

Role of Government in Facilitating Change and Transition

Sharing the Cost of a Common Policy. The point was made that if there were to be a common policy, there would need to be a sharing of the cost of carrying out the policy among countries. It was noted that the NAFTA agreement provided for compensation of affected parties in adjusting to forced change.

Picking a Policy That Works. The issue was raised as to what type of policy might work. Specifically, would consideration of a whole farm support policy make sense? A perspective was provided that substantial cost/efficiency savings could result from a whole-farm approach as a result of writing fewer insurance policies and providing fewer insurance subsidies. Insurance companies in the United States would strongly resist a whole farm approach. As a general principle, there would be strong commodity group resistance to a major change in policy involving substantially reduced levels of support.

Inclusion of CWB in Harmonization. There was a question as to why the Canadian Wheat Board (CWB) needed to be eliminated, as a component of free trade policy, when it is realized that if CWB were eliminated there would be greater movement of wheat into the United States. This would result in greater trade and border friction. It was, however, recognized that if we are to move toward free trade, all institutions that distort markets must be up for discussion. This includes all marketing boards and orders as well as all subsidy programs.

NAFTA Secretariat. If there are to be positive and progressive next steps in the NAFTA process, there must surely be a role for a Secretariat that is continuously pushing and monitoring progress. This Secretariat must have ways of concretely measuring progress – scoring the gains and losses. Economists have an important role to play in developing this scoring process. Such a Secretariat could have a series of special working groups to provide advice, facilitate dialog and ease the transition.

The Secretariat idea raised a number of related issues about how it is assured that progress will continue to be made. For example:

- How is public support for NAFTA and continued policy change to be accomplished?
- How is the issue of sovereignty protection to be handled?
- What policies can be pursued to aid in the transition?
- How are the losers to be compensated?
- How are the macroeconomic and social issues to be handled?

All of these imply that there is a research and policy development role to be performed at the NAFTA level. These functions are not available in the present form of the agreement, but they do exist in other trade agreements.

Trade Remedies. A rational policy must be developed with regard to trade remedies. Antidumping laws as they are presently administered makes no sense in agriculture, but there will always be rent seekers will exploit the domestic opportunities in them. Countervailing application of policies are sometimes the only means of dealing with disputes. They cause countries to think twice before acting. How then, do we get trade remedy laws applied in a rational manner without them becoming a rent seeking game, with the winners being primarily lawyers and economic expert witnesses?

Food Safety. Getting control of the food safety issue is a very important agenda item for NAFTA. This requires a bloc-wide initiative that is carefully planned. Eradication programs need to be a part of this initiative with a sharing of costs across the NAFTA countries.

Special and Differential Treatment. The issue of special treatment for developing countries is a major issue. For example, what special access concessions should be given to developing countries under WTO and a Free Trade Agreement for the Americas (FTAA)? Some of the countries are seriously poor and special treatment is one of their only hopes under freer trade. Arguably, there are sub sectors and regions of sub sectors where Mexican farmers should have special treatment.

Need For Education. Education and communication are seriously needed in relation to making trade agreements work. There must be a better basis for getting sound information out to the stakeholders on the effects of NAFTA. Substantially more progress has been made than is generally known or even indicated in this workshop. But if this is to be done, the data must be available that allows quantification of the impacts of NAFTA.

Multi-functionality. Justifying farm subsidies on the basis of their ability to deal with various social causes and issues (multi-functionality) is becoming a major problem area, which many U.S., Canadian, and Mexican farmers may support. For example, green payments, organic agriculture payments, environmental payments and small farm payments have the potential for causing major distractions because they have intuitive appeal to many stakeholders.

Bloc Benefits from FTAs. There is need to look at NAFTA from the perspective of the entire bloc of three countries, and how it's implementation can be more effectively used to improve the standard of living, economic stability, prosperity, growth, and food security for citizens of the three countries. There is a strong tendency to look at the trade issue from the perspective of the individual and self interest, as opposed to the group/bloc as a whole. There is also a need to eliminate the squabbling among signatories and move beyond narrow political and interest group demands. Trade agreements achieve their benefits for citizens in a milieu of economic trade-offs and market forces. Benefits are constrained by rigidity of government policies and programs, and by continuation of protected self-interest conditions.