



AGRICULTURE AND THEOLOGY PROJECT
Networking for Biblically Transformed Agriculture

AGRICULTURE TRADE NEGOTIATIONS IN THE WORLD TRADE ORGANISATION

REPORT OF A MEETING OF NGOs IN GENEVA FEBRUARY 2003

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AGRICULTURE AND THE WORLD TRADE ORGANISATION

A BRIEFING AND CONFERENCE HELD IN GENEVA IN FEBRUARY 2003

I Introduction

This was a meeting of about 100 people representing NGOs from all over the world (including China) except Eastern Europe. All the main UK development agencies were represented. The meeting was convened by the Institute of Agriculture and Trade Policy in Minneapolis and the German Protestant Churches' Development Office, and hosted by the World Council of Churches.

The programme began with an explanation and review of the current state of the negotiations on Agriculture in the World Trade Organisation. This was followed by discussion and identification of key issues.

On the second day WTO negotiators were invited to come and answer questions from the delegates. They came in two batches: the US, Brazil, Barbados and the Philippines, followed by the EU, India and Australia.

On the third day a conference statement was produced, and ideas and plans for campaigns on WTO-related issues were exchanged.

II The state of negotiations

The present spate of negotiations began last year with a meeting of Trade Ministers at Doha. That produced a 'Doha declaration', which seemed to promise some improvement in the recognition given to the needs of developing countries.

Since then the negotiators have been circling round each other, submitting papers and arguing to very little effect. The **positions of the main groupings**¹ can be summarised:²

- (1) **The Cairns group** of 17 agricultural exporting countries continues to seek a world with as few tariffs and subsidies as possible, presumably in the expectation that their produce will then be the world's cheapest. Some members such as the Philippines show concern for the fate of their large small-farmer populations in such an ideal world. The change of Government in Brazil might strengthen this outlook within the group.
- (2) **The US** is confident that its large expenditures on agricultural subsidies do not count because they are in the 'green box' or largely not 'production related'. Tariffs should be reduced to 25% or less over five years, and export subsidies (used by the EU to promote exports) phased out over the same period. Also over five years all 'trade distorting' domestic support should be reduced to 5% of the total value of agricultural production. This would include so-called 'blue box' payments, which 'allow countries unlimited spending for direct payments to farms if the payments are linked to production limiting programmes.'² This poses a problem for the EU, for example, sheep annual premium or suckler cow premium, and (?) milk quotas.

The US position is accepting of the need for developing countries to have longer implementation times, but that is the only concession.

The US shows no enthusiasm for measures to prevent food aid from being used to unload surpluses, or for curtailing export credits.

(3) The European Union

Confirming the suspicions of those who fear the European Union cannot properly engage in the WTO negotiations because of internal divisions, the European Commission (which speaks for the EU in trade negotiations) was unable to present an agreed position from its members until January of 2003. This EU reticence reflects the internal political differences among EU member states on how to reform the EU Common Agricultural Program (CAP). A recent agreement between Germany and France has made it unlikely that there will be any significant reductions in the use of export subsidies before 2007. The EU, in other words, has little to offer by way of reform proposals. And yet, reform is inevitable. The EU has just welcomed ten new members, including Poland, which has more farmers than the existing EU members combined. The cost of leaving the CAP unreformed would be entirely unsustainable. In its proposal, the EU in fact showed how little room there was for reform. While offering to cut export subsidies by 45% overall, this merely reflects changes already made and would not require new adjustments to the use of export subsidies. The EU is anyway gradually moving its farm programmes, as the US has, towards green box measures.

The EU has a few significant agricultural export interests, such as wheat, as well as transnational companies engaged in commodity trading, shipping and processing. This drives EU support for the reduction of tariff barriers in developing countries. However, the EU is also the world's largest agricultural importer, and its market is of great interest to agricultural exporters. EU positions reflect a strong concern to preserve domestic agricultural production capacity, making the EU an ally of the advocates of multifunctionality (described below). These conflicting interests make the EU a difficult negotiating partner. Moreover, as a coalition of 15 member states with varied agricultural interests, it is hard to arrive at joint positions. The current negotiations with the countries in Eastern Europe and the Mediterranean that will join the union further complicate the politics.

The EU has been very explicit about the need to link progress in talks on agriculture to commitments in other sectors. The EU needs a broad round of talks to secure the political trade-offs that will be essential to win over its members to reform. The EU has used this dynamic to force a discussion of the so-called Singapore issues (notably investment and competition) against the wishes of many developing countries, claiming concessions in agriculture depend on the inclusion of these issues in a new trade round.

When EC Commissioner of Agriculture Franz Fischler proposed in 2002 to move in the direction of US and Cairns demands to delink agricultural subsidies from production, six EU agricultural ministers publicly rejected the proposal. They said, 'For us, agricultural products are more than marketable goods; they are the fruit of a love of an occupation and of the land, which has been developed over many generations.'ⁱ This passionate repudiation of the Uruguay round premise that agriculture is the same as any other industry was not, however, the reason the EC failed to convince these agricultural ministers to reform the CAP sooner, rather than later. The EC attempt to sell reform by tying delinked payments to achievement of on-farm environmental, food safety and animal welfare performance benchmarks failed because the EC could not specify how this reform plan could be implemented. Without clear implementation rules, the EU agricultural ministers could not calculate whether their farmers could receive something close to the payments to which they had become accustomed.ⁱⁱ

In the meantime, EC officials have suggested that the EU will not reduce agricultural subsidies nor reduce market access barriers without concessions from WTO members under Article 20 of the AoA, governing so-called 'Non-Trade Concerns'. The EU is seeking concessions on geographical indicators (GI) regarding food products (the EC wishes to protect competitive advantage associated with GI product branding, so that the only thing that can be called Champagne is wine made in Champagne, from Champagne grapes, fermented in the Champagne tradition). The EU also wants strong precautionary measures to guide food safety rules, and the right to pay farmers to implement stringent animal welfare regulations. The United States and the Cairns Group have rejected these proposals. They argue the proposals belong in the Council on Trade Related Intellectual Property Rights (TRIPS) or in the Committee on the Trade Related Application of Sanitary and Phytosanitary Measures.²

ⁱ Cited in 'The French exception', *The Economist*, 16 November 2002.

ⁱⁱ Rasmus Kjeldahl, 'Agricultural policy reform process – a role for consumer concerns?' presentation to the TransAtlantic Consumer Dialogue, 28 October 2002.

Friends of multifunctionality

Multifunctional agriculture (MFA) describes policies for agriculture that go beyond production-related measures to seek broader benefits to society. For example, payments for managing water quality, soil erosion, habitats for particular species or other services that are not recognised by market prices and yet have public value. The framework also considers some level of domestic food production in all countries to be an essential component of food security.

The core support for multifunctional agriculture comes from Japan, South Korea, Norway and Switzerland. These are wealthy countries with politically powerful farmers and relatively difficult production conditions. Historically, their farmers have relied on governmental support programmes that have maintained high domestic prices and kept out cheaper imports. They are net-food importing countries, whose export volume is small. Norway and Switzerland have small domestic markets as well, making them of limited interest to exporters. The EU associates itself with this group, although there are divisions within the commission and among member countries as to the usefulness, validity and application of MFA....

Given this recognition of the non-trade functions of agricultural production, not to mention the isolation inherent in proposing measures that go directly against the stated purpose of the AoA (the progressive elimination of market-distorting support) one would expect multi-faceted and creative positions from MFA proponents on SDT, in a bid to find allies among developing countries. Unfortunately, in the few years since the Friends of MFA first floated their concerns, very little has surfaced that might attract developing countries. Proposals continue to be limited to Uruguay Round style extended implementation periods and exemptions from some provisions, ignoring the proposals that have come from a number of developing countries for more useful assistance.²

(4) Former Eastern Bloc and Soviet States

A limited number of proposals have surfaced from the former Eastern Bloc and Soviet States. They largely reflect two powerful, sometimes overlapping, concerns. The first concern is from the states that hope to accede to the European Union. This group is careful to reflect EU interests in their statements. The second is from those who recently acceded to the WTO. The accession process is famously brutal, often requiring much deeper liberalization than existing WTO rules, leaving new members in a much-weakened negotiating position. These countries, with support from China, another new member, are calling for credit for their accession commitments to avoid further tariff cuts for themselves in the new round of agreements. These countries are all interested in seeing broader market access for their own exports, and many of them are dependent on agriculture for a significant share of their foreign exchange earnings.²

(5) Least Developed Countries

Least Developed Countries (LDCs), although identified as a group in the AoA, do not work as a group in the Committee on Agriculture in any formal sense. LDCs are exempt from a number of disciplines under the AoA and to some extent they are ignored in the negotiations – few exporters see potential in LDC markets and their production is too limited to create problems in world markets. Exemptions proposed for LDCs create tensions within the larger group of developing countries. For example, the EU proposal known as ‘Everything but Arms’, which will give LDCs duty-free access for most products, upset other vulnerable, non-LDC developing countries. Caribbean states, for example, are seeing their market share eroded by creation of new preferential arrangements which exclude them. LDCs have great difficulty participating fully in the negotiations, finding themselves subject to bilateral pressure from donor countries. Many of them also lack representation in Geneva, unable to afford a mission, and have very weak capacity at the capital level to propose negotiating strategies or to react to the proposals coming from others.²

(6) Like-Minded Group

The group of developing countries that has identified itself as the like-minded group in agriculture define their shared interest as seeking more liberalized agricultural sectors in developed countries while seeking additional protection for their own agriculture. The Development Box (DB) is one of the proposals that originated with this group. Member countries include Pakistan, the Dominican Republic, Cuba, Honduras, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka, and El Salvador. India occasionally joins submissions from this group, but it has not joined any since the latest phase of

negotiations began. In November 2002, seven members of the group submitted a joint proposal, reiterating the need for a Development Box and calling for a series of reforms to developed country agricultural trade.

Most developing countries are net food importers. Many depend heavily on export revenues from just one or a few crops, and in the face of the now 30 year old price depression for most unprocessed agricultural commodities, nearly all have seen their terms of trade deteriorate despite the predictions, made as the Uruguay Round Agreements were negotiated, that prices would improve. According to the World Bank, 105 of the 148 developing countries are net-food importers. According to a WTO report in 2001, agricultural trade originating from developing countries accounted for only 40 per cent of a US\$558 billion total.ⁱⁱⁱ This has remained more or less unchanged since the implementation of the Uruguay Round began in 1995.²

Development Box

The measures proposed as part of the Development Box touch on five key areas:

1. The need to protect and enhance domestic food production, particularly in staple crops;
2. The need to protect the livelihoods of the rural poor;
3. The need to protect local producers from dumped imports and excessive fluctuation in import volumes and price;
4. The need to improve distribution systems for local production; and,
5. The need for increased flexibility in existing trade rules to allow developing countries to manage liberalization more carefully.

It is from the Like-minded Group that support for the Development Box comes. Proposals have included the creation of a new special safeguard for developing countries only. The mechanism would be designed to prevent damaging import surges, particularly in crops that compete with domestic staple foods. As proposed, it would be simple to apply, on the basis that waiting to prove harm to the sector in question might be to allow irreparable damage to occur. The trade-off for a simple mechanism that does not require proof of injury to the sector in question (only that the import price is markedly lower than prevailing domestic prices) is that countries can only use the measure on a temporary basis.

Within the DB, developing countries have also proposed rules that would allow them to raise tariffs on food security crops, where experience has shown the existing tariff binding to be too low. As a Special and Differential measure, the tariff increase would not be 'paid for', in WTO parlance, with concessions in other areas of trade.

Developing countries have also proposed an exemption from spending limits for crops that meet food security criteria....

Additionally, some NGOs have called for other measures as part of a DB. First, explicit recognition in the AoA that the right to food must be protected in the implementation of the multilateral trade rules. This might take the form of a new preamble, recognizing the right to food, or a declaration, such as that agreed in Doha for access to essential medicines, which reaffirmed the priority of public health over the patent protection granted in the Trade Related Intellectual Property Rights Agreement (TRIPs). Second, reform of food aid to ensure it does not compete with local producers in the recipient countries, while ensuring adequate resources are given to protecting poor countries' access to food. Third, a ban on dumping – the sale of agricultural commodities at less than cost of production prices.²

The Chairman of these proceedings, a Mr. Harbinson, from that agricultural Mecca Hong Kong, has now produced a discussion document framed presumably as a precursor to eventual agreement. This is supposed to be reached before another meeting of Ministers in Cancun in Mexico in September this year. This document is called the **Harbinson draft** – a draught quite a few do not want to drink!

Essentially this proposes:

ⁱⁱⁱ Joachim von Braun, Peter Wobst, and Ulrike Grote, "Development Box" and Special and Differential Treatment for food Security of Developing Countries: Potentials, Limitations and Implementation Issues', Zentrum fuer Entwicklungsforschung, Discussion Paper on Development Policy, No. 47 (May 2002), 5.

- (a) **Tariffs.** General continual reduction, with some particular focus on high tariffs on processed food. For example, current rates are often higher on chocolate than on raw cocoa.
- (b) **Developing countries.** In implementing their market access commitments, developed country Members should take fully into account the particular needs and conditions of developing country Members by providing for greater improvement of opportunities and terms of access for agricultural products of particular interest to these members, including the fullest liberalisation of trade in tropical products, whether in primary or in processed form, and for products of particular importance to the diversification of production from the growing of illicit narcotic crops, or crops whose non-edible or non-drinkable products, while being lawful, are recognised [by WHO] as being harmful for human health.

Developing countries shall have the flexibility to declare up to [] agricultural products at the [6-digit] HS level as being strategic products with respect to food security, rural development and/or livelihood security concerns.³

A slower rate of tariff reduction would be allowed.

- (c) **Export subsidies** to be phased out over 5-10 years. Export credits and food aid shall be subject to disciplines.
- (d) **Domestic support.** 'Blue box' payments to be reduced by 50% over five years. 'Green box' or decoupled payments are in the clear.

III Listening to the negotiators

It is almost as though the US and EU chose their representatives for their capacity to out-bore each other and everyone else! With the lady from the US you had the feeling that she knew that, in the end, her will would prevail in core issues. Her remark, when advising Southern representatives, that the future growth markets for agricultural produce are in developing countries, probably explains what one of the core aims is. An unqualified sound bite, 'Agriculture is an exit industry', caused a little stir!

The position of Brazil is very interesting. The country has been characterised by a powerful agricultural exporting sector, alongside large numbers of landless, unemployed and malnourished people. Hitherto the interests of the former have governed the country's stance at the WTO. It became clear that, whilst the new government needs the export revenues, it is also aware of the need to care for and feed its poor. 'All over the world farmers are price takers and cannot retain the benefits of technical change'. 'If we have opened our markets against the will of our populations we will be voted out.' The US delegate did not know whether or not her country had ratified the human rights convention. The lady from Barbados pointed out that her country had an agricultural comparative advantage in nothing. The lady from the Philippines said it was being assiduously put about in the corridors of the WTO that the developing countries are 'very happy' with the Harbinson draft. This she said is quite untrue. Tariffs are their only instrument for protecting their domestic agriculture. The US delegate summarised her position by saying there was now 'Armh - a unique opportunity'.

In the afternoon session we heard from Australia, India and the EU. The EU delegate said remarkably little - most of it punctuated with 'er...erm'. He was not happy that export subsidies should be phased out and export credit be allowed to continue. He made the point that indiscriminate opening up of EU markets would actually remove advantages currently enjoyed by some (ACP) developing countries.

The Indian delegate said India benefited from exporting products like Basmati rice, but it also has a huge agricultural population, which cannot be displaced.

The Australian delegate began her remarks by quoting articles from the *Financial Times* and the *Wall Street Journal*, both of which blamed the EU for the slowness of the negotiations. This struck me as a funny way to convince the audience of NGOs and grass-roots movements. She said that liberalised markets would provide developing countries with opportunities.

IV Subsequent discussion

A statement was drawn up and signatures were invited. The original draft did not make clear that farmers in the industrialised world were also in a price squeeze. This is the statement.

Statement from an International Hearing on the WTO Agriculture Agreement

On the eve of a crucial discussion on the world agricultural trade system, civil society groups from 30 countries gathered in Geneva to take stock of the WTO negotiations on a new Agriculture Agreement. The discussion centred on the draft text issued on 17 February by Stuart Harbinson, Chair of the Agriculture Committee.

Participants at the hearing rejected the current Harbinson draft modalities text as an acceptable basis for negotiations. Why?

- It reveals the emptiness of the Doha Ministerial Declaration's stated intention of placing development, food security and rural livelihoods at the heart of the Doha round.
- It does not change the underlying structure of the AoA, which has caused widespread hardship for farmers around the world and discourages sustainable models of agriculture.
- Developing countries face a world in which developed countries, particularly the European Union and United States, continue to dump underpriced exports on world markets. Dumping artificially lowers world prices, destroying local food production and farmers' livelihoods.
- The current structure of the Agreement and the Harbinson text both legalise dumping, at the same time as they erode developing countries' only defence against dumping – tariffs and other border measures.
- It fails to recognise the central role played by women in food production and the nutritional well-being of the family and community, as well as the particular impact of trade liberalisation on women.
- It ignores the increasing stranglehold exerted on agricultural trade by a small number of transnational corporations, which in turn depresses farmgate prices around the world.
- The AoA continues to be driven by a 'you liberalise, we subsidize' approach from the EU and US, as shown by the US farm bill and the glacial pace of CAP reform.
- It conflicts with countries' commitments under the UN Covenant on Economic, Social and Cultural rights, and in particular the right to food.

What participants heard from a number of agricultural negotiators, from both developed and developing countries, convinced them that the agriculture negotiations are still business as usual: the outcome determined by horse trading based on economic and political clout.

We the undersigned call on our governments to reject the current Harbinson draft modalities as an acceptable basis for negotiations. Instead, they should work to create new trade rules that:

- Address the real source of distortions in world agricultural markets – the monopolistic power of global agri-business
- Take food security and food sovereignty fully into account, in particular in allowing developing countries to protect their poor farmers against low world prices and to recognize the special cultural role of food in many communities.
- Allow countries to introduce import controls and tariffs on dumped agricultural products.
- Act on governments' multilateral commitment to increase employment by promoting rural livelihoods. In particular, taking into account the needs of vulnerable groups and women, who produce the majority of the world's food.
- Rectify the imbalances between rich and poor countries in agricultural trade.

Geneva, February 21, 2003

V Comment

Essentially there are three main issues remaining on the table: reduction of tariffs, other forms of agricultural support ('green box' etc.) and special consideration for poorer or poorest countries.

Tariffs, which raise government revenue in a straightforward way, are the only really viable form of agricultural support for **poorer countries** – 'green box' subsidies are out of their reach. Tariffs are being reduced and subsidies are migrating to the 'green box'. From the poorer countries' perspective it is a case of 'we liberalize, they subsidize'. It needs to be remembered that the structural adjustment programmes already imposed on debtor countries by the international financial institutions have already taken many poor countries down the WTO route, ahead of time. The rigours of debt management might be of limited duration – those of the WTO look set to last for a long time.

Many in the **US** feel that their Government's role is driven by the large agriculture and food-related corporations. Indeed it is hard to see any US farm interest in abolishing the blue box, which limits EU production. On the other hand the multi-nationals are tireless in attacking production controls. The payments made to US farmers not only make it possible to allow the traders' purchasing power to have full rein; they, by the same token, cheapen the inputs for the huge concentrations of poultry raising, 'hog confinements' and beef finishing lots.

Within the **Cairns group** are countries, of which New Zealand is the obvious example, which really have to have export outlets if their agriculture is to survive. In global terms they do not provide a large percentage of farm output.

The **EU** is fatally handicapped by having to obtain agreement from 15 governments for every move it makes. There is a perfectly logical position for it to adopt, analogous to that of India; namely a desire to preserve the bulk of its farming population for reasons of food security, food safety, environment, culture and social fabric, whilst preserving the possibility of exporting specialised wines, cheeses etc. Within this tropical products such as tea and bananas would pose no problems and concessions could be given to the poorest countries. This position would gain many allies in the negotiations, provided that the EU advocated the same medicine for the less developed countries. This opportunity is thrown away by the callous insistence on penetrating the markets of poor countries by means fair or foul.

The **British Government** is not of course on separate view in the WTO negotiations, but the outline of its attitude is discernible elsewhere.⁴ 'Liberalisation is the guiding light'.⁵ Like the Cairns Group they think that overall 'the market' should rule, and tariffs subsidies and all other 'distortions' should be phased out. In some mysterious way farming should nevertheless be 'sustainable'. Governments might need to provide modest finance to support this. This accords with the views of the British political and economic establishment from 1846 onwards – apart, that is, from the period 1939-1980.

Multi-national corporations

Just as their cousins in bio-technology and pharmaceuticals have been the main beneficiaries of the agreements on 'intellectual property rights', so the traders and processors have been the main beneficiaries of the previous agreements on agricultural trade. Third World markets are being levered open, and, even better, first the US and then the EU have let agricultural prices sink to 'World Market' levels, whilst partially baling the farmers out with tax payers' money – enough to keep them producing somehow. Thus they can 'source product' at well below the cost of production. The next step is to ensure the removal of any measures that limit production of these wondrously cheap products. After that will come securing unfettered access for Cairns or 'Third World' produce in Europe and the US, to exploit a potential for cheap monoculture plantation-

style agriculture. If they can keep people's attention fixed on the role of governments this will help.

VI The dilemma of Northern farmers

In the corridors of the WTO, in the British press, in the sight of Third World Governments and Civil Society and even among Europeans concerned to support less developed countries, US and European farmers are often depicted as the beneficiaries of a lop sided WTO process. Partly perhaps because a handful of us with close knowledge of Northern farming realities have been attending international NGO consultations on trade, for several years, this meeting did no Northern farmer bashing.

However there is a very big problem that has to be addressed. What happens to produce bought cheaply in the US or Europe when it reaches poorer countries? In a paper for the Third World Network,⁶ Martin Khor describes wheat selling at £73 a ton in 2000 in the UK, with cost of production posited as £113.

Moreover this shift from price-support subsidy to grant (or direct payment) subsidy enables the UK or European farms to have a price similar to (or even below) the world price, and thus they are able to sell in the world market at an artificially low price, and without needing an export subsidy.

Examples of effects: (1) Cheap wheat exported from UK/Europe was imported by a developing country. The wheat was processed and the country could export cheap wheat flour to other countries. One country (Kenya) found that low-priced wheat flour imports undermined the local flour industry. It also affected the market and livelihood of wheat farmers that supplied to the local flour industry.

(2) Indonesia has found that EU and other exporters dumped wheat flour on its market.

Martin gives other examples such as US cotton exports.

The first task from a Northern farmer perspective is to be clear and open about average costs of production. We then need to recognise that like Third World producers we are price takers in a 'market' dominated by a handful of purchasers. There is no classical 'free market'. We then have to admit that unlike Third World producers we are partially baled out by taxpayers. When the taxpayers complain, we have to be very clear that they have been indirectly subsidising the trading giants. When farmers elsewhere complain, we have to look for ways in which we can be sustained as farmers without the ruin of those already worse off than ourselves.

VII Conclusion

This WTO process is deeply flawed because

1. It treats agriculture as simply a producer of tradable commodities.
2. Only limpingly does it address issues of food security.
3. It is steeply tilted against the poorest countries, and their farming inhabitants. An FAO study of 14 developing countries found that since the process started 'increases in food imports were generally significantly greater than increases in agricultural exports'.⁷
4. It ignores the possibilities for gaining competitive advantage at the expense of labour, animals or the natural environment.
5. It pretends that international trade is conducted between countries, and it ignores the overwhelming role of trading giants, which are in themselves the biggest market distortions on the scene.

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- ¹ *WTO and/or Farmers*, Agricultural Christian Fellowship, Farmers World Network and Farmers Link 2001.
- ² Negotiating positions summary by Institute of Agriculture and Trade Policy, Minneapolis. Available from ACF. See also WTO web site.
- ³ Harbinson draft
- ⁴ *Mapping Government Thinking on Globalisation*, UK Food Group 2000, www.ukfg.org.uk
- ⁵ From a DEFRA civil servant
- ⁶ *The WTO Agriculture Agreement: features, effects, negotiations and what is at stake*, Martin Khor, Third World Network.
- ⁷ Quoted by Martin Khor p.12.