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EC - US Joint Text Agriculture

This is the joint US-EU text on agriculture modalities presented at a meeting at the WTO on 13 August.

Members reconfirm the objectives as established in paragraphs 13 and 14 of the Doha declaration, including the objective to establish a fair and market-oriented system through fundamental reform in agriculture. Members recognize that reforms in all areas of the negotiations are inter-related, that special and differential treatment for developing countries will be an integral part of the negotiations, and that non-trade concerns should be taken into account.

Ministers agree to intensify work to translate the Doha objectives into reform modalities, including by adopting the following approaches for reduction commitments and related disciplines on key outstanding issues on market access, domestic support and export competition.

1. The Doha declaration calls for "substantial reductions in trade-distorting domestic support". All developed countries shall achieve reductions in trade distorting support significantly larger than in the Uruguay Round, that will result in Members having the higher trade distorting levels subsidies making greater

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1.1. Reduce the most trade-distorting domestic support measures in the range of []% - []%.

1.2. Members may have recourse to less trade distorting domestic support under the following conditions:

(i) for direct payments if:

- such payments are based on fixed areas and yields; or

- such payments are made on 85% or less of the base level of production; or

- livestock payments are made on a fixed number of head.

(ii) support under 1.2.(i) shall not exceed 5% of the total value of agriculture production by the end of the implementation period.

(iii) the sum of allowed support under the AMS, support under

1.2.(i) and de minimis shall be reduced so that it is significantly less than the sum of de minimis, payments under Article 6.5, and the final bound AMS level, in 2004.

1.3. reduce de minimis by []%.

2. The Doha declaration calls for "substantial improvements in market access." Negotiations should therefore provide increased access opportunities for all and in particular for the developing countries most in need and take account of the importance of existing and future preferential access for developing countries.

To achieve this, commitments shall be based on the following parameters:

2.1. The formula applicable for tariff reduction shall be a blended formula under which each element will contribute to substantial improvement in market access. The formula shall be as follows:

(i) []% of tariff lines subject to a []% average tariff cut and a minimum of []%; for these import sensitive tariff lines

market access increase will result from a combination of tariff cuts and TRQs.

(ii) []% of tariff lines subject to a Swiss formula coefficient []

(iii) []% of tariff lines shall be duty-free.

2.2 For the tariff lines that exceed a maximum of []% Members shall either reduce them to that maximum, or ensure effective additional market access through a request: offer process that could include TRQs.

2.3. The use of the special agricultural safeguard (SSG) remains under negotiation, extended use by

2.4. A special agricultural safeguard (SSM) shall be established for use by developing countries as regards import-sensitive tariff lines.

2.5. All developed countries will seek to provide duty-free access for at least []% of imports from developing countries through a combination of MFN and preferential access.

2.6. Having regard to their development and food security needs, developing countries shall benefit from special and differential treatment, including lower tariff reductions and longer implementation periods.

3. The Doha mandate calls for "reductions of, with a view to phasing out, all forms of export subsidies." To achieve this, disciplines shall be established on export subsidies, export credits, export state trading enterprises, and food aid programs. Reduction commitments shall be applied in a parallel manner according to the following parameters:

3.1 With regard to export subsidies:

- Members shall commit to eliminate over a [] year period export subsidies for the following products of particular interest to developing countries [?];

- for the remaining products, Members shall commit to reduce budgetary and quantity allowances for export subsidies.

3.2 With regard to export credits:

- Members shall commit to eliminate, over the same period as in

3.1-1st indent the trade distorting element of export credits through disciplines that reduce the repayment terms to commercial practice ([] months), for the same products in 3.1-1st indent in a manner that is equivalent in effect;

- for the remaining products, a reduction effort that is parallel to the reduction in 3.1 2nd indent in its equivalent effect for export credits shall be undertaken.

3.3. Without prejudging the outcome of the negotiations, reductions of, with a view to phasing out, all forms of export subsidies mentioned in 3.1 and 3.2 will occur on a schedule that is parallel in its equivalence of effect on export subsidies and export credits.

3.4. Disciplines shall be agreed in order to prevent commercial displacement through food aid operations.

3.5. Export State Trade enterprises shall not restrict the right of any interested party to export, nor to undercut prices paid to domestic producers in their export operations, nor shall they benefit from special financial privileges from Governments. Disciplines, including ending single desk export privileges, prohibition of special financing privileges, and disciplines on pricing practices shall be established for export state trading enterprises.

4. As far as S&D treatment for developing countries is concerned, the rules and disciplines will need to be adjusted for significant net food exporting countries.

5. Issues of interest but not agreed: Peace clause, non-trade concerns, implementation period, sectoral initiatives, continuation clause, GIs, and other detailed rules..

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US-EC agriculture paper not acceptable as basis for negotiations

Report by Third World Network, Geneva

The US and EC presented a joint paper on agriculture modalities to a meeting of the heads of delegation (HOD) at the WTO on the evening of Wednesday 13 August. The US-EC paper drew strong negative responses from several developing countries at an initial discussion on it.

In presenting their paper, the EC and US described it as a framework for "modalities" that narrows the differences between them and other issues such as special and differential treatment could be later built into it through negotiations involving all the members.

Numbers for reducing tariffs, export subsidies and domestic support would be filled in through negotiations after Cancún. Both stressed that these should be ambitious, the US saying the outcome should be more ambitious than in the Uruguay Round.

But several developing countries rejected the US-EC view that their paper should become the basis for further negotiations, and insisted that the joint paper be only one input out of many that should be

considered, and that the Harbinson text remain the focus of discussion.

For instance Kenyan Ambassador Ms Amina Chawahir Mohamed said that discussions have all along taken place on the basis of the Harbinson text and therefore any initiative to move the process forward would have to be built on discussions that have taken place so far, taking account of all views, especially those of developing countries. It was apprehensive about the 11th hour attempt to resolve issues that have been on the table for three years.

Many developing countries expressed concerns about the substance of the joint paper.

Indian Ambassador K.M. Chandrasekhar said he was unhappy with the EC-US paper. It pries open developing countries' markets whilst allowing both EC and US to wriggle out of obligations to discipline domestic support and export subsidies and credit. This proposal is not acceptable as India has 680 million peasants to look after and the proposal is against their interests.

The market access proposal is most difficult. It has a category on products to be subjected to harmonization approach. This will have effect of prying open developing countries markets whilst not posing a problem for the US and EU because they have fewer tariff lines with high tariffs whilst developing countries have more tariff lines with higher tariffs.

Brazil's Ambassador, Luis Felipe de Seixas Correa, said he was upset about the EC-US proposal that "as far as S and D treatment is concerned the rules and disciplines will need to be adjusted for significant net food exporting countries." He said this is an attempt by EC and US to create a new category of countries known by the acronym SNFEC. He questioned what is the legal and institutional basis for having this new classification of exporting countries. On market access, he feels it falls short of the level of ambition of the Doha mandate.

China's Ambassador Sun Zhenyu remarked that many questions remain unanswered. There is no strong component on S and D. There is nothing on special products for developing countries. The paper was also weak on export subsidies and export credit.

Kenyan Ambassador Ms. Amina Chawahir Mohamed said that the EC-US text falls short of our expectations and as such we find it difficult to accept it as a basis of our further work. On domestic support, no specific figures are given for reducing most trade distorting support. There is no definite commitment for AMS and the main idea seems to be to harmonise the levels of support allowed between the two countries. The text suggests the blue box will be generally available to all members and this is a step backwards in terms of liberalization. The paper also does not focus on trade distorting elements of the Green Box measures and the criteria relating to this box.

On market access, Kenya noted the proposed harmonizing tariff reduction formula with a sensitive product category for all members. This formula does not address Kenya's concerns, including the special products concept for developing countries.

On export competition, the text negates the Doha mandate to substantially reduce all forms of export subsidies with a view to eliminating them. On S and D the paper takes only the limited Uruguay Round approach.

She added: "We are apprehensive about the 11th hour attempt to resolve issues that have been on the table for the last three years. Ministers at Cancun should be given a realistic and factual report of the current status of negotiations and this report should reflect the divergent views expressed by members so far. It is on the basis of this factual report that Ministers should give further guidance on negotiations including setting new deadlines for modalities and submission of schedule of commitments."

Later, at a joint US-EC press conference, US agriculture chief negotiator Allen Johnson and EC Ambassador Peter Carl, portrayed their paper as an exercise of leadership to catalyse the agriculture and overall negotiations. Johnson said both had "passed the test" and Carl called the proposal a framework representing a breakthrough in resolving problems between the two. Carl hoped by the end of next week there would be a text acceptable to all members.

The US and EC diplomats evaded requests from the media to fill in details that would give more meaning to their proposal, such as the amounts of different domestic subsidies that were projected in future, and the intended ratio of imports that countries would be allowed to allocate between the linear cut, harmonization formula and zero tariffs approaches.

It became clear that the paper was drawn up by the US and EC only to suit their own interests and to narrow their differences in a manner acceptable to each of them. The interests of developing countries did not figure.

The coming together of the positions of the two was portrayed by Carl at the media conference as follows. He said that on export competition there was a breakthrough "parallelism" with EU committing to phase out export subsidy in certain products and reduce the rest whilst the US committing on export credit. On domestic subsidy there is a common framework which leads to reduction in trade distorting support. On market access, "we shifted to each other" with EU accepting some of its tariffs would be subjected to harmonization and US agreeing to some products being under Uruguay Round formula.

To a question on what the proposed category "net food exporting countries" means and which countries were referred to, Carl said it is not reasonable to treat developing countries that are world powers in export capacity the same way as food importing countries. As to who they are, he would not name the countries but

said “you know an elephant when you see one.”

To a question why “special products” concept was left out, Carl said this fitted into Harbinson’s approach to suit countries like India. The EC and US did not discuss it because “we were working out solutions for ourselves.” It was now up to developing countries to ask what they want in the negotiations.

He added the EC and US did not address the Green Box subsidies as they did not disagree on this.

Allen Johnson kept stressing that what both wanted was to “move from more trade distorting to less trade distorting to non trade distorting” domestic support, and that this had now been “captured” in their in the paper.

A journalist asked Carl why the issues of geographical indications and non trade concerns had not been addressed in the paper when the EU had all along insisted that without a solution to these issues it could not accept other areas? Carl simply replied that it would take too long to go into those issues.

Another journalist asked the EC and US to each explain what would be the level of their overall domestic subsidies after the exercise, and would it really go down, or would their proposal simply shift the subsidies from one box to another without really reducing production and exports. He asked whether the US and EC expected their agricultural output to increase, decrease or be maintained, if their proposed modalities were implemented. On market access, what would be the ratio of products to be allocated between the three categories (linear cut, harmonizing and zero tariffs)?

Johnson denied there would be merely a shifting of boxes with no effect. He said the aim was to move from trade distorting to non distorting and said through the Green Box subsidy on conservation, many acres would be taken out of production. Both he and Carl said there were no

figures now for example on the ratios of products in the three categories. But it is up to the negotiations to fill in the figures.

They did not answer the questions on what their total domestic subsidies would be like or what their production levels were projected to be, under the assumptions of their proposals.

Analysis of the EC-US joint paper on agriculture in WTO

Martin Khor

What follows are the first two pages of a detailed analysis on the EC-EU joint paper on agriculture. The 14 page analysis is written by Martin Khor and can be accessed on the Third World Network Website: www.twinside.org.sg

1. General

On 13 August the EC and US presented a joint Text on agriculture. It is meant to be a draft text to be adopted by Ministers at Cancun.

It is clear from the paper that it is meant to suit the interests of the US and EC. It does not even aim or pretend to take account of the interests of all Members. Indeed, in introducing the paper at the WTO on 13 August evening and at a press briefing, the EC and US made clear that the paper’s function is to try to bridge the differences between EC and US, and they did not discuss nor aim to cover the interests of developing countries or others.

Given the admitted limited function of the paper, it is unfortunate that the proponents drafted it in language meant to be a draft text for Ministers to adopt in Cancun. This can create confusion that it is meant to be the basis for negotiations.

But it is clear that the paper cannot be accepted as the basis for the further negotiations on agriculture modalities as it is drafted to suit only EC and US interests. It is not acceptable that a paper drafted to bridge differences between two members

can then be used for all members to “fill in the gaps and figures”.

The EC-US paper should thus be treated like other papers that have been submitted throughout the past three years of negotiations, as an input. All other proposals by other members should be equally taken into account. The Chairman of the General Council should maintain neutrality and not accord a superior status to this paper, nor worse, to focus on it as the centerpiece or framework for a Cancun decision.

2. Bridging differences at whose expense?

Bridging of differences between the US and EC may be a positive action, but only if it results in benefits for all Members, especially developing countries and their farmers, and for world agriculture. But this depends on how it is done. Unfortunately the EC-US approach is basically flawed.

There are at least three negative aspects of how the two have tried to overcome their differences:

1. The differences between the US and EC are sought to be bridged in a manner of an agreement for each to let the other off the hook and to escape their commitments to reduce and stop their protectionism in agriculture.
2. Moreover, the two are united to pry open further the agriculture markets in developing countries, even as they maintain or increase their own protection. The effects will be devastating in their implications for poverty reduction, rural livelihoods and food security as cheap subsidized imports flood the developing world even more.
3. Accordingly, the joint text not only ignores but is counter to the aims of rebalancing the imbalances and injustices of the present AoA and to provide effective special and differential treatment for developing countries.

4. World agriculture trade is likely to be just as distorted, or even more so because the protection will now be more disguised and thus difficult to detect and counter.

In all three pillars of domestic support, export competition and market access, the EC-US text proposes modalities and measures that protect their narrow interests whilst further denying developing countries from defending themselves from aggressive protection and promotion of US-EC products, and indeed forcing developing countries to further open up to these subsidised products.

Domestic support

The AoA divides domestic subsidies into amber, blue and green boxes. Many members have argued in the negotiations that it is a flaw of the AoA to consider blue and green box subsidies to be less or non distorting, and have proposed that they also be subjected to disciplines and reductions.

An inefficient farm can remain in business even if amber box subsidies are removed (eg it no longer receives a higher price through price support) provided it receives enough grants and income support schemes. The blue and green box subsidies provide a wide range of grants on various grounds, allowing farmers to remain in business and to also export, even though the prices they receive for their products are below production cost.

Since blue and green box subsidies are allowed without restriction, both the US and EC have planned to shift their subsidies from the amber to the other two boxes. The US is ahead in this. In 1999, its green box subsidies were \$50 billion, amber box \$16.9 bil and blue box \$831 mil. The EU had \$47.3 bil in amber, \$19.6 bil in blue and \$19.7 bil in green box subsidies, according to WTO data. But in a few years, especially with the CAP reform, the EU will also be able to shift more and more of its support to the green box.

It is well known that the overall domestic support in OECD countries have not decreased and in fact has even significantly increased (at least in some years) since the end of the Uruguay Round, because the reduction in amber box subsidies can be offset by increases in other allowable subsidies. And so the OECD farms are even more protected, and since the support is decreasingly price based, the domestic prices can decline and yet the farms remain profitable. In future, these low-priced products can flood other markets even more devastatingly as they do not need even require export subsidies. The protection will be more disguised and thus even more dangerous as it is harder to detect and counter.

This major flaw of the AoA should be addressed. The Harbinson draft has not adequately dealt with this problem. But it at least recognised some of the problems. It proposed current blue box payments be capped and bound and either reduced by 50% for developed countries or be merged into the amber box. Despite many calls by developing countries and others to also subject the green box subsidies to reduction, Harbinson did not do so, only proposing minor measures to tighten rules. He also proposed amber box subsidies (the AMS) be reduced by 60% over 5 years for developed countries.

AoA should protect small farmers and rural poor: Report on Conference in Brazil

Rangarirai Machemedze

In the current negotiations for a new Agreement on Agriculture (AoA), developing countries must fight hard for an agreement that will provide small farmers and the rural poor the protection needed to ensure the continued viability of their livelihoods.

Over the last two decades, the experience of household farmers (subsistence farming) from Central to South America, Africa and Asia have been strikingly similar. Many have been forced to switch from diverse traditional farming practices to monoculture farming for export

markets. The provision of extension services and credit were conditioned upon farmers accepting the new technologies in export crops that were promoted. Farmers have been likewise forced to switch to export crops when local prices have plummeted as a result of cheap subsidised imports from developed countries flooding the local markets. In fact the list is endless for the many disadvantages that peasant farmers have faced across the developing world.

Peasant farmers have gone through a process of systematic impoverishment. Many have been squeezed out of farming altogether. Instead of abating food scarcity that many thought AoA would do coupled with the rhetoric in agricultural technology, hunger and food insecurity are now more pronounced than it has never been in previous decades.

US/EU impoverishing small farmers

While there have been a number of proposals from different interest groups for the new AoA towards the 5th World Trade Organisation (WTO) Ministerial Conference in Cancun, Mexico, the one that has been proposed by the big players (US and EC) has been particularly disturbing. What makes it so is the fact that it has been presented to the WTO meeting as the basis for modalities negotiations to be adopted by Ministers at Cancun. The proposal has been a kind of compromise text between the US and EU to narrow their differences in agriculture negotiations and has not taken any step to place the interests of small players as mandated by the provisions of the Doha Declaration. What it does is to further place farmers in the developing countries at the mercy of free-fall liberalisation especially in the area of market access. But the market does not work in their favour. It works in the favour of big players. The big players have been leaders in subsidising and protecting their agriculture sectors at the expense of small players.

Proposals for further liberalisation and the standardisation of the flow of goods,

services and capital may bring about further inequities between and amongst the member states of the WTO and generate even greater difficulties for developing countries. While it is known that international trade is an integral part of growth and development, its expansion through unbalanced agreements like AoA does not automatically benefit poor nations.

Consequently, the pressure being put on WTO members by industrial giants such as Nestle to ensure “progressive cuts in tariffs on farm products of "at least 50 percent", with the highest tariffs cut the most” should be rejected.

The preoccupation now for developing countries should be mostly on the protection of household agriculture. Farmers need protection against dumping and unreasonable competition from subsidised producers in the US and EU. Providing greater security for the rural masses will bring about more even and equitable development for countries worldwide.

In this sense developing countries should be able to use quantitative restrictions and import prohibition, not to be forced to reduce tariffs further. The line of thinking proposed by the Like-Minded Group of developing countries should be pursued where they are calling for the exemption of key agricultural products from new reduction commitments as well as renegotiate low tariff bindings.

The WTO’s single undertaking structure should be modified into a more flexible and development friendly structure. Developing country members should be given the flexibility to sign on to only those agreements which their economies and industries are ready for and which they can benefit from. This should be considered a central component of effective and real Special and Differential Treatment. A treatment that is based on the practical needs of developing countries to address issues particularly of protecting vulnerable groups while ensuring the

growth and survival of the agricultural sector.

Such a structure would mean that those developing countries whose agricultural sectors are not ripe for competition, and whose small farmers, food security and sovereignty will be severely affected, will be able to opt out of the agreement until such time when their farmers and economies are ripe. What the US and EU are proposing is to protect their own interests and further poverty in already impoverished developing countries.

Special and Differential treatment is particularly important in the face of unfair competition and dumping which characterises a huge part of developing countries’ trade with the developed block.

Declaration of Brazilia

While the US and EU were basking in the glory of having provided a security paper for their agriculture condemning developing countries agriculture to eternal underdevelopment, Brazil, India and other developing countries were busy putting together their proposal to the WTO.

The Ministry of Agrarian Development in Brazil together with other government departments brought together representatives of governments and civil society organisations to deliberate on Household Agriculture and International Negotiations. The importance of family farming as a driving force of development in poor countries has to be understood by developed countries, so that the right to development be granted through trade and international agreements particularly AoA.

The seminar, which brought participants from Africa, Latin America, Asia and Caribbean countries, issued a declaration, which recognised household agriculture as the mainstay of development in developing countries thus:

The ministers, representatives of Governments and representatives of civil societies from the countries participating at the international seminar on “Household Agriculture and International

Negotiations”, held in Brasilia on August 20 to 22, 2003

Considering that:

- 1) Household and peasant farming from Latin America and Caribbean, Africa and Asia composed by a variety of rural communities, have a fundamental role in social stability and in environmental sustainability of developing countries due to their economic, social and cultural functions, being equally important to fight rural poverty, towards a more balanced demographic and income distribution.
- 2) This sector of agriculture represents a major part of rural activities of Latin America and Caribbean and other regions, is fundamental to food security, plays a significant role in trade flows and stimulate social and economic regional life
- 3) The international trade agreement affect the structure and dynamics of agriculture, especially household agriculture, as well as international agricultural trade practices, inclusive of unfair trade competition policies
- 4) That household agriculture must be recognised and receive due attention in national development strategies and in international agreements;

Thus they hereby endeavour to:

- A- work individually and collectively to ensure that international agreements will strengthen and improve the income and quality of life of those involved in household agriculture in all its diversity;
- B- Strengthen the economic, social and political

organisation of household agriculture in our countries

- C- Widen the participation of civil society in each country, notably rural workers and family producer organizations in international negotiations;
- D- Implement in developing countries policies aimed at strengthening household agriculture and sustainable development to combat poverty in order to ensure food security and to transform the rural environment and to extend rights universally.
- E- Ensure that all proposals presented here reflect and recognize the strengthening of the role of women in household agriculture, as well their effective participation.
- F- Promote coordinated actions in international negotiations in order to preserve flexibility in the policies of strengthening of household agriculture and capacity to implement national policies of food security in developing countries, as well as fight unfair trade practices such as domestic support and export subsidies used by developed countries that generate distortions in production, prices and international agricultural trade. Also act towards guaranteeing special and differential treatment for small economies;
- G- Promote dialogue, in order to favour the exchange of experiences of rural development in the context of the integration of countries of Latin America, the Caribbean, Africa and Asia, that enhance access of household farmers to land and credit, that maintain

the cultures and traditions, that recognise their territories and strengthen this family based agriculture.

H- Expand collaboration in bilateral, regional and multilateral agencies for technical and financial cooperation in order to expand and coordinate actions to strengthen household agriculture and sustainable rural development.

This is a very significant development considering that Brazil is a member of the Cairns Group which has been pushing aggressively for market opening for their commercial agriculture interests. In fact developing countries attempting to protect the livelihood of small farmers, and hence requesting for the expansion of Special Products category have been opposed by the Cairns Group developing countries arguing that such measures could impede South - South trade.

Over the years the Brazilian agriculture has been dominated by large-scale commercial farming for export markets. Only a few players have been involved, including transnational corporations and rich individual land owners. Because of this, the majority of the farmers have been left out of the international arrangements as WTO agreements tend to benefit only a few powerful agro businesses.

The realisation by the Brazilian government, under a new leadership, to recognise peasant-based farming is a noble one, which should be supported throughout the developing world.

The increasing dependence of developing countries on external markets for their food and the increasingly distorted world markets is particularly disturbing. While only 2 – 5 per cent of the population are agricultural producers in the US and EU, 75 – 80 per cent (for example in Zimbabwe, India, Senegal and China) depend on farming for their livelihoods and source of food. So for developing

countries, this conference was a major success in recognising the interests of the majority of people in the developing world.

Rangarirai Machemedze is a Programme Officer with SEATINI

Editorial: US-EU agriculture deal trashes developing countries' concerns

Yash Tandon

It is clear that the United States and the European Union have, once again, done a deal on agriculture over the heads of the developing countries. As the first three articles in this issue show, the US and the EU did not even pretend to honour their commitment that they would work for the “development agenda” of the Doha Declaration. The gloves are off. The big powers now display their naked fist. As the EC Ambassador to Geneva, Peter Carl, is reported to have said, “We were working out solutions for ourselves.” So there you are. Globalisation is not an agenda for the good of everyone; it is for those like the US and the EU that can cut a deal that excludes the developing countries.

The tragedy about the World Trade Organisation (WTO) is that when the US and the EU have decided on something, that then becomes the lightning rod for the others. In an African saying where elephants fight, the grass suffers. The WTO shows that the grass suffers even when the elephants make love. On Agriculture, the sudden display of affection between the US and the EU means that the developing countries have simply become the unwanted members of the agriculture league.

This should come as a reminder to those in the Cairns group who had thought they might use the United States to pressurise the EU to come down on their agricultural subsidies. The US had no such intention, and the Cairns group, even if it has among others such countries as Australia, Argentina, Brazil and South Africa – not trivial players in the agriculture sector – they have very little clout in the WTO.

South Africa must be particularly displeased about this, because its negotiators in Geneva and at Doha had gone out of their way to distance themselves from their African colleagues in the hope of winning concessions in agriculture.

The other sad fact about the WTO is that the agreements between the US and the EU are treated as if they are already part of the Cancun Draft declaration. They should not be. They should be treated like any other proposal put before the General Council. And yet, by some unwritten rule that contradicts all claims about the WTO as a “rule-based” system, the joint position of the US-EU become almost automatically, the substantive content of the draft declaration. Thus, the draft Ministerial Text for Cancun released on 24 April 2003 bases its agricultural text almost entirely on the US-- EU proposal, This is entirely unjustified, unfair and subversive of the rule-based system.

As it now stands, the draft Cancun text on agriculture is completely one-sided. It takes into account the interests only of the EU and the USA. It should be rejected. The US and the EU and the WTO secretariat must be put on notice that if they are not prepared to be sensitive to the needs of the developing countries, then they leave no choice to the developing countries but to reject their text. The choice, sadly, is as clear as that. If the WTO Secretariat and the chairman of the General Council, had desisted from taking on lock, stock and barrel – the EU-US proposal as a substantive part of their draft declaration, then there was at least some room for negotiations. But they seem to have fallen on the bad behaviour displayed before the Doha Ministerial, namely, issue a text on the chairman’s “personal responsibility”. Under the circumstances, what option do they leave the developing countries but to refuse to be part of this chicanery.

As it is, the developed countries are getting away with murder. They have crafted a text that allows them minimal commitment to what is agreed at Doha and

maximum sacrifices by the developing countries. Even to try now to amend the text is to get involved in an exercise which *ab initio*, is a reject. How does one tamper with broken pieces of furniture? How does one even begin to repair a four-legged stool when two of its legs are already missing?

By contrast, the outcome of the conference organised by the government of Brazil on small holder and household farming ought to be taken seriously. The Bulletin carries a report on this. The present Lula government, unlike its predecessor, is not wedded to promoting only commercial interests in agriculture. Commercial agriculture may be important in the export sector, but the livelihood of the bulk of the population in the developing countries including Brazil depends on household, or what in Zimbabwe is called, communal agriculture. The WTO has no time for peasant agriculture. Already one of the inequalities of the Uruguay Round of Agreements on agriculture was that it limited it to only three issues – market access, export subsidy and domestic support. These do not address the more fundamental aspect of agriculture in the developing countries – namely, that it is the very basis of the livelihood of the bulk of the population. The conference in Brazil addresses this glaring gap in the WTO’s handling of the agricultural sector. Unfortunately, most of the DC negotiators also got caught up in the language of the WTO, and, for sure, at Cancun they will be haggling over these issues, now already so narrowly circumscribed by the incorporation of the US—EU text in the Cancun draft.

Injustices are piling upon injustices. Time will come when the people of the developing countries will have to come on the streets of their capitals and withdraw their mandates from their negotiators in Cancun, and say to them enough is enough, withdraw from the negotiations, as African states did at Seattle. This is not the way to conduct negotiations in a rule-based system.

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