

IPC Alert

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A BROADER PERSPECTIVE ON US TRADE GOALS

President Barack Obama has never spoken more favorably about international trade than he did during his State of the Union address last month. He called for opening markets through the Doha round of world trade talks as well as the need for the United States to “strengthen” trade ties with Asia and to finalize trade agreements with Colombia, Panama, and South Korea.

His boldest statement involved an explicit promise: Obama pledged to double U.S. exports in five years. He also said that his National Export Initiative will create 2 million new jobs.

By linking trade to economic growth, Obama wisely addressed his audience’s anxieties about the pace of globalization. Yet the benefits of trade involve much more than U.S. exports and employment. Let’s hope that as the White House fills in the details of its welcome new engagement, it tackles trade in all of its bewildering complexity.

Exports and jobs in other countries matter, too--and they matter to Americans. If emerging economies and low-income countries experience export growth and job creation, their incomes will improve, leading to greater demand for U.S. goods and services. Moreover, a decrease in world poverty will enhance American national security and reduce pressure on foreign-aid budgets.

Finally, functioning markets contribute to food security, which the Obama administration has identified as a foreign-policy priority. Today, roughly 1 billion people, nearly a sixth of the global population, suffer from hunger. Empty bellies threaten political stability.

For many regions, the path to prosperity initially lies through agricultural development. History is replete with examples of nations that have built their success on top of enhanced food production. It starts out as an effective anti-poverty program and, over time, leads to demands for more inputs and paves the way for greater economic diversification.

Yet, developing countries must have the opportunity to export the farm products for which they enjoy a comparative advantage. Unfortunately, agriculture remains one of the most protected sectors of the world economy. Too often, trade rules work against them rather than for them.

Obama should start by reforming America’s own trade preferences. The European Union already grants the poorest countries 100-percent duty-free, quota-free access to its immense market. The United States should follow suit, expanding the coverage of its preferences to include all food and agricultural products.

Additionally, American efforts to improve global food security must focus on bolstering markets and dismantling import and export restrictions on food and agriculture. It may require a serious examination of trade-distorting domestic subsidies, which both inhibit the international exchange of goods and services and put unnecessary pressure on the U.S. budget deficit.

Targeted capacity building is also an important objective, especially for nations that aren't fully plugged into the world economy. Aid programs should not merely provide humanitarian relief, but also improve regional market systems and help countries meet international food safety standards. Without this kind of assistance, these nations will find export growth to be a severe challenge.

The world's poor would benefit enormously from these reforms. First and foremost, they will find themselves better off as they become more closely tied to regional and global markets. Yet trade is not a zero-sum game in which there are always equal numbers of winners and losers. If the people of developing countries win, so can Americans.

Doubling U.S. exports in the next five years--and also sustaining export growth later on--will require not just greater access to existing markets but the creation of new ones. The most likely place for this to happen is in the developing world, the home of so much unrealized economic potential.

Americans stand to reap substantial rewards from these improvements, especially as they strive to reach the goals Obama has now set before them.

By Stefan Tangermann
IPC member
Former Director, Trade and Agriculture, OECD

New Paper Released:

IPC was a part of a group of NGOs and Business that developed recommendations for promoting trade and economic development in Sub-Saharan Africa. This recommendations have been published in a White Paper on Trade and Development Policy with Sub-Saharan Africa.

For more information, please email Katharine Shaw, Program and Communications Manager at [shaw\[at\]agritrade\[dot\]org](mailto:shaw[at]agritrade[dot]org).

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