

# STRATEGIC REFERENCE NOTE n°2

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## FOR A REFORM OF MULTILATERALISM



**AGRICULTURE**  
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## Foreword

Our first strategic reference note was published in June 2018: it aimed to lay the foundations for a re-founding of the CAP while calling for a reform of the multilateral framework. Because, as we pointed out, the Marrakesh 1994 agreements and their avatar, the Doha Round, have locked international cooperation for a quarter of a century into a sterilizing process that has led the CAP into a dead end without favoring the emergence of a significant agricultural development for developing countries.

The analyses and recommendations developed in this first note have received media coverage and significant political interest in a defeatist and unambitious environment. We are continuing our action, particularly in the context of the forthcoming European elections, as the most structured alternative proposal in line with the realities of the world today is Agriculture Strategies<sup>1</sup>. Already some parliamentary reports are directly inspired by the work of Agriculture Strategies.

It is increasingly likely that the European Commission's CAP reform proposal will not be subject to a legislative agreement before the next European elections, which was our mid-2018 working hypothesis. The field could therefore open for the new legislature from June 2019. But we must be aware that some of those who hold influential positions in the administration, ministerial offices or professional organizations would be satisfied without a real reform of the CAP. On the motives of:

- a minimalist conservative approach,
- an erroneous view of the situation of the agricultural world, which is not experiencing a crisis according to them,
- finally, the need for the agricultural world to increase its resilience, the use of this psychoanalytic notion being totally diverted from its meaning.

Indeed, a public policy cannot plead in this direction. Resilience is a patient reconstruction of the personality after destructive trauma. We consulted Boris Cyrulnik, the world's leading expert on the subject, and his answer was final. There is a total confusion between a heavy treatment implemented by specialists (resilience centers have just been opened in France for the victims of terrorism) and a regulatory policy that must exist only to avoid the trauma itself by its relevance and that a resilience therapy is supposed to deal with.

In short, all those who use this notion assume that farmers must find the resources within themselves to face all possible difficulties, perhaps supported by insurance schemes that can only work (and even that is debate) in case of climatic incidents. There is clearly deception over a policy that isn't one, when in no other country in the world is such a trickery part of agricultural policy. On the contrary. Other policies aim to regulate volatile markets and ensure sufficient levels of income for the agricultural and agri-food sectors.

Certainly, in the current debate on the future of the CAP, the antiphon of the maintenance of the European budget is mentioned but without there being a strategic reflection leading to a real reform. It's all about giving guarantees without thinking about the future in a changing world. Yet the foundations of the CAP are based on an understanding of multilateralism, which dates back to 1994 and became incarnated as early as 2001 in the Doha Round.

Reforming the CAP without having a frame of reference for a re-foundation of multilateralism is therefore not possible, especially in times of trade war and downturns in major world economies. Because, although it will be long and difficult, it is obvious: we can no longer consider as sustainable the principles defined over twenty years ago and above all we cannot make them the alpha and omega of our agricultural strategy .

Decoupled aid, apart from the fact, as we have largely demonstrated in our first strategic reference note, that they are totally inefficient in terms of regulation, are questioned by the USA. This is the case of Spanish table olives: a US court ruled that the aid, though in the green box of the WTO, was, in fact, disguised subsidies to production. The entire CAP building that has been in place since 1992 and deepened in 2003 based on the principle of decoupling and response to market signals is about to collapse.

This questioning should lead to a lucid examination and a democratic decision-making within the European political authorities in a search for strategic autonomy of the political Europe. By deciding to open a WTO consultation to try to save decoupled aid, the Commission is taking a significant risk for the CAP as it will be difficult to argue that the aid is neutral - no effects on production and trade - while they make up on average half of the income of European farmers.

And as the Appellate Body of the WTO is on the verge of paralysis because of the lack of replacement of the judges who compose it, at the instigation of the US, Europe risks becoming bogged down in a jurisdictional no-man's land that will definitively demonetize the CAP. This situation can lead to a trade war between Europe and the USA at the worst time, that of a total lack of common will in agriculture and food. We could almost believe that evil spirits have been aiming to make the European Commission take the most chaotic ways for the construction of Europe for some years now.

Should we give in to pessimism and allow the bad omens to accumulate without reacting? On the contrary, it is important to continue our work of strategic reflection and to bring to decision-makers the analyses, the reflections, the projects and the supports which will end up putting at the center of political concerns the future of agriculture and food. It is in this spirit that we have built this "For a reform of multilateralism" note that places agricultural and agri-food issues in a broader approach, that of international trade relations and beyond that of international cooperation often split into several institutions little or not coordinated with each other.

Jacques Carles  
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## Summary

**Multilateralism is in crisis and the blocking of US WTO Dispute Settlement Body (DSB) appointments is only part of it.** The current trade war is a major challenge to the international order inherited from the 1990s. Believing that the situation is the result of the President of the United States' persona and using China as a scapegoat is surely not a healthy base to help redefine a new international economic order as a factor of peace. **The crisis of the WTO is an important indicator for the European Union itself:** their trajectories have been partly common for three decades, whether on the Common Agricultural Policy (CAP) but also the development policy and of course trade policy.

**Trade is a means and not an end.** The pre-eminence of the WTO over other international institutions is not appropriate to address the challenges of the 21st century such as food security, climate change, protection of natural resources, migratory phenomena and macroeconomic imbalances. The form of supranationality that the WTO has reached with the DSB also questions democratic principles. International cooperation is needed more than ever, but **the creation of the WTO has institutionalized widespread competition as the culmination of the governance of the global economy through the erasure of nation-states.**

While the Doha Round has been stalled on agricultural issues for more than 10 years, the grounds of negotiation are still more or less the same. **The 2007/08 food crisis of has led to a profound challenge to WTO discipline in agriculture** and a strengthening of agricultural policies around the world. However, the structural volatility of agricultural markets and the means to reduce it are still not a subject in the WTO. **Climate change, however, would require relegitimizing public storage,** but this central attribute of food security is still considered illegal despite India's efforts to rehabilitate it.

On the basis of this observation, we recommend:

- to establish as a principle that **multilateralism must first and foremost enable the emergence of cooperation between sovereign states** in order to build the new equilibrium of a world that is more multipolar than ever before. This implies going beyond the current software based on competition and supranationality. **To think of globalization as the unification of a world-economy by the negation of nation-states will have been a mistake;**
- to **re-establish a hierarchy** between states and companies. Democratic choices cannot be questioned in the name of the protection of particular interests, no matter how important they may be. **The recent decision of the United States to empty the State-investor arbitration tribunal following the renegotiation of NAFTA goes in this direction;**
- to **question the belief in the regulatory virtues of price adjustment.** Whether overcapacity for steel and aluminum production or macroeconomic imbalances, we must see in the current US strategy the willingness to act where market mechanisms show their limits. **The balance of international markets must be seen as a common good that requires active cooperation between their main protagonists;**
- **encourage multi-lateral agreements by calling into question the principle of non-discrimination** in order to give countries that volunteer for cooperation an advantage over others. It is a question of being able to discriminate the products according to the modes of

production. **With its internal market, the European Union has the important power to initiate this type of ambitious cooperation** in order to initiate the transformations required by the challenges of the 21st century, and in the first place the fight against climate change;

- **to reposition the WTO on an equal footing with the other international institutions**, or even to work on its reform to place it in the field of the UN institutions, in order to make it an organization conducive to dialogue, seeking conciliation and the structuring of stabilizing and sustainable commercial cooperation.

On specifically agricultural issues, we recommend:

- **to call on the WTO to make the 2030 Agenda Sustainable Development Goals its work program.** It is necessary to focus on the actual functioning of agricultural markets to consider public policies as the means of correcting the main market failures. **The prices of international transactions do not correspond to their equilibrium level, but most often to dumped prices;**
- **to rehabilitate the Commodity Agreements and the Havana Charter** which have allowed the development of trade until the early 1980s. Commodity agreements are successful examples of international cooperation to secure international trade;
- **promote agriculture-based development strategies** to meet demographic, migration, food security and climate change challenges, particularly for the benefit of African countries;
- **to create a UN-affiliated World Food Security Council to organize consultations**, particularly within the various agencies and international organizations, and prepare international cooperation on agriculture and food.

**China's willingness** to integrate agriculture into negotiations on the limits to dumping and the **European-American standoff** over Spanish table olives and decoupled aid **are poised to bring agricultural issues in the commercial war. The pressure will intensify on the European Union faced with its contradictions:** on the one hand, it sees itself as a champion of multilateralism; on the other, she prefers the comfort of rules to her advantage but attacked from all sides. **To avoid being caught up in agricultural issues, it will have no choice but to call for a review of the multilateral agricultural rules and to lead the way by embarking on a new trajectory of reforms in the for the CAP.** Otherwise, if it does not find a strategic autonomy between the American and Chinese giants, it is the European project itself, and in particular the main integrated community policy, which are in danger.

**The crisis of multilateralism is a major challenge for the political Europe which will have no other alternative than to build its economic sovereignty or, in disunity, to be imposed a new economic order by the United States and China.**

## Introduction

Multilateralism is in crisis. Since April 15, 1994 and the Marrakesh declaration marking the end of the Uruguay Round and the creation of the World Trade Organization, no major agreement has been reached. The Doha Round launched in 2001 will probably never come to an end. The blocking of appointments for the renewal of the WTO Appellate Body members is even about to cripple the institution as of December 2019.

Moreover, the trade retaliation measures taken by the United States since January 2018, outside the legal framework of the WTO, reflect a deep crisis of globalization in the shape it has been taking over the last three decades. With this in mind, voices are rising to advocate a reform of the WTO to save multilateralism. Among them, President Macron's speech to the OECD on May 31, 2018, gives the next G7 and G20 the goal of being a force for proposals to reform the WTO. However, for the moment, there does not seem to be a shared diagnosis of the root causes of the current crisis and the agenda for structuring a possible reform of multilateralism remains to be defined.

Paradoxically, the first proposals of the European Commission for a reform of multilateralism do not mention at any point the agricultural subjects which have been at the heart of the blockage of the Doha Round for more than 10 years. This omission is all the more worrying as the food crisis of 2007/08 has brought about a profound challenge to the validity of the WTO's rules on agriculture all over the world. In an attempt to save multilateralism, we must accept to question the relevance of the current software.

Global food security and the stability of international markets should be seen as common goods to all of humanity. However, the international order that has prevailed for three decades is based on the principles of competition and the efficiency of the markets left to themselves. We have even forgotten that the development of international trade in agricultural products until the early 1980s was built on inter-state cooperation to overcome the many market failures that explain the structural instability of food prices.

Agricultural markets are thus made that a few percent of shift between supply and demand can cause fluctuations so important that the concept of equilibrium price is mainly an intellectual construction. In the face of international prices that can peak when food security is at stake, to lead to long periods of depression where we see dumping prices, lower than the production costs of all producers or almost, how could we blame governments that to seek to protect their rural and urban populations. In the absence of international cooperation to limit these excesses, some trade protectionism cannot be avoided. Nowadays it is the stubbornness of full-on free trade advocates who, by opposing the very idea of interstate cooperation especially for the storage of agricultural products, are the main actors of the current rise in protectionism.

In this context of escalating tensions and questioning of the international order, advocating for a reform of multilateralism may seem like a challenge, or even simple wishful thinking. But in view of the identifiable perils, for which the temptation is great to try to find easy scapegoats, it is our responsibility to work on a precise characterization of the situation and to aggregate the structuring ideas to find the ways of a multilateralism reform. This responsibility is even greater because it goes hand in hand with forging the foundations for a new stage in European construction, because the European software, we see it not only for the CAP but also on trade issues and development, is not so far from that of the WTO. Finally, our desire to deepen this subject also feeds on the need to awaken French and European decision-makers, both public and private, on the importance of

thinking as quickly as possible about strategies to overcome the consequences of a period of instability that has only just started.

In the first strategic reference note of Agriculture Strategies "Towards an in-depth reform of the CAP in a multilateral framework to be renewed" published in May 2018, we explained that the trajectories of the CAP and multilateralism in agriculture have been very similar since the beginning of the 1990s. These trajectories are at the end of their path, but any attempt to break one of the two stalemates while keeping the other one steady is doomed to failure, and vice versa. While the first note also proposed the principles for an in-depth reform of the CAP, this second strategic reference note from Agriculture Strategies focuses on the reform of multilateralism. And while agriculture and food are not the only subjects of multilateralism, they must be given a special place as they are at the heart of 21st century issues, from food security to climate change and the protection of natural resources, to the migration challenge and development through agriculture.

Therefore, in order to move in this direction, the first part of this note aims to make an inventory of the terms of the debate on the crisis of the WTO. In a second part we highlight the relevant tracks and the ideas of reform that are likely to lead to a way out of crisis and that we translate into recommendations for the French and European authorities.

## 1) The crisis of the WTO and multilateralism: the terms of the debate

In a few weeks, with the failure of the ministerial meeting in Buenos Aires in December 2017 that resulted in no joint release on the one hand, and the announcement by President Trump in January 2018 of customs duties on Chinese imports of washing machines and solar panels on the other, multilateralism has rocked into the unknown of a deep crisis. But if these events, and those who have followed them since, have made the crisis of multilateralism perceptible to the greatest number, its determinants pre-existed and it would be incorrect to see it has only a fleeting moment linked to the personality and political orientations of the President Trump.

Through their strategy of destabilizing the WTO and the demonstration of their refusal of the current free-trade software, the United States express two major concerns. The first relates to the existence of macroeconomic imbalances, contributors to systemic instability for the world economy; the second questions the very existence of supranationalism and the nature of globalization in its present form.

### a) A pragmatic American strategy

If the US economy creates jobs - the unemployment rate is below 4% - and returns the image of doing well, the trade deficit is colossal (\$550 billion for goods and services) and dollar exchange reserves continue to accumulate especially among its main suppliers, China in the first place. It must be remembered that the move to floating exchange rates can be seen as a means of fluidifying international trade and limiting imbalances by adjusting parities so as to rebalance trade balances



continuously. But it is clear that the special status of the dollar calls into question most of the theories of international trade.

Above all, by addressing head-on the overcapacity of steel production, the United States went beyond the mere criticism of the limits of price adjustment and sought to attack the source of one of the main problems affecting their industry, namely, low international prices. Quantifying global overcapacities at 16.5%, the United States thus obtained from the Chinese that they lower their production by 11%. Again it would be excessive to reduce the American strategy to the fable of a neoprotectionism of politicians just seeking to be re-elected by the processions of the losers of globalization. Here again, the Americans are demonstrating the pragmatism they are known for and surely offer a way out of a world economic order whose main fault has been to think it had to be built in opposition to nation-states.

For, and this is the second major concern, the United States challenges, if not supranationalism as a whole, the form of supranationalism that has reached the WTO with its leading figure the Dispute Settlement Body (DSB). By blocking the appointment of Appellate Body members, the United States is going after the DSB, which WTO adorers call "the jewel of the crown". They criticize them for having a specific judicial activity which rules out the institution's initial intention of structuring negotiations between sovereign states and which would give it an excessive preeminence over national laws.

We could only see this in the case of agricultural subjects. A supranational institution does not escape bureaucratic phenomena: without steering by politics, it is incapable of thinking about change and especially its own. While the food crisis of 2007/08 fundamentally challenged the mandate of the Doha Round (and even the main results of the Uruguay Round), the WTO has not been able to bring about an aggiornamento of the initial mandate and out of touch with reality, disembodied, discussion have kept going because it is mainly a way to make the institution keep going.

As we saw during the financial crisis of 2008, the Heads of State and Government preferred to establish an ad hoc consultation structure, the G20, rather than go through international institutions. Finally, it is obviously a question of sovereignty and democracy, supranationalism in its most accomplished forms is ontologically incompatible with the democratic principles of which the United States continues, although one thinks of the current situation, to be one of the most successful examples<sup>1</sup>.

## b) China: a convenient scapegoat to avoid questioning oneself

The WTO emerged in the early 1990s, when some people announced the "end of history" and the ideological victory of economic neoliberalism. In addition, among international institutions, the WTO is among the non-UN women, that is, those in Bretton Woods for whom American influence is important. The challenge of the WTO by the United States itself is therefore all the more destabilizing.

Given this "kinship" and the opposition displayed between the United States and China in the commercial battle at work since the beginning of the year, the temptation is great enough to make

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<sup>1</sup> On ne peut pas en dire autant au sein du vieux continent où une part importante du désenchantement vis-à-vis du projet européen tient justement à l'évolution supranationale de la Commission européenne.

the latter the scapegoat of the current crisis, failing to respond to the two axes of concern expressed by the United States. Thus, in the positions seeking to define an agenda for the reform of multilateralism, particularly those of the European Union, there is a focus on three themes that refer directly to the Middle Kingdom. The first concerns the category of developing countries, which is considered to be too broad, which gives the possibility to certain derogations: special and differential treatment. The second relates to the place of state enterprises in the economy. Finally, the third is the protection of intellectual property. Roughly speaking, we would like to portray the situation as the result of the actions of a country that, after joining the WTO in 2001, continued to develop its economy on the basis of "state capitalism". undoubtedly benefiting from developing country status and looting the technologies of other countries.

This analysis is caricatural, but has the advantage of not calling into question free software. It allows to ignore the activity of companies, including Western, which through mergers and acquisitions have long sought to control technological developments. It is based on a highly questionable reference system as the states, including in OECD countries, remain very involved in the development of the economy, even if the public enterprises are now less frequent than they could have been. to be in the past not so far away.

And above all, this analysis can not be considered satisfactory because it brings in itself the questioning of the software that it is supposed to defend. Indeed, if China knows the period of economic development the most consistent in the history of humanity, it is also that it has freed the precepts that shamelessly bind trade openness and economic development . In other words, and to use the concept of the South Korean economist Chang (2002, "Kicking away the ladder"), China used the levers that developed countries used before it developed: it was able to keep "The ladder" that one seeks via the neoliberal narration to remove to others to rise.

### c) In agriculture, flat or nearly flat encephalogram

Newly appointed, the task of the new chairman of the agriculture committee, the Guyanese John Deep Ford is not simple. According to the summaries from this committee, there is little evidence to suggest that the basis for negotiation is different from the one that led to the Doha Round. There is still talk of domestic support, market access, safeguard mechanisms and export subsidies. The main novelties compared to the pre-food crisis of 2007/08 are the public storage - where it is just a question of allowing a derogation for countries that already have it without questioning the principle of their harmfulness because they are Distortion creators - and export restrictions - which had not been dealt with so far, may be forgotten (or unaware) of the reality of the speculative rushes caused by a food crisis.

In short, we are not really trying to understand the causes of the strengthening of agricultural and food policies at work since the food crisis. And it is always a matter of disciplining agricultural policy measures to prevent them from being too distortive of the proper functioning of markets. At no time is there any questioning of the certainty of the efficiency of the markets. The reality of the functioning of agricultural markets marked by numerous failures and dysfunctions is still not a subject. While the strong concentration of agro-supply, agribusiness and distribution tends to become in itself a new source of legitimacy for public intervention, it is also curious to see no reference to companies and actual operation what are known as "globalized value chains".

The field of negotiation (or confrontation) being more or less the same, it is not surprising to note that the positioning axes of the different countries or groups of countries remain globally unchanged. The group from Cairns remade and talk about him headed by Australia, sure of its fact, which is very active in terms of panels against India and China in particular. In recent months, the European Union has been rather discreet, it must be said that its "non-paper" of September 2018 devoted to the reform of the WTO does not speak at any time of agriculture. The proposal she made with Brazil in July 2017 on domestic support ignored the green box that gathers the bulk of European aid, and is generally on a very defensive line on anything that could lead to recognition. the distortion of domestic subsidies for exported products, the Damocles Sword being the Agreement on Subsidies and Countervailing Measures (ASCM).

Among the developing countries we see especially the alliance between China and India which advance as a prerequisite to challenge the very comfortable aid ceilings (authorized MGS) that were negotiated by the original 32 countries in 1994. do not hesitate to point out that other countries that did not have subsidies at the time to declare do not have authorized AMSs and therefore find themselves under a much more restrictive ceiling, that of de minimis (10% for developing countries), 5% for developed countries and 8.5% for China). Especially since December 2018, Beijing has indicated that it wants to link the negotiations on dumping on industrial products with those on dumping on agricultural products. This position which aims to put the United States but also the European Union before the contradiction that the agricultural rules of the WTO do not directly attack but legalize the dumping, could bring agricultural subjects into the commercial war.

Climate change is still not a real subject in the WTO. And if India, which is far from being the only country concerned, is not satisfied with the derogation that it obtained for its public stocks, it continues its work of undermining the questioning of this regulation essential to food security and the stability of agricultural markets. However, the link between climate change and public storage is obvious: the amplification of extreme weather phenomena militate to reconsider the ban on public storage. It should also be noted that storing food is the basis of all communities since man is no longer a hunter-gatherer!

Finally, while it is difficult to identify a position of the United States in the WTO on agricultural issues, given their strategy of questioning the institution, they have just confirmed on July 24, 2018, by the US International Trade Commission (a US federal institution), the introduction of anti-dumping taxes on Spanish table olives which is a questioning extent of the current doctrine of the WTO. In fact, Spanish olives benefit from decoupled aids normally classified in the green box of the WTO discipline and therefore not subject to a reduction commitment in the name of their neutrality, or more exactly of the absence of significant distorting effects. on production or trade.

Here we find the famous three boxes of the WTO: the orange box for distorting support, the blue box for support coupled but with reduced production and the green box that includes all acceptable aid including decoupled aid. Recall that the European Union is the only one to continue on the path of decoupling that the United States challenged in 2002 and abandoned in 2014. By confirming anti-dumping measures while Spanish olives benefit mainly decoupled, the United States therefore attack the WTO doctrine head on and undermine the position of the European Union. Thus two-thirds of the CAP budget (€ 35 billion), destined for decoupled aid, are threatened with being reclassified by the US as distortionary support, which, beyond the olives, is likely to lead to the generalization of taxes. anti-dumping on most European productions.

Even if imperfect, decoupled aid is a significant and even indispensable part of the income of European farmers (in 2016, all direct aids accounted for 47% of average farm income). Moreover,

thinking that it can counter-attack the United States by asking a WTO panel to defend decoupled aid does not seem wise. Even if they are not specific to a particular product, there is still a form of coupling to the production factor of land for CAP aid. Above all, beyond the good respect of the criteria defining a decoupled payment, it seems more than delicate to justify their neutrality when they still represent nearly half of the income of European farmers. Numerous empirical studies have thus sought to highlight the effects of decoupled subsidies on farmers' labor supply and entry and exit conditions in the sector, but also on their investment capacities and their attitude towards risk. And nothing would prevent the panelists from not using these elements or making the same calculations as the Americans to characterize the dumping effect. In short, nothing would force them to remain solely on the basis of the good respect of the criteria defining, in principle, decoupled aid, which via the link to the land of CAP aid, is also debatable.

A counter-attack at the WTO would not be advisable as the DSB is a few months away from paralysis. Rather than defend the worthless indefensible, it should be admitted that WTO discipline in agriculture is not good because built on the assumption of market efficiency, to get out of the rut and think of a new framework for international cooperation. It is therefore very urgent that Europe regain strategic autonomy and initiate a new trajectory of CAP reforms that will be the marker of its willingness to cooperate in an aggiornamento of multilateralism in agriculture.

Yet the European Union chose on 29 January 2019 to counter-attack the WTO by opening a consultation procedure against anti-dumping taxes. It is understandable that the Commission is seeking to avoid contagion to other products of similar anti-dumping taxes. But, de facto, while the Commission was seeking to ensure that agricultural matters were not affected by the negotiations, particularly between the United States and the European Union, it is very clear that, with this counterattack, the entry of agricultural subjects into the commercial war. The very green reaction of US authorities, speaking of the European position as "unfounded" and "to fight aggressively" leaving little doubt.

So the pressure is now strong on a European Union facing its contradictions: on the one hand, it is the advocate of multilateralism; on the other, she prefers the comfort of rules to her advantage but attacked from all sides. In order to avoid being caught up in agricultural matters and to help revive multilateralism, it now has no choice but to call for a re-examination of the multilateral agricultural rules and to give sufficient guarantees by launching a new trajectory of CAP reforms. Otherwise, if it does not find a strategic autonomy between the American and Chinese giants, it is the European project itself, and in particular the main integrated community policy, which are in danger.

#### d) Save the WTO or save multilateralism?

Attacked frontally by the United States supposed to be their creator and unable to adjust their doctrine on development and food security - despite the food crisis of 2007/08, is the WTO able to work towards an aggiornamento to allow the international community to find the way out of the crisis to multilateralism? If the stakes of the 21st century, and first and foremost climate change and the protection of natural resources, require international cooperation, the body that, at the time of its creation, institutionalized the dogma of generalized competition as the culmination of the governance of Europe. Can the world economy by erasing nation-states be useful in finding a solution, or is it destined to be among the causes of the problem?

The WTO obviously can not deal with all these issues and it has been a political mistake to give it such a central place in international cooperation. The development of trade can not be considered as an end in itself. The WTO agenda does not sufficiently take into account the United Nations Sustainable Development Goals (SDGs) and is based solely on the export-led growth strategy. The reflection that must be made now is, first and foremost, to put the WTO back in its place as an organ of dialogue, watchfulness and conciliation in the field of trade policy, and not in two ways of liberalizing trade. as the only factor driving economic and social progress. It is probably this institutional hypertrophy, which owes a lot to the talent of Pascal Lamy, who was right in the Doha Round because we could not deal with all topics of international cooperation through the passage, narrow and conflicting of the WTO.

The WTO crisis is much deeper than just a problem of internal governance of the institution. It is certainly possible to go beyond the blocking by the United States of the appointment of the members of the Appellate Body by a provision of Article IX.1 of the Marrakesh Agreement which allows derogation from the principle of consensus and to adopt provisions by majority vote (1 country = 1 vote). But, for all that, is such a passage in force really possible? Even if the DSB has been cut off, the WTO could have a significant role in structuring international trade cooperation.

It is therefore more likely to prevent the complete paralysis of the WTO by returning it to its original statutory proportions so as to insert it into a revitalized multilateralism that would rely on a broader multi-institutional base. Linking the WTO to the UN could even be considered. Let's go to the WTO too big for her to build the foundations of a new multilateralism. It is certain that the WTO, under the sole commercial angle and through a discipline of agricultural support biased by the presupposition of the efficiency of the markets, can not alone satisfactorily deal with all the problems related to agriculture: food security, climate change and preservation of natural resources, development through agriculture and root causes of migration.

## 2) Relevant paths and emerging Ideas: Recommendations from Agriculture Strategies

Beyond the observations, it is also a question of considering the possible ways of evolution for a way out of the crisis. One cannot say that there is a huge intellectual activity on the subject. On the side of the zealous worshipers, one oscillates indeed between the "business as usual" panurgical and the renunciation which presents, there too, the advantage of not having to question itself. However, let's try to identify some relevant leads and emerging ideas.

### a) Cooperation or competition: two incompatible paths

UNCTAD's recent report "Power, Platforms and the Disillusionment of Free Trade" again offers a very relevant analysis of current issues. In a nutshell, UNCTAD calls for a return to the path of cooperation to avoid the "tragedy of our time ... where more than three decades of relentlessly hitting the drums of free trade have drowned the feelings of confidence, of equity and justice on which such cooperation depends"

The tragedy of our time would be to have erected, for the economy in particular, competition as a cardinal principle. There are many other ways to stimulate the effort, to invite the surpassing only the prospect of adversity. The underpinnings of the WTO are free trade and free competition. Through the DSB, it is a matter of disciplining trade policies, preventing non-cooperative strategies of States, but in no way structuring inter-state cooperation.

In its current form, the WTO is positioned above the (supranational) states and not at the same level as them, to bind them (international). The autonomy sought by the WTO through the DSB, which it wishes to establish as a supranational jurisdictional jurisdiction, then affects the sovereignty of States. To submit, for economic policy choices, to a supranational institution whose mandate is not called into question by the election is not without question in terms of democratic principles and ultimately is not a suitable basis to motivate cooperation, which by definition can not be imposed.

With the rise of China and other emerging countries, geopolitics is more than ever multipolar. While the collapse of the Soviet regime held the United States as the only hegemon, the economic liberalization that followed led to unprecedented economic catch-up phenomena that paradoxically led to the interdependence of revived nation-states. Therefore, it is for the international institutions to build the conditions for successful cooperation so that these interdependencies are stabilizing and structure a new multipolar international order.

**Recommendation : Multilateralism can only be based on cooperation between sovereign states to build the new balances of a multipolar world. This therefore involves changing the current software based on competition and supranationality.**

## b) Can companies be placed on the same footing as states?

Having a stable or at least predictable economic environment protected from arbitrary decisions is a well-founded objective. It is thus remarkable that in the end, free trade agreements, whether multi- or bilateral, are primarily intended to protect companies against public decisions.

However, we do not speak directly of the companies either in the trade agreements or in the WTO. If we try to give them rights, nothing is defined about the duties they might have. Also, some do not fail to point out that the WTO has no jurisdiction over taxation or the fight against cartels and monopolies. Taxation and competition policy are, however, with the control of trade, the main attributes of any economic policy.

That being said, one can only be questioning when some people present the WTO as "the regulator of the world economy". If it was regulation we would expect to see progress on taxation and competition issues. Now it is not so, and it would be daring enough to pretend to think of going in this direction under the present conditions. The WTO is, above all, a body working towards deregulation, in the sense of abolishing public policies.

The renegotiation of the NAFTA agreement that recently involved the United States, Canada and Mexico provides interesting insights into the relative positioning of firms and states. If the interstate arbitral tribunal has been maintained, its counterpart, the state-owned arbitration court (ISDS) has been emptied of its contents: after a period of 3 years of transition, investors will have to turn to directly to the national legal authorities. This decision raises questions for ICSID (International Center for Settlement of Investment Disputes), a component of the World Bank since 1966 and based in Washington, which some people criticize as the lack of reciprocity: if companies can sue States the opposite is not possible.

**Recommandation : La hiérarchie entre les Etats et les entreprises doit être affirmée et respectée. Les choix démocratiques ne peuvent être remis en cause au nom de la protection d'intérêts particuliers, aussi conséquents soient-ils. Depuis sa création l'OMC a surtout été une machine à déréguler, il convient de mettre en garde ses promoteurs sur la fragilité du discours qui voudrait faire de l'OMC un « super-régulateur mondial ».**

## c) Rodrik's Trilemma

Economist Dani Rodrik, a professor of international political economics at the J. F. Kennedy School of Government at Harvard University, is arguably one of the leading specialists in economic development and globalization. In his book "The Paradox of Globalization", he argues that the nation-state, democracy and globalization can not come together at the same time. We understand here globalization as the unification of a world economy in the sense of Braudel.

Thus, for Rodrik, only two of these three forms of governance can coexist but, to the detriment of the third. In other words, in turn, the nation-state and globalization can not happen without a challenge to democracy, just as democracy and globalization are incompatible with nation-states and finally, the nation-state and democracy can not go hand in hand without questioning globalization.

This Rodrik trilemma is thought of as a framework for understanding the current return of nation-states. Because he has studied the economic development of countries like the "dragons" of South



East Asia, Dani Rodrik has come to theorize how these countries have achieved their development by taking important latitudes with the free-trade precepts .

Dani Rodrik pleads to give greater autonomy to nation-states to reconfigure the socio-economic equilibrium shaken by three decades of free trade. This would indeed be the way to stem the waves of discontent that besides the questioning of globalization will also translate into forms of questioning of democracy. The UNCTAD report quoted above says much the same thing: to give autonomy to the nation-states to find a "political space" sufficient for the proper functioning of the democracies, which will allow (re) finding the essential bases to inter-state cooperation.

**Recommendation : To think of globalization as the unification of an economy-world by the negation of nation-states will have been a mistake. The democratic imperative requires taking the time to reconfigure socio-economic equilibrium shaken by three decades of unregulated free trade, particularly in agriculture.**

#### d) The questioning of the adjustment by prices

Central to the strategy of the United States lies the imperative of rebalancing their trade balance. By the game of the foreign exchange market, rebalancing does not work because of the special status of the dollar. An idea currently in vogue in the United States, in economists circles at least, is to think that the rebalancing of trade balances should go through active mechanisms that would give market access to importing countries exporting countries with an equivalent monetary amount. Developed by Vladimir Masch, this' compensated free trade 'is reminiscent of the rationale behind Keynes' proposal from Bancor and the International Clearing Union.

If the country refuses to pay for market access, its exports would be blocked. This may seem surprising at first glance, because by dint of hearing arguments on the competitiveness of exports and the interest of having excess balances we would almost forget that our monetary system with variable exchange rate has the purpose of balancing continuously the trade balance of each country.

Criticism of the limits of price adjustment has also been expressed by the US desire to act and reduce overcapacity in steel production, particularly in China, which the Chinese have partly agreed to do (cf. supra) but does not seem to have understood the European Commission. Because of the large capital it mobilizes, agriculture can also be considered a heavy industry, even if the producers are much more fragmented, which limits the adjustment because the agricultural producers have no hope that fall in their production alone is reflected in a price increase (this is not the case for ArcelorMittal!).

It is sometimes forgotten, but at the heart of the Uruguay agreement was the priority of the United States to lower European grain exports, which led to the introduction of compulsory fallow in 1993. hence the fact that the blue box in the WTO has its raison d'être: it gathers aid paid to farmers in return for a reduction of 15% of production. Also, to really avoid triggering a protectionist spiral where it is mainly for the States to protect themselves from international prices too low, because affected surplus that we want to sell at dumped prices, it would be necessary to rehabilitate the reduction - more or less voluntary - exports and regain the spirit of the blue box that is a real answer to the limits of price adjustment.



**Recommendation : In heavy industries, such as agriculture, price adjustment does not work well. Reducing overcapacity is all the longer and more painful because it is not accompanied by measures to coordinate the reduction of supply. The European Union must play its part in managing imbalances in international markets and rehabilitating support conditional on production cuts (blue box) in a countercyclical logic.**

e) The WTO must fully be part of the 2030 Agenda for Sustainable Development Goals (SDGs) for food security

Adopted in September 2015, the Sustainable Development Goals (SDGs) were established by the UN Member States in the form of seventeen goals in Agenda 2030. The second goal is "Eliminate hunger, ensure food security, improve nutrition and promote sustainable agriculture".

Three means of action are explained. The first relates to developing countries: 2. (a) "Increase [...] investment ... to strengthen the productive agricultural capacities of developing countries ...". The second takes up the mandate of the Doha Round by focusing mainly on export subsidies: 2.b) "Correcting and preventing trade restrictions and distortions [...], including through the parallel elimination of all forms of subsidies to exports. agricultural exports ... in accordance with the mandate of the Doha Development Round ". Finally, the third refers to improving the functioning of agricultural markets: 2.c) "Adopt measures to ensure the proper functioning of markets for food and food by-products and facilitate rapid access to market information, including including food reserves, in order to help limit the extreme volatility of food prices.

So it would be desirable for the WTO to focus not only on 2.b) but also on 2.c). To use the usual vocabulary, this would make it possible to consider market failures alongside market distortions. We would be moving away from the current binary reasoning where public policies only distort the markets to consider that the markets are not functioning as well as in theory and that they need certain regulations to improve their functioning.

However, this can only be envisaged if the WTO regains its place and nothing but its place in international cooperation where multilateralism, particularly in agriculture and food security, is based on a broader base where different international institutions have to collaborate much more closely than today.

**Recommendation : WTO activity can not be disconnected from the 2030 Agenda of the SDGs. It must be interested in the functioning of the real economy where public regulations are essential to overcome the dysfunctions of the markets.**

f) Multilateralism or variable geometry agreements

Faced with the disengagement of certain partners and the limits of the consensus approach, the prospect of seeing agreements with variable geometry, sometimes called plurilateralism, is presented as an alternative. This makes it possible to engage the voluntary partners in a cooperative dynamic with the hope that the others will join them afterwards. That was the philosophy of the

Paris Climate Agreement because there was no hope of imposing anything. It is the dynamics that prevailed through the commitments that stakeholders themselves can make.

In his speech to the United Nations, however, President Macron indicated his wish to be able to refuse to sign trade agreements with states that do not respect their commitments in the Paris Agreement. In other words, if the stick option is not possible, the carrot option should be. Access to the European market could thus be conditional on commitments in terms of the protection of the environment, among others. With 440 million consumers (EU-27 post Brexit), the European market is indeed one of the main drivers of the global economy. Conditioning access would be a powerful vehicle to engage multi-lateral cooperation and allow a leveling up of production standards. The European Union, through its internal market, has an important leverage and therefore a responsibility to the same extent.

Multi-lateralism, however, requires a return to one of the founding principles of the WTO, that of non-discrimination or the "most favored nation clause". Historically this principle gave an incentive to countries wishing to join the GATT because it gave the same advantages as others in terms of access to the market. But if it is a matter of structuring cooperation based on conditionality to access to the market, it must be possible to give an advantage to those who collaborate. The central problem of cooperation is well known, that of stowaways ("free-riding"). By definition, however, the principle of non-discrimination makes it impossible to differentiate commercial policy between those who must be rewarded for their efforts and those who do not. If it is a question of deeply rethinking the rules of the WTO, changing it is fundamental. The possibility of taking production methods into account should also be discussed in order to encourage virtuous practices for the environment and the protection of resources in international trade.

**Recommendation : Multi-lateralism only makes sense if the principle of non-discrimination is challenged because it encourages non-cooperative strategies. With its domestic market, the European Union has the power to initiate ambitious multi- or multi-lateral strategies to initiate the economic transformations that the challenges of the 21st century demand, first and foremost the fight against climate change.**

#### g) Returning to commodity agreements and the spirit of the Havana Charter

Evoking the alternative of multi-lateral agreements is enough to awaken memories for specialists in agricultural policies and international trade in raw materials. As with most raw materials, international trade in agricultural products has in fact been structured by product agreements or agreements on commodities: the former date back to the 1900s, but it is mainly in response to the crisis of 1929 that they developed, and the last ones disappear in the 1990s.

In the case of wheat, no less than eight international agreements were signed between 1933 and 1971. The United States, the largest producer and exporter of cereals in the period, was the main player in these wheat agreements. The most ambitious agreement, that of 1949, renewed four times up to 1966, provided multi-year purchase and sale commitments of up to two-thirds of international trade at prices within a fairly narrow range. Above all, it committed the three exporting countries of the time, the United States, Canada and Australia, to have substantial stabilizing stocks. These

provisions were as many guarantees given to the importing countries that increased trade would secure their supply.

Despite a last attempt by the Carter Administration between 1978 and 1980, which unsuccessfully proposed a multilateral storage system financed by developed countries, the wheat agreements disappeared, particularly because of unfair competition of the European Economic Community which never entered the existing co-operation, and sold its rising surpluses by means of export subsidies. The following is known: by becoming the first exporter of cereals in 1983 to the nose and beard of the United States, which, they had a third of their agricultural area in fallow to regulate the international market, the Europeans had crossed the Rubicon and the Uruguay Round was their camisole.

Rehabilitating the agreements-products could thus be the means to reconnect with the spirit of the Havana Charter of 1948 which one of the chapters gave rise to the GATT. The Havana Charter is an important marker of the spirit of cooperation among sovereign states that should be found. It should also be noted that the control of monopolies at the international level was explicitly included in the objectives of the Charter.

It is important to keep in mind that for every product, 3 or 4 countries concentrate the bulk of exports. And on the side of the importers, it is mainly state-owned companies that manage the insertion in international trade of a large part of the least developed countries. The bases are thus there to see the emergence of multi-lateral agreements able to stabilize the exchanges and to leave the logic of commercial withdrawal that favors the extreme volatility of the agricultural markets.

**Recommandation : The stability of international agricultural markets must be treated as a common good. This justifies a discipline to avoid the strategies of stowaway, but this must especially require to define a political framework to encourage interstate cooperation with stabilizing aim. The agreements-products and the Havana Charter are all examples to rehabilitate on agricultural subjects but also those to plead the control of monopolies and the fight against tax havens.**

## h) Rehabilitate development strategies through agriculture, particularly in Africa

After having mentioned the major role that access to the European market and plurilateral agreements can constitute, we must remember the existence of agreements between Europe and the ACP countries (Africa, Caribbean, Pacific). They gave these countries privileged access to the Community market, all the more interesting because the prices at stake on the latter were more stable and higher than the international prices most often dumped.

The EU was then exporting the domestic stability of its regulated market. With the dismantling of the historic CAP from the 1992 reform, the trade preference granted to these countries gradually faded to the point of being called into question in the name of the principle of non-discrimination. What could be described as North-South interstate "fair trade" then gave way from the beginning of the 2000s to Economic Partnership Agreements (EPAs) with negative consequences for African countries, both in terms of terms of trade (they have become net importers of agricultural and agro-food products) and for the sustainability of their regional economic integration.

As for the CAP or for European trade policy, the crisis of economic multilateralism calls for an in-depth re-examination of current EU policy options. This review is essential to the credibility of the European Union's voice as an actor in overcoming the crisis of multilateralism and its legitimacy in participating in the definition of a new economic order which, failing that, will be imposed on it. .

While the migratory challenge is considerable, especially for Europe, and largely linked to African demographic perspectives that suggest that 40% of the world's population growth by 2050 will come from sub-Saharan Africa, it is essential to rehabilitate development strategies through agriculture. The industrialization / export scheme can not take the place of a single model of development. Population growth must be coupled with an improvement in the productivity of currently cultivated land but also the many cultivable areas to be cultivated. It is also a decisive stake to prepare the post-oil in a logic of overall development of the bioeconomy, in Africa as elsewhere.

This evolution requires moving out of unequal exchange and securing agricultural producers to start the virtuous circle of sustainable modernization. The agricultural development initiatives led by African countries are numerous and show that African leaders will be able to carry them out if the grip of agricultural prices is loosened and the sharing of value is less unequal for local productions, but especially for farmers. export products like cocoa for example. Making these hundreds of millions of farm families solvent is not only important to fight against the widening of inequalities, it is also the means to revive a potentially gigantic demand and therefore the development of activities all over the planet.

**Recommandation: The demographic, migratory, food security and climate change challenges call for rehabilitating development strategies through agriculture. The European Union, if it wishes to address the root causes of migration, must also rediscover its development policy for the African-Caribbean-Pacific countries, by helping to improve productivity and by reinforcing the initiatives of the developing countries. African leaders.**

i) **Creating a Global Food Security Council: a new foundation for multilateralism in agriculture and agri-food**

The development of international trade can not reasonably be regarded as a superior goal for the governance of world affairs. Trade is a means and not an end in itself. The preeminence of the WTO over other international institutions questions. We do not really talk about climate change and the SDGs. It will clearly be a matter of putting the WTO, with or without a DSB in a state of operation, on an equal footing with other international institutions in order to jointly address all the dimensions of agriculture and agriculture. food, food security and trade, climate change and the protection of natural resources, the migration challenge and endogenous development through agriculture.

Rather than create ex nihilo a new international institution integrating different dimensions, we recommend creating a pole of cooperation gathering means and skills from the major institutions concerned, among others, the World Bank, the WTO, the IMF, the UNEP, UNCTAD and of course FAO and IFAD. The IPCC, a joint initiative of the World Meteorological Organization and UNEP, should also have a special place. The aim is to have a task force aimed at evaluating and anticipating changes in agricultural commodity markets and at coordinating cooperation in order to facilitate the emergence of cooperation. between major geographical areas through better coordination between stabilizing and sustainable agricultural and food policies.

This World Food Security Council, attached in accordance with provisions to be determined by the UN Security Council, would set the political priorities for the work of the various international institutions. It will therefore be a question of going beyond the reform of the FAO Committee on Food Security (CFS) to move towards a form of flexible institutionalization directly related to the UN Security Council. The G7 and its extension to the G20 could also informally seize upstream of the most sensitive topics resituated in their global environment (food crises, conflicts, mass emigrations, etc.) and thus initiate discussions in the Food Security Council world.

It is a question of thinking differently about development strategies and international cooperation, because powerful factors of change come to prevail well beyond those prevailing in the 1990s:

- the population growth that will bring humanity to 10 billion men by the middle of the twenty-first century;
- the emergence of global economic powers with considerable productive, financial and political potential: China, India, Brazil, Indonesia, but also Russia, Iran, Mexico, not to mention the groupings regional organizations that will become stronger in the coming years;
- the ardent obligation to cope with accelerating climate change, the loss of biodiversity and the massive degradation of the environment;
- the persistence of a humanity in distress cohabiting with the beneficiaries of significant economic growth in emerging countries, the objective of SDG 2 is to reduce hunger in the world in 2030 when it affects another 821 million people in 2017;
- "developed" countries confronted on the whole with demographic stagnation and the aging of their population, of which a very small part now works in agriculture;
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- the volatility of agricultural prices which weakens the peasantry and feeds the rural exodus, especially in the poorest countries. This helps to form bubbles of poverty around third world cities that, far from offering alternative activities, become huge no-man's land, grounds for massive emigration and terrorism.
- finally, the often intense speculative pressures inflame or depress agricultural markets amplifying the price volatility that public policies try to fill or not according to the strategic objectives of each country

**Recommendation : Establish a United Nations World Food Security Council to organize the dialogue, particularly within the various agencies and international organizations, and prepare international cooperation on agriculture and food**

### 3) Conclusion

In his speeches at the OECD on May 31 and at the 73rd UN General Assembly on September 25, President Macron expressed his wish that France take its full part in resolving the crisis of multilateralism. References to sovereignty, nation-states and international cooperation are central to this and are geared to meet the collective challenges of the 21st century, with global warming in the first place.

As with the Paris Climate Agreement, it is about initiating a dynamic of change to be able to participate constructively in redefining a new multilateral order in a more multipolar world than ever before. . We are convinced that agriculture and food security are good subjects to structure a fertile reflection that can feed this process. The many historical examples presented in this note attest to this: agriculture and food security have always been at the heart of geopolitics.

The multilateral framework for agriculture is unsatisfactory. The food crisis of 2007/08 and its aftershocks have exposed these main limits and led to the blocking of the Doha Round. It is not enough to distribute aid independently of production in order for international markets to return to equilibrium. In addition, developing countries do not have the financial and administrative means to adopt these largely ineffective forms of agricultural support. The stability of international markets, such as global food security, must be seen as common goods and therefore require cooperation between major geographical areas.

It is tempting for the custodians of the status quo to deny the profound challenge that is being faced and to advocate for measures relating solely to the reform of the internal governance of the WTO or to think that the next US elections will solve the problem. current crisis. US concerns about global macroeconomic imbalances and the form of supranationality that the WTO wishes to take are to be taken seriously.

Thinking this new multilateral framework will also be useful for the European construction itself. It is not only for its agricultural policy that the European Union has positioned itself as the eldest daughter of the WTO. After an already meaningful Brexit, the European project that has largely melted into the globalist project since the 1990s is clearly at stake. The future of Europe will be closely linked to the capacity of its political leaders to think of the participation of the old Continent in a new multilateral order which would otherwise be written without it, mainly between the United States and China.

To hope for a voice, the European Union (and its member states) must not succumb to the response and defense of the old order at the risk of disunity and marginalization. The counterattack at the WTO in the case of Spanish olives on January 29, 2019 marks the entry of agricultural subjects into the trade war, which the European Union sought until then to avoid. In order not to be caught up in agricultural issues and to be credible in resolving the crisis of multilateralism, the European Union will have to leave the comfort provided by the WTO's agricultural rules.

On the other hand, the credibility of the European Union will be played out on its capacity to outline by bold political choices the bases of a new multilateral order that remains to be invented. GAFAM taxation and the fight against climate change are certainly part of this path. And access to the most interesting domestic market in the world will continue to be its main asset.

To stay on only agricultural and food security issues, France has an important card to play with the presidency of the G7 in 2019. It will be force of proposals to reform the agricultural software of the

WTO, as it will have to rely and to highlight the UN institutions dedicated to agriculture, FAO, and development, UNCTAD. Rehabilitation of commodity agreements may form the basis of new ways of cooperation. Creating a forum for political dialogue and regulation, which we named the World Food Security Council, would strengthen coordination among the various international institutions and help break the deadlock of the WTO.

Finally, the new trajectory of CAP reforms that the European Union will start after 2020 will be the best guarantee of its capacity to be an actress in the definition of a new international economic order as a factor of peace. This is a necessary step in the construction of Europe in order to take a decisive step in the political consolidation of Europe and its sovereignty.