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Liberalisation of Agricultural Trade - The Way Forward for Sustainable Development ?

By Marita Wiggerthale

Content

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Preface

By Jörg Haas, Heinrich Böll Foundation, Berlin Office

Within the WTO few questions are as bitterly contested as the reform of the Agreement on Agriculture. And with few of them is so much is at stake both in terms of the alleviation of hunger and poverty and with regard to an ecological reform of agricultural policies. More than half of the population in developing countries is engaged in farming, four out of five undernourished people live in rural areas. No other activity has shaped our planet as much as farming and has had such an enormous impact on soils, water, and on biodiversity.

At the recent workshop held by the German Federal Ministry of Consumer Protection, Food and Agriculture on "Policies against hunger III" the central issue debated was "Liberalisation of agricultural trade – a solution?" Is the creation of a single world market for agricultural goods, and unbridled competition between wholly different locations with a great diversity of social, economic, and environmental conditions for production the answer to the challenge of creating an agricultural trade regime which is oriented towards the alleviation of hunger and the creation of sustainable development?

The two essays presented here by the German agricultural trade expert Marita Wiggerthale will answer this highly controversial question in the negative. The first essay is an introduction to the issue of "Food Security and Agricultural Trade". Structured along the lines of the main issues debated in the current Doha Round (market access, export competition, domestic support) it provides baseline information for each issue followed by objectives for the WTO agriculture negotiations, formulated with a view to food security.

The second essay "Development Instead of Free Trade" combines a detailed analysis of the WTO Framework Agreement finalised in July 2004 with a passionate plea for an agricultural trade regime that is genuinely oriented towards human development needs.

With the publication of these two contributions the Heinrich Böll Foundation wishes to contribute to the public debate on the socio-ecological and equitable design of globalisation. Marita Wiggerthale's contribution to this discussion is only a beginning. In early 2005 we will, in cooperation with Misereor, instigate an international dialogue, moderated by the Wuppertal Institute for Climate, Environment, Energy from which we hope to gain further answers to the question of what might constitute a truly sustainable agricultural trade regime.

Jörg Haas
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Food Security and Agricultural Trade in the WTO Context: An Introduction

By Marita Wiggerthale

Agriculture negotiations take a central place in the Doha Round of WTO negotiations which was launched in November 2001. This is for a reason. For many millions of people in the South farming is an essential source of income. On average, 56%[1] of the labour force in the developing countries is engaged in farming, and in Burkina Faso, Rwanda and Burundi this share is even greater than 90%.[2]

At the same time 80% of those suffering from hunger live in rural areas, i.e. paradoxically in the very place where food is produced, while only 20% live in the towns and cities. A target-group specific analysis has shown that at 50%, small farmer families represent the largest group of those suffering hunger. A further 20% and 8% respectively are landless people or people directly dependent on natural resources (forestry, fishing, pasturage). The situation is similar for undernourished children under 5 years of age, of which 25% live in urban areas and 75% in small farming or landless families (many in remote regions). Twenty percent of undernourished children under 5 years live in families which are directly dependent on natural resources. [3]

Women are disproportionately affected by hunger and poverty. Since the 1970s the share of women living under the poverty line has increased by 50% while for men the increase was 30% during the same period.[4] The obvious "feminisation of agriculture"[5] in many parts of the world highlights the important role women play in the production and processing of local staple foods.[6] Eighty percent of local food in Africa is produced by women, 50% in Asia, and 40% in Latin America.[7] Trade regulations and practices which have an adverse impact on local markets thus predominantly effect women.

The latest FAO estimates are alarming in that they point to a further increase in the number of undernourished persons. Between 1995-1997 and 1999-2001 the number of undernourished persons increased by 18 million.[8] This renders the question as to the connections between agricultural trade liberalisation and food security [9] all the more pressing.

The protection of food security is established as such in both the preamble and Annex II of the WTO Agreement on Agriculture and while it is thus formally recognised by the WTO as a valid concern, the failure to introduce relevant rules means that is has remained an empty promise. Moreover, it is generally accepted that the rules of the Agreement on Agriculture are imbalanced at the expense of the developing countries and thus cement North-South asymmetries. It is for a reason that in November 2001 the Doha Round was proclaimed as the "Development Round" with the aim of addressing obvious development deficits.

The commitment to design the rules of the Agreement on Agriculture in such a way that they contribute to alleviating poverty and hunger and to guaranteeing the basic human right to food derives *i.a.* from the commitments made by member countries in the context of the "Millennium Development Goals" (MDG) and the

International Covenant on Economic, Social and Cultural Rights. According to these agreements member states are obliged to refrain from engaging in political measures which would have adverse effects on the implementation of the right to food in third countries, and to protect their own people from such adverse effects using every means at their disposal, both nationally and internationally. Moreover, governments must ensure the consistency of their commitments resulting from their participation in various organisations (*e.g.* WTO, FAO, UN). Where commitments are conflicting it should be clearly established that human rights take priority over trade law.

Apart from the essential issue of food security or the establishment of the right to food in the context of the WTO agriculture negotiations, the agricultural sector is one of the most sensitive sectors on account of its direct relationship with abiotic resources (soil, water, air), biotic resources (species diversity in flora and fauna, habitats), aesthetic resources (landscape, cultural aspects) and due to the major importance of food safety and quality as well as with regard to animal welfare issues. These aspects are again interconnected and related to food security. For example, 70% of all those suffering from hunger have no access or inadequate access to land.[10] Soil protection is as central to food security as access to water which in turn is an essential component of the right to food.

1. Market-opening in the developing countries

Introduction

The issue of external protection is by far the most controversial and is essential for maintaining national scope in terms of food security and sustainable development of rural areas both North and South. As has been outlined above, it is absolutely essential to assess the impact of the opening up of markets on the vulnerable groups – small farming families, landless people, those who are directly dependent on natural resources, women and children – and not just to base evaluations on macro-economic analyses.

There is a degree of ambivalence in the assessment of agricultural trade. The FAO for example states on the one hand that “in general, engaging in agricultural trade is associated with less hunger, not more”[11], but on the other hand it points to increasing import surges which displace domestic producers. This shows that agricultural trade in itself may not be the problem but the way agricultural trade is being conducted. In this sense the narrow policy focus of the IMF, World Bank, and WTO on liberalisation limits the governments’ scope for action in development in the developing countries. Instead of making a contribution to combating hunger and poverty, the livelihoods especially of vulnerable groups effected by hunger and poverty are put at a greater risk.[12] UNCTAD indirectly confirms this assessment by saying that “the benefits of globalisation/liberalisation to low-income agricultural producers are likely to be very limited”.[13]

Small farmers’ experiences of the liberalisation of their domestic markets are predominantly negative.[14] With the opening up of the borders they are faced with dumping and cheap imports which destroy their local markets and thus their incomes and livelihoods. For them it is crucial to maintain access to the domestic market and this has priority over international market access!

Staple foods are of particular significance in terms of domestic market access. The production of staple foods is essential for food security and for the realisation of the basic human right to food. Food self-sufficiency requires that farmers have a ready market for their locally produced staple foods. These crops are mostly grown by women and, as outlined above, constitute 90% of the food supply for those suffering from poverty and hunger.

Moreover, the establishment of functioning domestic markets requires improvements in infrastructure (roads, harbours, telecommunication) and in internal marketing structures. This shows that the creation of suitable framework conditions in international agricultural trade is a fundamental prerequisite to combating hunger but it is not sufficient in itself. It is equally important that the governments in developing countries fully utilise the scope available to them, in the sense of good governance, and that they realise their citizens' right to food, especially with target-group oriented measures.

The improvement of small farmers' livelihoods is not only dependent on the maintenance or recovery of domestic market access but also on fair and stable prices for the food they produce. Over recent years the world market for agricultural goods has often been characterised by massive price drops: Between 1997 and 2001 the price for coffee fell by 66%, rice by 43%, cotton by 39%, cocoa by 30%, sugar by 24%, and wheat by 20%.[15] The obvious price collapse on the world market in conjunction with agricultural trade liberalisation is a double threat to small farmer incomes. Firstly, cheaper imports threaten to substitute the food they produce themselves, and secondly the domestic retail prices for their produce are pushed downwards.

Low prices do not only directly effect small farmer incomes (50% of the undernourished) but they are also undesirable as they negatively impact on future food production since the necessary incentives for the maintenance of production levels are no longer available.[16] A fundamental reason for the price collapse is the oversupply on the world market.[17] While it is a positive sign that the debates on "commodity markets" and also on supply control measures have been rekindled (at first, for example, at UNCTAD XI in Sao Paulo), it is important to note with respect to the WTO agriculture negotiations that a special safeguard mechanism (SSM) for developing countries should be established as part of the Agreement on Agriculture which would allow them to protect themselves from price drops caused by food imports. The SSM is therefore essential in contributing to stable domestic prices which are especially essential for small farmers.

WTO agriculture negotiations

A central issue in the agriculture negotiations is in how far the developing countries will be given the ability to freely determine tariffs that are appropriate to their national needs. The tariff levels should be determined by the need to protect certain vulnerable groups or certain staple foods, by the competitiveness of certain agricultural produce sectors and by the need to import certain foods provided these can not be produced in the country itself.

It is obvious that the WTO limits this right to self-determination, and undermines food sovereignty. It would thus be preferable if another multilateral framework for agricultural trade existed. However, given that the negotiations are in progress, policy space for manoeuvre at least should be maintained and extended as much as possible. There are already a number of proposals as to how this could be achieved: Introduction of quantitative restrictions, variable levies, raising low tariff bindings especially for staple foods, exemption of staple foods from reduction commitments ("special products"), a special safeguard mechanism for developing countries, additional tariffs on imports which are subsidised in the country of origin. The establishment of effective safeguard measures is especially important since at present there is not a single protection instrument in the WTO which allows all developing countries to effectively protect their agricultural sectors and their small farmers.[18] Moreover, existing safeguards must be maintained: Annex V of the AoA lists all those agricultural products which are not subject to the rules of the WTO Agreement on Agriculture. Under Annex V the Philippines have notified quantitative restrictions for rice imports. The abolition of these restrictions would be fatal for Philippine rice farmers.

The Doha mandate and Article 20 of the Agreement on Agriculture make provisions for this special treatment of developing countries. The Doha mandate establishes that "special and differential treatment" for developing countries shall be an integral part of all elements of the negotiations. It states that developing countries are granted "less than full reciprocity" in reduction commitments. Article 20 however establishes that the ongoing negotiations should take into account 'non-trade concerns' such as food security or environmental protection. Same is true for the experience gained in the implementation of the reform process to date. It shows that markets in the developing countries are swamped with cheap imports. Small producers are displaced and lose their means of income generation. Many developing countries have become highly dependent on imports as a result of the liberalisation of their markets to date.

"Special products" are defined as "exemptions" from the general reduction commitments. Given the very different national situations developing countries should be able to self-designate staple foods as SPs in accordance with their development needs. Moreover, they should be in a position to adapt the list of "special products" if required. The introduction of the concept of special products should be independent of the general tariff reduction formula.[19]

The AoA already contains a Special Safeguard Clause (SSG)[20]. It is a response to fears that the abolition of non-tariff trade barriers *e.g.* quantitative restrictions will lead to import surges which adversely affect domestic production and depresses domestic prices. Obviously the application of tariffs was seen as an insufficient strategy in this regard! The introduction of the Special Safeguard Clause thus indicates a recognition that the safeguard measures as part of the GATT are inadequate. The Special Safeguard Clause is not open to all WTO member countries. Only those countries which have converted quantitative restrictions (quotas) into tariffs for their agricultural products were able to register the mechanism with the WTO and are thus eligible for SSG under the AoA. This includes all OECD members but only 21 developing countries. Additional duties can be imposed to avoid market disruption if imports of a particular commodity exceed a certain volume ("quantity-related trigger"[21]) or if import prices fall below a certain level ("price-related trigger"[22]). The EU reserves the right to invoke the safeguard mechanism for 539 tariff lines. In the period 1998-2001 the EU invoked the mechanism 130 times, despite high initial tariffs for its import-sensitive products such as sugar and milk products. Given the world market price fluctuations and the price decline for agricultural goods discussed below, it is of utmost importance that a "Special Safeguard Mechanism" for all developing countries and all agricultural products be established for reasons of food security.

With regard to agricultural products the question of market access and tariff reduction can not be addressed in isolation. Apart from the fact that tariffs are the only means of protection for developing countries, tariffs are also an important source of government revenue. Moreover, given the growing dependence on imports (see FAO) there are increasing problems with balance of payments. However, the developed countries demoted the WTO working group on "Trade, Debt and Finance" to a theoretical discussion forum even though in the "Development Round" this is an important issue for developing countries.[23] Indebtedness plays a major role in the export orientation of developing countries as this is made a condition for their receiving loans from the IWF and World Bank. Thus the (obligatory) export interest, *i.a.* of a number of more advanced developing countries (*e.g.* Brazil, Argentine) can be explained with their indebtedness and the pressure on them to generate foreign exchange reserves in order to service their debts.

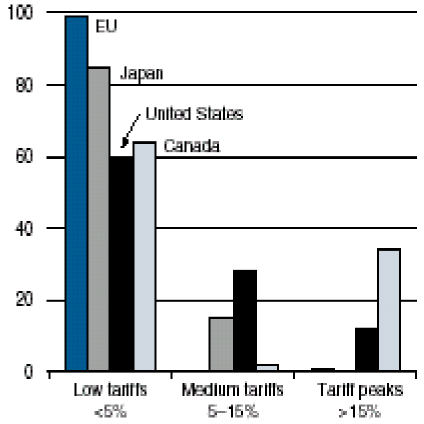
2. Market-opening in the developed countries

General information:

The bulk of agricultural goods is traded between OECD countries, both on the export and the import side, with internal EU trade constituting much of this trade. Almost three quarters of the entire agricultural trade originates in OECD countries. In 1998 83% of imports came from other OECD countries and 85% of exports went into other OECD countries. While the imports of agricultural goods and raw materials from developing countries continued to decline the imports of finished products increased. According to the WTO, of the four main developed country markets, the EU is the most important market for agricultural goods from developing countries. Nonetheless, Europe's share in total agricultural exports from the developing countries declined from 30.5% in 1990 to 28.5% in 1994 and thereafter stayed at that level.[24]

Figure 2.7 Despite preferences, LDC exports to the Quad often face high tariffs

In percent of LDC exports to each market (1996–99)

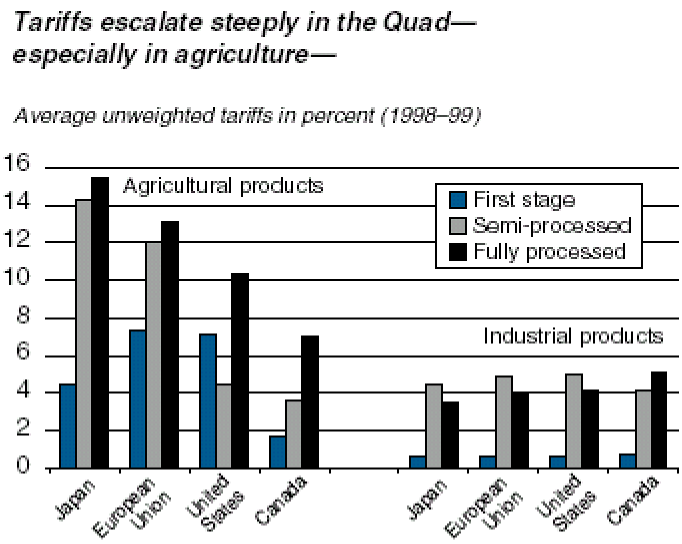


Source: World Bank staff calculations.

Developing country access to markets in developed countries can be described as "largely restricted". The market access rules of the WTO Agreement on Agriculture which came into force in 1995 did not improve market access for developing countries. There are a number of reasons for this:

Firstly, the conversion of non-tariff barriers into tariffs and tariff quotas established high maximum tariff levels in the developed countries ("dirty tariffication"[25]). In the EU, for example, prices were carefully established (intervention price plus 10%) for the purposes of conversion into tariff equivalents in order to achieve higher initial tariffs. According to the IATRC[26] (1994) however, a more important factor is the fact that rates of protection during the selected base period (1986-88) were, indeed, very high for many products in the EU. For wheat tariff equivalents are over 150% of the base period external price, for skimmed milk powder, beef and sugar over 200%, and for butter over 300%.

Secondly, average tariff reduction facilitated the avoidance of full tariff reduction of 36% for sensitive products. With few exceptions the EU applied three categories of tariff reductions (20%, 36%, 100%) with 20% reductions applied to "sensitive" products such as sugar, milk powder, olive oil, wine, many fruit and vegetable varieties, and semi-processed products.



Source: World Bank, based on WTO data.

Source: http://www.worldbank.org/prospects/gep2002/chapt2.pdf

Thirdly, by invoking the special safeguard clause the EU has applied additional tariffs to sensitive products. For sugar, for example, this was permanently the case.

Moreover, tariff escalation, *i.e.* an increase in tariffs as a good becomes more processed (*e.g.* higher tariffs on chocolate than on cocoa), continues to hamper diversification into higher–value added production in the developing countries.27

Politically there are disputes as to the degree to which the liberalisation of agricultural markets is of benefit to those suffering from poverty and hunger. However, the experience with preferential trade agreements demonstrate that preferential market access can indeed enhance economic and social development in developing countries. Moreover, having regard to the importance of the agricultural sector in many developing countries it is obvious that the sector must make an essential positive contribution to development. Whether this will happen or not will depend on whether it can be avoided that export production displaces production for the local markets, whether the profits made by commercial enterprises will be passed on to those affected by poverty and hunger through redistribution processes[28], and whether producers retain a "fair" share from the sale of the product. The withdrawal of the state from marketing has often had an adverse effect on small farmer incomes.

At the same time the liberalisation of the agricultural markets in the developed countries threatens family farming in Europe and in other developed countries. Therefore, the issue of market access must be approached product by product in a differentiated manner. Agriculture is not just a question of livelihoods but it is also a question of rural cultures, landscape management, the colourful diversity of regional foods and the sustainability of production.

WTO agriculture negotiations

Improved market access in the WTO is achieved through the general tariff reduction formula for developed countries and by way of the expansion of TRQ (Tariff Rate Quotas)[29]. The unilateral reduction of tariff escalation on the part of the developed countries is particularly important in order to provide an impetus to development processes in the developing countries. Furthermore, the TRQ for some products (*e.g.* sugar, milk) should be extended, while for less sensitive products improvements in market access could be achieved through the reduction of MFN tariffs.

Preferential trade agreements or the danger of "preference erosion" in view of the looming general liberalisation also play an important role in the WTO tariff negotiations. The G-90 in particular, a group comprising ACP countries, LDC, and the African Union, calls for the consideration of their interests in this regard. The general advantage of preferential trade agreements is, that especially those countries can be given preferential market access which are economically least developed and most affected by hunger and poverty. In this context the implementation of the Marrakesh Decision which has been overdue since 1995 is also of relevance. It provides for compensation for adverse impacts of trade liberalisation on LDCs and NFIDCs.

In all the discussions on improved market access in the developed countries or in Europe we must not loose sight of family farming in Europe. While livelihoods are at stake as elsewhere, there is also concern for the maintenance of cultural landscapes, for sustainable forms of production and for the regional diversity in foods. An issue which has as yet not been addressed in the WTO agriculture negotiations but which is of relevance with regard to market access is the question of social and ecological production standards for imports.

There are also disputes on the degree to which developed countries should be allowed to invoke the special safeguard clause, as this limits market access. Generally, the use of the SSG in developed countries is not implausible as long as its application is truly limited in time and scope. However, this would only be acceptable if the special safeguard mechanism for developing countries was established as described above.

3. Export competition

General information:

So far the WTO Agreement on Agriculture in its "export competition" section only deals with "export subsidies". Despite the fact that export subsidies are recognised as being trade-distorting and are generally not permitted in the WTO, the WTO Agreement on Subsidies in its Article 3 exempts the agricultural sector. Therefore, agricultural export subsidies are permitted unless the WTO Agreement on Agriculture rules otherwise. While in Art. 9 the AoA establishes reduction commitments for agricultural export subsidies, Article 8 legitimises all agricultural export subsidies below the expenditure and quantity levels notified in the schedule of commitments of each member country. Twenty-five WTO member countries are allowed to continue to provide export subsidies for those agricultural products for which they have also entered into reduction commitments for agricultural export subsidies; the other countries are not allowed to provide any export subsidies. Amongst the 25 members are a mere 8 developing countries but all OECD countries are included.[30]

While generally the base period for subsidies was set as 1986-90 the EU was able to avoid adjustments in export subsidies by allowing countries in the last minute to choose 1991-92 as the starting point for reductions, allowing for higher initial levels. Exports or stocks had increased significantly after the base period 1986-1990 for some products.

Currently the EU accounts for about 90% of export subsidies granted by OECD countries[31]. The EU is thus the most significant user of export subsidies. With the "temporary" permission for their continued use contained in the AoA the WTO allows dumping rather than prohibiting it. Export subsidies allow trading companies to place products from the developed countries on the developing country markets at prices that are below the production cost in the country of origin, to undercut prices for local agricultural products and thus to destroy domestic markets for small farmers. The existence of export subsidies is a scandal in development policy terms and their abolition is long overdue.

The use of the food aid instrument for the purposes of eliminating domestic surplus production, as especially practiced by the USA, is no less harmful for the markets in the South. The provision of government-subsidised export credits is equally controversial.[32] These have a market-distorting effect if the terms for government or state-subsidised export credits are more favourable than those available on the market as the product is effectively cheaper for the importing country than a purchase financed under normal market terms. Such improved terms can include lower interest rates, longer lending terms, lower handling fees, or instalment free periods. The effect is comparable to an export subsidy and hence there have been efforts for some time with the aim of subject export credit programmes in the agricultural sector to international rules such as is already the case for industrial products.[33] The 1994 WTO Agreement on Agriculture has already advised members to strive for binding rules in this regard. Article 10.2. of the AoA states that "Members undertake to work toward the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees...".[34]

Finally, apart from food aid and subsidised export credits, the ongoing agriculture negotiations also discuss state trading enterprises[35] under the "export competition" heading. Although state trading enterprises are generally in a position to take advantage of their monopoly and to circumvent WTO commitments, their importance in terms of guaranteeing marketing structures and stable prices especially in the developing countries must be adequately considered. However, the very existence of state trading enterprises in the North is not necessarily problematic.[36]

WTO agriculture negotiations

With regard to export subsidies an end date must be agreed for the complete abolition of export subsidies as part of the WTO Agreement on Agriculture. Food aid, however, must be disciplined in such a way that its use solely for the purposes of disaster relief can be assured and that it is provided in the form of grants. With regard to export credits the subsidy element must be eliminated and there must be appropriate disciplines which avoid the misuse of export credits *e.g.* for market development. With regard to state trading enterprise I have not yet seen any analyses which would justify their abolition or stronger regulation. Nonetheless, there is a need for more transparency so as to allow for possible misuse to be established and tackled.

4. Domestic support:

General information:

In the OECD countries support for the agricultural sector has not decreased but increased. While in the 1986-88 period total support amounted to 298 billion US$, it stood at 318 billion US$ in 2002.[37] The USA account for 90 billion US$, the EU for 113 billion US$, and Japan for 56 billion US$, each measured in TSE.[38] The WTO Agreement on Agriculture does not make provision for limits to these supports. At the same time the support as measured in TSE or AMS must not be confused with “agricultural subsidies”.[39] For the EU, for example, the real subsidies notified to the WTO amounted to 46.25 billion Euro in 2000 (Green Box: 21.99 billion €, Blue Box 22.22 billion €, Amber Box: 2.15 billion €).

The domestic support boxes of the Agreement on Agriculture

- Red Box: Prohibited policies which must be abolished (no longer exists; previously contained e.g. variable levies)
- Amber Box: Policies that are subject to review and that need to be reduced over time (e.g. market price support, input subsidies)
- Blue Box: Payments given in combination with production limiting programmes (e.g. area or headage payments in the EU until now)
- Green Box: Policies, that are supposed to have a minimal or no trade-distorting effect. As such they are acceptable and not subject to reductions (e.g. regional programmes, environmental programmes, income support)

With regard to domestic support, it has been criticised from a development perspective that the WTO AoA constitutes mere box-shifting from the Amber Box[40] to the Blue

Box and then to the Green Box while ultimately not prohibiting dumping or trade-distorting practices resulting from subsidies. The Green Box contains decoupled direct payments which are not supposed to distort trade, or at most cause minimal distortion and which are allowed without limits.[41] Developing countries are most critical of those Green Box direct payments that are paid with no services rendered in return and to no socio-political end and which have the highest potential for trade-distortion: direct payments to producers, decoupled income support, income insurance, and investment promotion.

In the discussion on the "Development Box" [42] demands were made not only for the introduction of new rules for market access but also in the area of internal supports in order to address concerns with regard to food security, employment protection in rural areas, and rural development. The least controversial proposal is the introduction of a Green Box category termed "Food security, poverty alleviation, rural development". Much more controversial, but justified in view of continued dumping, is the demand for the imposition of additional tariffs on imports of agricultural products which benefit from export subsidies and trade-distorting support (AMS, Blue Box). A further reasoned demand by the developing countries concerns the connection between internal support and market-opening: they seek to condition new market-access concessions for developing countries to the prior abolition of trade-distorting subsidies (known as "inter-pillar linkages").

Apart from the introduction of new provisions, the maintenance and enhancement of existing provisions are also being discussed with a view to achieving more development-friendly agricultural trade rules and a more balanced Agreement on Agriculture. This includes the broadening of the scope of Article 6.2 as well as the maintenance or enhancement of the *de minimis* rule for developing countries. *De minimis* subsidies are those that are permitted despite their possible trade-distorting effect.

In contrast, the continued existence of *de minimis* subsidies for developed countries must be criticised, especially since it does not contribute to sustainability. In 2000 the EU notified 537 million € in non-product-specific and 206 million € in product-specific *de minimis* subsidies. But the most significant beneficiary of this provision is the USA, claiming 6.8 billion US$ in non-product-specific and 3.8 billion US$ in product-specific *de minimis* subsidies.

WTO agriculture negotiations

The developed countries support the introduction of special provisions in the area of domestic supports, especially since they are aware of the limited financial resources of developing countries. The discussions on the use of the Blue Box and the Green Box on the part of the developed countries and the resulting dumping and trade-distortion are politically much more controversial. A review of the Green Box criteria is required for sustainability and development reasons, in order to ensure that they have the desired effect and that the "serious deficits" in monitoring and surveillances of the Green Box measures be addressed.

The key element in the domestic support discussions is the Blue Box. At present it looks like the Blue Box will be preserved but apart from that opinions vary, especially with regard to reductions in Blue Box payments starting from the established ceiling. There are also discussions on further criteria to help distinguish the Blue Box from the Amber Box and to invalidate the argument on “box-shifting”. It would be more useful, however, if the Amber and Blue Boxes were combined under the category of “trade-distorting support” with the Green Box being maintained under the category of “non-trade-distorting support” as was proposed by the developing countries. Moreover, the *de minimis* provision for developed countries should be abolished.

The addition of measures to the Green Box to include subsidies paid with a view to meeting animal welfare requirements, as called for by the EU, is currently getting little attention. These discussions may be revoked in the post-framework phase.

5. Trade liberalisation: The role of German companies

For German industry the agriculture negotiations are not at the centre of attention. “The much more exciting question is how the non-agrarian market access will progress and what sort of offers will be tabled for the services sector”. They have their sight set on the more advanced developing countries in particular. “Without substantially improved market access especially to the ever more interesting more advanced developing countries the current round holds no interest for industry”. In their view it is “absurd” that these negotiations have been completely upstaged by the agriculture negotiations “since international agricultural trade comprises a mere 9% of world trade in goods”.[43]

In Germany quantitative food sales of the German food industry have been stagnating for some time. Therefore the companies achieve their growth predominantly on foreign markets. Export sales increased from 19 billion € in 1997 to 26.4 € in 2003, with the export quota growing from 16.1% to 20.7% during the same period.[44] Therefore, the German food industry is interested in the opening up of foreign markets for their products. However, given the higher EU prices they use a “parallel approach” with regard to export refunds, *i.e.* a lowering of export refunds for non-Annex I products only to the same extent to which prices for raw materials are lowered in the EU. “Therefore it is of utmost importance that the ability of our companies to export goods be safeguarded by way of export refunds which compensate for the higher price levels for raw materials in the EU. For this reason the EU Commission must not accept any further cuts in export refunds at the WTO agriculture negotiations.”[45] Moreover, improved market access for all agricultural raw materials is important to the *Bundesverband der Deutschen Süßwarenindustrie e.V.* It is essential that high tariff rates, such as for sugar, be reduced to a greater extent than low tariff rates”.[46]

These statements demonstrate that industry is a prime mover behind trade liberalisation and that it evidently moves the EU Commission towards positions after their own heart.

The globalisation of business activities as facilitated by increasing liberalisation increasingly removes transnational corporations from national controls. The explosive growth of cross-border trade in goods and services has given more power especially to transnational corporations. In return the national regulatory capacities, and particularly those in the weaker countries, are decreasing. This regulatory vacuum must be filled again.

One step in that direction are the UN norms for transnational corporations which are, however, categorically rejected by the industry. The "[n]orms on the responsibilities of transnational corporations and other business enterprises with regard to human rights" were passed by the UN Sub-Commission on the Promotion and Protection of Human Rights in August 2003. Article 12 of the UN norms states that "Transnational corporations and other business enterprises shall respect economic, social and cultural rights […], in particular the rights to development, *adequate food and drinking water* […]".[47] NGOs welcome these norms. "With their UN norms for transnational corporations the Sub-Commission on Human Rights has produced a high-quality comprehensive document which may well become a normative reference document for accountable business practices in the long-term".[48]

Marita Wiggerthale

October 2004

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[1] FAO (2001): Mobilising resources to fight hunger. CFS:2001/Inf 7. Rome. p.8.

[2] Further figures: In Malawi 87 % of the labour force is engaged in farming, 84% in Tanzania, 83% in Mozambique, 75% in Zambia, and 68% in Zimbabwe. *Cf.* European Research Office (2001): Impact of the CAP on the development of value added food processing industries in Southern Africa. Brussels.

[3] *Cf.* Halving Hunger by 2015: A Framework for Action. Interim Report of the Millennium Project Hunger Task Force.

[4] FAO Press statement No. 98/17: FAO announces theme for World Food Day 1998: "Women feed the world".

[5] *Cf.* http://www.fao.org/gender/en/agrib2-e.htm

[6] Women are the primary producers of staple foods such as wheat, rice, and maize which constitute 90% of the food intake of the poor. *Cf.* http://www.fao.org/gender/en/agri-e.htm.

[7] Judith Zimmermann: The impact of women on food security. Women feed the world, in: MIJARC News 1/2002. Brussels.

[8] FAO (2003)The State of Food Insecurity in the World 2003. Rome.

[9] 1996 World Food Summit definition: "Food security, at the individual household, national, regional and global levels is achieved when all people at all times have physical and economic access to sufficient safe and nutritious food to meet their needs for an active and healthy life."

[10] *Cf.* CSO/NGO Comments on the second draft of the Voluntary Guidelines (07.05.2004).

[11] FAO (2003): The State of Food Insecurity in the World. Rom.

[12] *Cf.* http://www.saprin.org/SAPRI_Findings.pdf.

[13] UNCTAD (1996): Globalisation and Liberalisation: effects of international relations on poverty, cited after CIDSE (2001): The Impact of Trade Liberalisation on Food Security in the South. Brussels.

[14] See for example the position statements by La Via Campesina (international peasant farmers' association), ROPPA (West African network of farming organisations), Asian Pacific Network on Food Sovereignty.

[15] *Cf.* UNCTAD (2002): The Least Developed Countries Report. Geneva.

[16] *Cf.* De Haen, Hartwig (2002): Issues in World Commodity Markets, in: FAO (2002): Consultation on agricultural commodity price problems. Rom 25.-26.3.2002.

[17] *Cf.* Mitchell, Don und Varangis, Panos (2002): A Decline in Commodity Prices: Challenges and Possible Solutions, in: FAO (2002): Consultation on agricultural commodity price problems. Rome 25.-26.3.2002.

[18] *Cf.* Wiggerthale, Marita (2004): Schutzinstrumente in der WTO – eine entwicklungspolitische Betrachtung, in: Germanwatch (2004): Dumping beenden – Ernährungsgrundlagen im Süden sichern. Bonn/Berlin.

[19] Demands made by the G-33, a negotiating group of 42 developing countries which presses for effective safeguard measures.

[20] Article 5 of the Agreement on Agriculture, *i.e.* the safeguard clause, represents an exception from the general rule of Article 4 which prohibits border measures other than tariffs.

[21] Between 1995-1999 the quantity-related trigger was used 238 times by the EU, Japan, Korea, Poland, Slovakia and the Czech Republic.

[22] Between 1995-1999 the price-related trigger was used 487 times by the EU, Japan, Korea, the US, Poland, Costa Rica, Hungary, and Switzerland.

[23] The same is true for the Trade & Transfer of Technology Working Group.

[24] *Cf.* OECD (2002): Agricultural Policies in OECD countries. Evaluation and Monitoring. Paris.

[25] The newly created word "tariffication" describes the process of the conversion of non-tariff trade barriers, such as variable expenditure and quantitative restrictions, into tariffs. The negotiating parties of the Uruguay Round regard this exercise as essential in order to achieve transparency and to facilitate further reductions in trade barriers. It reflects the interests of exporting countries which wish to maximise market access. However, developed nations have, in part, used this process in order to achieve relatively high initial tariff levels.

[26] International Agricultural Trade Research Consortium (1994): The Uruguay Agreement on Agriculture: an evaluation, Commissioned Paper No. 9.

[27] *Cf.* World Bank: Market access and the poor. http://www.worldbank.org/prospects/gep2002/chapt2.pdf

[28] For example through fiscal policies, social and ecological conditions for foreign direct investment, humane working conditions, state investment into specific programmes promoting family farming, government-led redistribution of lands etc.

[29] Tariff rate quotas regulate minimum market access by establishing a certain import volume equivalent of 5% of domestic consumption. The tariff applied to these imports must render the goods competitive with domestic production. The aim was to put pressure on those countries which had high initial tariffs resulting from tariffication in order to ensure that a certain amount of trade was taking place.

[30] Buntzel-Cano, Rudolf (2004): Die geschichtliche Entwicklung der Agrardumping-Bestimmungen im Gatt, in: Germanwatch (2004): Dumping beenden – Ernährungsgrundlagen im Süden sichern. Bonn/Berlin.

[31] WTO (2002): Overview of developments in the international trading environment. Annual report by the Director-General. WT/TPR/OV/8. p.20.

[32] Main users of subsidised export credits (1998 figures): USA 3.93 billion US$, Australia 1.55 billion US$, EU 1.25 billion US$, and New Zealand 1.11 billion US$.

[33] IATP points out that the USA are the prime user of export credits which include TNCs such as Cargil, ADM, Bunge etc., but warn that it would not be right just to punish public companies and to ignore the private ones. IATP notes that special consideration should be given to wordings with regard to "emergency situations". In such situations financial support should be given preference to the use export credits.

[34] *Cf.* Grethe, Harald (2001): Formen der Exportförderung für Agrarprodukte im internationalen Vergleich. Göttingen.

[35] According to UNCTAD (1990) there were a total of 546 state trading enterprises in 90 developing countries at the end of the 1980s. Also, most of the OECD member countries (all but the EU, Hungary, Iceland, and the Slovak Republic) notified agricultural state trading enterprises to the WTO. *Cf.* Grethe, Harald (2001): Formen der Exportförderung für Agrarprodukte im internationalen Vergleich. Göttingen.

[36] According to information from the Canadian Foodgrains Bank dated June 2003 the USA had taken legal action against the Canadian Wheat Board in nine instances and four other proceedings were on the way. Despite intensive investigation no judgement was made against the Canadian Wheat Board. As of yet there was no evidence that such STEs distort international grain trade.

[37] *Cf.* OECD (2003): Agricultural policies in OECD countries. Monitoring and Evaluation 2003. Highlights, Paris. Support must not be confused with "agricultural subsidies" as contained in the EU Agriculture Budget which in 2002, for example, amounted to 44.48 billion Euro.

[38] TSE = Total support estimate, OECD indicator. The TSE measures the overall cost of agricultural support financed by consumers and taxpayers. PSE = Producer Support Estimate, OECD indicator. The PSE is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to support agricultural producers, inclusive of market price support and budgetary payments.

[39] In the economic sense, subsidises are those state support payments which aim at improving the competitiveness of a participant in the market. "Subsidies" can thus be trade-distorting. In the context of the agri-environmental programmes the word "subsidy" is not formally used, as the programmes provide payments in return for services rendered.

[40] The EU commitment towards the WTO to reduce internal support measures by 20% was also without consequences for the EU as the deficiency payments introduced with the MacSharry reform did not need to be included in the AMS but could be assigned to the Blue Box.

[41] Also see Wiggerthale, Marita (1999): Die EU-Agrarumweltpolitik in den Grenzen der WTO. Oldenburg.

[42] The most comprehensive "Development Box" proposal of November 2002 (Submitted by Dominican Republic, Honduras, Nicaragua, Nigeria, Pakistan, Sri Lanka and Venezuela)

- Exempting certain agricultural products from further tariff reductions on the grounds of food security and rural development concerns
- Raising low tariff bindings, in particular for staple and food security corps
- Imposition of additional tariffs on imports of agricultural products which benefit from export subsidies and trade-distorting subsidies (AMS)
- Right to invoke a special safeguard mechanism for all agricultural products in order to address market disruptions caused by sharp price drops and import surges
- Retention of current tariff quota commitments for developing countries, *i.e.* no expansion of TRQs
- Exempt product-specific subsidies from AMS calculations for developing countries (Criterion: Country's productivity is lower than world average (as determined by FAO), exports amount to less than 3.25% of the global trade in this product over two consecutive years)
- New Green Box category for developing countries: poverty alleviation, rural development, food security, diversification of agriculture, provision of employment opportunities

[43] *Cf.* "WTO-Runde: Sommerloch oder vorzeitiger Winterschlaf?", in July edition of the Zeitschrift des Bundesverband der Deutschen Industrie e.V. [translated]

[44] *Cf.* www.bve-online.org.

[45] *Cf.* http://www.bve-online.de/presse/vortraege/texte/150502/tdl2.html: Dr. Peter Traumann, Chairman of the *Bundesvereinigung der Deutschen Ernährungsindustrie* on 15 May 2002 at the occasion of the *Tag der Lebensmittelwirtschaft*. [translated]

[46] *Cf.* http://www.bdsi.de/bdsi0115.html.

[47] Economic and Social Council (2003): Commentary on the Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights. E/CN.4/Sub.2/2003/38/Rev.2.

[48] *Cf.* Michael Windfuhr (2004): Accountable Business, in: Germanwatch-Zeitung 1/2004.

A human development–oriented trade regime would give governments space to design policies that are appropriate to their national development needs and to their social, environmental, and economic situations. after: UNDP (2003): Making global trade work for people.

Development Instead of Free Trade: Time To Turn Around
An interim appraisal of the WTO Agriculture Negotiations

By Marita Wiggerthale

Introduction

The word "development" is associated with combating poverty and hunger, humane working conditions, equal opportunities for men and women, guaranteed human rights, the protection of natural resources, access to soil, seeds, water, as well as health care etc. In the trade context, to promote "development" means to give governments space to design policies that are appropriate to their national development needs and to their social, ecological, and economic situation. In November 2001 the WTO members again proclaimed "development". However, even though developing nations tabled a number of "development" proposals at the outset of the negotiations, very few of these could as yet be carried through against the industrial nations – EU, USA, Australia etc. It is obvious from the July package that the imbalances in the rules governing the agricultural sector have still not been addressed.

With the commencing work on modalities the WTO Agriculture Negotiations now enter a decisive phase. What will count in the end is whether or not the modalities ensure the comprehensive and effective establishment of development concerns. Now is the time, therefore, to set the course for development. Development needs development opportunities, *i.e.* political scope for action and effective rights for the developing nations. But first let us take a look back.

As yet disregarded : Negotiation proposals that would bring structural changes

The end result of the Uruguay Round is also the starting point for the current agriculture negotiations as part of the Doha Round: an imbalanced Agreement on Agriculture at the expense of the developing countries. Trade-distorting supports and dumping are ongoing, market access has not improved, and the rights of developing countries are insufficient. In the area of subsidies the structure of the current Agreement on Agriculture is entirely targeted to the industrial nations' support systems but it applies to all member nations in the same way. Only direct payments are not classified as trade-distorting but this is a form of support which many developing countries can not afford. Hence the only mechanism with which they can protect their agricultural sector are tariffs since quantitative restrictions and non-tariff trade barriers had to be converted into tariffs. However, the projected reform process as part of the Agreement on Agriculture (AoA) provides for the substantial reduction of tariffs , thus removing any opportunity for the developing countries to protect their family-farming sectors and leaving their small farmers completely at the mercy of the world market.

In order to address these imbalances, to align the Agreement on Agriculture with their development needs, and to establish a "fair" agricultural trade system as stated in the preamble of the AoA, the developing nations made a number of proposals at the outset of the agriculture negotiations.

These were outlined in detail by Stuart Harbinson, the then Chairman of the Committee on Agriculture, in a review of progress so far (TN/AG/6 of 18 December 2002). It is striking that all those proposals which would either alter the structure of the Agreement on Agriculture or which question the WTO liberalisation philosophy did not make it into the official papers. This calls into question the common rhetoric claiming that the WTO is about "development" and the establishment of a "fair" agricultural trade system.

List of proposals by developing countries which have as yet not been integrated into any official modalities or framework paper:

- Positive list, *i.e.* list of products for which there are to be no reduction commitments
- Raising low tariff bindings
- Sequential implementation period, i.e. commencing implementation period for developing countries following substantial reductions in trade-distorting support and abolition of export subsidies
- Balancing mechanism, *i.e.* application of tariffs equivalent to the level of trade-distorting support and export subsidies
- Changes in the box structure, *e.g.* only one box containing trade-distorting support and one Green Box
- Countervailing duties for imports of subsidised products without the need to prove damages or causality
- Provisions dealing with developing countries' difficulties with regard to SPS
- Abolition of paragraphs 5,6,7,11 of the Green Box

Rearguard action: From the "Development Box" to "SP and SSM"

The "Development Box" had already been introduced into the negotiations prior to Doha.[49] The objective was to protect and extend local production of staple foods in developing countries, to improve food security, especially for the poorest people, to create or at least maintain employment opportunities for the poor in the rural areas, to protect small farmers and to support them in a targeted manner, and to put a halt to the dumping of cheap subsidised imports. Reference was made to Art. 20 of the AoA which explicitly states that past experiences with the implementation – *i.e.* the adverse impacts of agricultural liberalisation and agricultural dumping – as well as non-trade concerns such as food security need to be taken into account in the continuing reform process.

Content of the Development Box[50]:

1. Exclusion of staple foods from reduction commitments
2. Raising low tariff bindings
3. Special safeguard clause for developing countries: Rights to additional tariffs and quantitative restrictions
4. Those countries with total domestic support at or below the *de minimis* level should be allowed to maintain appropriate levels of tariff bindings
5. Developed countries should assess the possibility of preferential access for foods produced by small farmers
6. Extension of Article 6.2 (exemptions from reduction commitments insofar as support is targeted at low income and resource poor farmers)
7. Negative product-specific support should be allowed to be offset against positive non-product specific support
8. Higher (10%) *de minimis* level for domestic support
9. The peace clause should not be renewed
10. Allow developing country governments to purchase food security crops for public distribution at stable prices
11. New Green Box category for developing countries: poverty alleviation, rural development, food security, diversification of agriculture, provision of employment opportunities
12. Application of additional tariffs on imports of agricultural products which benefit from export subsidies and trade-distorting supports (AMS)
13. Exempt product-specific subsidies from AMS calculations for developing countries (Criterion: Country's productivity is lower than world average, exports amount to less than 3.25% of the global trade in this product over two consecutive years)

This proposal was once more tabled in Doha by the "Friends of the Development Box"[51]. Rural development and food security were named as central objectives. But the Development Box did not make it into the Doha Ministerial Declaration. However, paragraph 2 of the declaration states that the needs and interests of the developing countries are to be at the heart of the negotiations. Special and Differential Treatment is to be an integral part of all agreements. The “Development Round” was established.

The “Friends of the Development Box” became the “Like Minded Group”[52] which, on 12 November 2002, tabled a proposal for a comprehensive reform including effective Special and Differential Treatment for developing countries. This comprehensive and detailed proposal outlines the necessary changes to the Agreement on Agriculture and is the most far-reaching proposal on the Development Box to date. The last time the term “Development Box” is used in an official document is in Harbinson’s review paper.

Shortly before the ministerial conference in Cancún the “Alliance for Special Products (SPs) and a Special Safeguard Mechanism (SSM)” was established – nowadays also going under the name of G-33[53]. Its objective is to put a strong emphasis on these two safeguard measures in the negotiations and to make sure they are considered in the official documents. The establishment of the alliance mirrors the negotiation process at that time: the developing countries are in the defensive, their positions are forced back, and of the comprehensive Development Box only two safeguard measures remain. The EU and the USA successfully assert their offensive export interests.

Even though the G-33 limit themselves to the consideration of these two important protection instruments, its formation heralds the increasing unity of the developing countries, its organisation in coalitions, and their strong appearance at Cancún. This is an important precondition to enabling the developing countries to gain attention for their needs and interests at the WTO agriculture negotiations. However, this is as yet not reflected in the official documents. Undemocratic decision-making procedures, biased Chairs, and the usual pressure mechanisms all play their part. In the absence of participative, democratic and transparent procedures there will hardly be agreements which adequately consider the interests of the developing nations. [54]

The G-20: from counter-power to “co-opted power”?

August 20, 2003 is a historic date in the WTO agriculture negotiations as it marks a provisional turning point: the G-17[55] (now called G-20) enters the public domain for the first time with a counter-proposal to the EU-US text of 13August 2003. A new counter-power puts itself forward under Brazils leadership and stands up to the EU and the USA. Self-confidently it also puts itself in the picture at the start of the Cancún Ministerial Conference. Following in its footsteps the G-33 gains power and the G-90 establishes itself (LDCs, ACP, African Union). In a press statement dated 12September 2003 Brazil also shows strength. The attacks by the industrial nations on countries (Brazil, Indonesia a.o.) or groups of countries are publicly denounced for the first time. Finally, at the end of the conference it is stated that in the future the G-20 must also be reckoned with as a strong force. In the end, however, it was not the agriculture negotiations which let Cancún “collapse” but the African’s firm rejection of the new issues.

The G-20 stands for a substantial reduction of trade-distorting supports and for improved market access in the industrialised countries, for an end to the *status quo* (see EU-US text) and for a "keep going" with dumping and the largely closed markets especially with regard to products which are of interest to the developing countries. There are however concerns as to the extent to which the G-20 as an "advocate" of the developing countries truly and comprehensively defends development interests and in how far it stands for the protection of small farmers. The worry is that these countries, the majority of which are agrarian exporters – with some being under the strain of high debts[56] – differ in their interests from the smaller developing countries or those which predominantly produce for the local markets. Accordingly, La Via Campesina, a global movement of peasant farmers, welcomed the establishment of the G-20 on account of its politically and strategically important resistance function in Cancún but at the same time criticised the group's stance on liberalisation.

While the EU and the USA initially attacked the G-20, aiming at undermining and destroying it, they changed their strategy in early 2004. The informal group of "Five Interested Parties" was founded which consists of the EU, the USA, Australia (Cairns Group), Brazil and India. In close cooperation with this group, Tim Groser, Chairman of the WTO Committee on Agriculture, drafted the agriculture text of the July Framework Document[57]. Moreover, the stale argument of the need to save the multilateral trade system was once again employed towards the developing countries, just like after Seattle, in order to push for an agreement in July.

With this cooptation strategy and by acceding to their core demands (Brazil: removing export subsidies; India: avoiding the "Swiss Formula"), Brazil and India were isolated from the other developing countries with this divide-and-rule strategy. No doubt these two partial successes in themselves can be regarded as something positive but they fall well short of the G-20's original objectives and demands. If one compares the G-20 proposal of July 25, 2004 with the final text it is obvious that in most instances they could not assert their demands against the EU, USA and Australia (*i.e.* the industrial nations are always in the majority).[58]

Even though India and Brazil engaged in consultation with the different developing country groupings it was simply by participating in the group of "Five Interested Parties" that they had painted themselves into an impossible situation. They were left with no option but to claim the imbalanced framework agreement as a victory for the South. Cling together, swing together. For the time being, the counter-power has become a "co-opted non-power". However, it was announced the group of "Five Interested Parties" would be discontinued after July. It is thus too early to say that this is the swan song for the G-20.

G-33 and G-90: Carriers of hope for development

Despite their increasing strength the G-33 almost vanished from sight in Cancún on account of the concentration of media attention on the G-20. But this is not only true for the media but also for the post-Cancún period. At a meeting with the Chairman of the General Council, Perez de Castillo, the G-33 demanded more attention for their concerns in the negotiations.[59] Meanwhile the G-33 has not only grown to include 42 members[60] but on 1 June 2004 for the first time they tabled a paper which goes beyond the protective measures.[61] The G-33 could take on the role of development advocate in a much more comprehensive manner than before, at least as far as the market access pillar is concerned. A situation where possible safeguards resulting from the establishment of safeguard mechanisms will be cancelled out by a substantial tariff reduction formula must be prevented.

In contrast to the G-33, the 92 countries as part of the G-90 (of which 61 are WTO members) coordinate their positions not only with regard to agricultural but also for non-agriculture market access (NAMA), as well as with regard to Special and Differential Treatment and implementation issues etc. They joined forces in order to defend "their interests which are under serious threats".[62] On 12 September 2003 the G-90 made its first public appearance. Their strength is most certainly their coordinated approach to all negotiation issues and also lies in the fact that as the poorest nations they carry immense moral weight. Furthermore, they repeatedly demonstrated that the non-consideration of their interests is not without consequences. Especially in the negotiations on SDT and implementation issues[63], cotton, agriculture, commodities and non-agricultural commodities they will certainly play an important role. It was the G-90 that openly criticised the negotiations of the "Five Interested Parties", not the G-33 which is much more intertwined with the G-20.[64] In how far development concerns will be truly and comprehensively considered in the end will largely depend on the G-90. Moreover, further coalitions will hopefully arise in the other negotiation pillars, *i.e.* services, industrial commodities, Special and Differential Treatment etc.

The July Framework Agreement: The failure that was swept under the carpet

Brazil welcomed the decision of the General Council of 1August 2004 on the adoption of the Framework Agreement. The G-20 concurred "in view of its important participation in that process"[65], as did some other developing countries with reference to the mention of SP/SSM and the "explanatory paragraph"[66] in the text on industrial commodities. The pressure was too high to publicly state otherwise, as once again the multilateral trade system had just barely been rescued. In Geneva and in the capitals it is only off-the-record that one hears negative assessments of the text and its negotiation. There are many reasons for this situation: the exclusion of the G-90 and the G-10 from the negotiations, the unheeded G-90 rejection of the non-linear tariff reduction formula for non-agricultural goods which will further deepen the crisis of de-industrialisation,[67] the poor reaction especially by the USA to the cotton crisis in West Africa, the forceful pursuit of offers in the service sector with "no a priori exclusions of any service sector", the disregard for central issues in technology transfer and indebtedness, the failure to follow-up on a framework agreement on Special and Differential Treatment, the empty repetitions of the Doha texts on implementation issues and Special and Differential Treatment without any substantial progress, the continuation and extension of the Blue Box which had originally been conceived as a transitional measure. All in all, from a southern perspective, the July package marked another step on the descent towards underdevelopment.

“Not legal!” The non-binding July Package

Now that the July package has been adopted by the General Council the question arises as to the status of this paper. According to Art. X(3) of the Marrakesh Agreement only the Ministerial Conference can adopt resolutions which make changes to the WTO multilateral trade agreement. Hence the July package is non-binding in character, a fact that has been confirmed in Geneva by representatives of the developing countries and the EU Commission. Furthermore, the binding Doha Declaration makes provision for the preparation of modalities papers, *e.g.* for agriculture or for non-agricultural goods, while provisions for “frameworks” simply do not exist. So if the July package is non-binding, it can be ignored where it does not correspond to the needs of the developing countries, even more so since the majority of members did not participate in the negotiations.

The pros and cons of the July package text on agriculture

Apparently the EU and the USA are satisfied with the framework agreement for the agricultural sector. That does not come as a surprise – with the text they have achieved that in the areas of domestic support and sensitive products for the time being their agricultural policy is not called into question. While in principle the demand for a specific tariff protection for sensitive products is also welcome with a view to the maintenance of family farming in the EU, the wording with regard to domestic support is very unsatisfactory.

Domestic Support

Just to avoid any misunderstandings it must be said at this point that in the area of domestic support the aim is not the abolition of all subsidies but the rigorous targeting of the subsidies to more extensive and environmentally friendly forms of production and the maintenance of family farming.

At present the final bound AMS[68] constitutes the maximum permitted level of trade-distorting domestic support with the *de minimis* rule and the Blue Box[69] being exceptions to the rule.[70] The July package wants to change this. The **new maximum permitted level** of trade-distorting domestic support is calculated as the sum of final bound total AMS plus permitted *de minimis* plus Blue Box at the paragraph 15 level (*i.e.* 5% of the total value of agricultural production inclusive of possible further reductions). *De facto* this means that the maximum permitted level for the **EU** will be raised **from 67.160 billion Euro (final bound total AMS) to 103.663 billion Euro** (82.930 billion € if a 20% reduction applies). For the USA the situation is similar with an increase **from 19.10 billion US$ (2001) to 48.88 billion US$** (39.102 billion US$ if a 20% reduction applies). The figures in brackets show that even if a 20% reduction applies there still is an increase in the maximum level of permitted trade-distorting support. This is not in correspondence with the Doha Declaration which promised substantial reductions in trade-distorting domestic support. In the Uruguay Round the EU and the US performed a similar manoeuvre when they set the reference period for subsidies as the years 1986-88, a period of high subsidy levels. Thus the Doha Round may well turn into another zero sum game for the developing countries.

	EU (2000) in bn. €	**USA (2001) in bn. US$**
Final bound AMS	67,159.00	19,103.294
Permitted non-product-specific ***de minimis* – 5 % of total value of agricultural production.***	12,167.95	9,925.137
Permitted product-specific ***de minimis***	12,167.95	9,925.137
Blue Box ceiling **– 5 % of total value of agricultural production***	12,167.95	9,925.137
Total value of permitted/bound **trade-distorting domestic support**	103,662.85	48,878.705
80% of total value of permitted/bound **trade-distorting domestic support**	82,930.28	39,102.964
Total value of applied **trade-distorting domestic support as notified**	66,620.50	25,029.057
Gap between applied and permitted/bound **trade-distorting domestic support**	16,309.78	14,073.907

*: Total value of agricultural production: EU in 2000: 243.359 billion Euro; USA in 2001: 198.502 billion US $

It is difficult to estimate the exact size of the "gap" between the future bound support level and the actual level of support. The latest notifications date back to 2000 for the EU and 2001 for the US respectively. But even if the applied trade-distorting domestic support exceeded these notified levels – the 2002 US Farm Bill and the EU 2003 Luxembourg Agreement remain unconsidered – it is very likely that there a "gap" remains. This means that a reduction of the newly calculated bound trade-distorting domestic support to 80% does not entail a reduction in real terms.

However, the most serious step backward is the **"new" old Blue Box**. The Blue Box had originally been conceived as a mere transitional arrangement in order to smooth the transition from the market price support system to a system of decoupled direct payments. One look at the draft wording on the Blue Box issues reveals a series of "safety wordings" to avoid inadvertently being put under pressure to take (further) reform steps. Members who have placed an exceptionally large percentage of their "trade-distorting support" in the Blue Box will be provided some flexibility to ensure that they are "not called upon to make a wholly disproportionate cut." Also, any new criteria to be agreed "will not have the perverse effect of undoing ongoing reforms". With these wordings the Amber Box and the Blue Box are *de facto* excluded from the negotiations.

The July package provides for the negotiation of a reduction of the ***de minimis* level**[71]. However, it **should be abolished for developed countries**, as the EU demanded at the outset of the agriculture negotiations. It allows the countries in question, and particularly the USA, to continue unsustainable forms of support. Turning to a system of decoupled payments equally offers adequate support options and possibly a qualitative improvement in the use of subsidies. Especially the product-specific *de minimis* rule should therefore be discontinued.

In the July package only the wording on the **Green Box** can be regarded as a positive outcome. The existence of the Green Box is not being put into question but the criteria will be reviewed. This is not only useful in order to get to the bottom of possible trade-distorting effects but it is also valuable from the point of view of sustainability. Especially paragraphs 5, 6, 7, and 11 of Annex II are to be subjected to an assessment of their effects on environment and development. Furthermore, there are to be improved obligations for monitoring and surveillance which is a positive step from the point of view of environment and development. It is, however, important that the well-founded suspicions are addressed with due care. Another superficial discussion and a rigid stance by the industrial nations as it was displayed in the working groups on Transfer of Technology and Trade, Debt and Finance would not just be unfair but would also entail a lost opportunity in terms of the firm establishment of sustainability concerns in the Green Box.

Export Subsidies

An end date is to be agreed for export subsidies. In return the EU achieved its aims in terms of the domestic support regime. This barter deal leaves a bitter aftertaste: an end to dumping through export subsidies but a continuation of dumping through "indirect" export subsidies (part of the Amber Box, the Blue Box, and in part the Green Box). The abolition of export subsidies was well overdue and the question still remains as to when it is really going to happen. EU Agriculture Commissioner Fischler already let it be known that it is unlikely to materialise before 2017. Realistically, the abolition should be well possible within three years of the coming into force of the new Agreement on Agriculture, *i.e.* by 2010.

The abolition of export subsidies could lead to a downward pressure on prices for some products, e.g. for milk. In view of the milk crisis, should milk prices fall even further? No, this will only happen if no other parallel measures are taken. The abolition of export subsidies must be accompanied by a reduction in the production quota, preferably to 90% of the self-sufficiency level. This could stabilise prices at a level acceptable to the producers.

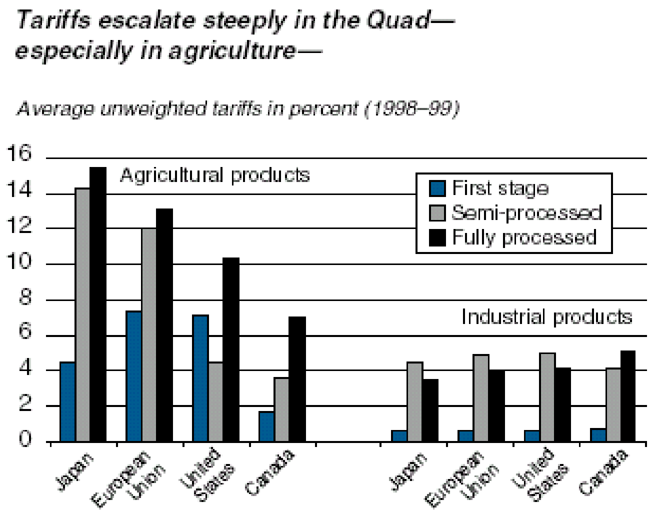
Furthermore, the end of export subsidies is also an opportunity. If it becomes obvious that surplus production can no longer be got rid off on the world market, a long overdue debate could be instigated on the issue as to whether the export-orientation of the farming sector and an EU policy which aims at making farmers fit for the world market is really in the interest of family farming. Why does the EU as an industrialised location have to foster an EU agricultural policy that is export-oriented? Would it not be wholly sufficient if production covered the bulk of consumption? In such a situation, regional marketing and regional economic structures would face much improved opportunities.

Market access

The adoption of a **"single approach"** to the tiered tariff formula at the start of the text is a conscious attempt at preventing different tariff formula for industrial and developing countries respectively. However, tariff structures vary substantially so that the application of a single formula (see the Derbez text) entails the protection of the domestic agriculture sector for some while necessitating radical tariff reductions for others. Is that a fair approach? Equality does not necessarily equate with equity and this is particularly true if structures – tariff, economic, and social structures – differ between countries.

The abolition of **tariff escalation**, just like that of export subsidies, is long overdue. It cements international division of labour with producers of raw materials predominantly in the South and processors predominating in the North – a colonial relic. While tariff escalation is at least listed as an element of the negotiations in paragraph 36, the fact that it is not again addressed in the section on Special and Differential Treatment unfortunately means that the industrial nations probably have no plans to unilaterally abolish tariff escalation. However, the application of the same reduction formula for tariff escalation to the developing countries would obstruct the establishment of food processing industries and threaten "infant industries".

This would undermine the possibility of keeping value added production in the country, and by the same token remove a significant development impetus in the South. Therefore the EU should make a case for a largely unilateral reduction of tariff escalation as they had announced in their own proposal of 29 January 2003.



Source: World Bank, based on WTO data.

The wording on "Sensitive Products" is basically all right. Nevertheless, a situation where markets in developed countries, especially for products that are of interest to developing countries, thus remain closed to the developing countries, must be avoided. Ultimately it is crucial that a good balance between improved market access for developing countries and the protection of family farming be found.

Special and differential treatment

It is striking that all wordings with respect to special provisions for developing countries are very vague compared to the provisions in the areas of domestic support and sensitive products which are important to the EU and the USA. This creates a **fundamental imbalance** in the text on agriculture.

Market access: Disregarding for the moment the fact that many of the proposals made by the developing countries have been completely disregarded one can conclude: It could have been worse. SP and SSM have at least been listed and paragraph 39 leaves scope for an extension of the list of elements of the negotiation.

Mention should be made here, in particular, of

- Raising low tariff bindings
- Sequential implementation period, i.e. commencing implementation period for developing countries following substantial reductions in trade-distorting supports and abolition of export subsidies
- Application of additional tariffs on imports of agricultural products which benefit from export subsidies and trade-distorting supports (AMS)
- Special tariff reduction formula for developing countries
- Provisions which take account of developing countries' difficulties with regard to SPS
- Introduction of quantitative restrictions, i.a. as necessary border measures solely for developing countries

This openness in terms of market access is an opportunity to limit or partly reverse liberalisation in the "sensitive area" and thus to protect family farm production in a truly effective manner, to create employment opportunities in the rural areas, and to safeguard food security especially for population sections affected by hunger and poverty.[72] In this context it is important to ensure that the general tariff reduction formula for developing countries does not undermine the newly created safeguard measures (see above), as has also been pointed out most emphatically by the G-33. However, it is likely that the EU and USA will resist this.

In its non-paper of 24 August 2003 the EU made it clear that they think little of protection for developing countries. They demanded a substantial reduction in tariffs, the classification of SPs as a sub-category of Sensitive Products – the G-33 rejects this – and the establishment of a SSM under certain criteria.

Unfortunately the EU does as yet enjoy the support of the German Federal Government on this issue. The limitation to SP and SSM in a mini-version is anything but useful for effectively achieving the development objectives given above.

Domestic support: The special provisions with regard to domestic support are very limited despite the fact that they do not "cost" the developed countries anything. Apart from the weak provisions on longer implementation periods and lower reduction coefficients, with which the EU and the USA think they have already largely fulfilled their obligations in terms of SND, the only other aspect mentioned is the continued access to the provisions under **Article 6.2.** It represents an exemption from the AMS and provides for the support of "low income and resource poor farmers". However, there had also been calls for expanded provisions under this article.

On this issue Harbinson's review paper of 18 December 2002 stated: "There is wide support among participants to maintain and enhance the provisions of Article 6.2 of the Agreement on Agriculture." Attachment 10 to Harbinson's paper lists a number of proposals in this regard (TN/AG/W1/Rev.1). The same is true for the expanded Green Box provisions (*i.a.* new category poverty alleviation, rural development etc.) as already outlined in Harbinson's Attachment 9. The fact that these generally non-contentious issues are missing from the July package once again demonstrates how far the developing countries have been forced back in their positions by the developed countries, despite the fact the EU in its own proposal of 29 January 2003 had already conceded flexibility on this issue in the context of a "Food Security Box".

The EU's "Food Security Box" also entailed increased flexibility for the *de minimis* rules for developing countries[73]. Meanwhile the EU demands a 10% reduction of the ***de minimis* level**. However, a group of developing countries in their proposal dated 20 June 2000 demanded a 10% increase of the *de minimis* level.[74] Regardless of whether the developing countries fully utilise this limit to date, it would be useful if some additional space was created as part of a medium to long-term perspective. This is because **what the Green Box is for the developed countries** – an upper limit has been dismissed and its existence is not being questioned **– the *de minimis* box is for the developing countries**. The developing countries should be given more scope in their use of the *de minimis* box, or the existing scope should at least be maintained in order to allow them to support their farming sector and their farmers with the limited financial resources available to them.

Equally as important as the *de minimis* level is the maintenance of **State trading enterprises (STEs)** for the developing countries on account of their importance in the provision of marketing structures and more stable prices, both of which are important for safeguarding the livelihood of small farmers. In this area at least, the G-20 was able to achieve as part of the July package that developing countries will be given special privileges to preserve domestic consumer price stability and to ensure food security. According to UNCTAD (1990) there were a total of 546 state trading enterprises in 90 developing countries at the end of the 1980s. Also, most of the OECD member countries (all but the EU, Hungary, Iceland, and the Slovak Republic) notified agricultural state trading enterprises to the WTO. [75]

The fact that the implementation of the **Marrakesh Decision** is still outstanding since 1994 shows the value that can be attached to developed countries' declarations of intent. It is supposed to cushion LDCs and Net Food Importing Developing Countries from the possible adverse impacts of the reform process and secure an adequate food supply at adequate prices. In its Kigali Declaration of 28 May 2004 the African Union demands that this decision be "speedily implemented". Once again the July package makes no mention of this. Only the question of export credits, export credit guarantees and insurance programmes is to be dealt with in the pending negotiations on modalities.

The unsolved commodity issue

In order to improve the livelihood of small farmers it is not only important that they maintain or regain access to the domestic markets but also that they achieve fair and stable prices for the food they produce. Over recent years the world market for agricultural goods has often been characterised by massive price drops: Between 1997 and 2001 the price for coffee fell by 66%, rice by 43%, cotton by 39%, cocoa by 30%, sugar by 24%, and wheat by 20%.[76] The obvious price collapse on the world market in conjunction with agricultural trade liberalisation is a double threat to small farmer incomes. Firstly, cheaper imports threaten to substitute the food they produce themselves, and secondly the domestic retail prices for their produce are pushed downwards. Low prices do not only directly effect small farmer incomes but they are also undesirable as they negatively impact on future food production since the necessary incentives for the maintenance of production levels are no longer available.[77] A fundamental reason for the price collapse is the oversupply on the world market. [78]

However, the price decline is also problematic due to the massive loss of export revenue in countries which are highly dependent on these exports. For more than 50% of these developing countries three to four commodities or less constitute half of their exports. The IWF and the World Bank classify 37% of these countries as heavenly indebted poor countries. These are the ones worst affected by the price decline.

Prompted by all these reasons Kenya, Uganda and Tanzania issued a non-paper into the negotiations on 19 May 2003. The European Parliament shares their concerns and has called on the EU to defend the right to establish guaranteed-price mechanisms for products that are vital to development.[79]

The commodity question was not completely disregarded in the July package as at least it is mentioned under "other issues". Elements which need to be discussed in relation to commodities are: Tariff escalation, preference erosion, technical and financial support, international commodity agreements, adverse impacts of trade liberalisation, state trading enterprises, supply regulation, and unfair business practices of large companies.[80] The seriousness with which these issues are addressed will be another benchmark of the quality of the "development round".

Food sovereignty: a new paradigm

The new paradigm of food sovereignty rapidly developed in 1996 and characterises the discourse amongst social movements worldwide. La Via Campesina, the international peasant farmers' organisation, defines food sovereignty as "the right of each nation to maintain and develop its own capacity to produce its basic foods respecting cultural and productive diversity" which are essential for national and community food sovereignty. Food sovereignty is seen as a precondition to achieving food security and the basic human right to food thus as an instrument to achieve it.81 Food sovereignty is essentially based on the farmers' right to produce food, a right which in many countries has been undermined by national and international agricultural trade rules. The organisation thus strongly criticizes the neo-liberal policies of the WTO, IWF, and the World Bank.

Most definitions of food sovereignty contain the following elements:

- Priority to be given to local agricultural production in order to be able to feed the nations' own people
- Farmers' right to produce food
- Consumers' right to decide what they want to consume and how and by whom it is being produced
- Countries' right to protect their farming sector from cheap food imports
- Agricultural prices must cover production costs and dumping must stop
- Local people to participate in political decision-making processes on agricultural policy

- Recognition of the rights of female peasants who play a major role in food production
- Promotion of agro-ecological forms of production in order to maintain the integrity of life-support systems and to protect the environment

The concept of food sovereignty highlights the WTO's "systemic development errors": Its exclusive orientation towards market liberalisation and its simultaneous disregard for development concerns; the lack of participation by representatives from developing countries, especially the poorer ones; the design of rules in such a manner that a reversal of trade liberalisation will be practically impossible; the formulation of rules favouring multinational corporations at the expense of vulnerable population sections as trade is favoured over development. Furthermore, the participation of civil society organisations at the national level in the development of positions on trade issues is generally very limited. Even though future agreements will have a major impact on the life of the people in the respective countries, the negotiation positions are inadequately disclosed and put forward for discussion. Food sovereignty is therefore a call on governments to seriously consider the demands of civil society, to include them in policy formulation, and to maintain political scope for the purposes of promoting development.

Concluding observations

Agriculture is a question of livelihoods (North and South), of food security, and also of rural cultures, landscape management, the colourful diversity of regional foods and the sustainability of production. The outcome of the WTO Agriculture Negotiations will have a major impact on the future direction of developments in these areas.

Basically, the future Agreement on Agriculture will only be able to do justice to all participating nations, and especially the developing countries, if their full participation can be assured. As long as "exclusive clubs" are part of normal business at the negotiations and the Secretariat as a "neutral instance" does not monitor compliance with transparent and democratic decision-making procedures, the agreements will favour the powerful nations. These procedural issues must therefore be addressed prior to the commencement of the negotiations.

It will be equally critical whether the G-20 in close cooperation with the G-33 and the G-90 will again self-confidently present itself as a "counter-power" or whether individual more advanced developing nations will solely pursue their particular interests. Furthermore, the offensive appearance of the G-33 and the G-90 is required in order to be able to achieve the comprehensive establishment of development concerns in the Agreement on Agriculture.

In the agricultural arena the "Development Round" must mean more than the mere establishment of SP and SSM. The Agreement on Agriculture must ensure that developing countries will generally be given the opportunity to protect their small farmers for reasons of food security. This requires additional safeguard measures such as quantitative restrictions, retrospective tariff increases etc.

Tariff reductions do not only threaten food security in developing countries and the livelihood of small farmers but they also limit governments' ability to act as these loose the very important revenue from tariffs from their national budgets. Necessary investments into education, health, infrastructure, advisory services etc. are increasingly threatened by cut-backs. Furthermore, the already visible increase in net food imports will lead to balance of payments problems which harbour a further risk of indebtedness.

Finally one must consider that the agriculture text is the one which for many developing countries ought to compensate for concessions made in all other areas of negotiation (NAMA, GATS etc.). Therefore it would be useful to keep the agriculture text open to the end with an opt-out clause for developing countries which would allow them to react to inequities in concessions or to forced liberalisations in other areas of negotiation which are hostile to development concerns.

On the part of civil society the exclusive orientation and aggressive drive of the WTO towards liberalisation is often criticised. The adverse effects of liberalisation on sustainable development and on sections of the population affected by hunger and poverty remain largely hidden. Only if the WTO makes it possible to say “No” to liberalisation and functions as a genuine forum for negotiation which is committed to pursuing the millennium development objectives, to respecting human rights, and to the protection of natural resources, will we be a little bit closer to a fair and sustainable multilateral trade system.

Marita Wiggerthale

October 2004

[49] WTO(G/AG/NG/W/13): Agreement on Agriculture: Special and Differential Treatment and a Development Box. Proposal by Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka and El Salvador.

[50] *Cf.* Like Minded Proposal dated 12.11.2002 and Green, Duncan & Priyadarshi, Sishir (2001): Proposal for a ‘Development Box’ in the WTO Agreement on Agriculture. Also see the position paper by Germanwatch, FIAN Deutschland and Weltladen-Dachverband: Ernährung sichern - Für eine „Development Box“ im WTO-Agrarabkommen.

[51] 14 countries: see footnote 1 plus Peru, Senegal, Nigeria. *Cf.* Press release dated 10. November 2001.

[52] It includes *i.a.* the following countries: Dominican Republic, Honduras, Nicaragua, Nigeria, Pakistan, Sri Lanka, Venezuela.

[53] The G-33 today comprises 42 members and is coordinated by Indonesia. Their demands include the introduction of “special products” self-designated by the developing countries, exemption from the reduction commitments and reductions in tariff trade quotas, as well as a “special safeguard mechanism” for all developing countries and for “SP” and “selected non-SP products”.

[54] Well before Cancún a number of requests had been made to the Chairman of the General Council to become active in this matter. See *i.a.* WT/GC/W/471 of the Like Minded Group. Furthermore, proposals were made by NGOs: Memorandum on the need to improve internal transparency and participation in the WTO.

[55] G-17: Argentine, Brazil, Bolivia, China, Chile, Columbia, Costa Rica, Ecuador, Guatemala, India, Mexico, Paraguay, Peru, Philippines, South Africa, Thailand, Venezuela.

[56] In 2000 Brazil had a debt of 237.953 billion US$ serviced by 91% of export revenue. Argentine had a debt of 146.172 billion US$ serviced by 71% of export revenue. Indonesia had a debt of 141.803 billion US$ serviced by 25% of export revenue. Other indebted

countries include *e.g.* Ecuador, Peru, Bolivia, Pakistan, Philippines. *Cf.* Schuldenreport 2003 by WEED.

[57] Also see Bello, Walden and Kwa, Aileen (2004): G20 Leaders Succumb to Divide-and-Rule Tactics: The Story behind Washington's Triumph in Geneva.

[58] See http://www.fairer-agrarhandel.de: "Comparison of the July texts at the WTO agricultural negotiations" and "Comparison of the agriculture framework proposals August 2003-2004".

[59] *Cf.* http://www.ictsd.org/weekly/03-12-17/wtoinbrief.htm and www.twnside.org.sg/title/twninfo102.htm.

[60] Since Cancún the following countries have joined: Benin, China, Congo, Ivory Coast, India, Korea, Mauritius, Mozambique, Peru, Senegal and Sri Lanka.

[61] JOB(04)/65: G-33 view on the market access pillar.

[62] See press statement of 12 September 2003.

[63] *Cf.* WTO (WT/GC/W/528): Doha work programme on special and differential treatment and outstanding implementation issues. Supported by the G-90, India, and Indonesia.

[64] Half of the G-20 members also belong to the G-33.

[65] See G-20 homepage: www.g-20.mre.gov.br.

[66] Many developing countries were outraged that the July 16 text was identical to the Derbez text on non-agriculture market access (NAMA). The African Group had proposed changes to Annex B of the July package which were, however, rejected as being unacceptable by the industrial nations. It almost seemed as if the negotiations would collapse on the NAMA issue. Negotiations then focused on a "vehicle" or explanatory paragraph. In the end, the developing countries agreed to accept the disputed Annex with no modification, except that it be prefaced with a first paragraph explaining that the Annex contains "the initial elements" for future work, and that "additional negotiations are required to reach agreement on the specifics of some of these elements." These relate to the tariff reduction formula, the treatment of unbound tariffs, flexibilities for developing countries, participation in the sectoral component, and preferences.
See: PRELIMINARY COMMENTS ON THE WTO'S GENEVA JULY DECISION by Martin Khor, Third World Network.

[67] See the Kigali Consensus on the Post-Cancún Doha Work Programme by the African Union dated 28 May 2004.

[68] The AMS or Aggregate Measurement of Support is the amount of domestic support for agricultural producers, excluding only expenditure which is exempted by other articles of the agreement. All government agricultural expenditure should be included in the Amber Box unless it falls under the criteria governing the other Boxes (Blue and Green Boxes, see below). In the EU, market price supports, amongst others, are included in the Amber Box.

[69] With the "Blair House Agreement" the EU and the USA achieved a breakthrough in the agriculture negotiations as part of the Uruguay Round in 1992. The so-called "Blue Box" was created. Article 6.5 of the AoA states that the Blue Box allows unlimited direct subsidies to farmers under production-limiting programmes. Payments are based on fixed area and yields or a fixed number of head of livestock. In the EU such payments were the area aid and livestock premia as well as set-aside premia.

[70] Both the *de minimis* rule and Art. 6.2 are exceptions to the rule for developing countries.

[71] The *de minimis* clause was devised to cover subsidies which despite being trade-distorting are excluded from the AMS calculations. There are non-product-specific *de minimis* payments (less than 5% of the total value of agricultural production) and product-specific *de minimis* payments (less than 5% of the total value of a particular product). While the 5% rule applies to industrialised countries, the developing countries are granted 10%.

[72] A target-group specific analysis has shown that at 50%, small farmer families represent the largest group of those suffering hunger. A further 20% and 8% respectively are landless people or people directly dependent on natural resources (forests, fishing, pasturage). The situation is similar for undernourished children under 5 years of age, of which 25% live in urban areas and 75% in small farming or landless families (many in remote regions). Twenty percent of undernourished children under 5 years live in families which are directly dependent on natural resources. Women are also disproportionately affected by hunger

and poverty. Since the 1970s the share of women living under the poverty line has increased by 50% while for men the increase was 30% during the same period. The obvious "feminisation of agriculture" in many parts of the world highlights the important role women play in the production and processing of local staple foods. Eighty percent of indigenous foods in Africa are produced by women, 50% in Asia, and 40% in Latin America. Trade regulations and practices which have an adverse impact on local markets thus predominantly effect women.

[73] "Experience is beginning to show that the present requirements in the Agreement on Agriculture should be adapted to allow developing countries the possibility to support their agricultural sector for development reasons. Therefore, we suggest that the *de minimis* clause foreseen in Article 6.4 (b) of the AoA be reviewed in order to provide enough flexibility".

[74] WTO (G/AG/NG/W/13): Agreement on Agriculture: Special and Differential Treatment and a Development Box.

[75] *Cf.* Grethe, Harald (2001): Formen der Exportförderung für Agrarprodukte im internationalen Vergleich. Göttingen.

[76] *Cf.* UNCTAD (2002): The Least Developed Countries Report. Geneva.

[77] *Cf.* De Haen, Hartwig (2002): Issues in World Commodity Markets, in: FAO (2002): Consultation on agricultural commodity price problems. Rome 25.-26.3.2002.

[78] *Cf.* Mitchell, Don und Varangis, Panos (2002): A Decline in Commodity Prices: Challenges and Possible Solutions, in: FAO (2002): Consultation on agricultural commodity price problems. Rome 25.-26.3.2002.

[79] European Parliament resolution on preparations for the 5th World Trade Organisation Ministerial Conference (Cancún, Mexico, 10.-14. September 2003).

[80] *Cf.* WTO (WT/COMTD/W/130): Declining terms of trade for primary commodities, and (WT/COMTD/W/113): Non paper on the need for urgent action in WTO to deal with the crisis situation created by long-term trend towards decline in prices of primary commodities to the trade and development of developing countries which are heavily dependent on their exports.

[81] *Cf.* http://www.foodfirst.org/pubs/backgrds/2003/f03v9n4.html and "Food sovereignty: A future without hunger" 1996.

A human development–oriented trade regime would give governments space to design policies that are appropriate to their national development needs and to their social, environmental, and economic situations. after: UNDP (2003): Making global trade work for people.

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- Die WTO-Verhandlungen – der Agrarexpress stockt auf der Entwicklungsstrecke (Blickpunkt WeltHandel August 2003)
- Wer hat, dem wird gegeben – Fairness im Welthandel weiterhin ein Wunschtraum (Welternährung 2/2003)

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