

Cooper, Andrew Fenton

**Article — Digitized Version**

## Exporters versus importers: LDCs, agricultural trade, and the Uruguay Round

Intereconomics

*Suggested Citation:* Cooper, Andrew Fenton (1990) : Exporters versus importers: LDCs, agricultural trade, and the Uruguay Round, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 25, Iss. 1, pp. 13-17,  
<https://doi.org/10.1007/BF02924754>

This Version is available at:

<https://hdl.handle.net/10419/140221>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

Andrew Fenton Cooper\*

## Exporters versus Importers: LDCs, Agricultural Trade, and the Uruguay Round

*The agricultural trade issue in the Uruguay Round highlights the trend towards fragmentation among LDCs: the fundamental underlying differences between the interests of agricultural exporters and food importers are hard to reconcile. These differences are analysed in the following article.*

The idea that the less developed countries (LDCs) were emerging as a united entity in global affairs was an enticing one in the 1970s. Indeed, prompted by the South's determined challenge to the developed countries' (DCs) dominance over the global economy during that decade, many commentators went so far as to predict a new era in which the Third World would advance mutual goals through a collective bargaining strategy. The 1980s, however, have shown that it is easier to talk about Third World solidarity than to practise it. Instead of solidifying into a cohesive bloc the Third World has become increasingly fragmented with respect to its needs and interests vis-à-vis the new international division of labour.<sup>1</sup> Some LDCs, particularly those which may be labelled the economic over-achievers, have surged ahead with a go-it-alone economic approach. Others, particularly those with less bargaining strength in the international political economy (ipe), have relied more heavily on establishing or extending preferential trading relationships with DCs.

The role of the LDCs within the multilateral trade negotiations (MTN) presently in progress (the so-called Uruguay Round)<sup>2</sup> highlights the complexities of the intra-Third World relationship with regard to the ipe. This is especially true in relation to the highly significant – and controversial – agricultural trade issue. Amidst all the attention given to the approaches of the big two agricultural superpowers (the United States and the European Community),<sup>3</sup> another significant

development should not be overlooked. This is the evolving division between the leading export-oriented agricultural trading LDCs and the large food importers in the Third World; an internal split which has been made explicit by the establishment of separate groups representing the two sets of concerns within the GATT negotiations. As emphasised in this article, in terms of agricultural/food concerns, the Third World has come to express itself not with a single voice but in a formalised dualistic fashion.

### The Cairns Group

The best known of the two new groups involved in the GATT agricultural trade negotiations is the Cairns Group. Formed in August 1986 in Cairns, Queensland, Australia, this group has achieved some prominence in the Round. By the time of the Montreal ministerial meeting in December 1988, the Cairns Group was acknowledged as having become a third force in the negotiations over this issue-area, providing much of the requisite momentum for reform which the USA and EC were unable and/or unwilling to provide.

<sup>1</sup> Ankie Hoogvelt: *The Third World in Global Development*, Macmillan, London 1982, especially chapter 2 on "Political Responses: The Rise and Fall of Third World Solidarity".

<sup>2</sup> See, for example, Sada Shankar Saxena: *The Uruguay Round: Expectations of Developing Countries*, in: *INTERECONOMICS*, Vol. 23, No. 6, November/December 1988, pp. 268-77.

<sup>3</sup> Robert L. Paarlberg: *Fixing Farm Trade: Policy Options for the United States*, Council on Foreign Relations, New York 1987; Dale E. Hathaway: *Agriculture and the GATT: Rewriting the Rules*, Institute for International Economics, Washington, D.C. 1987.

\* University of Waterloo, Ontario, Canada.

The Cairns Group may be most aptly described as a mixed coalition.<sup>4</sup> The Group's membership (Australia, Canada, New Zealand, Argentina, Brazil, Chile, Colombia, Uruguay, Thailand, Malaysia, Indonesia, the Philippines, Fiji, Hungary) is extremely wide-ranging from an ideological, regional, and developmental perspective. It contains medium-sized DCs as well as LDCs, East bloc as well as Western alliance member countries, liberal democracies as well as authoritarian regimes.

Even the Cairns Group's LDC membership is extremely diverse. In hierarchical terms within the ipc, some (Brazil, Argentina, Chile, Uruguay, and Malaysia) are categorised by the World Bank as being upper-middle income countries. Others (Thailand, the Philippines, Indonesia, and Colombia) are listed as lower-middle income countries. Regionally, the Cairns group may be seen as covering a broad spectrum of Third World countries, with representation from Latin America, ASEAN, and the South Pacific.

The common feature of this wide-ranging group of

countries relates to economic structure, and above all their highly competitive, export-oriented agriculture. With respect to the Third World membership of the group, Table 1 shows that all of this sub-group of Cairns Group countries are world-class actors in international markets in at least one agricultural commodity. What is more, many of these same countries derive a very high degree of their total foreign trade receipts from agricultural trade (more than fifty percent in the cases of Argentina, Colombia, and Thailand).

Despite their competitive status, though, the Cairns Group's members found themselves severely constrained in their marketing activities in the 1980s. In particular these countries were hard hit by the illiberal trade practices of the USA and the EC. The long-standing concern with regard to the bilateral relations

<sup>4</sup> Andrew Fenton Cooper and Richard A. Higgott: Middle Power Leadership and Coalition-Building in the Global Political Economy: A Case Study of the Cairns Group and the Uruguay Round, paper presented to the Australasian Political Studies Association, Sydney, Australia, September 1989.

PUBLICATIONS OF THE HWWA-INSTITUT FÜR WIRTSCHAFTSFORSCHUNG-HAMBURG

Axel Sell

**INVESTITIONEN  
IN ENTWICKLUNGSLÄNDERN**  
Einzel- und gesamtwirtschaftliche Analysen

Using a case study as an example throughout the text, this book demonstrates in a fashion which is easy to follow, how information for the purpose of the appraisal of investments in developing countries should be presented. It is also demonstrated how planning data and documentation (liquidity plans, budgeted balance sheets etc.) to enable the internal estimation of project ideas should be prepared. A cost-benefit analysis is then developed step-by-step on the basis of financial analysis, taking account of basic working papers by the World Bank and UNIDO and with the aid of standard tables. This book not only enables the estimation of direct investments from both a micro- and macroeconomic point of view, but also allows the evaluation of purely domestic projects in developing countries. It is therefore likely to become an indispensable handbook for all development planners.

Large octavo,  
394 pages, 1989,  
price paperbound DM 59,-  
ISBN 3-87895-369-0

VERLAG WELTARCHIV GMBH – HAMBURG

between all of the Cairns Group countries and these major DCs related to the question of access, i.e. the restrictive import regimes in place within the EC and the USA themselves. To give just one example, largely because of EC restrictive practices, Uruguayan beef exports to the Community fell by two thirds between 1971 and 1982.

In the 1980s these trade tensions were compounded by a number of changes in the ip; most significantly the extension and eventual globalisation of the EC's Common Agricultural Policy (CAP). Whereas the Cairns Group countries in the past had been cushioned

somewhat with respect to their access difficulties vis-à-vis the major DCs because of their ability to expand in non-traditional markets, they now faced growing competition from the EC's own surpluses (surpluses subsidised by the system of export restitutions). Nor did the USA's retaliatory campaign against the EC, through the Export Enhancement Program (EEP) and other measures, help matters for the middle-sized and smaller agricultural traders. If the USA's intention was to defend the liberal economic system it did so by upping the neo-mercantilist ante in international agricultural trade.

The middle-sized and smaller agricultural trading countries, therefore, increasingly perceived themselves as the real victims of the farm tensions between the EC and the USA.<sup>5</sup> With many of their leading exports, including wheat, animal feedstuffs, rice, and meat, hard hit by the EEP, and without the financial resources to engage in a protracted campaign of agricultural subsidisation themselves, these countries had considerable motivation to band together in a coalition of "fair traders". The impetus to take collective action, it may be added, was especially great in the case of the Latin American debtor countries – as the servicing of that debt required among other things an expansion of sales of agricultural goods.

### The Food Importers' Group

The Cairns Group has undoubtedly acted as a useful bridge between developed and less developed countries. Yet, at the same time, the Cairns Group has also exposed the degree of differences in economic interests within the Third World. For, prompted by the high profile in the MTN by the Cairns Group, another group of countries with an important stake in the GATT Round has taken shape as well.<sup>6</sup> Initially (in late 1987) called the Food Importers' Group, and later the Net Food Importers' Group, this group has a core membership consisting of Jamaica, Mexico, Morocco, Peru, Nigeria, and Egypt, and an associate membership of South Korea, the People's Republic of China, and India. Although more loosely organised than the Cairns Group, the Food Importers' Group has been extremely vigorous in putting forth their own view with respect to the agricultural trade negotiations.

One way of looking at the Food Importers' Group is to

**Table 1**  
**Food Exports by**  
**Cairns Group LDC Members**

Country	Commodity	Value of Exports as % of Total Market Economy in 1984
Argentina	Wheat Unmilled	5.7
	Cereals Unmilled	23.5
	Maize Unmilled	7.5
	Sorghum Unmilled	28.0
	Oilcake	9.7
	Meat, Prepared, Preserved	6.2
Brazil	Apples	5.1
	Feedstuff for Animals	27.7
	Oilcake	47.2
	Fixed Vegetable Oil, Soft	16.9
	Meat, Fresh, Chilled, Frozen	7.4
	Meat, Prepared, Preserved	27.3
	Poultry, Fresh, Chilled, Frozen	29.4
	Sugar	9.9
	Coffee	39.7
	Cocoa	23.4
	Fruit, Preserved, Prepared	43.7
	Orange Juice	70.8
	Uruguay	Rice
Malt including Flour		2.9
Chile	Fruit	6.0
	Grapes, Fresh	23.7
	Feedstuff for animals	4.4
Colombia	Coffee	12.2
	Bananas	12.8
Thailand	Rice	33.1
	Maize Unmilled	4.2
	Other Cereals, Meals, Flour	7.4
	Poultry, Fresh, Chilled, Frozen	3.8
	Vegetables, Fresh, Simply Preserved	9.6
	Vegetables, Preserved, Prepared	3.8
	Sugar	2.3
	Fixed Vegetable Oil, Nonsoft	11.5
Philippines	Vegetables, Preserved, Prepared	2.0
	Sugar	2.9
	Bananas	7.9
	Processed Animal Vegetable Oil	4.1
Indonesia	Coffee	3.8
	Tea	10.2
	Fixed Vegetable Oil, Nonsoft	47.0
Malaysia	Processed Animal Vegetable Oil	7.4
	Cocoa	4.3
	Raw Beet and Cane Sugar	2.3
Fiji		

Source: United Nations, International Trade Statistics, 1986, Volume II, Trade By Commodities.

<sup>5</sup> See, for example, Philip B o w r i n g : Reaping the whirlwind, in: Far Eastern Economic Review, 11th September 1986, pp. 138-41; Shada I s l a m : Casualties of the farm wars, in: South, September 1985, p. 268.

<sup>6</sup> Sarah S a r g e n t : Big issues need "other" solutions as trade reform continues to flounder, in: Australian Financial Review, 14th January 1988, p. 10.

see it as the representative voice of the tropical, as opposed to the temperate, producers in the agricultural negotiations. Jamaica, it must be mentioned in this context, has not only been the most vocal of the FIG countries but has assumed the role of co-ordinator and spokesman of the group. This view is reinforced by the fact that tropical producer countries in general have expressed concern that their needs have been subordinated to those of the temperate producers in the MTN. There is, though, a significant flaw in this type of analysis. For, as Table 1 shows, many of the Cairns Group countries themselves have a substantial stake in tropical agricultural exportation. In a similar vein, several of the FIG members grow and sell temperate agricultural commodities. Both Mexico and Morocco, for instance, are important exporters of winter fruit and vegetables intended for DC markets.

It is more accurate to say that the FIG was born out of the intense feelings of fear and frustration among its member countries about their declining position within the ipe. As exporters, the FIG members felt that an accelerated shift towards trade liberalisation would benefit the low cost, highly competitive ASEAN and Latin American Cairns Group LDCs much more than themselves. The food importing countries, therefore, have tended to continue to place greater weight on "special deals" (through preferential trade arrangements, such as the Lomé Agreements) than on open markets.

The sense of fear and frustration among the FIG countries comes out even more clearly with respect to their role as importers. In theory these countries are fully aware that in the long run their best interests are served by the promotion of internal food self-sufficiency. But, in practice, they have recognised the short-term negative consequences associated with moving away from their dependence on imported foodstuffs; a perception reinforced by the fact that many FIG countries have been the beneficiaries of the export subsidisation practices by the USA and the EC. As such, it is apparent that any adjustment to a more market-oriented domestic agriculture in these countries will be slow, uneven, and difficult.

To appreciate the dilemma that these FIG countries face in this adjustment process a number of factors have to be taken into account. The first of these is the extent of the dependence that these countries have with regard to imported foodstuffs. Although there is some variation among the countries, as Table 2 depicts, a heavy reliance on external sources for the supply of basic foodstuffs is common throughout the group. Jamaica, the only country not listed in Table 2, is a substantial

importer (in dollar terms) of a number of agricultural products, including rice, maize, wheat meal or flour, poultry, and animal oils and fats.

The second factor that has to be taken into account is the immense economic constraints on the FIG countries in their efforts to reform their domestic agricultures. Internally, the major problem relates to the need for more efficient agricultural methods and improved infrastructure. Externally, the major source of concern remains the serious undercutting by the developed countries of LDC agricultural production through their export subsidisation programmes. Both sets of difficulties point to the necessity – in contradiction to liberal norms – for state support and subvention. As it is, the subsidies paid to the Mexican maize producers and the Nigerian wheat producers are among the world's heaviest.

The third and final factor that must be examined relates to the political sensitivity in the FIG countries with respect to agricultural reform. All of the Food Importers' Group members have been prone to political/social tensions and discontent in the 1970s and 1980s. In these circumstances, it seems clear that any adjustment drive (an integral part of which is a curtailment of both consumer subsidies and indirect subsidies through over-valued exchange rates) will provoke a backlash if it is accompanied by higher prices for food. This backlash will be particularly fierce among the urban poor, who inevitably suffer most from the short-term impact of the reform process.

**Table 2**  
**Food Imports by FIG Members**

Country	Commodity	Value of Imports as % of Total Market Economy in 1984
Egypt	Wheat Unmilled	4.5
	Wheat Meal or Flour	30.7
	Live Animals	3.9
	Butter	2.1
	Milk Dry, under 1.5% fat	4.0
Nigeria	Processed Animal Vegetable Oil	3.6
	Rice	2.7
	Milk, Cream Preserved	2.9
	Milk (Extra Dry) Preserved, Sweet	10.6
	Malt including Flour	9.7
	Sugar	2.5
	Mexico	Maize Unmilled
Cereals Unmilled		18.2
Sorghum Unmilled		25.4
Milk, Cream Preserved		2.2
Animal Oils and Fats		2.8
Morocco	Other Wheat Unmilled	5.8
Peru	Durum Wheat Unmilled	12.0

Source: United Nations: International Trade Statistics, 1986, Volume II, Trade By Commodities.

### Divergence in the Third World

The divergent needs and interests of the LDCs in the Cairns Group and the Food Importers' Group have shaped their contrasting approaches to the GATT agricultural trade negotiations. While both groups advocate fairness within the ipe, they tend to utilise different definitions of this concept. To the Cairns Group members, on the one hand, fairness in the agricultural trading system means consistent rules of the game – not one set of rules for the agricultural superpowers and another set of rules for the medium-sized and smaller trading countries. To the more economically vulnerable FIG members, on the other hand, fairness means the confirmation of differential sets of rules and obligations for DCs and LDCs.

This is not to suggest that the traditional Third World concern with special and differential treatment has been ignored by the Cairns Group LDCs. For the bulk of the Cairns Group countries, however, support for this type of treatment at the international level was put into the context of a timetable designed to increase national competitiveness, an idea criticised by the FIG countries for not going far enough to meet Third World concerns. What the FIG countries want as an alternative has been a broad form of financial compensation for the costs that would be accrued by them because of the process of structural adjustment, compensation encompassing both improved market access abroad and increased internal developmental assistance.

Reflective of their distinctive positions within the ipe, the Cairns Group and the FIG LDCs also utilise different means to achieve their goals. The Cairns Group LDCs (particularly Argentina, Brazil, and Uruguay) have become significant players in the agricultural trade negotiations. As such, they have been able to exert some considerable leverage vis-à-vis the specifics of those negotiations – a fact brought out by the move of the Latin American Cairns Group countries at the Montreal ministerial meeting to hold up the tentatively approved accords in other areas because no agreement was reached on agricultural reform.<sup>7</sup>

In contrast, the FIG members have remained considerably less influential actors in the decision-making process within the GATT negotiations. Nevertheless, this does not make them irrelevant to that process. If they have had little impact on specific decisions (even the concessions made by the major DCs on tropical produce, perceived in any case by the

LDCs as political gimmicks, have been insubstantial), they have made their presence felt by their vocal campaign to influence the wider environment in which these decisions are made. The Food Importers' Group countries have done this largely by presenting themselves as the conscience of the Third World – with a continuing commitment with respect to the establishment of a New International Economic Order.

The agricultural trade issue in the GATT Round highlights the trend towards fragmentation among LDCs, a fragmentation reflective of the new division of labour within the ipe. Because of their competitive status as exporters, the Cairns Group LDCs have emphasised the need for reform in agricultural trade in the MTN which rewards efficiency, a position which allows them to share a good deal of common ground with medium sized DCs in this issue-area. Alternatively, due to their high degree of sensitivity to change, the Food Importers' Group has strongly resisted reform of this type unless it includes some form of an equity-oriented quid pro quo which takes their needs and interests fully into account.

This duality of approach on the agricultural issue poses a number of difficulties for the Third World, albeit that up to now these difficulties have been muted largely because the LDCs have not allowed their divergence on the agricultural issue to mar their co-operation on other issues in the GATT negotiations. This is helped by the fact that several of the Cairns Group LDCs and FIG members associate effectively together in other groupings, such as the hard-line Group of Ten on services to which Brazil, Argentina, Peru, Nigeria, and Egypt belong. The maintenance of open communication lines between the LDCs in the two groups under discussion has helped in this regard as well. Indeed, the Cairns Group LDC countries and the FIG members held private talks together in Cairo, Egypt, just after the April Geneva meeting which completed the GATT mid-term review to discuss the progress of the negotiations.

Still, it must be reiterated that the fundamental underlying differences between agricultural exporters and food importers remain. Moreover, as the GATT negotiation process moves forward into the final phase of the MTN Round, which is scheduled to be concluded by the end of 1990, these differences may well be harder to reconcile, particularly if drought or other natural disasters result in a serious decline in world stocks of foodstuffs. Indeed, any worst case scenario along the lines of the 1973-4 food shock would turn the gap between the needs and interests of agricultural exporting LDCs and the food-deficient countries into a chasm.

<sup>7</sup> Financial Times, 9th December 1988, p. 1.