

International agricultural trade is not an end in itself

Non-governmental organizations demand that human rights, justice, and sustainability be given priority at the WTO agriculture negotiations

Position of the German NGO Forum on Environment and Development (Forum Umwelt und Entwicklung)



*German NGO Forum on
Environment and Development*

A new Agreement on Agriculture is under negotiation at the World Trade Organization (WTO). Despite the fact that the Doha Declaration promised a „Development Round“ there is a danger that the concerns of the developing countries, and especially the concerns of the poor and hungry in those countries, will be disregarded. The Framework Agreement adopted by the General Council on August 1, 2004, also known as the July Framework Agreement, reveals fundamental deficits and renders a success in terms of the alleviation of poverty and hunger, the human right to food, international and social justice, and global ecological challenges unlikely. Thus far it has not been possible to further develop the 2004 Framework Agreement. The conflicts of interest appear irresolvable and the process continues to steer towards further liberalization of agricultural trade which gives very little consideration to social or ecological factors and threatens the livelihoods of many farming families in the developing countries and also in Europe.

Objectives

The liberalization of international agricultural trade threatens to become an end in itself. While it is often claimed that it is pursued in the interest of poverty alleviation and global development, the current agricultural trade rules have had rather the opposite effect. If liberalization of agricultural trade continues on its current course with its primary commitment to the concerns of the stronger nations, the situation will worsen. Therefore, in the opinion of the undersigned member organizations of the German NGO Forum on Environment & Development the following objectives must urgently be given precedence over the international agricultural trade regime:

- 1. Right to food.** In his 2005 report to the United Nations Commission on Human Rights, UN Special Rapporteur on the Right to Food, Jean Ziegler, emphasizes that international agreements must not limit the scope for implementing the right to food: „Governments must refrain [...] from taking decisions within WTO, IMF or the World Bank that can lead to violations of the right to food in other countries.“ More than 70% of those suffering from hunger are marginalized small farmers or landless people. **Reformed agricultural trade rules must not obstruct the support for and protection of family farming by putting marginal producers at the mercy of unfair competition in the world market.**
- 2. Alleviation of poverty and hunger.** At the UN Millennium Summit the international community committed itself to halving the proportion of those suffering from hunger worldwide by 2015. However, since then the number of those suffering from hunger has not declined but has reached the sad high of 852 million people. **Reformed agricultural trade rules must be measured by their success in significantly alleviating poverty and hunger.**
- 3. Ecological and social sustainability.** Trade liberalization and the orientation towards increasing global trade have contributed to the concentration of agricultural production and to the displacement of small family farms both in the northern and southern hemispheres. The existing agricultural trade rules are biased towards the interests of multinational agri-businesses and major exporters. Long transports and the increased use of energy, pesticides, fertilizers, water etc. in intensively managed large holdings bring about severe environmental damage and impact adversely on the health of farm workers and rural dwellers. Economic growth and world market integration must not be the only yardsticks for development. **The impact of agricultural trade rules must be subjected to a sustainability impact**

assessment. Agricultural trade rules must not counteract broad-impact income distribution, employment-generating rural development, ecologically sustainable production methods, and diverse agricultural structures and cultural landscapes.

4. Justice between North and South.

The current Agreement on Agriculture is very much tailored to the interests of the export-oriented agricultural and food industries of the rich industrialized countries, and especially the EU and the USA. Despite all the reduction commitments, the distortion between industrialized and developing countries in terms of subsidies and external protection has not been eliminated but firmly established. **Reformed agricultural trade rules must not cement the status quo but must grant developing countries truly „Special and Differential Treatment“.**

5. Coherence of trade law and other international agreements.

Currently the WTO Agreements enjoy de facto predominance over other international treaties, such as for example the environmental conventions or human rights treaties. **Reformed agricultural trade rules must integrate the respect of these international agreements into their provisions.**

6. Ecological and social minimum standards.

At present products can be imported and exported regardless of how, by whom and under what conditions they were produced. The WTO's disregard of human rights, internationally accepted labour standards, and environmentally-friendly production methods counteracts sustainable rural development at a global level. **Therefore the consideration of these standards in the international trade system must be enforced.**

The undersigned organizations have **fundamental reservations** about the agenda for the agriculture negotiations as it is predefined by an imbalance of powers as well as intransparent and undemocratic decision-making procedures in the WTO, and as it counteracts the objectives outlined above. A fundamental reorientation is required in order to achieve these objectives. As a first step it will be necessary to avoid an escalation of the negative impact exerted by the international agricultural trade rules. A deficient new Agreement on Agriculture has the potential to cause enormous damage. In order to prevent a deterioration resulting from a biased agreement the existing scope for negotiations must be fully utilized.

Current agriculture negotiations

With regard to the current agriculture negotiations, the undersigned organizations ask the German Federal Government to especially support extended safeguards for developing countries with a view to the alleviation of poverty and hunger and with a view to sustainable rural development. At the same time the Federal Government should support the immediate abolition of export subsidies and other types of dumping in order to prevent exports of European agricultural commodities at prices below their domestic production costs. Subsidies and safeguards should also remain available to the European agricultural sector. However, they must be much more strongly linked to environmental and social criteria and they must not have the effect of promoting production for export purposes.

The following **assessments and demands** result from the above for the three pillars of the Agreement on Agriculture - **export competition, domestic supports, and market access**:

1. Export competition

The industrial countries' export subsidies have a particularly negative impact on farming in developing countries. They lower world market prices, drive down local prices and ruin all those farmers whose governments can not or do not want to pay subsidies or apply protective tariffs. While the complete abolition of these direct export subsidies and other forms of export competition was decided as part of the framework agreement no time-scale has been set. The envisaged rules do not adequately address indirect ways of subsidizing exports.

The abolition of export subsidies is a matter of course. The industrialized countries must not use it to gain an advantage in the negotiations.

Demands:

1. Export subsidies and state export credit schemes must be discontinued within three years of the entry into force of the Agreement on Agriculture. The notified expenditure and quantity levels must be reduced by 50% in the first year.
2. Exports at prices below the level of domestic production costs must be abolished similarly to the export subsidies.
3. Food aid should primarily be given in the form of financial transfers and only as non-repayable grants. Food aid must only be granted at the request of a competent multilateral organization (e.g. World Food Programme), where a crisis is evident, and on the basis of objective criteria. Similarly, distribution

must be organized and monitored multilaterally. The monetarisation¹ of commodity aid must be prevented.

4. GATT Article XVI (3)² legitimizes export subsidies and is a loophole for subsidized and/or cross-subsidized agricultural exports. It must be abolished.
5. Products which are protected by high import tariffs must, in the medium term, no longer be exported.

2. Domestic supports

The logic of the system on which the negotiations regarding domestic supports are based is questionable. Subsidies are divided into "strongly", "less", and "minimally" trade-distorting (Amber Box, Blue Box, Green Box). With the smallest of adjustments in the legal basis agricultural subsidies are shifted from a box that is problematic in trade policy terms into an allegedly less problematic box. This does not substantially reduce dumping and it does not focus subsidies towards the support of a socially and environmentally benign farming sector. Criteria are not assessed as to their possible effect of distorting competition or their contribution to dumping or to sustainable rural development.

¹ Monetarisation: The selling of commodity aid in the domestic marketplace and the use of the proceeds for a dedicated purpose.

² GATT Article XVI (3) states: „If, however, a contracting party grants directly or indirectly any form of subsidy which operates to increase the export of any primary product from its territory, such subsidy shall not be applied in a manner which results in that contracting party having more than an equitable share of world export trade in that product, [...]“

Demands:

1. The most trade-distorting subsidies in the AMS³ must be rigorously reduced. Product exports which benefit from product-specific AMS must be completely abolished in the foreseeable future.
2. Die *de minimis rule*⁴ must be abolished in the industrialized countries. Developing countries are to be excluded from a reduction of their *de minimis* subsidies.
3. The Blue Box domestic supports must be discontinued in the medium term. Until such time as they are discontinued a payment ceiling must be established and the criteria reassessed, for example with a view to establishing whether they actually are 'production-limiting'. Product exports supported by „new Blue Box subsidies“ must be reduced with a view to discontinuing them altogether.
4. The criteria for Green Box measures must clearly be oriented towards the protection of natural resources, biodiversity, and the sustainable development of rural areas. Only then is it possible and legitimate to support a farming sector in the North which does not threaten sustainable development

³ Definition AMS: The AMS or Aggregate Measurement of Support is the total amount of domestic support (e.g. market price supports, non-excluded direct payments) which are considered trade-distorting, are to be abolished, and are already subject to reduction commitments. To calculate market price supports, the difference between the administratively fixed domestic price and the external reference price is multiplied by the quantity produced of the product in question. In the EU the AMS does not constitute a subsidy in a majority of cases.

⁴ Definition: The *de minimis* rule states that some agricultural subsidies need not be reduced despite their possible trade-distorting effect. It allows industrialized and developing countries to exclude 5% and 10% respectively of their product-specific and non-product-specific supports from the reduction commitments.

and the right to food in the South. Green Box subsidies must not result in the indirect subsidization of exports (e.g. of cotton in the USA).

5. Green Box subsidies must be ecologically qualified and are to be linked to the labour force. This will have a positive impact on the labour market and processes concentrating production to few holdings and areas will be avoided. Compliance with conditions must be assessed periodically.

3. Market access

The 1994 WTO Agreement on Agriculture has forced developing countries to further open up their markets despite the fact that in some instances these were already relatively open, while the industrialized countries could continue to protect their markets even after implementing the tariff reduction commitments. This unbalanced situation resulted in many cases of domestically produced foods in developing countries being displaced by cheap imports while at the same time market access for their export products had not improved. In contrast to the industrialized countries, the developing countries, bar very few exceptions, did not have access to the safeguard mechanism which offers tariff protection in case of a sudden strong rise in imports or a major price drop. Therefore it is the view of the undersigned organizations that especially the improved protection of the agricultural markets in the developing countries and a socially and environmentally benign agricultural sector are priorities at a global scale.

Further market-opening in the North and South would primarily benefit multinational agri-businesses and major agricultural exporters in developing countries which can sell their products cheaply in the global marketplace. Radical market-opening would simultaneously threaten existing family farms and socially and environmentally benign farming in the

industrialized countries. Access to the markets of the North is not the key to global poverty alleviation, as is often suggested. It may contribute to poverty alleviation, but only if it is granted moderately, considers social and ecological criteria, and contains targeted trade preferences for poorer countries. In this sense, the undersigned organizations advocate „qualified market access“.

Forderungen:

1. Developing countries must be given the greatest possible flexibility with regard to the tiered tariff reduction formula. A moderate reduction of the developing countries' tariff bindings may, if at all, come into effect following the complete implementation of the decisions on export subsidies and domestic subsidies in the industrialized countries.
2. Developing countries with low tariff bindings must be allowed to raise these tariff bindings.
3. Developing countries must be granted the right to apply additional tariffs on products which are supported by AMS product-specific subsidies or the „New Blue Box“⁵ without the need to provide proof of damage.
4. Only developing countries may designate „special products“ on the basis of the criteria laid down in the treaty (food security, rural development, and improving livelihoods). All staple foods and other products which form

an important part of the livelihood of 'low income and resource poor farmers'⁶ must be defined as „special products“. There must not be a ceiling on the number of „special products“.

5. „Special products“ must be excluded from all reduction commitments. Additionally, the raising of tariffs and the introduction non-tariff import restrictions, such as quantitative restrictions, must be permitted for reasons of food security. Tariff Rate Quotas (TRQ) are not to be required for „special products“. The option of invoking the special safeguard mechanism must also be available for „special products“.
6. The special safeguard mechanism (SSM) must be effective and easy to use. It must be available for all products produced by the developing countries and an „automatic trigger“ must be available in case of imports flooding local markets. In addition to the raising of tariffs the SSM must also allow quantitative restrictions.
7. The industrialized countries' designation of „sensitive products“ should be based on non-trade concerns. Their tariffs are to be lowered to a lesser extent and they should not be subject to the progression of the reduction formula. However, the industrialized countries must grant additional tariff quotas, with the highest priority to be given to production in LDCs.

⁵ A new Blue Box was added to the existing Blue Box with the July 2004 Framework Agreement at the behest of the US Government. It differs from the old one in that it does not demand production-limiting measures. It also contains subsidies which „do not require production“. This wording covers the highly controversial US Subsidy Programme of „counter-cyclical payments“ which had been classified as being clearly trade-distorting and damaging to others by the WTO Dispute Settlement Body in their ruling against the USA.

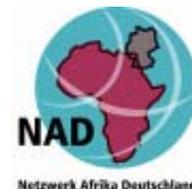
⁶ Each country should define for itself and notify to the WTO which type of farm holding is to be covered by this clause. All WTO members are allowed to question this definition.

8. Developing countries should be given the opportunity to promote domestic processing of their agricultural products by excluding the relevant sectors from tariff reductions. The industrialized countries must unilaterally abolish their tariff escalation.
9. LDCs must be given preferential market access. Preferential import quotas for these countries should be linked to contractually defined environmental and social standards. Civil society organizations are to be involved in the negotiations on bilateral standards and their control. Additionally, trade preferences are to be designed in such a way that developing countries are assured a share in the higher EU price levels. This will strengthen the development opportunities in the countries of the South and at the same time avoids that prices enjoyed by family farms of the North are undermined.
10. The WTO and bilateral development cooperation must help the developing countries with financial and technical aid in complying with environmental and social standards.

Signature of demands:



Gerechtigkeit jetzt!
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