

Fair Trade for Hungry Farmers:

A development briefing on negotiations for a new WTO Agreement on Agriculture

The time is short. Between January and March 2003, members of the World Trade Organization (WTO) will negotiate new rules for international trade in agriculture. A draft of the new rules is expected by late February, with agreement by the end of March, and official signatures in September at the WTO meeting in Cancun, Mexico.

The stakes are high. 800 million people in developing countries face chronic or seasonal hunger. Most people (60-80% of the population) in the poorer developing countries depend on agriculture for their livelihood. This makes the Agreement on Agriculture the most important development issue for Cancun.

The human right to food is protected by international treaties to which Canada is party. When governments negotiate rules for international trade in agriculture, they must ensure that these rules do not undermine any government's ability to protect and fulfil its human rights obligations.

Many of Canada's interests coincide with those of developing countries; others require compromise. In the long term, developing countries will be important trading partners. Failure to give a high priority to the needs of developing countries will have huge costs: more deaths from hunger, more poverty, more instability and conflict.

This brief spells out five key proposals Canada should support. Last year the Standing Committee on Foreign Affairs and International Trade instructed Canadian negotiators to give close consideration to a series of measures (the "Development box") proposed by a group of developing countries. We believe that Canada's own interests will be best achieved by seeking common cause with developing countries on these issues.

1. Defense against subsidies that destroy small producers

Like Canada, many developing countries are strongly committed to reducing the devastating effect of farm subsidies on international commodity prices. Canadian farmers want a fair chance to compete in international markets. For farmers in developing countries, with no help from government 'social safety nets', the ability to recover their cost of production can be a matter of life and death.

Canada's position ought also to acknowledge the need for interim measures. Farm policies in the United States and European Union will result in at least another five years of high subsidies.

As long as this situation persists, developing countries need a simple defense mechanism for applying additional duties, adjusted to the overall level of subsidization in the exporting country.

Developing countries have proposed a simplified countervail to be applied to subsidized agricultural imports. Canada's claim that this proposal does not reflect the "fundamental principles" of the WTO ignores the fact that the most powerful countries fail to follow the same principles.

Canada should join its Cairns Group partners who have backed this proposal to give poor countries the tools they need to counter external distortions. Canada's support would increase the pressure on the US and EU to reduce high subsidies and may expand the market for Canada's relatively unsubsidized commodities.

FAIR TRADE RULE #1

As long as high US and EU subsidies distort trade, developing countries must have the right to apply tariffs on agricultural imports that are sold at less than the cost of domestic production.

2. Exemptions to Promote Agriculture in Poor Countries

The Doha WTO ministerial acknowledged that reducing the gap between high-income and low-income trading partners is essential for a fair trading system. Agricultural development has historically been a key building block for national economic development. For agriculture to prosper, farmers must, over time, receive prices that meet their costs of production. If the production and marketing of key staple crops is disrupted by lower priced imports, the consequences are immediate and serious – children are removed from school for lack of school fees, family food intake is reduced, and the use of agricultural inputs drops.

Canada seeks access to all developing country markets for our products, including the staple products on which poor, small producers depend for their livelihoods. Forcing open the staple commodity markets of many developing countries can destroy the chances for small farmer agriculture to grow, driving more people into urban poverty.

Some developing countries have proposed that a limited number of non-exported staple commodities be exempted from further reductions in import tariffs as a 'food security mechanism'. The exemption would hold only if these commodities are not exported in significant quantities.

Canada used similar border control measures to foster the development of its own national economy. Now that we are at the top of the Human Development Index, we should allow countries with far fewer advantages to use similar tools to help close the gap between rich and poor countries.

FAIR TRADE RULE #2

Developing countries must have the right to designate a limited number of non-exported staple commodities as exempt from further tariff reduction.

3. Flexibility to Increase Food Production

While border measures are their most "affordable" policy option, some developing countries also provide small amounts of domestic support to their farmers, often in the form of assistance with agricultural inputs or transportation. This type of domestic support can encourage increased production in countries where food is in short supply and it can be targeted to low income, resource poor farmers.

Canada seeks the reduction or elimination of "production distorting" domestic support, with no indication of any exceptions for developing countries. Canada should support greater flexibility for developing countries to use domestic support to increase production by poor farmers for the local market.

FAIR TRADE RULE #3

Developing countries must have the flexibility to use domestic support expenditures to increase production for local consumption.

4. Options to Keep Farmers in the Market Place

The past decade has seen an unprecedented consolidation of corporate activity in the supply of agricultural inputs and in the purchase, processing and marketing of commodities. Small producers, especially in developing countries, have been placed at a vast disadvantage. Mechanisms that allow farmers to cooperate in marketing their produce are vital to strengthening rural economies and giving farmers a say in the processes that determine their livelihoods. There may also be a need for disciplines on the very large private actors whose policies and practices can have a devastating impact on rural welfare.

Canadian negotiators' commitment to the Canadian Wheat Board should be matched by support for developing countries' use of similar instruments. Any disciplines applied to the CWB should also apply to all entities of similar market power, including private corporations. Canada should support farmer-controlled marketing options for all.

FAIR TRADE RULE # 4

Farmer-controlled marketing structures, including single-desk exporters, must be retained as an option for developing country farmers.

5. Commitments to Lend a Hand

Changes in global agricultural trade, together with new technology and other aspects of globalization have caused profound changes in developing countries. Vulnerable food importing countries face rising food import bills and falling export revenue, as they become more dependent on a volatile international market for their basic food supplies. Food shortages, like the ones happening today in Southern Africa and the Horn of Africa, are worsened by the lack of international commitment to assist with essential food supplies.

Canada and the other developed countries agreed to help vulnerable developing countries obtain essential food supplies and increase domestic food production, as part of the WTO Agreement on Agriculture.

Only recently has Canada begun to take action on this commitment. CIDA appears to be reversing the drastic decade-long decline in its support for developing country agriculture, although it is not clear that new resources will target the most vulnerable countries. Canada's poor record on the provision of food aid in recent years is also under review and must be improved.

FAIR TRADE RULE #5

Developed countries should make binding commitments to support agricultural development and provide appropriate food aid assistance to Least Developed and Net Food Importing Developing Countries.

Let's Make Trade Fair at the WTO

Canada should support the five fair trade rules proposed in this brief to help address the urgent needs of poor farmers in developing countries. These rules would go a long way toward putting "development" into the Doha Development Round of trade talks. Canada's own national interests will be best served by making common cause with developing countries on these issues. By championing these Fair Trade Rules, Canada would not only do the right thing for our poor neighbours, we would help bring the Doha negotiations to a successful conclusion.

Summary

1. **As long as high US and EU subsidies distort trade, developing countries must have the right to apply tariffs on agricultural imports sold at less than the cost of domestic production.**
2. **Developing countries must have the right to designate a limited number of non-exported staple commodities as exempt from further tariff reduction.**
3. **Developing countries must have the flexibility to use domestic support expenditures to increase production for local consumption.**
4. **Farmer-controlled marketing structures, including single-desk exporters, must be retained as an option for developing country farmers.**
5. **Developed countries should make binding commitments to support agricultural development and provide food aid assistance to Least Developed and Net Food Importing Developing Countries**

The Canadian Food Security Policy Group brings together development agencies, emergency relief providers, and human rights groups who work with hungry people in developing countries. Members include Canadian Council for International Co-operation, Canadian Foodgrains Bank, Inter Pares, Mennonite Central Committee Canada, Oxfam Canada, Rights and Democracy, and World Vision Canada.

The group is committed to the development of a fair agricultural trading system that will contribute to fulfilling the universal right to food, strengthen the livelihoods of small food producers in developing countries, and foster a healthy agricultural sector for farmers in Canada. In November, the group hosted a Round Table on Food and Trade with the support of Agriculture and Agrifood Canada. This brief crystallizes the key issues and options from that event; a full report is available upon request or at <http://www.foodgrainsbank.ca/research.html> and <http://www.ccic.ca>

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