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REDUCING TRADE TENSION THROUGH TRANSNATIONAL DIALOGUE AND INTEREST GROUP COORDINATION: INDUSTRY AND GOVERNMENT EXPERIENCE

Hal Harris

We were treated in this session to a wide range of ideas from seven different perspectives. The purpose of this note is to synthesize several key points from papers and discussion rather than to summarize it.

Trade tension derives from trade disputes. The formal dispute resolution processes set forth in NAFTA and WTO need improvement. This session gave some hints toward progress in reducing tensions and in offering alternatives to the current system.

One key to dispute resolution lies in alternative, less formalized processes to resolve problems - principled negotiation, facilitation, mediation and arbitration. The evidence suggests that these tools are not being used in trade dispute resolution as much as they could be. Speakers and discussants provided specific examples of situations that could be improved by alternative mechanisms.

Alternative Means Of Dispute Resolution And Prevention

The first alternative was the proposed Trinational Corporation identified in the Ash presentation which, though evolving very slowly, seems to be a potential means to progress in harmonizing policy, standards and payment issues for trade in fresh fruits and vegetables. The Trinational Corporation is the suggestion of an Advisory Committee on Private Commercial Disputes Regarding Agricultural Goods. The goal of the Committee is to create a multinational scheme to assure payment, which in the United States is provided by the Perishable Agricultural Commodities Act (PACA). This is the issue that Bob Peterson identified in his comments. If it were operational, this voluntary organization would set standards for membership, delisting, relisting, inspection, mediation and arbitration.

Another new institution was discussed by Undersecretary Casco. COMPROMEX is a private corporation formed by SAGAR and operated by the Mexican import-export bank. COMPROMEX helps design contracts and mediates disputes for international situations as well as domestic contracts.

David Anderson spoke about the progress that had been made in avoiding trade disputes and court action by an informal affiliation among cattle trade

organizations of Canada, Mexico and the United States. However, he then pointed out the fragility of the affiliation, with a splinter group of NCBA called R-CALF basically destroying much of the progress of trinational cooperation over the past two years.

Lewis Stockard pointed out a number of areas of progress in reducing tensions in the area of standards through the working groups of the Bi-National Commission between the United States and Mexico. Some of the successes include recognizing Mexican areas free of pests and diseases for wheat, hogs, avocados and poultry, which allows them to be imported into the United States. Conversely, Mexico now allows the importation of California sweet cherries and eliminated phytosanitary restrictions thereby permitting entry of U.S.-exported grain.

Jamie Dolynchuk talked about the role multinational companies can play in resolving disputes by helping policymakers understand the differing perspectives of trading partners.

It seems very clear from our speakers that these dispute settlement processes are not magic bullets. These techniques are difficult, they require nurturing, they are often lengthy and they can fly apart. One issue not discussed was the need for oversight lest the parties decide upon a "win-win" solution that negates many of the benefits of freer trade. An example may well be the United States-Mexico tomato deal that was struck a couple of years ago. The solution was a floor price for tomatoes from both countries during certain periods of the season. Keep in mind that U.S. and Mexican tomato growers are sometimes the same people. Perhaps I am missing something, but the solution seems to me to be a government sanctioned, binational price fixing cartel, which robs some of the added consumer surplus that free trade is supposed to produce.

Education And Information

The common theme in each presentation is the need for better information and better education. This comes as good news to those of us in the university systems of our respective countries. It also speaks well for the goals of the organizers and sponsors of this series of workshops. However, it also means that there is a long road ahead for there is still an oversupply of misinformation and even disinformation about trade impacts.

Dolynchuk stated that education is critical for reducing trade tensions and spoke of the responsibility of governments and industry in fulfilling that role. I particularly enjoyed his statement that "our industry has not done an adequate job of humanizing the billions of dollars in net benefits we all achieve by liberalized trade between our countries." Indeed, only the costs of trade are "humanized" in the headlines.

Stockard told us about joint efforts to improve Mexico's market information, analysis and dissemination capability and Casco also mentioned these efforts. He

talked about using inexpensive television on the national channel to provide market information to farmers.

Anderson suggested that we place our primary educational efforts on the doubters, especially those among our elected officials. He pointed out the difficulties of achieving progress when affected parties exist who disparage official trade data.

Ken Ash led off with the statement that most trade disputes are the result of misinformation and misunderstanding but continued that disputes will occur even with perfect information, thus leading to the need for third party intervention.

Other Important Messages

- from Lew Stockard, progress in resolving trade disputes sometimes comes as a result of a series of small positive steps as illustrated by recent developments between the United States and Mexico in wheat, hogs, cherries and avocados.
- from Dave Anderson, mutual respect among affected parties is critical for success. Mutual respect must be based on long term human relationships.
- from Martin Rice, timing is often the key to resolving trade disputes. For example, when affected parties are under economic distress, amicable solutions are highly unlikely.

Concluding Comments

During this session and the entire workshop there was a great deal of optimism among some participants about prospects for improved trade flows within North America, the Western Hemisphere and throughout the world. Typical comments have included: ...."Trade is good, we just need to get the word out through educational programs,".... "Let's get on with it"...."Industry recognizes the gains from trade and will ultimately drive governments' policies".... "Free trade is the only concept that economists agree on." I find such optimism both ironic and increasingly unjustified. Just two years ago at our Tucson workshop, I chided the group for being overly pessimistic (Harris, 1997). We were blaming lawyers and vested interest groups for lack of progress. I stated that global structural change was occurring much faster than we realized and that government and university economists needed to rush to catch up.

Change is still occurring, but now some of it is in ways that are less compatible with freer trade. U.S. farm programs have been recoupled. Expenditures on farm programs in the United States in 1998-99 rival those of the 1980s farm crisis years. Livestock farmers have been subsidized directly for the first time in history. The U.S. Congress and the Administration are dragging their feet on passage of Fast Track legislation. Dan Sumner, a participant in several of our previous workshops, raises similar concerns in the current issue of *Choices (1999)*.

On a broader global scope, the spreading Asian Financial crisis presents challenges for the future of global capitalism. Russia has folded as a viable player on the world trade scene. Less democratic governments that are not consistent with freer trade may arise from economic turmoil around the world.

I agree that we need to get the word out about the benefits of trade. But we have plenty of challenges ahead!

REFERENCES

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Section 6

Economic Adjustment Under a Western Hemisphere Free Trade Agreement

The objective of this section is to consider alternative forms, and their effects, that might be applied to extending trade agreements across the Americas.