

Robert M.

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Internationalization, Globalization and Policy Making: The Case of U.S. Agriculture

Graham K. Wilson

La Follette School of Public Affairs and Department of Political Science,
University of Wisconsin-Madison

wilson@lafollette.wisc.edu



Robert M. La Follette School of Public Affairs
1225 Observatory Drive, Madison, Wisconsin 53706

Phone: 608.262.3581 / Fax: 608.265-3233

info@lafollette.wisc.edu / <http://www.lafollette.wisc.edu>

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Graham K Wilson
La Follette Institute for Public Policy
Department of Political Science
University of Wisconsin-Madison

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Globalization and Internationalization

Debate about the consequences of globalization and internationalization are no longer confined to academic journals. The riots in Seattle in 1999 during the meeting of the World Trade Organization (WTO), for example, illustrated dramatically the intensity of the opposition to further globalization that exists in the United States, if only among a minority of citizens.

Criticisms of globalization in the United States take several forms. Some are concerned that cheap imports, for example of textiles, from lower wage countries will result in unemployment; corporations will, *ceteris paribus* shift production to countries with lower labor costs. Others are convinced that competition between countries for investment and production will result in a *Race to the bottom* in which regulations protecting the environment, consumers and workers are eroded in order to lower costs and increase profits. These concerns generally overlap with a fear that power is slipping away from individual citizens and the governments they elect as the power of governments is dwarfed by the power of economic forces. Of course, these fears may be misplaced. Defenders of globalization argue that globalization has contributed powerfully to increases in living standards, allowing once poor countries such as South Korea to rise rapidly into the ranks of developed nations.

This paper does not address the debate about the economic consequences of globalization. Instead it uses a case study approach to examine the impact of globalization and internationalization on domestic policy networks and communities. Discussing this topic requires a degree of terminological clarification before proceeding further. The term *Aglobalization* is used here to refer to social and particularly economic forces that result from the greatly increased levels of international interaction B most obviously but not limited to trade and financial transfers

But that characterize the current era. The term 'internationalization' refers to the transfer from nation states to international organizations of decision making on policy or even judicial questions. The clearest examples of this process are to be found in the European Union whose members have agreed to make policy within its framework on a host of issues ranging from trade policy to environmental protection that were once domestic in character. Globalization results from the decisions of governments, for example to reduce tariffs and end controls on capital movements. Once unleashed, however, globalization like the broom unleashed by the Sorcerer's Apprentice, has a life of its own as the consequent economic forces are unleashed. Internationalization in contrast requires the affirmative action of governments, granting authority to an international body and, in general, approving its decisions. Yet, as we shall see, internationalization, like globalization, may also have unexpected, unintended consequences. The terms policy network and policy community are used in line with what is taken to be normal usage. That is, a policy network is composed simply of people and organizations that interact in the development of a particular policy. When these people and organizations are united by shared values and assumptions they become a policy community¹.

Internationalization has the more obvious and direct potential consequences for policy networks and communities. A particularly important criticism of bodies such as the WTO is that they reduce the prospects for democratic government. Decisions are either made by international bureaucrats or are made in smoke filled rooms by government officials representing nation

¹ R. A.W. Rhodes *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability* (Buckingham and Philadelphia: Open University Press, 1997.)

states but who are scarcely open to scrutiny or democratic accountability. Once deals have been made at an international meeting, the chances for revising or amending them are low.

Governments tell their legislatures that they reached the possible agreement and have won the greatest possible advantages in negotiations; it is hard for people not party to the negotiations to assess the validity of these claims. Countries are also reluctant to repudiate agreements to mollify domestic critics because doing so reduces both the credibility of a country in future bargaining and the willingness of other countries to make agreements with it. States naturally want to be sure that agreements reached with each other will be ratified. In consequence, it is hard to make international agreements subject to the normal processes of scrutiny and accountability that apply to domestic policy making.

The international organizations within which most agreements are made and not themselves merely value free frameworks for making decisions that simply reflect the prior attitudes and interests of national governments, themselves probably responding to their domestic constituencies. Governments may be pressured by each other into making international agreements with domestic consequences that could never have been achieved through the normal operation of domestic policy networks; the decision by the Italian government to reduce its large budget deficit in order to obtain membership of the single European currency (the Euro) is a case in point. International organizations may also have their own biases and value systems so that the balance of power between values and interests domestically is different in the international setting than it is domestically. We often argue in political science that to change the forum for decision making can be to change the outcome; this is at least as true in shifting policy making

from a domestic to an international forum as it is to shift from one domestic forum to another.² Internationalizing decision making can also result in a policy goal being sacrificed to another, undercutting the political strength of members of the established policy network supporting it. Most international agreements involve bargaining. A decision by a country to make a concession on, for example, fisheries policies in order to gain a concession from another country on, for example, air transport policy may result in a policy change that was politically unimaginable so long as the issues were confined within the domestic fisheries policy community.

² On the instability of domestic policy networks, see Frank R Baumgartner and Bryan D Jones *Agendas and Instability in American Politics* (Chicago: University of Chicago Press, 1993.)

Yet domestic political actors and policy networks are clearly not immobilized by internationalization. Domestic opponents of international agreements sometimes triumph, as in the comparatively recent repudiation of the Kyoto Agreement on global warming by the United States. On other occasions, national leaders may secure domestic endorsement of the bargains they have made but at a cost that is extremely high politically. Thus John Major returned from Maastricht proclaiming that the agreement he had made with other members of the EU was a game, set and match³ for Britain. Yet a strong case can be made that the struggle that Major was forced to undergo to secure adoption of the Treaty of Maastricht by Britain over the opposition of members of his own party weakened Major irretrievably. National political leaders such as Major are more typically involved in what Putnam has termed a two level game³ in which they calculate simultaneously the advantages and disadvantages that an outcome will have in both the international game³ and the domestic political game.³

Though Putnam's two level game analogy is valuable, it is inadequate. There is not a single domestic or international game but rather numerous games overlapping games originating in the different policy areas. International and domestic games do not remain distinct either. Domestic political interests seek allies in the international environment and from international institutions while international institutions seek to mobilize domestic support for both specific policy proposals and their general legitimacy. British unions have hoped to obtain from the EU labor policies they could not gain in the UK, while the EU has hoped that grants it makes for

³Robert D Putnam "Diplomacy and Domestic Politics: The Logic of Two level Games" *International Organization* 32 (1978) 881-92.

infrastructure and regional assistance will result in greater popularity in member states. Interests that are likely to lose domestically are likely to favor transferring policy making to an international setting where they have more prospects for victory; those who are confident of victory domestically but are fearful of defeat internationally are likely to oppose such a shift. Additional complexity results from one of the most common consequences of internationalization and globalization. Issues are re-defined in ways that result in the overlaying of a new policy network on top of an established and functioning domestic policy network, possibly resulting in conflict within a policy network replacing consensus. A striking example in the United States has been the way in which WTO action against non tariff barriers to trade has resulted in what had previously been considered environmental issues being redefined as trade issues with an entirely new, and international, policy network appearing that overlaps the previously entirely domestic environmental policy community. Globalization and internationalization not only insert new actors into policy networks but redefine the nature of the issue often to the bewilderment of long established members of the network. What was once a purely environmental issue is now redefined as environmental/trade or even purely trade. Destler and Balint provide a nice summary of the resulting lack of mutual understanding among members of the new policy network.

Trade liberalizers and their new [environmentalist] challengers come from different ideological universes with different languages, cultures and objectives. The two groups have learned that they can no longer ignore each other. But given their disparate world

views, mutual trust and common purpose remain elusive, further complicating steps towards communication and compromise.⁴

We may summarize the discussion so far by saying that the internationalization of issues has three possible consequences for domestic policy networks. First, internationalization may admit new actors to the policy network. Government agencies not previously involved become so; foreign offices, for example, find themselves involved in detailed industrial issues because they have implications for trade policy. Interest groups become involved because they fear that failure to make progress on an issue that normally does not concern them may cause a lack of progress on a matter about which they care a great deal. Second, internationalizing an issue may transfer the locus of decision from an institutional setting highly favorable to an interest to a setting that is much less so. For example, if an interest group was involved in a classic iron triangle relationship with decision makers but found that its policy concerns were now a major issue within the WTO, the locus of decision making might have been transferred to a much less favorable setting. Obviously, interests may similarly gain from such a venue change. Third, the internationalizing of an issue may change the preferences of actors involved in an issue. Circumstances may be sufficiently different that interests and governments that had favored a policy domestically may see themselves as losers if the policy is applied more broadly and internationally. It is expected that if the EU expands to include Poland and Turkey, for example,

⁴I. M. Destler and Peter J. Balint *The New Politics of American Trade: Trade, Labor and the Environment* (Washington DC: Institute for International Economics, 1999.)

French support for the current Common Agricultural Policy (CAP) will decline precipitously as France became a heavy net contributor to the CAP rather than beneficiary of it. Finally, internationalization may also be a constraint on policy networks. Policies that would find favor with a domestic policy network may now simply be excluded by the rules and laws of an international organization that a country has joined. Critics of the World Trade Organization (WTO), for example, argue that its rules invalidate a range of environmental and social protection measures that member states would otherwise adopt. In the United States, the decisions of the WTO in the shrimp/turtle case attempting to invalidate American policy under the Endangered Species Act were seen as threatening a whole range of environmental policy regulations.

Assessing the impact of internationalization on policy networks is complicated by the fact that domestic policy networks are not themselves necessarily static or stable.⁵ New actors may enter a policy network as they realize that changed circumstances now make the policies discussed relevant to their interests. The creation of new interest groups or the strengthening of groups that already exist may result in them entering policy networks that were once stabler and more narrowly constituted. Institutional changes such as the dispersion of power in Congress in the 1970s, increased opportunities for interest groups to use the courts and statutory requirements for more participatory forms of decision making can result in changes in policy networks. It is commonly argued that there has been a general trend away from iron triangles of fixed alliances between agencies, Congressional committees and a single interest group towards broader and more malleable policy networks. It is important, therefore, not to assume that

⁵ See Baumgartner and Jones *op. cit.*

domestic policy networks are stable unless disrupted by the internationalization or of a policy issue but are likely to be evolving for purely domestic reasons. This evolution may be encouraged or impeded by internationalization.

What might we expect to be the impact of globalization on policy networks?

Globalization is primarily a constraint. Policy makers, if globalization is indeed a major force, may find that they cannot afford to take a policy step that they might otherwise have pursued. A classic hypothetical formulation of the argument of the race to the bottom would be that a government sincerely wished to adopt a social reform such as reducing the work week or extending a benefit such as paid maternity leave but under conditions of globalization decided not to do so because the costs in terms of employment and investment would be too high.

Globalization, like internationalization, may also change policy preferences. A government might decide, for example, that prior to globalization it wished for political or social reasons help an industry remain viable by restricting its output and subsidizing its producers in order to keep them in business. After globalization, the same government might instead prefer to maximize production for that industry assisting it to gain access to markets in other countries.

Agriculture As A Case Study

Agriculture provides a particularly interesting case study for studies of the impact of internationalization and globalization on domestic policy networks.

Agriculture has been intimately connected with national government for seven decades, and somewhat connected for longer. The Agricultural Adjustment Act of the New Deal placed government at the center of decisions about the prices, and therefore output of major agricultural

commodities. Farmers have long received a significant proportion of their incomes either in grants from the federal government or through government manipulation of markets to raise prices. It has been noted by some writers on globalization that trends towards globalization have not been unilinear; national markets became much more important compared with world markets between the two world wars than early in the century; only recently has trade dependence in the United States returned to the levels of the early century. Agriculture provides an excellent example of this general point. The nation state, not world market prices, determined the prosperity of farmers from the 1930s until century's end. The United States has been far from unusual in this, of course. Most advanced industrialized democracies have protected and subsidized their farmers; the European (EU), for example, subsidizes farmers to a significantly higher level than does the United States.

Not surprisingly, in consequence agriculture has been closely connected with government politically. Indeed, it has been common to refer (usually simplistically) to the relationship between farmers and government as the prime example of ability of a special interest to dominate public policies that affect it. A large number of interest groups representing farmers operate in Washington, the agriculture committees of Congress are dominated by legislators from rural America, presidential candidates have been surprisingly attentive to farmers given what a small proportion they are of the US population and the US Department of Agriculture (USDA) has defined its role primarily in terms of assisting farmers (rather than, say, consumers.) Although we shall challenge this perspective later, it is worth noting that agricultural policy has generally been portrayed as the result of a classic iron triangle.

However, world agricultural markets have long been highly interconnected. Commodities were transported over long distances from the nineteenth century onwards; Britain became dependent on food supplies from numerous continents (wheat from Australia, Canada and the United States, meat from New Zealand and Latin America, and even dairy products were transported from New Zealand.) In short, the problems of developing efficient and cheap long distance transport for even perishable products were overcome. Commodity exchanges (the Chicago Board of Trade, the Liverpool Cotton Exchange) provided settings for fast and low cost trading of futures as well as existing stocks. Transaction costs in agricultural markets have long been low.

Agriculture has therefore long existed in a curious and interesting tension between its dependence on the policies of nation states and the highly integrated nature of world markets for agricultural products. We are now witnessing not the creation of world markets in agriculture but attempts to increase their importance by diminishing the role of governments in promoting and protecting agriculture thus increasing the relative importance of markets versus states.

The Evolving Agricultural Policy Network

As noted above, even entirely domestic policy networks are over the long term changing, not static in nature. Periods of relative stability are followed by periods of change. The agricultural policy network is no exception. It is possible to identify at least three major periods in the history of this policy network since the rise of intensive government involvement in agriculture. These periods may be summarized as the era of subgovernment from the early 1930s to immediately after the Second World War, the era of partisanship from the late 1940s until the

1970s and the era of fragmentation thereafter. In this categorization I am close to Hansen⁶ although my interpretation of the later periods is somewhat different.

The creation of an agricultural subgovernment began with the forging of an alliance between the American Farm Bureau Federation (AFBF.) and mid western farm legislators in the 1970s and with southern legislators in the 1930s. The alliance supported the adoption and maintenance of the agricultural subsidy policies adopted under the Agricultural Adjustment Act of the New Deal that remain on the statute books to this day, though generally superseded by legislation that is enacted for a fixed period. This period, which began during an intense recession for almost all aspects of US agriculture, also included a very prosperous period for farmers during the Second World War when anything that could be produced could be sold. This period also shaped the way that many political scientist thought about agricultural policy making for many decades after the situation had changed; an interest group (the AFBF) in alliance with congressional committees dominated by legislators from rural America and the relevant government agency, the US Department of Agriculture (USDA) promoted policies that were highly beneficial for its members, though not necessarily the public interest.

⁶ John Mark Hansen *Gaining Access; Congress and the Farm Lobby 1919-1987* (Chicago: University of Chicago Press, 1991.)

In the second period, however, which began in the late 1940s, an era of intense conflict between the political parties began; during this period each party had the support of one or more agricultural interest groups.⁷ The era of party conflict began with emergence of the problem of surpluses. With the exception of the Korean war years, American agriculture produced more than could be sold at government guaranteed prices. The Democratic solution to this problem initially set out in the Brannan Plan was to make government payment to farmers conditional on effective production limits. The Democrats who favored this solution received the enthusiastic support of a coalition of farm groups led by the National Farmers= Union (NFU.) Meanwhile, the AFBF underwent a profound change in its policies. New leadership from the mid west committed the organization nationally to the elimination of production controls, even at the cost of the abolition of subsidies. These policies were supported enthusiastically by congressional Republicans (including those from rural areas) and Eisenhower=s Secretary of Agriculture, Ezra Taft Benson. As Hansen notes, the AFBF paid a price in terms of its legitimacy for supporting policies that would have reduced farmers= incomes substantially. Republicans also paid an electoral price in rural American, particularly in the 1958 mid term elections. Yet in the 1960s, an alliance of the Democrats in Congress and the executive branch with the NFU was unable to push through

⁷ Graham K Wilson *Special interests and Policymaking: the Politics of Subsidizing Agriculture in Britain and the United States* (Chichester and New York: John Wiley and Son, 1977). See also Adam Sheingate Agricultural retrenchment Revisited: issue Definition and Venue Change in the United States and European Union@ *Governance* **13** (2000) forthcoming.

legislation that would have placed the subsidy programs on a more stable basis by limiting production effectively.

The third period from the late 1960s until the present involved the most confusion or fragmentation. Browne has described this era as one in which constituency oriented legislators of both parties were highly responsive to the specific needs of the farmers they represent.⁸ Hansen's account of this period stresses the decline the agricultural policy subgovernment as consumer interests disturbed by the rapid rise in food prices in the 1970s were less willing to tolerate policy being made in the interests of farmers by their elected representatives and interest groups. Hansen's account is no doubt partially correct. Yet other factors came into play and for reasons that we shall explore shortly, Hansen's expectation that agricultural subsidies would be endangered was hard to reconcile with the high level of agricultural subsidies that prevailed throughout the 1980s, a level that was all the more striking given the general interest in reducing nonmilitary government expenditures in that decade. A number of interests not noted by Hansen were relevant. First, increasing differences emerged between agricultural interests. The limited capacity of agricultural peak organizations to speak for agriculture as a whole was further eroded and commodity associations representing wheat, corn, cotton, soya beans et cetera became more prominent. Second, a regional realignment in the South brought Republicans into Congress from districts and states that had traditionally supported extensive government involvement in agriculture. The chairman of the House Agriculture, Steve Roberts (D., Kansas) never hesitated to remind his colleagues of the price the party had paid in rural districts the 1950s by seeming

⁸ William P Browne *Cultivating Congress: Constituents, Issues and Interests in Agricultural Policymaking* (Lawrence: University of Kansas Press, 1995.)

anti farmer; Roberts contended that 24 of the 33 freshmen House Republicans who had helped the party capture the Chamber for the first time since 1954 were dependent on rural support.⁹ Finally, the constant budget crises of the 1980s reduced the autonomy of agricultural policy making networks. Agricultural policy makers faced regular demands for savings in the costs of subsidy programs, and were always aware of the declining share of farming in total employment in coping with these pressures. By 1980, employment in agriculture was only 4% of total employment, and by the end of the century the figure had fallen below 2.5%.

Although the character of the policy network varied and although conflict within it was too intense for us to say that a policy community emerged, an important continuity should be noted. First, the agricultural policy networks were distinctively agricultural. Policy emerged from the clash between the conflicting interest groups, the USDA led by people of very different views depending on whether the Democrats or Republicans were in office and the rural legislators, again often deeply divided on party lines, who dominated the congressional agriculture committees. Both sides in this conflict recruited allies from outside the network, often through implicit or explicit bargaining as when the rural Democrats in the 1960s offered to support food stamps in return for the votes of urban Democrats in support of wheat and cotton subsidies. Non agricultural actors including the Office of Management and Budget generally made little impact. There was much fighting within the agricultural policy network but the fighting was organized within the family.

⁹ David Orden, Robert Paarlberg and Terry Roe *Policy Reform in American Agriculture: Analysis and Prognosis* (Chicago: University of Chicago Press, 1999) p 181.

The Internationalization of Agricultural Policy Making

Agriculture became part, indeed a central part of world trade negotiations. During the Uruguay Round of GATT, agriculture was a central issue in negotiations between the EU and USA, and only after agreement was reached on agriculture was the trade round as a whole agreed in the Blair House negotiations between the USA and EU. The Uruguay Round covered such crucial aspects of agricultural policy as the type and level of subsidies that could be maintained. In general, subsidies were supposed to be transformed into tariffs and their level reduced from that prevailing in the mid 1980s while other payments to farmers for environmental or social policy purposes had to be inside the green box,² that is not distorting trade and production levels. Agriculture appeared to have experienced a classic example of a policy network being overtaken by internationalization. Agriculture was also an important factor in the negotiations for the North American Free Trade Agreement although disagreement was less intense because in general American and Mexican agriculture are complimentary not in competition with each other. However, as we shall see, where the two agricultures did compete with each other, an interesting story unfolded.

US Interests and Globalization

It would seem obvious that the US as a whole and even US farmers would have an interest in reducing government protection of agriculture once the issue was internationalized for a number of reasons

First, US agriculture has a high dependence on exports. American agriculture is generally regarded as highly efficient and likely to increase its share of world markets even further if agricultural trade was liberalized. As Table 1 shows, exports are a high proportion of total production of certain commodities and the US accounts for a high proportion of total world trade in those commodities.

Table 1 about here

These include of course only a limited number of commodities, though they are produced in geographically diverse regions. The table does illustrate, however, how important are export markets to US farmers. To the degree that US subsidy policies by restricting production or by government purchases of output drive up the price, US farmers are disadvantaged in world markets. To the degree that the US government stimulates production by payments to its farmers, it helps drive down world prices thus reducing market receipts for farmers. It seems reasonable to assume that the US would gain market share by liberalizing world agricultural markets unless, of course, it could be argued that US farmers were maintaining their current situation through higher subsidies than farmers in other countries receive. This appears not to be the case. Though American farmers are often subsidized and protected, other farmers are protected even more. The USDA Economic Research Service (ERS) estimated in the late 1980s prior that prior to the Uruguay Round European and Japanese farmers were both more highly subsidized than American farmers. A Table 2 shows, this situation seems to have persisted up to through the mid 1990s when the Uruguay Round was completed.

Table 2 about here

It could be argued that so long as American farmers were subsidized sufficiently through programs such as Export Enhancement Payments (EEP) to offset subsidized competition from overseas farmers, they had nothing to lose. However, this risky political situation contrasted with the near certainty that US farmers could increase market share under trade liberalization.

Figure 1 about here

As Figure 1 demonstrates, American farmers have been less subsidized than their equivalents in other countries and could therefore expect to benefit from market liberalization. For the US as a whole, competitive subsidization was even more clearly disadvantageous and multilateral agreement to phase out subsidies could be expected to both save the US money and increase its market share.

Policy Processes

The commonly accepted story of US trade policy is that because Congressionally dominated trade policy making had produced a riot of protection for domestic industries contributing to the world wide recession of the 1930s, power was transferred to the Executive. Negotiations are carried out on behalf of the US by a Presidential appointee, the US Trade Representative whose geographic proximity to the President (just across the street from the Old Executive Office Building) illustrates the fact that this is someone who speaks for the President. USTRs have sometimes been people who are personally close to the President. Most have been very experienced political operators such as Robert Strauss and Bill Brock, both of whom had served as chairs of the Democratic and Republican Committees respectively. Agreements made by the USTR were guaranteed expedited consideration by Congress with an Aup or down@ vote

and no amendments allowed, a procedure that has no equivalent in domestic policy. This procedure was intended to minimize the capacity of Aspecial interests@ to thwart trade policies that were good for the nation as a whole even if harmful to particular industries= this is, of course, what supporters of trade liberalization expect to be the usual situation.

We might have expected, therefore, that as agricultural subsidies became a central issue in both the NAFTA and Uruguay Round negotiations, the issue network would have been changed in ways disadvantageous to the continuance of subsidies. The USTR is obviously responsible for making trade agreements that benefit the economy as a whole. The USTR is also expected to reflect the policies of the President and all US Presidents since the Second World War have favored trade liberalization. Indeed, the US was a driving force behind the Uruguay Round and the creation of the WTO. Congressional ratification of trade agreements made by the USTR also followed a script that changed the policy network for agriculture in a manner apparently disadvantageous to agriculture. As we have seen, fast track procedures - allowed no room for amendments. Fast track procedures also removed the Congressional Agriculture committees, the fulcrum or rural influence in Washington, from their privileged position in policy making.

Yet in practice, agricultural interests retained important opportunities for influence in a graphic illustration of how internationalization of an issue is more likely to change a policy network by adding new actors than by removing old ones. In the case of the NAFTA negotiations, agricultural interest groups had numerous opportunities to comment on agreements during and after negotiations. The USTR was required by law to have an Agricultural Policy Advisory Committee and ten ATACs (Agricultural Trade Advisory Committees) evaluated the

impact of the agreement on specific commodities. Members of these committees could call on the support of Representatives and Senators from areas where a commodity was produced and found the support they received from legislators superb when needed,¹⁰ as we would expect from American legislators with their emphasis on constituency service. Most importantly, however, Congress retained a final say both over specific agreements and over the decision on whether or not Presidents should continue to have fast track authority. Particularly in the case of NAFTA, this power allowed agricultural interests to extort protectionist concessions in return for the much needed votes of the members of Congress from areas in which trade vulnerable crops (such as citrus fruit and vegetables in Florida) were produced. Orden concludes that

For agriculture, in particular, attaining freer trade with Mexico under NAFTA accomplished only a small percentage of the goals sought eventually through GATT. Progress, to be sure, but at such a rate as perhaps to be negligible unless the agreement with Mexico becomes the prototype for a multilateral trade liberalization in the long run. This is the outcome that protected agricultural interests claim to fear but have so far avoided.¹¹

¹⁰David Orden "Agricultural interest Groups and NAFTA" in Anne O. Krueger (ed) *The Political Economy of US Trade Policy* (Chicago; University of Chicago Press, 1996.)

¹¹ Ibid p 381.

As Orden suggests, it would have been reasonable to expect the inclusion of agriculture for the first time within the negotiations for the Uruguay Round of GATT to produce substantial change. Two of the dominant economic powers within GATT, the USA and the EU, were facing significant budgetary problems. The costs of the subsidies both paid farmers to facilitate sales in overseas markets (known in the US as the Export Enhancement Program) were causing concern. In the case of the United States, eager to overcome the barriers to trade caused by the Common Agricultural Policy (CAP) of the EU, it was particularly important to seem to be genuinely open to liberalization in agriculture lest the US be accused of self-serving hypocrisy in its position. The overall role of the United States in the negotiations was to push forwards not only to lower tariff barriers but also to involve issues other than tariffs in trade negotiations and eliminate non-tariff barriers to trade. Agriculture seemed to meet all these criteria.

The United States began the Uruguay Round as we might have expected, proposing that all production and trade-distorting subsidies be phased out within ten years. Yet this approach did not last long. Indeed, supporters of farm subsidies used the negotiations as a reason to *increase* farm subsidies as a means of increasing pressure on other countries to liberalize! Senator Leahy characterized proposals to cut subsidies as *telegraphing unilateral disarmament*.¹² As Orden, Paarlberg and Rowe commented, 'The international negotiation was thus producing plenty of synergistic linkage in the United States but it was mostly negative rather than positive from a farm policy reform viewpoint....farm lobbies were instead using the negotiations as an added pretext to avoid domestic subsidy cutbacks and even as a means to seek larger subsidies.'¹² Later,

however, during the last months of the Bush Administration, a complex series of events propelled the GATT talks towards a conclusion that did appear to involve a measure of agricultural subsidy reform. Two important changes seemed to be agreed. The first required prohibitions or limits on agricultural products to be converted to Bound tariffs (which cannot be increased without the agreement of other countries and a reduction in their tariffs of 36% made over six years. The second provided for a further 20% reduction in trade distorting domestic farm subsidies. Yet the Uruguay Round promised more than it delivered. Not all subsidies were covered in the agreement. The GATT negotiators came up with a three fold categorization of subsidies which they called the amber box for trade distorting subsidies, the blue box for subsidies such as deficiency payments that were said not to be trade distorting (but clearly affect production levels) and a green box for subsidies to farmers on social policy grounds such as maintaining the countryside that are said not to distort trade or production. Only subsidies in the amber box were to be reduced. Moreover, the significance of the reductions achieved was further diminished by creative accounting in signatory countries in calculating the baseline from which reductions were to be made. In consequence, although some countries are higher than others in the level of subsidies they provide their farmers according to the agreed measure (Aggregate Measure of Support of AMS) all are safely within the agreed targets. Orden, Paarlberg and Roe concluded that seven years of GATT negotiations at home had done little to diminish or dilute the power of U.S. farm lobbies at home.¹³

Why had expansion of the domestic issue network to include actors such as the USTR and the White House had such little effect? The answer lies in the fact that expansion of the domestic policy network to include other, apparently less sympathetic actors and broader, more

national interests did not strip away the power of actors in the domestic network. This power could be asserted in a variety of ways. First, American negotiators were placed under great pressure to settle trade issues before fast track authority expired at the end of 1993. As fast track authority has not been renewed since, it was appropriate for American negotiators to take this issue seriously even though they were obliged to back away from radical positions, for example on agriculture. Second, procedures adopted to help end the US budget deficit stood in the way of ratifying the Uruguay Round. In brief, a special majority of 60 was required in the Senate to over-ride a rule (Pay as you go) requiring expenditure cuts to compensate for a reduction in government revenues from tariffs and a simple majority to over-ride this rule in the House. Threats from rural legislators such as seventeen of the eighteen members of the Senate Agriculture Committee to vote against a resolution to over-ride the pay as you go rule if agricultural subsidies were reduced gave the Administration good grounds for making concessions to agriculture. In the end, the cooperation of rural legislators was obtained with the aid of a letter co-signed by the Secretary of Agriculture, Mike Espy and the Acting Budget Director, Alice Rivlin promising to maintain expenditure on agriculture. Internationalization had expanded the policy network but had not ended the power of domestic agricultural lobbies to protect their interests.

An Ironic Domestic Footnote?

It seems ironic after the failure to bring about fundamental change in agriculture in the context of internationalization that domestic politics appeared to have brought about just such a result. The stunning Republican victories in the 1994 mid term elections were followed by the

Federal Agriculture Improvement and Reform (FAIR) Act. The Act appeared to promise the phasing out of all subsidy programs over seven years in what is termed in agricultural policy circles as a cash out.¹³ In return for increased payments to farmers during the transition period, subsidy payments and production limits would be phased out. The payments set were decoupled¹⁴ from prevailing market conditions. The *Congressional Quarterly* summarized FAIR by saying "The new law did away with the decades old policies of issuing subsidies when market prices dropped and requiring farmers to plant the same commodities every year." It quoted the chairman "From now on the federal government stop trying to control how much food, feed and fiber our nation produces...Farmers will be producing for the market rather than being restricted by federal government supply controls for the first time since the Great Depression."¹⁴

The forces driving this radical change appeared to show the transformation of policy consequent upon the expansion and transformation of a policy network. In particular, the 1994 mid term elections gave power to a strong, centralized and ideological leadership in the House of Representatives under Speaker Gingrich committed to cutting government expenditures and promoting the use markets. This centralized leadership threatened to displace the normal methods of policy making either by imposing policy made by the leadership through the budgetary process or through changing the leadership of the House Agriculture Committee; Gingrich had departed on several occasions from the usual rules of allocating chairmanships through seniority in order to facilitate the progress of his *Contract With America*. We might suppose that the old agricultural policy network had been successfully disrupted not so much by the forces of internationalization as of domestic politics, even though the coincidence of reform in the United States with reform elsewhere prompted Coleman, Atkinson and Skrogstad to see

evidence of a form of intellectual globalization at work: the battle of ideas had been won by liberalizers world wide.¹⁵

Yet once again, the old agricultural policy network may be more resilient than was realized at the time. The FAIR Act was not necessarily the radical change it seemed. We should note first that it resulted in an *increase*, supposedly temporarily in payments to farmers. Second, the Act coincided with a period of rising prices when farmers and the legislators they help elect are more susceptible to arguments about the joys of freedom to farm rather than subsidies than during periods of falling farm incomes. Finally, the wording of the FAIR Act insures that Congress will have to pass further legislation by the end of 2002 when the FAIR Act expires; otherwise the original New Deal legislation, which everyone agrees is totally unworkable, would come back into force. All the signs are that Congress is already moving towards restoring, not ending, farm subsidies, even while the Republican, pro free market majority still has a majority in the House. In 1998 and 1999, Congress provided over \$14 billion in additional emergency aid to farmers as prices fell. The conservative *American Spectator* complained that "Nothing better symbolizes the collapse of Republican principles than the multiple farm bailouts Congress has passed since July [1998.] Agricultural subsidies are sky rocketing and the 1996 Freedom To Farm Act - ritually invoked as a triumphant achievement of the Republican Revolution may soon be....in ruins."¹⁶ In 1999, farm subsidies were estimated to cost 41.4 billion, double the amount spent prior to the adoption of FAIR in 1995.¹⁷ The old agricultural policy network was, in short, as adaptive to disruption from domestic political actors (Republican Party leaders with

an ideological antipathy to farm subsidies) as it was to disruption from internationalization.

Perhaps the explanation was similar.. As Orden, Paarlberg and Roe argue,

A...it was the relatively large numbers of House Republicans who still cared about farm programs, together with the relatively small savings that agricultural cuts could provide, that finally persuaded the House leadership to yield (including even Majority Leader Dick Armey, earlier the most vocal of opponent of farm programs in the entire Congress.) House Republican leaders knew the real budget battle of 1995 would take place over the much larger issues of tax cuts, welfare and health care entitlements. To win this larger partisan battle, every single rank and file Republican vote would count. This gave Roberts and the farm district Republicans that he rallied the leverage they needed to face down the Budget Committee and save farm programs (plus a variety of agribusiness subsidy programs) from the cuts for which Lugar was calling in the Senate.¹⁸

Just as the USTR was forced to take agricultural interests into account in the dealing that preceded Congressional approval of NAFTA and the Uruguay Round, so Speaker Gingrich needed to defer to Representative Roberts, chair of the House Agriculture Committee, to secure votes for his overall budget proposals.

Conclusion

As the failure of the drive to phase out subsidies through the FAIR act illustrates, the ability of the older agricultural policy network to cope with the intrusion of new issues, interests and actors

from the international trade policy arena was part of a larger picture; it was not that the implications of internationalization were unimportant but that old agricultural policy network was resilient. None the less, this American tale has some important global consequences.

The most obvious consequence is that in spite of the hegemonic role of the United States, domestic interests are still privileged by the US political system. The logic of both economics and American arguments for trade liberalization suggested that the United States should provide a clear lead towards liberalized agricultural markets free from controls, subsidies and protection. The reality has been very different because agricultural interests in the US that have seen themselves as short term losers from such reforms have been able to prevent them. American trade behavior continues to differ from American trade rhetoric, and not only in agriculture¹⁹ in part because of the opportunities that the American political system offers domestic interests to exert leverage.

A second possible implication is that the opportunities for leverage domestic interests may compromise the ability of the United States to play the role of hegemon successfully. Hegemonic powers, it might be argued, are expected to maintain the stability and principles of an international order and not merely to advance politically powerful domestic interests. Hegemons, we might suppose, can operate successfully only if they can subordinate domestic interests to their international role. There is considerable doubt about the ability (or willingness) of the US domestic political system to do so. Of course, the hegemonic status of the United States is not in doubt; it results not from the consistency with which it follows principles it proclaims but its economic and military power. Yet even the most powerful hegemon must operate in part by persuasion and example. The power of domestic interests to secure departures from policies

espoused by the United States that they dislike reduces the capacity of the US to persuade other countries to follow its lead. The EU, for example, would be fully justified in discounting arguments from the United States that it should desist from subsidizing its farmers because of the extreme unlikelihood that Washington will abandon its own farmers to the consequences of unfavorable market forces.

There is not much point in other countries lamenting the ability of domestic policy networks to withstand the international forces consequent upon the world role and responsibility of the United States. The United States is not likely to change its political system to please the rest of the world. In any case, it might be argued that one of the perks that hegemon enjoy is to advance domestically popular concerns or interests even when doing so contradicts the principles the hegemon proclaims and even its own past behavior. Nor, as the example of British action against the slave trade illustrates, are the consequences of domestic interests within a hegemon enjoying leverage always bad. The determined actions taken by the British Royal Navy against slavery in the nineteenth century violated principles of international law the British otherwise supported as when its warships entered the harbor of Rio de Janeiro to attack Brazilian slavers; it was also scarcely consistent with British action in the eighteenth century when the prosperity of Liverpool and Bristol was built on slaving.²⁰ It might be argued that one of the attractive features of American hegemony is precisely that the leaders of the United States are not able to follow international priorities without regard to popular concerns. The ability of American leaders to behave as the arrogantly as some might fear is reduced because foreign critics can seek alliances with domestic critics of US policy. For example, single minded pursuit by the USA of trade liberalization may be limited by mobilizing the influence of such domestic US interest groups as

environmentalists or labor unions to act in concert with international movements concerned to preserve policies promoting environmental and worker protection.

One direction for future research is to explore whether there are important differences in the ability of different policy networks to withstand the disruption that results from internationalization and globalization. I have argued here and elsewhere that in two cases (environmental and agricultural policy networks) the established policy networks showed high resilience to the consequences of internationalization and globalization. Other cases may yield different results. It would also be valuable to be able to set these case studies of the impact of internationalization and globalization on the domestic politics of a hegemonic super power (the United States) against case studies of its impact on the domestic politics of a less powerful nation.

Table 1
Selected Farm Products: U.S. and World

| Product | United States | | | World | | | U.S. as % of World | | |
|-------------------|---------------|-------|-------|-------|-------|-------|--------------------|------|------|
| | 1995 | 1997 | 1998 | 1995 | 1997 | 1998 | 1995 | 1997 | 1998 |
| <i>Production</i> | | | | | | | | | |
| Wheat | 59.0 | 68.0 | 69.0 | 538.0 | 610.0 | 586.0 | 11.0 | 11.2 | 11.8 |
| Corn | 187.0 | 234.0 | 248.0 | 515.0 | 574.0 | 597.0 | 36.3 | 40.8 | 41.5 |
| Soybeans | 59.0 | 73.0 | 75.0 | 125.0 | 156.0 | 156.0 | 47.4 | 46.8 | 48.1 |
| Rice | 5.6 | 6.0 | 6.1 | 371.0 | 384.0 | 378.0 | 1.5 | 1.6 | 1.6 |
| Cotton | 19.7 | 18.9 | 18.8 | 85.9 | 89.6 | 91.6 | 23.0 | 21.0 | 20.5 |
| <i>Exports</i> | | | | | | | | | |
| Wheat | 33.1 | 28.1 | 28.5 | 98.8 | 100.3 | 95.8 | 33.5 | 28.0 | 29.7 |
| Corn | 52.7 | 37.7 | 44.0 | 64.9 | 63.4 | 63.2 | 72.4 | 59.5 | 69.6 |
| Soybeans | 23.2 | 23.7 | 22.0 | 32.0 | 40.3 | 38.8 | 72.5 | 58.7 | 56.8 |
| Rice | 3.1 | 2.3 | 3.1 | 21.0 | 19.0 | 27.3 | 14.8 | 12.1 | 11.4 |
| Cotton | 9.4 | 6.9 | 7.5 | 28.4 | 26.8 | 26.6 | 33.0 | 25.7 | 28.2 |

Notes: All commodities shown in millions of metric tons except cotton; cotton shown in millions of bales.

Source US Bureau of the Census *Statistical Abstract of the United States 1999* Table 1124

Table 2

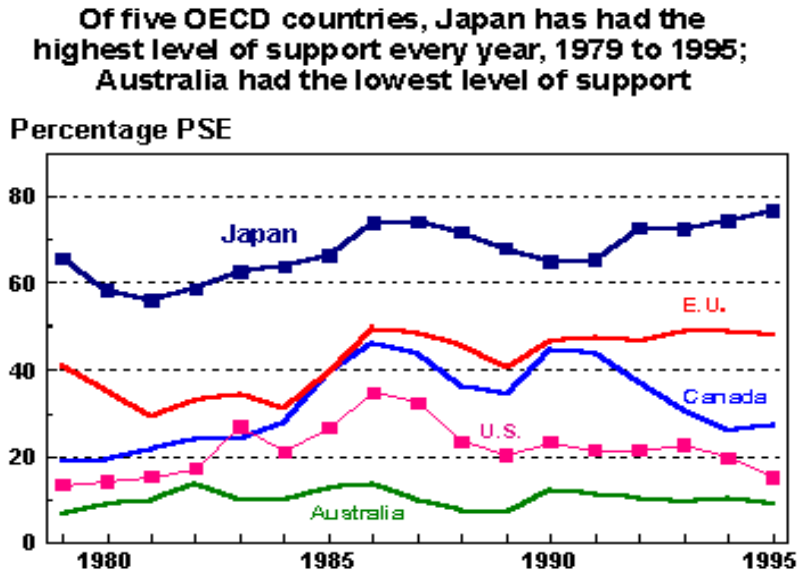
Annual Farm Program benefits and Costs (Billions of \$\$) 1986-87

| | Producer Benefits | Consumer Costs | Taxpayer Costs |
|----------------|-------------------|----------------|----------------|
| United States | 26.3 | 6.0 | 30.3 |
| European Union | 33.3 | 32.6 | 15.6 |
| Japan | 22.6 | 27.7 | 5.7 |

Source USDA, ERS *Economic Implications of Agricultural Policy Reform in Industrial Market*

Economies (Washington DC: USDA, 1989) Table 8.

Figure 1



Notes: PSE =Producer Subsidy Equivalent

Source: Frank J Nelson *Measuring Domestic Support for US Agriculture* (Washington DC:ERS of the USDA, 1997.) [<http://www.ERS.USDA.gov/briefing/wto/AMS/august.htm>]

