

Trade Reform and Agriculture

Who we are

CIIR (Catholic Institute for International Relations) is an international NGO working for sustainable development and the eradication of poverty. Funded in 1940, CIIR is rooted in the values of inclusion and social justice. Our work is based on two pillars: skills sharing and advocacy. We place development workers, from both North and South countries, with civil society local organizations in developing countries that work with marginalised groups such as poor farmers, women and indigenous people, providing them with training and skills. Our advocacy work is rooted in these experiences and is an additional means by which we, together with others, seek to tackle the underlying causes of poverty and inequity. In some countries CIIR is known as ICD (International Cooperation for Development).

Trade as a vehicle to international sustainable development

Cancun was a missed opportunity to create a more socially just and environmentally sustainable multilateral trading system. The Fifth Ministerial Conference of the World Trade Organization (WTO) was to be a decisive point in the Doha Round of trade liberalization negotiations and an opportunity for developed countries to show their willingness to implement the Doha Work Programme. Nevertheless the talks collapsed due to the unwillingness of developed countries' governments to listen to the needs of developing countries. Now there is clearly the danger that rich countries will distance themselves from multilateralism and concentrate instead on bilateral trade agreements, thus putting developing countries at a further disadvantage in bargaining processes. Yet, there is also the possibility that Cancun becomes a watershed for the ability of developing countries to participate effectively in international trade negotiations through the building of alliances that redress the imbalances in the negotiating power of developing countries.

We welcome the formation of developing country alliances like the G20 but we do so with caution. In the countries that form this alliance there are great inequalities between different types of agricultural producers, namely small and medium farmers versus large farmers and big agribusinesses, with markedly different needs and ability to influence and benefit from agricultural and trade policy.

Addressing the relationship between trade on the one hand and development and environment on the other, is fundamental if we are to achieve international sustainable development. Historically the dominant paradigm in the WTO has been conceiving trade as an end in itself and therefore when the environment is considered it is to gauge the potential effects that environmental measures will have on trade. We believe that trade must be a means to an end, a vehicle for poverty reduction and sustainable development. Consequently the relationships between trade and environment and trade and development should be approached from the premise of the impacts that trade policies have on the environment and on development.

The multilateral trading system is heavily biased towards export-led development and as such reflects the needs and interests of transnational corporations and ignores the needs and concerns of small and medium farmers in both developed and developing countries. The result of this is corporate concentration in the food chain, mass-produced foods, environmental degradation and millions of small farmers in developed and developing countries operating at a loss. CIIR believes that domestic food production should never be subjugated to international trade requirements.

Undoubtedly, trade can enhance and complement a food security strategy, but trade needs to be regulated and managed if food security is to be protected. Trade will only help towards poverty reduction if developing countries are given the policy space they need to develop and implement adequate environmental and developmental measures that address the needs and concerns of the small-scale farmer.

Singapore Issues

The EU's insistence in incorporating the Singapore Issues (investment, transparency in government procurement, competition policy and trade facilitation) into the WTO agenda shows a complete disregard for the needs and concerns of poor countries. The WTO agenda is already overcrowded and stretches the ability of poor countries to negotiate effectively due, among other things, to their lack of resources. To further extend it would make it unmanageable. The priority now should be addressing important and unresolved trade issues, such as the elimination of agricultural export subsidies. The EU must stop putting developing countries under pressure to give more and more market access to developed countries.

Export subsidies and dumping.

Since Doha both the EU and the US, supposedly the staunchest supporters of free trade, have increased subsidies to their largest producers. Simultaneously, under the pressure of international financial institutions' structural adjustment programmes, developing countries have been progressively forced to open their markets and prevented from subsidizing their producers. This is a remarkable display of double standards.

Direct and indirect agricultural export subsidies, including export credits, are highly damaging to trade, environment and development not only in developing but also in developed countries. In Europe and the US, among other things, they distort the distribution of benefits from public support toward a minority of large farmers; they encourage intensive and unsustainable agro-industrial production and as a result cause enormous environmental degradation such as pollution of soil and water through their excessive use of agrochemicals. Furthermore, they result in the dumping of artificially cheap produce in the markets of developing countries with the consequent elimination of domestic agricultural producers. Since the majority of the world's poor depend for their subsistence on agriculture, dumping has serious implications for the food security of millions of vulnerable small-scale farmers in the developing world.

We urge the EU to eliminate export subsidies on all products of interest to developing countries without delay and all other direct and indirect agricultural export subsidies as soon as possible. Simultaneously, mechanisms must be devised to implement the Marrakech Declaration, which emphasises the urgency of making provisions for the food needs of LDCs (Least Developed Countries) and NFIDCs (Net Food Importing Developing Countries).

Market Access

Eliminating direct and indirect agricultural export subsidies in developed countries is a tremendously important step forward but in itself insufficient to address the needs of small-scale farmers in poor countries. These countries should not be put under systematic pressure to open up their agricultural markets since doing so would have catastrophic effects on their rural economies. Food security should take precedence over all trade considerations and therefore international trade rules, although necessary, should not contribute to the erosion of domestic production of staple foodstuffs in developing countries. It is thus essential that these countries be given sufficient policy space to protect their markets in the interest of food security and poverty reduction. The importance of a nationally developed strategy for ensuring a country's food supply becomes even more evident when we take into account the diminishing ability of poor

countries to pay for their basic food imports owing to several reasons such as high debt servicing, poor export earnings and declining financial flows.

Historically, all developed countries protected their domestic markets by discriminating against foreign products. Trade liberalization was an outcome of economic development, not a prerequisite. International trade will only act as a vehicle for economic development and the reduction of poverty in developing countries if rules are designed in ways that seek to benefit the poor. Those who argue for trade liberalization in developing country agriculture completely fail to understand the poverty and marginalization characteristic of millions of poor farmers in poor countries who live in remote areas with very poor or no infrastructure, lack access to education, own little or no land, lack access to credit and market information, etc. All this means that what poor farmers need first are policies to redistribute assets and policies that create the capacity that will allow them to benefit from trade. Without these measures poor people not only will be unable to take advantage of new market opportunities but instead their food security and livelihoods will be put at risk.

Quite clearly, the same rules cannot be applied to countries with radically different economic and social contexts and the principle of Special and Differential Treatment should be expanded. We urge the EU to reinforce its support for the introduction of special products (SPs) and a special safeguard mechanism (SSM) to protect domestic production when it is threatened by imports. Each developing country should be allowed to designate SPs that reflect their particular development and food security needs. Since import surges and dramatic drops in prices can have devastating effects on the rural sectors of developing countries, the SSM should be extended to cover all agricultural products.

Tariff escalation

Tariff escalation in products such as coffee is a way to encourage underdevelopment in developing countries by preventing them from diversifying their economies and encouraging them instead to continue in their role as exporters of raw materials, with the negative environmental and developmental implications that this has. Tariff escalation hampers efforts by developing countries to add value to their products locally and diversify out of poverty.

Domestic support

While developed countries are allowed to gradually reduce the support that they give to their agricultural sector, developing countries are forbidden to introduce it, despite the fact that agriculture is vital to their food security and to their economies.

The EU should eliminate domestic subsidies for products that are predominantly exported and agree on a thorough review of the green-box subsidies to make sure that they are non-trade distorting and do support measures that contribute towards sustainable agriculture such as conservation of rural areas and landscapes, protection of the environment and improvement of animal welfare.

Developing countries should not be prevented from investing in agriculture and from providing financial and technical assistance to build the productive and marketing capacity of their small and medium farmers. Governments have an essential role to play in protecting the basic human right to food and in correcting the failures inherent in agricultural markets. Agricultural markets do not self-correct. Therefore, supply management systems both at the local and global levels are essential to address the failures of agricultural markets and guarantee fair prices that cover the costs of production.

Decoupling

It is very difficult to know the impacts that decoupled payments will have on the environment, rural development, health and trade. Decoupling can have very different effects depending on the payment option that is eventually chosen. In principle, an area or regional basis for the single income payment has the potential to be more socially redistributive (disadvantaged farmers who have historically not been entitled to subsidies would become eligible whereas payments to the largest farmers would decrease) and environmentally sustainable. However, payments would still rise with the size of the farm. Furthermore, direct payments without supply management mechanisms still have the potential to stimulate surplus production in some sectors and thus contribute to export dumping. Although support that moves away from an emphasis on agricultural production to a rural social and environmental policy is welcomed, other options should be explored such as recoupling payments to rural development and environmental sustainability indicators.

International Governance of Food and Agriculture

Trade can be a tool for poverty reduction and the creation of economic opportunities for all countries but trade can also result in environmental degradation and in misery for the poorest and most vulnerable in society. The most important challenge now is ensuring that the multilateral trading system allows all people to fully benefit from the positive contributions that trade can make to human development, and avoids the negative consequences of trade. It is vital to stop taking a dogmatic, one-size-fits-all approach to trade and trade liberalization and instead take a rational and practical one. In other words, it is important to design international trade rules that take trade not as an end in itself but as a means to an end, namely, the goal of international sustainable human development.

Poor countries are better placed to secure beneficial outcomes from multilateral trade rules than they are from bilateral trade agreements. The multilateral trade system can be useful in giving smaller countries protection, can act as a forum for redress, can give developing countries the opportunity to develop joint positions, as we recently witnessed in Cancun, and push for more concessions from larger countries. The WTO as a one-country, one-vote, member-driven organization with a majority of developing country members has enormous potential to create an open, transparent, fair and rule-based multilateral trading system that benefits all. However, the WTO has failed to realize that potential. In order to do so it needs to reflect the very different levels of development of its member countries by providing greater policy flexibility to the poorest and incorporating fully the principle of special and differentiated treatment for developing countries.

Furthermore, the WTO will not truly be a democratic one-member, one-vote organization unless the least developed countries are given financial and technical support to strengthen their representation and capacity in Geneva so that they can participate fully in negotiations. It is also important that the WTO becomes a more transparent and inclusive organization and allows for the meaningful participation of parliamentarians and civil society.

Since international trade rules can have serious impacts on food security, opportunities should be sought for increased cooperation between the WTO and the UN systems. UNCTAD could act as a facilitator for the favourable integration of developing countries in the international trading system. It could play a supportive role through research and policy analysis, assisting developing countries in trade negotiations and providing them with technical assistance and capacity building.

Finally, policy coherence is essential and international trade rules should not take precedence over or be detrimental to international environmental and human rights agreements. Also there is clearly the need to

address consistency between trade, financial, monetary and technological policies in support of development. In particular there is an urgent need to cancel the foreign debt of the poorest countries since it constitutes an insurmountable obstacle for implementing sustainable social and environmental policies. The challenge now is to make international trade a tool towards achieving the Millennium Development Goals.

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With regards to the constituency we are an international development agency.

CIIR's publications on trade issues:

- "Trade and Food Security. An Assessment of the Uruguay Round Agreement on Agriculture" by Sophia Murphy, Institute for Agriculture and Trade Policy.
- "Levelling the Field. Will CAP reform provide a fair deal for developing countries?" by Christopher Stevens, Jane Kennan and Jenny Yates.
- "Renewing the San Jose Dialogue. The future of relations between Central America and the European Union" by Jose Antonio Sanahuja.

A complete list of CIIR's publications can be found at www.ciir.org