

In the end, one needs to realize that trade remains primarily a private affair between buyers and sellers, and business associations can only go so far in responding to bilateral trade tensions. However, if dialogue and liaison are established before the tensions arise, the efforts of industry associations to respond in some manner, however modest that may be, can help avert one side having to take protectionist action.

CARGILL LIMITED

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The Value Of Information In Reducing Trade Tension

How to address trade tension between countries is an issue government and industry leaders alike have struggled with for several years. This is particularly true this past year as many countries, including our own, stagger on the boundary between enhanced economic integration and increased domestic protection. My comments address the way multinational companies, such as Cargill, are attempting to deal with trade tension in an ever increasingly integrated food system.

For those that may not be familiar with our company, in the broadest sense Cargill is an international marketer, processor and distributor of agricultural, food, financial and industrial products. We employ over 80,000 people around the world in about 65 countries. My particular responsibilities include the management of government relations within Canada. My comments are directed toward offering insight into how the private sector views, and is reacting to, trade tension among our respective countries. Information, as conference coordinators have correctly identified, is a necessary element of handling trade tension.

I will leave the area of industry associations and transnational dialogue to other discussants as they represent these very groups and are therefore on the front lines when it comes to drawing interest groups together. The term - front lines - is used in the literal sense as I suspect many of them may compare the task of coordinating trade groups with varying interests (and even the task of coordinating varying interests within their own associations) to the task of going to battle.

The question for me then becomes....what is the role for the individual company in all of this? Our role, or more appropriately our responsibility, may be broken down into two broad categories, both of which are designed to reduce trade tension:

1. day-to-day commercial reactions, and
2. long-term macroeconomic reactions.

Before discussing these points and illustrating initiatives we have undertaken, it is useful to describe the Canadian industry landscape in which we operate. This is important because it outlines some of the challenges we face in relation to our own domestic interest groups and through those from other jurisdictions.

Canadian Background

The Canadian agricultural industry is distinctly factionalized. Canada has a broad range of agricultural interests, many of which are based upon long-standing philosophical and/or commercial foundations. At the most general level, these interests may be divided between those who favour open and liberalized trade, and those who favour support of their domestic advantages. These divisions are further complicated by government and industry disagreement surrounding the role of state trading entities such as our Canadian Wheat Board.

This lack of cohesion in Canadian agriculture may be a reasonable characterization of the environment in the other NAFTA countries. For this reason, I disagree with the comments by other presenters suggesting that politics has nothing to do with trade policy. In an ideal sense this may be our goal, but this is not achievable in the short term – politics has everything to do with trade policy. Without offering commentary on any of Canada's domestic interests or positions, the practical result is a country which as a whole does not see eye-to-eye on a number of important agricultural issues such as domestic policy, international trade and the role and interplay of government and the private sector. This is a weakness of our industry and one which, at times, influences our ability to make substantial steps in any specific direction.

Governments face enormous challenges in such an environment where issues, seemingly as simple as selecting producer representation on an industry working group, quickly turns into a veritable minefield to find “appropriate” candidates, and not leave out other agricultural interests.

Many times this results in a politically correct, albeit, ineffective group of industry participants which fail to reach consensus on the issue at hand. With these systemic weaknesses within our domestic industry, how can positive change be achieved or, stated another way, how can we minimize trade tension?

For a company such as ours, navigating through such an environment is not unlike working with a group of individuals sitting on a committee or around a boardroom table. Each individual may have his/her particular interest to promote but is there a broader interest of the group that may be identified? If a common interest cannot be identified, as we know, the process may become a war of wills among individuals, resulting in one party forcing their demands on another. When this occurs among interest groups or countries, the result is an increase in trade tension.

On the other hand, if common interest can be identified, groups can accomplish great things. This is true whether we are speaking about a group around

a boardroom table, a group of industry or interest associations or a group of countries. Many of us in the agricultural industry would acknowledge that, at times, we lose sight of larger-group purpose and take for granted the substantial, mutually beneficial trade that has been created between our countries. And we do not talk about it enough.

Day-to-day Activities

Trade tension between countries impacts our businesses each day. This year, we have been faced with trade challenges in our grain, beef, seed and processing divisions, to name a few. In many cases, these tensions arise quickly and have a direct and measurable financial impact on our company and our industries as a whole. Having a transnational identity, our company is often presented with the opportunity to address trade tension through cross-border dialogue between government and industry. In many cases, our company has a vested interest in minimizing trade tension from both sides of the border and this commercial reality is the primary impetus for our action. On a government -to- government basis, we are often engaged in dialogue concerning immediate trade issues between our countries. These opportunities allow us to address issues as one company with our respective Embassies and Government Ministries.

For example, Cargill elevator managers have engaged in lengthy discussions with the Canadian government concerning the recent wheat pilot project (Canadian elevators receiving U.S. grain) announced as a result of Canada/U.S. bilateral trade discussions. These same managers met with representatives of the United States Government and U.S. Embassy to discuss post-pilot issues in an effort to ensure the program every reasonable opportunity for success.

The same opportunity for transnational dialogue also exists on an industry-to-industry basis. A recent example in fact is in an area outside the scope of my topic – meat trade. In general terms, Cargill has worked within and between industry groups to reduce the impact of recent decisions taken by the U.S. government concerning meat labeling justified on the basis of the consumers’ need to know and anti-dump/countervail actions commenced by a U.S. meat trade association. We have worked on both sides of the U.S./Canadian border to help policy makers better understand perspectives of these two trading partners and the potentially harmful results of domestic policy and legal initiatives.

Our presence in both countries has enhanced our ability to understand the implications of trade policy choices as they develop in either the United States or Canada. It is this interplay which allows us to be proactive in our response to trade tension and allows us to play an active role in educating industry participants on the background for positions being taken and offering foundations for resolve.

In the short term, our involvement in these issues has added value by reducing trade tension and enhancing awareness by our domestic meat industries. At the very least, harmful U.S. domestic actions have been postponed, perhaps allowing

for cooler heads to prevail and a further examination of what the “consumer” really wants.

And there are more examples which illustrate the benefits of engaging in meaningful transnational dialogue between our industries. Recent border skirmishes between the United States and Canada in late 1998, arguably as much a function of political as economic motivation, resulted in numerous protest activities at our borders and the blockading of trucks and a railcar containing Canadian wheat to U.S. destinations. Canadian wheat exports to the United States account for about 8 percent of our total exports, and about 5 percent of the U.S. total domestic use. These wheat movement statistics, when compared to those in the oilseed complex, allow for an interesting comparison to be drawn. For example, in 1998 exports of seed, oil and meal for all oilseeds to the United States from Canada was approximately 2.5 million tonnes. Imports of oilseed commodities from the United States into Canada, however, were less than half this amount. If we were to categorize trade tensions on a commodity specific basis which primarily occurs, we may agree that oilseed movements would seem to present an equally strong case for trade tension between our countries. Yet they do not. In fact, oilseeds have enjoyed minimal trade tension within North America for some time now and we must ask ourselves what does this mean?

It may mean that government and industry participants in the oilseed sector have come to recognize, through education perhaps, the value of free flowing trade in these commodities. Cargill saw the benefits in early elimination of tariffs in the oilseed complex. We were very active in working with industry associations (COPA, NOPA) and government on both sides of the border to achieve free trade in this commodity and enhanced integration of our industries. The participants in this industry sector now understand and accept the value of open trade and, as a result, trade tension between the groups has essentially ended.

For Cargill, our activities on such day-to-day issues have underscored a common theme. Bilateral and multilateral commercial integration represents the most effective means to resolving trade tension. As our economies integrate, commercial reliance by industries on one another creates the necessary pressure on government to resolve trade tension or choose policies which avoid such tension in the first instance.

Recent government policy tension concerning magazine advertising in Canada, or our “culture fight” under our Bill C-55, illustrates this point. In an attempt by the Canadian government to impose restrictions on advertising dollars being diverted to American split-run magazines through legislation, trade sanctions were threatened against several Canadian industry sectors by the U.S. government. All of these sectors are highly integrated with the U.S. market.

The result? Four significant industry sectors in Canada – steel, wood, plastics, textiles and apparel – which have little to do with the direct implications of Bill C-55,

actively lobbied our own government to carefully consider the cost to their industry of proceeding with this policy.

To be sure, these actions were not as a result of some lofty aspiration to reduce tension between the governments for the sake of peaceful relations. These actions were as a direct result of commercial harm which could be occasioned on unrelated domestic industries as a result of government policy. We would likely all agree that these groups – steel, wood, plastics, textiles and apparel, represented the most illogical group to lobby government on policy concerning magazine subscription revenues. But this reality highlights the significance of commercial ties between our industries, and their role in reducing trade tensions.

Before discussing some of our global initiatives, I would like to highlight a critical flaw in the day-to-day commercial activities we undertake to reduce trade tension – organization. In a company of our size and as dispersed as we are, it is often difficult to organize the localized, grassroots efforts necessary to implement our activities. This may be equally true for our friends which represent sectors of our industry. Our answer to this situation has been to establish something we call the Cargill Community Network. This initiative was launched through our operations in the United States in 1992 and now has 900 members in 41 states. Members are linked by electronic database and are provided with current information and resources necessary to make representations to government and industry leaders on a wide variety of topics. This program is consistent, reliable and offers a broad tool which is used to circulate important information out to a large group of people in a short time frame.

Members' recent accomplishments include providing grassroots input to Congress to support passage of NAFTA, GATT and the 1996 federal Farm Bill. At the state level, members have helped enact a host of agricultural, environmental, health care, regulatory, tax, tort, transportation and workers' compensation reforms.

Long Term Activities

Day-to-day activities, by definition, are generally reactionary in nature. If conducted properly, these efforts can provide immediate and measurable benefit to our companies and industries. But they are not enough and are often conducted at a time which is too late to rescue parties from irreversible trade tension and its inevitable fallout. Cargill's activities designed to reduce trade tension over the long-term may represent more achievable goals. They are quite new to our company and are not influenced by localized or immediate trade tension issues. Rather, they focus on the long-term and the benefits, which are not immediately measurable but perceived to be significant. Much of the emphasis within Cargill is encompassed in long-term educational initiatives.

The role of information, as suggested by our conference coordinators, and the role of education are very important to avoiding and settling trade disputes over the long term. The two are not necessarily distinct, but my proposition is that when we talk about the use of information to address trade tension, what we are really talking

about is the value of education. It is also my proposition that industry, as well as government, have a responsibility to contribute to the process of education. A recent publication.... "Canada-US Wheat Trade" which was prepared and distributed by the Canadian Embassy in Washington, is a reflection of governments' reaction to this responsibility. It is precisely this kind of information that will start the process of clarifying some of the misconceptions concerning our trade relations.

But where governments have now stepped in, our industry has failed. Trade has always made good economic sense and many have assumed or enjoyed these benefits. But trade also often makes for difficult politics. Our industry has not done an adequate job of humanizing the billions of dollars in net benefits which are achieved by liberalized trade between our countries.

For example, the significant increase in trade under NAFTA does not hold up against the face of one displaced agricultural producer or garment worker. This imbalance contributes to trade tension. The imbalance may be attributed to our industry not adequately selling the benefits of trade post-NAFTA.

This is precisely where the opportunity for us in the private sector arises. To Cargill, education of the public (agricultural or otherwise) is the only thing standing between continued trade progress and reversion into protectionist policies. An indirect effect of the educational process is to expand the debate on trade from the political to the public arena. The workshop raised the question.... who determines trade policy? To private enterprise the answer is simple – the consumer. We simply have to be careful how we define who is the consumer. For anyone who suggests otherwise, I would be happy to discuss the movement of our genetically modified (GMO) products into the EU or the likelihood of substantial changes within our domestic transportation system and the impact consumers have had on these policy decisions.

Reaching these people, and the public in general, is the idea behind Cargill's TradeWorks initiative, which can be summed up in one word: education. Launched about a year and a half ago, the TradeWorks initiative is our global educational response to the lack of information, misinformation and fear which often underpin trade tension within people and industry sectors. This initiative has particular relevance to our NAFTA relations and we hope offers a long-term response to trade tension. TradeWorks has three key components.

- It is a formalized philosophy that open trade and deregulated markets are beneficial to the countries which adopt those policies.
- It represents a long-term commitment by our company to encourage removal of subsidies and barriers that distort production and trade.
- It is an educational initiative in both an internal and external sense.

The program is designed to describe the benefits of trade to our employees (all 80,000) and encourage these employees to take the message to friends, neighbors, customers, suppliers and public officials. To launch this ambitious initiative, our

company has designed a TradeWorks kit. Consisting of sample speeches, trade statistics, resource material and videos, these packages have been sent to over 600 Cargill locations around the world. That's about half of our worldwide locations. The majority of these have been distributed in North America and there are plans to continue the rollout of this program to many other locations.

Today, Cargill managers are being trained in the concepts underlying TradeWorks and are now taking this information out to their communities to emphasize why we should not fear trade. They describe how trade creates jobs for rural communities, how trade provides an avenue for agriculture to grow, how trade gives consumers a larger choice of goods and services at cheaper prices and how trade can improve the environment by preventing the further destruction of fragile ecosystems. In the past year, literally hundreds of presentations through our TradeWorks initiative have been given in various countries ranging from formal addresses to the Washington Agricultural Roundtable, to remarks prepared in response to a "thank you Cargill" rally staged by women in Chegutu, Zimbabwe outside our local headquarters. Our company has taken the value of trade education so seriously that our worldwide president agreed last year to chair the Emergency Committee for American Trade (ECAT) which is now launching a similar education effort patterned after our TradeWorks initiative.

Cargill believes in the value of education in mitigating trade tension. But it takes time, it takes patience and it takes the commitment of our industries as a whole if we're going to reach people and change their perceptions. And our industry needs to drum up more support at the grassroots level. The fact that every 1 billion dollars in increased trade is credited with creating 20,000 new jobs or that export jobs pay wages that average 13 to 18 percent more than those that are not tied to exports needs to be communicated – let me rephrase that, needs to be communicated, understood and accepted by our communities.

Compared to all of our daily activities, this educational responsibility is ongoing. It does not stop when trade tension has subsided within a particular industry or when our countries have finished developing their positions for World Trade Organization talks. In a nutshell, that is why we launched our TradeWorks initiative.

This discussion indicates very clearly that the conference organizers could have been more forceful in their characterization of the role of information in trade relations. It is not a question of whether information is a tool to address trade tension. Information is already being used as a tool and it is the collective responsibility of our industry to consider how we address this fact through education. Positive steps by government and publications such as the recent book *Globaphobia: Confronting Fears About Open Trade* (Burtless, Lawrence, Litan and Shapiro, 1998) must be built upon by us, the ultimate benefactors of a system free of trade tension, if we are to tackle this critical issue.

Conclusions

We have the power to change the tide of trade tension if we are organized. But facts and information alone are not enough. Canada learned this in the last round of multilateral trade negotiations, and the United States learned this in fast track debates. We need real industry participants – real people – educating others about these facts in a language they can understand. This educational process takes time but the rewards are significant and we need a common vision and acceptance of these long-term benefits. And education may be the only constant in our ever-changing industry.

A statement often used to close a TradeWorks address seems a fitting way to close these discussion comments – Trade works for all of us. We should now focus on working for trade.

REFERENCES

Burtless, Gary, Robert Z. Lawrence, Robert E. Litan, and Robert J. Shapiro. 1998. *GLOBAPHOBIA: Confronting Fears About Open Trade*. The Brookings Institution, Washington D.C.

STARR PRODUCE CO.

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Starr Produce was formed in the late 1940s. I represent the second generation of ownership. Starr Produce now has fourth generation ownership. We grow, package and ship cantaloupe, watermelons, sweet onions and potatoes in Texas. We also grow, package and ship seedless watermelon, honeydew melons and onions from the state of Colima, Mexico.

My father, who was one of the organizers of this operation and his partner, went down to Michoacan, Mexico in the mid 1950s. He was probably the second person to go into that area to grow and ship cantaloupe into the United States during the wintertime when cantaloupe cannot be produced in the United States. When they produced their first crop, they could not move it to the market because they did not have any railcars. The ex-president of Mexico, Lázaro Cárdenas (1934-40), lived down in that area. They went out to visit him and caught him out in the corral as he was working his cattle. They told him their problem. The next week, they had more railcars than they could fill. It does pay to know people in Mexico.