



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Book Reviews

C. Ford Runge, *Freer Trade, Protected Environment: Balancing Trade Liberalisation and Environmental Interests* (Council on Foreign Relations Press, New York, 1994, 146 pp, US\$17.95).

In a book sponsored by the Council on Foreign Relations, Ford Runge makes a case for a new World Environmental Organization to promote higher environmental standards and assist in the arbitration of trade disputes. The book provides a useful overview of many of the issues in the trade and environment debate, well illustrated with examples, but the issues themselves are not always clearly stated. Ultimately, the argument for a new international institution is not entirely persuasive. Nonetheless, the book is easy to read, refreshing in its brevity, and reflects the views of some influential players in the trade and environment debate. This book resulted from a series of eight workshops convened by the Council on Foreign Relations in 1992 and 1993, attended by a select group of environmental and trade policy experts. These included many prominent members of the business community, leading environmental groups, and academia, as well as government officials, labour representatives and others, all of whom are listed in an appendix. The objective was simply to share information and views and to educate each other without necessarily reaching conclusions. It was agreed at the beginning that Runge, a professor of agricultural economics at the University of Minnesota and a former advisor to American GATT negotiators, would write a monograph "on his own responsibility". While the views in the book can therefore be attributed only to Runge, it can fairly be assumed that they also reflect any elements of consensus reached by the wider group. The book therefore provides some insight into emerging thinking in the United States on the trade and environment debate. This is not an academic treatment of the issues, but rather an attempt to reach a

wider audience interested in the trade and environment debate.

Runge begins by recalling the highly emotional debate over the environmental consequences of the North American Free Trade Agreement (NAFTA) and the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade (GATT). He notes that the debate continues, at only a slightly lower pitch, and that those involved in the debate hold widely divergent assumptions, values and priorities and tend to view those on the other side with considerable suspicion.

Runge attempts to bridge this divide with a presentation of the issues from each of three perspectives: legal, economic, and environmental. He introduces some of the relevant provisions of GATT law as well as the basic economic arguments in favour of trade liberalization. Also presented here is Tinbergen's principle that each target of policy merits a separate instrument. Runge notes that, in general, trade instruments should not be used to address environmental problems.

This is the weakest chapter of the book, however. It is admittedly difficult to set out clearly the various components of this complex topic, but this should have been attempted before describing the different perspectives. Instead, the presentation of issues and perspectives is jumbled. The "legal" perspective contains as much economics as law. And even those readers not sympathetic to environmentalists' arguments on trade issues will be disappointed with the few short paragraphs purporting to present "an environmental perspective".

Runge's economic interpretation of certain GATT rules may raise a few eyebrows, notwithstanding the potential merits of his interpretation. Key to the trade and environment debate is the scope provided in GATT rules for trade restrictions used in pursuit of environmental objectives. The GATT rules state

that such restrictions must be "necessary" or "related to" certain environmental objectives, and must meet other criteria as well. These rules have been tested in a number of cases, which Runge argues have distilled the criteria into a balancing of the costs and benefits of the restrictions. In other words, Runge says, a restriction can be justified under GATT law if the environmental benefits outweigh the costs imposed through loss of trade.

There is some basis in case law for this interpretation, sometimes called "proportionality" but it is not universally accepted. It is clear that a trade restriction can be imposed if it is necessary to achieve a legitimate domestic environmental objective, ie if no less trade restrictive policy will achieve the objective. But if the alternative has slightly higher costs, or is somewhat less effective in achieving the environmental objective, the balancing of costs and benefits is not as well established as Runge suggests, either in principle or in methodology.

The middle three chapters are the most useful. Chapter 3 examines how trade liberalization can affect the environment, taking the creation of the single European market and NAFTA as examples. Here, Runge explains that trade liberalization can have both positive and negative environmental effects, and explains how the negative effects are managed. In Chapter 4 Runge shows, by an analysis of the "tuna-dolphin" and "salmon-herring" GATT disputes, how GATT rules can override national environmental laws, especially where these are disguised protectionism or are poorly designed. Chapter 5 is a brief but useful synopsis of the Montreal Protocol, the international agreement to protect the ozone layer, demonstrating trade issues that arise with multilateral environmental agreements.

These chapters describe well some of the prominent areas of controversy in the trade and environment debate. Their effectiveness is unfortunately reduced, however, by Runge's failure to state clearly some of the key questions which the examples illuminate:

Should countries be allowed to restrict trade:

- to protect environmental quality in another country?
- to protect environmental quality in the global commons?
- to protect their own producers competitiveness?

Runge uses these examples to build his argument that supranational authority is required to resolve certain trade and environment issues. In particular, he cites the Commission on Environmental Cooperation (CEC) created by NAFTA as a model for the wider international community. He argues convincingly that where pollution flows across a border and impacts on neighbouring country (in his example, from Mexico to the United States), institutional arrangements are needed to set mutually agreeable standards, fund environmental improvements, and arbitrate disputes.

The arguments for extending such arrangements to situations where environmental problems do not affect other countries, however, are not well made. Runge acknowledges that to impose new trade restrictions based on environmental conditions in another country could lead down a "slippery slope" to increasing protectionism on a range of social as well as environmental issues. He argues, however, that additional trade concessions should be conditional on environmental improvements. Runge provides little support for his argument that a country should be pressured to spend more on local environmental issues than its own priorities would suggest, nor why a country should have its access to foreign markets held hostage unless it raises its local environmental standards.

Runge also suggests, though less forcefully, that current GATT limitations on the use of trade restrictions to protect the global commons should be lifted. A GATT panel's 1992 rejection of a US law to limit the number of dolphins killed in tuna nets is, to many environmentalists, a compelling exam-

ple of excessive emphasis on free trade. Such problems are not contained within national borders, and therefore the above arguments against trade restrictions do not hold. However, Runge does not address a crucial question: Why should governments in large markets (eg the United States and European Union) be allowed to set the standards, in the absence of any international agreement, especially for resources (such as dolphins) which are not seriously threatened? The typical response is that only unilateral action by a powerful country can force international agreement. That a large number of agreements have been reached without such blackmail, however, undermines the argument. And many small and less-powerful countries reject having environmental standards dictated by the powerful few.

Runge acknowledges that the new supranational authority could be vested in existing institutions as well as in a new World Environmental Organisation (WEO). Indeed, some of the functions he proposes for the WEO are currently being done by other institutions. The World Bank and others are already providing funding for environmental projects; the OECD undertakes analysis of less trade restrictive and more environmentally effective policies. The costs of moving these functions to a new organization, or duplicating them, do not seem justified.

Runge proposes that a commission of experts be charged with issuing reports and recommendations, aimed at "harmonizing up" environmental standards. While it is generally accepted that "harmonizing down" is not a good idea, Runge does not justify the suggestion to "harmonize up". Finally, the WEO and its commission of experts would provide advice on trade disputes involving environmental matters, but this can be achieved without creating a new institution with all its associated costs.

Perhaps the best argument is that the WEO could provide a voice to people who have no effective democratic process through which to stop or slow environmental degradation which affects them.

Runge states that the WEO would "induce" countries, mostly through publicity, to enforce environmental laws which exist only on paper. The danger is that this "voice" would be used by vested interests to pursue their own protectionist goals: producers affected by imports might go looking for someone in the exporting country whose environmental cause they can champion, to the detriment of the exporters. The NAFTA Commission on Environmental Cooperation will be a useful test of whether such situations can be managed responsibly. If so, the case for a similar world body would be strengthened. As Runge notes, the Commission on Sustainable Development or UNEP (United Nations Environment Programme) could also potentially assume such functions.

This book provides useful insights into the support of some influential Americans for an environmental counterpart to the new World Trade Organization, even if the positions are not fully developed. Those who have been following the trade and environment debate should therefore familiarise themselves with Runge's proposals. Unfortunately, the issues themselves are not clearly set out, so the book is not recommended for newcomers to the debate. The examples in the book provide useful background, but without a framework to put them in, they lose much of their value.

Reviewed by Jim Sinner, *Ministry of Agriculture and Fisheries, Wellington, New Zealand.*

Cook V., Edwards K., and Ronan G. (1994), **A Positive Approach to Farm Adjustment**, (Primary Industries, South Australia, Pp. xii + 164, ISBN 0 7308 2134 X).

This book addresses farm adjustment from its place in national economic development, through farm business analysis and the diagnosis of farmers' adjustment needs to the process of counselling and mediation for positive outcomes. It is designed for people servicing farmers and farmers themselves. The authors are or were South Australian govern-

ment officers dealing with policy, teaching and adjustment issues. The book is an outcome of funding from Federal RAS programs to the Rural Adjustment Coordination Service in South Australia.

The book is actually a collection of essays by the principal authors and others on the process of farm adjustment, business analysis and diagnosis, adjustment options and counselling. In the Forward by Onko Kingma it is stressed that the essayists are people with first hand experience in helping farmers in financial difficulty. He says the book should encourage positive thinking by all service providers and help [farm] people to make the necessary change of direction in their lives. In the Preface, it is emphasised the book should be of practical use to all those who are involved in the process of farm adjustment in Australia and that its publication should focus attention on the range of issues involved.

Without doubt, Australia is a world leader in the area of positive farm adjustment. Instead of using government funds to assist farmers across the board with price and input support (as in many other countries) Australia has designed targeted assistance schemes aimed at easing farmers out of agriculture or at least providing assistance that will allow adjustment to necessary changes that have to be made. Given the climatic volatility of the continent, the need for such assistance seems to be relatively frequent and ongoing.

The rationale behind such planning is that the agricultural sector is a price taker on international markets and that farming units must change with changing circumstances. Not so obvious is the rationale that farmers need help in this process and that the state is the only body which can provide it. One argument in favour of this is that farmers are individuals who are not well informed of the choices available and information is a public good that government is in a position to provide. There is then an inevitability that taxes will be used to fund such a provision.

At another level, therefore, is the question whether income redistribution of this sort is in the general interest of taxpayers? In theory, farmers could group together to help themselves. Not all districts are under stress at any one time. Adjustment assistance could be self-funding if the need was great enough. In practice, governments do intervene and most arguments centre on how the funds available are shared out and by what means. One argument for this approach is that government has a duty to all its citizens to provide a safety net for misfortune, change of circumstance, accidents, and sickness. In the case of farmers, it could be argued that they are entitled to the same level of social welfare assistance as urban dwellers, though not the protection of their assets. It is a separate argument that some assistance might be warranted to protect the asset until something better turns up. This could be subject to its own cost-benefit analysis, and might be quite justifiable in some circumstances.

This book does not discuss these issues but assumes that assistance programs are in place and have to be administered fairly and humanely. From my experience the book does this very well. The section on adjustment options and actions gives financial advice and provides case studies of the problems involved. The essay on 'Why should I die with debt up to my eyeballs? : a case study of a non-viable family farm' is quite frightening in terms of the farmer's reaction, but exceedingly useful in terms of the list of information needs, adjustment options proposed, and final resolution.

What is relatively new is the section on counselling and mediating for positive outcomes. There are only four essays in this section ranging over managerial assessment of the client, mediation and negotiation, client relations, and life after farming. Apart from the essay on prospects outside farming, these essays are rather brief and only barely touch on the human problems involved. I would think that counsellors would like more assistance than this volume offers as this is where the stress is greatest. Perhaps more training is offered in this area than the book makes out; the preceding essays definitely

show a compassion for its subjects that has come from long experience if not appropriate training.

Will the book meet its aims? For farm advisors, consultants and coordinators, the level of budgeting skills and general approach required is not onerous. Most of the skills should be in place. In the service area, the book should be of considerable assistance if people can be found to read it. It would be an interesting question (to which the authors probably already have an answer) to know whether the service sector uses specialist advisors for this kind of work or whether general managers take it on. It seems to me that if specialists can be trained

and devoted to the task then the outcome for individual farmers will be all that better! For the recipients of this advice, the book could be helpful and it could not. The authors would definitely like to think that they are getting through to the farming community. It seems to me that a lot depends on the ways in which farmers and their families absorb information especially when they are not under stress. Once problems arise, it would be no use throwing the book at them! The work of the counsellor has already begun.

R.W.M. Johnson