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What does WOAgri propose and how would its recommendations work

Jacques Carles, Executive director of WOAgri

WOAgri is a movement that seeks to bring together various players to address the major challenges of global agriculture: farmers, of course, but also economists, scientists, international relations experts, and all those who in some capacity bear a responsibility with regard to these challenges - from think tanks such as the CEIP to national and international leaders who make decisions about the world's future.

Our mission is universal and our approach is pragmatic. As Mr. Pagesse mentioned, it was our realization that existing evaluation and decision-making tools were inadequate that led us to take up these efforts, without taking sides and with the desire to transcend the usual divisions.

The decision-making tools and systems currently in place (economic models, methods and basis for WTO negotiations, etc.) no longer provide a response to the challenges that agriculture represents for the future of humankind in terms of meeting food and non-food needs, fighting poverty, and ensuring the independence and sovereignty of States.

The World Bank and the WTO claim that these goals can be achieved through the complete liberalization of international agricultural trade, in application of Ricardo's theory of comparative advantage. However, it is no longer possible for anyone to defend such a purely theoretical hypothesis.

It is because we are, above all, fervent supporters of free trade that we are concerned about the current lack of regulatory measures that ensure both the broadest level of competition and attainment of the major goals of humankind today: environmental conservation, the fight to end poverty, and its corollary, the fight against terrorism and illegal immigration.

The Doha Round negotiations are supposed to address competition. However, despite advances that have been more theoretical in nature than practical, no broad consensus on agriculture has been achieved. This is due to the absence of both a specific, sector-based approach and strategic thinking on agriculture's role for the future of humankind.

In reality, the WTO does not have accurate statistics on its member States and uses an outdated forecast model (the World Bank model), which maintains that increased liberalization would most benefit poor countries.

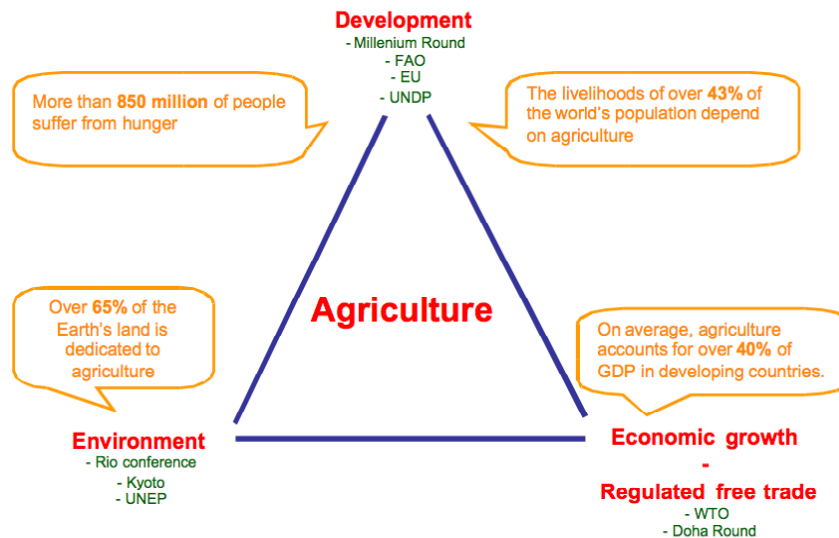
The results are so variable and insignificant in terms of increased welfare (between 0.2% and 0.5% of global GNP, or \$1 to \$2 per person per year), and the model is so poorly designed, that this claim is mere deception. It's as if one were to say, in complete seriousness, that the Eiffel Tower was in Manhattan and the Statue of Liberty on the Champs Elysées.

The question of who might benefit from this statement is irrelevant, for it does a disservice to anyone who repeats it. The time has come to build international agricultural relations on strong foundations that ensure fair pay for producers, help find solutions to the challenges of population growth, and faci-

litate environmental conservation.

We must therefore establish new rules and create rules where none exist, just as the Sarbanes-Oxley Act succeeded in creating a framework for placing companies on equal footing and preventing the excesses that previously threatened that balance, with its requirements regarding information transparency and accuracy in accounting.

Above all, WOAgrri seeks to create the conditions for global agricultural governance based on the power of information and a new framework for international cooperation.



Our objectives fall under the following strategic framework:

- Promote a worldwide regulatory system for agricultural markets while ensuring economic, social and environmental balance.
- Promote the development of trade that contributes to improving the condition of all farmers and maximum reliability of supply security for all countries.
- Strengthen research potential and increase the investment, production, and employment capacity of the agriculture and agrifood sectors in order to constantly improve consumer satisfaction and safety.
- Combat excessive speculation and supports that distort market operations and undermine sustainable development.
- Develop informational and awareness-raising activities that would enable decision-makers to take appropriate measures to regulate world agricultural markets.

I would like to note that we work on an independent basis and that our organization is privately funded by companies and cooperatives like the one led by Pierre Pagesse. Other economic players are also becoming involved, such as the cooperative led by Mr. Pees, who is here with us today.

As the project progresses, we hope that other participants will join, and we are planning a specific roundtable on the rating agency. Compensation is transparent for everyone involved in this project, including my team, the economists working with us, and, in the future, other specialists. In the short term, we are working on bringing international partners into our network. It is in this context that we made our first trip to Washington, D.C. in April and that we are holding this conference here today. Only once our principles and methods have become fully accessible will we have gained the credibility we seek to make inroads where international organizations such as the FAO, the WTO, the OECD and the World Bank have been ineffective due to their large size and inherent limitations.

We would like to make up for lost time through WOAgri, which is a new kind of NGO:

We are, first and foremost, a **think tank** that designs instruments for guidance and high-level international cooperation - the NAR model and the rating agency.

We are also a **platform of influence** aimed at raising awareness about the strategic importance of agriculture by proposing and implementing new principles of governance and international cooperation.

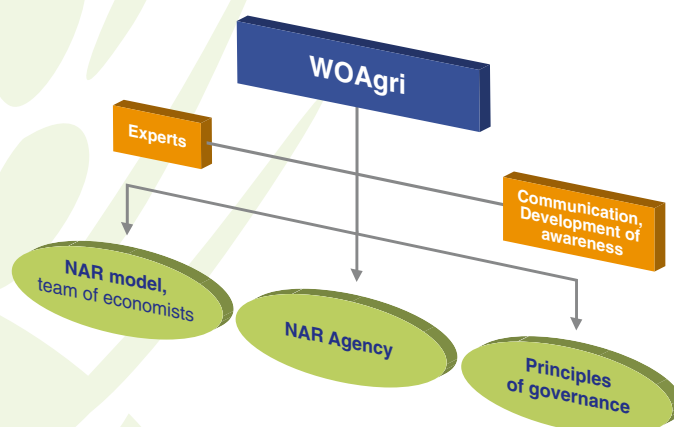
Finally, we are a **mobilizing organization** made up of leaders from agriculture and related fields, such as environmental conservation, development assistance and energy production.

WOAgri has no organizational link to the French government, although the country's new Minister of Agriculture, Christine Lagarde, has followed our efforts with interest since our inception.

We highly value this independence and the quality of cooperation with all of our partners. Our contact with several Washington think tanks, West African leaders, European elected officials, as well as representatives of the anti-globalization movement, falls in line with our open, yet uncompromising, policy. This is because our work is based on instruments that are neither ideologically nor politically biased in their design or implementation.

These instruments constitute the three pillars of WOAgri, which I will now describe to show how we will stay on our strategic course and meet our objectives.

The pillars are the NAR model, which our chief economist, Bertrand Munier, will present after my remarks; the rating agency; and the principles for a new framework for international cooperation.



1. The NAR Model - The First Pillar

This model will provide a decision-making tool for all international negotiators and decision-makers:

- It will underscore the strategic importance of agriculture and provide a model for how it interacts with related issues (the environment, poverty, innovation, food security, energy production).
- It will take into account the unique characteristics of the agriculture sector and will convey them more faithfully, thanks in particular to endogenous risk modeling and consideration of price volatility.
- It will be modular in design, to ensure reactivity and openness to change.
- Finally, it will be accessible to economists worldwide, who will be able to contribute to its improvement, under the supervision of a scientific committee.

This model is the essential prerequisite for taking national and international policy decisions to a new level, for while models do not make decisions, those decisions essentially depend on such instruments.

That is how a company like Enron was able to deceive its shareholders, employees, and the market for so long: there was no framework establishing required levels of quality for economic and accounting

information. So shouldn't we also think along the same lines for agriculture, which involves 43% of the world labor force, is the foundation for large economic industries such as agrifood and energy, and is an important factor in ensuring the independence of States?

After identifying the irreparable flaws in the design of today's standard models, our priority was to build an entirely new model in terms of its principles and how it is used by decision-makers.

For your edification, here are some of the «insurmountable defects» of the current models: They assume that demand is completely price elastic; in other words, that if prices are halved, people will eat twice as much. They are also based on the concept of a representative consumer, with the assumption that everyone is the same. These models should therefore in principle be unable to measure the effect of trade liberalization on poverty in a given region... And yet, they are used for just that purpose...

They also assume that full employment is always guaranteed and that supply automatically adjusts to demand... That's why price forecasts are always linear, without taking into account volatility or the effects of speculation.

2. The international rating Agency (NAR Agency) – The Second Pillar

Just like financial, social, and ethical rating agencies, the NAR Agency will develop methods and procedures to rate different countries according to their agriculture and environmental policies. At the same time, it will meet private-sector needs for assessment and rating. The agency fills two needs:

a. Regularly guiding and advising international decision-makers on the agriculture sector and related issues.

One of WOAgrri's goals is to create greater visibility in order to assess the situations in different countries as well as the effects of national, bilateral, and multilateral decisions. While a more realistic, flexible, and comprehensive model is, therefore, necessary, it is not enough. There is also an urgent need to create a rating agency for agriculture and related fields.

That is what is lacking in agriculture today: unlike in other areas such as finance, the environment, and ethics, there are no procedures or indicators providing sufficiently accurate, frequent, or convincing information on the different markets and policies in place.

An international assessment and rating agency is, therefore, the essential mechanism for implementing regulation of the agricultural markets with calibrated, validated, and generally recognized information.

b. Contributing to improving market operations while respecting the free play of competition.

The creation of a rating agency is the optimal choice for improving market operations:

- By evaluating the credibility of policies in place, it will regulate markets with information, which should be more effective than a set of complex international rules.

- By improving the quality of information related to price determination, it will help reduce volatility in agriculture prices.

- By recommending new strategies, its prescriptions will be more widely accepted.

The agency will receive public advice and recommendations from a Group of Sages. The members of this group, experts from a great diversity of countries and walks of life, will be the embodiment of «global governance.» The Group of Sages will validate the analyses, opinions, recommendations and warnings issued by the agency.

- It will also coordinate a network of international experts in agriculture and other fields, from which it will draw its knowledge.

3. Principles of Governance – Third Pillar

These principles serve as guidelines for the creation of a new framework for international cooperation

with regard to agriculture, food, environment, and development issues. Here is an overview of these principles:

1. Every year, equilibrium prices for each product would be determined by international consensus, under the framework of the WOA. These prices would account for currency variations and will be adjusted for each of the major world regions.
2. These prices would be indicative and evaluated by an international organization (possibly the NAR Agency). They would serve as the basis for international negotiations to set these prices.
3. The prices would be established in view of ensuring that farmers receive fair pay based on the level of development in their country.
4. The establishment of equilibrium prices should help to control price volatility.

This is the starting point for our efforts. We will move forward with our new partners, using the model and the rating agency as our foundation.

As you can see, we have worked very hard to create a new framework for international cooperation with adequate tools.

The NAR model will be launched in early 2008. American economists have already joined our efforts. We will organize a workshop in early 2008, parallel to an international symposium at which we will present the first results of the model.

The feasibility study for the rating agency will be completed by the end of the year, and the agency will be created in 2008 with a diverse membership. We hope that American investors will participate.

So in just a few months, WOAgri will become productive and begin exerting influence through its various missions. We hope that the organization's partnerships, especially those with the United States, will flourish for the benefit of all and, above all, for the future of agriculture, of such strategic importance for the future of humankind.