

that carries as much potential benefit. At the same time, the divisive agricultural trade issues between the major industrialized economies, US, the EU and Japan, can scarcely be resolved otherwise than in a multilateral context.

There are also a number of complex issues concerning agricultural trade on which broad consensus would seem to be required—implying multilateral solutions. For example, there is considerable resistance to extending the market competition/trade paradigm from manufactured goods to agriculture. Insofar as this resistance is based on all sorts of reasons that traditionally were equated with traditional protectionism, the arguments could be rejected and liberalization pursued without qualm. But machines and biological processes *are* different. New concerns will be driven by industrialization of agriculture—emerging global scare over BSE and similar diseases will raise huge issues particularly concerning trade in “inputs” (whether genetic material, feedstuff which is the issue in BSE, or genetically modified crops that might “leak” out into natural populations). These are major challenges for the global SPS regime, application of the precautionary principle, and ultimately the credibility of the WTO governance regime. These issues may or may not arise in the context of RTAs—probably not since the WTO is the most likely locus of activity given the cross-regional nature of agricultural trade.

The development aspects of the Doha Round

Insofar as there are serious concerns about trade diversion and costly distortions from regional pacts, these attach primarily to developing regions where effective border barriers are quite high. For example, while the South American countries have rather low trade intensities, the shortfall in the amount of trade compared to the expected amount from gravity models is actually quite small.⁴¹ In the case of both intra-regional Latin

⁴¹ This rather surprising finding emerges from an IMF study published in the Fall 2002 *World Economic Outlook*. This study used a gravity model of trade based on the period 1995-1999. The extent of under- or over-trading