close I want to try to summarize. It's not going to be easy and I'm not a technology expert so I will not attempt to be terribly smart about the renewable energy side. But I'm reminded as this discussion has unfolded today about the images of Katrina, which unfortunately have disappeared in this country. But what was driven home to me in looking at that was that poverty looks the same whether it's in the United States, in Africa, Latin America, in Asia – anywhere in the world.

And I came to this issue from the privilege of working for 20 years in Africa and a salient moment for me was when a good friend of mine was at a conference where all the donors were saying that you Africans need to get your act together because we're getting donors' fatigue. And he responded and said, "That's well and good. We're getting beggars' fatigue." And what he was talking about was a desire that K. Y. referenced this morning: to get away from dependence, and begin to transform economies so that they could be functional participating members of the global economy.

That same desire to abandon dependence is the same thing we have heard about from our representatives of family farmers here today. There is no desire to be dependent. There is a desire to see the markets actually work for agricultural producers wherever they may be. It's our view that it's in our interests to move forward in the way we've described today, but that it's also an enormous opportunity. Senator Lugar used an interesting phrase in his great remarks at lunch. He referenced the dangers of an abrupt collision with reality.

If you will look at the multiple challenges we're facing out there that we've heard about today – an energy crises of enormous proportions and implications on the environmental front, to climate change, but also significantly the security front – the cost of all – it may be born down a little bit, but fluctuations are enough that people aren't able to plan, whether they are here or in foreign countries. The need everywhere for producers to have markets that work so that, again, they don't have to depend on subsidies on the one hand or foreign aid on the other hand.

And I think what we've tried to describe today, and I think our panelists have been very helpful in fleshing this out, is a strategy that is long-term, that is comprehensive, and that is not subject to the political whims. Now, that's a hard thing to propose and suggest in Washington, but I think it's really critical; that we're not going to

be able to move forward if we get something that is only going to move forward if there is political merit in it. It is going to have to move forward because there's actual belief in it and support for it from the American people.

What does that mean for this development round coming up? Again, I don't think we're going to see an agreement next week in Hong Kong. Already they've agreed to agree, which is one of the spectacular things these high-paid, well-traveled negotiators get to do. But what we need out of Doha is more than just an agreement out of this round, we need a plan for the day after. I don't think at present we have one. Our proposal is that that plan have at its core the production of energy, and particularly liquid fuels from agriculture, as something that can help create domestic markets in this country; something that through technology development can be beneficial to the developing world and something that has the added bonus of helping us on the environmental front.

In the future, we're going to continue working on these issues and we look forward to working with all of you. There are a number of opportunities – challenges yes, but opportunities as well – that we're going to face in the coming months. There is the continuation of the trade talks. The current deadline is March to agree to agree to agree later. There is the 2007 farm bill, although I did think Senator Lugar's comments were interesting about the 2011 current legislation. There is energy legislation. As Reid Detton from the Energy Future Coalition pointed out to me earlier, there's tax legislation. There are a number of vehicles where we can bring these proposals to bear.

On our side, we have launched a website that is [www.americanprogress.org/rgg](http://www.americanprogress.org/rgg), which stands for “resources for global growth.” We've set this up as a facility for all of us. You are free to post reports on it; announcements, for example, of things like this book that the FAO will be releasing tomorrow. We want it to be a resource page for a broad range of stakeholders. So for people who are coming at this again from a trade perspective, an ag perspective, development, the perspective of small farmers in the United States, and so on.

And we hope after the first of the year, when we have recovered, to launch a blog on this website that it will serve as a research blog for us to all come together and see if we can't in fact build a broad network that is strong enough to overcome some of the political influences we've heard about today. And importantly, strong enough to get to the American people with a proposal that I think we can argue credibly is in their interests, and in fact the world's interests.

You are more than welcome to join us outside where there are more refreshments. As a final note, I want to thank all of our panelists throughout the day; my fellow moderator, Todd Stern; certainly Senators Daschle and Lugar, but also, and significantly, the team that put this together. We have Ana Unruh Cohen, Bracken Hendricks, Denis McDonough, Jake Caldwell, Carl Laney (sp). We have a whole team here from the Center for American Progress; our communications shop: Anna and Theo and Antoine and Danielle and others who are outside. Pete Ogden stepped up to the plate to put

together and edit the book that is on your tables and did it with both skill and substance. But the person who really deserves the most thanks here today is a woman without whom either this conference would have happened or it would have been very, very, very bad: and that is Rebecca Schultz.

So I would like to thank all of you for coming and please join us as we move forward on this over the coming year. Thank you very much.

(Applause.)

(END)