

based system and are happy to play the WTO game while the developed countries are avoiding engagement.

This situation highlights a problem in the political economy of the Round.

The great byproduct of the trade and development linkage, it was suggested, has been to force a more sophisticated examination of the distribution of global welfare gains from liberalization and of the development impacts of particular aspects of agreements. In the course of this examination, it has become apparent that LDCs face a real risk of no welfare gains from a deal due to the negative effects of preference erosion and higher food prices (the vast majority of LDCs are net food importers). Indeed, the perverse result of this situation is that the more engaged the LDC is in exports, the greater the welfare loss from deteriorating terms of trade.

At the same time, it was suggested that the huge beneficiaries of agricultural liberalization would actually be the industrialized countries, where food prices would be lower. But the ground work to prepare the case for agricultural liberalization based on the actual nature of the benefits has not been done.² Nor, it was suggested, has adequate homework been done in the industrialized nations to explain to farmers what agricultural trade liberalization means and how government will support incomes—it is possible, it was pointed out, to be generous to farmers in non-distorting ways.

Meanwhile it was argued, the major emerging markets—China, India and Brazil—have not been making the contribution commensurate with the benefits that they have been getting from the system.

This combination of interests and engagement, it was felt by many at the Roundtable, did not augur a successful conclusion to the Round. The EU and the US will not provide the

² As a footnote to this discussion, it was noted that this is not a new situation: the Uruguay Round launch effort included a visit to Japan to demonstrate the benefit of low food prices. But it didn't work – however, this effort met with an argument that meat prices in Japan were high because Japanese consumed so little meat!